

28 January 2013

## RETHINKING EDUCATION: INVESTING IN SKILLS FOR BETTER SOCIO-ECONOMIC OUTCOMES

### KEY MESSAGES

- 1 Labour market needs should be put at the centre of education through developing stronger partnerships between education providers and employers. This is important for meeting employers' skills needs; fostering an entrepreneurial mindset; expanding a culture of lifelong learning; and facilitating the transition from education to work.
- 2 The EU Alliance for Apprenticeships, combined with concrete initiatives at Member State level to raise the number of apprenticeship positions and to enhance the perception of apprenticeships is crucial in helping young people into work and overcoming skills mismatches.
- 3 To ensure the quality of education and training and its relevance to the long-term needs of individuals and companies continuous, resource efficient investment is needed. This should be done on a cost-sharing basis between those who benefit from education – the state, companies, young people and workers.

### WHAT DOES BUSINESSEUROPE AIM FOR?

- *Thriving European labour markets, characterised by a well educated, skilled and mobile workforce that have the skills to match the needs of companies in the short, medium and long term.*
- *A European workforce that can meet the demands placed upon it by the retirement of 7.5 million people by 2020. This particularly concerns the demand for medium and highly skilled people, which will be needed to fill 50% and 35% of jobs by 2020 respectively.*
- *Enhanced efforts are needed to foster a culture of lifelong learning where employers and employees are encouraged to participate in education and training. This will be necessary if the target is to be reached whereby an average of at least 15% of 25 to 64 year olds participates in lifelong learning by 2020.*

### KEY FACTS AND FIGURES

<p>As of September 2012 there are over 25 million unemployed people in the EU. Of this total around 5.5 million are young people under 25 years of age.</p>	<p>Projections show that in the region of 15% of jobs in 2020 will be low skilled, 50% will be medium skilled and around 35% highly skilled.</p>	<p>In Denmark around 80% of students that undertook apprenticeships found employment within one year of completing their studies in the period 2008-2010.</p>
---	--	---

28 January 2013

## RETHINKING EDUCATION: INVESTING IN SKILLS FOR BETTER SOCIO-ECONOMIC OUTCOMES

### I. Introduction

1. Ensuring that the European workforce has the skills to deliver the products and services that companies and people need is an essential ingredient for Europe to be competitive on the global stage. The importance of addressing Europe's skill's needs has become particularly acute in light of the economic and financial crisis, which includes putting emphasis on the role of education in making the initial transition to the labour market as well as opportunities for further training and updating of skills and knowledge once in the labour market.
2. A focus on education is also important when set against the backdrop of changes to Europe's demographic structure. The consequences of demographic change include the need to replace the 7.5 million workers that will retire by 2020. The demand for highly skilled people is already significant and will continue to grow in the next decade, while demand will remain stable for medium skilled people. The need for low skilled people is projected to decline.
3. The Rethinking Education communication aims to address issues of skills provision, including upgrading education systems, improving the quality of learning outcomes and teaching and access to education; overcoming skills mismatches on the labour market; and facilitating the transition from education to employment. This is BUSINESSEUROPE's position paper on the Communication.

### II. General comments

4. As of September 2012 there are over 25 million unemployed people in the EU, compared to 16 million in the first quarter of 2008. Of this total around 5.5 million are young people under 25 years of age. At the same time there are 2 million job vacancies in the EU due to a mismatch between the skills of the unemployed and the skills required for the available jobs.
5. Well-functioning labour markets are characterised by smooth transitions from education to employment, unemployment to employment and between jobs. To facilitate these transitions there needs to be a good match between skills supply and demand and labour market conditions that encourage employers to hire people.
6. Therefore, BUSINESSEUROPE believes that labour market needs must be put at the centre of education with sufficient investment being allocated to education in order to raise Europe's competitiveness.
7. On the demand side there are two strands to the concept of putting labour market needs at the centre of education. The first is identifying the demands that employers have for labour, including the skills required and in which sectors. The



other is how to enshrine those needs within the education process to help ensure they are met, which is, ultimately, to the benefit of employers and jobseekers.

8. On the supply side, young people in education, at school and university level, need to be aware of the opportunities that exist when they follow a particular educational path in terms of the subjects they study or the work experience they undertake. This requires a focus on learning outcomes and can be delivered through stronger partnerships between education and training providers and employers' organisations and companies in the design and implementation of school, vocational education and training (VET) and university curricula.
9. BUSINESSEUROPE advocates the principles of work-based learning and the strengthening of dual-learning elements in Member States' existing systems. Young people's transition from education to employment can be facilitated by expanding access to dual-learning systems, such as in the form of apprenticeships.
10. Beyond initial education, employees must adopt the behaviour of continuously developing their professional skills. Lifelong learning is very much a question of the mindset of workers. The job that people train for at the start of their career is unlikely to exist in the same format when they retire. In this context, employees need to develop core competences throughout their professional life. Developing this mindset can be considered a skill that people need to be trained for.
11. At the same time as promoting the role of VET, in the 21<sup>st</sup> century the paradigm of a 'job for life' or 'lifetime employment' needs to focus more on 'lifetime employability', with a particular dependence on generic and adaptable skills. Therefore it is also important that the concept of employability is embedded across all academic disciplines. This covers a range of skills, understandings and personal attributes that make graduates more likely to gain employment, meet employer expectations and are not detrimental to the values of higher education.
12. BUSINESSEUROPE has outlined a number of proposals in our publications, "Educate for Employment"<sup>1</sup>, "Creating Opportunities for Youth: How to Improve the Quality and Image of Apprenticeships"<sup>2</sup>, and "Plugging the Skills Gap: The Clock is Ticking"<sup>3</sup>.

### III. Specific comments

#### A) Putting labour market needs at the centre of education

##### Better matching skills needs – the case for STEM subjects

13. In a medium-term skills forecast up to 2020, the European Centre for the Development of Vocational Training (Cedefop) has found that Europe is on its way to an economy where services and knowledge and skill-intensive occupations will prevail. Projections also show that in the region of 15% of jobs in 2020 will be low skilled in nature, while 50% will be medium skilled and around 35% highly skilled.

---

<sup>1</sup> <http://www.businessseurope.eu/Content/default.asp?pageid=568&docid=30149>

<sup>2</sup> <http://www.businessseurope.eu/Content/default.asp?pageid=568&docid=29967>

<sup>3</sup> <http://www.businessseurope.eu/Content/default.asp?pageid=568&docid=28659>



14. The anticipation of skills needs and demand for workers is needed, but it is hard for companies to be able to have a long-term perspective on skills needs when the demand for their products or services can change frequently.
15. Sector skills councils aim to help address the issue of skills anticipation, but BUSINESSEUROPE has doubts about the feasibility and cost-effectiveness of such councils in doing this.
16. BUSINESSEUROPE considers that an important area to focus on is science, technology, engineering and mathematics (STEM) skills. For example, in 2015 the estimated shortage of qualified ICT staff in the EU will be up to 700,000.
17. BUSINESSEUROPE also believes that more emphasis must be placed on the EU's industrial sector as a means of stimulating economic growth, competitiveness and, ultimately, job creation. The availability of a skilled workforce, including people with STEM skills, will be an essential element in re-industrialising Europe's economy. In this respect greater effort must also be made, where relevant, to improve industry's perception of VET and apprenticeships increase young people's opportunities to work in industry and for industry to benefit from a trained and skilled workforce.
18. Therefore, the Communication is right to highlight the importance of encouraging more people to study STEM subjects at all levels of education. In this regard greater effort needs to be made by education providers and employers to illustrate the concrete employment opportunities associated with STEM skills and their enormous relevance for today's economy.
19. Given the specific nature of STEM subjects, students looking to enter onto related university courses will, to a large degree, need to have developed a background in these subjects during their secondary education. Therefore, it is important to put in place appropriate guidance and advice services for pupils when they are making their subject choices at school so that their pathway to studying STEM subjects in tertiary education are not restricted. Such guidance and support is also needed for students who may enter into vocational education and training or enter the labour market after leaving school.
20. In order to facilitate students' transition to university and to reduce high dropout rates among STEM students, universities should offer "taster courses" to overcome knowledge gaps as well as effective advice services.
21. For example, in Germany, BDA and BDI have founded the initiative "MINT Zukunft schaffen" ("Creating a STEM future") in 2008 that seeks to increase public awareness of the importance of STEM skills. The initiative currently pools nearly 1100 projects from companies, business and employer associations and further partners from academia and society. Nearly 9.000 STEM ambassadors inform pupils about STEM career opportunities and serve as mentors for university students. In this way the initiative has created a network of around 64.500 companies, schools and universities that reaches 3.5 million young people, teachers and parents.
22. Further examples concern developing ties between companies and school. . In Ireland the Smart Futures national campaign for secondary level students highlights ICT career opportunities. The campaign website includes career stories



and competitions, ICT-related news, and an online careers fair. The first Smart Futures STEM online careers fair took place in 2012, in which students, teachers and careers counsellors took part in online discussions with people from the industry about job opportunities, courses and career choices. In the UK the “STEM ambassadors scheme” run by STEMNET currently has about 29,000 ambassadors in industry acting as role models in schools across the country to promote the opportunities available from STEM skills. Finally, the CEZ group – an electricity and energy company based in the Czech Republic also gives talks in schools to increase young people’s awareness of technical studies and professions, including ICT.

23. The Communication fails to identify initiatives to encourage people to study STEM skills. BUSINESSEUROPE would like to see the EU conduct a study on the projected demand for STEM skills, in consultation with employers, and which takes into account the current levels of people studying STEM subjects and what barriers education providers and employers believe prevent young people from studying these subjects. This study should identify concrete recommendations for actions at EU and Member State levels.

### Facilitating the education to work transition through work-based learning

24. Work-based learning models, such as dual-learning, apprenticeship systems, are a key aspect of putting labour market needs at the centre of education. As such, work-based learning should be a part of education at secondary and tertiary levels. Such systems help to facilitate young people’s transition from education to employment and reduce skills mismatches by providing a learning experience that alternates between learning and training in school and on the job training while working in a company.
25. Training in the workplace also helps to tap the potential of low-performing youths disaffected by school as the involvement in actual production and services processes tends to boost their motivation and improve their understanding of theoretical contents.
26. Evidence suggests that there is a correlation between countries with well-established dual learning systems and low levels of youth unemployment. For example, Germany, Austria, Denmark the Netherlands, and Switzerland are the European countries with the most established dual-learning, apprenticeship systems and which also have the lowest levels of youth unemployment - not exceeding 15%, compared to 53.8% in Greece and 52.9% in Spain.
27. Furthermore, evidence from Denmark shows that around 80% of students that undertook apprenticeships found employment within one year of completing their studies in the period 2008-2010. Before 2008 this number was around 90%. This represents a higher transition rate into work than for university graduates.
28. The value of dual-learning systems is increasingly being recognised across Member States. Italy and Spain are examples of countries that have introduced provisions as part of structural labour market reforms in 2012 to strengthen their apprenticeships systems. In Italy in April 2012 an agreement was signed between the employers federation and the three main trade union organisations on the reform of apprenticeships, which are considered to represent a stepping stone to employment for young people. In Spain a draft law was presented on 9 November





2012, which forms the first step to establishing a basis for a successful dual-learning system.

29. The UK is a further example of a country developing its apprenticeship system. In recent years there has been a significant increase in the number of apprenticeships, which has been achieved through a combination of a change in government policy on funding and strategy. This has helped support more employers and young people. There were over 500,000 apprenticeship starts in the UK in 2011/12 – around a quarter were people under 19.
30. While education is a Member State competence, BUSINESSEUROPE firmly believes that there is a need for action at the EU level in a coordinated manner to raise awareness of the benefits that apprenticeships can bring to young people and employers. This involves exchanging knowledge and ideas among education providers and social partners that can help increase the number of available apprenticeship positions at the national level and overcome the perception that apprenticeships are a second class form of education when compared to having a university degree.
31. BUSINESSEUROPE supports the proposal for establishing an EU Alliance for Apprenticeships and is ready to play an active part in this initiative. The meeting of EU Education Ministers in Berlin on 10 and 11 December 2012 was a promising start and this momentum must now be maintained. It takes a number of years to establish successful dual elements of education and training systems, such as the engagement of companies for the provision of placements and the design of curricula so that they relate to the needs of the labour market. This can be realised through continued political and economic commitment by the EU, national governments, education providers and social partners.

### Developing an entrepreneurial mindset

32. Encouraging young people to develop an entrepreneurial mindset and skills can have a strong impact on their future employability or lead to them becoming independent entrepreneurs. To foster this, entrepreneurship should be better promoted through, and integrated in, secondary and higher education.
33. BUSINESSEUROPE believes that entrepreneurialism should be a state of mind. The skills that young people can develop from this, such as problem solving, learning to take initiative and working collaboratively, are about shaping individuals for their future career. Therefore, it is important that all school pupils have the possibility to take part in work experience that will help to develop these skills. At the same time, tools that are developed to assess the progress and demonstrate the acquisition of entrepreneurial skills should focus on improving the quality of future work experiences, in terms of learning outcomes. Careful consideration must be given as to how such tools could be practically applied without overburdening teachers or companies.
34. A successful example of developing entrepreneurial skills is in Austria where the Entrepreneur's Skills Certificate enables young people to develop economic and labour market competences that will help them in the transition to employment or to become self-employed. This scheme was started in upper secondary schools and has now spread to vocational schools and colleges.



35. In Italy the Confindustria Young Entrepreneurs Movement engages entrepreneurs between 18 and 40 years old in management level positions in the promotion of a business culture and the spread of entrepreneurial opportunities in society. It stresses a broader role for entrepreneurs beyond their immediate involvement in their own business initiatives.

### B) Investing in education

36. The need for more medium and highly skilled people means that labour market needs cannot be met purely through young people entering the working environment for the first time. There also needs to be provision for lifelong learning to up-skill, and where necessary, re-train, the existing workforce. This means that the education system needs to improve people's mind-set, motivation and self-responsibility for lifelong learning from the outset.

37. Besides government investments, lifelong learning has become a permanent feature of human resource management with 72% of companies checking the need for further training of their staff in a systematic way and 62% giving employees time off to undertake training.

38. Furthermore, according to the OECD, an individual can expect to receive around 1000 hours of instruction in non-formal education during his or her working life, of which 70% is job-related training sponsored by employers.

39. The provision and content of lifelong learning varies among Member States, which makes it hard to determine a one-size-fits-all approach to adult learning at EU level. For example, in The Netherlands, in a growing number of collective agreements, mostly at company level, the right to an 'individual budget' for education is introduced and individuals can then choose the content of their training. There is no legal right to training. In Spain, workers that have been employed in a company for at least one year have a right to paid leave of 20 hours per year to follow vocational training.

40. BUSINESSEUROPE does not see the need for an EU social partner initiative on training provision for adults working in companies. In addition to this being an issue where the EU level does not have competence, training provision must take into account the balance between the different needs of companies and workers, making allowance for their size as well as regional and local context. The provision of training as part of lifelong learning should also be aligned with the needs of the labour market.

41. Government and company budgets are under strain, but continued investment in training is needed. It brings advantages for companies who benefit from an increasingly skilled and capable workforce; for workers who broaden their competences, which can enable them to further develop their role and career while raising job satisfaction; and, more broadly, for Member States and the EU as well performing, productive companies contribute to economic growth and competitiveness at the national and European level.



42. Therefore, the Communication is right to look at the need for ensuring efficiency through raising the standard of education and training – both initial VET and lifelong learning. Likewise, cost-sharing models between those active in the education process – the state, businesses, individuals, foundations and alumni – who all have a responsibility to provide investment for education. For example, companies in Germany invest on a voluntary basis 27€ billion per year in continuous training and additionally 24€ billion per year into the dual training system because they see it as an investment in the company's future. This is comparable to the UK where total employer spending on training is £49 billion (58€ billion). In times of demographic change and lack of skilled personal it is crucial to attract talents at a very early stage. Active involvement in VET is therefore a good way to recruit and retain skilled workers.
43. Furthermore, emphasis must be placed on an efficient use of available funding. A central element for business is that money is spent according to the needs of employers.
44. BUSINESSEUROPE welcomes the Communication's call for the use of EU structural funds to provide investment into education and infrastructure in the financial period 2014-2020. Specifically, we call for a share of the European Social Fund and the Erasmus For All (YES Europe) programme to be allocated to providing seed funding for Member States that wish to establish or reform their dual-learning systems.
45. The level of investment in education also affects the quality of teaching that is provided. Retaining and developing a high quality of teachers at all levels of education is essential if young people and adult learners are to receive a high standard of education and training. This includes providing teachers with relevant training, such as in new ICT, that enhances and broadens the education experience. Investing in ICT – both the training of users and provision of resources is an example of efficient spending of resources that will help to meet the requirements for medium and highly skilled workers.
46. ICT-based learning can significantly help to widen people's access to education and training, such as through part-time and distance learning courses, which can be built around work and life commitments. A good example of this is the Open University in the UK where the majority of courses can be followed without students being present on the campus through the system of "supported open learning".
47. For such schemes to work effectively teachers need to have appropriate levels of ICT competences and to ensure that their students do as well. The traditional teaching dynamic is also altered for distance learning courses and suitable training needs to be provided for teachers so that they can learn how to help students studying in this way to complete their course.
48. BUSINESSEUROPE supports the idea of a coherent EU strategy for digital learning and open educational resources to be mainstreamed across all education and training sectors. This would be an efficient use of resources that could make a significant contribution to people's education and training.





49. As part of the process of putting labour market needs at the centre of education, there also needs to be regular dialogue between teachers and employers so that teachers can better understand employer's skills needs and that, together, they can shape education and training schemes that will best prepare job seekers and workers for finding work or to progress in their careers. A successful example of close cooperation between companies and schools is the German initiative *SCHULEWIRTSCHAFT*. The network's 450 working groups give teachers and business representatives the chance to engage in regular face to face dialogue and to jointly devise activities that support students' transition to working life.

### C) Skills recognition and validation

50. A focus on learning outcomes is important for tailoring the knowledge, skills and competences that people acquire in the education process to the needs of the labour market. This approach is enshrined within the European Qualifications Framework and national qualification frameworks, but **BUSINESSEUROPE** recognises that more could be done to facilitate this.

51. The creation of a European Area of Skills and Qualifications with the aim of bringing closer coherence between the European qualifications framework (EQF), European credit transfer system (ECT and ECVET) and multilingual classification of European skills, qualifications and occupations (ESCO) would help with the recognition of qualifications, validation of non-formal and informal learning and lifelong guidance. This process should be accompanied by an evaluation of the various instruments in order to ensure – and where necessary improve – their effectiveness. Attention also needs to be paid to strengthening the attractiveness of VET on a broader scale. This will enhance the vocational skills and competences acquired by VET students. A coordinated approach to assessing VET quality will facilitate mobility and the recognition of skills and competences.

52. Furthermore, too many separate and uncoordinated instruments and initiatives risks impairing the recognition and validation of skills. At the European level there needs to be greater coordination between the tools mentioned above as well as in the workings of the Commission. This particularly concerns DG Education and Culture and DG Employment.

53. In addition, it is also necessary to focus on learning outcomes in the context of Directive 2005/36/EC on the recognition of professional qualifications. This directive is currently subject to legislative revision which should be used to replace the outdated levels of qualifications as applied on the basis of Article 11 of this directive and to be brought in line with EQF standards.

54. The Communication also outlines the need for the recognition, assessment and validation of skills that people gather outside of school, thus providing a skills profile for potential employers. Recognition of skills developed outside the classroom is relevant when considering someone for a job, but the onus should not be put on employers to assess and validate such skills.