

A Proposal for a Global Skills Accelerator

Think-20 (T20) is a network of premier think tanks from the G20 economies and is as an outreach group of the G20. T20 produces ideas to help the G20 on delivering concrete and sustainable policy measures and serves as an "ideas bank" for G20 policy-makers. This note is a T20 proposal for the establishment of a Global Skills Accelerator emphasizing the need for global cooperation to develop skills and capacities in all countries that match international market standards.

1. Background

The transformation of the job market associated with technological revolution is happening fast. There is a heated debate on whether technological transformation is responsible for unemployment problems, especially in developed countries. One side argues that technology is significantly downsizing labour ¹, while others point to the fact that technological developments are displacing workers to new jobs rather than replacing them ². While its long-run impact on jobs remains unpredictable, there is no question that technology is revolutionizing industries and creating new ones, thus, also bringing about new skill requirements.

¹ Brian, A.(2011) "The Second Economy," McKinsey Quarterly, Oct-Nov 2011. Available at:
http://www.mckinsey.com/insights/strategy/the_second_economy. [16.02.2015]

² Bessen, J.(2015, April 27) "Scarce Skills, Not Scarce Jobs" The Atlantic Available at:
<http://www.theatlantic.com/business/archive/2015/04/scarce-skills-not-scarce-jobs/390789/>. [17.02.2015]

The impact of technological change will differ from country to country, possibly affecting high, middle and low skilled jobs, resulting in inequalities as well as in new skills requirements. At the moment, it is mostly advanced economies that are facing direct consequences of this technology-intensive economy: technological progress is likely to displace both high-skilled professionals in services industries such as medicine as well as low-skill manufacturing jobs. Yet, in developing countries, which are presently indirectly affected by digital technologies, market transformations incumbent on technological change are expected to happen in the near future³. The potential negative impact of technology on developing country workforces may be more severe given the low level of education and large populations in these countries.

Future labour trends notwithstanding, emerging and other developing countries (in particular LDCs) still need to develop new skills to bridge the gap between themselves and developed countries, otherwise they risk having unemployment due to skills mismatch (negative spillover). This way collaboration between developed and developing will be supported. Furthermore, developing countries can take developed countries' educational infrastructure as an example. Development of such capabilities in developing countries is also crucial for spurring future growth and competitiveness in the global economy.

This note is a proposal for the establishment of a Global Skills Accelerator emphasizing the need for global cooperation to develop skills and capacities in all countries that match international market standards. We take into consideration primarily the scenario where introduction of new technologies displaces jobs, whereby equilibrium can be restored in labour markets by re-skilling and providing methodologies to capture emerging skill needs. The proposal will also take a look at the issue of technological unemployment from the perspective of job creation by re-skilling and guiding SMEs and start-ups to best utilize technology.

The Global Skills Accelerator is envisioned as a fund that will a) serve as a best practices sharing platform to develop the right strategies for VETs (skilling) and post-graduate training "on the job." (reskilling) by coordinating the efforts of governments and businesses, b) aligned with the accelerator principle, provide mentorship, program design and seed financing to ensure development of skills to all countries that match international market standards. The international facility fund is proposed to be open to all interested members from G20 and non-G20 countries, and shall primarily support projects that aim at developing skills and capacities in countries that match international market standards.

2. Financing and Monitoring

Cost and benefit allocation between public and private sectors

In technological development, the public sector is expected to bear the initial costs by providing tax breaks, favourable procurement practices, and subsidies to academic labs or

³ UNDESA (2007) Industrial Development for the 21st Century: Sustainable Development Perspectives, New York: United Nations

research centres to boost technology. However, once a new technology is established, private entrepreneurs, with the help of venture capital, can adapt it to global market demand. The government, which bears the burden of a large part of technology development, does not get the same proportion of financial return ⁴.

The proposed Accelerator can be funded by both emerging and developed countries. Emphasizing that it is the private sector that receives the major portion of revenues created through intellectual advances financed mainly by the public sector, the facility's financing should be shared between public and private resources. Governments can develop creative ways to fund the Accelerator. For instance, governments can establish public venture capital funds (of funds) to take stakes in innovative projects ⁵. Funds could be raised by issuing bonds in financial markets that are autonomous but monitored by political authorities – especially, when their rate of return passes below a predetermined threshold. A special monitoring mechanism, with an independent monitoring panel, can be established to oversee receipts and expenditures.

3. Governance Structure

The Global Skills Accelerator is proposed to be governed by two bodies. Day-to-day administration of the Facility is proposed to be done by an existing international entity, while the allocation of the funds is proposed to be decided by an advisory board comprising of representatives from the public and private sectors, as well as the G20.

There are international organizations that are coordinating efforts on labour/employment-related issues. For example, the ILO works with countries to reform and strengthen their national skills policies and improve their training systems. The mandate of one or several international organizations can be expanded to include administration of the fund.

4. Next steps

- Draw from existing private sector resources such as the World Economic Forum
- Further investigate the Climate Change Financing experience
- Start a discussion in the Employment Working Groups wages sub-group
- Recommend G20 to commission a study to OECD, ILO and the World Bank for structure of Global Skills Accelerator

⁴ Mazzucato, M. (2013), *The Entrepreneurial State: debunking public vs. private sector myths*, Anthem Press: London, UK

⁵ Rodrik, D.(2015, January 14) "From Welfare State to Innovation State." Available at : <http://www.projectsyndicate.org/commentary/labor-saving-technology-by-dani-rodrik-2015-01>. [16.02.2015]