



4TH UfM
MINISTERIAL CONFERENCE
ON EMPLOYMENT AND LABOUR

**Jobs, Skills and
Opportunities for all**
Cascais, 2-3 April 2019

PREPARING FOR WORK: SKILLS AND EMPLOYABILITY IN A CHANGING WORLD

Prepared by the ETF

Breakout session 4



European Training Foundation

CHANGING LABOUR MARKETS

The current waves of technological change, digitalisation, automation, globalisation, migration and demographic change have a profound impact on all countries in the world, including those of the Southern and Eastern Mediterranean (SEMED¹). The path and scope of change, however, will vary, in line with different national contexts, starting points and policy choices that governments and other actors will make today to manage transition toward the future. Global trends can bring new opportunities to individuals, communities and countries, raising labour productivity, creating new and more flexible working arrangements and fostering inclusion and social cohesion. However, much will depend on the capacity of each country's **skills policies** to prepare people for upcoming changes and provide them in an integrated way with the right skills throughout the course of their lives.

The SEMED region has made progress in developing the skills of its people (in particular young people) but it is also faces some **common challenges**²: the current moderate growth rate (2.8% in 2017, World Bank), after years of economic downturn, has not created enough jobs to face the demographic pressure, which has resulted in persistently high unemployment (14.9% ETF KIESE), especially among young people (32.5%, ETF KIESE). One striking feature is unemployment among young university graduates, which is a clear sign of failure to make the most of national human capital. Despite some slight improvements, women continue to be mostly excluded from the market (with fewer than 25% economically active in all countries except Israel and Lebanon). Conditions are precarious for many in the labour market, whose jobs are often informal, unprotected, with low pay, low productivity and no training opportunities (i.e. the “working poor”).

Against this challenging background, there is **potential for further growth and economic and social development** in the region. While intra-regional trade remains limited, SEMED countries are relatively well integrated into the global economy and their economic interdependence is growing. Countries increasingly participate in Global Value Chains (GVC), especially in sectors such as agriculture, food processing, plastics, textiles, metal products, electronic equipment and motor vehicles. Exports of goods and services are gradually increasing in some countries, and foreign direct investment, though modest, is growing in nearly all countries. Some sectors are gradually modernising through the use of new production technologies. Platform work³ also creates many new opportunities, as in the case of Egypt, which became Uber's fastest growing market in the world⁴. E-commerce is also growing across countries, with millions of products bought online every year through international platforms and websites. These developments have the potential to create many new jobs in the Mediterranean region, not only for platform workers, but also for people working in ICT, delivery services, transport, and logistics.

Investment in skills development is one of the key elements to gainfully leverage ongoing transformations and take advantage of the emerging opportunities for productivity increases and job creation. It is also a key factor to equip people with skills that will enable them to navigate rapidly

¹ The note refers to the following SEMED countries: Morocco, Algeria, Tunisia, Egypt, Lebanon, Jordan, Israel and Palestine. Data for Libya are not available and not included in the statistics mentioned.

² Average data in the report are based on latest available data and do not include Israel, which features as an outlier.

³ Platform work is defined as matching the supply and demand for paid labour through an online platform. Platforms are digital networks that coordinate transactions, both commercial, such as the provision of goods and services for payment, and non-commercial, such as volunteering activities or social media.

⁴ More than 40,000 Egyptian drivers work on the platform every month, and new drivers are joining up at the rate of 2,000 a week: <https://www.bbc.com/news/business-39416041>

changing labour markets and adapt to them. **Public policies** to help individuals and companies take maximum advantage of technological change and other development are a prerequisite. Digitalisation also can help to close the gender gap in the region by providing opportunities for women to work and emerge from the shadow of the informal economy.

SKILLS SUPPLY AND UTILISATION

Although the percentage of young people in the population has decreased over the last decade, SEMED countries are still young societies. With 46.5% of the population under the age of 24 (ETF, KIESE)⁵, the region is the world's second-youngest after sub-Saharan Africa, and millions of young people will enter the labour market in the coming years. With such a youth bulge, one of the main challenges in the region is to generate enough quality jobs for the new labour market entrants and, at the same time, ensure that people are equipped with skills and qualifications corresponding to the new skills needs and new types of jobs.

Countries in the region have made significant progress in expanding access to education over the last decades: literacy levels, overall educational attainment and tertiary education rates have improved over the years. However, while mean years of schooling has risen considerably and is projected to rise further, the average length of education is still considerably lower than in other regions, and there are continuing challenges in access to and quality of education. Early school leaving rates remain high (up to 51% in Jordan and Tunisia, ETF KIESE), while the basic skills and competences (including newly demanded ones like entrepreneurship and digital skills) that young people acquire through the education system are often questionable. The educational attainment of the population remains polarised between people with higher education and those with low education. People with an intermediate level of education (corresponding broadly to middle level skills) are a small portion of the population, owing in part to the unattractiveness of and low participation in vocational education and training (below 15% in Algeria, Morocco, Jordan, Palestine and Tunisia).

Better education outcomes have not translated in tangible improvements in the labour market.

On the contrary, better educated people are the ones who are most affected by unemployment in most of SEMED countries. Except in Israel and Lebanon, the unemployment rate for people with tertiary education is generally higher than that of other groups. Accordingly, employment rates for university graduates remain generally very low in most countries (between 24.6% in Palestine and 49.7% in Jordan, with Israel an exception⁶), and exceptionally low among graduate women, who are half as likely to be employed as men across the region.

Graduates who have jobs often work in occupations that are not in line with their level of education or are underemployed, which indicates that their **skills are often not fully utilised**. In Egypt, for instance, a recent ETF study has shown that 18.7% of university graduates work in semi-skilled occupations, and 10% of secondary school graduates are in low skilled jobs. This raises serious concern, as underutilisation of skills increases the risk of migration and brain drain. It also calls for an integrated approach to addressing skills mismatches, involving the acquisition of more relevant skills in schools, better career orientation and the creation of jobs requiring higher skills levels. The data also point to difficult transitions between school and work experienced by young people, with many

⁵ Average data in the report are based on latest available data.

⁶ Data not available for Lebanon and Tunisia.

choosing to accept jobs below their level of education or experiencing longer transition periods. For employers, it means lengthy recruitment procedures and additional investment in the job training (ETF, 2019).

In parallel with the under-utilisation of skills and human capital, there is evidence of significant **skill gaps**. Across the region, many employers indicate that they cannot find people with the skills required to perform the job. This has an impact on hiring, but also on the development and growth of firms (40% of employers report skills gaps as the main barrier to business growth, WEF, 2017). Skill gaps are especially pronounced in the most dynamic sectors and companies, and concern skills such as information and communication technology (ICT) that are particularly important for countries and individuals to take full advantage of technological change (WEF, 2017).

Upskilling through training remains rather limited, and few adults participate in further training, with negative consequences for their careers. Second chance opportunities, as well as training, on the job training and apprenticeships are implemented across countries as part of Active Labour Market Programmes (ALMPS), with variable results. However, they often suffer from problems of targeting, scope and outreach, and are not systematically evaluated. The participation of adults in education and training is largely underdeveloped in all countries, with the exception of Israel. Data are available only for Tunisia and Morocco, where participation in LLL (as percentage of people between 25 and 64) is only around 1% (in 2016 and 2015, ETF). Nevertheless, companies that face significant skill gaps are providing training, either directly or through employers' associations (e.g. in Morocco), but these efforts are not yet supported by public policies for broader coverage and larger scale impact. A complete rethinking of continuing training is therefore needed to embrace transformation and prepare people for change, whether new entrants to the labour market or workers needing to updating their skills to remain relevant in the market).

OPPORTUNITIES

New jobs and skills sets are emerging through several channels and in particular:

Further integration in value chains: deeper integration of local economies into regional and global value chains could increase stability, generate jobs and enable the growth of small firms through their specialisation at task and business function level. In a business-friendly environment, enterprises could dynamically upgrade their position in the chain, develop linkages with domestic producers and promote knowledge-sharing and innovation. Some countries are already heading in this direction, such as Morocco, Tunisia (motor vehicle and aeronautics industry) and Egypt (ICT).

Automation and digitalisation: automation can pose a challenge for SEMED countries, but can also raise productivity, support economic growth, attract foreign direct investment and generate new tasks in old jobs, characterised by higher quality standards and sustainability. The region's established industries, for instance oil and gas, aviation or transportation, could act as anchors for technology diffusion and boost the emergence of smaller companies, supporting the shift towards more knowledge intensive and higher value-added activities (WEF, 2017). At the same time, the fast digitalisation of services could also generate (and is already generating) high demand not only for ICT specialists but also for professionals who can blend digital and STEM skills with traditional subject expertise (WEF 2017). Evidently, both imply major changes to workers' job profiles.

Greening of economies: the transition toward a more sustainable economic model has the potential to generate thousands of new jobs in SEMED countries, for example in sectors such as energy efficiency, recycling, repair or construction. Developments in the green economy could also support the gradual shift to a new economic growth model able to meet major challenges of resource scarcity, energy transition, job creation and the reduction of social and regional inequalities. This will require upgrading and making adjustments to existing competences (for instance through additional training or modules on green technical solutions in some curricula) as well as creating brand new specialisations in certain technical skills.

Upgrading traditional sectors: despite their declining trends over the years, traditional sectors such as agriculture, manufacturing and craftsmanship will remain major employers in SEMED countries. Raising productivity in these sectors, providing people with higher quality jobs and improving the quality of final products is key to fully exploiting the opportunities offered by these sectors. Taking full advantage of technological progress could create niches of innovation within traditional sectors, linking them to value chains at national, regional and international level, while improving access to credit and skills utilisation. For instance, upgrading and modernising small scale subsistence farming would improve poverty reduction, support formalisation and provide skills development opportunities, especially among women.

Platform economy: virtual jobs raise lots of debate about the quality of work they generate and their potential impact on markets. However, virtual work can also create many new opportunities by providing access to work for people who would otherwise be either unemployed or inactive. In the SEMED countries, the platform economy could boost innovation, creativity and the creation of new services, also including people living in remote areas, who have fewer job opportunities locally. It could boost women's employment, for instance by overcoming work-life balance and safe transportation issues, and also serve as a formalisation instrument, while granting greater transparency and more affordable access to services.

Adapting to emerging skills demand requires a set of actions:

Lifelong learning: if change is a constant feature of the world of work, lifelong learning becomes an imperative for all people and all countries. Skills development does not only takes place within the formal education system, but needs to be expanded through continuing learning to permanently reskill and upskill people. Non-formal and informal learning settings and processes need to be valued, not least through skills validation and certification, with a strong involvement of the private sector. Key competences (also including entrepreneurship and digital competences) need to be developed for all age groups. Governments and the private sector could jointly adopt and finance training plans that would encourage people – at all skills levels – to continue learning to constantly adapt to changing technology and working arrangements. This would also ensure easier transitions from job to job and open possibilities for upskilling workers in the informal economy, with a possible effect on their formalisation.

VET beyond traditional boundaries: a renewed attention to the relevance of vocational education and training is needed if VET is to become a pathway to prepare people for new emerging occupations. To do so, a special attention should be given to modernising existing qualifications and creating new ones, integrating technical skills and key competences in training programmes and ensuring that VET values not only traditional lower skill profiles but also high level technical ones, which will be increasingly in demand to operate and work with machines and digital systems. Employers need to be fully engaged in the provision of training to ensure that young people and

workers learn how to work with new technologies and respond to the needs of new jobs. Apprenticeships, traineeships and other practical training in enterprises and training institutions, if upgraded and recognised as valid learning pathways, are key to ensuring smooth transition to work.

Monitoring labour market developments: it is essential to strengthen transition analysis and improve existing labour market information systems to better identify current and future skills needs and use findings to improve the relevance of education and training provision. This would require greater transparency and dissemination of existing data collection instruments and the results of active labour market policies. This would also require the full utilisation of new technologies to identify fast changing labour market needs, new emerging occupations and additional training requirements. For SEMED countries, the use of Big Data to complement traditional labour market information would help, in particular, to facilitate matching between labour market demand and supply, the design of career paths to better fit labour market expectations, and compare national labour markets with other countries to facilitate mobility.

Developing partnerships: skills development is a task that is shared among different actors: governments, local authorities, employers, training providers and individuals themselves, providing benefits for all. Acting in partnership provides opportunities for relevance of skills developed and efficiency in skills development processes. Effective partnership between public and private actors at all levels – with a renewed attention to social dialogue - is the only way to establish skills development systems that are too complex to be managed in isolation. Partnership between training providers and employers could create an opportunity to co-work on the future perspective of countries. As new actors emerge, new partnership arrangements need to be explored.

Support multiple transitions: employment programmes and entrepreneurship support schemes could be important instruments to ensure smooth transition from school to work. Innovative start up support mechanisms, such as incubators or business accelerators, could boost the creation of new enterprises, especially in innovative fields. Quality apprenticeships, implemented through cooperation with an active private sector, could also offer young people their first job experience and expose them to last generation equipment and machineries. Employment services, if equipped with technical tools and integrated information systems, could devote their attention to people's counselling and career guidance and also reach people in remote areas (via digital services), rather than dealing with administrative procedures.

ISSUES FOR REFLECTION

- What tools and mechanisms can be put in place to (i) identify growing occupations early, and (ii) establish qualifications and training paths for workers in these occupations to prepare them for change?
- As totally new contexts emerge, what can employers do to prepare individuals for new jobs? How can public policy take better advantage of engaging employers in skills development processes?
- What coordination mechanisms with education and training authorities are currently in place? How could countries improve them to shape the future?
- How can niches of excellence and innovative practice be scaled up to create spill over effects across economic sectors, territories and countries?