



Fostering Relevant Skills and Employability Through Education

ISSUES FOR DISCUSSION

INFORMAL MEETING OF OECD
MINISTERS OF EDUCATION

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Fostering Skills and Employability Through Education

Education and skills transform lives and drive economies. Without the right skills, people are kept on the margins of society, technological progress does not translate into economic growth, and countries cannot compete in today's economies.

But skills do not automatically translate into better economic and social outcomes: while many graduates are unemployed, employers say that they cannot find the people with the skills they need.

On 8 October 2013, the OECD will launch its Skills Outlook, which will look at how well adults are prepared for the labour market. The Outlook will contain the results of the Survey of Adult Skills (PIAAC). We expect the survey's release to trigger renewed debate on how human capital contributes to economic and social development, focus attention on where improvement is needed, and spur further policy efforts.

During the meeting Ministers will receive a briefing on the findings from the Survey (administered by the Programme for the International Assessment of Adult Competencies – PIAAC).

The aim of the meeting is to address the challenges facing us all in developing relevant skills and ensuring both their effective supply and a better match with demand.

Working lunch

Trends and perspectives on skills and skills deployment

The OECD report *Better skills, better jobs, better lives* found that countries can improve the quality and quantity of their skills by encouraging people to learn, by encouraging skilled people to enter the country, and by promoting cross-border skills policies.

Learning and skills development should not be confined to the first decades of a person's life. Labour markets are changing rapidly, and many OECD and emerging countries have seen a decline in demand for craft skills and physical labour and a rise in demand for cognitive and interpersonal skills, and for higher-level skills more generally.

The working lunch will provide an opportunity for representatives of business and labour to share their views with Ministers.

Questions for discussion

- Skills development is more effective if the world of learning and the world of work are linked. *What role can the social partners play in education and training programmes?*
- Preparing young people for working life with up-front education and training is only one facet of skills development: working-age adults also need to develop their skills so that they can progress in their careers, meet the changing demands of the labour market, and retain the skills they have already acquired. *How can barriers to investing in further learning be removed?*
- In seeking to match skills supply to demand in emerging sectors and to replace an aging workforce a growing number of countries turn to the skills of people abroad. However children of migrants, especially second and latter generations, underperform at school, with damaging consequences for them, as well as for the competitiveness of the societies of which they are an integral part. Moreover unemployment in migrant populations is persistent and high. *How can the skills of migrants be better developed and utilised? And can we make it easier for recent migrants to learn the skills needed to integrate more fully into society and the labour market?*

PIAAC is the most comprehensive international survey of adult skills ever undertaken and is collaboration between governments, an international consortium of organisations and the OECD. It measures the skills and competencies needed for individuals to participate in society and for economies to prosper and set out to help governments better understand how education and training systems can nurture these skills.

For each participating country the survey involved interviewing 5 000 adults aged 16-65 years in their homes, to assess their literacy and numeracy skills and their ability to solve problems in technology-rich environments. A broad range of contextual information was collected from the adults taking the survey, including how their skills are used at work and in other contexts.

PIAAC builds on previous international surveys of adult skills, allowing literacy levels to be compared over a 13-17 year period for some countries.

PIAAC breaks new ground by expanding the range of skills being measured; introducing a self-reported measure of the use of skills at work; and using computers to administer an international assessment.

While PISA looks backwards to establish how effectively school systems establish the foundations for success in life, PIAAC is looking forward to how initial skills feed into further learning and important economic, employment and social outcomes. PIAAC is carried out less frequently than PISA, as changes in the distribution of adult skills and their policy determinants change only slowly. PIAAC has just completed its first assessment and at this stage still more limited in its geographic coverage.¹

¹ Countries participating in the first cycle of PIAAC are: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Japan, Korea, Netherlands, Norway, Poland, Russian Federation, Slovak Republic, Spain, Sweden, United Kingdom and United States.

Plenary session

First results and key insights from the Survey of Adult Skills

Skills transform lives, generate prosperity and promote social inclusion. Equipping more people with better skills to collaborate, compete and connect – and to create better opportunities for them to use their skills effectively – will help long-term economic growth. If there is one central message emerging from the new Survey of Adult Skills, it is that what people know, and what they do with what they know, has a major impact on their life chances. The Survey also shows that this impact goes far beyond earnings and employment. In all countries surveyed, individuals with poorer foundation skills are far more likely than those with advanced literacy skills to report poor health, to believe that they have little impact on political processes, and not to participate in associative or volunteer activities.

At the aggregate level too, the distribution of skills relates closely to how the benefits of economic growth are shared among individuals and social groups. Indeed, the distribution of skills – and thus economic outcome – within many countries surveyed is much larger than the differences in average skill levels between countries.

There is no group for whom this is more important than today's young people. Between 2008 and 2012, the gap in unemployment rates between higher- and less-educated youth widened in all countries, sometimes dramatically. Unemployment among young people without a high school education rose by 20% in Estonia and Ireland, and 15% in Greece and Spain. But even for young people who have completed the same level of education, in some countries, the Skills Survey shows that their actual skill levels vary considerably. While young people with advanced skills have weathered the crisis reasonably well, those without foundation skills have suffered. The challenges young people currently face in gaining a foothold in the labour market have both an immediate and a lasting impact on individuals, families, and societies. They underscore the urgent need for policy responses that address the short-term lack of job opportunities but also improve outcomes for youth over the longer term. Policy options to address both were highlighted in the OECD Youth Action Plan endorsed by the Ministerial Council Meeting earlier this year.

But simply providing young people with more and more education is not the answer. Increasing shares of young people are completing higher education, partly as a result of deliberate expansion and partly because they have chosen to stay in education longer because of the economic crisis. And yet, there are graduates who are unemployed or underemployed, while employers say that they cannot find the people with the skills they need: this shows that more education does not automatically translate into better economic and social outcomes. To succeed with converting education into better jobs and lives, we need to understand which skills are most relevant to the needs of the labour market and contribute most to achieving better economic and social outcomes, ensure that the right skill mix is being learned and help our economies to make effective use of those skills.

The essential starting point for governments, and especially for Ministers responsible for education, is to better understand the evolution of skill-demand and to find ways to reshape education policies in ways that respond to changing skills requirements. The scarcity of science-related skills in many countries is a case in point but the issue goes far beyond that. Labour demand in the industrialized world shows major

changes over the last decades. The steepest decline in skill demand is no longer in the area of manual skills, but in routine cognitive skills. When we can access the world's knowledge on the internet, when routine skills are being digitised or outsourced, and when jobs are changing rapidly, accumulating knowledge matters less, and success becomes increasingly about ways of thinking – creativity, critical thinking, problem-solving and judgment – about ways of working – collaboration and teamwork – and about the socio-cultural tools that enable us to interact with the world.

We do not know how the world will change over the working life of today's young people but we do know – for sure – that it will change. Good foundation skills promote lifelong learning, and our education systems need to equip young people with the learning skills they need to grow, adapt and develop new expertise throughout their lives. Our education systems also need to shift from front-loaded, qualifications-focused education catering essentially for the young to providing flexible skills-oriented learning opportunities throughout life, designed in close collaboration with employers, unions and other stakeholders.

OECD's *Learning for Jobs* analysis shows that, if managed well, the workplace can provide an excellent environment for young people to develop the skills they need – and that employers want – as part of the transition from education to the world of work. Compared to curricula designed entirely by educators and taught exclusively in schools, learning in the workplace allows young people to develop “hard” skills on modern equipment, and “soft” skills, such as teamwork, communication and negotiation, through real-world experience. Building workplace experience into educational programmes also provides an important channel of feedback from the labour market to education providers about what skills are in demand. These benefits of workplace learning to promote employability apply whether young people are pursuing a vocational/professional pathway or following a more general/academic route.

Hands-on workplace training is also an effective way to motivate disengaged youth to re-engage with education and smooth the transition to work. Many countries need to tackle unacceptable rates of school dropout by offering more relevant education, by offering work experience to young people *before* they leave education, and by providing second-chance opportunities and effective support for young people with inadequate skills to return to the education system if they have already left.

Barriers to investing in further learning also need to be removed: preparing young people for working life with up-front education and training is only one facet of skills development. Good foundation skills are important for lifelong learning: working-age adults also need to develop their skills so that they can progress in their careers, meet the changing demands of the labour market, and retain the skills they have already acquired.

Cross-border skills policies are important too: countries may not have an adequate supply of skills because they have booming emerging sectors and not enough people trained in those fields, because their societies are ageing and there are too few young people to replace retiring workers, or because they want to move major parts of the economy to higher value-added production, which requires a well-trained workforce. Similarly, while skills policies are typically designed nationally, an increasing number of employers operate internationally. Some countries have begun to invest in the skills of people abroad. This has the double advantage of providing well-trained workers to branches of firms located abroad and reducing the incentives to emigrate, especially among highly skilled individuals.

And yet, building skills is the easier part; a far tougher challenge is providing opportunities for young people to use their skills effectively in the labour market. As pointed out in the OECD's Youth Action Plan, employers may need to offer more flexibility in the way they organise work for new personnel. Labour unions may need to reconsider their stance on rebalancing employment protection for permanent

and temporary workers. Enterprises need reasonably long trial periods to give those youth who lack work experience a chance to prove themselves, facilitating their transition to regular employment.

Countries also need to use their talent more effectively. The Survey of Adult Skills shows that, in some countries, skills mismatch is a serious challenge that is mirrored in people's earnings prospects and in their productivity. Knowing which skills are needed in the labour market and which educational pathways will get young people to where they want to be is essential. High-quality career guidance services, complemented with up-to-date information about labour-market prospects, can help young people make sound career choices. Countries also need to maintain and expand the most effective active labour-market measures, such as counselling, job-search assistance and temporary hiring subsidies for low-skilled youth; and they need to link income support for young people to their active search for work and their engagement in measures to improve their employability.

The OECD Skills Strategy and country experience has shown that none of this can be fully effective unless skills policies are brought together in a more coherent, whole-of-government approach across ministerial portfolios and with the full collaboration of all relevant stakeholders – skills really are everyone's business. This means reaching out across ministerial portfolios to work together on finding the right policies that develop skills, bring those skills into the labour market and ensure they are used effectively to achieve better skills, better jobs and better lives. It also means involving employers, unions, education providers, professional associations and other stakeholders to identify and overcome the obstacles to implement approaches that will really work.

As the Survey of Adult Skills has shown, there is still much room for improvement: to develop the right skills within the education system, preparing young people for flexible career paths and fostering entrepreneurship and innovation as well as offering more effective vocational training; to provide labour market arrangements that encourage employers to utilise skills more effectively and invest in learning; to ensure that investments in training are translated into better-quality jobs and higher salaries; and to enable individuals to take more advantage of learning opportunities. Countries also need to take a hard look at who should pay for what, when and how. Governments need to design financial incentives and tax policies that encourage individuals and employers to invest in post-compulsory education and training. Some individuals can shoulder more of the financial burden for tertiary education, and funding can be linked more closely to graduation rates, provided individuals have access to income-contingent loans and means-tested grants.

Many countries are still facing significant economic difficulties; even where economic prospects are slowly brightening, sustaining economic recovery and addressing job growth remain pressing concerns. But the cost of low educational performance is the equivalent of a permanent economic recession. If the whole industrialised world would raise its learning outcomes by 25 PISA points, the level of improvement that we have seen in Brazil and Poland over the last decade, its economies could be richer by over EUR 100 trillion over the lifetime of today's students. So it's worth getting this right. Tackling these skills challenges may seem daunting, results will take time to emerge, and the big payoff comes over the long term, but it needs the commitment of today's policy makers to improving skills to generate the changes that will transform lives, generate prosperity and promote social inclusion.

Questions for discussion

- *What can we learn from cross-country differences in the level and distribution of skills and their impact on economic and social well-being?*
- *What can public policy do to encourage educational institutions to place greater emphasis on emerging skill demands, to better align assessments and examinations with these, and to encourage individuals to pursue studies with high social returns?*
- *How can we make policies more effective in integrating the world of learning and the world of work and strengthen employer engagement in skills systems?*
- *What are countries' strategies to finance skill development for more relevant skills, for a more efficient delivery of skills, and for better incentives to individuals and employers to invest in skills?*

Plenary session

The future development of PISA

The OECD Survey of Adult Skills has drawn on experience of PISA – the Programme for International Student Assessment – which has been highly influential in education policy analysis and development since the publication of its first report in 2001.

OECD member countries established PISA in the late 1990s to compare the quality, equity and efficiency of their school systems on a regular basis, in terms of the learning outcomes achieved by students towards the end of compulsory schooling. The age of 15 years was chosen as a point of comparison, as it represents the last point at which schooling is still largely universal. PISA is carried out together with PIAAC, OECD's assessment of adult competencies, which begins at age 16, where PISA ends, and extends to the age of 65 years. While PISA is looking backwards to establish how effectively school systems establish the foundations for success in life, PIAAC is looking forward to how initial skills feed into further learning and important economic, employment and social outcomes.

So far, PISA and PIAAC have placed their emphasis on assessing reading, mathematics, science and problem-solving skills, both because these are generally agreed to be important foundation skills that can be shaped through public policy, but also because their measurement is well established. Both PISA and PIAAC have sought to balance assessing subject matter knowledge, on the one hand, and the capacity of individuals to apply that knowledge creatively, including in unfamiliar contexts, on the other.

Both PISA and PIAAC collect a range of contextual data in order to explain performance difference between individuals, institutions and systems. PISA collects such contextual data from students, parents, teachers, school leaders and national administrations. PIAAC has so far been limited to contextual data from the individuals that are assessed, but future data collections may also include data on the demand for skills from employers.

PISA carries out its assessment every three years, to give policymakers sufficient data to monitor the trajectory of improvement in education systems. PIAAC is carried out less frequently, as changes in the distribution of adult skills and their policy determinants change only slowly. PISA has meanwhile completed its fifth assessment and now covers over 70 school systems including all major economies. PIAAC has just completed its first assessment and at this stage is still more limited in its geographic coverage.

The IMM presents an opportunity for Ministers to provide directions for the further development of PISA.

Questions for discussion

- *How do Ministers wish to define educational success in schools in an internationally comparative context?* While performance on subject-specific PISA tests has shown to be predictive for success in adult life, the relationship is far from straightforward and compounded by many other factors. For example, some of the countries with the highest performance in academic school subjects still show high levels of youth unemployment. To what extent should performance in academic subjects remain the basis of international comparisons, and what role should vocational skills or even attitudinal or non-cognitive dimensions play? And what role should dimensions such as social equity in learning opportunities or learning progressions from early childhood through primary to secondary schooling play in international comparisons?
- *What should be the balance between monitoring educational improvement, on the one hand, and opening the assessments up to new skill domains that are high in demand by labour-markets and societies, on the other?* Policy makers are keen to have robust measures of change, which suggests limiting changes in the assessments over time. At the same time, the demand for skills continues to evolve. This does not only relate to the emergence of new types of skills, but also to the ways in which established skill domains are defined. In the area of reading, for example, digital information is far more prevalent today than it was when PISA was first established, and places very different cognitive demands on students. Similarly, in the area of mathematics, issues around probability and statistics are much more important today than they were in the past.
- *Where do Ministers see the balance between comparative benchmarking – knowing where countries stand – and explanatory insights that identify levers for policy and practice to stimulate educational improvement?* Some countries have seen the role of PISA primarily in providing comparative data, while others have turned to the OECD for analysis and advice for what they can learn from high performing and rapidly improving education systems. The greater the emphasis on the latter, the more fine-grained the contextual data need to be that are obtained from students, teachers, parents and school leaders. Such an emphasis could also call for facilitating more detailed sub-national comparisons and analysis.

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