

European Skills Index: skills systems explained!

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Skill systems are crucial for countries' competitiveness and growth, as well as for individuals' development and wellbeing. Important EU initiatives, such as the European Pillar of Social Rights and the New Skills Agenda, set out the improvement of skill systems as a key priority. But to date, no single instrument existed for assessing and comparing how well EU skills systems perform. To fill this gap, Cedefop has developed the [European Skills Index](#) (known before as [Making Skills Work Index](#)), a composite indicator aiming at measuring, and monitoring through time, the effectiveness of Member States' skills systems. Following five years of development and a successful [independent statistical audit by the Joint Research Centre](#), the European Skills Index (ESI) has been launched at the end of 2018!

European Skills Index

European Union skills systems explained!

1

skills development

goes beyond compulsory and formal education to training and life long learning activities

2

skills activation

is about how smooth is the transition from education to the world of work



skills matching

examines how well skills developed and activated are then matched at work

#EuropeanSkillsIndex

Traditionally, skills systems are thought of as the means of delivering skills. However, the role of a skills system is also to ensure a smooth transition from education to work and an appropriate skills match at the workplace. For instance, it is not only important to consider questions such as “how many graduates did a system produce?” but also “how fast do graduates find a job?” and “do the skills obtained match those required at work?” At the same time, it is important to know how better other countries perform so as to build knowledge stemming from best practices available. The European Skills Index has been built so as to, for the first time, provide insights to these questions.

The European Skills Index is built on three pillars, each of which captures a different component of a skills system: *skills development*, *skills activation* and *skills matching*. These pillars are used to organise and aggregate 15 individual indicators into a single summary measure. The indicators chosen are policy-relevant and linked to policy issues. Within the [ESI framework](#), a higher performance can primarily be achieved through accomplishing a well-balanced skills system. In other words, there is a need to achieve a degree of balance across development, activation and matching. Concentrating on one area over another may improve certain aspects but may penalise the overall performance of a skills system.

Figure 1 shows the results at index level across member states. A range 0-100 is used. The ideal performance, i.e. 100, is set close to the best result achieved by any of the EU-28 over a period. No Member State reaches, or comes close to 100. The Czech Republic scored highest (75), followed by Finland, Sweden, and Luxembourg (above 70). Together with Slovenia, Estonia and Denmark, these countries form the top 25% with results above 67. Hence, there is scope to improve for all; even those with the best results.

Figure 1: ESI overall scores

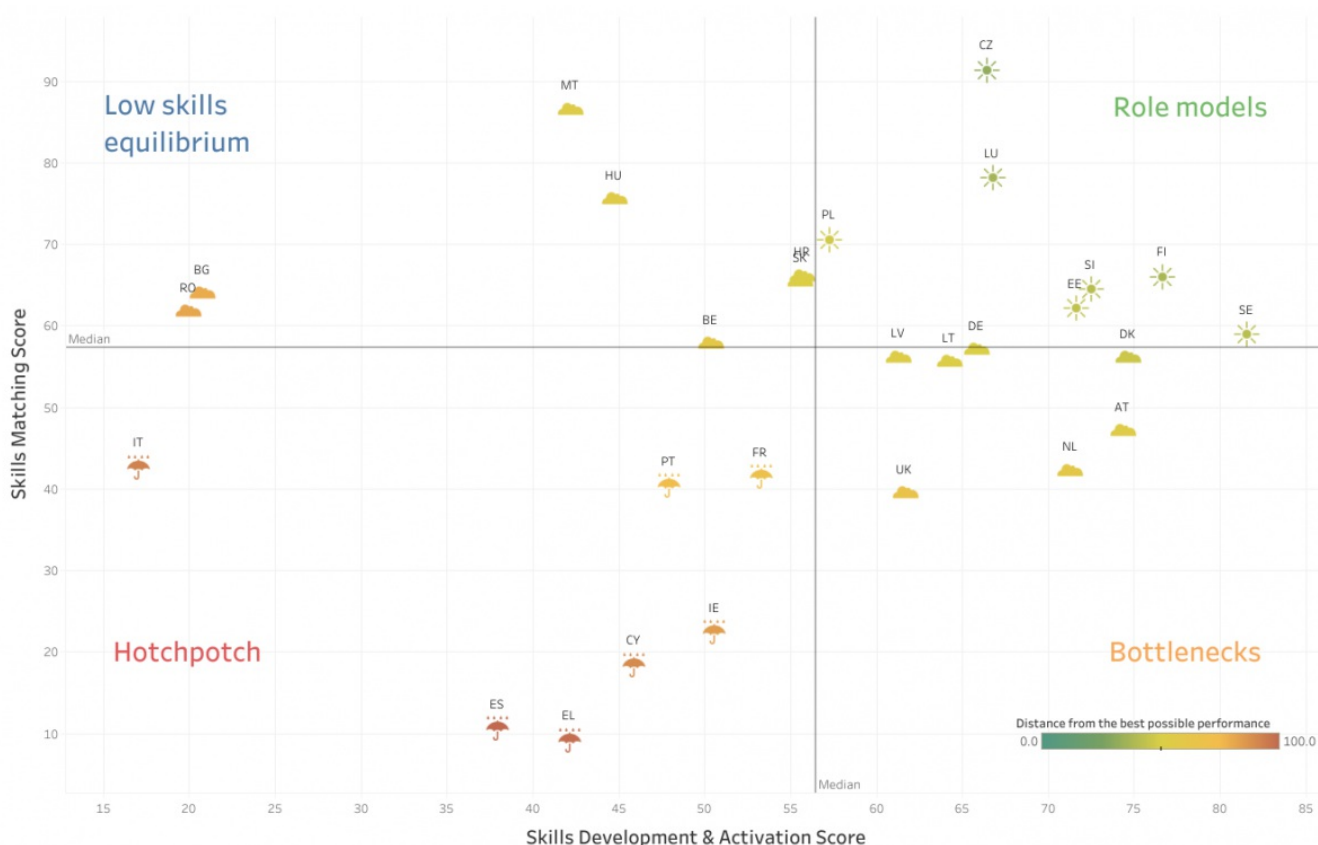
Source: Cedefop (2018 European skills index).

Looking deeper into the European Skills Index, a good linear relationship exists between *skills development* and *activation*. This may not come as a surprise since a better developed workforce may have a smoother transition to work. Moreover, the outcomes of skills development and activation

determine the availability of skills in the system. These two could articulate a separate dimension, that of *skills formation*. From a policy perspective, this suggests that common policies may be able to influence these two distinct aspects of a skills system. On the other hand, *skills matching* represents a separate, more cyclical, aspect of a skills system, while is determined by the interplay between demand and supply. Thinking about the policy level, issues coming out from skills matching would need separate attention as only limited, if any, actions can have an impact on all three pillars.

Looking at the scores of the two dimensions (i.e. skills formation and skills matching) some initial observations can be made, and four groups can be identified, as shown in Figure 2. The first group consists of countries that show good performance in both dimensions (e.g. Sweden and Finland). Such countries can be considered as "*role models*" of overall skills systems and where good practices can be sought for. The second group, is comprised by countries where skills are efficiently developed and activated but poorly matched (e.g. Netherlands and the UK). The skills systems of these countries are characterised by certain "*bottlenecks*" as sufficient policies in developing and activating skills are narrowed down at the interaction between demand and supply. Specific policies targeting reducing skills mismatch would be necessary in these cases. A third group, is that of countries where *matching* is high but *development* and *activation* scores is low (e.g. Romania and Bulgaria). On the one hand, these systems are rewarded by efficient labour market matching, and can possibly be used as good cases of matching practices, on the other hand, however, given the low scores in skills formation can provide a signal of "*low skills equilibrium*", a situation where efficient matching is an outcome of poor demand for high skills. The fourth group, is that of countries where scores are low in both dimensions (e.g. Cyprus and Portugal). This can be described as a "*hotchpotch*", where better co-ordination is needed towards both skills formation and skills matching.

Figure 2: Skills formation vs skills matching



Source: Cedefop (2018 European skills index).

The European Skills Index, however, is not constructed as a tool to provide the answers on the complexity of skills systems. On balance, it serves as a starting point to help understanding this complexity and delving deeper in the quest for answers!

Country scores and further information on the Index can also be found via the [Skills Panorama](#) and Cedefop.

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