

Harnessing skills for more inclusive growth

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Strong economic performance, comfortable fiscal situation and well-run institutions make life good for most residents of Luxembourg. Average earnings are the highest in the OECD, while labour market insecurity and income inequality are low. Yet, the development of the digital economy is constantly expanding the domain of tasks that can be automatized and affecting both jobs and the skill sets need to perform them. The recent long-term strategy of the government develops an ambitious vision for a smart green digital society, but in order to equip workers with adequate skills, this modernisation strategy will also require improvements in education outcomes and better upskilling of workers over their lifetime (Figure 1).

Figure 1. Upskilling of the labour force is lagging behind the best performers



1. Share of persons responding positively to the question "Have you had on-the-job training in the past year?".

Source: Eurofound (2015), "Sixth European Working Conditions Survey: 2015", European Foundation for the Improvement of Living and Working Conditions.

The recently released OECD Economic Survey of Luxembourg 2017 argues that improvements in the education and training system

should focus on lowering the high rate of grade repetition and improving the mobility between various education programmes. Grade repetition is internationally high and concentrated in vocational secondary education, often reflecting language handicaps. Although it is sometimes still regarded as an assurance of quality, the empirical evidence shows that grade repetition is costly and ineffective in raising educational outcomes. More productive strategies focus on providing early, regular and timely support during the school year and limiting repetition to subjects and modules failed.

Vocational education and training should equip young people with technical and professional skills that meet labour needs, but also open opportunities for further learning. Programmes imparting similar generic skills as in more academic upper secondary programmes, better linked to the other parts of the education system, would help closing the skills gap between graduates of academic and vocational tracks.

The world of work is changing fast and in ways that are difficult to anticipate. Flexibility in re-skilling and lifelong learning is likely to become key for successful careers in the future. In Luxembourg, like in many countries, those in employment and with better skills tend to profit most from lifelong learning. To improve participation in lifelong learning, providers should make more use of online and distance learning, along with part-time and modular courses. Individual learning accounts and expanded individual study leave could also enhance access to lifelong learning for low-skilled adults and employees from small firms.

Finally, to make better use of existing skills and to reduce the number of long-term unemployed, the disincentives to work should be reduced further. Inactivity traps are high, especially for part-time workers and low income earners, complicating increases in work effort and transitions from unemployment to employment. Furthermore, the system of joint taxation of spouses and registered partners discourages work

of second earners, who are often women. Recent changes in policy, such as the introduction of optional individual taxation and the reform of the minimum income scheme, go in the right direction and should be complemented by further adjustments to the tax and benefit system, and pension system to reduce disincentives to work for low-skilled youth and older workers.

References

OECD (2017), OECD Economic Surveys: Luxembourg 2017, OECD Publishing, Paris.