

THE RIGHT SKILLS FOR THE JOB?

Rethinking Training Policies for Workers

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TWO PROBLEMS

- The average number of years of education of workers is 5 in LICs and 8 in MICs
- Many skilled workers do not have the technical, cognitive, and/or non cognitive skills needed to fill CURRENT vacancies or create NEW jobs.
 - 40% of employers can't fill entry jobs
 - 45% of youth are in jobs that don't use their skills

THE BOOK

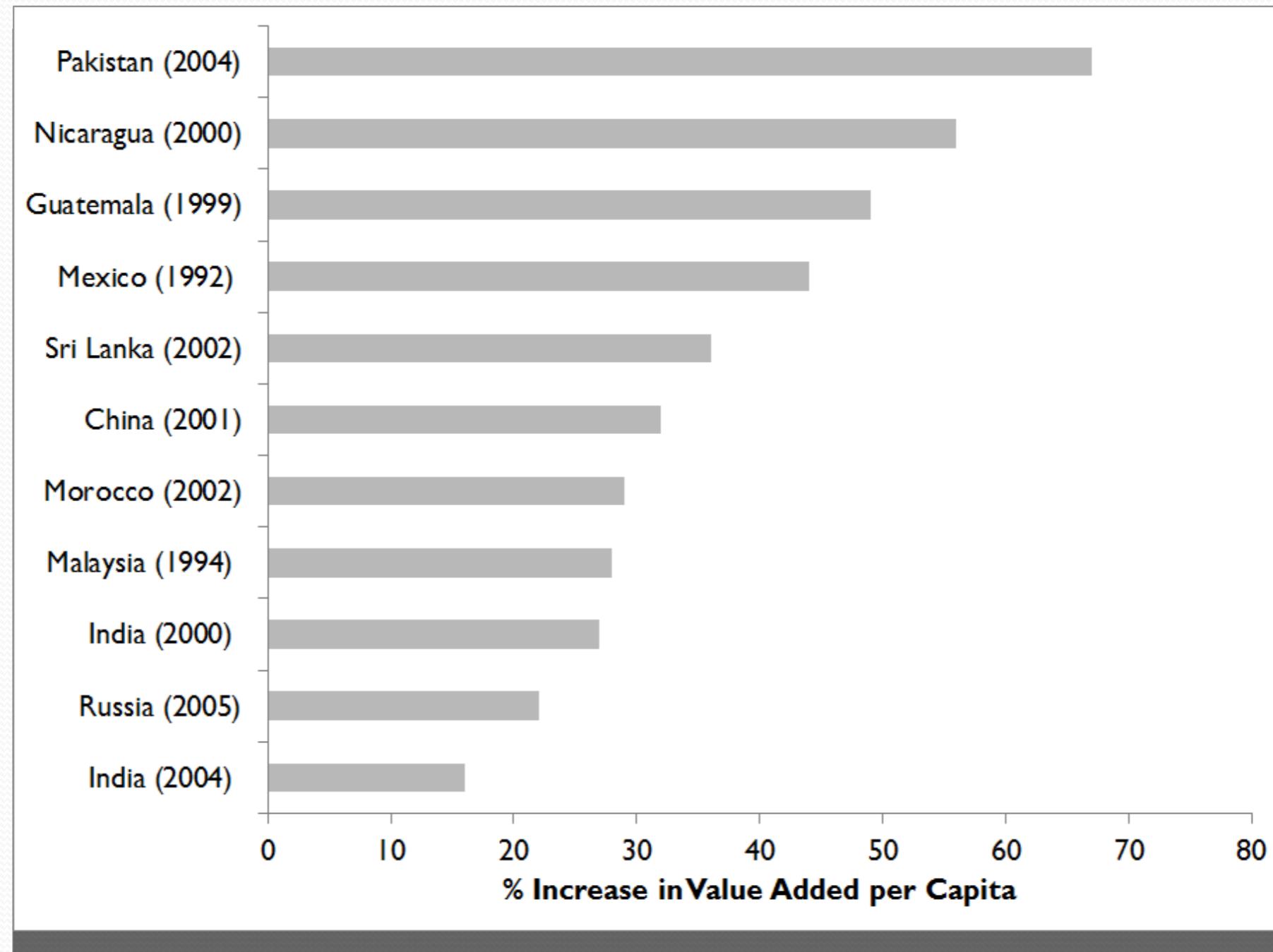
- What are the things that countries can do to address there two problems?
- Many of the solutions might not require providing or financing training; they are about improving the functioning of labor and capital markets; empowering workers; providing financial incentives and information
- Government initiatives often fail, because of weak governance, inadequate arrangements for service delivery, and lack of information
- But there are promising new tools to guide policies and ideas about how to improve the design of training programs

THE TRAINING PROGRAMS

The book examines three types of training programs for individuals who are leaving formal general schooling or are already in the labor market:

- Pre-employment technical and vocational education and training (TVET)
- On-the-job training (OJT)
- Training-related active labor market programs (ALMPs)

WHY DON'T PEOPLE INVEST IN SKILLS?



WHAT GOES WRONG

- **Labor and product markets**
 - Poaching of workers
 - Workers don't have enough bargaining power
 - Coordination failures
- **Capital markets**
 - No financing of training for individuals or firms without collateral
- **Decision making problems**
 - High discount rates and biased expectations
 - Effects of peers
 - Lack of basic cognitive skills (literacy and numeracy)
 - Lack of information about LM needs and providers
 - Lack of basic non-cognitive skills (discipline, perseverance)

SOLUTIONS?

- **Enable investments in the right types of skills:** training contracts to deal with "poaching;" insurance for workers; information about labor markets and the quality of providers; targeted financial incentives; credit lines...
- **Deal with coordination failures:** PPPs to develop specific sectors/industries in particular regions (e.g., role of TVET in Korea, Singapore).
- **Develop integrated training programs for vulnerable workers:** rely on providers which are connected to employers, subsidize internships or offer credit and business services.
- **Deal with government failures:** apex authorities; empower training centers, change financing mechanisms and promote competition.

IMPLICATIONS

- New tools
- More systematic monitoring and evaluation
- Knowledge sharing

