

Commissioner László Andor's speech at the Talent Support event, Budapest, 9 May 2014

Ladies and gentlemen,

Europe's greatest asset is its people, their skills, creativity and inventiveness.

But while talent may be there at the start, it needs cultivating and skills need developing.

I would like to highlight four points today:

- the consequences of wasting talent;
- the need to modernise education and employment systems;
- the need to invest in human capital; and
- the available financial support from the EU for this purpose.

The first point is to avoid wasting talent.

The first obvious waste is unemployment and under-employment.

Around 26 million people are out of work across the EU, including 6 million young people.

And around 19.5 million people are under-employed or have stopped looking for a job.

We also waste talent by under-utilising women's potential.

The OECD¹ has calculated that reducing the gender labour-force participation gap by half could bring a 6.2% gain in GDP across 21 of its member countries by 2030, and another 6.2% gain if there were full convergence.

Moreover, even when women are in employment, they tend to work far fewer hours than men.²

¹ Thevenon, O., Nabil, A., Adema, W. and Salvi del Pero, A., (2012), 'Effects of reducing gender gaps in education and labour force participation on economic growth in the OECD', OECD Social, Employment and Migration Working Papers, No 138, DELSA/ ELSA/WD/SEM(2012)9.

In terms of full-time equivalent, the gender employment gap goes up from around 10 percentage points to more than 20.

Some Member States have found the right policy mix combining flexible working arrangements and long part-time positions for parents, incentives to share unpaid work within the couple, and available, affordable, quality childcare.

But in many cases where people are employed, their talents are often wasted because their skills do not match the work they perform — and the mismatch is growing.

One in every three European employees are either over- or under-qualified for their job, particularly in Mediterranean Member States.

Over-qualified individuals are more likely to earn less and have less job satisfaction. At the same time, firms employing them are more likely to have high worker turnover.

Nurturing talent calls for more than just managing our human resources responsibly.

It means making the most of the skills available on the labour market across the EU.

The issue of wasted talents is intimately tied up with some countries' concern about a brain-drain.

Where unemployment is high, finding a job abroad rather than remaining unemployed may benefit the individual and the home country.

But when many workers go abroad over a long period, this may be a problem for public finances and the sustainability of the social security system. Labour outflows can also result in specific workforce shortages in certain sectors, such as healthcare.

Statistics show that recent mobile EU workers tend to be young, — twice the percentage of the population in their home countries.

That percentage is even higher among mobile EU workers from the Central and Eastern Member States. 56% of mobile Hungarian workers are aged 15 to 34, compared with 26% of the total population.

But it's not only the highly qualified who migrate. In the eight Central and Eastern European countries that joined the EU in 2004, the percentage of mobile citizens with a tertiary education is only slightly higher than in the total population (31% versus 28%), while it is even lower in the case of Bulgaria and Romania (17% versus 21%)

Overall, the Central and Eastern European Member States do not seem to be affected by a significant brain-drain, and the rise in enrolment rates for tertiary education may offset the outflow of skilled labour.

Moreover, those who leave often return with new skills and more experience.

Ladies and gentlemen,

My second point is about modernising our education and employment systems and bringing them into line with labour market needs.

Young people need to come out of the education system with knowledge and skills that enable them to find sustainable, quality employment.

Unfortunately, even with today's high supply of unemployed people looking for work, not less than 40% of employers complain of difficulty in finding candidates with the right skills.

There is scope for reforming general education in most countries, and in particular reducing the inequalities in the quality of education.

Another problem is that there are not enough offers of work-based learning, apprenticeships and traineeships in many countries. Public employment services need to tailor support to young job-seekers and improve their outreach.

And we need to prevent early school-leaving, ensure no one leaves the system without basic skills and improve the labour-market relevance of curricula.

In 2013, 22 Member States received country-specific recommendations in this area.

They called for action to push ahead with reforms and align higher education on labour market needs, step up cooperation between education, research and businesses, improve access to inclusive education for the disadvantaged, and improve the quality and accessibility of apprenticeships.

We are now in the process of preparing the 2014 updates of these recommendations, taking account of progress achieved over the past year.

Some countries have introduced measures to facilitate the shift from school to work and have focused on improving vocational education and training systems.

But the availability of decent labour market opportunities for young people also needs to be improved.

For instance, companies tend to make excessive use of temporary and atypical work contracts that trap young people in precarious and badly paid jobs.

That is why the Commission provides the Member States with guidance on reforming their labour markets to combat segmentation and make it easier to get into the labour market.

But the key initiative which the EU has recently taken to improve transitions from school to work is the recommendation that every country should roll out a Youth Guarantee scheme.

The EU recommendation on establishing a Youth Guarantee calls for young people up to 25 to receive a good-quality offer of employment, an apprenticeship, a traineeship or the chance to continue their education within four months of leaving formal education or becoming unemployed.

Quality apprenticeships and traineeships involving a high learning component can help increase employment and reduce unemployment.

The implementation of the Youth Guarantee is supported by a European Alliance for Apprenticeships, under which many companies have undertaken specific efforts to extend their apprenticeship offers. Another important element is the recently agreed Council Recommendation on a Quality Framework for Traineeships, which should help ensure that traineeships are real stepping stones to quality employment, with clear conditions and a good learning content.

Ladies and gentlemen,

My third point today concerns the need to invest in the human capital of Europe's disadvantaged citizens.

Improving people's skills and capabilities is crucial to tackling intergenerational inequality, helping people out of unemployment, poverty and social exclusion and preventing disadvantage from compounding problems.

In 2012, the at risk of poverty rate for people with the lowest level of education was 24%, that for people with a medium education level was 14.5%, and that for people with a tertiary education was 7.5%.

Studies show that children growing up in poverty have lower education achievement scores, and the gap between their scores and those of students from higher-income backgrounds widens over time.

Educational attainment has impact on income, and earning in working age can affect retirement pensions.

The Commission's Social Investment Package provides strategic policy guidance for modernising European welfare systems.

The Package and the Recommendation on Investing in Children highlight the importance of investing in people's skills and capabilities to maximise their opportunities, and of investing as early as possible in children and young people to improve their opportunities and prevent disadvantage from compounding.

The Commission has urged the Member States to increase investments in inclusive, good-quality early-childhood education and care, which help improve children's cognitive and social development and can even out the level reached by disadvantaged children and their better-off peers.

Preventing early school-leaving through holistic, personalised assistance to struggling pupils can help children obtain at least a basic qualification and ultimately improve their social and employment situation.

The Package also highlights the need for inclusive education systems and the elimination of school segregation.

Evidence from the Fundamental Rights Agency shows that in some Member States migrant children are systematically segregated from native-born children, and Roma children are often misdiagnosed as having special educational needs and excluded from mainstream schooling. Currently, 45% of Roma children appear to be in segregated schools or classes.

The EU has issued country-specific recommendations to nine Member States — Bulgaria, Germany, Estonia, Finland, France, Hungary, Luxembourg, Romania and Slovakia — where access to education and training for the disadvantaged is a special issue. In particular, focusing on better access to quality early childhood education for disadvantaged people, including Roma, was recommended to Slovakia, Romania and the Czech Republic.

But investment requires money, which brings me to my fourth and final point: the EU's financial instruments that support social investment.

The European Social Fund is our main financial instrument for supporting job creation and building a more inclusive society.

The ESF amounts to over €80 billion euros over the years 2014-20.

Of every country's national allocation from the ESF, at least 20% must go towards measures to promote social inclusion and combat poverty.

Moreover, we have a smaller financial instrument managed directly by the European Commission, whose purpose is to pioneer innovative solutions to social challenges. It is called the Programme for Employment and Social Innovation.

With an overall budget of around €919 million for 2014 to 2020, it can make more resources available for social innovation, social entrepreneurship, microfinance, and mutual learning between government bodies and non-governmental organisations working in the fields of employment and social policies.

Ladies and gentlemen,

The talents we are born with need nurturing and fostering.

They are the key to our future prosperity.

But we need to safeguard and upgrade people's potential, help them acquire new skills and experience, and expand our workforce to include the jobless, the disadvantaged and the vulnerable.

That will help us build a more inclusive and more successful society, reducing social costs and bolstering our competitiveness.

This is something that society needs to do as a whole.

Thank you.