



# Bridging the skills gap for growth and job creation



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## Introduction

Digitalisation, automation and robotisation change the structure of demand in the labour market. Companies need fewer low-qualified workers while demand for people with advanced technical qualifications is growing. Moreover, the pace of change is a challenge for education and training systems, which are not able to adjust to the current trends. This creates a skills gap.

Skills mismatches reduce productivity by 2%, meaning that two cents are lost for every euro. Moreover, the larger the share of poorly skilled adults in the economy, the more difficult it is to adapt to new technologies and be innovative. The European Union is facing an innovation emergency, and is lagging behind Asia and the United States.

Despite numerous studies and debates, we are still unable to quantify precisely the skills gap that exists in Europe. We are also unable to identify with a sufficient degree of accuracy where we have these gaps. Even though business organisations have been

appealing for such an analysis for quite some time, there is no data available at European level.

While policy makers in the EU often focus on further expanding social rights, European companies are struggling to hire people due to the skills mismatch. One should maybe ask where is the right of companies to have access to an adequately skilled and competent labour force. If proper measures are not introduced, the EU will face the risk of a major labour market shortfall in the next 25 years. Already today, 40% of companies report difficulties in hiring people who are adequately skilled and competent.

The unprecedented development of technology in recent decades has led to revolutionary changes in the importance of different production factors and its impact on competitiveness. Today, nine out of ten of the largest companies deal with data – in Seventies it was oil. Data is the new oil.



## The skills gap – how to define and address it

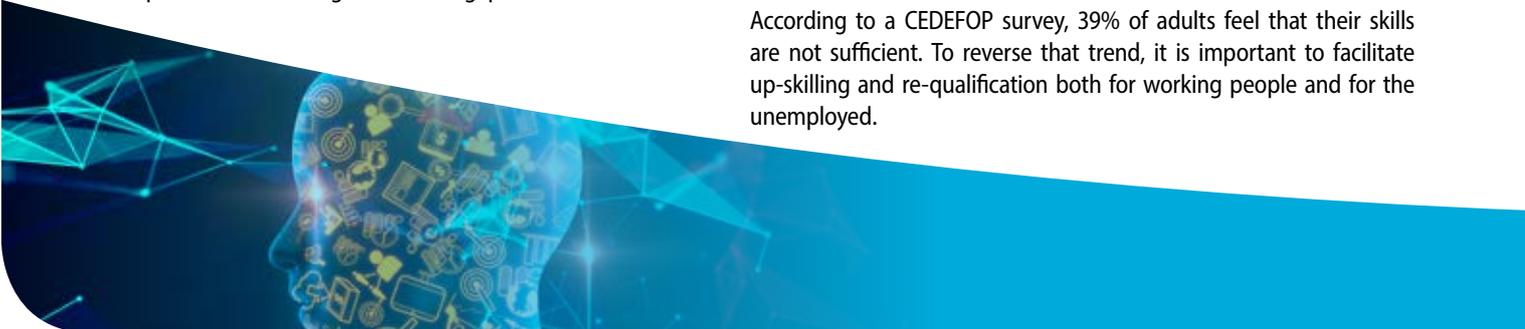
When addressing the skills gap, one has to operate at multiple levels: introducing changes in education and training systems, providing proper skills for students but also enabling re-training for adults, and promoting life-long learning and permanent upskilling. This requires not only systemic changes at policy-making level, but also a change in mind-set.

Employers' organisations are aware that addressing the skills gap requires close cooperation between business, academia and policy makers. Employers share responsibility with policy makers and academics and are ready to do what it takes to assist society and educational institutions in order to make sure that workers have good employability prospects. Companies in Europe are already investing a substantial amount of resources in modernising their workers' skills. In Germany alone, enterprises invest around EUR 30 million in upskilling and re-skilling staff.

Businesses and politicians have to find the right ways to trigger entrepreneurship among young people. To do this, a proper focus should be placed on economic education to motivate young people from the very outset to become entrepreneurs. It is the business sector that has the knowledge and know-how needed to make that happen. In addition, relations between the business world and education have to be strengthened. Flexible forms of education and training, as well as informal training, are indispensable to prepare for the challenges of the future.

Employees are jointly responsible for tackling the upcoming change. Currently, in many Member States, school-leavers do not have the right attitude to life-long learning. People need to realise how important it is for them to manage their careers properly. Career guidance is yet another area where close cooperation between businesses and policy makers is a must.

According to the survey conducted in Bulgaria, 85% of professionals complain of the lack of practical skills in their training. Many of them point to the mismatch between training programmes and job requirements and the lack of technical and technological information. Apart from adjusting the skills of young people and those already on the labour market, it is important to facilitate entry and return to the labour market for groups that are currently under-represented or partially excluded. Efficient inclusion of refugees and identification of their skills portfolio could mitigate the skills gap in certain areas.



## What are the skills for the future?

Just like previous industrial revolutions, the Fourth Industrial Revolution has the potential to improve people's incomes and quality of life. The difference lies in the pace of change. Whereas the previous revolutions lasted for decades and there was a generational change allowing time to prepare for the consequences, the current revolution is progressing in years. Societies therefore have no time to prepare for such rapid change.

According to the World Economic Forum, 65% of children starting school today will work in jobs that do not yet exist. This makes accurate identification of the necessary skills challenging. In order to identify the skills for the future, we need an in-depth analysis of current trends and data on changing demand. Labour market intelligence will help to spot trends and point to the direction that education systems should take.

When we talk about targeting young people, we are referring above all to reforming the education system, improving Vocational Education and Training (VET), improving the image of apprenticeships and revising key competences. Soft skills, creative thinking and entrepreneurial skills are becoming increasingly important over the whole life-cycle.

Education systems need a dramatic change in their approach to how we teach and how we learn. The digital agenda needs to be stepped up in schools and universities. Education systems should rely less on theoretical knowledge and more on the practical use of the knowledge acquired. All this requires a credible, collaborative environment at every level from elementary school to university and business, as an integral part of society.

There is also a need to put more focus on science, technology, engineering and mathematics (STEM) – unfortunately in numerous countries young people currently have insufficient maths skills. Future students need to have the capacity to adapt.

In order to facilitate reforms in education systems, a thorough exchange of good practice between countries is needed. As education in some Member States is the local authorities' responsibility, it is important to provide a proper level of cooperation and coordination at regional and local level as well. Future proofing requires focus on multidisciplinary generic skills on the part of both educators and policy makers.

According to a CEDEFOP survey, 39% of adults feel that their skills are not sufficient. To reverse that trend, it is important to facilitate up-skilling and re-qualification both for working people and for the unemployed.



Work-based learning processes combined with VET increases people's chances of finding a job and businesses' chances of finding skilled workers. Unfortunately, this approach is still not used by all EU Member States.

The pace of ongoing change has an impact on the usability of skills. In the past, skills obtained were useful for many years. Now, in terms of software in certain sectors, employees need up-skilling or training after just three years and in terms of machinery after four to five years. There is no longer such thing as life-long qualifications. Unfortunately, many companies experience a lack of interest on the part of their employees when it comes to acquiring technical skills.

Erasmus+ is an example of one of the most successful programmes in addressing the skills gap. It should be further developed and expanded in order to address the need for better education and provide digital and other skills for the future.

**The conference was brought to a close with the joint declaration of the Employers' Group and the Association of Organizations of Bulgarian employers. This document calls for a number of practical measures aimed at adapting labour markets and education systems to the needs of the future.**

The ongoing megatrends such as globalisation, digitalisation and demographic development are having a profound impact on the economy and the world of work. They entail enormous opportunities, but also challenge Member States, societies and employers to keep up with the pace of change with regard to:

- the disruptive technological developments across the world,
- the ageing of the workforce and the increase in life expectancy,
- profound changes in labour markets and the individualisation of work,
- the increasing skills and generations gaps, and
- the new skills and key competences needed in all sectors of the economy, society and working life.

This calls for reforms in Member States' labour markets and education, vocational education and training (VET) and apprenticeship systems to create a genuine European education area to meet the current and future challenges and succeed in the worldwide battle for talents. The signatories to this declaration, also underlining the role of the social partners and the declared partnership for reforms, firmly believe that this requires implementing the following measures:

#### **In labour markets, we need to:**

- ensure that skills match the needs of the labour market. This calls for addressing skills shortages and the widening skills gaps,
- remove obstacles to job creation and full labour market participation and integration of the entire available workforce, including by benefiting from the positive potential and synergies of different generations,
- advise, motivate and mobilise young people who are not in education, employment and training (NEET) to find suitable career paths,
- encourage and motivate individuals to take responsibility for developing their skills,
- adapt to the changing nature of work and the need for new patterns in labour relations,
- use the flexicurity approach in order to adapt labour legislation to the modern economy's requirements.

#### **In education systems we need to:**

- continuously strive for improved quality and effectiveness in order to produce more and better quality with the resources available,
- create conditions for young people to gain relevant skills and key competences at all stages of education and training. Among other things, this requires changing the education paradigm by shifting to cross-functional and interdisciplinary knowledge based on creative thinking and competence building,
- foster creativity, an entrepreneurial mind-set and mobility in education and training at all levels,
- invest in STEM (science, technology, engineering and mathematics) skills from primary to higher education as well as in lifelong learning,
- foster lifelong learning on the basis of adaptable and innovative learning methods,
- promote work-based learning and VET and reinforce links between businesses and education providers to avoid skills mismatches,
- ensure wide access to developing skills and competences in a knowledge-based economy.

All this would allow us to turn the human potential and talent into a decisive factor for economic growth, productivity and competitiveness. Continued efforts are needed to ensure that the Member States' education, VET and apprenticeships systems are well-functioning and provide individuals with a broad set of skills needed in the modern economy.



This document provides a summary of the discussion entitled “Bridging the skills gap for growth and job creation”, which was held in Sofia (Bulgaria) on 22 March 2018. The conference was organised by the Employers’ Group of the European Economic and Social Committee together with the Association of the Organizations of the Bulgarian Employers. The seminar was included in the calendar of meetings of the Bulgarian Presidency to the Council of the EU.



## European Economic and Social Committee **Employers’ Group**

### About the Employers’ Group

The Employers’ Group brings together entrepreneurs and representatives of business associations working in industry, commerce, services and agriculture in the 28 Member States of the European Union. Its members are committed to putting their own experiences to good use to further the European venture.

The European Economic and Social Committee is the only European institution that brings together entrepreneurs and people fully involved in the economic and social life of their home country. It ensures that the voice of business is heard at European level.



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