

Unlocking Peru's untapped talent by turning education into social mobility

Category: Peru

written by oecdecoscope | February 2, 2026



Peru's young population is full of potential, but too much of it remains underused. Intergenerational mobility has improved in education but remains weak in incomes. This disconnect explains why a young and increasingly educated population has not translated into stronger productivity growth or broader economic opportunity.

Overcoming persistent obstacles to growth in South Africa

Category: South Africa

written by oecdecoscope | February 2, 2026



By Nikki Kergozou and Lilas Demmou, OECD.

South Africa, under the Presidency's Operation Vulindlela, has embarked on bold reforms to address key obstacles to economic growth. Keeping this reform momentum is critical: GDP growth has averaged only 0.7% per year over the past decade. The persistently sluggish pace of GDP growth has failed to significantly raise GDP per capita, expand labour market participation, or improve living standards for the majority of South Africans. The economy's high emissions intensity presents an additional challenge, as renewed growth may amplify environmental pressures.

In this context, the new 2025 OECD Economic Survey of South Africa (OECD, 2025) contains four main messages:

1. The macro-economic policy framework needs to be strengthened to make the economy more resilient.
2. Transforming the electricity sector to ensure energy security is vital for economic growth and would, in addition, facilitate the green transition.
3. Greater inclusion of South Africans in the labour market is essential for social cohesion and poverty reduction.
4. The prospect of higher growth requires speeding up reforms to reduce emissions.

An enhanced macro-economic framework is a prerequisite for stronger sustainable growth. South Africa's 3-6% inflation target is high and its mid-point is well-above that of other major trading partners. Lowering the inflation target and considering reducing the band around it would help achieve

lower inflation and support competitiveness. Public debt has surged from 31.5% of GDP in 2010 to a projected 77% in 2025 (National Treasury, 2025) and rising debt-servicing costs of around 5% are squeezing fiscal space, limiting the government's capacity to finance social programmes and public investment. Stricter spending controls through reinforced spending rules, and improved governance would help improve the fiscal position and eventually reduce debt. Enhancing the efficiency of tax services, while raising value-added and property taxes, would also contribute to increase revenue collection.

A key structural reform to ensure that growth can be higher in a sustainable way is to ensure that electricity provision is sufficient for businesses to operate. Power outages, or "loadshedding" were estimated to have reduced economic growth by 1.5 percentage points in 2023 (SARB 2024). In addition to directly reducing efficiency, a loss of confidence in the electricity system weakens incentives to invest and deters new market entrants. Significant progress has been made but a lot remains to be done to put electricity outages behind us. Priority should be given to establishing a competitive wholesale electricity market, expanding the transmission grid, and improving municipality's capacities to deliver electricity effectively. Reforms to municipal management and financing should prioritise earmarking electricity revenues to reduce cross-subsidisation, enhancing property tax collection and exploring distribution concessions.

Many South Africans struggle to find work: the country has the lowest employment rate and the highest unemployment rate among G20 economies. Reforms are needed to help firms create more jobs and to also help workers better connect with job opportunities. Restrictive regulations constrain firms' ability to enter the market and expand, limiting job creation. Urban sprawl and insufficient public transport lead to lengthy, expensive commutes that pose challenges for workers

to connect with employment. Promoting densification, and prioritising housing near public transport and development corridors would help.

As reforms leading to higher growth would put upward pressure on greenhouse gas emissions, South Africa will face additional challenges in meeting its climate goals. In addition, the country is highly vulnerable to the changing climate. A greener economy requires higher carbon prices, an enhanced policy framework for faster implementation of policies, and improved public transport so that people use their cars less often. In parallel, adaptation to climate change needs to be accelerated, notably by reducing the severe under resourcing of municipalities, who have a key role to play in climate policies.

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Addressing labour market challenges for sustainable and inclusive growth in

Israel

Category: Israel

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To improve labour market outcomes, Israel needs reforms in three broad areas: improving skills, fostering labour market participation, and increasing job mobility.

Updating the Polish economy: how to digitalise and boost productivity

Category: Uncategorized

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Digitalisation in Poland requires more investment and upgrading of skills to boost productivity.

The United Kingdom: Stronger growth needs significant productivity improvements across regions

Category: United Kingdom

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Raising productivity requires more investment, re-and up-skilling to facilitate worker's relocation and better use of existing skills to address shortages.

Continuing the reform process in France to improve job and income prospects

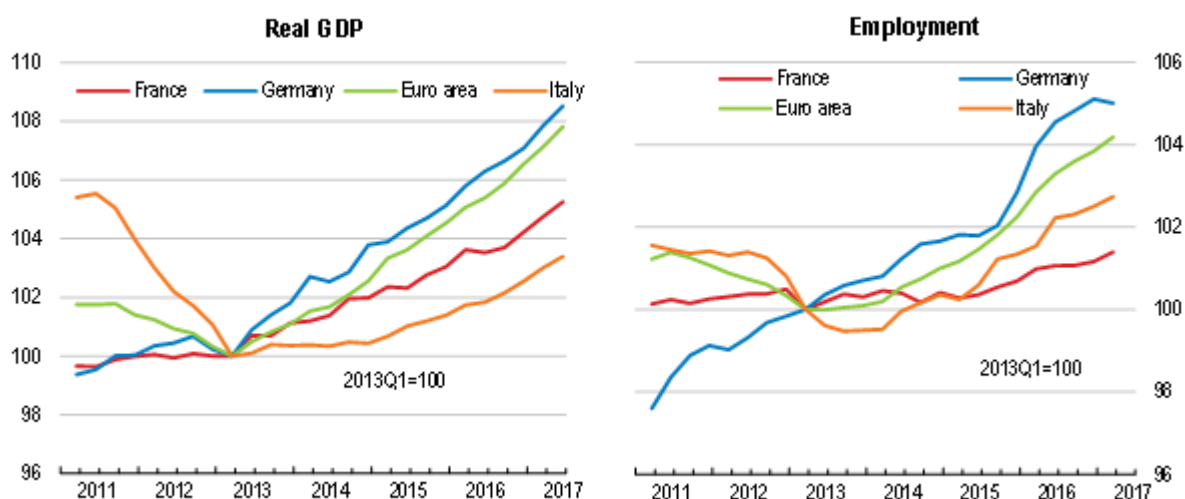
Category: Forecast, France, Inequality, Labour markets, Uncategorized

written by oecdecoscope | February 2, 2026

by Nicola Brandt and Pierre Guérin, France Desk, Country

Economic growth is strengthening in France, supported by consumption and investment, and the labour market is gradually recovering, as past reductions of comparatively high labour and business taxes are starting to take effect. However, GDP and employment growth are still lagging relative to the euro-area average (**Figure 1**). As in many other OECD countries, a weakening of productivity gains is limiting the government's ability to continue providing its citizens with a high level of social protection and good prospects for high-quality jobs and rising incomes. The new government is passing a major labour market reform. It is also reducing business and labour taxes on low wages and plans to strengthen workers' rights to unemployment benefits, while tightening obligations to accept job offers. It intends to make the pension system more universal by aligning rights across different regimes, and ease access to high-quality vocational training and adult learning. This ambitious reform agenda can make an important contribution to securing stronger and more inclusive growth and job creation.

Figure 1. Growth and employment are lagging relative to the euro-area average



Source: OECD (2017), *OECD Economic Outlook 101 Database* (and updates);

High levels of public spending, while contributing to low poverty and good health care, requires burdensome taxes that limit firms' ability to invest and create jobs. The new

government has set an ambitious target to reduce public expenditures by three points of GDP by 2022. The recently released OECD Economic Survey of France proposes structural reforms that would help cut inefficient and non-essential spending, while better targeting public money where it is most needed. This includes lowering the relatively high public payroll, by not replacing every public servant who retires, reducing overlap in sub-central governments' competencies and merging France's often particularly small municipalities, aligning different pension regimes to increase transparency and reduce administrative costs, and gradually raising the minimum retirement age. In health care, improving prevention, while limiting unnecessary prescriptions and treatments would go a long way in containing spending growth, while preserving and further improving overall good health outcomes. Education spending needs to be better targeted at schools with many struggling pupils and public infrastructure spending should focus on poor neighbourhoods that suffer from poor connection to public transport.

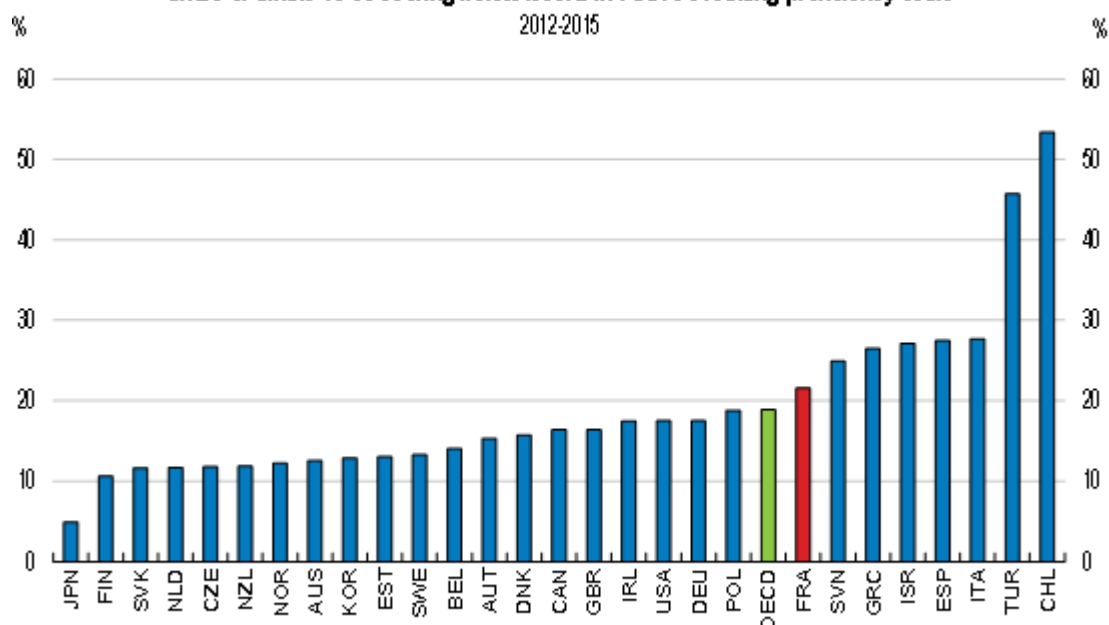
Unemployment is still high, and spells are long, particularly for young people; too many of them are not in employment, education nor training. Those who do work often find it difficult to begin their careers, as most new hires are on temporary contracts few of whom are transformed into permanent jobs. The ongoing labour market reform aims at facilitating negotiations in small firms and simplifies the governance of firm-level institutions representing employees. Also, the needs of small and medium-sized enterprises (SMEs) will be better taken into account as sector-level agreements will have to include explicit provisions for them. This will allow firms and workers to better adapt their working conditions to their specific needs and makes it easier for small and innovative firms to enter the market and grow, promoting productivity growth. Moreover, labour courts setting indemnities for unfair dismissals will now be constrained by a binding range. Compared to other countries, indemnities in France are indeed

particularly variable, and limiting their range will reduce uncertainty for employers regarding dismissal costs, reducing hurdles to hiring on open-ended contracts. However, the Survey also points out that the quality of France's labour court procedures needs to improve. They are unusually lengthy, and judgements are appealed in roughly 70% of the cases. One solution would be to introduce professional judges to support the lay assessors who currently handle the process. France is indeed the only OECD country besides Mexico where such legal actions are reviewed by lay assessors alone.

Too many French adults have weak basic skills (**Figure 2**). Access to training is hampered by a complex training system that is characterised by a large number of training and financing schemes. The recently introduced personal training account (*compte personnel de formation*, CPF) is difficult to use and provides access only to a limited number of training offers that differ by sector. The government intends to implement a national vocational training plan of 15 billion euros. To maximize the impact of that investment the Survey recommends improving information about providers by strengthening the quality label system so that workers become fully aware of the label and can understand it. The CPF should be simplified and give access to all training measures that have obtained a quality label. The number of competing schemes should be reduced to concentrate financing on one measure that works.

Figure 2. Too many adults have weak basic skills

Share of adults 16-65 scoring below level 2 in PIAAC's reading proficiency scale



1. Adults scoring below PIAAC level 2 can understand only very simple texts at best. .

Sources: OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills*, OECD Skills Studies, OECD Publishing, Paris.

Further reading

OECD (2017), *OECD Economic Surveys: France 2017*, OECD Publishing, Paris.

Retraining can enable ageing Slovenians to keep pace with new technologies

Category: Slovenia,Uncategorized

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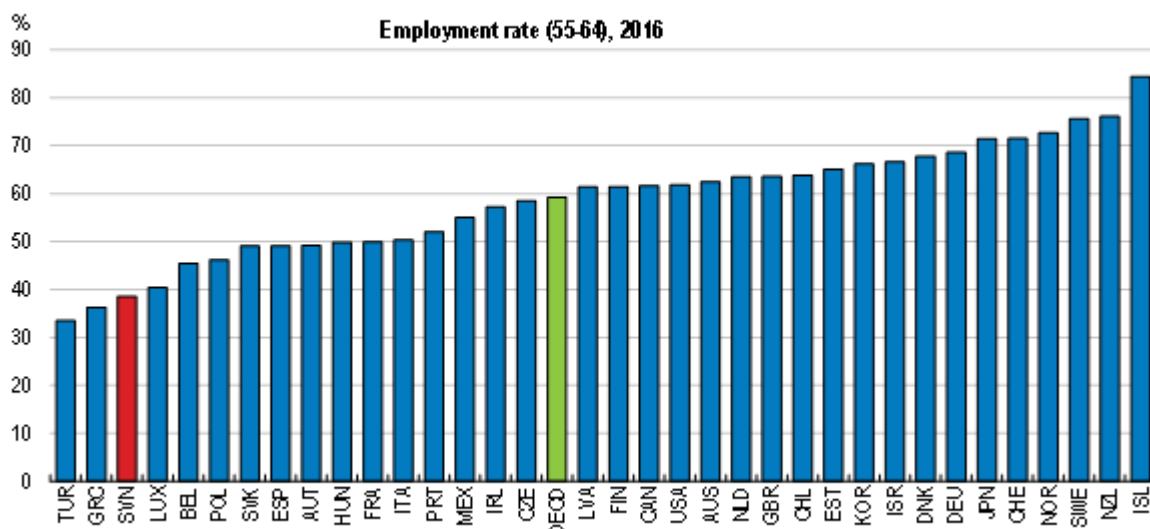
by Rory O'Farrell, Slovenia Desk, OECD Economics Department

While workers in many OECD countries are worried whether robots will take their jobs, the inhabitants of the Slovenian town of Kočevje are less concerned. In 2016 Japanese robotics

firm, Yaskawa, announced plans to produce robots in Kočevje, which could create up to 200 jobs. This is a continuation of a pattern seen since independence whereby Slovenia has continued to shift from traditional manufacturing to business services and high-tech production. However, not all Slovenians have been included in this progress.

Modernisation has mainly been achieved by training young Slovenians to fill new occupations. In contrast, those with obsolete skills tend to retire or become unemployed rather than retrain, leaving Slovenia with persistent long-term unemployment, and amongst the lowest employment rates of older workers in the OECD. An ageing population means this is no longer sustainable, and labour shortages are already emerging. To meet the need for skills that complement investment in knowledge-based capital, and the new technologies brought by foreign firms, more responsive education and training solutions are needed.

Slovenia has persistent problems in reallocating workers



Source: OECD, Labor Force Survey - Sex and Age composition database

Slovenia performs poorly in terms of providing workers the opportunity to retrain later in life. While it has an effective system of vocational education, workers lack some basic skills that enable them to retrain later in life. Also, although tertiary attainment has increased rapidly, high fees

for part-time students make it unattractive for older Slovenians to pursue tertiary education. There is also a lack of incentives to retrain, as wages rise automatically with age and thus do not reflect the relative demand for different occupations, and unemployment and disability insurance have served as pathways to early retirement.

The just-released OECD Economic Survey of Slovenia outlines how a more flexible education and training system can help create a more flexible labour market. Policies such as greater problem-based learning for vocational students, more adult training, and equalising fees for part-time and full-time students can help workers adapt to future changes in the labour market. This can help ensure all Slovenians benefit from future economic growth.

Find out more:

OECD (2017), *OECD Economic Surveys: Slovenia 2017*, OECD Publishing, Paris.

Raising skills holds the key to higher living standards and well-being in Portugal

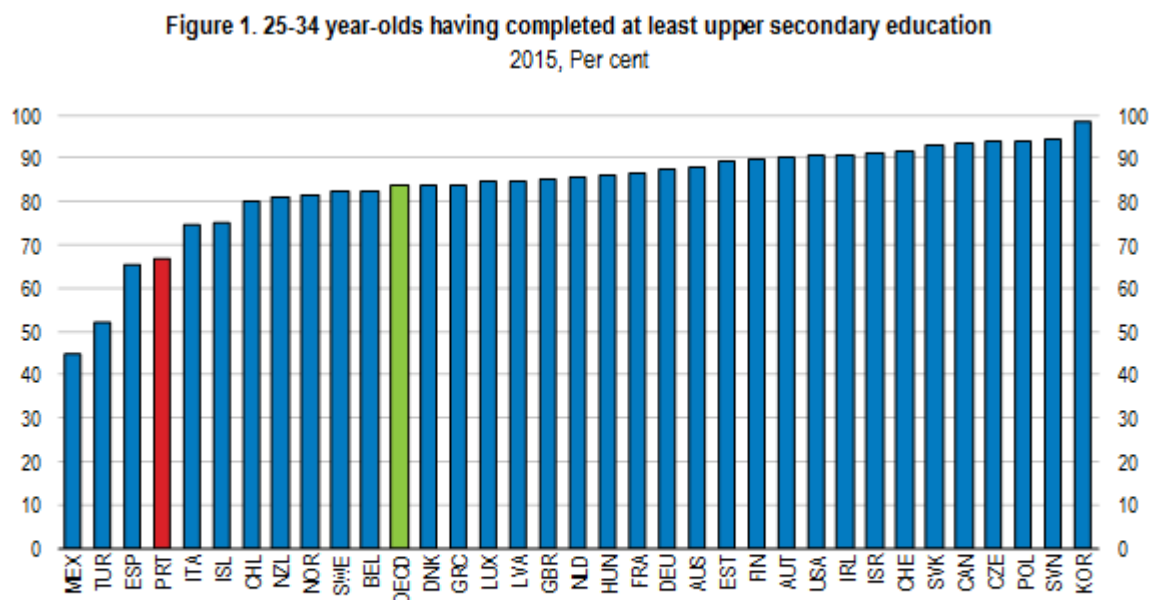
Category: education,Portugal,Uncategorized

written by oecdecoscope | February 2, 2026

by Sonia Araujo, Country Studies Branch, OECD Economics Department

For each hour worked Portugal produces about half of the output produced in the United States. A historic legacy of

very low education attainment is partly to blame for Portugal's lower productivity. However, education attainment remains low even for those who have left the education system not so long ago. At 65%, the share of young adults (aged 25-34 years old) who have completed upper secondary education is still the third lowest in the OECD (Figure 1).



1. The OECD aggregate is an unweighted average; Latvia is included and Japan excluded (no data available).

Source: OECD (2016), "Educational attainment and labour-force status", *OECD Education Statistics* (database).

Low levels of skills are not only an obstacle to higher material living standards, but also affect the well-being of Portugal's citizens and stand in the way of reducing income inequality, one of Europe's highest, as education is often a pre-requisite for higher job quality and learning opportunities.

What are the priorities to enhance skills in Portugal?

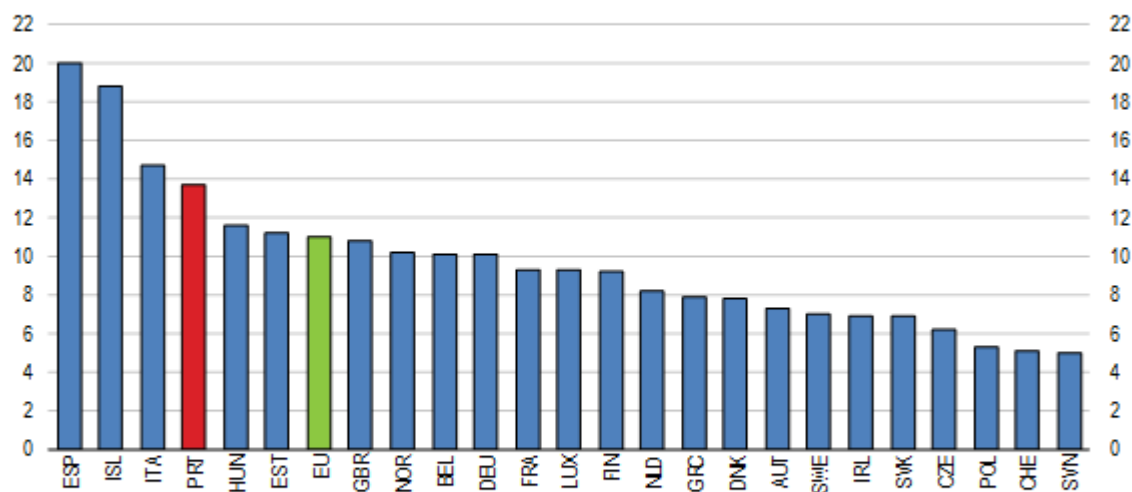
As discussed in the 2017 OECD Survey of Portugal, the top priority is to raise the skills of the adult population that has left the education system but will stay in the labour market for long. The challenge for Portugal is to find strategies to engage the low skilled, which are much less likely to receive training than the highly qualified young adults. Although this is not a problem unique to Portugal,

other countries have managed to attract more low-skilled workers into training by raising awareness of existing training opportunities and by offering opportunities of recognition of skills acquired beyond formal education. Another area for further improvement is to define clear labour market performance indicators against which to check the success of training programs. Monitoring performance and policy evaluation is underdeveloped in Portugal and improvement in these areas would allow focusing resources on those programmes that really make a difference for labour market outcomes of low skilled adults.

Second, the education system needs to do more to reduce Portugal's early school leaving rate, one of the highest in Europe (Figure 2), and a major reason behind the low qualifications of young adults. One of the drivers of early school leaving is grade repetition, an ingrained practice in the Portuguese education system to resolve student learning difficulties. By age 15, around one third of Portuguese students have repeated a year at least once. International experience shows that grade repetition is an ineffective way of supporting underperforming students. In Portugal, grade repetition is a stronger predictor of additional repetitions along the education system. It also exacerbates inequalities, as half of the students coming from disadvantaged backgrounds are likely to repeat a grade, in stark contrast with the OECD average of 20%. Finding alternatives to grade repetition and strengthening learning opportunities of students from disadvantaged backgrounds is a priority to improve the overall level of skills. The economic survey of Portugal recommends re-focusing resources on primary and pre-primary education, detecting and providing early individualised support of students at risk, strengthening teacher training and exposure to best working practices, creating incentives to attract the most experienced teachers and principals to disadvantaged schools and taking account of students' profiles and specific needs when allocating resources across schools.

Figure 2. Student early school leaving rate is high

Percentage of the population aged 18 to 24 having attained at most lower secondary education and not being involved in further education or training¹



1. The early school leaving rate for Spain covers "school drop outs".

Source : Eurostat (2016), "Youth education and training", *Eurostat Database* and European Commission (2014), "Overview of Europe 2020

Targets", http://ec.europa.eu/europe2020/targets/national-targets/index_en.htm.

Third, the vocational education and training (VET) system needs a comprehensive evaluation. The VET system has developed quite fast in the past decade, putting an end to Portugal's strong bias towards academically-orientated programmes. However, two systems co-exist in parallel, and the courses run by the Ministry of Labour have a stronger dual nature than the VET courses organised by the Ministry of Education. The government should unify the different VET systems by establishing a single dual VET system with strong work-based learning in companies. VET is also provided by several private training entities, risking overlaps and inefficiencies in the use of resources. The capacity to monitor training quality and labour market outcomes of VET students also needs to be strengthened. The authorities should regularly compile performance indicators and use them to streamline the VET offer and improve training quality.

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OECD (2015), OECD Skills Strategy Diagnostic Report: Portugal 2015, OECD Publishing, Paris. <http://www.oecd.org/skills/nationalskillsstrategies/Diagnostic-report-Portugal.pdf>

Structural reforms in a difficult time

Category: Labour markets, Structural reform, Uncategorized
written by oecdecoscope | February 2, 2026

By Naomitsu Yashiro,

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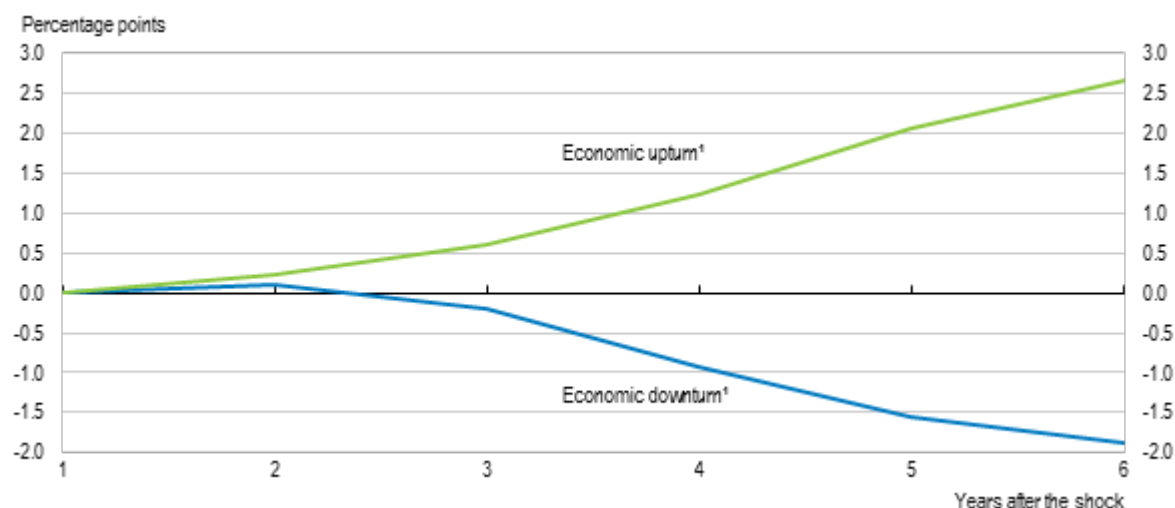
The pace of structural reforms is slowing just when the world economy needs decisive policy actions to strengthen fundamentals and restore healthy growth (the 2016 *Going for Growth* report). Policy makers may be concerned that introducing structural reforms in the current context involve trade-offs between the mid- to long-run gains in employment and productivity and short-run losses.

In our recent paper (Caldera Sánchez, de Serres and Yashiro, 2016), we note that when the economy is near its potential, and confidence among consumers and investors is high, gains from growth-enhancing reforms have been found to exceed potential losses even in the short run, as demand increases on the anticipation of the future benefits. However, the short-term impact of reforms may be less favourable when they are introduced in difficult macroeconomic conditions, as several factors may prevent a pick-up in demand. In some circumstances, specific reforms may even entail short-term

reductions in demand.

There are several conflicting channels through which reforms affect the real economy. The strength of the channel can change under different macroeconomic conditions. Take reforms of unemployment benefits that aim to improve work incentives by strengthening the conditionality of income support in the case of a lay-off on intensive job-search efforts. By facilitating the return to work, such reforms raise employment, household income and thus consumption. However, uncertainty regarding disposable income also increases, potentially discouraging consumption. In good times, employment gains can be quick, so that output increases within 2-3 years after reforms. But during recessions when the unemployed are less likely to find jobs the gains in employment can even turn negative (See figure).

The gains in employment of an unemployment benefit reform can turn negative during a downturn



Note: The lower (upper) line corresponds to the impact of the reduction in the initial unemployment benefit replacement rate during economic downturn (upturn), where the economic cycle is measured through the level of the pre-reform unemployment gap (i.e. the difference between the structural unemployment rate

and the unemployment rate). The economic downturn (upturn) corresponds to the case where unemployment gap is set to the minimum (maximum) value within the sample.

Source: Bouis et al. (2012).

Other reforms that seek to restore competitiveness through lower relative costs and prices can also depress demand if conducted during downturns. This is because in bad times labour and goods demand respond little to the lower wages and product prices resulting from reforms, while workers or firms see their income and profit eroded in the short term. Ideally, governments can deploy expansionary fiscal policies or monetary policies to support demand. But, in some cases, macro policies may also be constrained, as has been the case for several countries in the past few years. Strong external demand can help to bring forward the benefits of reforms as well. For instance, our review of case studies suggests that Canada's labour market reforms around the mid-1990s benefited from strong demand from the United States. This supported the gains in employment following the reforms.

Even under limited supports from fiscal and monetary policies or external demand, a smart packaging or sequencing of reforms can alleviate the negative short-run impacts on demand: (1) reforms of labour and product markets can be conducted in tandem, so that the lower prices from stronger competition limit the impact of labour market reforms on real wages; (2) addressing dysfunctions in the financial sector as early as possible can improve access to credit and allow households and firms to capitalise on the future benefits of reforms and expand consumption and investment today; (3) reducing policy uncertainty through well-communicated, credible reform strategies can prevent the deterioration of confidence among business and consumers.

Many reforms can boost demand by themselves even during difficult macroeconomic conditions. For instance, measures aimed at raising investment in knowledge-based capital,

including through infrastructure spending, as well as tax structure reforms can bring short benefits. Also, reducing regulatory barriers to entry in services sectors with large pent-up demand and relatively low entry costs (like professional services or taxis) can boost business expansion and employment relatively quickly. Similarly, reducing barriers to geographic or jobs mobility can increase the speed of employment gains in difficult times. Strengthening active labour market policies and to alleviate skill shortages and mismatch can unleash business activities that were previously constrained by skills bottlenecks. Reforms that contribute to the long-term sustainability of public finance and to the cost-effectiveness of healthcare or pension systems can reduce uncertainties on household's future income, thereby boosting consumption today.

References:

Caldera Sánchez, A., A. de Serres and N. Yashiro (2016), "Reforming in a difficult macroeconomic context: A review of the issues and recent literature", OECD Economics Department Working Papers, No. 1297, OECD Publishing, Paris.

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Vocational education after transition in Poland

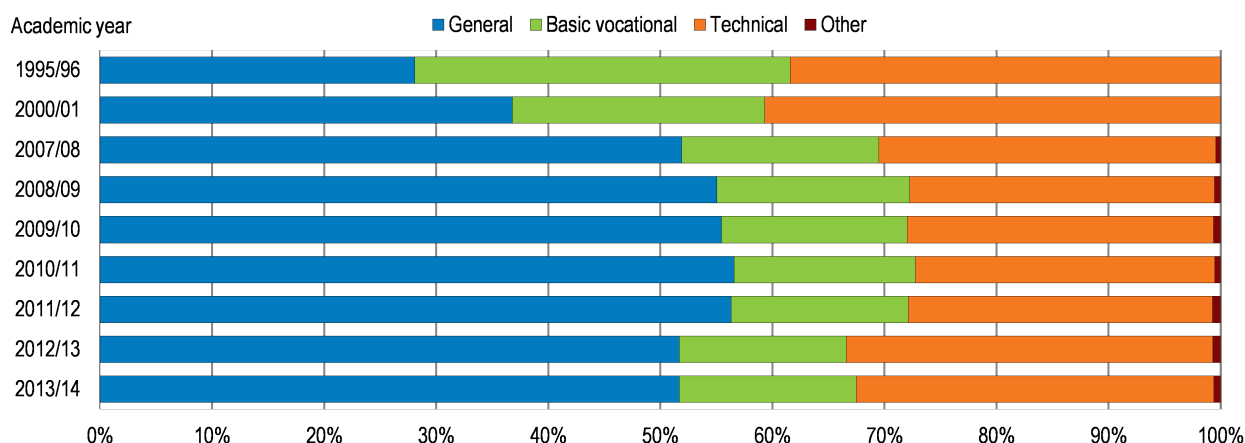
Category: education, Poland, Uncategorized
written by oecdecoscope | February 2, 2026
by Nicola Brandt, Head of Poland Desk,
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Adapting vocational education to the needs of a market economy has been a challenge in Poland as in other transition countries of Central and Eastern Europe. Average educational attainment and literacy rates were relatively high and vocational education was strong in Poland, when the economic transformation set in. Yet, competencies taught in vocational schools were often specific to enterprises to which they were attached, many of which disappeared.

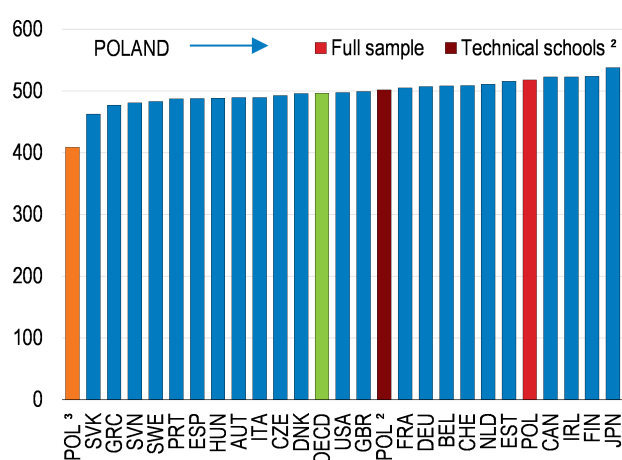
Meanwhile, it took vocational schools time to establish links to newly created firms, and the process of developing high-quality training in management, IT and other advanced technologies is still ongoing. Rote learning was widespread, and skills that help people adapt to new circumstances, such as critical thinking, creativity and leadership, were long neglected. Programmes on offer have not always been adapted to labour market needs, leading to shortages of workers in some areas and a surplus in others. As a result, the reputation of vocational education suffered. During the transition young people abandoned basic vocational education in large numbers (Panel A), while a tertiary education boom set in.

Vocational education lost ground during the transition

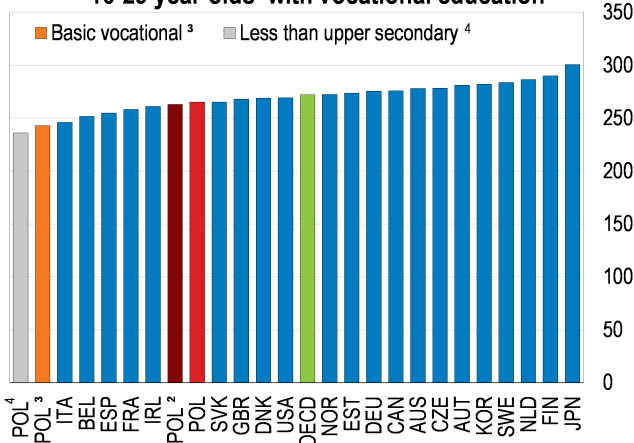
A. First-year students in upper secondary school by type of education



B. Mean PISA reading score



C. Mean PIAAC literacy proficiency scores for 16-29 year-olds with vocational education¹



1. The data are based solely on Flanders for Belgium and on England and Northern Ireland for the United Kingdom.
2. Mean reading score for 16 year-old students of Polish technical schools (Panel A) from an optional national study for the first grade of upper secondary school (16 year-olds) complementing PISA and mean PIAAC literacy proficiency score for Polish adults having attended technical schools (Panel B).
3. Mean reading score for 16 year-old students of Polish basic vocational education (Panel A) from an optional national study for the first grade of upper secondary school (16 year-olds) complementing PISA and mean PIAAC literacy proficiency score for Polish adults having attended basic vocational education (Panel B).
4. Mean PIAAC literacy proficiency score for adults with less than upper secondary education.

Source: GUS (2014), *Education in the 2013/2014 School Year*; OECD (2013), *OECD Skills Outlook 2013 Database* and OECD calculations.

The government has done much to adapt vocational schools to the needs of the market economy. Since 2012 curricula have been based on learning outcomes rather than on a narrow description of subject content. This has given schools more autonomy to adapt their programmes, including in collaboration with employers. There is now more emphasis on general competencies, such as basic skills, reasoning, problem-solving and teamwork, and the programmes also include training on setting up a business. The government launched an image campaign recently, and vocational education has started to regain some ground as shortages of workers with intermediate skills have become apparent.

But challenges remain. Many weak students are concentrated in basic vocational schools as evidenced by their low literacy scores in the OECD's PISA test (Panels B and C). Helping them level their skills requires particularly qualified teachers. Offering interesting pay and career opportunities at basic vocational schools would be one option to attract such teachers. While around 65% of students now combine study and work in firms – a considerable increase from earlier years – the rest still receive their practical training in workshops set up for training purposes. The challenge is to engage Poland's many small firms to offer work placements and contribute to the development of programmes to ensure that they are relevant for their needs.

Find out more:

OECD (2016), *OECD Economic Surveys: Poland 2016*", OECD Publishing.

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