

The role of cognitive and socio-emotional skills in labor markets

Cognitive skills are more relevant in explaining earnings, socio-emotional skills in determining labor supply and schooling

Keywords: returns to skills, cognitive skills, socio-emotional skills, personality traits, labor market outcomes

ELEVATOR PITCH

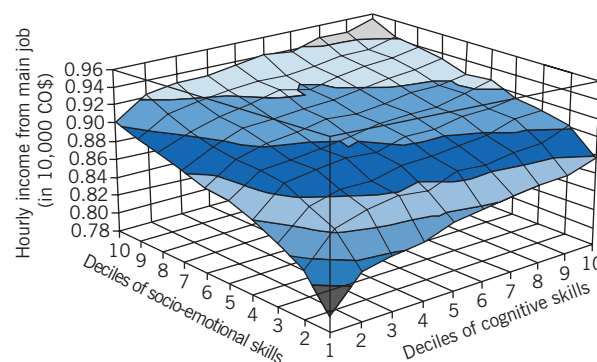
Common proxies, such as years of education, have been shown to be ineffective at capturing cross-country differences in skills acquisition, as well as the role they play in the labor market. A large body of research shows that direct measures of skills, in particular cognitive and socio-emotional ones, provide more adequate estimations of individuals' differences in potential productive capacity than the quantity of education they receive. Evidence shows that cognitive skills in particular are quite relevant to explain wages, while socio-emotional skills are more associated with labor force and education participation decisions.

KEY FINDINGS

Pros

- ⊕ Both cognitive and socio-emotional skills (in particular, conscientiousness and emotional stability) affect labor earnings, although with relatively larger effects for cognitive skills.
- ⊕ Skills, especially socio-emotional ones, influence individuals' participation in the labor market and probability of holding a job.
- ⊕ Cognitive and socio-emotional skills influence schooling decisions and a range of educational outcomes.

Correlation between working, looking for a job, or studying and cognitive and socio-emotional skills, Colombia (2012)



Source: Acosta, P., N. Muller, and M. Sarzosa. *Beyond Qualifications: Returns to Cognitive and Socio-Emotional Skills in Colombia*. IZA Discussion Paper No. 9403, October 2015.

IZA
World of Labor

Cons

- ⊖ Surveys may not reflect the full range of an individual's abilities, and survey instruments are subject to measurement errors.
- ⊖ Schooling, cognitive skills, and socio-emotional skills are highly interrelated; distinguishing their respective effects is challenging and can lead to severe estimation bias.
- ⊖ Most causal evidence comes from high-income countries; there is a lack of data on the topic in low- and middle-income countries, especially panel data.

AUTHOR'S MAIN MESSAGE

Cognitive and socio-emotional skills play important but different roles in explaining labor market productivity and success. Despite some limitations in the data and measurements used, policymakers would be well advised to include cognitive and socio-emotional skills development in school curricula. Promoting each skill set could lead to improvements in job quality or higher labor market participation and tertiary educational attainment. Given the influence of family environments on skill formation, parenting and extra-curricular activities can be very important in fostering cognitive and socio-emotional skills.