

Making labour market and skills intelligence policy relevant: How Cedefop supports countries

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Labour market intelligence: necessary but not sufficient

In the challenging economic climate that followed the global financial crisis, the objective of strengthening links between education and training and the labour market became an increasingly important policy priority. Developing tools and systems to promote better anticipation and matching of skills to labour market needs is identified as a core part of this strategy and is also integral to the European Commission's *New Skills Agenda for Europe*. Recent years have therefore seen an intensification of efforts by EU countries to strengthen their arsenal of labour market and skills intelligence (LMSI) tools and to improve the responsiveness of their education and training systems to skill needs of their labour markets^[1].

A [recent study](#) has highlighted however that there is significant divergence between the types of skill mismatches that policymakers tend to emphasise and those identified by research evidence^[2]. Whereas the former tend to implement policies to mainly address skill shortages and skill gaps, forms of skill mismatch with the greatest cost on labour productivity, such as workers being overqualified for their jobs, tend to be overlooked. Moreover, the little data that exists on whether LMSI provision is available and actually influences individuals' career and labour market mobility decisions also paints a less than encouraging picture^[3]. Only 27% of EU citizens had access to information about learning opportunities in 2011, as revealed by the EU's Adult Education Survey. While 7 in 10 adults had such access at their disposal in the UK, only a minority (less than 10%) of individuals in Greece, Bulgaria and Romania benefited from the ability to make informed decisions about improving their knowledge, skills and competences.

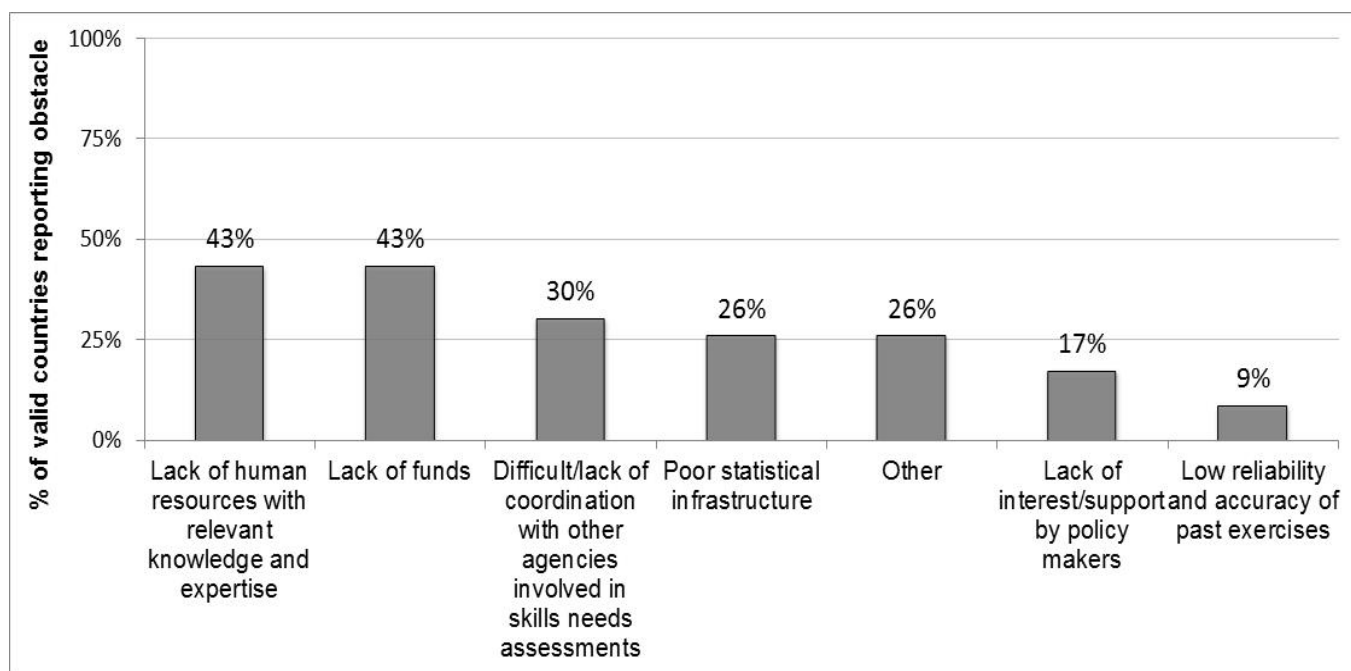
The challenge of Skills governance

EU policy makers are now becoming increasingly aware that developing a robust LMSI infrastructure is a necessary but not sufficient condition for designing effective policy responses. It is not enough to collect more and better LMSI, but, crucially, efforts need to be made to ensure that such intelligence can be translated into meaningful policy action. A precondition to ensuring optimal information sharing and better use of LMSI in the design and reform of policies is good *skills governance*.

Skills governance refers to the process of putting in place appropriate institutional structures (e.g. intermediary skills bodies), operational processes (regulation, management, financial and non-financial

incentives) and dissemination channels (online or offline platforms) that may facilitate stakeholder interaction and policy reaction based on reliable LMSI signals. But such a process is often inhibited by marked coordination failures among education and labour market actors, as was also revealed by a 2014 survey of Ministry representatives carried out in EU countries by Cedefop (see Figure 1).

Figure 1 Obstacles to the (further) development of LMSI exercises



Notes: Based on responses of representatives of Ministries of Education and/or Labour in 23 EU countries. One response per country is retained. The figure depicts the number of countries that identified the specific obstacle as a percentage of the total number of EU countries with valid responses to the survey.

Source: Pouliakas and Ranieri (forthcoming) based on responses to OECD-CEDEFOP-ETF-ILO questionnaire on ‘Anticipating and responding to changing skill needs’

Ensuring responsive feedback loops between education and training and skill needs is dependent on a multidimensional, multi-layered and multi-stakeholder process. Hence, as would be predicted by standard game theory, the room for coordination failures is ripe, since the return on different parties’ decisions is strategically linked to the actions of others. Such coordination failures do not only take place at the level of micro-agents (individuals and firms) but also at policy level^[4]. Lack of clarity in roles and responsibilities due to overlapping portfolios among different Ministries, departments and institutional bodies, and/or lack of trust among social partners often leaves ample scope for improvements in the process of transferring labour market intelligence to policymaking. Diverse national stakeholders also sometimes fail to internalise the value added of the other parties’ investments in their own decisions (e.g. acknowledge the wider sectoral, as opposed to firm-specific, benefits of a well-trained workforce). Moral hazard problems also creep in when some parties believe that the skills supply chain will be continuously ‘insured’, diminishing incentives for own investments in skill development.

A new skills governance framework: supporting EU countries

Moving towards a collaborative approach to collecting and using LMSI, appropriate governance settings need to be put in place that will ensure long-term commitment and a synergetic policy outlook among all relevant stakeholders. Acknowledging that there is marked variation in LMSI methods and systems across EU countries, Cedefop has thus recently set up [a skills governance framework](#) (see Table 2) that identifies key elements and prerequisites to well-functioning systems.^[5]

Figure 2: Cedefop’s skills governance framework

	Organisation	Resources	Stakeholders	Use of information
Foundations	A Legal and institutional framework	D Funding and human resources	G Cooperation arrangements	J Feedback mechanisms
Processes	B Management and control	E Data, methods and expertise	H Feedback and validation	K Customisation and dissemination
Sustainability	C Vision and strategy	F Stability	I Integration of stakeholder needs	L Reputation

In addition to placing emphasis on necessary human and financial inputs to the system, the Cedefop framework builds on the premise that good skills governance depends on a number of building blocks, including:

- participation of key stakeholders in assuring quality in data gathering, production and analysis of skills intelligence, legitimacy of the results and in coming up with a strategic vision and roadmap for skills development;
- sustainable institutional arrangements for stakeholder feedback and validation of LMSI outputs between different government bodies and social partners;
- a transparent legal and regulatory mandate, as well as an operational management strategy, offering national stakeholders a clear understanding of their roles and task responsibilities in both design and take-up of LMSI findings;
- ensuring that a wider array of potential beneficiaries have access to and can provide feedback on the LMSI produced at higher levels and that such information is customised to meet the needs of diverse audiences.

Skills governance is however akin to a ‘living organism’, constantly changing, adjusting and adapting to new socioeconomic realities. Being able to identify system barriers and to reform system processes requires deep understanding of the underlying historical contingencies and behavioural interdependencies between the different components underpinning the system. Ultimately, the overall reputation of the skills governance system hinges on its ability to ensure continuous and adaptive system learning.

As part of its ongoing programme 'Governance of skills anticipation and matching in EU countries: in-depth country reviews', Cedefop is deploying the above framework and is working closely together with national stakeholders in several EU countries. Mapping important roadblocks and proposing feasible areas of improvement to their skills governance systems building on stakeholder consensus is a long-drawn process, but one that can leave a positive footprint for generations to come.

[1] [http://skillspanorama.cedefop.europa.eu/en/blog/how-are-skill-needs-assessed-and-matched-what-place-eu-countries?](http://skillspanorama.cedefop.europa.eu/en/blog/how-are-skill-needs-assessed-and-matched-what-place-eu-countries?utm_source=Source_AHs&utm_medium=Medium_AHs_SPSLIDER&utm_campaign=Campaign_AHs)
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[2] McGuinness, S. Poulidakas, K. and Redmond, J. (2017), *How useful is the concept of skill mismatch?* International Labour Organisation (ILO): Geneva.

[3] Cedefop (forthcoming), *Insights on skill shortages and skill mismatch: Learning from Cedefop's European skills and jobs survey*, Luxembourg: Office for Publications of the European Union.

[4] Poulidakas, K. and Ranieri, A. (forthcoming), Governance of labour market and skills intelligence as driver of VET reform, *International Handbook on Vocational Education and Training for the Changing World of Work*, Springer Publishing.

[5] Cedefop has recently deployed this framework to assist six European countries (Malta, Iceland, Greece, Slovakia, Estonia and Bulgaria) interested in assessing and improving elements of skills governance.

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