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**The Importance of Skills:
Some International Evidence**

by

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Outline of Presentation

- Why care about skills?
- What skills?
- When to invest in skills?
- Evidence on Lifelong Learning
- PI AAC: A new OECD survey to measure adult skills

Why care about skills?

- Skill-biased technical change and globalisation are putting a premium on higher level skills
 - One notable manifestation of these drivers is the widening trend in earnings inequality
- Population and workforce ageing necessitates working longer → concerns about renewing skills
- Increases in labour migration may provide an alternative source of skills but raise difficult economic and political issues

Why care about skills? (cont.)

- Strong links between economic growth, rising educational attainment and literacy
- Labour market outcomes are also tied to education attainment and literacy
- Current economic downturn will hit the low-skilled hard:
 - More likely to be laid-off and experience longer spells of unemployment/inactivity
 - Face greater competition from more skilled workers for available job vacancies
 - Firms will likely cut training budgets, and become even more selective about who gets trained

What skills?

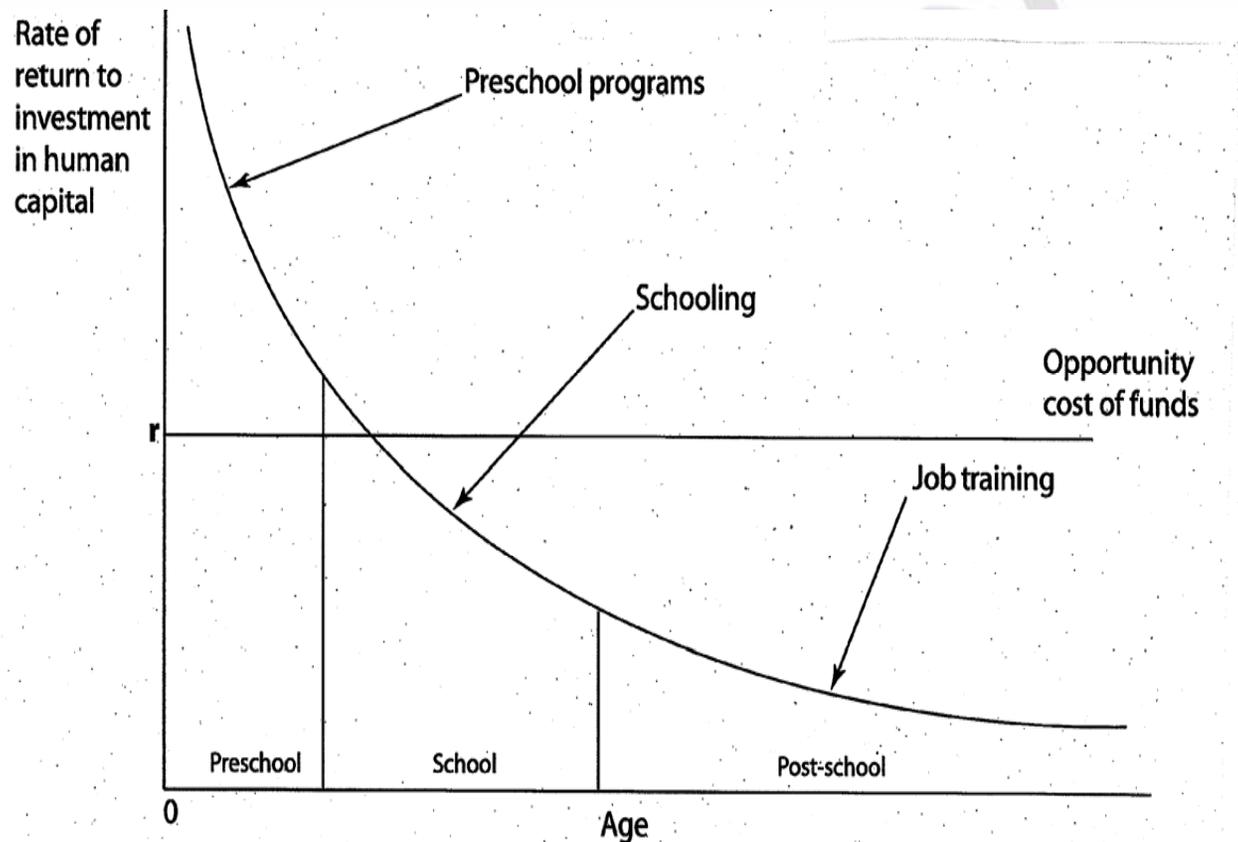
- Helpful to distinguish between cognitive, non-cognitive and workplace skills
- Cognitive skills: Very strong emphasis in the literature on cognitive skills, testing of such skills and their links to academic and labour market success
- Non-cognitive skills (e.g. motivation, discipline, perseverance, sociability, communication, etc.) very important too in ensuring successful outcomes
 - Harder to measure than cognitive skills
 - Greatest impact on non-cognitive skills comes during early childhood experiences
- Workplace skills: essentially acquired on-the-job or via adult learning
 - Less opportunity for the low-skilled to acquire them

When to invest in skills?

- Need to address this question using a life-cycle perspective:
 - Pre-schooling → through compulsory and tertiary education → transition into the labour market → over the working career until retirement
- Early investments in skills are best because:
 - They are harvested over a longer time period than those made later in the life-cycle
 - Early investments (in acquiring cognitive and non-cognitive skills) raise the productivity of later investments in adult learning

« The Heckman Diagram »

Rates of return to human capital investment across the life-cycle

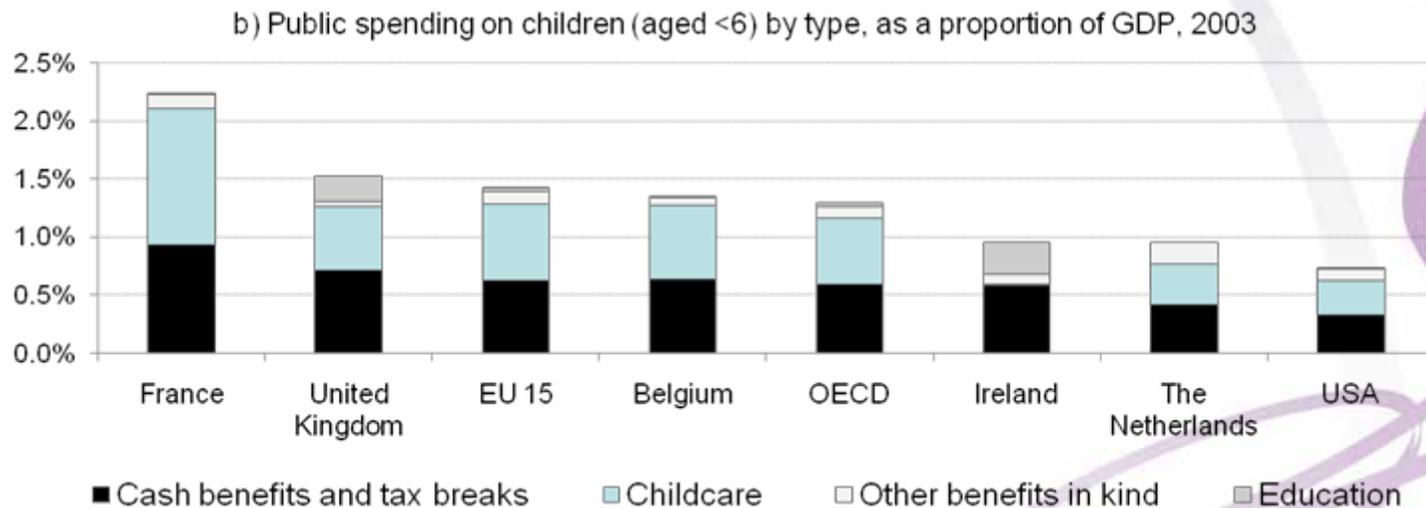
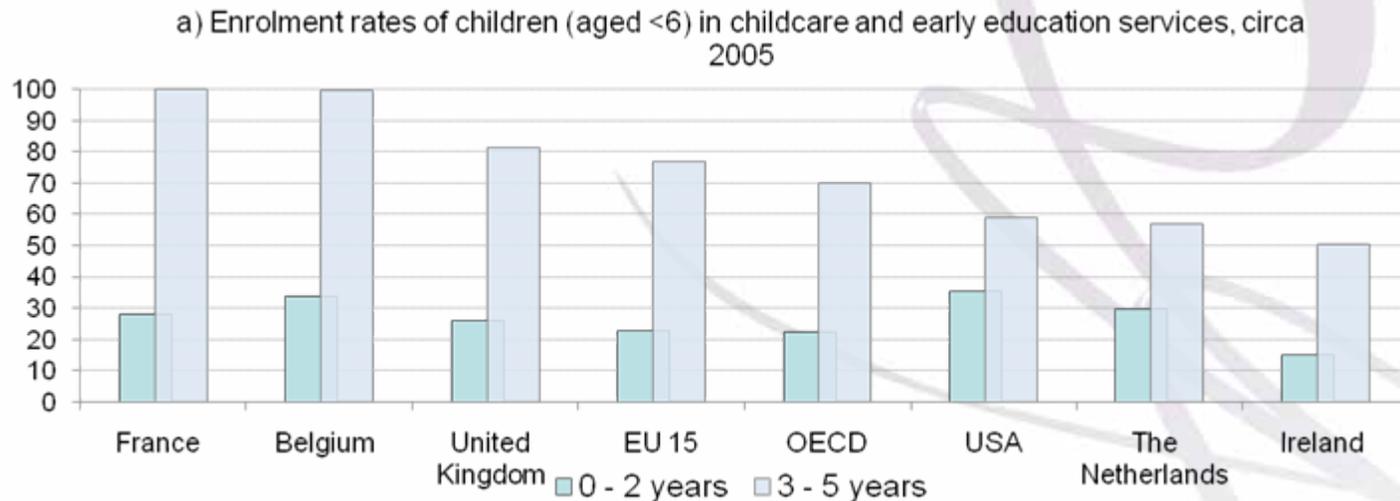


Rates of return to human capital investment initially setting investment to be equal across all ages

Source: Carneiro and Heckman (2003).

Evidence on lifelong learning

➤ Investment in Early Childhood in selected OECD Countries



Source: OECD Education and Family Databases.

Evidence on lifelong learning (cont).

A. Population that has attained at least upper secondary education (2006) *Percentage, by age group*

	Age group				
	25 to 64	25 to 34	35 to 44	45 to 54	55 to 64
Ireland	66	82	71	58	41
United Kingdom	69	76	70	67	61
United States	88	87	88	89	87
OECD average	68	78	72	65	55
EU19 average	69	80	73	65	55

B. Population that has attained tertiary education (2006)

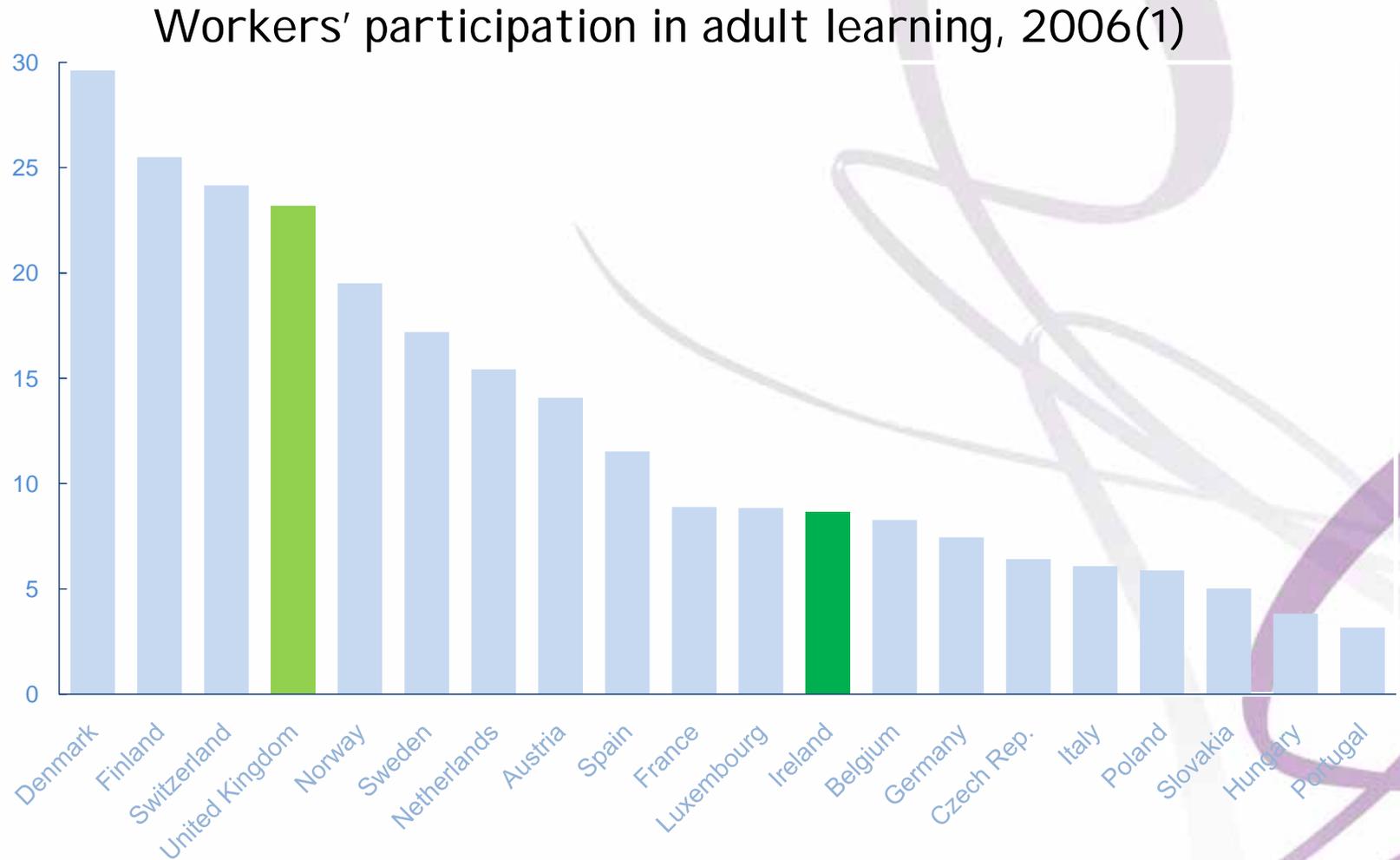
	Total tertiary				
	25 to 64	25 to 34	35 to 44	45 to 54	55 to 64
Ireland	31	42	33	24	17
United Kingdom	30	37	31	29	24
United States	39	39	41	40	38
OECD average	27	33	28	24	19
EU19 average	24	30	25	21	18

1. Year of reference 2004

2. Year of reference 2002.

Source: OECD, *Education at a Glance 2008*

Evidence on lifelong learning (cont).



- 1) Percentage of workers aged 25-64 who participated in regular education, job-related or other training activities within the last four weeks including the survey reference week.

Source: European Labour Force Survey, annual average of quarterly data, and Spring quarter for Switzerland.

PIAAC: the New OECD Survey to Measure Adult Skills

- Key elements of PIAAC (Programme for the International Assessment of Adult Competences):

Measures of literacy, numeracy & problem-solving skills

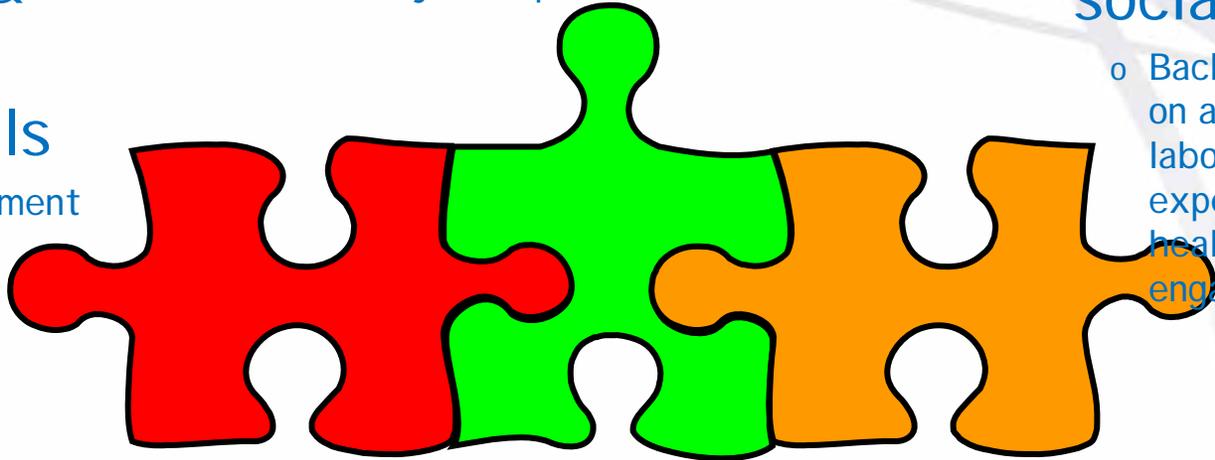
- Direct assessment

Measures of generic work skills

- Indirectly assessed based on job requirements

Measures of skill formation & economic & social outcomes

- Background questions on adult learning, labour-market experience, earnings, health, civic and social engagement



- 25 OECD countries and some non-Members are signed up to participate in the development work; strongly supported by the European Commission
- Provisional timeline: First round in 2011; results released in 2013

Understanding the benefits of lifelong learning: The potential role of PIAAC

- Will measure consistently across countries the incidence and volume of training, as well as the benefits of learning.
- Will be able to link adult learning to skills directly (in this case literacy, numeracy, problem solving & other generic work skills)
 - Will provide a clearer picture of returns to skill.
 - Shed further light on why low-skilled individuals participate less in training.
- Will identify barriers to training and its potential benefits.
 - It will include questions about reasons for non-participation in training and about attitudes to learning.

Bottom lines

- Skills are very important for the economy, competitiveness and individual outcomes
- Need to consider cognitive, non-cognitive and workplace skills and view investment over the life-cycle
- Early investments yield higher returns, give a very high priority to investing in high-quality early childhood programmes
- Need to focus more on adult learning, especially on-the-job and how to encourage both employers and workers, especially in their mid-career, to invest more in such learning.