



IN TIMES OF AUSTERITY: SKILLS UPGRADING FOR ALL AGES IS A MUST

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ABSTRACT

The economic crisis has been turning into an unemployment crisis in the EU. Thus, it comes as no surprise that EU Member States are modernising their labour market policies. In the recent years, these policies have been reoriented towards “activation”, applying tools such as job placement services, career counselling, jobseeker benefits conditional on training participation. However, despite the new sense of urgency for reform, there is a substantial *lack of cross-country cooperation* across Europe.

The conference paper is focusing on *vocational training* as activation tool. It will be argued that public employment policies – but also employers – will generate returns from investments in training. Business and society alike will benefit from a high-skilled workforce, better job performance and thus productivity. At a second stage, it will be analysed that in all European countries the incidence of training tends to decline with age. However, the productive potential of *senior workers* is not substantially impaired by ageing *per se*. Aiming to deliver a relevant skills base, continuous training must become a habit for all ages. Facing pressures due to the demographic change, the paper will finally demonstrate that – in line with better health of senior people – longer working lives will become a necessity. Hence, maintaining workers in employment should be promoted by training schemes, career guidance, part-time employment and gradual retirement schemes. Tapping the potential of experienced, knowledgeable workers is becoming ever crucial. In summary, upgrading the skills portfolio of individuals is one of the greatest challenges facing Europe today.

The policy background: challenges, changes and trends

The nature and scale of the economic, social, environmental, and governance challenges Europeans are facing are unparalleled. Humanity is headed towards nine billion people by midcentury. Demographic changes in the 21st century are confronting European countries with a substantial challenge. The global economic crisis has turned into a long-lasting unemployment crisis with a dramatic impact: European citizens will probably face labour markets with around 10 million fewer jobs now and over the next few years. EU citizens are confronted with a new *speed of change* regarding labour market trends such as non-standard and flexible work arrangements. Work-related training and employment guidance such as job-placement services can hardly keep pace with these developments. Comparing the speed of change, it seems that employment services are a bicycle-driver who tries to keep pace with a *Ferrari*, here standing for the labour market changes.

The *European Centre for the Development of Vocational Training* (CEDEFOP) projected substantial changes regarding the demand for skills on the labour markets: around seven million jobs are expected to be created in the period 2010-2020.¹ Demand for highly qualified people is projected to rise by almost 16 million. Conversely, demand for low-skilled workers is expected to decrease by around 12 million. Interestingly, CEDEFOP stated that “demographic change offers unprecedented opportunities to deepen rather than widen investment in human capital. Potential public budget savings resulting from the falling numbers of students could be used to improve the quality and effectiveness of vocational education and training (VET). ... The need for continuing VET and lifelong learning programmes can be expected to expand considerably as they are crucial to Europe’s efforts to reposition itself in the global economy and respond to the social challenges posed by ageing societies.”²

“Greying societies” can no longer afford employment practices that exclude older workers from the working life. Too valuable is the experience of older workers; too costly would it be to send them into *early retirement schemes*. In fact, the trend towards early retirement seems to have slowed down or stopped in all European countries. However, reversing this trend is highly unpopular: delaying the effective retirement age – currently at approx. 60 years within the EU – to the statutory retirement age – 65 years in several Member States – meets broad resistance. Some evidence points to the direction that continuous workplace training could encourage workers to stay on the labour market longer. Despite this insight, the value of older workers is still in question. Instead, a new perception has to be put on the agenda: older workers are experienced and mature, a valuable source of talent and skills, and willing, fit and able to work hard!

¹ CEDEFOP Synthesis Report *Skills supply and demand in Europe: medium-term forecast up to 2020*, 2009, p. 10.

² CEDEFOP Briefing Note *Will you still need me when I’m 64? – Training and demographic change*, November 2008.

The strategies of the European Union

On early March 2010, the European Commission presented the *Europe 2020 Strategy* identifying three key drivers for growth: smart growth (fostering education, knowledge and innovation), sustainable growth and inclusive growth (raising labour market participation, skills acquisition, fight against poverty).³ Progress of this vision for Europe's social market economy will be measured against *Europe 2020* objectives, for instance that 75% of the population aged 20-64 should be in employment by 2020. In order to meet the policy targets, the agenda "New Skills for New Jobs" aims at creating the necessary conditions in a time of strains on public finance while baby-boomers retire. During the last decade, the focus of the *European Employment Strategy* has been laid on raising employment and not just on reducing unemployment. Increased employment of older workers is seen as a lever to ease the burden of societal ageing and demographic change in Europe.⁴

In February 2010, the European Commission presented the report "New Skills for New Jobs: Action Now".⁵ One of the report's key findings is that investments in skills must be massive and smart. Skills are the "passport for the future". Providing the right incentives for individuals can be achieved through modern training methods, innovative matching tools and *learning vouchers*, a system which is applied for instance in Northern-Italian *Lombardy*. Making lifelong learning a reality is a core objective of the "Strategic framework for European cooperation in education and training" (ET2020). Member States committed themselves to putting in place coherent and comprehensive national lifelong learning strategies.

Substantial differences between national/regional labour market cultures

A recent *Eurobarometer* survey asked if governments should make it easier for older people to keep working after their retirement age, if they wish. The survey found remarkable differences in replies by nationality: almost nine of ten respondents in United Kingdom, Denmark, Finland and the Netherlands stated older persons should be helped to work if they wanted. At the other extreme, 55% of Greeks were opposed. A great share of the Greek population also believe that working people of retirement age would automatically steal jobs from the young. This believe is also popular in Cyprus, Hungary, Portugal and Italy. However, the assumption is wrong.

³ Further information: http://ec.europa.eu/eu2020/index_en.htm.

⁴ European Commission Communication *Increasing the Employment Rate of Older Workers and Delaying the Exit from the Labour Market*, COM (2004) 146, March 2004.

⁵ See: <http://ec.europa.eu/social/main.jsp?catId=568&langId=en&eventsId=232&furtherEvents=yes>; a member of the high-level expert group authoring the report is *Göran Hultin*, adviser to *Manpower*, former director at the ILO; speaker at the Conference "CAREER EU 2010" in Cyprus in May 2010.

Shedding a look at selected EU countries, the substantial *differences* regarding labour market cultures and job-placement practices become evident: In *Denmark*, the social partners (trade unions and employer organizations) are traditionally very influential and play a crucial role in the delivery of training, job-placement and career guidance services. *Germany*, for instance, is characterised by a rights-based welfare tradition: the recent *Hartz IV reform* foresees a recalibration of rights and obligations ('support and demand'); a gradual departure from job and status protection has been taken place because the distribution of generous unemployment benefits was financially no more sustainable. *Greece* has a relatively low degree of private recruitment and temporary work agencies providing job-placement services. *Portugal's* Ministry of Employment and Social Security centrally manages the delivery of training courses.

Finally, *Italy* has no full coverage of unemployment benefits for all sectors. However, since 2008 the Northern-Italian region *Lombardy* has put in place a comprehensive package of reform measures (the DOTE system)⁶: the services of over 600 regional labour market operators have been integrated into one system. Almost 10 million citizens from the region can choose out of a comprehensive catalogue which offers personalised services such as vocational education and training (VET) and career guidance (principle of freedom of choice). The *voucher-based system* allocates financial benefits for jobseekers or persons entering the labour market or in job-transition. To sum up, as Italy's avant-garde region *Lombardy* is moving away from the deeply-rooted "top-down policy making" towards a *participatory approach*. The regional "bottom-up policy approach" is emphasizing a service-delivery close to the citizens coupled with a new policy of outcome- and quality orientation.

The *CEFASS Foundation*, the "European Centre for Social Affairs and Public Health Care" based in Milan,⁷ has been initiating a series of *learning networks* on behalf of the Lombardy Region: groups of experts and practitioners share the goal of gaining knowledge by an exchange of experiences and good practices in the areas of labour market and VET.⁸ These learning networks – partly in cooperation with the Polytechnic University of Milan – provide therefore also a contribution to current regional reform processes.

⁶ See the website of the Regional Government of *Lombardy*: www.regione.lombardia.it; during the CAREER EU 2010 Conference in Cyprus, *good practices* are presented by eleven labour market actors of Lombardy.

⁷ See www.cefass.eu.

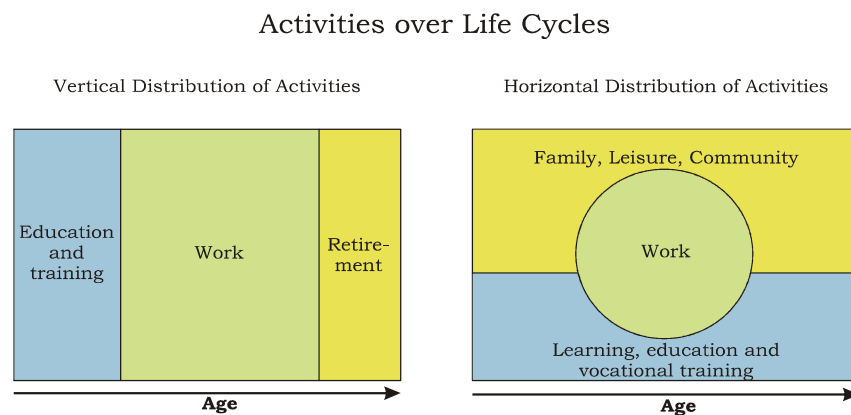
⁸ The *EU-Lifelong-Learning*-project "Community of Practice for extra-curricular Learning Models" (E-CoP), for instance, aims at increasing the level of participation in VET by reducing the rates of early school leavers and improving the quality of learning outcomes for learners/student (www.ecop-project.eu). The *European Association of Career Guidance (EACG)* – to be established during the *CAREER EU 2010 Conference* in Cyprus in May 2010 – intends to promote the cross-country cooperation by an *appropriate mix* of labour market and career guidance practitioners; the *EACG* seeks also to jointly participate in EU-funded programmes (<http://www.career-eu.info/index.php?id=12>).

The horizontal distribution of activities during the course of life

Traditionally, citizens' life-cycles have been vertically divided in the life-cycle periods 'education', 'work' and 'retirement'. This perspective – deeply rooted in our mindset – however no longer corresponds to the course of life of today's workers. The transition between the various stages of life have become more complex. Entering into the labour market and pursuing a career is often interrupted by periods of vocational training or maternity/paternity leave. Likewise, discontinuity through unemployment plays an increasing role in work biographies.⁹ The demarcation line between working as an employed wage earner and being self-employed has become difficult to draw in many countries. In addition, continuous vocational training has become a standard feature in modern working life.

Indeed, a new perception of the course of work/life is needed. In its *Green Paper on Demographic Change*, the European Commission concluded that one of the key priorities for the return to demographic growth is to find "new bridges between the stages of life" and to alter "the frontiers (..) between activity and inactivity".¹⁰ In the last decade, large parts of the socio-economic research community are steadily promoting a *horizontal life cycle approach* (see Figure below).¹¹

Figure: Activities over Life Cycles



Source: Geneviève Reday-Mulvay, International Association for the Study of Insurance Economics; further developed by the author

⁹ Dr Hubert Krieger, *New work biographies in Europe: a challenge to develop an EU work life policy*, European Foundation of the Improvement of Living and Working Conditions, 2004, www.eurofound.eu.int.

¹⁰ Communication of the European Commission *Increasing the Employment of Older Workers and Delaying the Exit from the Labour Market*, op. cit., p. 10-11.

¹¹ For instance Geneviève Reday-Mulvay, Expert at the International Association for the Study of Insurance Economics, *Working beyond 60: key policies and practices in Europe*, p. 21.

To transform the horizontal life cycle approach into concrete, consistent practice, large advances must be made to implement and co-ordinate employment, family, social and financial policies. However, serious knowledge gaps still persist with regard to new work biographies in a comparative perspective. Each generation ages differently. It is very unlikely that today's children will have the same sort of life cycle as today's adults. Correspondingly, social expectations of workplace training are inappropriate and take time to change. Society is still geared to the ageing patterns of the previous generation. Every generation perceives itself as justifiably different from the preceding generation, but plans as if the succeeding generation will be the same as its generation.

Less vocational training for older workers

Research provided by the *European Foundation for the Improvement of Living and Working Conditions* in Dublin indicates that older workers' employability can be enhanced by improving the *quality* of workplaces. One of the findings demonstrated that older wage-earners in low-quality employment with limited training possibilities withdraw from the labour market before the statutory retirement age much more than workers who profit from extensive training programmes until the end of their career.

In the OECD member states, on average 26% of employed persons participate in employer-sponsored *continuous vocational training* each year. In all OECD countries, the incidence of training tends to decline with age. In particular, the average training participation rate of workers aged 56-65 is about three-quarters that of workers aged 36-45. However, the country with the highest continuous vocational training volume and the highest participation rate is Denmark, where workers receive on average 36 hours of employer-sponsored continuous training per year. In France, since 2004 all employees are on average entitled to 20 hours' training per year by law.¹² Legislation also obliges companies to earmark financial resources for training purposes: the equivalent of at least 1.6% of salary. In French companies, works councils have to be informed about the aim of the various training programmes.

Is it more difficult for older workers to learn?

An important aspect of ageing and productivity is whether older workers have greater difficulty in learning new skills. Their pedagogical needs are known to be different from those of younger people. The training of older workers must then be designed to take full advantage of their experience and knowledge while introducing to them new ways of thinking and acting. "*Trainability*", i.e. the

¹² Droit Individuel de Formation (DIF); the DIF is supposed to depend on the employee's initiative but the employer has a duty to initiate the training programmes required to maintain people in their job.

aptitude to learn, is not easy to measure. However, the seven-country initiative International Adult Literacy Survey (IALS) is an important source of evidence about the relationship between age, productivity and trainability: the IALS indicates that literacy skills improve with practice and deteriorate if not used. Therefore, workers employed in a learning environment appear much less susceptible to a decline in trainability. Evidence proves that the productive potential of older people does not appear to be substantially impaired by the ageing *per se*. A decline in performance may be due to skills obsolescence or a burn-out phenomenon which may occur at any age and can be remedied through appropriate training practices or adaptation of working conditions. Training and retraining are therefore important factors in enhancing the employability of older workers.

Occupational prospects: high-qualified workers will be in demand

While all EU countries recognize lifelong learning "from cradle to grave" as a key factor for growth and jobs, the implementation of coherent life-cycle learning strategies remains a critical challenge. Efforts need to be stepped up at the national, regional and local levels in order to show real impact and direct benefit for individual learners. Most industrial societies have experienced a trend towards *individualisation* of training patterns. In the "Knowledge Society", investment in human capital becomes a *sine qua non* condition for future competitiveness. By extending training opportunities, the stage can be set for more flexible and hence more productive employment systems. However, it appears to be crucial to extend (re)training opportunities until the end of people's careers and not to reduce them from the age of 50 onwards.

With the ageing of the labour force, learning across the whole life-cycle takes on ever more importance: it keeps peoples' minds sharp and their employability high. To ensure that people are fit for occupational mobility and further learning, education and training policies should provide for occupational skills combined with *key competences* and *transversal skills* in initial, but also in continuing training. Sound labour market information and less linear approaches to learning and work will help people to adapt more quickly to structural changes.¹³

More life transitions – greater need for a life-cycle approach

The *shortage of skills* represent a substantial challenge for human resource managers, trade unionists and other labour market actors. It is an increasingly important task to support the transfer knowledge to the younger generation – for example by retaining retired employees as "mentors". As an example, numerous geophysicists and biologists of a R&D-company based in Belgium do not want to retire at the age of 65. What they want instead is to work *part-time*! If they were given a part-time consulting responsibility or enrol them in programmes called for

¹³ CEDEFOP Synthesis Report *Skills supply and demand in Europe: medium-term forecast up to 2020*, 2009, p. 15.

example “Mentoring younger people”, then great satisfaction on several fronts would be triggered. *Reskilling* people in obsolete roles, *upskilling* the unemployed for new opportunities and *retraining* older workers for less time-consuming positions are the key examples on how training can open access for large pools of talents, which may be going untapped today.

Can Europe generate and keep the skills that its labour markets require? Essentially, Europe’s skills challenge does not seem to be one of quality (of people) nor of quantity (of graduates and trained individuals), but rather one of *matching* (between what education system produce and what industry and society need) and of *fluidity* (ability of the skills pool to undergo continuous change in its geographical and sectoral distribution, and to adapt to new challenges and concerns).¹⁴

Age Stereotypes	
<u>Younger Workers</u>	<u>Older Workers</u>
<ul style="list-style-type: none"> ▪ not likely to stay ▪ unreliable 	<ul style="list-style-type: none"> ▪ difficulty with change ▪ little return on investment ▪ out of date / technophobic ▪ poor health
<u>But also...</u>	<u>But also...</u>
<ul style="list-style-type: none"> ▪ enthusiastic ▪ new ideas ▪ willing to learn ▪ cheaper 	<ul style="list-style-type: none"> ▪ stable ▪ experienced

Enhancing the employment rate of the elderly means taking a lifelong perspective on the need for *continuous vocational training*, ensuring that across the labour market regular, tailored training becomes a habit for all ages. Increased training of workers aged 50-plus can both increase their productivity and defer their labour market exit. Not only employers, also chambers of commerce and industry and the trade unions have a crucial role in promoting *learning-conducive workplaces* which release the learning potential of employees.

Conclusions: core features for life-cycle training

Continuous training involves *costs* which are to great part born by taxpayers. This demand on public resources may be moderated if more private investment can be stimulated. There is however a lack of information on vocational training services and their expenditures involved. This makes it difficult for policy-makers and private training provides to know what benefits they are getting for their investments.¹⁵

¹⁴ European Business Summit Report *Who cares? Who dares? Providing the skills for an innovative and sustainable Europe*, March 2009, authors: Bruno Lanvin, Nils Fonstad, INSEAD eLab team.

¹⁵ OECD, *Career Guidance: A Handbook for Policy Makers*, 2004, p. 49.

If decision makers want to involve more elderly citizens in the labour market, the focus should not be limited to the 50-plus age cohorts. *Employability* and ageing in a healthy way means being active and receiving continuing training input throughout the life cycle. Paradoxically, overall measures aimed at those over 50 without distinction, are likely to aggravate them: efforts to change attitudes by promoting positive images of older people can end up reinforcing *age-related stereotypes*. Every statement that an older worker is more reliable sends out the message that a younger worker is unreliable.

The Employers Forum on Age (EFA), a network of leading British employer organisations,¹⁶ is promoting an even-handed campaign proclaiming that, in the long term, discrimination against younger workers can be counterproductive to an appropriate age-management policy. Work *adaptability* means upskilling and adjusting competences from the beginning of a career path. For a holistic, age-neutral human resource policy the OECD suggests to support the productivity of older workers by adequate wages policies.¹⁷

To recapitulate, effective lifelong training and active labour market policies need to have a number of **core features and recommendations**:

- Ease of *access* to training schemes for all ages and over the lifespan
- Training must become *age-neutral*, i.e. an attractive option for younger, medium-age and experienced workers alike
- Innovative *guidance* for the tailored training scheme delivered to a large range of citizens
- Improving the access to *educational and labour market information* for tailored services, allowing thus “informed choices” of citizens of all age groups
- Tailor-made continuous training for older workers combined with *part-time* employment and *gradual retirement schemes*
- Finding *cost effective ways* to deliver training, for instance by providing strong incentives for private VET institutes

To sum up, age still reinforces the inequalities in access to continuing training which separate wage-earners according to their socio-professional group from the beginning of working life. However, in a greying society threatened by job losses in tailored training effective career guidance for all age groups are the key tools to *bring people into work*: because – from a human point of view – nothing is more rewarding for a person than to receive a paycheck at the end of the month; nothing has a bigger impact on her/his self-confidence and self-respect than to recognize: “I have earned this money for me and my family.”

¹⁶ See the EFA's website: <http://www.efa.org.uk>.

¹⁷ OECD Working Paper No. 420 *The Impact of Ageing on Demand, Factor Markets and Growth*, March 2005, www.oecd.org/eco, pp. 5-6.

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