

**UNESCO Third International Congress on TVET
Shanghai, 14 May 2012**

**José Manuel Salazar-Xirinachs
Executive Director, Employment Sector, ILO**

“Skills, decent work and development: Transitions to job-rich Growth”

Distinguished Minister of Education of China and President of this Congress, Mr. Yuan Guiren

Distinguished Director General of UNESCO, Mme Irina Bokova

Honorable Ministers, Distinguished Panelists, Colleagues from International Organizations

Ladies and Gentlemen,

This third International Congress on Technical and Vocational Education and Training (TVET) takes place at a very special moment. Most countries are confronting a crisis in youth employment and TVET is key to better prepare young people for a productive life and to promote sustained and high growth in countries. The simple truth is that investment flows and innovation thrives in places where the best talent resides. To be successful, growth and development strategies should be strongly based on human capital development. To keep up with the speed of technical change and the changes in global value chains, governments need to invest across the entire system that builds workforce skills.

So I would like to thank UNESCO and the Government of China for organizing this event and for inviting me to participate in this panel. The ILO and UNESCO are both specialised agencies of the United Nations. Our respective mandates cover the continuum from education, to training and then to employment. UNESCO focuses on education systems and the ILO focuses on labour markets. TVET is in the middle of that spectrum, and in fact provides a bridge from the world of education to the world of work.

We appreciate very much that UNESCO has been instrumental in setting up the Inter-Agency Group on TVET in which the ILO also participates.

The main theme of my presentation this morning is the importance of inter-ministerial coordination and public-private partnerships. Specifically, I would like to argue, first, that this coordination is urgently needed to respond to the serious youth employment crisis affecting many countries today, and second, that in the longer term it is essential to prepare as many workers as possible for the labour market and make a skilled workforce a driver of change, development and improvement in living standards.

1. THE YOUTH EMPLOYMENT CRISIS

The figures on youth unemployment are sobering: of the nearly 200 million people *unemployed* worldwide today, 75 million are young people between 15-24 years of age.

Economic inactivity of young people has increased very substantially. Young people who are not in education, not in training and not employed, are at serious risk of long-term unemployment and social exclusion long into adulthood. And given the large numbers we are talking of a whole generation scarred by inability to obtain a good first job, with consequences for the rest of their lives. And it also places their societies at risk of social strife today and lower growth in the future.

In developing countries, of the young people who are in the labour force, more than 150 million live in extreme poverty, the result of low- skill low-productivity work and of precarious employment in seasonal farm work or self-employment in the informal urban economy. They often lack good quality primary education that would open the door to TVET and better jobs.

In developed countries, the proportion of young people in temporary or involuntary part-time jobs has increased alarmingly after the crisis, a trend that also contributes to discouragement and detachment from the labour market. Next week we will release new figures on the situation of youth unemployment in our 2012 edition of the Global Employment Trends for Youth.

Because of the global pervasiveness of the problem, ILO member States and social partners put the Youth Employment Crisis on the agenda of the International Labour Conference, to be held next month in Geneva. As you know, ILO membership and governance is tripartite, meaning that representatives of employers and trade unions along with governments determine priorities and policies.

This time, the Director General of the ILO has also wanted to reach out massively to young people, to hear their voices and opinions on the situation and possible solutions. During the last two months the ILO organized 46 national consultations on youth employment with young peoples' organizations and will we are also convening an International Youth Forum in Geneva next week.

The conclusions of our International Conference should help countries to apply good practices to their own circumstances and devise comprehensive youth employment strategies.

These strategies will build on the impressive progress that many countries have made in increasing primary education. Ministries of Education around the world are to be congratulated on this achievement. However, as is well known, many countries face the challenge of improving the quality of secondary and tertiary education.

3. RETHINKING TVET TO TRANSFORM PROSPECTS FOR YOUNG PEOPLE

Building on this progress in primary education, how can TVET be more effective in moving more young people into productive and decent work? The ILO has found that three ingredients are key to success: apprenticeships, entrepreneurship, and employment services. Each of these success factors requires coordination among many actors.

First, success requires combining classroom with workplace training.

As you well know, the dual training system combines practical training in a company with theoretical training in a TVET institution. In Germany, Austria, Switzerland and Denmark, this system is based on a high level of collaboration between the State, employers, trade unions, and training institutions.

These countries have the lowest rates of youth unemployment in Europe. For example, Austria reported that 80% of young persons in apprenticeships or traineeships were employed within 3 months of completing this training. Typically, graduates of programmes that combine classroom and workplace training have a 30% higher chance of gainful employment compared to those in strictly school settings.

This model can be adapted across very different economic and cultural circumstances to help young people overcome the work-inexperience trap. Apprenticeships allow employers to see the hard-to-measure characteristics that they want in their employees: ability to apply knowledge in real world situations, solve problems, work within a team, and continue to learn on the job, the so-called soft skills or life skills.

In low-income countries, informal apprenticeship continues to be the best chance for most young people to learn a trade and enter an occupation. Many countries are trying to make this system more effective by upgrading the technical knowledge of master craftspersons, broadening the recognition of apprentices' competencies in the larger labour market, and opening up more occupations to young women.

We also see momentum among multinational companies and large local enterprises to increase apprenticeships and other on-the-job learning opportunities. But formal apprenticeship programmes should also expand in smaller enterprises. There are many practical win-win approaches to opening more jobs for young people in small enterprises.

The second success factor is integrating entrepreneurship in technical and vocational training.

Encouraging new company formation and entrepreneurship is critical for job creation. Several policies can achieve this: access to capital, tax incentives, easing registration requirements, as well as integrating entrepreneurship in technical and vocational training.

In some countries, TVET does not attract students because they do not see that it leads to good jobs. They may prefer general education even when there is high unemployment of graduates and when businesses find it hard to fill vacancies in technical occupations. Combining technical and entrepreneurship training, and helping students imagine starting their own businesses, can make technical training more attractive.

To do this, TVET institutions need to include basic entrepreneurship training in their curriculum. Partnerships between industry and TVET institutions can offer teachers opportunities to keep up to date with technologies and workplace practices.

Third, employment services make the transition to work easier.

Young people need information and guidance in order to make good decisions in selecting TVET and apprenticeship programmes. But in many countries public employment services reach a very small share of young people, or do not have the labour market information and contacts with employers that they need in order to provide good vocational counselling and career guidance.

Access to good employment services has been shown to decrease the job search period, especially when employment services work directly with both TVET institutions and employers.

Increasing public investments in TVET and apprenticeships without building up the capacity of Public Employment Services is like building a road and stopping before constructing the bridge to the final destination... in this case to a good job.

Ladies and Gentlemen,

These three factors – apprenticeships, entrepreneurship and employment services – can help young people make the transition from school and training to decent work. But there is no supply side fix for youth unemployment. Economies need to generate more jobs and for this investment and entrepreneurship must thrive.

4. IN THE LONG RUN, SKILLS DEVELOPMENT IS TRANSFORMATIONAL

This brings me to my second main point, and this is the idea that skills development not only helps countries and workers overcome the impacts of the Great Recession, but also prepares them to face the long term, game changing trends that are hitting the labour markets around the world: demographic changes, technological changes, skills mismatch issues, the slicing up and upgrading of global value chains, the changing global competition for talent.

Quite apart from the Great Recession, these and other trends are producing a Great Restructuring, and TVET is a key element for workers and companies to adjust to these game changing trends and benefit from them. In this sense investment in TVET is a transformational policy.

We have learned about the transformational potential of education and skills development from the successful strategies in some Asian countries. The Republic of Korea, Singapore, and increasingly China, SAR Hong Kong and Malaysia, have followed the so-called *developmental model of skill formation*. These experiences are characterized by linking investments in education and training to the requirements of the economy at different stages of economic development.

- First, the government in these countries has had a strong commitment to a clear economic development strategy. Most of these countries had clear trade, investment and industrial policy strategies.
- Second, they have clear mechanisms to link trade and industry policy to education and training provision.
- And third, these countries have shown a remarkable ability to maintain policy coordination and linkages between the world of work and the world of education and training through time. This has been a fundamental source of their dynamic comparative advantage.

You can call it economic diversification policy, industrial policy, competitiveness policy, or promoting clusters or value chains. These are all different names for the same fundamental objective: accelerating the accumulation of capabilities, of learning, across a broad base of society. China, the Republic of Korea, Viet Nam and my own country, Costa Rica, are among the countries that have been able to transform their productive capabilities and thus benefit from globalization because they invested in expanding access to education and in strong TVET institutions.

We see promising new examples from middle- and low-income countries that are adapting this kind of model to their circumstances, such as India, Bangladesh, and Benin.

Ladies and Gentlemen,

In an ever more competitive global economy, parents have instilled in their children the message that “learning equals earning”. This and the massive investments in education have resulted in what we could call a new *geography of skills*. It is well known that China and other countries have become major engines of world growth, what is less well known is that in a group of 113 emerging and developing economies, in the decade from 1996 to 2007, the number of students enrolled in undergraduate and postgraduate university education nearly doubled, from 72 to 126 million.

This great doubling in the world’s workforce with tertiary education has changed the nature of global competition for talent, for both companies and for young people to find good jobs. In developed countries it has also challenged the assumption that if you go to higher education, a good job is waiting for you at the end of it. Now it is not so automatic, not so easy.

5. The main conclusion that I would like to leave with you today is that for both short-run gains and for long-term growth and development, TVET can deliver but only if quality and coordination requirements are met.

The ILO vision of how to build bridges between the world of work and the world of education and training is based on agreements between governments, employer organizations, and trade unions. A global policy approach in this area was reached in the *2008 Resolution on Skills for Improved Productivity, Employment growth and Development* and reflected in the *G20 Training Strategy for Strong, Sustained and Balanced Growth* that was prepared by the ILO. These agreements reflect the important lessons from international experience that I just mentioned, and others.

And my last point is this: as I said, there is no supply-side fix for youth unemployment and for transforming development trajectories. In many countries the problem is not only structural and on the supply-side but a serious short-term deficiency of aggregate demand.

Many countries are facing stringent fiscal and debt constraints, and the challenge is clearly not only for Ministries of Education and Labour, but also for Ministries of Finance, Trade and Industry.

This Congress is a very timely moment to remind policy makers around the world that countries face a clear choice: invest in education and training and public employment services now or bear the costs later from social strife and wasted potential as disillusioned youth become increasingly excluded from economic and social life.

I hope that the Conclusions of this International Congress include a clear call for fiscal, financial and employment policies to complement education and skills policies. Both the short run and the longer term challenges around TVET, and the local and international governance instances, require greater coherence in education, training, employment and macroeconomic policies.

Thank you for your attention.