

Learn to earn: Skills, inequality and well-being

by

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Jobs, wealth and individual well-being depend on nothing more than on what people know and what they can do with what they know. There is no shortcut to equipping people with the right skills and to providing them with opportunities to use these skills effectively. If there's one lesson the global economy has taught us over the last few years, it's that we cannot simply bail ourselves out of a crisis, that we cannot solely stimulate ourselves out of a crisis and that we cannot just print money our way out of a crisis.

But we can do much better with equipping more people with better skills to collaborate, compete and connect in ways that lead to better jobs and better lives and drive our economies forward. The OECD's Skills Survey shows that poor skills severely limit people's access to better-paying and more-rewarding jobs. It works the same way for nations: The distribution of skills has significant implications for how the benefits of economic growth are shared within societies. In the end, productivity is about working smarter, not just working harder. Put simply, where large shares of adults have poor skills, it becomes difficult to introduce productivity-enhancing technologies and new ways of working, which then stalls improvements in living standards. Importantly, skills affect more than earnings and employment. In all countries with comparable data, adults with lower skills are far more likely than those with better literacy skills to report poor health, to perceive themselves as objects rather than actors in political processes, and to have less trust in others. It is for these reasons that the new SDGs formulate their goals no longer just in terms of years of education, but in terms of the skills that people attain.

In short, without the right skills, people languish on the margins of society, technological progress will not translate into economic growth, and countries can't compete in the global economy. We simply cannot develop fair and inclusive policies and engage with all citizens if a lack of proficiency in basic skills prevents people from fully participating in society. For no group is all that more important than for today's youth, who cannot compete on experience or social networks in ways that older people can.

All that said, skills are only valuable when they are used effectively, and some countries are far better than others in making

good use of their talent. While the United States has a limited skills base, it is extracting good value from it. The reverse is true for Japan, where rigid labour market arrangements prevent many high-skilled individuals, most notably women, from reaping the rewards that should accrue to them. But underuse of skills is visible in many countries, and not just for women. It is also common among young and foreign-born workers and among people employed in small enterprises. Employers may need to offer greater flexibility in the workplace. Labour unions may need to reconsider their stance on rebalancing employment protection for permanent and temporary workers. The bottom line is that unused human capital represents a waste of skills and of initial investment in those skills. And as the demand for skills changes, unused skills can become obsolete; and skills that are unused during inactivity are bound to atrophy over time. Conversely, the more individuals use their skills and engage in complex and demanding tasks, both at work and elsewhere, the more likely it is that skills decline due to ageing can be prevented.

In some countries, skills mismatch is a serious challenge that is mirrored in people's earnings prospects and in their productivity. Knowing which skills are needed in the labour market and which educational pathways will get people to where they want to be is essential. The under-utilisation of skills, in specific jobs in the short to medium term can lead to skills loss. Workers whose skills are under-used in their current jobs earn less than workers who are well-matched to their jobs and tend to be less satisfied at work. This situation tends to generate more employee turnover, which is likely to affect a firm's productivity. Under-skilling is also likely to affect productivity and, as with skills shortages, slow the rate at which more efficient technologies and approaches to work are adopted.

Developing the right skills and using these effectively needs to become everyone's business: governments, which can design financial incentives and favourable tax policies; education systems, which can foster entrepreneurship as well as offer vocational training; employers, who can invest in learning; labour unions, which help that investments in training are reflected in better-quality jobs and higher salaries; and individuals, who can take better advantage of learning opportunities. Countries also need to take a hard look at who should pay for what, when and how. Governments

need to design financial incentives and tax policies that encourage individuals and employers to invest in post-compulsory education and training. Some individuals can shoulder more of the financial burden for tertiary education and funding can be linked more closely to graduation rates, provided individuals have access to income-contingent loans and means-tested grants.

It's worth getting this right. If the industrialised world would raise its learning outcomes by 25 Programme for International Student Assessment (PISA) points, the level of improvement that we have seen in a country like Brazil or Poland over the last decade, its economies could be richer by over EUR 40 trillion over the lifetime of today's students. Many countries still have a recession to fight, but the cost of low educational performance is the equivalent of a permanent economic recession.

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OECD (2015), *OECD Skills Outlook 2015: Youth, Skills and Employability*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264234178-en>.



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