Chapter 2. Updating the OECD Skills Strategy

This chapter explains why the 2012 OECD Skills Strategy is being updated. It goes on to highlight what is new in the 2019 OECD Skills Strategy, including the revised OECD Skills Strategy framework, analysis of the skills implications of megatrends, a new OECD Skills Strategy Dashboard, and key policy findings and good practice examples for developing relevant skills, using skills effectively and strengthening the governance of skills systems. Finally, the chapter introduces the 2019 Skills Strategy framework, which has three core components: 1) developing relevant skills over the life course; 2) using skills effectively in work and society; and 3) strengthening the governance of skills systems.

The 2019 OECD Skills Strategy

Why is the OECD Skills Strategy being updated?

The OECD Skills Strategy aims to help countries achieve their economic and social ambitions by developing the right skills and ensuring that they are used fully and effectively. The strategy was presented to and endorsed by ministers at the 2012 Ministerial Council Meeting (MCM) [C/MIN(2012)4/FINAL]. As a horizontal initiative of the OECD, this strategy brings together the perspectives of all relevant committees and was prepared by a cross-directorate team led by the OECD Centre for Skills.

The OECD Skills Strategy was first made public in *Better Skills, Better Jobs, Better Lives* (OECD, 2012[1]). The report examined how countries could achieve better economic and social outcomes through a whole-of-government approach composed of three interrelated pillars: developing relevant skills, activating skills supply and putting skills to effective use.

Since 2013, the OECD Skills Strategy approach has "gone national" with the development of tailored national skills strategy projects carried out in close co-operation with inter-ministerial teams within countries. The OECD National Skills Strategy Project has supported countries in developing national skills strategies by building on comparative OECD data, analysis and policy insights (Box 2.1).

Box 2.1. OECD National Skills Strategy Project

The OECD National Skills Strategy Project has supported countries in developing national skills strategies by building on comparative OECD data, analysis and policy insights. Each project is designed to foster a whole-of-government approach, bringing a broad range of ministries together to better understand the country's goals for the future, identify the priority areas for action to improve the development and effective use of skills, as well as to design and align skills policies to achieve results. In addition, stakeholders are engaged in projects to improve understanding of the current skills challenges and opportunities; solicit their perspectives on what policy responses are needed; validate policy recommendations; and build support to take joint action to implement policies.

The foundation of this approach is the OECD Skills Strategy framework, which has been updated in this report. The three components of the 2019 OECD Skills Strategy are:

- developing relevant skills,
- using skills effectively, and
- strengthening the governance of systems.

The OECD Skills Strategy framework has demonstrated its value as a tool for assessing the performance of skills systems and generating recommendations for improving performance in a wide range of countries. To date, projects have been completed in ten OECD Member countries (Austria, Belgium [Flemish Community], Italy, Korea, Mexico, the Netherlands, Norway, Portugal, Slovenia and Spain) and one non-Member (Peru). In Norway, Portugal and Slovenia, the initial project was followed up by a second project that investigated a specific challenge identified in the first phase in greater detail, providing even more in-depth analysis and policy recommendations.

A number of factors important for success in building effective skills strategies have been identified by the OECD. These are listed in Box 2.2 below.

Box 2.2. Success factors for building effective skills strategies

In the course of working with 11 countries on projects to build effective national skills strategies, the OECD has identified a number of factors that can help to ensure success in developing and implementing skills strategies. These factors include:

- **A shared vision**. In all countries that the OECD has worked with, the challenge of responding to megatrends and harnessing their potential to improve the lives of citizens was a key impetus for embarking on a skills strategy project. By constructing a vision for how skills can help countries overcome challenges and seize opportunities, countries have been able to catalyse support across government and stakeholders for developing effective skills strategies.

- **A whole-of-government approach.** A great number of ministries across all levels of government have an impact on, and an interest in, skills outcomes. They include not just ministries of education and employment, but also ministries of economy, science and innovation, immigration, taxation and finance. Consequently, a key success factor for skills strategy projects is the formation of national project teams with representation from all skills-relevant portfolios. Building an understanding of how the success of policies in one domain can be influenced by the effective development and use of skills can be very important for enticing ministries to the table that might not otherwise perceive themselves as "skills ministries".

- **Stakeholder engagement.** Governments are not solely responsible for skills outcomes. Indeed, governments need the knowledge and political support of stakeholders to design and implement effective skills policies. This entails building strong partnerships with all actors in the skills system, such as employers, trade unions, training institutions, students and other stakeholders. The countries the OECD has worked with on skills strategy projects have worked to gain the support of stakeholders by engaging them in workshops and meetings in order to build a consensus about what are the most important skills issues facing countries, generate concrete policy recommendations, and build a commitment to take joint action to implement skills policies.

- **Strong evidence base.** A high-quality analysis of a country's skills performance is foundational to improving policies and outcomes. Countries participating in a national skills strategy have leveraged OECD international comparative data as well as other international and national data sources to help foster a consensus on what the most important skills challenges facing countries are and to develop policies that are grounded in evidence.

- **Leadership**. Leadership comes in many forms. Successful skills strategies emerge from inclusive national project teams with the participation of all skills-relevant portfolios at all levels of government. They are typically championed by a prime minister or by the minister responsible for the lead ministry. However, they also have senior level buy-in across all participating ministries. They demonstrate a willingness to be held publicly accountable for results by, for example, making the process of developing a skills strategy a transparent and open one. Successful national project teams are typically led by an effective project co-ordinator, who is

---

> trusted and respected by colleagues in participating ministries, as well as by stakeholders. Finally, successful skills strategies have champions outside of government to build a shared commitment to act and to help sustain momentum across electoral cycles.

The enduring value of the OECD Skills Strategy, and the need for regular updates, was first confirmed by 26 ministers and under-secretaries from 15 countries and the European Commission at the 2016 Skills Summit (Røe Isaksen, 2016[2]):

We reaffirm the value of the 2012 OECD Skills Strategy as a useful framework for countries seeking to build effective national skills strategies and welcome the OECD's plans to regularly update the skills strategy to ensure that it reflects countries' experience with its use and continues to respond to their evolving needs. In particular, we would encourage the OECD to explore further what countries are doing to strengthen their skills systems. This work will help us to compare skills systems and develop a deeper understanding of what works.

The importance of updating the OECD Skills Strategy to ensure its continued relevance was more recently affirmed by the OECD Education Policy Committee, the OECD Employment, Labour and Social Affairs Committee, as well as by the twenty-two countries that participated in the 2018 Skills Summit in Porto, Portugal.

What is new?

The 2019 OECD Skills Strategy takes account of:

- lessons learned from applying the OECD Skills Strategy framework in 11 countries

- new evidence about the implications of so-called megatrends, such as globalisation, digitalisation, population ageing and migration

- new evidence about skills policies that work.

In taking stock of the above, the 2019 OECD Skills Strategy introduces a number of improvements.

A revised OECD Skills Strategy framework

This chapter presents a revised OECD Skills Strategy framework (see the section, "The 2019 OECD Skills Strategy framework"). This revised framework responds directly to lessons learned from working with 11 countries to date. There are three main changes from the 2012 OECD Skills Strategy framework. The first two are important but relatively minor, whereas the third represents a more fundamental change.

First, in most countries with which the OECD has worked on national skills strategy projects, promoting a culture of lifelong learning has been a central preoccupation. As globalisation, technological change, demographic changes and other trends increase the demand for high levels of skills and at the same time require new and broader sets of skills, countries are seeking guidance on how to encourage and support adults to re-skill and up-skill throughout their lives.

In recognition of the increasing importance of lifelong learning, the "developing relevant skills" component of the 2012 OECD Skill Strategy has been renamed "developing relevant skills across the life course" in the 2019 strategy. Furthermore, the 2019 OECD

Skills Strategy identifies key policies aimed at: raising aspirations for learning and supporting informed learning choices; strengthening financing arrangements for lifelong learning; strengthening systems of skills validation and certification; and making lifelong learning accessible and relevant.

Second, government officials, social partners and other stakeholders in most countries the OECD has worked with have found that the distinction made in the 2012 OECD Skills Strategy between "activating skills supply" and "putting skills to effective use" to be artificial and even confusing. A number of these individuals has mentioned that since when skills are *activated* they are also *used* and vice versa, they are not distinct concepts. Many have noted that this conceptual confusion has led to time wasted trying to decide whether a given skills challenge relates to activating or using skills. In addition, some have commented that the concept of activation – a term normally associated with labour market policy – elevates the labour market utility of skills over their social utility. That is to say, making the activation of skills a distinct and, therefore, a prominent component of the strategy downplays the importance of the use of skills outside the workplace, including in voluntary work and home management. For all of these reasons, the 2019 OECD Skills Strategy combines the concepts of skills *activation* and *use* into a single component of the strategy: "using skills effectively in work and society".

Third, and most importantly, the importance of effective governance to improve policy coherence and complementarity was not formally recognised in the 2012 OECD Skills Strategy. However, governance matters have received considerable attention in all national skills strategy projects. Government officials, social partners and other stakeholders have noted that as skills policy lies at the intersection of education, labour market, industrial and other policy domains, it is an inherently complex policy domain. It implicates not only a great number of government ministries – not only ministries of education and employment but also ministries of economy, regional development, science, finance and many others – but often also multiple levels of government. Furthermore, the development and implementation of skills policy implicate a large and diverse range of actors in the educational arena (parental and student associations, teacher associations, educational institutions, etc.), labour market arena (trade unions, employers' associations, etc.), industry arena (sectoral groups) and many others.

It has been noted that this complexity – as well as the complex redistributive trade-offs that often go along with the distribution and redistribution of resources across ministries and levels of government – creates enormous political and technical challenges in designing and implementing effective skills policies. Good governance arrangements can help overcome these challenges by supporting co-ordination and collaboration across government; engaging stakeholders in the policy process; building integrated systems; and co-ordinating and aligning financing

The 2019 OECD Skills Strategy explicitly recognises the importance of governance by making the "strengthening governance of skills systems" a core component of the revised OECD Skills Strategy framework.

Analysis of the skills implications of megatrends

The skills implication of megatrends such as advances in technology, globalisation and the expansion of global value chains, ageing populations and migration flows have been a significant preoccupation among OECD Member countries. Since the publication of the OECD Skills Strategy in 2012, the OECD has embarked upon an ambitious agenda to better understand these trends and what they mean for the skills that are needed for

success in the economy and society, and for the policies that are needed to develop relevant skills and make effective use of those skills. Publications undertaken by the OECD since 2012 that are particularly relevant include: *OECD Skills Outlook 2019: Thriving in a Digital World* (2019[3])*; OECD Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy* (2018[4]); *OECD Employment Outlook 2019: Future of Work* (2019[5]); *OECD Skills Outlook 2017: Skills and Global Value Chains* (2017[6]); and *OECD Getting Skills Right: Skills for Jobs Indicators* (2017[7]).

Despite this extensive body of research and analysis, government officials and social partners have remarked that their main messages cannot be easily located in a single source and that the combined impact of these trends has not been adequately explored.

The 2019 OECD Skills Strategy brings together the collective intelligence of the OECD to provide a concise summary (see Chapter 3) of the main skills implications of these megatrends. Analytical contributions were made by: the OECD Centre for Skills, the Directorate for Education and Skills; the Directorate for Employment, Labour and Social Affairs; the Directorate for Science, Technology and Innovation; the Economics Department; the Centre for Tax Policy and Administration; the Centre for Entrepreneurship, SMEs, Regions and Cities; the Public Governance Directorate; and the Development Centre.

New OECD Skills Strategy dashboard

Through its experience working with countries on national skills strategy projects, the OECD has developed a dashboard that helps countries to benchmark their performance internationally in the development (Chapter 4) and effective use (Chapter 5) of skills. The dashboard includes indicators of performance across three dimensions: level of performance (i.e. countries' average performance); trend in performance (i.e. assessing whether the performance is improving or worsening relative to other countries); and equity in performance (i.e. assessing the variation in skills outcomes across socio-economic groups).

The dashboard has been used effectively as a tool for facilitating discussion across government, social partners and other stakeholders about the strengths and weaknesses of countries' skills systems and, by extension, about policy priorities, trade-offs and synergies. In the most recent OECD national skills strategy projects, the dashboard has been employed as a tool to help identify the topics to be covered in detail in this volume's thematic chapters. The 2019 OECD Skills Strategy formally introduces this dashboard to the broader OECD skills policy community (in Chapters 4 and 5).

Key policy findings and good practice examples for developing relevant skills, using skills effectively, and strengthening the governance of skills systems

OECD Member countries – both those that OECD has worked with on national skills strategy projects and those it has not – frequently seek the OECD's guidance on skills policies that develop relevant skills and make effective use of those skills.

Since the publication of the 2012 Skills Strategy, the OECD has conducted a wide range of new analytical work and country studies with important policy messages. However, these policy messages are currently scattered across a wide range of OECD publications, including 14 OECD Skills Strategy publications. While it is well beyond the scope of a publication of this breadth and length to provide a comprehensive list of the OECD's

skills policy messages, the 2019 OECD Skills Strategy nonetheless highlights some of the key recurring policy messages found in its publications.

Finally, OECD Member countries frequently seek help from the OECD in identifying the skills policies pursued by other countries. This publication brings together 71 case examples from 30 countries to highlight the range of approaches being taken to develop relevant skills, use skills effectively and strengthen the governance of skills systems. Since a core tenet of the OECD Skills Strategy is that there is no such thing as one-size-fits-all policy, efforts have been made to provide examples from countries with different political systems, traditions and institutions, as well as from both centralised and decentralised systems of government.

By highlighting key skills policy messages and good practice examples from a wide range of countries, the OECD aims to facilitate peer learning, leading to better policies, better jobs and better lives.

The 2019 OECD Skills Strategy framework

The 2019 OECD Skills Strategy provides countries with a comprehensive framework for analysing the performance of countries' skills systems, benchmarking performance internationally and exploring good practices internationally. To this end, the 2019 OECD Skills strategy framework identifies three key dimensions (Figure 2.1).

Developing relevant skills over the life course

To ensure that countries are able to adapt and thrive in a rapidly changing world, everyone needs access to opportunities to develop and maintain strong proficiency in a broad set of skills. This process is lifelong, starting in childhood and youth and continuing throughout adulthood. It is also life-wide, occurring not only formally in schools and higher education, but also non-formally and informally in the home, community and workplaces. By developing a strong supply of skills, countries also create incentives for firms to redesign their business models and practices to make greater use of the skills that are available to them (Box 2.3). The OECD Skills Strategy Dashboard, key policy messages and international good practice examples for developing relevant skills over the life course are presented in Chapter 4 of this report.

Figure 2.1. The 2019 OECD Skills Strategy framework
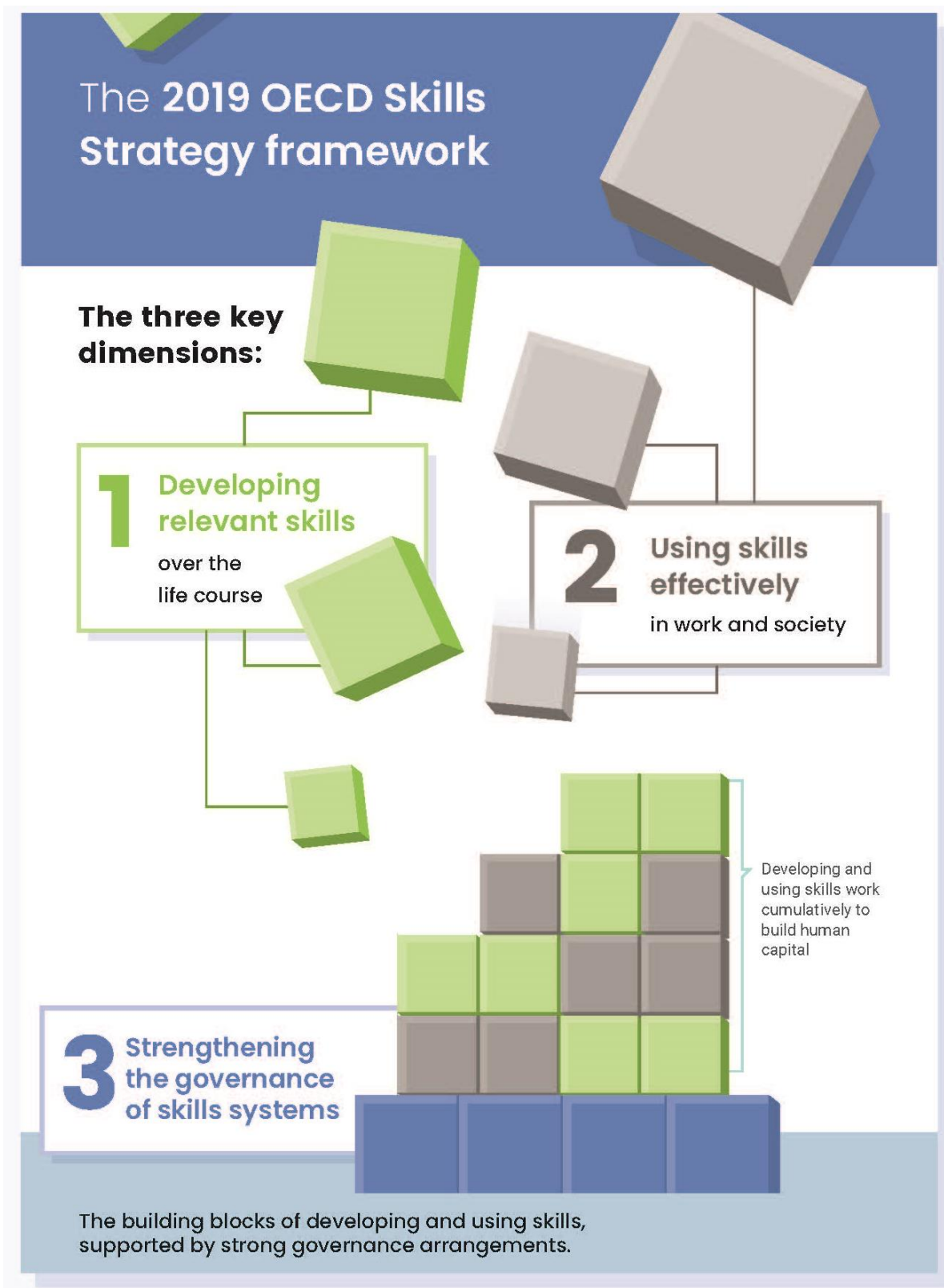
> **Box 2.3. Key policy lessons: Developing relevant skills over the life course**
>
> - **Raise aspirations for lifelong learning**: Set the vision and support informed learning choices.
>
> - **Provide a good start for lifelong learning**: Build a strong foundation in early learning and formal education.
>
> - **Make lifelong learning affordable and sustainable**: Strengthen financing arrangements for adult learning.
>
> - **Make lifelong learning visible and rewarding**: Strengthen systems of skills validation and certification.
>
> - **Make lifelong learning accessible and relevant**: Respond to the needs of individuals and employers.

Using skills effectively in work and society

Developing a strong and broad set of skills is just the first step. To ensure that countries and people gain the full economic and social value from investments in developing skills, people also need to use these skills fully and effectively. This means ensuring that people have opportunities to use their skills not only in workplaces but also in society through active engagement in civic and political life. It also means ensuring that people are able to use their skills to the fullest extent possible in each of these contexts. By using skills fully and effectively, people are also able to maintain and further develop their skills, making the development and use of skills a virtuous circle of success (Box 2.4). Chapter 5 presents findings from the OECD Skills Strategy Dashboard, key policy messages and international good practice examples for using skills effectively in work and society.

> **Box 2.4. Key policy lessons: Using skills effectively in work and society**
>
> - **Promote labour market participation**: Reduce barriers to work and help displaced workers to find new work.
>
> - **Promote social participation**: Raise awareness of the benefits of civic engagement, and facilitate the use of skills in society and daily life.
>
> - **Expand the pool of available talent**: Attract the right skills from abroad, improve transparency of skills and provide language training.
>
> - **Make intensive use of skills in the economy**: Improve work organisation and management practices to make full use of employees' skills.
>
> - **Reduce skill imbalances**: Improve the alignment between the supply and demand of skills.
>
> - **Stimulate demand for high-level skills**: Support firms' innovative activities and remove obstacles to growth.

Strengthening the governance of skills systems

Implementing reforms is challenging for governments. The complexity of this task increases when policies involve a wide range of actors and entities, such as different levels of government and stakeholders, and cut across multiple policy areas, as is the case for skills policies. Governments often face enormous political and technical challenges, including the need to co-ordinate across different ministries and levels of government, to engage with stakeholders, and to define the financial and information aspects of inter-sectoral reforms, among others. Furthermore, inter-sectoral reforms are often associated with very complex redistributive trade-offs as they often go along with the distribution and redistribution of resources across and between sectors as well as levels of government. Thus, strong governance arrangements are needed to: promote co-ordination, co-operation and collaboration across the whole of government; engage stakeholders throughout the policy cycle; build integrated information systems; and align and co-ordinate financing arrangements. As technological change, globalisation, demographic changes and other megatrends combine to make it increasingly important to develop and make effective use of skills in adulthood, strong governance will be even more important for co-ordinating the activities and fostering collaboration across the many actors and entities that have an interest and role in ensuring that this happens (Box 2.5). The OECD's key policy messages, as well as international good practice examples for strengthening the governance of skills systems, are presented in Chapter 6.
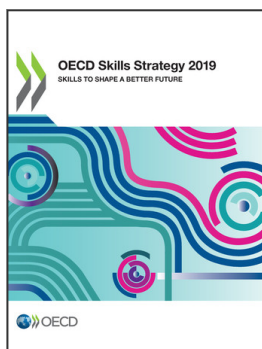

Box 2.5. Key policy lessons: Strengthening the governance of skills systems

- Promote co-ordination, co-operation and collaboration across the whole of government.
- Engage stakeholders throughout the policy cycle.
- Build integrated information systems.
- Align and co-ordinate financing arrangements.

References

OECD (2019), *OECD Employment Outlook 2019: The Future of Work*, OECD Publishing, Paris, https://doi.org/10.1787/9ee00155-en. [5]

OECD (2019), *OECD Skills Outlook 2019: Thriving in a Digital World*, OECD Publishing, Paris, https://doi.org/10.1787/df80bc12-en. [3]

OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, https://doi.org/10.1787/9789264308817-en. [4]

OECD (2017), *Getting Skills Right: Skills for Jobs Indicators*, Getting Skills Right, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264277878-en. [7]

OECD (2017), *OECD Skills Outlook 2017: Skills and Global Value Chains*, OECD Publishing, Paris, https://dx.doi.org/10.1787/9789264273351-en. [6]

OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264177338-en. [1]

Røe Isaksen, T. (2016), *2016 Skills Summit Skills Strategies for Productivity, Innovation and Inclusion*, https://www.oecd.org/skills/Chairs-Summary.pdf. [2]