

**FOR DEBATE AND GUIDANCE**

## SECOND ITEM ON THE AGENDA

**Employability by improving  
knowledge and skills****I. Introduction**

1. In March 2003, the Governing Body approved the Global Employment Agenda (GEA) the principal aim of which, as the employment pillar of decent work, is to make employment central in economic and social policy. The GEA's ten core elements constitute the policy framework for assisting governments and the social partners in devising strategies and policies to achieve this objective. Since the adoption of the GEA, the ESP Committee has been discussing in depth each of the core elements in order to prioritize the ILO's work in these areas and strengthen the conceptual framework. Following the request of the ESP Committee, this document reviews the core element 6 on employability by improving knowledge and skills.
2. The ILO's mandate and basic guidance for formulating policy objectives and defining key policy areas on employability, skills and knowledge is provided by:
  - the Conclusions concerning human resources training and development, International Labour Conference, 88th Session (2000);
  - the GEA and previous ESP Committee guidance on the other core elements of the GEA; and
  - the Human Resources Development Recommendation, 2004 (No. 195), concerning education, training and lifelong learning.
3. Drawing on these guidelines, this paper reviews the analytical and practical challenges of promoting employability through skills and knowledge. It is organized in three sections. The first section develops a broad concept of employability. The second highlights major challenges and describes ILO strategy in action to achieve employability. The third section reviews future priorities in ILO work with respect to enhancing employability. The last section reports on the Office's means of action.

## II. A skills and knowledge-based approach to employability

4. The term employability has attracted high-profile attention in the recent policy debate.<sup>1</sup> The GEA and the Conclusions provide a framework for developing a skills and knowledge-based concept of employability.<sup>2</sup> This framework was further developed and refined in the subsequently adopted Recommendation No. 195. The knowledge-based concept of employability connects the core elements of the GEA with the Recommendation by distinguishing between capabilities of workers, entrepreneurs, managers and policy-makers as determinants of employability. This is the main value added of the knowledge-based employability approach.
5. *At the individual level*, skills and competencies define the capacity to make use of job and income opportunities and to adapt to changes in the labour market brought about by technological progress and globalization. Skills and knowledge for improved performance in internal and external labour markets and adaptability are key to employability. In addition, education in workers' rights and other citizenship skills empowers women and men who are discriminated against in labour markets to gain access to education, training, decent jobs, opportunities to start a business, and, if needed, the judicial system.
6. *At the enterprise and organizational level*, entrepreneurs' and managers' business skills determine the firm's capacity to create and use opportunities and to invest in skills of the workforce. These business skills, and the capacity to promote a learning culture, workplace learning and to facilitate knowledge-sharing between workers, determine the employability of workers within the firm. Firm-specific skills and organizational knowledge are essential for the firm's capacity to absorb technology, to innovate and to grow.<sup>3</sup>
7. *At the economic and social level*, capabilities of decision and policy-makers to make effective policy choices in training and labour markets are critical for employability. Discriminatory recruitment practices limit the employability of men and women, regardless of their occupational skills endowment. The skills of decision-makers to design and apply legal institutions and governance tools, that support equal opportunities and workers' rights together with the skills of social partners to engage in a meaningful social dialogue, enhance employability and sustainable economic and social development.
8. The competence of governments to design and implement coherent economic policies which address the demand side of the economy are central to ensuring that the potential of an employable workforce is maximized. Competent policy choices in trade, investment, finance, technology and migration determine economic growth, job creation and the demand for labour. Coherent macroeconomic policies reduce the level of uncertainty in the economy and, in combination with economic growth and the redistributive effects of pro-poor growth, increase incentives for workers and firms to invest in training and skills.

<sup>1</sup> *World Employment Report 1998-99*, ILO, 1998. B. Gazier: *Employability: Concepts and Policies*, Report 1998, European Commission, Berlin, 1998.

<sup>2</sup> The resolution concerning human resources training and development, ILC, 88th Session, 2000, provides a broad definition of employability.

<sup>3</sup> N.J. Foss, 2003: "Bounded rationality and tacit knowledge in the organizational capabilities approach: An assessment and a re-evaluation", *Industrial and Corporate Change*, Oxford University Press, Vol. 12(2), pp. 185-201.

9. For employability to be effective, there is a crucial role for employment services to facilitate the matching of supply and demand in the labour market.
10. The knowledge-based approach to employability identifies skills, knowledge and employability as a central component of employment strategies; draws attention to the relevance of capabilities of workers, but also of managers, policy-makers and other decision-makers; and demonstrates the links between the core element 6 and other core elements of the GEA.

### III. Major challenges and strategy in action

11. A number of features of the world of work pose major challenges to employability and employment of the world's labour force. Increased international competition, rapid changes in technology and work organization are having far-reaching effects on labour markets and skills requirements. A rising demand for skills at all levels, if not met by training systems, carries the risk of exclusion of low-skilled workers. The persistence of poverty calls for policies to provide equal opportunities in accessing training and decent employment. Expansion of the informal economy in most developing countries exacerbates low productivity employment and poor working conditions. Discrimination between men and women and against persons with disabilities and migrant workers creates barriers to education, training and decent employment. A fast growing share of young people in the labour force in South-East Asia, sub-Saharan Africa and the Arab world requires action to promote youth employability.<sup>4</sup>
12. The ILO strategy in response to these challenges to employability is one of assisting constituents in developing policies and programmes for skills development in order to enhance capabilities of workers, managers and policy-makers. The strategy is based on four key policy areas: training policies and systems; skills for technological change; employment services; and improving access to training and employment.

#### (a) Training policies and systems

13. Recommendation No. 195 provides guidelines for analysis, formulation, implementation of training policies and for the assessment of national vocational education and training (VET) policies. A digital guide to the Recommendation with over 1,000 national policy initiatives has been developed and is continuously updated. The guidelines have been used in recent evaluations of national training policies conducted by the ILO with national experts and governments in Angola, Cambodia, India, the Islamic Republic of Iran, Nepal and Viet Nam.
14. The ILO assists in developing capacities in the management of VET systems. It developed handbooks which were used for the evaluation of training systems in Angola, Ghana and Nepal. A major evaluation of public and private industrial training institutes (ITI) of India in 2002-03 has shown that the relevance and efficiency of the formal skills training system is limited, in particular for the numerous enterprises in the informal economy.
15. Providing incentives for investment in training represents a central component of training policies all over the world. The ILO, as requested by constituents at the International Labour Conference in 2000, has, therefore, developed a database on participation and expenditures on vocational education and training. In addition, a pilot inquiry on statistics

<sup>4</sup> *Global employment trends for youth*, ILO (2004).

on investment in training was conducted in 30 non-OECD countries.<sup>5</sup> Further research, with a focus on financing mechanisms and incentive schemes would help to ensure that such information and analysis is kept up to date.

16. The knowledge-based employability concept has drawn attention to the role of core skills,<sup>6</sup> workplace learning and portability of skills in enhancing employability. The ILO has conducted studies and surveys in 14 countries in all regions on the application of these skills; on employers' perception of the importance of core work skills; and on the core work skills needs of the working poor. It has also provided technical assistance in introducing core work skills in VET. The lessons learned from this work are being incorporated into guides and training tools.
17. A major study on high performance work organizations created awareness among governments, employers and unions of their importance in enhancing work performance, learning and quality of working life.<sup>7</sup> Currently, the ILO is undertaking a training needs assessment of small and medium-sized enterprises in selected countries (e.g. Mauritius) for the development of a country-specific and a generic manual on promoting workplace learning.
18. The "portability" of skills depends largely on the capacity of the training and qualification system in officially recognizing them – regardless of where and how the skills were acquired. Such a system is a key to enhancing employability since it facilitates individuals' lifelong learning, their access to jobs, their empowerment at work, and it assures quality of training. The development of national qualifications frameworks (NQFs) and the promotion of recognition of prior learning (RPL) represent two initiatives by which the ILO addresses the challenges of skills recognition. The ILO's work shows good practice and lessons learnt but also potential pitfalls and difficulties for their effective implementation, in particular in developing countries.<sup>8</sup>

## **(b) Skills for technological change**

19. Rapid and skills-biased technological change highlights the fundamental role of education and training systems and policies to enable workers to use new technologies, including ICTs, and to empower firms, economies and societies to cross the technological frontier, innovate locally and move up the value chain.<sup>9</sup>
20. Training is in itself a technological activity. The ICTs play an important role in bolstering the quality and content of training. The ICTs also have a wide potential to reduce the skills gap and contribute to poverty reduction by improving access to education, training and job

<sup>5</sup> R.M. Galhardi and N. Mangozho, 2003: *Statistics on investment in training: An assessment of data available and cross-country comparability*, SKILLS Working Paper No. 20, ILO, Geneva.

<sup>6</sup> These skills include communication skills, creative thinking and problem-solving, and basic technology skills.

<sup>7</sup> D.N. Ashton, J. Sung: *Supporting workplace learning for high performance working*, ILO, Geneva, 2002.

<sup>8</sup> M. Young, (2005): *National qualifications frameworks: Their feasibility for effective implementation in developing countries*, Working Paper, Skills and Employability Department, ILO.

<sup>9</sup> *World Employment Report 2001*, "Life at work in the information economy", ILO, 2001.

opportunities to disadvantaged people. In India, the enrolment of women in technical institutes has increased during the last 20 years from 5 to 45 per cent, partly due to changes in social value systems promoting stronger women's participation in the ICT field and national policies to promote development into a knowledge economy.<sup>10</sup>

21. The role of technology and skills in enhancing employability is an area where the work of the ILO needs to be strengthened, particularly by incorporating the technology, innovation and knowledge dimensions more explicitly into programmes in the area of skills and employability.

### (c) Public employment services

22. The role of national public employment services (PES) is central to employability development. Their mission is to assist both workers and employers to understand changing labour market conditions and adapt successfully. Functions of the PES include: (1) labour exchange or job brokering; (2) labour market information development; (3) labour market programme administration; (4) unemployment insurance programme administration; or (5) regulatory functions (e.g. regulation of overseas employment). Employers play a critical role in defining skill requirements for recruitment and training purposes.
23. The ILO has documented major trends and good practices regarding PES reform.<sup>11</sup> The ILO often collaborates with the World Association of Public Employment Services (WAPES) to disseminate and debate these topics.
24. In recent years, the ILO has undertaken technical cooperation activities to develop emergency employment services in response to crises in Afghanistan, Indonesia, Sierra Leone and Sri Lanka. The IFP/CRISIS and IFP/SKILLS have produced guidelines for establishing emergency employment services.
25. At the same time that PES are evolving to meet changing needs, there has been strong growth in private employment agencies (PREAs). Convention No. 181 on private employment agencies, adopted in 1997, balances the recognition of the productive role that can be played by PREAs with the need to ensure that the basic rights of workers are upheld. It takes into account firms' needs for flexibility and workers' needs for employment stability and decent conditions of work. The ILO has assisted several countries to develop national legislation to regulate the operations of private employment agencies.

### (d) Improved access to training and employment

26. Improving access to training and employment is a high priority for the ILO. Particular attention is paid to the needs of disadvantaged youth, women, informal economy workers, people with disabilities, migrants and other socially disadvantaged women and men.
27. The ILO is promoting the mainstreaming of gender and youth employability into training policies and programmes in addition to specific programmes and projects. In Mali, the ILO

<sup>10</sup> S. Huyer and S. Mitter: *ICTs, Globalisation and Poverty Reduction: Gender Dimensions of the Knowledge Society*, Nov. 2003, <http://gab.wigsat.org> .

<sup>11</sup> T. Phan, E. Hansen and D. Price: *The public employment service in a changing labour market*, ILO, Geneva, 2001.

implemented a project within the Strategic Framework for Poverty Reduction by developing collaboration between Mali's National Resource Centre for Non-formal Education, a women's based cooperative and the local community. The project aims at increasing women's economic, legal and social empowerment for employability. Literacy training increased their capacity to deal with the public authorities, a day-care centre was created and new labour-saving technologies have been introduced to enable women to attend training and develop income-generating activities.

28. The issue of youth employability and the role of social partners have been addressed in two guides, respectively for ILO employers' organizations<sup>12</sup> and trade unions.<sup>13</sup> Technical assistance has been provided in Egypt to assist the Government in establishing apprenticeship programmes and in Kosovo (Serbia and Montenegro) to introduce active labour market policies (ALMPs) for disadvantaged youth.
29. The ILO provides technical assistance to micro-enterprises with a view to upgrading informal activities into the mainstream economy. In Niger, the Ministry for Technical and Vocational Training, with technical assistance from the ILO, conducts projects to provide vocational training to artisans, their employees and apprentices, and trainers. Artisans organize themselves into skill groups like guilds and by providing information on their skill needs, training became demand-driven. As a result of the training, productivity rose on average by 30 per cent, half of the trained workers saw their salary increase and 25 per cent of enterprises hired additional workers.<sup>14</sup>
30. The ILO's Training for Economic Empowerment (TREE) methodology is being used in Pakistan and the Philippines, with the objective of creating employment and income-generation opportunities for vulnerable groups through an integrated package of skills training and small business training. This methodology has considerable potential and monitoring and evaluation reports show that of the over 2,000 beneficiaries trained, about 90 per cent are utilizing their skills to generate income and average family incomes have increased by 28 per cent.<sup>15</sup> A number of social benefits were achieved, including enhanced self-esteem and increased participation by women in economic and social life coming from traditional communities, engaging in non-traditional trades and becoming aware of their rights and privileges.
31. In line with the current global trend towards a rights-based approach to legislation, policy and service provision concerning persons with disabilities, the ILO is supporting constituents in the development and implementation of effective laws and policies concerning the employability and employment of disabled persons. A subregional project in Africa focuses on developing entrepreneurship among women with disabilities, in close collaboration with a women's entrepreneurship development and gender equality (WEDGE) project in these countries. The aim of this project, which is carried out in partnership with national disabled persons' organizations (DPOs) as well as government ministries, is to effectively increase the access of women entrepreneurs with disabilities to mainstream business and vocational skills training and to develop micro and small enterprises. The involvement of DPOs in project implementation has proven to be a key ingredient for success.

<sup>12</sup> ILO: *Meeting the youth employment challenge: A guide for employers*, Geneva, 2001.

<sup>13</sup> ILO: *Juventud y empleo: Guía sindical*, ACTRAV, CINTERFOR, IFP/SKILLS, 2001.

<sup>14</sup> "Success Africa. Reducing poverty through decent work – 30 stories". An ILO contribution to the Social Partners Forum, ILO, Geneva, 2004, p. 61.

<sup>15</sup> Progress reports for Pakistan and the Philippines TREE Project, 2004-05.

## IV. Future priorities for ILO work

32. The ILO, through the decent work country programmes (DWCPs), will address its constituents' major policy priorities in the skills field by focusing on the following key policy areas:<sup>16</sup>
- reform of training and employability policies and systems;
  - skills and technology for economic change;
  - skills for poverty reduction in the informal economy; and
  - youth employability.
33. In addition, a special focus will be given across these areas to equity issues for men and women and disadvantaged groups.
34. To respond effectively to the needs of constituents regarding employability and employment, the ILO needs to strengthen its knowledge and information base, focus on research priorities in emerging areas, communicate and use research findings in policy advice and draw lessons from country and project experience.

### (a) Reform of training and employability policies and systems

35. Major challenges in training policies are to upgrade informal training systems and to increase investment in training.

#### Upgrading informal apprenticeship

36. Training policies and programmes in developing countries rarely take into account the needs and potential of informal economy workers, including apprentices. Informal apprenticeship represents the main road to training for young people. The scope and quality of informal apprenticeship training, however, is often weak. A major policy challenge is to upgrade apprenticeship training for improved effectiveness and response to technological change, thus contributing to the integration of informal activities into the formal economy.
37. Informal apprenticeship is regulated by informal rules such as traditions and customs which need to be analysed for effective policy interventions. A pilot project will be implemented in two or three countries in order to review practices and to identify effective approaches.

#### Investment in training

38. Recommendation No. 195 calls for a shared commitment for investment in training.<sup>17</sup> Employers can support on-the-job training and workplace learning, in particular by providing instructions on special skills and the technical resources required for relevant

<sup>16</sup> GB.291/PFA/10, p. 7.

<sup>17</sup> Recommendation No. 195, Ch. I, Para. 4(b).

training. The important question is how to promote investment by firms in training. The role of social dialogue and institutions needs to be analysed in this respect.<sup>18</sup>

39. Equally important, the ILO will explore practical financing mechanisms such as training funds, levy-grant systems, fiscal incentives or collective training agreements. Employers' organizations can assist by providing governments with feedback on whether the schemes are working and whether the incentives are right. The role of clusters, networks and industrial districts in financing training, in particular in micro and small enterprises, should be explored. Such findings would feed into the ILO's advisory service on training policy.

## **(b) Skills and technology for economic change**

40. Globalization, trade integration and technological change challenge education and training systems and policies with improving competencies of workers to use new technologies both in the production and training process and to improve the capacity to innovate and invest. Training and learning are critical in creating comparative advantages in high value-added sectors allowing the economy to move up the value chain.

### Linking technology, skills and opportunities

41. A rapidly growing literature<sup>19</sup> refers to the important role of skills, knowledge and technology in the process of moving towards a knowledge economy. The ILO needs to improve its capacity to provide more effective policy advice to constituents on these issues. A skilled workforce offers countries better opportunities to attract higher value-added segments of the global production system. National policy-makers need to build capacities for skills development with a view to improving the investment climate, promoting competitiveness and attracting FDI. Even though FDI is not a panacea, where FDI is a part of a well-defined development strategy it can contribute to employability of the workforce through the transfer of technological knowledge and skills.<sup>20</sup>
42. The ability of countries to take advantage of new technologies, including ICTs, depends in large part on workforce skills, and the capacity of enterprises and local/national governments in linking workforce skills with economic opportunities. The question is how distinct forms of knowledge and skills such as technical, entrepreneurial and research skills, firm-specific and organizational knowledge and technological knowledge complement each other in innovative activities and how synergy effects determine the dynamics of the process of catching up.

### Workplace learning

43. Workplace learning contributes to the increase in both supply and demand of skills. The importance of the workplace as a place of learning has been stressed in facilitating re-skilling and lifelong learning of the workforce. Analysis of the interaction of the existing

---

<sup>18</sup> I. Nübler: "Training institutions and finance of general skills training: Evidence from Africa", ILO Technical Staff Seminar on Labour Market Institutions and Employment in Developing Countries, 24-25 November 2005, Geneva.

<sup>19</sup> For example, see E. Berman and S. Machin: "Globalization, skill-biased technological change and labour demand, in: E. Lee: "Understanding globalization, employment and poverty reduction", ILO, 2004. D. Te Velde, "Globalisation and education: What do the trade, investment and migration literatures tell us?", London: ODI, 2005.

<sup>20</sup> A. Ghose: *Jobs and incomes in a globalizing world*, ILO, 2003.

stock of skills with on-the-job skill acquisition and technology diffusion between firms is needed in addition to research on how workers acquire skills in enterprises, and how collaborative learning takes place. Incentives and bottlenecks that support or limit workplace learning, with special attention to women, the low-skilled or other vulnerable workers, need to be identified. The Office and the constituents could develop programmes to promote skills development in industrial clusters, assisting enterprises in moving up the value chain and in processes of local economic development (LED).

**(c) Skills for poverty reduction in the informal economy**

44. Improving the employability of the poor requires a combination of skills-related interventions at multiple levels adapted to national and local contexts. Pro-poor training policy is needed to make training systems more flexible and accessible and to guide concerted efforts at multiple levels. The ILO's work on skills and poverty reduction strategies (PRSs) needs to be strengthened to effectively provide assistance at the policy level. Financing mechanisms with a specific view to improving access to training for the poor are also crucial. A pilot testing of pro-poor programmes in Ethiopia and Madagascar will contribute to combining various elements of skills-related interventions.
45. The pro-poor TREE methodology integrates the key elements needed to support income generation and community development. The ILO must facilitate the process of "institutionalizing" and "upgrading" these community-based initiatives so that they can have longer term and broader impact as a national development initiative. The methodology is also contributing to the Employment Sector-wide and the Office-wide integrated interventions which attempt to bring together various tools and expertise developed by different departments in the ILO. The methodology is constantly evolving in the field and the ILO is feeding new lessons learned into a revised generic methodology.

**(d) Youth employability**

46. Many countries develop employment policies and programmes aiming at facilitating young people's transition to decent work. These targeted interventions promote the social inclusion of young people by offering labour market training as part of broader active labour market policies.<sup>21</sup> While evaluations conducted in industrialized countries showed limited impact of such programmes, recent evaluations of ALMPs conducted in transition and developing countries have shown positive employment impact.<sup>22</sup> As recommended by the International Labour Conference (2005), the ILO will continue to assess the effectiveness of targeted measures that promote the social inclusion of young people by offering "second chance" programmes through labour market training as part of a comprehensive package of services. Social partners can play an important role in making these measures more equitable and responsive to labour market requirements.

**(e) Employment services**

47. In addition, employment services are important as they relate to youth employability and to meeting the needs of the informal economy. A guide on laws and policies concerning the

<sup>21</sup> See ILO: *Starting right: Decent work for young people*, Geneva, 2004.

<sup>22</sup> See Auer, et al.: *Active labour market policies around the world*, ILO, 2005, table 9, p. 68.

regulation of private employment agencies will be developed. There have also been increasing demands for technical support and advisory services from constituents in the fields of institutionalization of the PES, the strengthening of placement and counselling, and the regulation of private employment agencies.

## V. Means of action

48. The means of action to promote employability by improving knowledge and skills are policy advice, capacity building, development of tools and methodologies, networking and analytical research.
49. The ILO will further develop, upgrade and apply tools and methodologies.<sup>23</sup> The new instruments and methodologies contribute to developing ILO capacity and competences as a knowledge broker to assist member countries and social partners.
50. Knowledge, expertise and best practices will be fed into networks in order to share them with constituents. Networks strengthen capacities of constituents to access knowledge and to identify useful approaches to common concerns of countries in regions. They improve the link and synergies between headquarters and the field. The ILO has joined the Youth Employment Network to promote youth employability. It has well-established links with the Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR), a network of vocational training institutions, and it uses its activities at the Turin Training Centre to promote networks with constituents.
51. The ILO has recently established a Regional Skills Network in Asia and the Pacific in which all constituents in the region, as well as technical and research institutes can become partners, share knowledge and respond to common concerns. A first meeting of partner institutions in the Republic of Korea at the end of 2005 identified concrete needs for constituents such as establishing a valid skills certification system for skills recognition of migrant workers.
52. Technical cooperation will build capacities among constituents to promote employability. Technical assistance will be provided in the framework of DWCPs and according to the priorities identified by countries in the area of human resources development and training.

## VI. Conclusion

53. With reference to the skills and knowledge-based approach to employability and the future priorities, the Committee may wish to offer guidance to the Office on how to best use its capacities in policy advice, capacity building, development of tools and methodologies, networking and analytical research while working closely with governments and employers' and workers' organizations.

Geneva, 8 February 2006.

*Submitted for debate and guidance.*

<sup>23</sup> [www.ilo.org/public/English/Employment/Skills](http://www.ilo.org/public/English/Employment/Skills) .