

# Closing Europe's Skills Gap

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## Closing Europe's Skills Gap

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*Middle-level jobs are being squeezed, but smart policies can help reverse rising youth unemployment.*

By Martin Humburg and Rolf van der Velden

*Martin Humburg is Researcher at the Research Centre for Education and the Labour Market (ROA) at Maastricht University. Rolf van der Velden is Professor of Education and Occupational Career in the same Institute.*

The number of young people out of work in Europe has hit alarming levels. In 2012, the average youth unemployment rate in the EU was 22%, up from 15% in 2007. This is a serious problem both for society as a whole and for the young people involved who suffer a loss of skills and possible long-term scarring effects.

The underlying causes of this worrying trend can't be blamed on economic crisis alone. In 2011 youth unemployment rates ranged from less than 10% in countries like the Netherlands and Germany to close to 50% in Greece and Spain. Labour market ~~regulation rules~~ explain part of that variation – some countries have strong employment regulations that protect older employees against layoffs, making it more difficult to for young workers to find a job. Differences in economic growth also impact the pool of jobs available. But these factors are only part of the story.

### "It's the skills, stupid."

Educational systems play a key role grooming young people for the labour market. In general, countries that have a strong vocational education sector show lower youth unemployment rates than countries that have a predominantly general education system. In countries with a strong apprenticeship system like Germany, Austria or the Netherlands, young people show a smoother transition from school to work.

One reason is that apprenticeship systems are efficient in conveying valuable information about the apprentice's skills and abilities to employers. The cooperation between business and education, ensures vocational education produces skills that match employers' needs well.

Gaining a strong skill set is less about merely spending time in education and more about learning the right skills. Europe is currently going through a process of job polarization in which technology is quickly displacing medium-skilled workers who perform routine tasks, especially in manufacturing and clerical work.

The employment share of routine task jobs for medium-skilled workers has been decreasing over time, while that of jobs for high skilled as well as low skilled workers involving non-routine tasks has been increasing (see graph). For individuals, employers and policy makers these changes in the job structure pose an immense challenge, and necessitate action aimed at increasing individuals' level of skills. Math, literacy, verbal and digital skills are associated with individuals' labour market success – and not less importantly with their propensity to become active citizens.



The distribution of these key skills across regions or countries has been linked to economic growth and development. New technologies are a driver of international competitiveness and a highly skilled workforce is vital to research and innovation.

### What needs to be done?

Equipping Europe's youth for employment requires the joint effort of governments, educators, parents and young people. Key policy goals should include the following:

#### *For the lower end of the skills distribution*

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\* **Decrease the incidence of early school leaving.** European countries have committed themselves to reducing early school leaving to 10% in 2020. Although some progress has been made, most countries will not reach this target. But some countries seem to be more effective in combating early school leaving than others. Countries like the Czech Republic, Lithuania, Denmark and eight other member states show dropout rates below 10%, while others like Malta, Spain and Portugal have dropout rates above 20%. Evaluation of the most successful programmes show that dropout rates can be decreased, but that this requires early interventions and close supervision by teachers and parents.

\* **Increase the level of basic skills.** In 2000 the OECD initiated the first PISA study (Programme for International Student Assessment), which at 3-year intervals assesses the proficiency of students at age 15 in key skills such as math, literacy and science. The results indicate that some 20% of the students lack the skills that are necessary for successful functioning in a knowledge economy. Moreover, there is no convincing evidence that the level of these key skills has increased over the last decade, and in some countries the level of skills has even decreased over time. This is worrying, because the basis for these skills is formed primarily in education, and it is difficult to repair any skill deficits later in life.

\* **Increase the share of vocational education.** In some countries vocational education is typically seen as a second-rate choice for those students who are not able to pursue a higher level of education. However, there is compelling evidence that vocational skills are a valuable asset for the individual and companies. It is important to increase the level of excellence in these programs and to secure the supply of good trainee or apprenticeship places.

#### *For the higher end of the skills distribution*

##### **Generalists or specialists? Don't underestimate the importance of specific knowledge.**

International graduate surveys like REFLEX ([www.reflexproject.org](http://www.reflexproject.org)) or HEGESCO ([www.hegesco.org](http://www.hegesco.org)) have shown that professional expertise is the most important driver of success, even when a graduate is working outside his or her own domain. In that sense, a discussion about generalists or specialists misses the point that general academic skills cannot be developed without the content of a specific discipline or profession. And knowledge is a central ingredient to build this professional expertise.

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\* **Make higher education more demanding.** The same studies show that most graduates in Europe do not find their higher education very demanding. To keep ahead in a global economy, these graduates need to be able to compete with the best and brightest graduates from other parts of the

world. Governments and higher education institutions need to create incentives to promote excellence in higher education.

\* **Stimulate relevant work experience during study.** Work experience – as long as it is related to the study programme - has a positive effect on the development of relevant skills and smoothens the transition to the labour market. Higher education institutes can foster this by giving credit points to students who perform such relevant work.

**\* Increase the share of students choosing betatechnically oriented courses.** Despite the high unemployment rate, some sectors in the economy still face problems recruiting personnel with the right kind of skills. Governments should develop initiatives to boost enrolment in science, technology, engineering and mathematics (STEM) subjects. At this moment, only slightly more than 20% of graduates from higher education have a degree in a STEM field. This is insufficient to meet the demands of the labour market.

*Humburg and van der Velden are members of an international consortium that is currently carrying out the PIAAC survey (Programme for the International Assessment of Adult Competencies). In this programme, key skills of adults in some 25 countries are assessed and related to economic and non-economic outcomes. For more information see [www.oecd.org/els/employment/piaac](http://www.oecd.org/els/employment/piaac). Van der Velden was also coordinator of the international REFLEX project and advisor of the HEGESCO project.*

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Graph: Percentage Point Changes in Shares of Hours Worked over 1993–2006 for Occupations Ranked by Their Mean 1993 European Wage