

# ETUI Policy Brief

## European Social Policy

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### New Skills for New Jobs: Scope for trade union intervention and sectoral dialogue

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## Policy implications

The purpose of this policy brief is to focus attention on some key issues in the *New Skills for New Jobs* initiative and contribute towards a response<sup>1</sup>. This initiative was launched via a communication from the European Commission in 2008, with a view to evaluating skills needs up to 2020 and combining the response to these needs with the affirmation of a new industrial policy. The stated purpose was to go beyond defensive restructuring measures, instead adopting

a proactive strategy of developing human skills and providing options for productive specialisation. The crisis has strengthened the need to clarify the content and agenda of the initiative: *New Skills for New Jobs* (surreptitiously renamed *New Skills and Jobs* by the Commission) has become one of the seven flagship initiatives proposed in the *Europe 2020* Communication. But the Lisbon Strategy is dead and *Europe 2020* is still at an embryonic stage.

## Obstacles and major challenges

The crisis experienced in the years 2008 – 2009 definitely confirmed that the results of the Lisbon Strategy were not going to live up to the hopes invested in it. The difficulties with this strategy, however, cannot be attributed solely to the shock of the crisis, as it was already becoming evident that the strategy was going adrift well before the onset of the crisis: the lack of investment in R&D and training; the poor matching between jobs and skills; the deprioritizing of the objective of job quality as a key productivity factor.

Because these trends existed before the crisis, there is now the risk that the crisis may lead to a worsening of the European weaknesses. The rise in unemployment, with major differences between European countries but very high in some of them, is not a spontaneous incentive to develop skills, felt less urgently when the overall labour market is not under pressure.

However, awareness of the challenge facing European countries is becoming more acute: the ability of these countries to actively take part in the new competitive and environmental configuration of the global economy is dependent on all workers having available suitable and upgraded skills. In sectors where the crisis has led to long-term overcapacity and where the workforce is growing older, the risk of a silent yet irreversible decline needs to be taken seriously – we risk seeing machines and workers going into retirement together. If they do not boost the attractiveness of jobs and careers to young workers, many industries will expose themselves to a demographic risk that will threaten their future, with skills failing to be passed on and renewed generation by generation.

<sup>1</sup> This policy brief draws on a project carried out by the Alpha Group's Centre Etudes & Prospective, for the European Trade Union Confederation, with the support of the European Commission. The team, led by Jacky Fayolle, comprised Odile Chagny, Sonia Hacquemard, Mathieu Malaquin, Antoine Rémond, Natacha Seguin and Sabine Vincent.

There are visible obstacles needing to be cleared aside:

- Too many of today's workers are low-skilled, and the crisis has highlighted their exceptional vulnerability on the labour market. Though educational levels of younger generations are rising, it is not sufficient to just be a young European to have the top-level know-how and skills demanded in today's global economy: a number of European countries have low rankings in international comparisons of educational levels and performances.
- The spread and growth of precarious employment are no incentive for developing skills, either on the part of employees or of employers. Young people in particular are worried, often having difficulty finding employment. The fight against precarious employment is a condition of the upskilling of each and every one, in the context of an inclusive labour market. The European social partners have reached agreement on the promotion of this type of market (BUSINESSEUROPE, CEEP, ETUC, UEAPME, 2010).

This policy brief first looks at the lessons that can be learned from the available forecasting studies, which tend to back up the above comments. It then explores the questions raised by the planned creation of Sector Councils for employment and skills at European level. Finally, it investigates what the agenda of such Councils might be.

## The contribution of forward-looking studies

The Community bodies have driven forward efforts to explore the likely prospects for the dynamic between employment and skills at European level. Two main sets of studies are available: the projections from CEDEFOP and the 19 sectoral studies coordinated by the Commission. These works help to shed some light on the issues that can already be identified over the last decade.

CEDEFOP's baseline scenario for 2020 highlights the expected level of professional mobility reflecting the disparity between low net job creation (7.2 million between 2010 and 2020) and the high number of vacancies (80.3 million, i.e. adding together the 7.2 million above and 73.1 million jobs to be refilled). This is the consequence of the expected replacement of the working population, taking into account the major retirement flows. This renewal will lead to numerous vacancies, especially in jobs occupied by the medium-skilled. Such medium-skilled people will still make up half of Europe's working population in 2020, even if their numbers are not growing as fast as those of the highly-qualified.

The twin trend of a rise in the level of training in the working population and the number of jobs demanding higher qualifications is a major trend expected to continue. The creation of jobs requiring medium-level qualifications appears to be more sensitive to the degree of optimism in the scenario than for jobs requiring high or low skill levels. It is related to changes in the demographic and sectoral structure. The proportion of people with medium-level qualifications is higher among the over-

40s, compared to younger workers. These older workers can be found in industrial jobs which are under threat. If such threats materialise, the net creation of jobs in the industrial sector to be expected will drop to a very low level.

Forecasts conducted by the Commission (Oxford Research 2010) across 19 sectors in the 2000s, prior to the crisis, reflect the sharp decline in the employment of skilled manual workers in industrial production and the energy sector. In the coming decade, the combination of technological progress favouring the highly-qualified and the offshoring of medium-skilled production jobs is liable to bring with it the risk of accentuating this trend in these areas. The automotive industry, shipbuilding, the IT and electro-mechanical industries, chemicals as well, not to mention textiles, are among the areas particularly affected. Sectors capable of combining growth in employment and upskilling are in the minority, involving mainly service sectors such as healthcare and telecommunications.

Gender also plays a role in the dynamics of qualifications: qualification levels of women are rising at a faster pace than those of men. In terms of labour supply, indeed, women are now practically level pegging with men at high qualification levels. The changes in activity rates of women and older workers will therefore have profound effects on the dynamics of qualifications. The replacement of older male workers by new generations of women is a factor pushing up qualification levels. In an optimistic scenario meeting the employment needs of the whole population, this development may lead to a smooth adjustment in favour of gender equality at work. However, in a less expansive scenario, skilled women will be confronted by imbalances in the labour market hindering full recognition of their qualifications.

The CEDEFOP forecasts do indeed point to the threat of a polarised net expansion of jobs, mainly benefiting highly-skilled occupations but also so-called elementary jobs, consisting of simple and routine tasks requiring little initiative. Such polarisation brings with it a twofold risk: the relegation of qualified people into elementary jobs, preventing the low-qualified from taking up these jobs. This risk becomes tangible in the baseline scenario, with employment levels not expected to return to their 2008 peak in 2020. For a European working population approaching 250 million in 2020, the crisis is expected to have caused the loss of some 10 million jobs (compared with a fictitious non-crisis scenario). According to the CEDEFOP's baseline scenario, this loss will not be reabsorbed before 2025.

The assumption of a significant proportion of the workforce being overqualified is based on two distinct but interlinked developments:

- The continued growth of 'elementary occupations' calling for people with medium or high qualification levels. Transportation, hotels and catering, healthcare and social care, maintenance and cleaning services are sectors particularly affected.
- The imbalance between supply and demand of qualifications in different occupations. The supply of medium and high-

level qualifications by those equipped with such is growing faster than the corresponding demand stated by employers.

The continuing existence of high rates of unemployment caused by the crisis thus gives rise to fears of the less-skilled experiencing major difficulties finding work again, as they are having to compete with higher-qualified people. The 2010 unemployment rate of people with a qualification not exceeding the first cycle of secondary education is over 18% throughout the EU (against approximately 10% for the whole of the working population). In the CEDEFOP's baseline scenario, it is expected to decline slowly, remaining above 16% in 2020 (against 8% for the whole of the working population). The recession is hitting the employment of the lower-skilled particularly hard. The risks of labour shortages in certain highly-qualified occupations will be coexisting with a long-term degradation of the situation of the lower-skilled.

When it comes to skills, supply and demand are, however, not two independent variables: their relationship generates adjustments which change the imbalances, in particular via formal and informal learning processes. The recognition of skills which are uncertified and therefore less visible introduces flexibility compared to a strict matching approach<sup>2</sup>.

## Joining forces: social dialogue and public policy

The report of the expert group tasked by the Commission (2010a) defines a number of paths of action to equip workers better for more frequent and more risky job changes. The upgrading of individual skills throughout our working lives is a key component of such equipping, helping us towards more secure careers and greater optional mobility.

The obstacles in the way of such an orientation are not to be underestimated. They are anchored in the complex nature of what constitutes skills. Competences are embodied in a private way in individuals and embodied collectively within the work organisation. Companies treat the skills available to them as a private good and a strategic asset which they do not intend to open up to their competitors. Public policies and social dialogue need to take these obstacles into account in order to define realistic objectives and to introduce the right incentives for companies and individuals.

One could say that the possibility of giving skills a 'public good' dimension is dependent on:

- the right balance between specific skills (exploitable at a given workplace) and transverse skills (exploitable in a whole range of jobs) in the individual mix of skills;
- the transferability of personal skills between companies, sectors or territories, enabling workers to expand their

mobility scope and enabling companies to benefit from outside skills.

## Sector Councils on Employment and Skills: a tool complementing sectoral social dialogue?

The Commission's proposal to set up Sector Councils on Employment and Skills at community level raises a moot point: the need for fora where social dialogue and public policies can interact to optimise individual and collective skill development. The feasibility report commissioned by the Commission from ECORYS (2010) provides a comparative review of institutions and existing practices in EU countries. Based on this review, the authors make pragmatic recommendations for setting up such Sector Councils: the definition of realistic objectives; reliance on the voluntary participation of stakeholders; provision of temporary and conditional support by the Commission, on the basis of an agreement on objectives, a careful monitoring of progress and serious evaluation of results; giving initial priority to the sharing of information between social partners; networking national bodies with a view to forging best practice communities.

This pragmatic path has been confirmed by the Commission. In a Working Document in July 2010 on the functioning and potential of sectoral social dialogue, the Commission sets forth its point of view. Calling for a new impetus in sectoral dialogue, it considers the Sectoral Councils as a complementary body, open to players other than simply the social partners. The Commission is stressing the latter's autonomous will to launch and subsequently manage the Councils; it nevertheless clearly sets forth its own vision of the Councils' missions, betting on the effects of emulation among sectors.

The trade union federations which are members of the ETUC view *New Skills for New Jobs* as a welcome initiative and have expressed common interest in the proposed Councils, with a wide range of subtle differences. The Sector Councils could become interesting resource hubs for:

- developing forward-looking studies providing social partners with operational information and improving the coordination of forecasting exercises currently conducted separately: studies targeting professions subject to critical transformations would be particularly useful, with a view to forging relevant training programmes;
- networking national and regional players to enable a fruitful sharing of experience.

At present, the levels of commitment in the process of setting up Sector Councils vary greatly from one sector to the next. Work is in progress in a number of sectors (commerce, textiles-clothing-leather, metalworking) while still being at an embryonic stage in a lot of others, but progress is being made.

2 The matching approach seeks to fit the job occupied by a person to the training received. However, the relationship between training and employment is not completely rigid: personal choices take account of the constraints of the market as well as the opportunities that it offers.

There are shared questions being raised among trade unionists:

- What is the right sectoral scope needing to be covered by the Councils? Is the scope wide, thereby encouraging the transferability of skills and individual employability? Or is it limited, thereby sticking to employment realities?
- What is the right level of linkage with the Sectoral Social Dialogue Committees (SSDC)? There is a consensus among trade unions that leadership of the Councils must be in the hands of the social partners. Even so, practical relations between the Councils and the SSDC remain in need of clarification, with an explicit necessity to avoid any bureaucratic overlapping and to look for complementary tasks. Are the Councils to be independent, or are they to be subordinated to the Committees, with the latter playing a steering role in determining the Councils' work programme and supervising their work? At present the design is not yet clear.
- What is the right level of involvement of civic and social players other than the social partners? A certain consensus would seem to exist on the involvement of vocational training institutions, inputting expertise and activities in this crucial area. But we need to tread carefully with regard to the involvement of other players, with trade unionists frequently questioning the legitimacy of such involvement and the representativeness of such players.

### Mobilising trade union know-how and experience available in the field

These institutional questions have a political dimension, and the right answers are needed to enable the Sector Councils to get off to a good start. The Councils have the potential to become a privileged forum for mobilising the field experience of social actors. On the strength of their experience, the trade unionists have revealed a whole series of questions needing to be dealt with openly:

- Economic globalisation is leading to a standardisation of skills on a global level, which eases value chain segmentation: each business unit is skilled in the segment it works in. However such know-how is not necessarily permanent and the situation can be reversed. The availability of specific high-level skills influences the geographic location of business operations: individual creativity, as an innovation factor, is not easily reproduced in an undifferentiated fashion somewhere else; system-related skills, i.e. the ability to design not just basic products but whole systems consisting of goods and services responding to customer expectations, favour the concentration of operations in local clusters.
- The tension between the on-site development of workers' skills and the use of external providers (through outsourcing or offshoring operations, or recruiting skilled non-EU workers) is to be seen in a whole range of business areas. It is desirable that decisions between these different ways of mobilising skills are not governed solely by direct cost, but take into account the costs of training as an investment, fairly assessing progressive return effects.
- The interaction between an ageing workforce and the restructuring of processes is highlighting the issue of attractiveness of companies and sectors to new categories of

manpower as a way of ensuring the long-term prospects of the business activities involved. These include young people entering the labour market for the first time, women gaining access to certain activities more easily, etc. Wages and working conditions, the quality of work and achieving the right work/life balance are key factors for attracting skilled manpower into sectors with the potential to create jobs.

### The agenda for the future Sectoral Councils

Two points seem to be particularly important:

#### The 'learning outcomes' approach and its implications

The taking into account of learning outcomes, i.e. results of on-the-job learning throughout working careers, when recognising and validating skills, is a positive development welcomed by trade unionists. The fulfilment of this development calls for the adjustment of business models within companies, in order for this recognition to have a positive effect on the pay and employability of workers. It also encourages unions to take on greater responsibility, making skills and training a mandatory issue in collective bargaining.

The 'learning outcomes' approach contributes to positive flexicurity, a topic revisited by a recent Commission communication (2010e): by improving recognised employability, the approach equips people better for job changes; by extending recognised skills beyond just diplomas certifying the completion of initial education or training, the approach benefits employers, helping them gain a better overview of the skills actually offered; by encouraging education systems to better describe the skills associated with the diplomas issued, the approach helps young graduates to find jobs.

For labour markets to function properly, taking learning outcomes into account, suitable regulation is needed: uniform frameworks, transparent methods, accreditation bodies responsible for certification of skills. Such European programmes as the European Qualifications Framework or the detailed taxonomy of skills and occupations currently being compiled do continue in this direction, but they are instruments whose take-up by the social partners remains limited and difficult. The operational studies carried out by the Sector Councils on given occupations would help to make these instruments more attuned to requirements by making experience from the field available.

#### Upwards harmonisation of national practices in vocational training

The promotion of life-long learning is a European ambition with a long-standing history. In June 2010, a Commission communication listed the objectives and instruments for European cooperation in this field. It restated a number of principles and objectives supported by the European trade unions, which called for a

genuine right to training, accessible to all citizens and workers (European Trade Union Confederation, 2009).

This long-proclaimed goal contrasts sharply with the mediocrity of delivery: access to CVET remains low overall and is unevenly spread from country to country, and from group to group. To date, there seems to be no real chance of countries lagging behind being able to catch up. The balance between advisory and guidance services offered to individuals, financial incentives for companies, and changes in work organisation enabling skills to be better used, remains difficult to achieve.

Deep-going differences between European countries in the design, organisation and regulation of national VET systems make it difficult to define common orientations. Even so, such differences must not be swept under the carpet. They have to do with the political principles, the players' strategies, the governance patterns, the rules and instruments which drive these systems. So the degrees of integration or separation between initial and continuing training vary widely from country to country.

Via the networking they are supposed to set up, the work of the Councils should allow a better understanding of these differences and an assessment of their implications. Based on this, the Councils could contribute to the promotion and dissemination of positive experiences, with a special focus on the interaction between IVET and CVET and their mutual consistency. They also have the mission of clarifying the institutional framework guiding the activities of training service providers already operating on a European scale.

The system of vocational training, whether initial or continuing, needs to combine an awareness of signals from the labour market and the foresight to take in shifts in society. R&D clusters linked to universities have a role to play in identifying and developing future core occupations at all skill levels.

## Conclusion

European societies are finding it very difficult to find the right balance between two requirements not per se complementary:

- The priority need to strengthen the basic training and skills of the whole working population regardless of age. The response to this need determines not just the employability of low- and semi-skilled employees, but also the long-term prospects of a dynamic European presence in business activities, and especially industrial ones, which continue to be a source of innovation;
- Investment in attractive top-class training for potential talents, thereby ensuring the availability of creative capabilities in state-of-the-art fields and Europe's place at the frontier of knowledge and technological progress.

Europe's ability to play an active role in the new competitive and environmental configuration of the global economy is dependent on one imperative: creating a balance, in the context of an inclusive labour market pushing back job precariousness, the cause of waste and lack of motivation. Today's employee

world is subject to forces of dispersion and fragmentation. This is a fundamental challenge to cohesion, and not just of a social nature. It also determines the effectiveness and sustainability of economic development, which cannot rely in the long term merely on a narrow-based elite harvesting the excess profits of unequal growth.

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