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With a view to the orientation debate on the new Skills Agenda at EPSCO Council on 7 March 2016, delegations will find attached the Presidency discussion paper.

Information on the follow-up:

The *draft Resolution on promoting socio-economic development and inclusiveness in the EU through education: the contribution of education and training to the European Semester 2016* to be adopted by the EYCS Council on 24 February, also contains a number of statements on skills which are relevant for this debate.

The Chair of the EYCS Council and the Chair of the EPSCO Council will summarise the conclusions of both debates.

Connecting education, the labour market and society
Towards a New Skills Agenda for Europe

Presidency discussion paper for the policy debate

EPSCO Council on 7 March 2016

The forthcoming **New Skills Agenda for Europe**, announced in the European Commission's 2016 Work Programme¹, will address skills development and the skills gap with a focus on employability, mobility, competitiveness and fair and balanced growth. It will look in particular at the need for future skills, at all levels, to meet the challenges and make the best use of the latest developments, particularly in the digital field, and to ensure that people can develop and upgrade their competences to keep pace with an ever-changing labour market and society. It will propose specific EU actions and back up concerted policy efforts by Member States, aimed at promoting the active involvement of relevant stakeholders in education, training and the labour market.

It is against this background that the Netherlands Presidency organises policy debates at the February EYCS Council and the EPSCO Council in March, with a view to raising awareness and underlining the strong urgency of the issues at stake regarding skills in a broad sense. **This will enable Ministers to discuss the role of the European Union, with a view to promoting the level of skills in member states. Ministers are invited to raise issues and considerations they believe should be addressed within the Skills Agenda. The debates will help to shape this important and strategic European initiative.**

¹ 13486/15

Towards a shared skills agenda

Fostering talent and skills drives innovation and competitiveness and offers a sound basis for high productivity. It is also the best way to reduce unemployment, poverty and social exclusion.² This is all the more important since the European economy faces challenges which are long-term and structural in nature. We see major trends that are transforming our economies and societies. Globalisation and technological progress, robotisation and ICT in particular, **are changing our lives, jobs, job content and the way we communicate and cooperate** with each other. New business models and opportunities for entrepreneurship are emerging, as well as innovative and non-standard forms of work.

Although globalisation and technological progress tend to increase economic growth and well-being, they can create a new era of economic and social uncertainty. Jobs and job content are also changing over time. The skills needed to be successful on the labour market change rapidly and extend to **digital, high-end technical and social skills**. At the same time, there is a need for **interpersonal and analytical skills for non-routine jobs**. Jobs in the middle segment of the labour market, which tend to be characterized by a high degree of routine skills, are prone to technological substitution. Their employment shares have been falling in many European countries.³ A key challenge is to accommodate labour market needs for higher skills and upskill and provide support for those who are at risk of losing their jobs.

² European Commission, Annual Growth Survey 2016, COM(2015) 690 final.

³ Goos, Manning and Salomons (2009), Job polarization in Europe, *American Economic Review*, 99(2), 58-63.

Challenges to be addressed

A large share of the EU population **lacks a sufficient level of basic skills** to be employable and take part in social life. Almost 70 million European adults do not possess sufficient literacy or numeracy skills. One in five 15 year-olds is low performing in these basic skills. A significant proportion of EU citizens have only low -level or no digital skills, yet these are essential to play a full part in today's society.⁴

There is increasing recognition that not only knowledge and cognitive skills are relevant in society, but that so-called "**transversal**" (some say "**21st century**") **skills and socio-emotional skills are crucial** for economic and social success. Creativity, problem solving, critical thinking, entrepreneurship, working together and learning to learn are increasingly regarded as skills for the future.⁵ Additionally, digital skills are also vital to be able to function in a digital economy and society. Ideally, education and training institutions should provide people with the skills needed for evolving careers instead of simply preparing them for a specific profession.

Skills gaps and mismatches have increased in many sectors and regions in Europe and are a serious concern.⁶ This acts as a drag on employability, growth, competitiveness and individual wellbeing. Nearly 40% of companies report difficulty in finding staff with the right skills, including *digital skills*.⁷ These difficulties may be the result of years of economic crisis, but probably also of the rapidly evolving work patterns in the digital economy.

⁴ See also the OECD Skills for Social Progress, 2015.

⁵ See also the 2015 Joint Report on "ET2020" and the OECD Skills for Social Progress, 2015.

⁶ E.g. "Skill Shortages and gaps in European enterprises, Striking a balance between vocational education and training and the labour market", Cedefop, 2015.

⁷ Third European Company Survey (2013), Eurofound

Even when skills are available, they are not always properly identified or used.⁸ At the same time, due to the economic crisis people are more inclined to accept jobs below their qualification or skill level. Around 25% of highly qualified young adult employees are estimated to be overqualified for their job.⁹ As a consequence, this has its implications for job opportunities for lower skilled people, who face fiercer competition on the labour market.

Lastly, **the significant influx of migrants** in society and in the economy presents a **challenge for the European Union**. The integration into the labour market of migrants who are already in the EU and the need to deal with the consequences of the increasing inflow of refugees creates challenges which affect a number of Member States in particular.¹⁰

Ways forward

Urgent action is needed to upskill current generations and to activate and fully utilise their skills in order to unlock Europe's growth potential and to strengthen social inclusion.¹¹

Firstly, a strong commitment by labour market actors is needed to ensure a better transition from education to the labour market. Educational institutions, public employment services, social partners, employers, workers and (local) government – all within their own areas of responsibility - play an essential role in tackling (future) skills challenges. Educational institutions should work in close cooperation with businesses not only to offer education that matches labour market needs, but also to provide students with the generic skills that are necessary to fully participate in society and to acquire new skills later on in their career (i.e. learn how to learn). Employers and workers should themselves take responsibility and create **work environments in which continuous development of skills, both through formal and informal learning, is a natural part of work**. Governments at all levels should support this by creating well-functioning systems to develop, activate and use skills.

⁸ Matching skills and jobs in Europe, insights from Cedefop's European skills and jobs survey, 2015.

⁹ Ibid.

¹⁰ Joint Employment Report 2016.

¹¹ Joint Employment Report 2016.

Secondly, a strong commitment by labour market actors is needed to ensure that skill developments are identified and, subsequently, that the work force is equipped with the right skills across the working life cycle. This contributes to both a more competitive and resilient European economy, as well as to improved social inclusion. Investing in skills cannot stop once one leaves formal education. To improve employability and to cope with future challenges, societies should become more responsive. Learning, vocational training and the development of skills should be an integral part of work. Business and workers themselves play a key role, because – to a large extent – they reap the benefits themselves. Businesses need to stay creative and strengthen their innovative capacities, with differences in relation to the character and scale of the companies and the need for specific skills and knowledge ("craftsmanship") in addition to more generic skills.

Yet only one person in ten currently participates in **lifelong learning**. It should become a common practice that employees **invest continuously in their own employability**, and, if necessary also for the transition towards other tasks and jobs. It is not enough that only one person in ten participates in **lifelong learning**. We need to step up efforts to engage more workers in Life Long Learning. Participation in lifelong learning and post- initial education is not distributed equally among society, with especially older, low educated workers and employees with temporary contracts participating much less. To create inclusive, responsive societies – in which persons are enabled to work longer – continuous development of skills should be a priority for both workers and businesses.

Thirdly, if skills and qualifications are understood and used effectively, they will translate into more labour mobility, a better match of supply and demand on the EU labour markets and finally, better economic and social outcomes. However, there is a lack of understanding and, to some extent, **trust in the quality of qualifications** acquired in another Member State or outside the EU. This creates barriers to worker mobility in the EU and to the integration of workers from third countries. This hampers the working of the internal market and discourages EU workers from entering other member states' labour markets.

Skills will translate into better economic and social outcomes only if they are used effectively. A particular challenge for skills policies is to **connect different learning environments**. After all, we learn not only at school, but also during and/or after finishing initial education in informal learning environments (e.g. learning by doing) at work, at home, in communities, with peers. Inroads have been made as regards the **validation of non-formal and informal learning**.¹² This is particularly relevant for people with lower qualifications, who are unemployed or at risk of unemployment, and for those who need to change their career paths, to identify development needs or to access requalification programmes. Opportunities for and levels of validation of non-formal and informal learning, however, vary significantly across Member States.¹³

Skills also play a key role in tackling the European migrant situation at hand. **Promoting the inclusion of migrants into the labour market** is essential to ensure their effective integration into the host societies and their positive impact on the EU economy. Targeted skills policies can help in this respect.

Although, a number of **initiatives and instruments** are in place at EU level, it is important to assess whether these are fit for purpose and what improvements and alignments can be made at a European, national and regional level.

¹² Council Recommendation of 20 December 2012 on the validation of non-formal and informal learning.

¹³ 2014 European Inventory on validation of non-formal and informal learning.

Organisation of the debate

Ministers are kindly requested to share their expectations and provide input and guidance with regard to the upcoming skills agenda, in response to (one of) the questions listed below.

1. Shaping the skills agenda

What should the EU focus on and how could the European Commission best be of help in this? Would it be helpful to develop benchmarks in order to assess Member States' performances and should they be used in the framework of the European Semester?

2. Transition from education to employment

How could employment policies and employers contribute to an improved skills set for people entering the labour market? What role could be played by workers' organisations, employers, educational institutions and governments in smoothing the transition from education to employment?

3. Keeping workers in the labour market

Taking into account the trends of robotisation and digitalisation, and their effects on jobs in the middle-segment of the labour market (job polarization), how could (partnerships between) business, education and government be responsive to a changing economy and continuously invest together in keeping skills for the workforce up to date? How should employers be further incentivised to take up their responsibility to continuously invest in all workers, including temporary and self-employed?

4. Fully tapping the potential of the work force

How could skills acquired through non-formal and informal learning be better recognized and used? How to develop effective strategies leading to a higher participation by older, low educated workers and employees with temporary contracts?