

**Keynote speech of Commissioner László Andor at the High-Level Policy Roundtable on Human Capital in Cities and Regions, organized by the Lisbon Council**

*Brussels, 28 February 2011*

Ladies and gentlemen,

First of all, I would like to thank you for your kind invitation to address this event organised by the Lisbon Council.

The subject of the roundtable is very timely: we all know that our human capital — our workforce — is our most valuable asset. If we want Europe to be the sort of place we want to live in by the year 2020, we need to make sure we can compete, that our way of life is sustainable and our society remains cohesive in spite of the changes which it is and will be undergoing.

That is precisely the aim of Europe 2020 — the EU's strategy for achieving smart, sustainable and inclusive growth in the coming decade.

As you know, the strategy sets key targets to meet over the coming decade in the employment, innovation, education, social inclusion, climate change and energy fields.

Of the five headline targets of Europe 2020, no less than three call for decisive action in — or are crucial to — the employment area.

These targets aim to have:

- 75% of men and women aged 20-64 in work;
- a school drop-out rate of below 10%, with at least 40% of 30-to-34 year-olds having completed tertiary education;

- at least 20 million fewer people in or at risk of poverty and social exclusion — all by 2020.

It is clear that one of the key preconditions for meeting our objectives is that people have the right skills. Jobs in the future are likely to be more knowledge-intensive and to demand higher skill levels. The Commission expects that jobs requiring highly-qualified people will rise by almost 16 million between now and 2020 in the EU, while those held by low-skilled workers will decline by around 12 million.

So we are bound to ask:

- Will our workforce be able to fill the jobs of the future – or will these jobs move to other parts of the world?
- Will we see harmonious development across Europe – or will there be persistent divergences between centres and peripheries? Where and how can we best invest into skills – and which skills?

We know that many regions have improved their performance in the past. In 2009, one person in four across the EU (aged 25 to 64) had a tertiary-level qualification. That's a big improvement on the year 2000, when the ratio was less than one to five. Various projections for the next decade show that the most highly educated section of the working age population will increase further still – in percentage terms – in a large majority of European regions.

So it looks — at least on paper — as if we are heading in the right direction, in particular with ever better qualified younger people.

Yet a number of problems remain.

First, we must not forget that progress is uneven across the Union. There is certainly scope to do more in a number of regions, particularly in Central, Southern and Eastern Europe. And also, besides the improving figures on higher education, we

have to consider that there are still many poorly educated and low-skilled people, even in places with some of the best universities. Unemployment rates are obviously highest in the lowest-skilled group, and we have seen also an increase in the number of people who are neither in education nor employment nor training. If nothing is done, the scissors between those who benefit and those who do not will continue to open.

Secondly, although qualifications of young people are rising on the average, we cannot be sure that they will have the right skills to fill the jobs of tomorrow. Thus, shortage of qualified labour in certain sectors could coincide with high unemployment.

We have made good progress in anticipating and matching demand supply of skills more accurately. CEDEFOP – the European Centre for the Development of Vocational Training – has done a lot of work in this area, and I am grateful also to the Lisbon Council for their contribution. But no single system for anticipating skills can equip people with the right qualifications and skills at the push of a button.

Skill needs have to be addressed where they matter, and that may be at national, regional, sectoral or local level. And because we know of the uncertainties surrounding efforts to anticipate skills, it is important to have complementary analytical systems and support measures at the different levels.

Among the seven flagship initiatives of the Commission in the context of Europe 2020, the Agenda for New Skills and Jobs is specifically geared to developing a skilled workforce that can meet labour market needs. One of the key proposed actions at EU level is the creation of an EU skills panorama as a central access point providing skill-related information across the EU. Currently, information is scattered among different places, which makes it difficult for both individuals and institutions to find information about skill needs in the EU. Our ambition is to build on available technologies and data to provide a pan-European picture.

Because of wide differences in approaches to anticipating skills, the panorama will not be, at least initially, a harmonised information source on skill needs. But it can show the results of different approaches at national, sectoral, or regional level.

What is equally important is that establishing the panorama will involve setting up a pan-European network of institutions involved in skill anticipation.

At first sight, much of our work in the Commission takes place at national level with the Member State governments. But a closer look shows that the very nature of what we are doing means we often involve local and regional actors in a very practical manner.

A good example is the work we do with the public employment services. These are the key producers and also the key users of intelligence on the labour market situation. Their services to individuals are of necessity delivered at local level, and the information they collect on future skill needs is often gathered at local or regional level too.

In the work of public employment services, it is important that training corresponds to the specific skills needs and perspectives on the ground. Best practice can be taken, for example, from the Labour Market Monitor operated by the German Federal Employment Agency: it is an internet-based tool enabling to compare the educational performance, job market structure and employment risks for every respective district in the country, and therefore it also helps the public employment services to deploy the right skills and learning measures where they are needed.

This type of analysis is very much needed in order for labour market policies to be effective and it is an important inspiration for the use of our financial instruments, in particular the European Social Fund. The ESF is our main tool for investing in people and updating and upgrading their skills. As I mentioned last week in the Committee of Regions in the context of a debate on the "territorial pact", regional and local authorities have a key role to play in delivering on the Europe 2020 targets.

We want to make maximum use of cohesion policy instruments for reaching the Europe 2020 targets and therefore we should also make the most out of multi-level governance. The partnership contracts between the Commission and the Member States will provide an opportunity for enhanced partnerships between national and regional levels, and we encourage planning of investments on the basis of local development strategies which take into account the big picture. To this end, the ESF can also provide support for setting up and improving systems for anticipating skill needs.

I have so far spoken mainly about action on the part of the public sector, such as educational institutions or public employment services. However, it is also very important that we make maximum use of the potential contribution of the private sector.

Companies are both users and providers of skills. They are also key actors for local development in regions and cities. As part of their corporate social responsibility they can contribute to local development by providing or facilitating training of various kinds:

First, they can provide finance for vocational or on-the-job training that benefits the company, the body and the local area, in partnership with a public authority or an educational institution.

Secondly, they can provide mentoring or coaching, especially for young people. They can do this on the company's premises, or during visits to local schools. Such visits can provide an important opportunity to give the students career advice.

Thirdly, companies can give their employees the chance to engage in volunteering or the freedom to devote pro-bono resources to capacity-building in local special interest groups or to individuals with special needs.

This may be very positive for employers too, since it gives their workers new work experience, a change of scene, a sense of empowerment and extra knowledge, as

well as offering an opportunity to those they help. The Commission has financed a number of projects in this area.

So I would like to conclude by encouraging local and regional partners, like yourselves, to look at the skill needs in your local area. It is important to consider both the general implications of the knowledge economy and the local context, and to invest in skills accordingly.

There is a need to establish multi-stakeholder partnerships to reduce the mismatches, achieve large-scale skills improvement and boost employment across our regions.

Engagement between the public and private sector and across governance levels will benefit all concerned.

Thank you.