

Conclusions on skills for improved productivity, employment growth and development

International Labour Conference, 2008

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Foreword

Investing in education and skills for women and men to help economies achieve dynamic growth with quality jobs is a pressing priority throughout the globe.

At the 2008 International Labour Conference, the ILO's tripartite constituency of governments, employers and workers adopted a set of conclusions squarely focused on this challenge. These conclusions provide practical guidance for strengthening education, vocational training and lifelong learning as central pillars of employability for workers and sustainability for enterprises within the Decent Work Agenda.

The conclusions highlight how skills development can be an important tool for reducing poverty and exclusion and enhancing competitiveness and employability.

It is increasingly clear that the *vicious circle* of inadequate education, poor training, low-productivity jobs and low wages traps the working poor and excludes young persons and workers from participating in economic growth. The conclusions seek to engender instead a *virtuous circle* in which improving the quality and availability of education and training for women and men fuels the innovation, investment, technological change, enterprise development, economic diversification and competitiveness that economies need to accelerate the creation of more but also better jobs and thereby improve social cohesion.

The conclusions aim to:

- help countries use skills development to maximize opportunities and mitigate the negative impact of global drivers of change such as technology, trade and climate change;
- integrate skills development into national and sectoral development strategies;
- build seamless pathways of education that connect basic education, vocational training, labour market entry and lifelong learning;
- extend access to education and training for those who are disadvantaged in society.

Connecting skills development to these broader growth, employment and development strategies requires that governments, working with the social partners, build policy coherence in linking education and skills development to today's labour markets and to the technology, investment, trade and macroeconomic policies that generate future employment growth. This places a high premium on strong social dialogue, effective coordination among ministries, and improved communication between employers and training providers.

As the conclusions recognize, skills development will not by itself lead to improved productivity and employment. Other critical factors include employment and productivity policies to influence the demand side of the labour market, respect for

workers' rights, gender equality, and health and safety standards; good labour relations and social dialogue; and effective social protection.

In short, everyone has a role to play. The conclusions help identify specific areas of action for governments, the social partners, as well as the ILO. The Office commits to playing its part in such critical areas as research, knowledge sharing, policy analysis, and facilitating dialogue and collaboration.

These conclusions are timely, stimulating and practical. They can help governments and societies improve the employability of workers, enhance the productivity and competitiveness of enterprises, and promote the inclusiveness of growth. They can thus serve as a powerful catalyst for realizing the universal goal of Decent Work for all.

At a time of profound global economic uncertainty, this challenge is even more urgent.

I invite you to review the recommendations, share your insights, and continue working with us in tangible ways to promote skills for improved productivity, employment growth and development.

Juan Somavia
Director-General
ILO

Preface

Current thinking on development issues is going through a major intellectual and policy shift. Central to this change of mindset is the realization that reducing poverty in a sustainable way cannot be achieved by simply having high and sustained growth. There is also a need to put good labour market performance at the centre of economic and social policies to ensure that growth is inclusive and creates productive employment and decent jobs.

This realization has come from at least two sources: the disappointment with the standard policy packages of the past, focused on macroeconomic stabilization or just growth of GDP; and the failure of even many high-growth countries to translate this growth into better labour market outcomes and standards of living for the majority of their populations.

Even in countries where economic growth has been high and sustained the labour market, outcomes have frequently not been satisfactory, not enough jobs have been generated (declining employment content of growth), and too many of the jobs created are of low productivity and low pay in the informal economy.

The poverty reduction paradigm behind the Millennium Development Goals (MDGs) is also moving closer to a labour-market-centred approach. This is based on the reasoning that labour is the only asset of the poor and that a growth process that does not create more and better jobs with adequate social protection might fail to reduce poverty for a large proportion of people.

An educated and skilled workforce is a critical component of this new emphasis on labour markets and their performance. The ILO has for years been advising member States on skills development policies, and developing research and analysis in this area. Skills development policies constitute a core element of the ILO's Global Employment Agenda (GEA), the ILO's policy framework for the employment promotion objective of the Decent Work Agenda. The Human Resources Development Recommendation, 2004 (No. 195), also provides guidance for effective skills and employment policies.

Given the importance of these issues, the ILO's 2008 International Labour Conference (ILC) general discussion on how skills development could better serve the twin objectives of increasing the quantity of labour employed and the productivity of labour was timely. The 2008 ILC adopted, by tripartite agreement between workers, employers and governments, conclusions that provide a forward-looking framework for strengthening linkages between skills, productivity, employment, development and decent work. These conclusions underscore the principle that effective skills development policies need to be integral components of national development strategies in order to prepare the workforce and enterprises for new opportunities and adopt a forward-looking approach to dealing with change. In order to successfully link skills to productivity, employment creation and development, skills development policies should target three objectives: matching supply to current demand for skills; helping workers

and enterprises adjust to change; and anticipating and delivering the new and different skills that will be needed in the future.

The framework adopted in the conclusions also identifies prime responsibilities for governments and the social partners, and establishes priorities for support from the Office in five areas: (1) to boost skills development at the workplace and along value chains; (2) to help manage global drivers of change; (3) to allow early identification of current and future skills needs to feed national and sectoral development strategies; (4) to link education, skills development, labour market entry and lifelong learning; and (5) to promote social inclusion by extending access to education and training for those who are disadvantaged in society.

Research priorities identified include better understanding of the use of skills development to facilitate the transition of economic activities from the informal to formal economy and on the impact of the main drivers of change on employment and skills development. Specific priorities for policy advice and technical cooperation include: (1) tools for forecasting skills needs, generating and using labour market information and improving employment services; (2) linking employers to training providers and increasing workplace learning; (3) developing regional skills recognition schemes; and (4) increasing the availability and quality of skills development for all, including in rural areas and for women and men with disabilities.

In short, the conclusions provide a modern skills development framework to support a dynamic development process that will contribute to full and productive employment and decent work around the world in years to come. Implementing the conclusions will be a challenge for constituents and for the Office. Improved effectiveness is part of the process of change brought about by the 2008 ILO Declaration on Social Justice for a Fair Globalization, where skills development policies also figure prominently as a major policy area for employment promotion.

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Conclusions on skills for improved productivity, employment growth and development

1. The Governing Body of the International Labour Organization (ILO) at its 295th Session (March 2006) chose the topic of skills for improved productivity, employment growth and development as a discussion topic for the International Labour Conference (ILC) in 2008. This document contains the conclusions reached by the Committee [and adopted by the Conference].
2. The important role of skills development for social and economic development and decent work was highlighted in a series of ILO discussions and conclusions, in particular, the Conclusions concerning human resources development (ILC, 2000), Human Resources Development Recommendation, 2004 (No. 195), the Global Employment Agenda adopted by the Governing Body in March 2003, the conclusions on promoting pathways to decent work for youth (ILC, 2005) and the conclusions on the promotion of sustainable enterprises (ILC, 2007). In addition, the Paid Educational Leave Convention, 1974 (No. 140) and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (1977, as amended in 2000 and 2006) (MNE Declaration) are also relevant with respect to opportunities for training.
3. Education, vocational training and lifelong learning are central pillars of employability, employment of workers and sustainable enterprise development within the Decent Work Agenda, and thus contribute to achieving the Millennium Development Goals to reduce poverty. Skills development is key in stimulating a sustainable development process and can make a contribution to facilitating the transition from the informal to the formal economy. Skills development is also essential to address the opportunities and challenges to meet new demands of changing economies and new technologies in the context of globalization. The principles and values of decent work and principles of sustainable enterprises in line with the conclusions on the promotion of sustainable enterprises (ILC, 2007) provide guidance for the design and delivery of skills development and are an effective way of efficiently managing socially just transitions. Governments and social partners need to work in the framework of social dialogue for shaping national, regional and international skills development programmes that can promote the integration of the economic, social and environmental dimensions of sustainable development.

Skills' contribution to decent work, productivity, employment growth and development

4. A low-skill, low-productivity, low-wage economy is unsustainable in the long term and is incompatible with poverty reduction. This is the vicious circle of inadequate

education, poor training, low productivity and poor quality jobs and low wages that traps the working poor and excludes workers without relevant skills from participating in economic growth and social development in the context of globalization. This also negatively affects the competitiveness of enterprises and their capacity to contribute to economic and social development.

5. An international, national and regional development strategy based on improved quality and availability of education and training can engender, by contrast, a virtuous circle in which skills development fuels innovation, productivity increase and enterprise development, technological change, investment, diversification of the economy, and competitiveness that are needed to sustain and accelerate the creation of more and better jobs in the context of the Decent Work Agenda, and improve social cohesion.

6. Within this virtuous circle, skills development is an essential factor for achieving the objective of decent work both by increasing the productivity and sustainability of the enterprise and for improving working conditions and the employability of workers. Effective skills development requires a holistic approach. This approach encompasses the following features:

- (a) *continuous and seamless pathways of learning* that start with pre-school and primary education that adequately prepares young people for secondary and higher education and vocational training; that provide career guidance, labour market information, and counselling as young women and men move into the labour market; and that offer workers and entrepreneurs opportunities for continuous learning to upgrade their competencies and learn new skills throughout their lives;
- (b) development of *core skills* – including literacy, numeracy, communication skills, teamwork and problem-solving and other relevant skills – and learning ability – as well as awareness of workers' rights and an understanding of entrepreneurship as the building blocks for lifelong learning and capability to adapt to change;
- (c) development of *higher level skills* – professional, technical and human resource skills to capitalize on or create opportunities for high-quality or high-wage jobs;
- (d) *portability of skills* is based firstly on core skills to enable workers to apply knowledge and experience to new occupations or industries and secondly on systems that codify, standardize, assess and certify skills so that levels of competence can be easily recognized by social partners in different labour sectors across national, regional or international labour markets; and
- (e) *employability* (for wage work or self employment) results from all these factors – a foundation of core skills, access to education, availability of training opportunities, motivation, ability and support to take advantage of opportunities for continuous learning, and recognition of acquired skills – and is critical for enabling workers to attain decent work and manage change and for enabling enterprises to adopt new technologies and enter new markets.

7. Improving productivity is not an end in itself, but a means to improving workers' lives, enterprises' sustainability, social cohesion and economic development. Continued improvement of productivity is also a condition for competitiveness and economic growth. Productivity gains arising from skills development should be shared between enterprises and workers – including through collective bargaining – and with society in order to sustain the virtuous circle of improved productivity, employment growth and development, and decent work.

- (a) Workers can benefit from skills development and productivity gains if translated into better working conditions, respect for labour rights, further training, adaptability to changes, better employment prospects, higher wages and other factors that contribute to a better quality of life.
- (b) Enterprises will benefit from skills development and productivity gains by reinvesting in product and process innovations, diversifying business activities, maintaining and improving competitiveness and market share.
- (c) Society will benefit from skills development and productivity gains in terms of quality jobs, higher employment, quality and efficiency of services, reduced poverty, respect for labour rights, social equity, and competitiveness in changing global markets and dynamic growth sectors.

8. However, skills development will not automatically lead to improved productivity or more and better jobs unless there is a conducive economic and social environment to translate productivity improvement into employment growth and development. Other critical factors include: respect for workers' rights, gender equality, health and safety standards; good labour relations; effective social protection; good leadership and a high standard of organizational processes; and effective and active labour market policies and employment services.

9. Likewise, improved productivity alone will not boost employment and development in the context of the Decent Work Agenda. Other essential factors are: strong employment growth policies; a sustainable business environment; strong and representative social partners; investments in education and skills development; social support services, including health care and physical infrastructure; development of industrial districts or clusters; local economic and social development policies targeted at the informal economy and small and medium-sized enterprises; business and workers' networks; efficient public services and a well-developed services sector; and trade, investment and macroeconomic policies.

10. Governments have overall responsibility for creating, in consultation with the social partners, the *enabling framework* to meet current and future skills needs. International experience shows that countries that have succeeded in linking skills to productivity, employment, development and decent work, have targeted skills development policy towards three main objectives:

- (a) matching supply to current demand for skills;
- (b) helping workers and enterprises adjust to change; and
- (c) building and sustaining competencies for future labour market needs.

11. The first two objectives of skills matching and easing adjustment take a short- to medium-term labour market perspective in responding to ongoing technological and market changes. The first objective requires policies and institutions to better forecast and match the provision of skills with labour market needs, as well as to make employment services, career services and training services more broadly available.

12. The second objective focuses skills development on making it easier for workers and enterprises to move from declining or low-productivity activities and sectors into growing and higher-productivity activities and sectors, and to capitalize on new technologies. Reskilling, skills upgrading and lifelong learning help workers to maintain their employability and help enterprises to adjust and remain competitive. This should be combined with active labour market policies to support the transition to new

employment. Workers should not bear the brunt of the adjustment cost, and effective social security provisions or unemployment insurance as well as career guidance, training and effective employment services, are important components of the social contract to mitigate the impact.

13. The third objective takes a long-term perspective, focusing on anticipating and delivering the skills that will be needed in the future through forecasting at the local, national, regional and international levels. This strategic role of skills development aims at fostering a sustainable development process to improve working conditions and enterprise development, and the ability of the economy to remain competitive.

14. In meeting these three objectives, working with the social partners and other key stakeholders is important.

15. Countries have very different existing economic and social conditions, and different levels of education and skills development. However, there is a continuous need to promote creativity, innovation, productivity growth and more and better-designed jobs at all stages of development. The design, sequencing and focus of their policies to initiate and strengthen the virtuous circle of skills, productivity, employment and decent work need to respond to their different levels of development.

16. The relationship between skills development, productivity, employment growth and development is complex. For skills development policies to be effective, governments, in consultation with the social partners, must build policy coherence by linking education, research and skills development to labour markets, social policy, technology, public services delivery, trade, investment and macroeconomic policies.

17. Education and skills development must be integrated into the broad framework of national economic and social development in order to achieve their potential to contribute to the virtuous circle. Achievement of the virtuous circle requires the transition from the informal to the formal economy by creating conditions that are inviting for growing informal businesses to join the formal economy with higher productivity activities, better working conditions, access to social protection and respect of workers' rights. This is true in all countries, and in particular for developing countries.

Skills development at the workplace and along value chains for sustainable enterprise and employment growth

18. As agreed in the ILO approach to the promotion of sustainable enterprises (ILC, 2007) education, training and lifelong learning are fundamental conditions for a *conducive environment for sustainable enterprises*. Sustainable enterprises apply workplace practices that are based on full respect for fundamental principles and rights at work and international labour standards. They also foster good labour–management relations as a means of raising productivity and creating decent work.

19. Training for new skills gives opportunity for better career paths (within the company or in the labour market), higher income and employability. In addition, it is recognized that new skills are required for enterprises to remain competitive and be able to retain their workers.

20. In accordance with paragraph 30 of the MNE Declaration, multinational enterprises “should ensure that relevant training is provided for all levels of the employees in the host country as appropriate, to meet the needs of the enterprise as well as the

development policies of the country”. Skills development *along global value chains* provides opportunities for new knowledge and technology transfers as lead firms provide skills to suppliers further down the supply chain.

21. Foreign direct investment in export processing zones (EPZs) can create employment but there is a need to strengthen the nexus to decent work. Targeted policy support to ensure good working conditions, respect for freedom of association and the right to collective bargaining, and investment in training are required to realise the potential of this type of investment to boost worker productivity and decent work.

22. Agreements on innovative organizational and human resources practices, as well as implementation of people motivation policies, are significant for labour productivity. Integrated investment in workers, technology, and research and development (R&D) and progressive human resources and remuneration policies which may include fair gain-sharing, are key to *high-performance workplaces*. Management and workers’ representatives should enable and encourage workers to explore their potential in their own interest and in the interest of business performance. Governments, social partners, and society in general should create a culture of learning and meeting the challenges of change.

23. *Small and medium-sized enterprises* (SMEs) face particular challenges in terms of skills development, such as difficulty in making time available for formal training, reluctance to invest in worker training for fear of losing the workers once they acquire new skills, or lack of resources to invest in skills development. Creating networks of SMEs would help to share information, good practices and pool resources to support skills development. Specific and targeted policies are needed to assist SMEs to retrain and upgrade the skills of their workers. Management training programmes for SMEs that help these entrepreneurs understand the business and social advantages of skills development have proven to be particularly effective in many countries.

24. Outsourcing arrangements are often implemented as a way to better integrate value chains by taking advantage of specialization and enhanced productivity. This is an opportunity for SMEs to use new technology and acquire new skills. This can create job opportunities in ancillary industries. The displacement effects in the initiating firms could be addressed through retraining, job placement services or social protection measures. While outsourcing, basic conditions of employment should be preserved. Outsourcing firms can also coach the suppliers in professionalization of the services and reaching high-quality standards.

25. Poor outsourcing practices cause workers to become trapped in low-skilled and low-productivity jobs that contribute to the deterioration of workers’ welfare and working conditions, inconsistent with the Decent Work Agenda. Responsible outsourcing practices require enterprises to work with their contractors or service providers to provide decent work and to create opportunities for training and skills upgrading.

26. *Equal opportunities* should be provided for all to access quality education, vocational training and workplace learning, and especially promoting the needs of under-represented groups in the labour market or those with difficulties in accessing the labour market such as young workers, older workers, workers with disabilities and those who are in atypical employment relationships.

27. Equal opportunities are also crucial for women workers – particularly women rural workers, young women, women with disabilities, and women entrepreneurs – especially

those with families who may require flexible policies and consideration to ensure sufficient time for skills upgrading.

28. Evidence shows that sharing the gains of improved workplace productivity strengthens motivation for learning, creates trust and willingness to undertake workplace changes, and provides the means for innovation and investment by enterprises, thus further contributing to higher productivity. Studies have shown that sharing gains that may be realized through social dialogue, including through collective bargaining agreements, have been effective in this regard.

29. *The role of governments* in supporting skills development at the workplace and along value chains for sustainable enterprises and employment growth should focus on providing an enabling environment for skills development, including but not limited to:

- (a) promotion of a positive lifelong learning culture, skills enhancement and productivity through a strong and consistent policy framework;
- (b) quality assurance of training and certification of skills obtained, so that skills are transferable including skills acquired through informal and on-the-job learning;
- (c) a range of mechanisms and incentives, which may, among others, include financial incentives to encourage and enable enterprises to train their workforce as part of business development, and workers to participate in training, specifically targeting SMEs and low-skilled workers;
- (d) implementation and enforcement of international labour policies and standards, especially respect for freedom of association, the right to collective bargaining and gender equality;
- (e) institutional support for effective social dialogue for skills development at the enterprise, sectoral, national and regional levels;
- (f) identifying and utilizing opportunities for public–private partnerships where these add value to meeting skills development needs of enterprises and workers, and as agreed to by the social partners;
- (g) collection, analysis and effective dissemination of labour market information, including in-demand skills, providing timely and accessible information and a practical referral system on the funding schemes that are available;
- (h) governments also taking a lead by developing the skills of their own workforce;
- (i) coherence between government policies as a particularly important basis for the provision of good early and basic education; and
- (j) alongside business, governments also having a role in providing investment for research.

30. *The social partners* can promote skills development for sustainable enterprise and employment growth in many critical ways, including, but not limited to:

- (a) engaging in effective social dialogue which may include collective agreements signed at the national, sectoral and enterprise levels;
- (b) providing incentives for informal economy operators to invest in skills development as an initial step to transit to the formal economy, including through improved linkages between employers' organizations and SMEs; and promoting policies that give rights to informal economy workers;

- (c) providing, supporting and promoting workplace learning – fostering a learning culture at the workplace which may include provision of paid time off for training;
- (d) promoting entrepreneurship, trade unions and workers' rights awareness in schools and vocational training institutions;
- (e) providing apprenticeships and upgrading the quality of learning and the recognition of skills acquired by apprentices;
- (f) making workplace training accessible to when and where workers are available and making workplace learning and apprenticeship opportunities equally accessible to women;
- (g) leveraging community-based training to reach out to disadvantaged and marginalized groups; and
- (h) having a role in sharing information and good practices on corporate social responsibility, with respect to skills development.

31. *Support from the ILO* for these efforts is particularly important in the following areas:

- (a) research, dissemination of effective models, and technical support in applying good practices to specific country circumstances, for example on effective training incentive schemes and extending workplace learning to men and women on how to facilitate the transition from informal to formal economy activities;
- (b) promoting high-performance workplace practices which focus on training and skills, work organization, gain-sharing and worker participation and social dialogue as essential elements;
- (c) assisting governments and social partners to implement the MNE Declaration, and promote it as a useful tool to promote skills development along value chains, and disseminate examples of how social dialogue on skills development have helped to increase productivity and promote decent work;
- (d) including training in skills development in small enterprise development promotion programmes;
- (e) promoting the ILO Human Resources Development Recommendation, 2004 (No. 195); and
- (f) developing model bilateral and multilateral agreements on certification of skills for employment, through systems for recognition of skills among countries.

Skills development to help manage global drivers of change

32. Skills development should form part of an effective response to changing conditions. Technology and trade have significant impacts on countries whatever their level of development. Climate change may have a similar impact in the future. Technological changes offer the potential for higher productivity and new industries, and have created new jobs with new skills, but have also resulted in job losses and changing skills requirements. Trade policy offers new opportunities and the potential for participating in global value chains, but also poses transition challenges for domestic industries. Climate change is likely to alter patterns of energy use, impacting on how

industry conducts its operations and raising demand for new skills across a broad range of agricultural, transportation, manufacturing and construction industries.

33. Other drivers of change, such as migration, demographic trends, and the growing corporatization of agricultural activities, and crises, create similar tensions between displacement of existing jobs and new employment opportunities. What is important is that governments, in consultation with the social partners, develop good active labour market policies and systems, including skills policies as well as sustainable social protection policies which effectively address these challenges as part of a broader proactive and responsive strategy.

34. Managing the global drivers of change effectively means on the one hand, having the capacities needed *to take advantage of opportunities*, and on the other, *mitigating the negative impacts* to facilitate adjustment. Forecasting and skills development strategies are central to meeting both of these challenges. Social dialogue, which may include collective bargaining, is an important means of ensuring that strategies to benefit from change and to mitigate the negative impacts are comprehensive and effective.

35. *Taking advantage of opportunities.* Governments and social partners need to gather and access information, and need the analytical capacity to develop strategies to capitalize on opportunities and the leadership and entrepreneurial skills to drive positive change. The lack of skilled workers is a critical limiting factor on the ability of countries to grow, enterprises to respond to opportunities and workers to move to better jobs and higher wages. Whereas forward-looking skills policies can help enterprises, society and workers respond positively and benefit from change, for example through:

- (a) early identification of *sectoral trends and skills needs*, including of sectors most likely to be affected by change and sectors most likely to offer substantial growth potential;
- (b) development of occupational and skills profiles as a base for meeting future skills needs in emerging sectors and industries;
- (c) balancing vocational and higher general skills to improve the investment climate, productivity and decent jobs; and
- (d) guiding young people to take up technology-related subjects, including science and mathematics to drive innovation and technological development, whilst also helping workers to develop other creative capabilities.

36. *Mitigating the negative impacts* of change has two aspects: ensuring that workers have a positive transition to new employment, and reducing the social and economic costs imposed by change on workers, enterprises and countries. For workers, a seamless transition to new employment requires that the following mechanisms be in place:

- (a) *skills recognition systems* to recognize and certify prior learning and experiences gained at work so that with transferable skills workers can more easily shift to new jobs, both inside the enterprise and to other occupations and industries;
- (b) *availability of retraining* and skills upgrading by governments or employers and through commitment by workers to lifelong learning by using these opportunities;
- (c) *employment services*, including access to timely labour market information, career guidance and job placement services; and
- (d) *social protection measures*, in combination with active labour market policies, to provide temporary support to workers affected by dislocation and restructuring.

37. *The role of governments* should focus on:

- (a) investing in sound and dynamic education, research and skills training systems that provide core skills and facilitate lifelong learning;
- (b) establishing mechanisms for skills recognition and certification nationally, regionally and internationally, to facilitate mobility of workers;
- (c) investing in worker retraining programmes to ensure that workers are able to upgrade existing competencies and acquire new skills;
- (d) as part of the lifelong learning agenda, providing employment placement services, guidance and appropriate active labour market measures such as training programmes targeting older workers and, where possible, supported by legislation to counter age discrimination and facilitate workforce participation;
- (e) stimulating tripartite social dialogue on the impact of global drivers of change on skills development and employment; and
- (f) providing social protection measures in combination with active labour market policies.

38. *The social partners* should contribute through:

- (a) active participation in developing and implementing training systems to ensure that skills are relevant, flexible and that training is accessible to all;
- (b) mechanisms to motivate and support workers in investing – in terms of effort and commitment – and developing skills, including providing a supportive environment and building the confidence of learners;
- (c) ensuring that the working conditions observe core labour standards and occupational safety and health standards and facilitate productivity and sustainable development;
- (d) launching initiatives to advise the social partners and society on the value of the work and life experience of older workers while providing coordinated packages of age-friendly employment measures, including continuous updating of skills, in particular in new technologies; and
- (e) developing innovative new business ideas which also cater to the use of alternative energies or recycling and meet local or global problems, such as rising water levels, drought and hurricanes.

39. *Support from the ILO* for these efforts is particularly important in the following areas:

- (a) research and facilitation of dialogue at the national, regional and global levels on the employment impact of the main drivers of change and the consequent implications for skills development and employment growth;
- (b) capacity building to help constituents use skills development to take advantage of national, regional and international opportunities; the ILO Training Centre in Turin and the ILO/Inter-American Centre for Knowledge Development and Vocational Training (CINTERFOR) can play an important role in delivering such training;
- (c) analysis and dissemination of findings on effective and equitable cost-sharing arrangements for retraining displaced workers; and

- (d) work with other international agencies and organizations, including UN bodies, to ensure a better alignment with ILO's objectives in dealing with the impact of change on employment.

Early identification of current and future skills needs to feed into national and sectoral development strategies

40. A mismatch between skills demand and supply has high economic and social costs and results from and contributes to structural unemployment. Early identification of current and future skills needs is part of a forward-looking strategy that reduces skills gaps by:

- (a) adjusting the curriculum of initial education to current and future skills needs;
- (b) enabling training providers to anticipate and forecast what skills are in demand currently and in the medium- to long-term, so as to ensure a better fit between jobs and skills;
- (c) providing pertinent and timely information to all stakeholders in particular to displaced workers as well as those seeking better job opportunities to enable them to shift from declining to emerging sectors;
- (d) helping young persons base their training choices on realistic employment prospects;
- (e) facilitating better-informed investment decisions in training and lifelong learning by employers and workers; and
- (f) assisting enterprises to innovate and adopt new technologies through the timely availability of appropriately skilled workers, upskilling existing workers, and helping workers to remain employable.

41. Effective skills identification and forecasting systems have the following tasks: data collection, skills needs analysis and definition of skills profiles, timely and broad dissemination of this analysis, and informing the formulation of training policies and their translation into training programmes. Relevant information and data analysis should be distributed widely, including to jobseekers, employers' and workers' organizations, public and private trainers, and career counsellors and employment service providers in both the formal and informal economies.

42. Quantitative and qualitative forecasting should be linked to broadly defined national strategies. It is important to track sectors and regions with high growth potential to identify new employment prospects and their skills requirements, as well as to track traditional sectors in decline and the skills profiles of those losing jobs. It is also important to track the quality of skills supply. Further, skills needs analysis should track core skills as well as vocational skills because both change as economies grow.

43. *Government* responsibilities for skills identification includes coordination, resourcing, developing policies, processes and institutions that:

- (a) sustain labour market information systems in dialogue with the social partners;
- (b) conduct regular labour market research and establish mechanisms for skills forecasting;

- (c) undertake quantitative forecasting of skills through labour force and establishment surveys, and administrative data, in particular from training institutions and employment services;
 - (d) collect qualitative data from both the formal and informal economies through, for example, local business councils, trade unions, employer organizations, stakeholder panels and feedback mechanisms between employers and local trainers;
 - (e) stimulate cooperation and networking between educational institutions and companies;
 - (f) take into account macroeconomic, technological and demographic trends;
 - (g) check and ensure in consultation with social partners that training curricula are up to date in meeting both quantitatively and qualitatively, the current and future skills needs and use the information to monitor the performance and set outcomes for training institutions;
 - (h) develop job profiles that can be used as the basis for curriculum and quickly adapted to meet changing industry requirements; and
 - (i) arrange collaborative data collection and analysis as part of regional integration alliances.
- 44.** *Social partners'* contributions to skills forecasting includes, but is not limited to:
- (a) using sectoral bodies, bipartite and tripartite institutions and local networks of enterprises and workers' organizations as well as training institutions to facilitate a continuous process of updating information on skills requirements;
 - (b) analyse the impact on future skills of emerging technologies;
 - (c) signal skills needs and job profiles through interchanges between enterprises and learning institutions;
 - (d) help in assessing new opportunities for workers whose skills sets may be affected by change; and
 - (e) engage in social dialogue at the enterprise and sectoral level to exchange information about business forecasts and to voice employers' and workers' training needs and aspirations.
- 45.** *The ILO can assist* the member States by:
- (a) sharing models of effective and cost-efficient approaches to forecasting skills needs from different countries;
 - (b) assisting countries, particularly developing countries, in establishing and improving labour market information systems and employment services; and
 - (c) building national capacity for research on skills supply and demand dynamics, and stimulating international cooperation in this respect.

Linking education, skills development, labour market entry and lifelong learning

- 46.** Countries have different levels of education and skills development, and face different sets of challenges in building coherent pathways of learning that link basic, secondary and higher education, vocational training, labour market entry and lifelong

learning. Ensuring quality basic education and core skills (refer to discussion in 6(b)) for all should be an overriding priority for governments. Governments and social partners should aim at developing an integrated national qualifications framework to facilitate the pathways of learning for all workers throughout their working lives which should include both horizontal and vertical progressions.

47. Transition between stages of learning and entry into the labour market is facilitated by career counselling and guidance, the recognition of prior learning, incorporating entrepreneurship with training and effective skills forecasting and wide dissemination of labour market data analysis. These measures are particularly important to improve the employability of youth and other target groups. In many countries higher secondary and tertiary education rates have not resulted in higher employment in work of higher productivity for a substantial portion of young people, because they may lack competencies relevant to labour market needs. These measures should not be pursued in isolation but should be part of the national development agenda, focusing on skills development and employment growth.

48. Special support mechanisms are often needed to facilitate the participation of *women* in all stages of skills development – from primary and secondary school attendance, to opportunities for formal vocational training and competency-based apprenticeships, to taking part in workplace training opportunities and in opportunities for retraining when re-entering work. From a life cycle perspective, gender equality and improving productive and decent work for women, each step along the learning pathway has obstacles. Attention to gender issues, such as balancing work and family responsibilities, avoiding discrimination, and recognizing the value of skills acquired through care-giving responsibilities, is required in both mainstream training promotion and in programmes that specifically target women.

49. *Improved coordination* needs to be promoted at multiple levels in order to make a seamless pathway between education, training, lifelong learning and employment. Such coordination measures should also include consultation with the social partners:

- (a) At the *national level*, inter-ministerial coordination platforms are critical for concerted actions and coordinating education and skills development programmes offered by various ministries within the country. Coordination between ministries of education and labour as well as ministries of science and of technology and other relevant ministries are particularly essential to facilitate smooth transition from initial education and training to lifelong learning and also with the economic agencies to help with skills identification and forecasting.
- (b) The coordination between the different levels of government as relevant is equally essential. Here the challenges are to maintain a balance between decentralized authority in order to be responsive to local labour market needs and quality assurance and standards so that qualifications receive national recognition, as well as to structure effective incentive schemes for training.
- (c) At the *local level*, the coordination and cooperation among municipalities, enterprises, employers' and workers' organizations and training providers can significantly contribute to aligning training to the needs of the local labour market. This coordination is also essential for incorporating skills development in broader and long-term local development strategies.
- (d) At the *regional level* there should be coordination between countries and between professional organizations and other relevant related bodies for recognition of skills

so as to promote mobility within the region. Regional compatibility of the national frameworks is a possible point of attention.

- (e) At the *international level*, collaboration among international agencies is required for coherent aid delivery and effectiveness for developing countries to meet the Millennium Development Goals (MDGs) especially MDG (2) on education.

50. *Coordination mechanisms* that have been found effective in a number of countries include:

- (a) national inter-ministerial coordination bodies;
- (b) sector-based bodies comprising employers' and workers' representatives, business associations, and specialized learning and research institutions for sharing information about skills demands and training quality to improve planning and the delivery of training;
- (c) collaboration between enterprises and learning and research institutions, in particular for meeting skills demands and encouraging innovation for emerging high value added sectors;
- (d) a national qualifications framework as a platform for dialogue between education and training practitioners, government, employers and workers to make skills development more responsive to changing needs, to link initial, continuing education and lifelong learning, and to ensure the wide recognition and transferability of qualifications; and
- (e) as part of regional integration, inter-country ministerial coordination mechanisms to promote skills recognition and labour mobility.

51. While mechanisms and processes are important, the effectiveness of such mechanisms should be *assessed in terms of outcomes*. Setting qualitative and quantitative indicators of success in achieving the educational and training targets in line with the Decent Work Agenda are useful in building common understanding of success, shortcomings, and lessons learnt.

52. *Governments* have prime responsibility for:

- (a) ensuring quality basic education and core skills for all;
- (b) establishing national and interregional qualifications frameworks in consultation with social partners;
- (c) building a common understanding with the social partners on the means to boost investment in portable and transferable skills that smooth transitions from school to work, and from declining to dynamic occupations and sectors;
- (d) enabling vocational training and higher education institutions to recognize prior learning and experience as a factor to assist entry into vocational and higher education and employment; and
- (e) setting up national, regional and sectoral tripartite committees to monitor the coordinated implementation of training systems to ensure higher quality outcomes.

53. The *social partners* have a particularly important responsibility:

- (a) in coordinating mechanisms that aim to ensure smooth passages from education, to training, to the world of work;

- (b) in providing and taking advantage of workplace learning opportunities for facilitating a smooth transition from school to work as well as from declining to emerging sectors;
- (c) in supporting and facilitating lifelong learning including through collective bargaining agreements;
- (d) in encouraging public–private partnerships to share investment in research and development; and
- (e) in identifying, in cooperation with governments, sources for long-term and sustainable funding for continuous learning.

54. The *ILO* can assist the member States by:

- (a) investigating innovative ways to boost investment in general and transferable skills and consulting with governments and social partners on their adaptability to circumstances in all countries;
- (b) facilitating collaboration with other UN agencies by leveraging its tripartite strength to ensure a coherent delivery of development assistance at the country level, particularly under the “Delivering as One” framework for inter-agency coordination;
- (c) facilitating collaboration with other international agencies dealing with skills development, education and lifelong learning; and
- (d) strengthening inter-agency ties at the headquarters level through joint research, impact assessments, and tool development that builds on individual UN agency strengths.

Skills development for social inclusion of target groups

55. Access to education and training is of paramount importance for those who are disadvantaged in society to support them in moving out of the vicious circle of low-skills, low-productivity and low-wage employment. It is important to recognize that some face multiple sources of disadvantage, which pose particular challenges. Removing barriers for access to training and education, and addressing their specific needs, are thus essential for achieving social inclusion and equality. Policies aimed at addressing discrimination in the labour market should be an integral part of an effective skills development strategy.

56. Education and training infrastructure is particularly scarce in *rural areas* and thus the problem of access to education and training is most acute in rural areas. In rural areas, the three goals are to expand infrastructure and availability of skills development, create more employment, while also improving the quality of education and training. Promoting positive attitudes to skills development in rural areas is also of central importance.

57. Expanding the outreach of national training institutions to rural areas should be combined with innovative approaches, such as:

- (a) community-based training, in which training is provided in line with economic and employment opportunities of local areas;
- (b) distance learning by using information and communication technologies (ICT);

- (c) mobile training, which brings training closer to people;
- (d) emphasis in cooperatives on technical and entrepreneurship skills development; and
- (e) labour-based methods to improve rural infrastructure which provides training in construction, maintenance, and public contracting.

58. A diversified training system is an important mechanism for assisting rural workers to acquire and upgrade technologies; integrate into global value chains and serve local markets; improve entrepreneurship, agricultural productivity and access to markets as well as develop off-farm activities which can supplement incomes.

59. Efforts to boost skills development in rural economies need to be integrated into overall efforts to improve access of rural workers to social security schemes and to ensure the realization of their rights. Boosting skills development contributes to upgrading the local economy and product-specific value chains, which in turn generate demand for skills upgrading.

60. In the *informal economy*, skills development can contribute to improving productivity and working conditions while at the same time might help to address the challenges facing workers in the informal economy, as agreed in the conclusions concerning human resources training and development (ILC, 2000). A number of strategies can be used to develop skills to this effect:

- (a) *diversified training and skills provision*, ranging from literacy, remedial basic education, technical and vocational skills to managerial and entrepreneurship skills;
- (b) a *modular approach* to training, which divides long-term training into a set of short-term courses, improves access to training for those who cannot afford the time and expense of long-term training. The scheme assists people to learn at their own pace and based on their own needs;
- (c) *recognition of skills* acquired at work in the informal economy supports the integration of workers into the formal economy; and
- (d) the cost burden of participating in training cannot be underestimated. Innovative ways of sustaining the cost burden should be explored, given that many informal economy workers would find difficulty in contributing directly to costs.

61. Strengthening the skills base of the informal economy is part of the overall development effort to improve current conditions as well as facilitate the formalization of informal activities. Social protection and health care, respect for workers' rights, an efficient regulatory framework for business, and linkages between enterprises in the formal and informal economies also assist the formalization processes.

62. Skills development is a primary means of enabling *young people* to make a smooth transition from school to work. A large number of youth struggle to find productive employment due to low demand for or lack of recognition of their skills as well as lack of training opportunities.

63. A comprehensive approach is required to integrate young women and young men in the labour market, including the provision of relevant and quality skills training, the availability of labour market information and of career guidance and employment services. Improved basic education and core work skills are particularly important to enable youth to engage in lifelong learning as well as to enter the labour market. It is

also important that adults who missed out on basic education and core work skills are given opportunities to redress this.

64. Apprenticeships, cadetships, traineeships and internships are effective means of bridging school and the world of work for young people by making it possible for them to acquire work experience along with technical and professional training. This helps overcome their lack of work experience when trying to get a first job.

65. Special and innovative programmes need to be further explored to meet the specific needs of disadvantaged groups of young people, such as providing school drop-outs with the “second chance” to obtain basic literacy and numeracy skills, special programmes aiming to increase school attendance by girls so that they are qualified for work training, and hiring incentives for labour-market entrants to overcome their potentially lower productivity at the initial stages.

66. Training and skills development assist greater *integration of people with disabilities* in the labour market. While sheltered workshops could build competencies and self-confidence and thus support a transition to the mainstream labour market, integrating people with disabilities into mainstream workplaces is a better approach, whenever possible. Incentives such as tax reduction, reduction of contributory costs of social insurance and assistance in workplace modifications can encourage enterprises to employ people with disabilities.

67. Improved portability of skills, supported by national and/or regional or international qualification frameworks, helps *migrant workers* obtain employment commensurate with their qualifications and expertise. Regional qualifications frameworks and regional cooperation for mutual recognition of qualifications create a favourable condition for facilitating labour mobility and portability of skills.

68. Extra attention should be paid to the situation of workers in atypical employment relationships who are often excluded from vocational training and on-the-job training facilities.

69. *Governments* have the prime responsibility in consultation with social partners for social inclusion and for assuring that groups with special needs have adequate access to appropriate skills development for productive and decent work. Appropriate measures include:

- (a) provision of basic skills, including literacy and numeracy, to all;
- (b) incorporating skills development in rural infrastructure investment and other means of upgrading the agricultural sector;
- (c) establishing inter-ministerial mechanisms to respond to the question of skills development related to migration and workers with atypical employment relationships;
- (d) providing incentives for employers to hire persons with disabilities and from other disadvantaged groups. These could include, for example, tax incentives, reduced social protection contributory costs and subsidies for workplace modifications for people with disabilities;
- (e) identifying and utilizing opportunities for public–private partnerships where these add value to meeting skills development needs of enterprises and workers, and as agreed to by the social partners;

- (f) as an additional incentive to join the formal economy, offering access to subsidized training to SMEs in the formal economy; and
- (g) likewise, directing training at SMEs in the informal economy to provide them an avenue to formal work.

70. *Social partners* should promote skills development of target groups by:

- (a) supporting the integration of people with special needs into the labour market;
- (b) offering a variety of workplace experiences to young people; and
- (c) considering effective funding arrangements to overcome specific disadvantages in accessing initial training and lifelong learning.

71. The *ILO* can assist the member States by:

- (a) undertaking research on effective approaches to skills development in the informal economy, which should include special focus on women;
- (b) within the ILO Multilateral Framework on Labour Migration (2005), developing strategies for providing skills development to migrant workers, for regional skills recognition schemes, and to promote circular migration and other measures to address and reverse the impact of brain drain;
- (c) proposing strategies for skills development for workers in atypical employment relationships and for including persons with disabilities in mainstream training and employment promotion programmes;
- (d) documenting and disseminating good practices in promoting skills and decent work for different target groups by reflecting the rich experiences of the member States;
- (e) assessing the impact of national youth employment promotion strategies and of the contributions of their skills development components; and
- (f) developing strategies for extending the availability and improving the quality of skills development provision in rural areas in line with the strategic orientations of the conclusions to the general discussion on promotion of rural employment for poverty reduction (ILC, 2008).

