

# Technical education and professional training in LAC: the challenge of productivity

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CAF and Inter-American Dialogue  
Washington DC – January 28, 2015



# Education, skills and productivity in Latin America

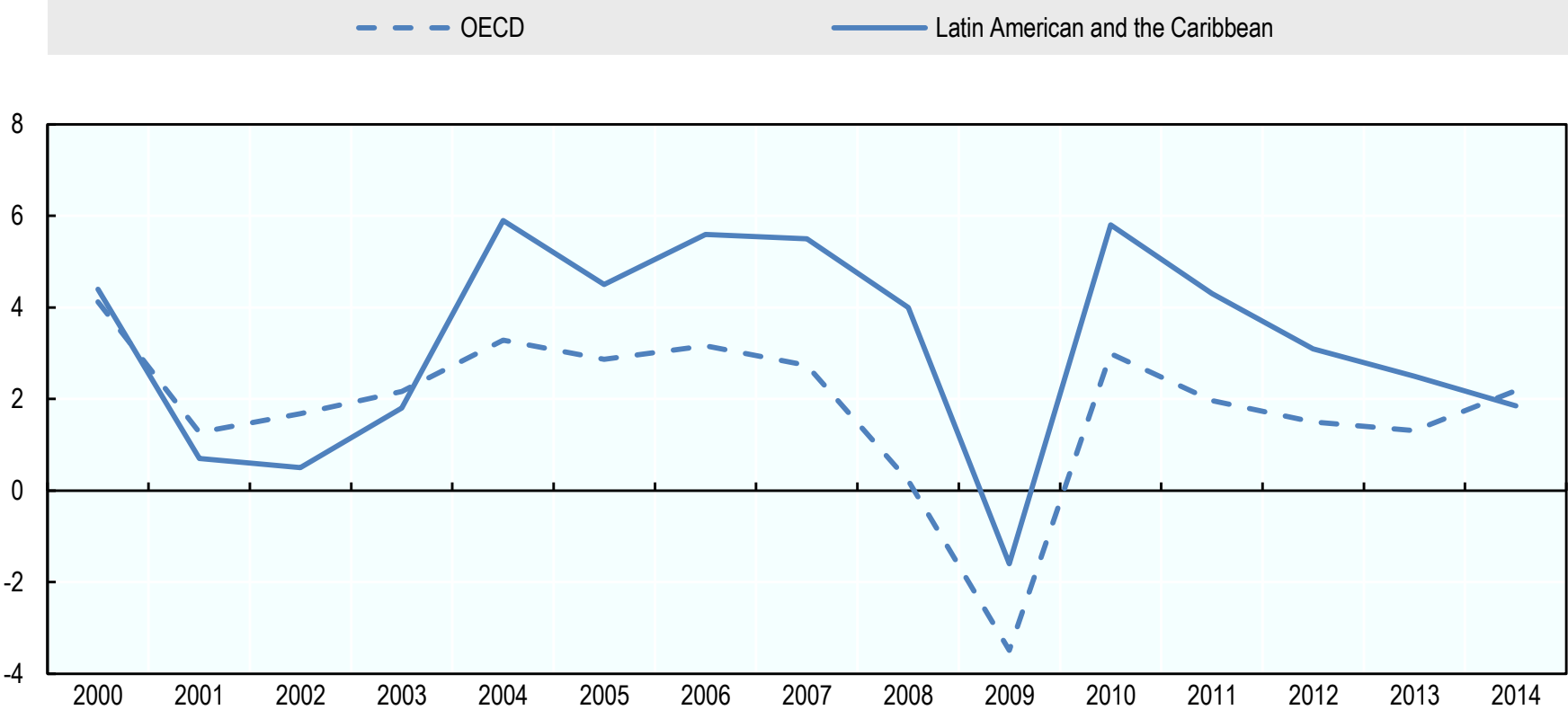
1 Macroeconomic outlook: the productivity challenge

2 Shifting wealth and skills in Latin America

3 Vocational education and training: open questions

# Slowdown in the short-term

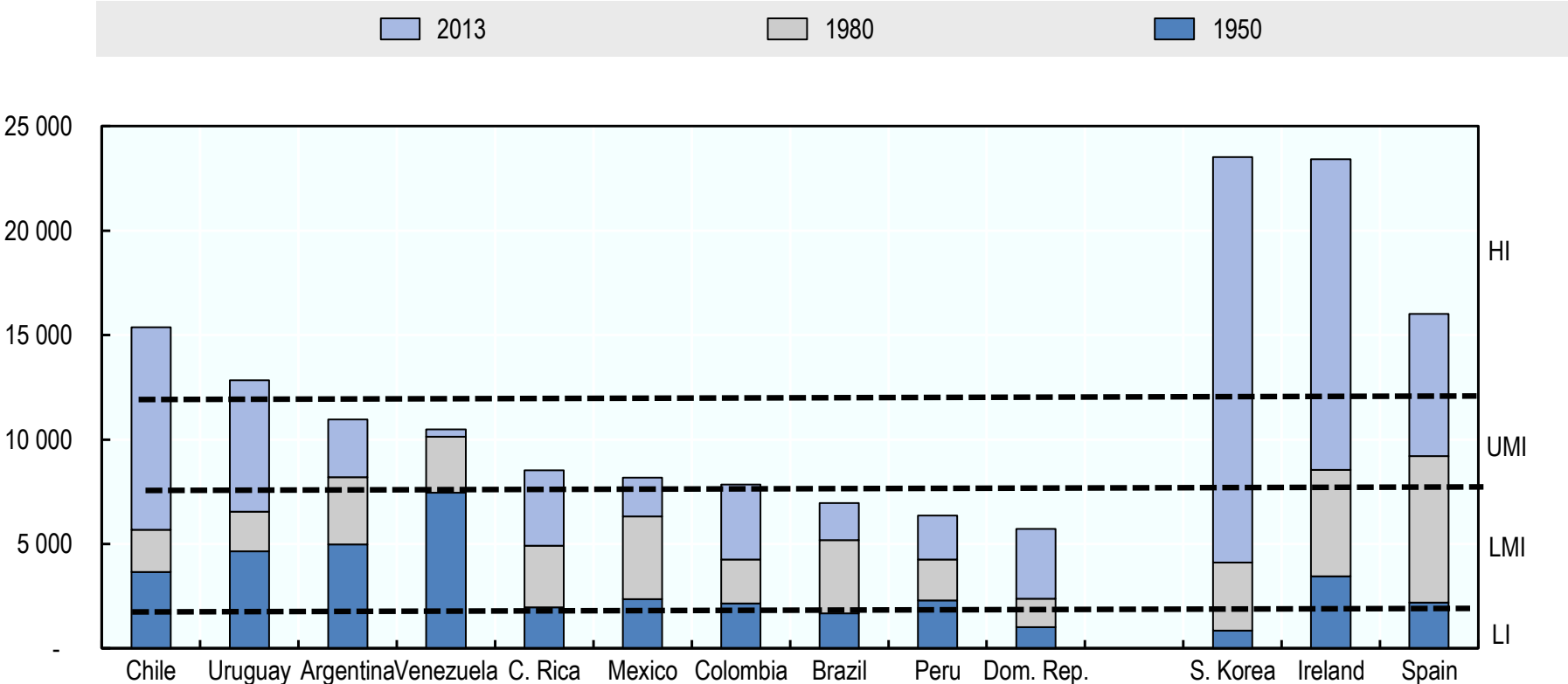
## GDP growth in Latin America and the Caribbean and the OECD (annual %)



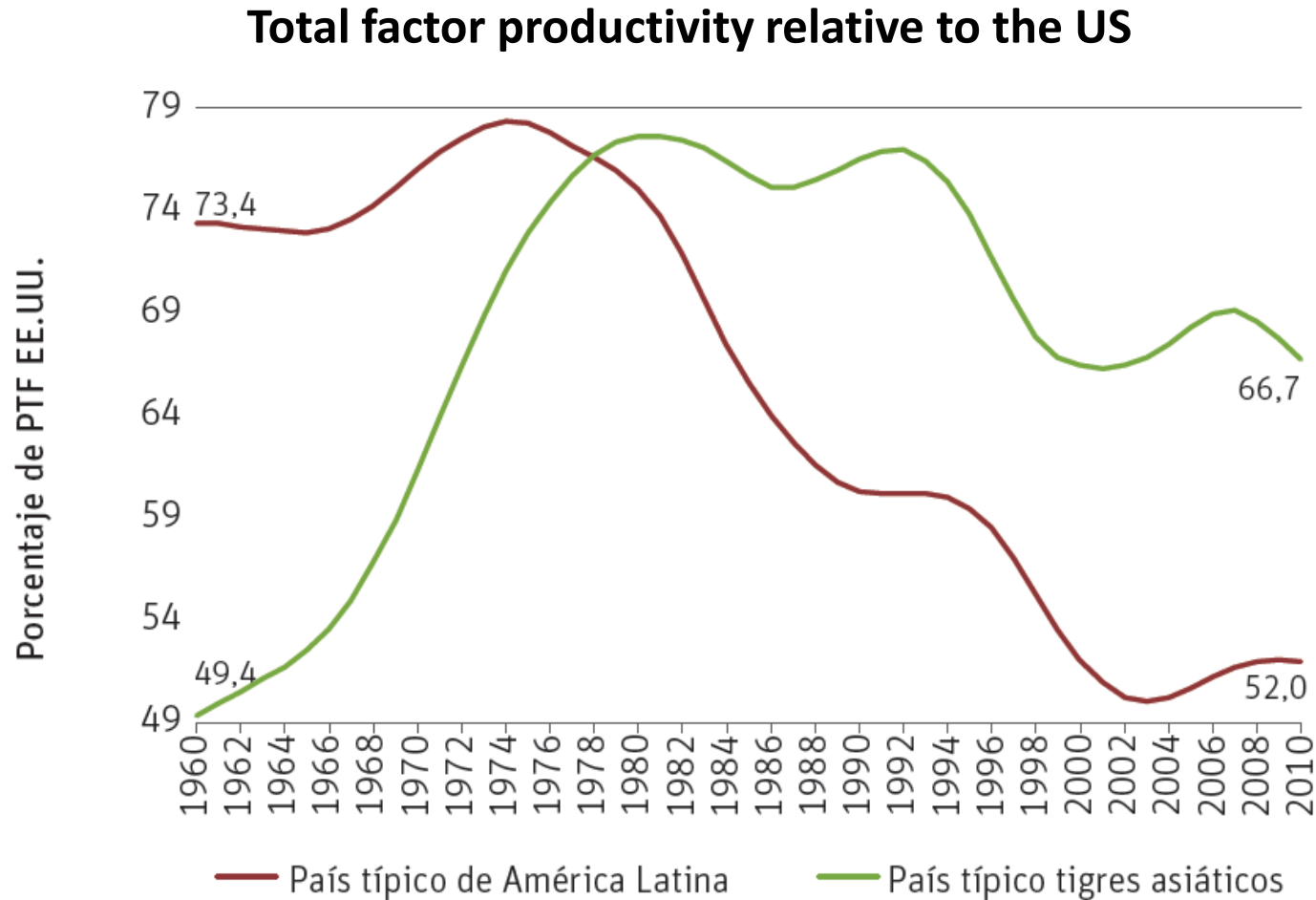
# Persistent *middle income trap*

## Middle Income Trap in Latin America vs. selected OECD economies

(per capita GDP; 1990 USD)



# “Productivity in the long-run is almost everything” (P.Krugman)



Source: IDB (2014) *Rethinking productive development. Development in the Americas 2014*

# Education, skills and productivity in Latin America

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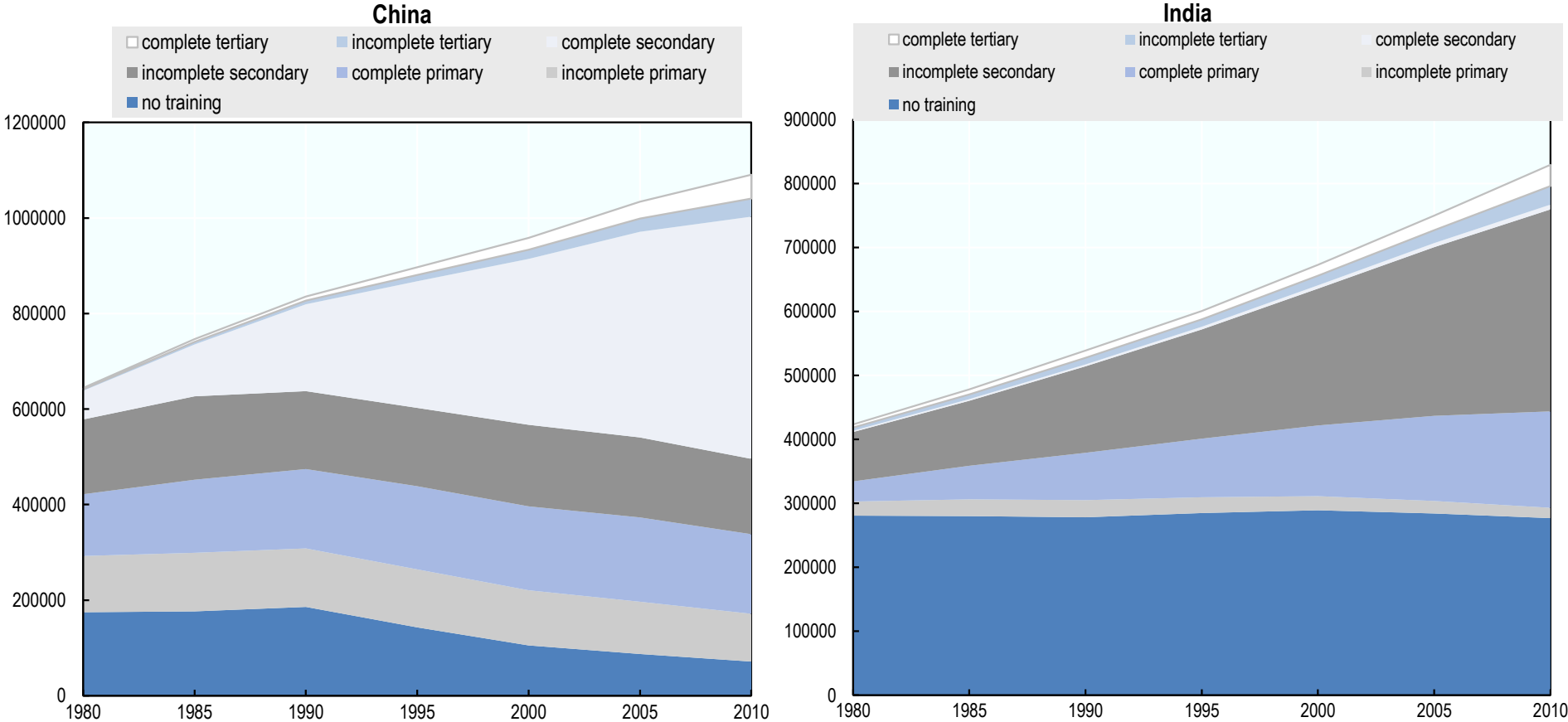
Shifting wealth and skills in Latin America

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Vocational education and training: open questions

# Shifting Wealth: Gradual increase in global pool of skills

## Population by level of education (millions; 1980-2010)



Source: OECD-ECLAC-CAF (2015), *Latin American Economic Outlook 2015. Education, Skills and Innovation for Development*

# Shifting Wealth: Mixed impact on skills demand

## **Globally**

- Technological change favours skill demand (skill-biased technical change)
- Trade and financial liberalization fosters the role of skills as the source of economic competitiveness

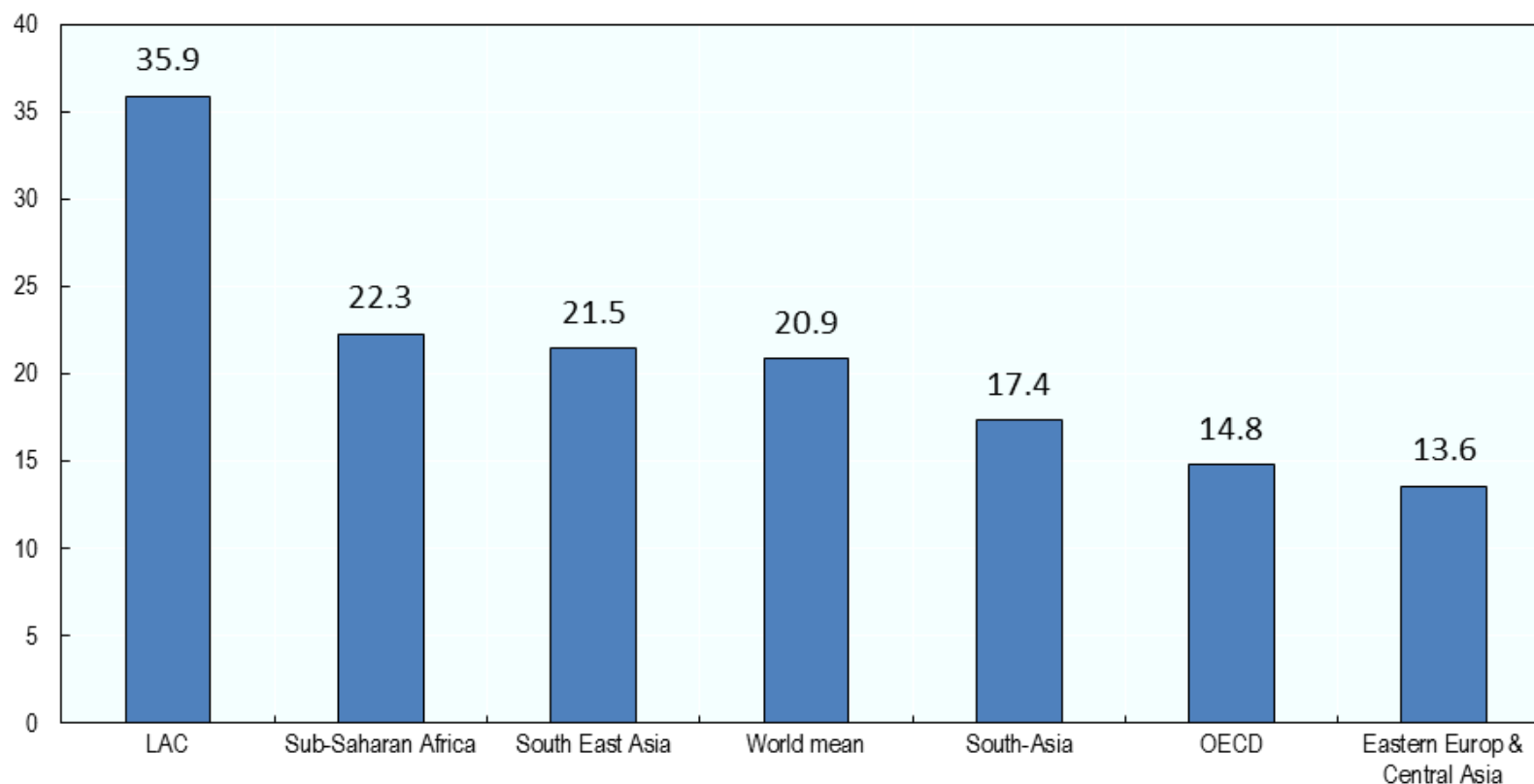
## **In Latin America**

- For countries with natural resource endowments, shifting Wealth intensifies their role as commodity exporters
- Greater difficulty to develop comparative advantages in a wide range of manufacturing industries



# Latin America is characterized by a large skill gap ...

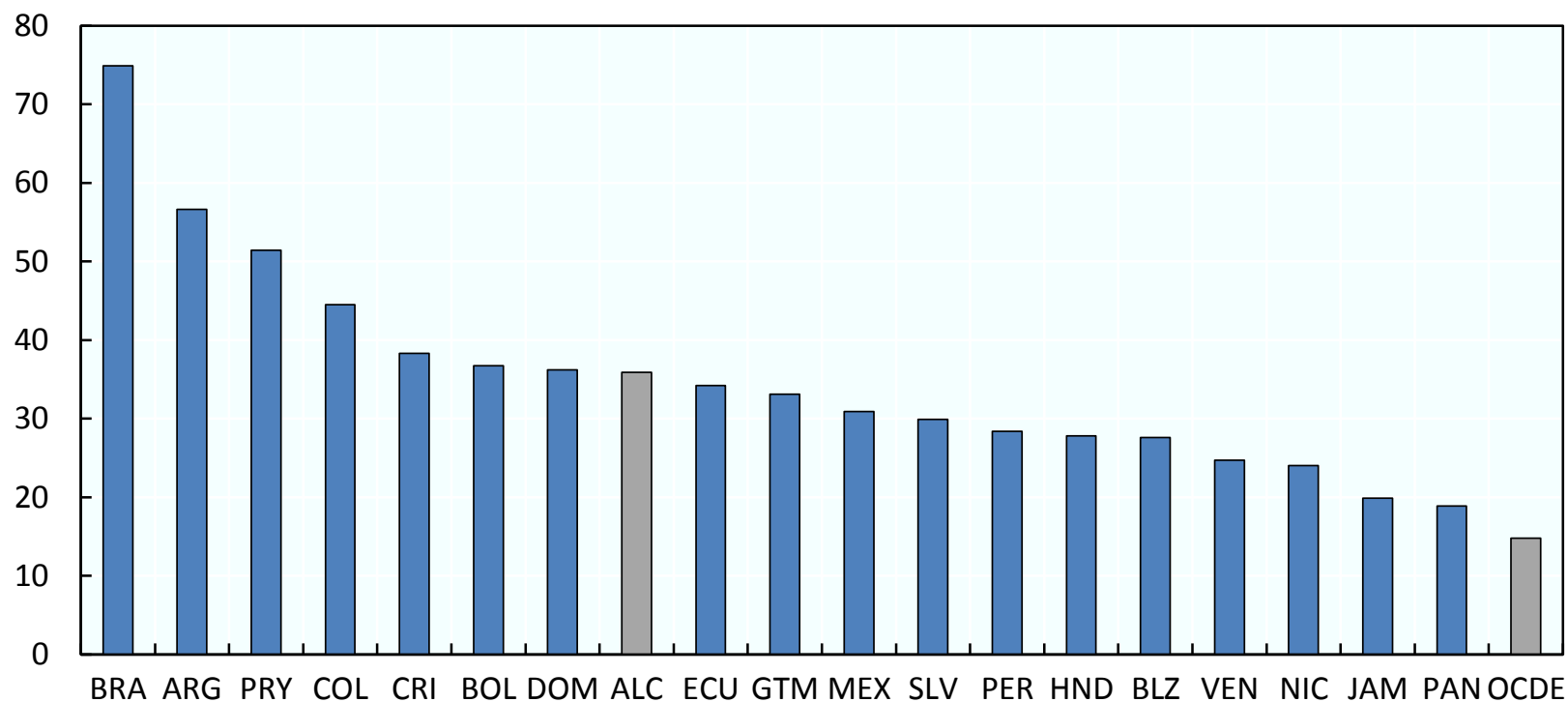
## Proportion of firms that consider the lack of labour force with the adequate skills a significant restriction to growth (% formal firms; circa 2010)



Source: OECD-ECLAC-CAF (2015), *Latin American Economic Outlook 2015. Education, Skills and Innovation for Development*

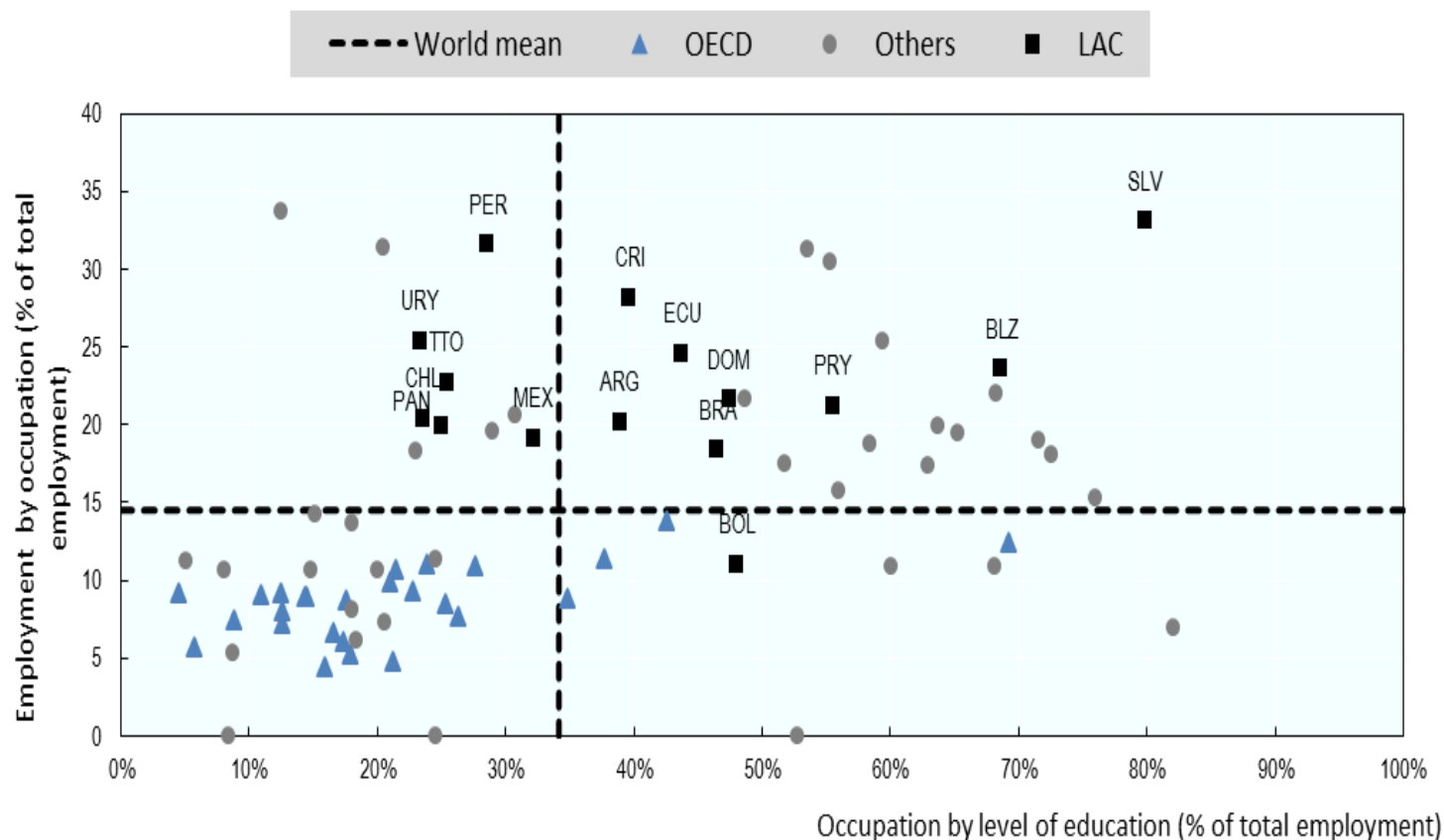
... with significant variation among countries

## Proportion of firms in Latin America that consider the lack of labour force with the adequate skills a significant restriction to growth (% formal firms; circa 2010)



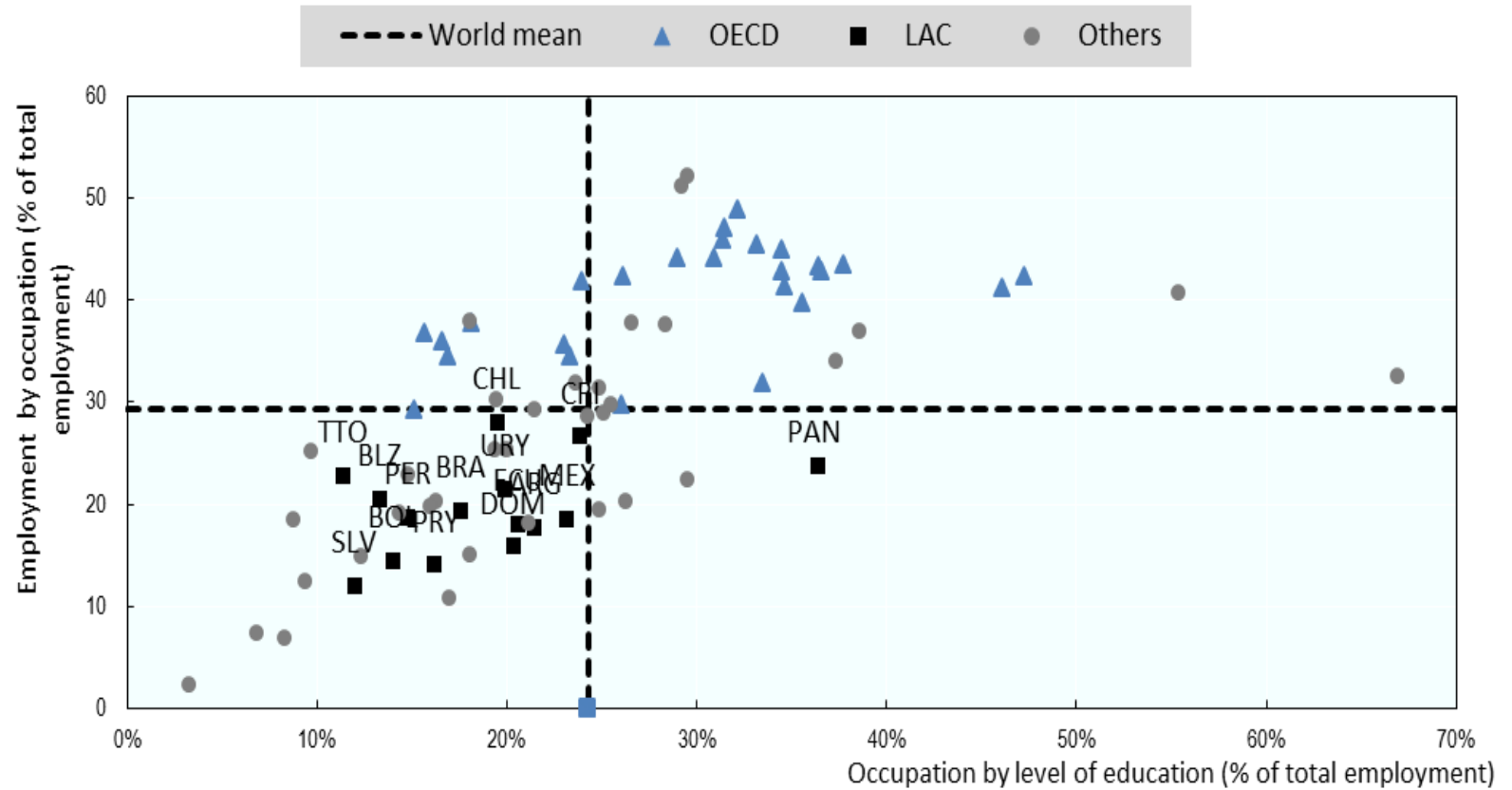
# Employment and occupations in LAC tend to be low-skilled...

**Low skills**  
(education and task)

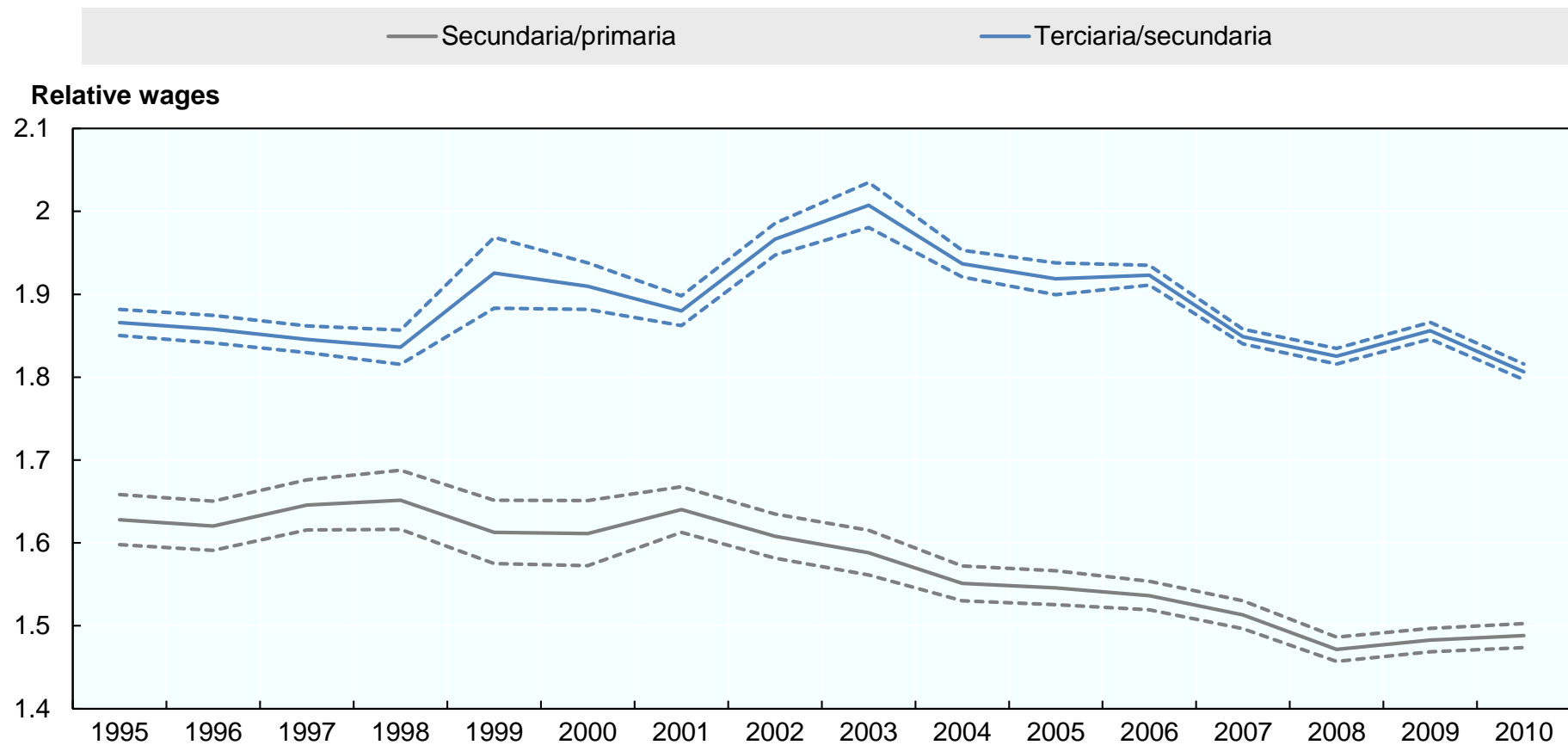


# ... in stark contrast to OECD countries

**High skills**  
(education and task)



# Large skill gaps but falling returns to education: wrong supply?



Source: De la Torre, A., E. Levy Yeyati and S. Pienknagura (2013), "Latin America and the Caribbean as Tailwinds Recede: In Search of Higher Growth", *LAC Semiannual report*, World Bank, Washington, DC,

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# Vocational education and training: some OECD good practices

## South Korea

Skills within a **productive development policy**: targets in sectors and occupations

Public subsidies, more for SMEs in selected sectors

## Chile

**Skills framework** in strategic industries (e.g. mining) to match demand with supply

## Germany and UK

**Dual systems** with apprenticeship programmes

Public-private co-funding

# Vocational education and training in Latin America: what do we know?

Some evidence for the formal sector in Bahamas, Colombia, Honduras, Panama and Uruguay:

- **Limited on-the-job training** (30%-50%; less in SMEs), too job-specific
- Training benefits mostly **high-skilled workers**
- **Limited use of available public financing** (especially SMEs)
- Positive **impact on productivity** among big firms (+1 p.p. workers under training raises productivity by almost 1%). No impact on SMEs

Source: Flores, R., C. González-Velosa and D. Rosas (2014), "On-the-job training in Latin America and the Caribbean: Recent evidence", *Determinants of Firm Performance in Latin America and the Caribbean: What Does the Micro Evidence Tell Us?*, IDB



# Vocational education and training: open questions

## **Quality of data**

How big is the skill gap? Informal sector

Which skills are needed?

## **Policy**

How to reach informal workers and firms?

How to involve the private sector?

How to finance these policies (labour taxes vs. other)?

## **Evaluation**

Duration, contents

Wages and employment + competitiveness and productivity

Thank you!



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