



Fact Sheet No. 13: Skills insecurity

Why “human capital” will not do

Few if any countries know about the skills possessed by their population, and none know about the extent to which workers use their skills. This is a conclusion of a new ILO report on the extent of economic security around the world.

The ILO report questions the international tendency to depict education and competencies in terms of “human capital”. The ILO report argues that this is mistaken, and that it would be a deplorable outcome if the commercial and labour market aspects of schooling and training crowded out other aspects of education.

The analysis presents results for a Skills Security Index applied to 139 ILO member countries, showing that most people live in societies with “much-to-be-done” in this respect

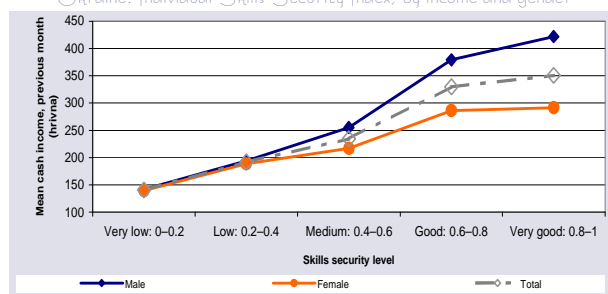
Among other findings of the skills security chapter:

- Large numbers of workers report that they do not use the skills that they have acquired, even in countries where commentators commonly contend that there is a shortage of skills. Mismatch between training and industrial apprenticeships and the needs of the labour market? In Hungary, about 45% of the employed thought they used their skills fully in their job, but 31% said they did not use them at all.
- China, an extreme case of skills underutilization: More than three-quarters of respondents in the PSS thought their skills and qualifications were greater than required for their jobs. Women were just as likely to think this as men. The proportion was higher for more educated workers and was greater among those working for large state enterprises than for other firms.
- Small is not beautiful with respect to skills development – small firms are less likely than larger firms to provide an environment of skills development or security.
- Schooling and training provide cumulative advantages, in that those who have more schooling are the most likely to obtain labour market or employment training.
- Rationalization of the situation, lack of awareness of the usefulness or need for skills training? Ironically, in various countries people with low levels of schooling were the most likely to report that they had not received any training because they did not want or need it. In Brazil and Chile, where over two-thirds of workers said they had not had any training in recent years,

about half of those said they had not wanted to obtain any. In Argentina, the share not wanting any was over half. One can only speculate on the reasons for the lack of interest in acquiring skills: rationalization of the situation, lack of awareness of the usefulness or need for skills training? The share of those not interested was greater among the less educated.

- There is a positive link between skills security and income, leaving out a well-established positive relationship being however stronger for men than for women as shown in Ukraine. In Gujarat, India, the overall positive relationship holds, but the income reward does not increase with level of skills security.

Ukraine: Individual Skills Security Index, by income and gender



Source: Ukraine PSS, 2002

- Not all countries with high levels of conventional skill security have high-income security. It is surely no coincidence that these are among the countries from which there has been extensive and continuing “brain-drain” out-migration.



- Skills security does not necessarily translate into better welfare or greater life satisfaction or personal happiness.