Filling the skills gap and addressing the mismatches – what can business do?

Paul Comyn, Senior Skills and Employability Specialist
Jeannette Sanchez, Knowledge Management Officer

Skills and Employability Branch, Employment Policy Department
International Labour Organisation (ILO)
UN Global Compact and the ILO

• This webinar is the 16th organized by the International Labour Organization and the UN Global Compact.

• Each webinar addressed specific labour topics and provide practical guidance, tools and resources for advancing the UN Global Compact labour principles and the Decent Work Agenda.
ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy ([www.iло.org/mnedeclaratio](www.iло.org/mnedeclaratio))

The MNE Declaration sets out principles enterprises are recommended to observe.

**Article 30:**
“In their operations, multinational enterprises should ensure that **relevant training is provided for all levels of their employees in the host country**, as appropriate, to meet the needs of the enterprise as well as the development policies of the country. Such training should, to the extent possible, develop generally useful skills and promote career opportunities. This responsibility should be carried out, where appropriate, in cooperation with the authorities of the country, employers’ and workers’ organizations and the competent local, national or international institutions.”

**Article 31:**
“Multinational enterprises operating in developing countries should participate, along with national enterprises, in programmes, including special funds, encouraged by host governments and supported by employers’ and workers’ organizations. These programmes should have the aim of **encouraging skill formation and development** as well as providing vocational guidance, and should be jointly administered by the parties which support them. Wherever practicable, **multinational enterprises should make the services of skilled resource personnel** available to help in training programmes organized by governments as part of a **contribution to national development.**”
Article 32:
“Multinational enterprises, with the cooperation of governments and to the extent consistent with the efficient operation of the enterprise, should afford opportunities within the enterprise as a whole to broaden the experience of local management in suitable fields such as industrial relations.”
Relevance to the 2030 Agenda for Sustainable Development

Adopted in September 2015 by the UN Members States

**Goal 4**: Ensure inclusive and quality education for all and promote lifelong learning

**Goal 8**: to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

It acknowledges the contribution of businesses and calls for their engagement for the implementation of all goals and targets.
Presentation

• The challenge of matching skills and labour market needs
• Why skills are important for enterprises
• Different models for industry engagement
• Apprenticeships as a model of good practice
Matching skills and labour market needs

• Skills mismatch is a pressing policy concern
• Different forms of skills mismatch exist in labour markets
• Employers report difficulties in finding suitably skilled workers
• Growing competition amongst firms for skilled workers
• Labour market frictions and employer practices can underlie recruitment difficulties
• Many workers don’t adequately utilise their skills
• Skill matching requires a collaborative long term strategy with national, sectoral and local approaches
Traditionally, business sector depended on governments to educate and train the future workforce.

But things are changing…

• First, because, labour markets are more dynamic and the pace of technological change has accelerated rapidly

• Second, because traditional education and training systems alone are struggling to deliver the skilled workers companies need (Several reasons for this) and

• Third, because it is increasingly unrealistic for companies to expect prospective workers to be completely job ready, without previous on-the-job training
So we want to move from a vicious Downward Circle where unavailable or poor quality skills

- Traps the working poor in low-skilled, low productive, low-wage jobs
- Excludes workers without the right skills from participating in economic growth
- Discourages investment in new technologies
...to a Virtuous Circle where more and better skills makes it easier to:

- Innovate
- Adopt new technologies
- Attract investment
- Compete in new markets, and
- Diversify the economy

Which boosts job growth, productivity and social inclusion
Why skills are important for enterprises?

- Because skills are a driver of innovation: training and workplace learning support market, product and process innovation
- Because skills can drive workplace change
- Because talent management is a key to enterprise survival and investments in skills develops and retains talent
- Because skills enable individuals to function in the world of work and contribute to modern, productive societies. (a skilled workforce benefits everyone)
What are the benefits for industry from investing in skills?

- Reduced recruitment costs
- Reduced initial training costs
- Improved productivity of new workers
- Reduced labour turnover
- Increased enterprise productivity
- Improved workforce & industry planning
- Enhanced industry development
- Improved national development
How can businesses can help bridge the skills gap?

• Enterprise-institute partnerships: workforce development
• Knowledge/innovation clusters
• Skills development programmes moving down company supply chains
• Sectoral alliances
• Global partnerships
• Earn-and-learn programmes
• National training funds / voucher schemes
• CSR
What broader roles for industry?

- Provide strategic leadership
- Support sectoral approaches - SSC
- Enter Private Public Partnerships:
  - institutional management
  - delivery, assessment and certification services – invest in the training market
  - develop the technical skills of trainers
- Inform program development: standards, curriculum and qualification
- Provide data on skills in demand
- Promote workplace learning and investment in skills
Why is industry important to the TVET & skills sector?

• Industry is the number one client
• Industry understands its own needs, both current and future
• Industry has the technical know-how
• Industry has networks
• Industry has entrepreneurial and managerial experience AND
• Industry need skills
The importance of coordination...

... Skills development and industrial, trade, technology and environmental policies
... development partners
... government agencies
... employer and worker organisations at sector level
... institutions and workplaces
Apprenticeships: linking skills with innovation and SME competitiveness

The competitive advantage of national economies is based on:

• High performance work organisation in companies
• Innovative potential of SMEs
• High quality education and training systems

<table>
<thead>
<tr>
<th>Europe Top 10</th>
<th>Global Rank*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>1</td>
</tr>
<tr>
<td>Finland</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9</td>
</tr>
<tr>
<td>Sweden</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>11</td>
</tr>
<tr>
<td>Denmark</td>
<td>13</td>
</tr>
<tr>
<td>Belgium</td>
<td>18</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>19</td>
</tr>
</tbody>
</table>

Note: * 2014-2015 rank out of 144 economies

The role of SMEs in competitive economies

Innovation in SMEs

- Switzerland: 55%
- Germany: 45%
- Austria: 42%
- UK: 29%
- France: 22%

WEF (2015)
Mixed success of formal apprenticeship systems
(participation per 1,000 employees)

<table>
<thead>
<tr>
<th>Australia</th>
<th>England</th>
<th>France</th>
<th>Germany</th>
<th>Ireland</th>
<th>Switzerland</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>20</td>
<td>17</td>
<td>39</td>
<td>11</td>
<td>44</td>
<td>5</td>
</tr>
</tbody>
</table>

70% of the 17-25 age cohort in Switzerland are in an apprenticeship

‘The apprenticeship system is the most important factor in the quality of Swiss work and the competitiveness of the Swiss economy’

‘Why the Swiss are that rich’ (Rudolf H. Strahm 2010)

International interest in apprenticeships is growing because of the measurable returns to the individual, the enterprise and society
Apprenticeships and youth to adult unemployment rates

![Chart showing the ratio of youth unemployment rate to adult unemployment rate and apprentices per 1000 employed for various countries.](chart.png)
Economic returns to public investment: UK

The net present value to the economy per £1 of government spending on apprenticeships is estimated to be £16 - £21.

Benefits to the economy
Higher productivity/wages, lower unemployment, increased tax receipts, reduced benefit payment

Costs to the economy
Public funding, fees paid by employers, indirect cost of forgone output while learning

= Economy-wide net present value

= Total public funding

Employment returns to individuals: Italy

Young people on an apprenticeship schemes will enjoy greater employment stability than fix-term contract holders:

- 5% lower probability of unemployment
- 16% higher chances of having a permanent contract

European Commission (2013) The effectiveness and costs-benefits of apprenticeships: Results of the quantitative analysis
Enterprise return on investment (ROI): India

- Food processing equipment manufacturer
- 5 year apprenticeship programme for technician (80% practical, 20% classroom)

ILO (2014) Using Benefit Cost Calculations to Assess Returns from Apprenticeship Investment in India: Selected SME Case studies
Global Apprenticeship Network (GAN)

On a global scale the GAN is actively supported by:

- ILO: International Labour Organisation
- OECD: Organisation for Economic Cooperation & Development
- IOE: International Organisation of Employers
- BIAC: The Business and Industry Advisory Committee
- 13 leading companies:

On a national scale the GAN acts via National Networks, which helps to act quickly, bringing the idea to the ground despite the large network.

Three National Networks have been launched with different needs:
- Turkey with 25 member companies
- Indonesia with 19 member companies
- Spain with 29 member companies
Overcoming challenges

- Partnerships
- Leverage expertise
- Take a broader view:
  - link skills initiatives with firm level HRM
  - skills++ to drive productivity
  - contribute to sectoral workforce development
  - demonstrate CSR
Tools and resources

SKILLS FOR EMPLOYMENT: Knowledge Sharing Platform

www.skillsforemployment.org
Skills for employability:

- Basic education/foundation (literacy and numeracy skills)
- Vocational or technical (specialized skills, knowledge)
- Professional/personal (individual attributes)
- Core work skills (ability to learn/adapt, communication skills, problem solving, teamwork…)

SKILLS FOR EMPLOYMENT: Knowledge Sharing Platform (KSP)

- Requested by ILO constituents during ILC 2010; G20/Multi-year Action Plan on Development

- One-stop website for information on skills

Skills KSP was formally launched in June 2013
What can you find on the Skills KSP?

Many skills related topics covered on the website. Knowledge products found on the site include:

*Publication, research reports, good practices, international standards, national policies and strategies on skills, etc…*

*For employers and businesses, the Skills KSP offers a broad range of knowledge products that may be of interest*
Coca-Cola 5 x 20 Initiative: aims to help 5 million women across its value chain achieve business success by 2020

ILO publications highlighting company practices on promoting inclusive workplaces
Interview with the President and CEO of Education for Employment discussing youth employment, and the company’s Skills to Succeed partnership programme with Accenture aimed at equipping over 10,000 young people across five countries with digital literacy and foundational skills.

Interview with ILO expert on quality apprenticeships and its potential in addressing the youth unemployment crisis.
Items found on the Skills KSP

Case story from UNIDO/LKDF highlighting how Volvo works with a local training service provider

GTCI 2013 report – joint effort between academia and business to measures the performance of 100+ countries across the world on their talent competitiveness, i.e. their ability to attract, develop and retain talent.
Items found on the Skills KSP

Report introduces a vision of the future of innovation and employment.

Report features interviews with eight leading commentators on the relationship between education and employment.
How does the KSP benefit business?

• A space for sharing good practices

• An opportunity to give visibility to successful initiatives in skills development and foster strategic leadership in this field

• Motivation and practical insights on how employers and workers can influence national and sectoral skills development strategies and policies

• A venue to broadcast experience in not only developing skills but in utilizing skills to adopt new technologies, enter new markets, attract investment and create more and better jobs

• An opportunity to learn about current research on skills, and good practices on skills development and training
Facts: Skills KSP

Over 1,500 skills-related items - 70% English (content accepted in all languages)

- Nearly 2,000 unique visitors/month
- Monthly newsletter
- Social media (Twitter)
- Supported by ILO - Donor resources

Contributions to the Skills KSP are welcome. Open invitation to submit content to:
knowledge@skillsforemployment.org

To sign up to receive the KSP newsletter, visit the homepage:
www.skillsforemployment.org
THANKS

ILO Helpdesk for Business
www.ilo.org/business
assistance@ilo.org