

# Improving adult skills can help globalisation benefits

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In an increasingly competitive international environment, providing workers with the right mix of skills can help ensure that globalisation translates into new jobs and productivity gains rather than negative economic and social outcomes, according to a new OECD report launched today in London in partnership with the University's Institute for Policy Research (IPR).

The OECD Skills Outlook 2017 report reveals big differences in the extent to which countries are equipping workers with the right [skills](#) to benefit from the globalisation of production chains.

## Aligning skills mix with skills requirements

It finds a country with a skills mix that is well aligned with the skills requirements of technologically advanced industries can specialise in these industries on average 8 per cent more than other countries, and up to 60 per cent more than countries with a low alignment between countries' skills mix and these industries requirements.

Andreas Schleicher, OECD Director for Education and Skills explained: "Countries increasingly compete through the skills of their workers. When workers have a mix of skills that fits with the needs of technologically advanced industries, specialising in those industries means a comparative advantage.

"Equipping workers with new skills in areas like decision-making can also reduce their vulnerability to the risks of offshoring."

Professor Nick Pearce, Director of the IPR, said: "We are very pleased to be joining with the OECD to launch its 2017 Skills Outlook. This is an important biennial report that contains significant policy lessons for all the OECD countries, not least the UK. How workers' skills are developed and used is a major issue for the UK government, given our relatively weak productivity performance and falling real wages.

"Brexit also brings these debates into sharp relief. If the UK withdraws as planned from the European Union single market and customs union, it will need to place even greater emphasis on the skills of the workforces of UK-based companies that have integrated supply chains across the Europe. The OECD 2017 Skills Outlook will be an important reference point in public policy debates on these issues."

Andrew Wyckoff, OECD Director for Science, Technology and Innovation added: "In Global value chains (GVCs), where multiple inputs may cross borders many times before a final product reaches consumers, and where, on average, one-third of jobs in the business sector depend on demand in foreign countries, innovation is key for employment. Employment grows even in the more routine occupations, when sectors innovate. And innovation will not happen in the absence of the right skills and skills mix."

## **Embracing GVCs for boost to labour productivity**

The Skills Outlook finds that GVCs, where workers dotted across different countries contribute to the design, manufacture and sale of a single product, generally lead to [productivity gains](#) and job creation as small companies and countries are connected with global markets. GVCs can also cause job losses or wage stagnation when workers are ill

equipped to respond to changing demands.

It shows that countries that strongly embraced GVCs over 1995-2011 saw a boost to labour productivity growth in [industry](#). The extra growth ranged from 0.8 percentage points in industries with the lowest potential for fragmentation of production to 2.2 percentage points in those with the highest potential, such as high-tech manufacturing.

To get the most out of GVCs, industries need workers with literacy, numeracy and problem solving skills, prowess in management and communication and a readiness to keep learning. The more firms that have workers with these skills, the more productivity gains from GVCs will spread across whole economies. Yet OECD analysis has found that about one adult in four across OECD member countries have low literacy or numeracy skills.

The Skills Outlook finds that countries which have benefited from GVCs by increasing their specialisation in technologically advanced industries, improving the skill mix of workers and achieving good social or economic outcomes include Germany, Korea and Poland.

Conversely, Finland and Japan have highly skilled workers but could benefit more from GVCs if they deepen their specialisation in high-tech industries. Countries where [worker](#) skills are best aligned with the needs of high-tech industries include the Czech Republic, Estonia, Japan, Korea and New Zealand.

Investing in skills, along with increased participation in GVCs, is particularly important in developing economies that tend to be at the lower end of value chains and where working conditions are more often poor.

On average in OECD countries, one third of jobs in the business sector

depend on demand in foreign countries and 30 per cent of the value of OECD country exports comes from abroad.

The report is part of the OECD's biennial Skills Outlook series that expands on the findings of the 2013 OECD Survey of Adult Skills (PIAAC), testing the skills of more than 150,000 adults in 24 [countries](#). The 2017 report also uses the OECD-WTO Trade in Value Added (TiVA) database, which measures trade according to the value added each time a product or service is exported or imported within a global production chain.

**More information:** The report is available at: [www.oecd.org/edu/oecd-skills-o... 9789264273351-en.htm](http://www.oecd.org/edu/oecd-skills-outlook-2017/9789264273351-en.htm)

Provided by University of Bath

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