

Workforce Development in the Global Economy

Why is Workforce Development Important in the Global Economy?

In this interconnected global marketplace, competitive advantage is determined by the productivity with which a country, region or cluster uses its human, capital and natural resources. Productivity sets a nation's or region's standard of living. Those countries and regions that have adaptable workforces with a rich mixture of skills and a supportive economic environment are able to add value to the free flow of capital, information and technology that characterizes the global economy. They are able to benefit from integration into the global economy. Those countries, regions and people that lack necessary skills are destined to fall further behind.

In this dynamic and competitive economic environment workforce development systems can help nations, regions and communities improve economic growth, reduce poverty and achieve sustainable development. A natural complement to competitiveness and trade promotion strategies, workforce development can help make education more responsive to economic needs. They can help developing countries reduce high levels of youth unemployment; more effectively cope with the devastating economic impacts of HIV/AIDS, and restore productive economies in countries emerging from conflict.

What Makes a Workforce Globally Competitive?

A globally competitive workforce has the knowledge, skills, attitudes and behaviors to continually adapt to ever-changing and escalating labor market requirements. Competitive workers have the ability to integrate and apply their academic, technical and practical knowledge and skills to solve real-world problems, to continue learning in formal and informal ways throughout their lifetimes on-the-job, in schools and in their communities, and to work effectively with other people as customers, coworkers and supervisors.

The mix and level of knowledge and skills required to improve competitiveness will differ from industry to industry and the level of sophistication of the goods and services being produced. Companies that add greater value to commodities are likely to require higher level knowledge and skills from their workers than those in lesser value-added fields.

Often customers in the developed world will require their world-wide suppliers to meet certain quality and efficiency standards. The internationally recognized ISO (International Organization of Standardization) 9001 quality management certification is

increasingly demanded of companies throughout the world. It requires companies to have human resources and other internal systems in place to assure customer satisfaction with the quality of the products and services produced.

What is a Demand –Driven Workforce Development System?

A demand-driven workforce development system is made up of the public and private sector policies and programs that help people acquire the knowledge and skills needed to earn a living whether by means of self-employment or by working for someone else in the formal or informal sector of the economy. It includes policies and programs that help employers get and maintain a skilled workforce. Unlike separate programs that operate in an uncoordinated and therefore static manner, a demand-driven workforce development system is flexible and able to adapt quickly to changing economic conditions. It is characterized by on-going communication and continual feedback among employers, workers, educators, and government.

Key components of a demand-driven workforce development system

Workforce development systems bridge the traditionally separate policy domains of education, labor and economic development. They include:

- A formal education system that produces graduates with knowledge and skills relevant to market demand;
- Diverse opportunities for lifelong learning by youth and adults with different needs outside the formal education system in workplaces, adult literacy, apprenticeship, vocational training, youth development, technology-enabled learning, community service and other “alternative” programs;
- Financing strategies and incentives that support sustained public and private sector investment in skill development;
- Labor market policies that promote job creation and economic growth;
- Strategic linkages among employers, unions, educators, government, non-governmental organizations, and individual citizens in the labor market to promote system responsiveness to economic needs, continuous improvement and results-based accountability;
- Labor market information, job placement, employment retention and work support services that increase access to employment and meet the needs of workers and employers- the system's dual customers; and
- Strategies for certifying knowledge and skills gained outside the formal education system that are recognized by employers and build pathways for continued learning in the informal and formal learning systems.

Demand-driven workforce development systems link skill development efforts to the short- and long-term needs of the economy. Creating and sustaining these links requires on-going dialogue about skill and competitiveness issues among employers, trade associations, chambers of commerce, and economic developers, the public and

private, formal and informal providers of knowledge and skill development, and the non-profit or civil society sector in a given geographic area.

Demand-driven workforce development systems work on the demand and supply-sides of the labor market. On the demand-side, workforce development policies and programs help employers find qualified workers, retain them and increase their skills to increase their effectiveness. They improve workplace practices to the benefit of employers and workers. For example, workforce systems may provide supervisor training to build a better work environment for on-the-job learning. They may foster modernization of workplace practices such as getting workers to work in teams.

On the supply side, workforce development systems increase the knowledge and skills of the future and current workforce in ways that are relevant to short and long term economic needs and priorities. They help people find jobs, stay employed and advance in employment. Workforce development systems serve in- and out-of-school youth who are preparing to enter the workforce, those already working in either the formal and informal sectors of the economy, and adults who are involuntarily outside the workforce. This latter group may include women, excluded minorities, and the disabled.

Demand-driven systems enable lifelong learning and advancement. They do this by helping students, parents, workers and others envision a ladder of skill development and work or career advancement opportunities that will allow them to climb their way out of poverty. They raise expectations, enhance self-esteem, and provide career information and guidance. Ultimately, however, enabling lifelong learning will require systemic changes in education policy to improve achievement levels of all students, to recognize and fund alternative pathways for lifelong learning, and to create more flexible credentials that recognize that adults are likely to build their knowledge and skills in small increments over extended periods of time.

Presentation by Professor Michael E. Porter, Institute for Strategy and Competitiveness, Harvard Business School at the Inter-American Development Bank, Washington, D.C. on November 18 , 2002.