



ERT

Reskilling in European industry

PREPARING THE WORKFORCE FOR TOMORROW

Executive Summary

- ERT Member companies are committed to co-operate with policymakers and other stakeholders to boost the employability of Europe's workforce, especially for those without a job, or being at risk of being displaced.
- Based on an assessment of over 200 reskilling projects, ERT has identified some market failures that impede the reskilling offer to grow in quantity, quality and effectiveness.
- ERT has identified the key features of an efficient and effective reskilling platform, which are:
 - **End-to-End (E2E) approach:** Reskilling based on an individual's current skills set and directed towards a defined new occupation or job opportunity.
 - **Cross-sectoral method:** Open for all economic sectors – including outside industry (e.g. banking, health care, etc). People can be trained for a job opportunity in another sector of the economy or they can be attracted from other sectors for a job in industry.
 - **Pan-European view:** Although proximity is important, much of the content of a reskilling programme can be used in other geographies when translated and slightly modified. Trans-national mobility of workers may be enabled, and EU priorities, including industrial policy, directly supported.
 - **Public and private partnership** – involving close cooperation between the public and private sector, also to unleash dedicated funding.
- ERT offers its support to the European Commission in addressing current market failures and tackling the reskilling challenge, including the development of an end-to-end (E2E), cross-sectoral, reskilling programme.



“Europe’s greatest resource is its people and their skills. The release of the European Skills Agenda is an opportunity to put people at the heart of the ongoing digital and green transitions. Investing in employability, is investing in Europe’s prosperity and future. To keep skills up-to-date we must stimulate lifelong learning, but also offer effective reskilling solutions that allow European citizens to continue to develop their talents, find a job and flourish in a rapidly changing economy.”

Paulo Azevedo

Chairman of Sonae & Chair of ERT’s Committee on Jobs, Skills & Impact



Introduction

Skills and jobs are essential to develop a more inclusive, resilient and competitive society. In Europe, this has been acknowledged for many years – solidarity and social cohesion being key European values. Significant investments have been made in lifelong learning both by the private and public sector to the benefit not only of society but also of individuals' self-fulfilment. High levels of employment provide collective prosperity in many ways.

However, the challenges individuals and companies face nowadays on the labour market require new approaches, as rapid technological innovation, globalisation, demographic shifts, climate change and geopolitical transformations are having an unprecedented impact on the work and skills landscape.

The New Skills Agenda for Europe should fully underpin this new reality and build on the ongoing EU initiatives in this area. ERT Members fully support the Commission's priorities and want to contribute with their first-hand expertise, experience, and recommendations to address these new challenges.



People must be at the heart of multiple ongoing transitions

The green and digital transitions will undoubtedly lead to changing skills requirements. In the next 10 years, about 100 million workers in Europe will need reskilling, as over 20% of their tasks will be automated or digitised. In addition, about 21 million people are estimated to face displacement in the near future¹, thus meaning that they will need significant reskilling towards “new” occupations.

As of today, European companies already face shortages of talent with the right skills. The twin transitions entail a change of paradigm that will aggravate this reality, unless stakeholders come together to deploy the right strategies and resources. The impact of the green and digital transitions on the labour market must be urgently addressed in a concerted effort between policymakers, companies, and education providers. This synergy will allow addressing current and future skills gaps, while providing workers with the right tools for successful career transitions.

The COVID-19 pandemic has aggravated the situation. In the European manufacturing sector alone, the crisis has put at risk almost 8 million jobs, mostly impacting people with primary and secondary education.²

Europe’s global competitiveness relies on their people; Europe depends on talented and prepared individuals who manage the successful adoption of new technologies, who develop innovative solutions and new business models. They must be at the heart of the transitions we are facing to lead Europe through the recovery.

ERT Member companies are committed to reskilling and want to act in this direction. In April 2019 their CEOs and Chairs committed to “significantly increase the number of quality

business-education partnerships including lifelong learning traineeships, apprenticeships and first employment opportunities and train both the current and future workforce with the required skills in the areas of digitalisation, automation and artificial intelligence”³. This objective requires co-operation with stakeholders at European and national level.

1. The skills development challenge in industry

A 2019 survey amongst our Member companies revealed that 85% of the respondents believe that skills development requires immediate or short-term (1-2 years) action. Nearly all ERT Member companies have identified or mapped their (future) skills needs either by means of “strategic workforce planning” or as part of their overall company strategy. However, economy-wide, only 16% of companies have a skills development strategy in place, while 64% indicate that they do not have a workforce with the necessary skills to enable a digital transformation.⁴ This research therefore shows that the offer does not fit the demand across a wide spectrum of European companies, sectors and geographies.

Common identified challenges include:

- Finding, attracting, and retaining specific job profiles and skills sets, both at technical (STEM) and digital level;
- Efficiently reskilling people with divergent profiles and belonging to different generations at multiple locations, while maintaining an individualised and relevant trajectory;
- Transforming the business culture towards a more digital (disruptive) mindset, which

¹ McKinsey (2020), Future of Work, p31

² McKinsey (2020), Safeguarding Europe’s livelihoods: Mitigating the employment impact of COVID-19, p7

³ ERT (2019), Strengthening Europe’s place in the world

⁴ Technical University München (TUM) and SAP

includes introducing new ways of working, suitable for all generations in the workforce;

- Coping with the high pace of changing competence requirements and the lack of visibility on what the future brings;
- Improving collaboration between educational institutions and private sector to adjust market offers and needed skills;
- Cultural bias towards some training paths (vocational vs. higher education);
- Insufficient public funding to address a societal issue at scale.

To address these challenges, our Member companies are currently taking various actions, such as:

- Mapping of available skills sets within the company and address intra-company skills gaps for future business development;
- Building appropriate (global) learning structures (from creator to curator) to enable access to the right information and trainings at the right moment;
- Raising awareness amongst the workforce on the need for lifelong learning and digital literacy at large;
- Partner with education providers to address the skills needs.

In addition, industry cooperates with schools and the public sector in various ways (e.g. dual learning, apprenticeships, internships, etc.) to increase people's employability along the talent pipeline.

The respondents indicated that important drivers of successful skills development are: first, the support of the top-leadership, in particular to build a business culture of lifelong learning; secondly, the availability of financial resources to invest in skills development, balancing between in-house skills development and acquiring talent on the market; and, last but not least, the participants' willingness for up/reskilling. Maximising willingness implies sufficient time and understanding of the (sometimes personal) barriers for reskilling.

However, and despite significant investments from the private and public sector, skills development remains a massive challenge with

societal and economic implications across sectors and geographies. It therefore must be addressed in a coordinated way along the whole "skills value chain", for the benefit of all actors involved and, especially, for the long-term support of the European workforce.

Efforts must be deployed to develop a new, large-scale, reskilling model addressing the needs of those individuals who are unemployed or would not be able to find a new job in the same occupation and/or industry, once they would lose their current position.

2. An industry-wide solution to address a market failure

Our analysis of more than 200 reskilling initiatives across Europe – including corporate, private, and public reskilling programmes – reveals significant gaps in the current reskilling ecosystem. These include, among others:

- Lack of data to adjust to the market needs, as less than 1% of trainings measure job placement, and rates are often low;
- Lack of accurate systems to forecast skills gaps;
- Limited impact of reskilling programmes (estimated to reach maximum 10.000 placements annually);
- EU reskilling programmes' inconsistency (scarce and/or inexistent programmes in certain European regions).

These market failures must be addressed for the reskilling offer to grow in quantity, quality and effectiveness. From our research, we have identified 7 critical components for the implementation of successful reskilling programmes across the value chain:

- 1. Monitoring demand and supply for jobs & skills:** Continuously monitor demand and supply of skills and choose/adapt occupations. The programme design should be informed by cross-industry needs.
- 2. Candidate awareness and assessment:** Fostering participants' applications and selecting those with the will and minimal skills to be reskilled in a target occupation.

3. **Training design:** Designing and testing training, including content (e.g. soft vs hard skills) and format (e.g. online vs blended experience).
 4. **Training delivery and recognition:** Delivering effective training at scale, either in-house or through external partnerships, and EU-wide recognised certifications. Promoting on-the-job training and internship/apprenticeship opportunities.
 5. **Candidate job placement:** Supporting participants in finding a job (e.g. vacancy recommendations or application training). Propose peer groups and mentorship support.
 6. **Monitoring and evaluation:** Defining evaluation criteria and KPIs, monitoring programme results and, if necessary, adapting the approach based on a “lessons learned” method. It is important for the results to be measured in terms of job placements, not the number of people who enrol for a specific course.
 7. **Funding scheme:** Model to fund with individual training fees (e.g. public funding, beneficiary co-payments, etc.)
- **Pan-European view** – Although proximity is important, much of the content of a reskilling programme can be used in other geographies when translated and slightly modified. Trans-national mobility of workers may be enabled, and EU priorities, including industrial policy, directly supported.
 - **End-to-End (E2E) approach** – Reskilling based on an individual’s current skills set and directed towards a defined new occupation or job opportunity.
 - **Funding** – Dedicated funding is necessary to enable the creation of a reskilling ecosystem, e.g. based on job placements and potentially covering start-up costs, given the early stages of the reskilling market.

Our recommendation is to assist the European Commission in developing and implementing a cross-sectoral, End-to-End (E2E) reskilling programme that encapsulates these 7 dimensions.

3. Key features for a successful outcome

Cooperation between public and private stakeholders is key to address the complexity and scale of the skills and reskilling challenge that we are facing. We believe the features below are drivers for success:

- **A public and private partnership** – involving close cooperation between the public and private sector.
- **Cross-sectoral method – open for all economic sectors** – including outside industry (e.g. banking, health care, etc). People can be trained for a job opportunity in another sector of the economy or they can be attracted from other sectors for a job in industry.

4. A New Skills Agenda for Europe

The new “Skills Agenda for Europe” is an opportunity to fully recognise the need for re/upskilling and to deepen policy proposals with practical implementation and initiative. This project proposal is complementary and supportive to various policy initiatives currently being discussed and adds to the 2016 Skills Agenda.

For example:

- **Continuing Vocational Education and Training (CVET)** is a way to reskill workers by offering a work-based experience to adapt to the changing skills environment.
- **Individual learning accounts** could stimulate workers to register for the project and reskill to pursue a specific job opportunity or occupation.
- **(New) sectoral blueprints** would be complemented with a cross-sectoral dimension, allowing inter-sectoral mobility.
- The **European Qualifications Framework** introduces a standardised language for matching skills with occupations.
- The **Europass** could provide a common skills assessment as basis for determining reskilling needs.

Obviously, the current efforts to promote lifelong learning and the employability of all, especially of young people, must continue. Up-to-date and flexible school curricula, embracing STEM, digital and transversal skills, such as entrepreneurship, remain essential. Co-operation between schools and societal actors such as companies, by means of dual learning (apprenticeships) or internships, must continue to be promoted as “best practice” in the EU Member States, and can indeed be expanded towards adults to optimise reskilling.

5. Conclusion

The time to act is now. ERT Members are fully available to support the European Commission with addressing current market failures and tackling the reskilling challenge, including the development of an end-to-end (E2E), cross-sectoral, reskilling programme.



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The European Round Table for Industry (ERT) is a forum that brings together around 55 Chief Executives and Chairs of leading multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe, with the EU and its Single Market as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members have combined revenues exceeding €2 trillion, providing direct jobs to around 5 million people worldwide – of which half are in Europe – and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.

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