



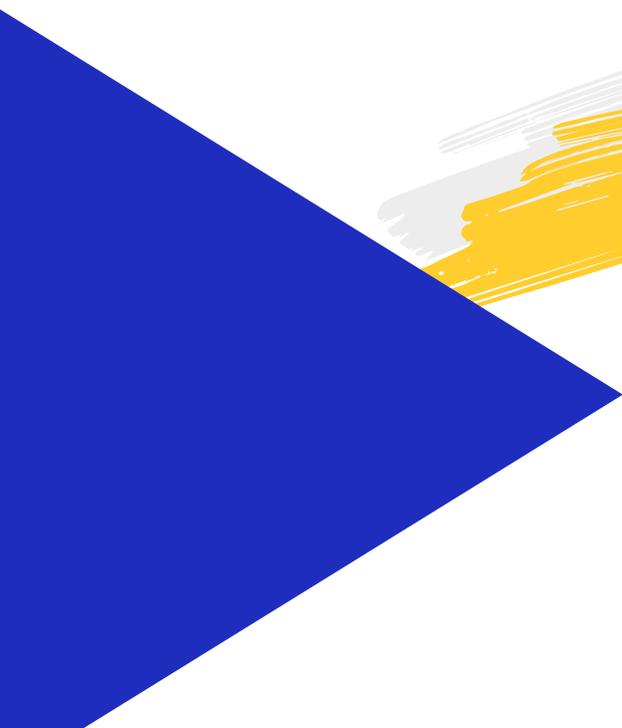
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▶ Supplementary notes on skills mismatch



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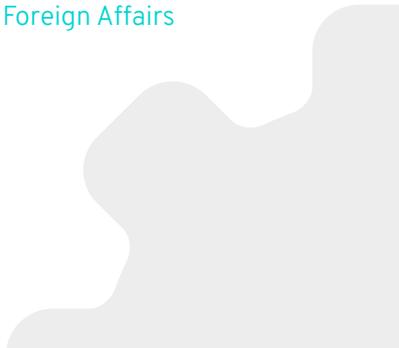
Finding solutions
to skills mismatch



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Supplementary notes on skills mismatch

When the demand and the supply of skills at a specific wage do not match, a skills mismatch can be said to exist. The term skills mismatch has a very broad in definition and is used to describe the following situations: vertical mismatch, horizontal mismatch, skill gaps, skill shortages and skill obsolescence¹. Each of the former represents a different type of a skills mismatch that has become manifest in response to certain conditions.

Measures of skills mismatches can be usefully divided into those focus upon individual worker, and those that focus upon the firm. For the individual worker, the measurement focuses upon the degree to which their skills, knowledge or education level are above or below those required by their current job, and for vacancies the degree to which skills, knowledge and educational level of an individual meet those required by the hiring firm.

At the firm level the focus of a skills mismatch is more upon skill gaps and shortages. Skill gap defines a situation when an employer believes that workers do not possess the right type of competencies to perform tasks associated with their job. In contrast skill shortage occur when an employer is unable to fill an advertised vacancy due to the lack of a suitably qualified candidate.

Policies that address skills mismatch tend to focus solely on the supply side and aim to enhance the responsiveness of the education and training system so they are better able to meet emerging labour market needs. Such approaches include identifying current and future skill demand and supply through occupational forecasting models, the use of sectoral or occupational analyses, and the commissioning of bespoke qualitative and quantitative research projects.

The view that skills mismatch is also a function of asymmetric information between jobseekers, workers and firms has led some countries to improve career guidance and counselling services in response. Such policies are certainly valuable and may potentially inform career decisions and increase returns on public and private investments in training.

On balance, however, it is reasonable to suggest that currently policies do not focus enough on the demand side to address the problem of surplus human capital which take the form of over-qualification and low skills utilisation.

It is clear from the evidence that underutilisation of human capital is an issue in both developed and developing economies and is more prevalent than human capital deficits in the form of skill gaps and skill shortages.

Given this, and taking into account the findings from recent ILO research (ILO 2019), a greater balance in the mix of the following policy measures to address skills mismatch can be argued for:

- improving access to secondary education and technical and vocational education and training (TVET) in low-income developing countries. The main three challenges of secondary education in developing countries are increasing participation, improving learning and enhancing relevance (Null et al., 2017). To increase enrolment and attendance, it is important to overcome financial and non-financial barriers to school attendance. Conditional cash transfers that provide support to

¹ Full definitions of the term skill mismatch can be found in the following article:
https://www.ilo.org/skills/pubs/WCMS_552798/lang--en/index.htm

poor families are found to have a positive effect on child nutrition, health, school enrolment and attendance of children from disadvantaged households (WEF, 2014; Null et al., 2017). Continued expansion of online courses and other forms of distance learning should also be pursued as should increasing access of households to computers and the internet along with training in basic digital skills. It is also useful to change perceptions of children and their parents on the value of TVET and skills development to boost participation and learning outcomes (Null et al., 2017). Given the large number of children leaving secondary school without basic skills, remedial education can raise completion rates and develop the foundational skills needed for work;

- developing career guidance and labour market information systems to guide career choices of young people at both secondary and tertiary level, reduce job search costs and improve job matching, as information asymmetries have also been shown to be an important driver of skills mismatch in developed countries (McGuinness et al, 2016). Improving the information flow between jobseekers, employers offering jobs and the institutions offering education and training will help reduce existing qualification and skills mismatches and youth unemployment;
- encouraging employers to adopt better recruitment practices, provide on-the-job training and better utilise the skills of their employees in the workplace. This can be partly achieved by providing incentives to encourage innovation through enhanced skills use and HRM practices and by providing incentives and programmes that promote investment by employers in further training of workers, especially young graduates without prior work experience;
- tackling informal employment and supporting the smooth transition of young workers to the formal sector. Taking into account that a large proportion of young people in low- and middle-income countries start their working life in lower-skilled jobs in the informal sector, it is important to devise policy measures to break young workers out of the informal employment and mismatch trap. Policies focused on enhancing formal job creation are likely to prove influential in combatting both the incidence and impacts of overqualification and underqualification in low- and middle-income countries;
- given the fact that the prevalence of underqualification can partly be explained by the lack of certification amongst skilled individuals, particularly in the informal economy, greater policy attention should be given to the recognition or validation of prior learning, so that the skills people hold can be appropriately recognized and so that better matched employment can be made; and
- improving the quality and relevance of all levels of education, especially of tertiary education, in middle-income countries, as overqualification in these countries often stems from a rapid growth in college and university graduates who have diplomas but lack the necessary skills to find better matched jobs. It is important to align education and training with the current and future needs of the labour market to ensure high levels and relevance of skills acquired by students in the formal system of education. An important step to increase the relevance of TVET and tertiary education is to engage employers, sector councils or economic chambers in closer and more effective cooperation with education institutions.

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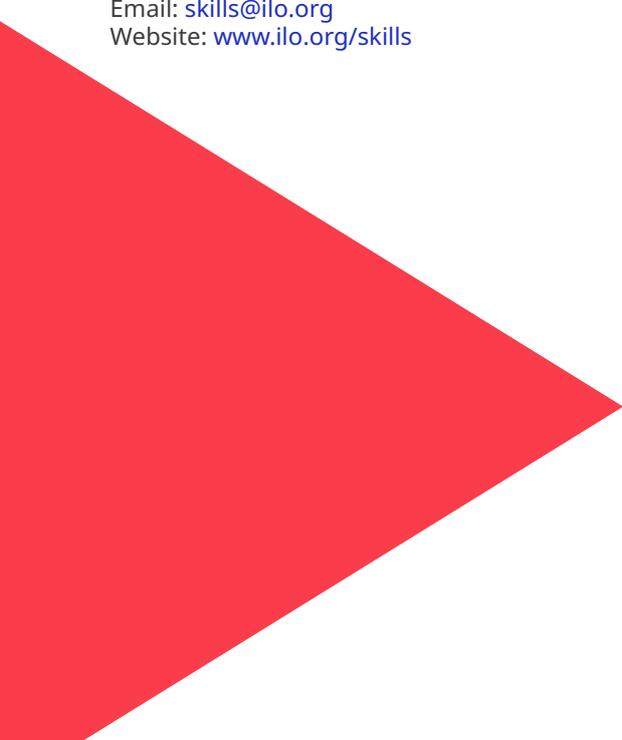
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