Skills Development and Economic Growth

Sandra McNally
Centre for Vocational Education Research,
London School of Economics

University of Surrey
Outline

• Skills and economic growth
• Supply of skills
• Demand for skills
• Research and policy challenges
International test scores (Maths and Science) and economic growth

The graph plots the average annual rate of growth of real GDP per capita in 1960-2009 against average scores on international student achievement tests (based on regression analysis). Source: Hanushek and Woessmann (2015), The Knowledge Capital of Nations: Education and the Economics of Growth (see reference overleaf).
PIAAC: Share of adults with low skills (literacy and numeracy below ‘level 2’)

‘Supply’ problem in countries such as the UK

• Too many people with low basic skills and not enough with good intermediate skills

• Shortages in some medium and high-skill occupations, as well as in certain low-skill occupations

• More dependence on migration than the UK government would like...
Demand for skills

• ‘Skill biased technological change’ and globalisation

• Returns to skills are very high in many countries

• Changes in the labour market
Wage returns to numeracy skills
(Hanushek, Schwerdt, Wiederhold and Woessmann, 2017)
Polarisation of the labour market in the UK (Goos and Manning, 2007)
Research and policy challenges: Teacher quality

• Many studies suggest teacher quality is hugely important for influencing educational attainment

• But ‘quality’ not related to observable characteristics (apart from experience)

• How to attract and retain good teachers? Can ‘good teaching’ be taught?
Research and policy challenges: What type of education to offer young people?

• Balance between general and vocational education?

• How early to specialise?

• Apprenticeship or classroom-based learning?
Earnings differentials for young people in the UK: with and without an apprenticeship (Cavaglia, McNally, Ventura, 2017)
Research and policy challenges: Lifelong learning

• Is it necessary to incentivise employers and how?

• ...for what type of learning?

• What support is needed for adults?
Apprenticeship starts by age group in England

Source: Claudia Hupkau (CVER). August 2015. Data from BIS/SFA.