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### **PANEL DISCUSSION: MANAGING (UN)EMPLOYMENT; JOBS AND SKILLS IN THE CRISIS, EUROPEAN BUSINESS SUMMIT 2012**

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Main message:

*Availability of a skilled workforce after the crisis is crucial for Europe's growth potential in the future.*

*Access to qualified labour is at the core of companies' competitive strategies. It is an important condition for companies' decision to produce in a given country. A labour force with the appropriate and increasingly high qualifications is therefore very important for attracting investments, securing growth and jobs.*

Focus areas for the future, education:

- Facts and figures

By 2020, there will be 83 million new job opportunities for labour market entrants:

- 75 million jobs will derive from replacement of people leaving or retire
  - 8 million new jobs will be due to an expansion of labour demand
  - Job opportunities in all types of occupations
  - Most job opportunities will be in services
  - The trend towards more skill-intensive jobs at all levels will continue and many traditional manual or routine jobs will decline
  - A more highly-qualified workforce, with more than 80% of people having at least medium-level qualifications
- Global race for talent:
    - Looking around the world Europe is under increasing competitive pressure from strong developing economies.



- The global race for best educated population has reached momentum. For example, one of the EU 2020 targets is that 40 percent of all young people must attain a higher education – however in Korea more than 60 percent of all 25-34 year olds has already attained one today. Other emerging countries such as China and India has also proven to adapt very fast to the educational needs of the 21st century;
- Expenditures for higher education and for research and development are increasing sharply around the world – and especially in emerging economies;
- The absolute spending in education and research have skyrocketed in China: up 615% since 1996. However, Brazil with its increase of 110%, India with 156% and Russia with no less than 106% suggests that the BRICs are also banking on growth via knowledge production.
- STEM skills:
  - The importance of technological development for economic growth is well known. The future inventions and incremental improvements to existing products and processes will not become a reality without individuals who can take the next steps of technological development;
  - The strategies of governments in BRIC countries, the USA and South East Asia demonstrate a determination to take part in the race towards a technological lead;
  - We will see the need for technological development in several areas, some examples are:
    - Climate and energy
    - Health care
    - Scarcity of resources at large (oil, cover, food etc.)
  - A closer cooperation between the world of business and the world of education must ensure that more young people are attracted to scientific studies.
  - Furthermore, governments have a responsibility to ensure that the education system addresses the gender disparity when it comes to attitudes towards science. According to PISA, 15-year-old boys think higher of their own science abilities than girls. Even though girls perform just as well as boys in the tests.
- Skills mismatch:
  - The unemployment rate of the EU now stands at around 10%. This corresponds to 24.5 million men and women without jobs.



- At the same time, there are 4 million unfilled vacancies in the EU.
- The explanation for these conflicting figures is a clear mismatch between the supply and demand of skills. The fact that educational systems' outputs often do not correspond to labour market needs contributes to unemployment, in particular among the young.
- Dual learning:
  - Countries with dual learning system, where a significant part of the education takes place in a company have been successful in achieving a low youth unemployment (Netherlands, Germany, Austria and Denmark).
  - The principle of a dual system is to alternate between learning in school and working in a company;
  - In a successful dual system, learning in schools and learning in companies are linked and tuned closely thanks to the strong involvement of companies/employers in the system. Furthermore social partners are often very involved in the system;
  - Apprentices/interns bring their academic knowledge to the company and their practical learning in a company to the school. By doing so, young people's employability and educational institutions' responsiveness to labour market needs are optimised;
  - A good way of ensuring high return on investment would be to allocate a share of EU resources from the European Social Fund and 'Erasmus for all' (EU programme for education, training, youth and sport) to progressively expand dual training in vocational education. EU funding should finance part of the initial costs in setting up or reforming a dual system at national, regional or branch level as part of Member States' EU 2020 reform programmes. The aim would be to establish a self-sufficient system, so that EU funds should be used only as seed funding and not as long-term funding.
- Future demand for competences
  - Studies from Cedefop etc. shows that we will see an increase in the demand for highly skilled and medium skilled employees;
  - In that perspective ensuring that more young people achieve a higher education is very important, but Europe also needs to educate highly skilled and innovative vocational equipped students;
  - The latter not least in light of the need for supporting entrepreneurship.



- Skills of tomorrow

Successful economies rely on an innovative and well-prepared workforce. This requires that students are equipped with 21st century skills such as:

- Collaboration
- Communications
- Creative thinking
- Problem solving
- Teamwork

### Focus areas for the future, employment

- Employment package
  - On 18 April, the European Commission has published the employment package entitled “towards a job-rich recovery”. The package aims to:
    1. Support job creation by encouraging labour demand and exploiting the job potential of key sectors (green economy; healthcare employment; ICT)
    2. Restore the dynamics of the labour markets by reforming labour markets, investing in skills and action towards a European labour market;
    3. Enhance governance through closer monitoring of employment and social policy;
  - We will develop a position paper in the next months. Some preliminary comments:
    - BUSINESSEUROPE welcomes the focus on job creation and labour markets reforms. Most of the employment policies needed can only be devised at national level. Therefore, we welcome the Commission’s call on Member States to ‘adopt an ambitious approach and policies for job creation as part of their national job plans / National Reform Programmes’. But the European Commission must not only look at national labour market policy. It must also assess the impact of all EU policies on growth and employment. Industrial and innovation policies, single market and international trade initiatives play a crucial role in job creation.
    - By recommending the adoption of minimum wages at national level at appropriate levels, the Commission interferes with national debates on an issue which should remain the exclusive competence of the Member States.
    - We will assess the proposals made to step up the employment governance;



- Flexicurity
  - Companies will do everything they can to maintain their workforce, if they expect a recovery;
  - We need to focus on the needs beyond the crisis. Flexicurity is very important aspect in this respect;
  - Flexicurity ensures an open and mobile labour market. The essence of the flexicurity approach is that it does not seek to organise trade-offs between flexibility and security.
  - On the contrary, flexibility and security are considered to be complementary and even mutually supportive for companies and workers. Workers need flexibility to adapt their working life with family responsibilities. Companies need security – they need a sufficient skilled workforce in order to develop.
  - Flexicurity is founded on three pillars:
    1. Flexible labour law with smart rules on protection against dismissals and a variety of employment contracts to answer different needs of companies and workers together with a strong commitment to fight undeclared work.

NB: It is a good thing that the employment package did not elaborate further on the earlier Commission's plan to propose Single Open-Ended-Contracts to fight against labour markets segmentation.
    2. Putting into place effective active labour market policies and lifelong learning systems fostering employability and labour market integration; which is an area where companies are actively engaged in; and
    3. Having an employment-friendly social protection system and in particular an unemployment insurance which links rights and obligations for the unemployed as opposed to giving unconditional passive income support;
  - Depending on the national context and traditions, the detailed ingredients of this mix will vary. It is always said that there is no one-size-fits-all model of flexicurity to be implemented across the EU, and it is true but there is a way to go, and a process to put in place to achieve the goal of flexicurity;
- Social dialogue can play a role
  - A constructive social dialogue can play a useful role to facilitate the adoption and implementation of structural labour market reforms. Its role is not to protect existing jobs at all costs but to support job creation.



- If social partners do not reach a compromise on the way forward, Member States should take their responsibility. The cost of inaction is too high to postpone necessary reforms any longer.
  
- Higher pension ages
  - Demographic change means that the EU population is getting older and living for longer. In contrast, the number of working age people is shrinking. As a result, there will be less people in work to pay the contributions needed to provide income for a larger number of people, who will spend longer in retirement;
  - Unless urgent measures are taken, this change will have a negative impact on pension provision and public finances. Occupational and private pensions should be promoted to reduce pressure on state pension systems.
  - Population ageing will also have an impact on the labour market and economic growth. In Europe between 2007 and 2060, demographic change is projected to lead to a fall in average potential growth rates from 2.4% to 1.3%. This trend must be reversed by increasing labour productivity and increasing employment rates, including by working longer.

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