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EMPLOYMENT AND LEARNING CHALLENGES FOR THE 21ST CENTURY

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The international business community appreciates the opportunity to participate in the consultation with G-8 Labour and Employment Ministers. We at BIAC have a special role in advising the OECD member governments and are pleased to support that somewhat wider constituency in addressing the leadership of the G-8. We are especially gratified to have the further collaboration of our colleagues at the International Organisation of Employers. We believe that this meeting is taking place at an important time for many of our economies and that the topics selected are pressing issues globally.

The quality of human capital is a key contributor to innovation and economic development and is becoming all the more important in the context of the knowledge society. Therefore, an efficient education system, adapted to the needs of the labour market, and the improvement of skills and employability are crucial to continued economic growth and increased employment. High-quality education is crucial to ensure social cohesion and sustainable economic growth.

At the same time, as globalisation proceeds, open markets, competition and the free flow of goods, services, new technologies, capital and knowledge are creating a new economy in which the velocity at which investment moves through the business cycle, transactions are taking place in the market and information is being communicated throughout the world creates new demands on business practice and work organisation. **Getting the policy environment right for sustainable growth, which in turn will encourage sustainable employment is an important and continuing challenge.**

The Growing Importance of Skills and Competencies in the Learning Process

The emergence of the knowledge economy and rapidly shifting markets means there is greater focus upon and recognition of the notion that people with well-honed skills are the key to international competitiveness and sustainable growth. At the same time, it implies an increasing pace of change, for which new competencies must be acquired. To better adapt school programmes to the needs of the employment market, a careful analysis of the skills required for specific sectors/jobs and their broad commonalities is an essential step, which can be facilitated by close co-operation with the business community.

Although OECD countries have succeeded in raising educational achievement levels, there are serious skill shortages due to the new demands of the current innovation-based business transformation. The skills gap imposes costs on business in the form of lost productivity, hiring and recruiting costs and limits on growth. Educational institutions should therefore introduce broad ICT curricula targeting the common needs of industry and work closely with business to tackle the skill crisis and to help define precise skill requirements.

At the same time, other basic skills, such as literacy and numeracy, must remain within the foundation of the education system. In addition to the acquisition of knowledge and the skill to handle, analyse and exploit information as well as to create new knowledge, companies need employees with good generic skills, including the ability to organise, to work in teams and to communicate effectively. Project work, self-activating learning and effective use of information resources are important elements to be added to the toolbox of learning. **Personal skills derived significantly from pedagogical methods, such as a sense of responsibility, an entrepreneurial attitude and the ability to take advantage of change are the bridges to adaptation to a fast-moving work environment.**

In addition to developing skills and competencies in initial education, the current and future labour force will have to acquire new skills from other sources. An economy with heavy emphasis on innovation and services requires that adults continually update their skills and competencies. Education and training systems will therefore have to offer learning opportunities targeted to groups at different stages of their lives, including young people, the unemployed and employees who are at risk of seeing their skills become obsolete due to the fast pace of change. **Adaptability to technological developments will become increasingly important in work and in life in general.**

Securing the Benefits from Lifelong Learning for All

Professions, old and new, are being reinvented and created rapidly, and job profiles are less stable than some decades ago. There is a broad realisation that a high-quality initial education prepares individuals for LLL throughout their career. For this reason, it is very important that public authorities offer a publicly-financed and high-quality initial education system as a basis for future progress. The initial education system should enable each individual to obtain the highest possible qualification according to his or her ability. **Motivating students to accept change and continue learning throughout their lives should be expressed as a basic curriculum principle.**

Effective transition policies are essential to facilitate smooth entry into the labour market. A flexible approach to designing pathways based on the needs of the individual, the requirements of particular industries/job markets, as well as country and regional differences are important elements to be considered. Short-term placements of students in industry as part of their university or technical institute studies should be encouraged. Although it is worth keeping a framework of well defined vocational and academic qualifications in order to have maximum transparency, those qualifications must be responsive to the velocity of developments in many sectors, which cause changing job profiles. The basic element of curricula should be complemented by a more flexible part to allow schools to adjust to the needs of their changing local environment.

Both employers and employees have a major responsibility with regard to further training. Employees need to take initiative to develop transferable skills and to be receptive to learning that is not exclusively job- or firm-specific. Employers can provide development opportunities at the workplace as well as firm- and job-specific training. Indeed, corporations spend massively on internal training and education. In addition to initial education, government can encourage further training by offering incentives for personal and company investment. At the same time, government has a special responsibility with regard to those, unemployed as well as employed, who were poor performers or never reached the first level of vocational qualification in the initial education system. Opportunities should not disappear.

Particular attention should be paid to the concept of “life-wide” learning, which means that schools or formal training are no longer, if ever, the only places or ways to learn. There is a variety of places and methods, not the least the workplace itself and at home. We see emerging new methods, such as web-based learning, pre-school education or initial education delivered at home by cable-TV, specialised company-courses, distance learning with support of multimedia. **Opening the trading system to delivery of these services will be key to the efficient diffusion of these skills globally.**

Developing Innovative Teaching and Learning

New technologies have the potential to transform teaching methods by giving students more control and by offering access to an unprecedented wealth of information. Through the application of ICT, teachers can improve their students' attention, interest and ability to retain, using activating methods. Well used, ICT enables learners to engage more directly with the subject, through interactive systems, virtual experiments and networking with other learners and teachers. To make full use of these opportunities, investment must not just be in software and hardware, but in training teachers how to use ICT in the teaching/learning process. **If knowledge is wealth, its management should be as extensive, efficient and effective as any other form of investment.**

Teachers are central to the reform process, which implies that their own LLL must be assured. They must keep in touch with developments in firms and society in general, for which they are preparing their students. An efficient system of training and re-training is needed to equip them for these new challenges. In order to ensure that teachers are up to date with professional developments, training must be available on an ongoing basis, including training in non-educational environments. **In addition, Public Employment Services (PES) have the responsibility to provide feedback to those planning and delivering initial as well as re-skilling education.**

Government policy offering new pathways to the teaching profession should be encouraged. For example, it should be possible for experienced staff to accept a teaching job in vocational education (full or part-time), thereby sharing their practical experience with students. Although this would require additional pedagogical training, experience and high motivation should be recognised as important factors for successful teaching. In this context, schools and employers can co-operate by encouraging increased mobility between enterprises and the education system, as they are both interested in preparing students adequately for working life. In addition, reliable systems of accountability are needed to ensure that schools provide adequate value for money and monitor closely the various cost elements. The system must provide incentives for better performance to create a rewarding system for individual schools, teachers and students.

Changes in work organisation and business practice

The new economy requires more flexible labour markets. New companies start up and existing companies reorganise. Companies must invest in new working methods and introduce new organisational techniques. Governments will have to develop comprehensive public strategies that will make it easier to carry through organisational reforms in the workplace and beyond that can encourage growth in the use of ICT.

Dual income families are becoming the norm, which is driving the need for more flexible work arrangements that allow for better balance of work and family. These work arrangements include part-time, temporary, freelance, homework, job sharing, and telecommuting. Flexible working time patterns initiated decades ago have become more widespread and diverse. For example, the long-existing 12 hour shift schedule of the flexible work week, with the number of days worked each week varying from week to week, has expanded in design and extent of application, such as to utilisation of a work week of four 10 hour days. Flexibility in some companies has allowed employees help shape their own hours, such as hours that overlap with operations outside their home country time zone or to meet family needs.

With the increased application of technology and telecommunications in the new economy, employees can be located anywhere in the world. A company headquartered in one country can have employees working for them in multiple countries half a world away. Home country operations are directly using employees in various countries for computer programming and software development. The movement from country to country of some employees, such as in technical, research, marketing and managerial work, serves to strengthen a local entity's workforce regarding skills, knowledge and technology transfer. At the same time, there is increased international competition in the recruitment of high-skilled employees.

Maximising employment and income stability

In the new economy, the employer/employee employment relationship has been turned upside down. Employees no longer stay with a single company for their entire career. **It has been forecast that people entering the workforce today will work for ten different organisations and change careers at least twice.** A key to guaranteeing employment and income security for new economy employees is to ensure that they are equipped with the skill base to easily move from one job to the next. Firms can provide high-quality work experience and set an energising context for social development, while employees need to consider the development of transferable skills and employability as a primary career goal.

Companies are shifting to a smaller core workforce, which is supplemented with a wider workforce pool that has the skills needed for a particular period or project. **There needs to be a move from the old model that relied on individual employers to provide total employment and income security.** Cross firm, community-based institutions are promoting mobility, lifelong learning and other services. The modern workforce needs such things if it is to prosper in the new economy.

In many cases, regulations that hinder the mobility of employees and prevent the rapid and efficient reallocation of labour resources must be reviewed and modified. The ability

and willingness of labour to move across borders is a key factor for meeting localised skills shortages and maximising employment. Governments have to create an environment conducive to the acquisition of skills and competencies. The emphasis should be on increasing skill levels while at the same time allowing for increased mobility of labour.

In many countries, the rigidities in labour legislation, high non-wage labour costs and excessive administrative barriers continue to be disincentives for companies to hire. More jobs would be created in the private sector if there were fewer barriers to adapting companies' use of human resources to the changing economic circumstances and market needs. Even when jobs are clearly redundant, inflated incomes and overly generous benefits often discourage individuals to look for and accept jobs, notably those with lower than average skill requirements and wage levels. Job growth can only be achieved if governments implement the necessary structural reforms of their economies and facilitate policies that are conducive to greater flexibility, competitiveness and job creation.

Effective labour market policies

While certain types of measures, such as effective and well-targeted training programmes can produce positive results, active labour market policies should not be considered as substitutes for good policy in other areas which affect job creation. It is essential that they have a clear timetable for performance evaluation. The most important criterion in this evaluation is that they must be successful in bringing people back to a normal employment situation. **The fight against unemployment cannot be won by simply creating (partly) publicly funded "artificial jobs", but by creating productive jobs in the private sector operating under competitive conditions and by helping the unemployed to become competitive for these jobs.**

As the Public Employment Services are in most countries the principal agencies responsible for the implementation of labour market spending, efficiency enhancing measures for this institution are of crucial importance. At the same time, the role of private employment agencies, private-public competition and the use of ICT have an important role to play. It is crucial to focus on active and rapid job search assistance, in addition to improving the quality of the general job brokerage systems. Matching between companies' needs and job-seekers skills must be improved. Public employment services should therefore work closely with employers and become more flexible to adapt to the needs of a changing labour market.

The implications of ageing societies

Policy reforms to promote job creation must be accompanied by far-reaching reforms of the social security system. Under the existing structures, most OECD countries are experiencing chronic deficits in their social security budgets, including health, that are expected to increase under pressure from economic, demographic and social changes. Most OECD Member countries are experiencing a tendency for people to lead longer and healthier lives. This positive development, however, has a number of economic consequences for social security institutions – in particular with regard to retirement benefits and health insurance – which compel governments of Member states to initiate the necessary structural changes in order to avoid a collapse of these systems as a whole.

As you are all too painfully aware, in the not-too-distant future, population ageing, declining birth rates, longer schooling and earlier retirement will reduce the proportion of the population that will work and pay taxes to support the growing number of people receiving pensions and health care. In view of these developments, early retirement can only exacerbate the problems resulting from ageing societies. Instead, a climate conducive to “active ageing”, providing support for people to lead active lives as they grow older, should be encouraged. It is therefore important to have a frank and open dialogue on this issue at the national and international levels to develop appropriate strategies for dealing with the problem of ageing populations, including a reform of pension systems and active ageing.

Fostering entrepreneurship and job creation

A key element in the sustainable growth equation is ensuring that individuals actively participate in the labour market and seize business opportunities. High administrative barriers and overly complicated regulations in the registration of new businesses add to the cost of firm creation and discourage start-ups. The creation of new businesses must be possible at competitive costs and involve regulations which are not overly bureaucratic. Governments should be easing regulatory burdens and removing fiscal barriers. At the same time, educational systems promoting favourable attitudes toward seizing business opportunities and accepting risks can make an important contribution to encouraging entrepreneurship. **Ensuring a good environment for new companies and a relatively open exit route for failed enterprises is important to growth and should be given increased attention by governments.**

A sound policy framework strengthening the competitiveness of companies is an essential prerequisite for the private sector to make its full contribution to creating new jobs, and thereby to funding social networks in the future. Particular attention should be paid to encouraging self-employment and improving the conditions for the creation and growth of micro-businesses and SMEs, which play a crucial role in job creation. Economic growth and structural change, which are accompanied by improvements in public health and reforms in social welfare, are key factors for sustainable employment.

Job growth can only be achieved if Member states implement the necessary structural reforms of their economies and facilitate policies which are conducive to greater flexibility, competitiveness and job creation. Some steps have already been taken. However, these measures frequently do not go far enough in addressing the serious structural problems that exist in most of our countries.

Companies require flexible labour markets in order to respond to market shifts, customer needs and competitive pressures. The overall public burden of taxation on both citizens and companies will and should be under continuous pressure. A more efficient and competitive environment must be created, in which labour markets are sufficiently flexible that companies can match the right skills, employees and work organisations in response to changing circumstances. **The expansion of the knowledge society, the diffusion of new technologies, ageing populations, increased cross-border movement of people and ideas will define the key challenges for education policies, work organisation and labour markets for the years to come.**