



Matching the missing links – Skills development in Nordic regions

POLICY BRIEF 2020:8

This Policy Brief takes a closer look at capacity building of skills across Nordic regions. It draws shared learning points from the steps taken by regional actors faced with trends such as increasingly urban and globalized societies, ageing populations and the fourth industrial revolution. Looking at regional skills ecosystems, it explores the development of distinctive skills bases as a key to handling future challenges and building resilient societies.

 Knowledge and skills are the raw material for growth at a time of digitalization and automation. In consequence, it becomes paramount for decision makers at both national and regional levels to facilitate the matching of the right people with the right jobs, and ensure the proper conditions for developing the skills needed.

In this policy brief, based on the Nordregio report *Skills Policies – Building capacities for innovative and resilient Nordic regions*, we take a closer look at how six Nordic regions are working to meet these challenges. The Nordic countries share many similarities which make them suitable as a macro-regional laboratory where you can explore many common issues which are of interest also to a wider audience. This includes the matching or mismatching of skills in a regional context that will be discussed here.

INCREASING FOCUS ON SKILLS

In recent years we have seen an increasing focus on skills both in academic and government circles. The EU Commission, in its *New Skills Agenda for Europe* published in 2016, sees skills as crucial to competitiveness and social cohesion. In the *OECD Skills Strategy 2019*, skills

are defined as a holistic concept crucial to meeting the complex demands of the future. The Nordic Council of Ministers' study concerning the *Future of Work* from 2018, expands on these themes in a Nordic context, focusing on key tenets of the 'Nordic model' and the role played by this particularly Nordic brand of governance - a model characterized by a comprehensive welfare state and collective bargaining among labour market actors.

This policy brief takes a similarly holistic approach when it comes to skills, focusing on the assessment and anticipation of skills, as well as skills development and governance. It aims to assess:

1. Who are the main actors involved?
2. What are the enabling and hampering factors for skills development?
3. What learnings can be drawn from this?

It is based on case studies in North-Karelia in Finland, Värmland in Sweden, the national capital region of Denmark, Hedmark and Oppland in Norway, Northeastern Region in Iceland and one case study in Greenland. The table (p. 3) summarizes some of the challenges identified when it comes to skills in these regions.

Region	Some key challenges	Some key strategies
Pohjois-Karjala	<ul style="list-style-type: none"> - Ageing population - Outmigration - High unemployment - Lack of skills - Skills mismatch 	<ul style="list-style-type: none"> - Increase entrepreneurial skills - Improve dialogue between educational institutions and private actors - Adapt education to businesses needs
Värmland	<ul style="list-style-type: none"> - Lack of skilled labour in industry sector - Low interest in vocational education - Integration of immigrant labour 	<ul style="list-style-type: none"> - Raise educational level - Address mismatch - Closer collaboration between educational providers and employers
Hovedstaden	<ul style="list-style-type: none"> - Lack of skilled labour - Low interest in vocational education - High unemployment among tertiary educated 	<ul style="list-style-type: none"> - Flexicurity model - Closer collaboration between educational providers and employers - Attract international talent
Hedmark and Oppland	<ul style="list-style-type: none"> - Ageing population - Lack of certified skilled workers - Skills mismatch - Lack of workers with higher education 	<ul style="list-style-type: none"> - Strengthen the Council's role as societal developer following the national skills strategy - Need for higher vocational education for skills
Norðurland eystra	<ul style="list-style-type: none"> - Skills mismatch - Transition from fishing to tourism 	<ul style="list-style-type: none"> - Upgrading of skills in technology - Increase STEM graduates (science, technology, engineering, maths)
Greenland	<ul style="list-style-type: none"> - Low education levels - Strong demand of low-qualified jobs 	<ul style="list-style-type: none"> - Digitalisation - Raise population's skills level

Table: Key challenges and strategic focus on skills development in the Nordic regions.



Picture: A commonly acknowledged challenge is the need for an even greater focus on vocational education and life-long learning.

SKILLS ECOSYSTEMS

When talking about the development of skills, what is usually emphasized is the fact that it takes place in a sort of “ecosystem” understood as “a dynamic network of interdependent institutions and actors that shape the development, supply, demand and deployment of skills in any given industry or region.” (Anderson and Warhust, 2012).

However, the two things that stand out in our case studies are, first, the reality that policy making is often sectoral when it comes to skills, when it should be more cross-sectoral; and, secondly, that different levels of education handled by different actors need to be better coordinated.

The effort to optimize the formation of the right skills in any given context lies at the intersection between different policy areas involving education, labour markets and regional development. These policy areas are handled by actors at many different levels, as shown in the

table (p. 5). Co-ordination between these sectors and levels is crucial, but very often lacking or not adequate, resulting in an ill-functioning skills ecosystem and mismatches in the labor market.

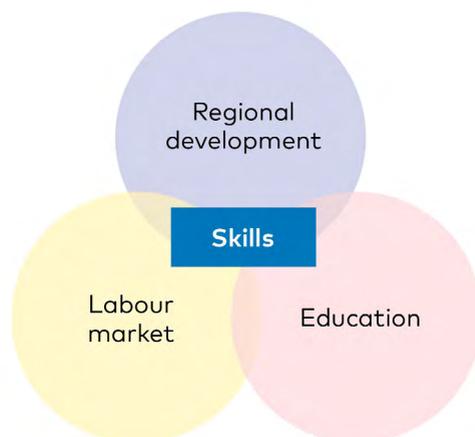


Figure: Skills in a cross-sectoral context.

Levels of government	Education	Labour market	Regional development
International	- EU	- EU, ILO	- EU, OECD - Global businesses
National	- Ministry of Education Government agencies - Higher Education	- Ministry of Labour - Government agencies - Labour market actors (Employers organisations and Unions)	- Ministry of Finance/ Trade and industry/ Local government/ Justice - Government agencies - National businesses
Regional	- Upper secondary education (NO) - Vocational education and training (DK, NO, FI, IS)	- Regional employment offices (DK, FI, NO, SE)	- Regional government - Regional business associations, cluster organisations etc. - Regional businesses
Local	- Upper secondary education (SE, DK, FI, IS) - Vocational education and training (SE) - Primary education	- Public employment services (SE, DK, IS, FI)	- Municipal government - Local business associations etc. - Local businesses

Table: Typology of skills actors in a multi-level government setting.





Picture. The main developmental trends faced by Nordic regions are automation and an ageing population

REGIONAL CHALLENGES

Two of the main developmental trends faced by Nordic regions are automation and an ageing population – factors that are by no means unique to the Nordics, but rather part of a global development.

In terms of automation, the average level of risk across the Nordic regions is around 32%. That is, a third of all jobs could be automated over the next one to two decades. The pace of development varies greatly between regions, however. Those regions who depend on a few big industries with high likelihood of automation are at higher risk than those with a more varied workforce or a large share of public sector jobs.

It is important to point out that automation and digitalisation are not inherently bad for regional development in themselves, as they have the potential

to bring about significant new opportunities for renewal and innovation. But from a skills perspective automation and digitalisation pose significant challenges when it comes to matching these opportunities.

As for ageing populations, this development leads to both increased demand and a shortage of skilled labour overall, with various skills mismatches and bottlenecks ensuing. In the Nordic countries the welfare sector is usually run locally and regionally, so in this crucial area of operation, a lack of skilled labour quickly has an impact on local and regional labour markets.

The table below shows different enabling and hampering factors for sufficient skills development across the regions studied, summing up many of the challenges and opportunities involved.

Region	Examples of enabling factors	Examples of hampering factors
Pohjois-Karjala	<ul style="list-style-type: none"> - Broad network of actors involved in skills - Strong health care and real estate sectors 	<ul style="list-style-type: none"> - Lack of clear and common vision - Lack of innovative structures to address labour market challenges
Värmland	<ul style="list-style-type: none"> - Strategies for regional development, cluster collaboration and smart specialisation - Many arenas for collaboration 	<ul style="list-style-type: none"> - Need for a more formalised regional cooperation where roles and mandates are clarified - Poor municipal coordination of secondary education and vocational training
Hovedstaden	<ul style="list-style-type: none"> - Diversified labour market and low unemployment - Strong involvement of labour market actors in vocational training 	<ul style="list-style-type: none"> - Lack of overview of actors and responsibilities - Lack of comprehensive strategy
Hedmark and Oppland	<ul style="list-style-type: none"> - Strong educational sector - Strong industries with vocational skills demands - Clear regional profile 	<ul style="list-style-type: none"> - Lack of systematic structures for cooperation between actors - Lack of cross-sectoral frameworks to analyse skills mismatch
Norðurland eystra	<ul style="list-style-type: none"> - Varied educational opportunities - Collaboration between sectors - Diversified labour market 	<ul style="list-style-type: none"> - State responsibility for secondary and tertiary education has a stronger focus on national level - Lack of common regional vision regarding skills development
Greenland	<ul style="list-style-type: none"> - Collaboration between all sectors 	<ul style="list-style-type: none"> - Low level of education - Societal problems - Lack of skills strategy

Table: Enabling and hampering factors in regions working with skills.



NORDIC LEARNINGS

Common challenges for all the case study regions include a general lack of interest in vocational training among students and a need for more students within the STEM topics (Science, Technology, Engineering and Maths). All regions also have some requirement for an inflow of labour from outside the region in order to stay competitive. All regions experience a skills mismatch situation overall, with educational supply and labour market demand at odds, despite all attempts at implementing policy measures and good governance in relation to skills cultivation.

In terms of skills assessment and anticipation, all the regions studied are working on this, although in different ways depending upon their respective institutional set-up and contexts. Due to labour market volatility, some actors deem it less relevant to devote time to the forecasting of skills needs. It also became clear that a clash of interests often develops between a business sector focused on short-term goals, and a more long-sighted educational sector, despite their shared focus on life-long learning.

The area that lends itself most strongly to Nordic learning opportunities is that concerned with the development of skills. Elements that stand out include the partnerships that exist between public sector actors and the business sector as well as educational providers at local and regional levels. Successful results from such partnerships include e.g. the Värmland Industry Council and Copen-

hagen Skills. A commonly acknowledged challenge is the need for an even greater focus on vocational education and life-long learning. Retaining short-term flexibility in adapting to labour market needs while maintaining long-term knowledge development and capacity building in the regions also stands out as a shared challenge.

Public-private collaboration plays an important part here, especially in vocational training. This is of increasing importance in an everchanging economy where life-long learning is necessary to fill the skills gaps that evolve.

There is a general lack of comprehensive strategies for skills development in the regions studied, but they do include skills considerations in the regional development strategies as part of their economic planning. As for the governance of skills, it is naturally conditioned by the involvement of many different actors with varied perspectives, aims and goals, as mentioned in the table above. In our case study regions, this was often seen to lead to a lack of a common understanding with regards to the challenges faced and to the roles and responsibilities of the different actors. Consequentially, a need for closer collaboration on skills development was pointed out as important by all case study regions.

And finally, at a macro-regional level, it can be observed that the cross-border perspective seems to play a more limited role even though three of the six case study areas were situated in border regions.

POLICY RECOMMENDATIONS:



Based on the regions studied in the report underlying this policy brief, we have identified the following main Nordic learnings when it comes to working effectively with skills formation at the regional level:

■ **Acknowledge the strategic importance of skills:**

Along with education, the overall formation of labour market skills plays a vital role not only at individual level, but also for overall regional and social development.

■ **Know the institutional framework:**

To develop labour market skills effectively in any given region, it is important to understand the network of actors involved in what has been termed the “skills ecosystem”

■ **Deal with all parts of the regional skills ecosystem:**

In order to develop regional skills ecosystems, it is necessary to focus on all parts of that system, including skills assessment and anticipation, skills development and skills governance.

■ **Enhance collaboration:**

To foster regional skills ecosystems, it is necessary to enhance systematic and long-term collaboration among relevant actors from the three realms involved: the regional development authorities, the education sector, and labour market actors.

■ **Clarify roles and responsibilities among actors:**

To achieve this clarification, it is necessary to increase knowledge and recognition among actors of their different roles and responsibilities within the overall skills ecosystem.



This policy brief focuses on how Nordic regions engage with skills development and skills matching as factors in regional development. It looks at the many points of linkage between the different actors involved, including the educational and business sectors, as well as the local and regional authorities. The policy brief is based on the Nordregio report *Skills Policies – Building capacities for innovative and resilient Nordic regions*.

Policy brief written by:

Michael Funch, NordiKom Communications

Research contacts:

Anna Lundgren

Senior Research Fellow

anna.lundgren@nordregio.org

Underlying report written by: Anna Lundgren, Alex Cuadrado, Mari Wøien Meijer, Hjördis Ruth Sigurjónsdóttir, Eeva Turunen, Viktor Salenius, Jukka Teräs, Jens Bjørn Gefke Grelck and Stian Lundwall Berg (Nordregio)

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