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From:	Permanent Representatives Committee (Part 1)
To:	Council
Subject:	EMCO Key messages on policy responses to skills shortages and on the implementation of the upskilling Pathways Recommendation - Endorsement

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Delegations will find attached the key messages from the Employment Committee (EMCO) with a view to the Council (EPSCO) meeting on 19 March 2020.

Following the cancellation of the Council session on 19 March, due to the outbreak of COVID-19, the adoption should be done as an A item in a forthcoming Council session.

## **Key messages on policy responses to skills shortages and on the implementation of the Upskilling Pathways Recommendation**

The principle that everyone, including adults, has the right to quality and inclusive education, training and life-long learning is the first of the 20 principles of the European Pillar of Social Rights. Increased participation by adults in education and training is a key objective of the Employment Guidelines.

The Recommendation ‘Upskilling Pathways: New Opportunities for Adults’ was adopted in December 2016 by the Council of the European Union.

Through the Council Recommendation on Upskilling Pathways (UPs), Member States committed to put in place upskilling pathways to improve employment opportunities and active participation in society of adults with low levels of skills, knowledge and competences (e.g. adults without upper secondary education). This would contribute to the objective of up-/re-skilling the whole workforce and enhancing social inclusion and cohesion for adults struggling with basic skills.

The Recommendation sets out a ‘pathway’ designed around three steps: a skills assessment to identify existing skills and upskilling needs; a tailored learning offer designed around this assessment and focusing on addressing basic skills gaps (literacy, numeracy and/or digital skills); and opportunities to have the acquired knowledge, skills and competences validated and, where possible, recognised towards a qualification at EQF level 3 or 4. These three steps are to be accompanied by outreach, guidance and support measures such as awareness raising on the benefits of upskilling, information about opportunities available and incentives for those least motivated to take advantage of these.

The diversity of the target groups and the fragmentation and complexity of the policy interventions in this area often result in a lack of systematic approaches to upskilling the workforce and a lack of awareness of the socio-economic benefits of doing so. Therefore, the Recommendation aims to steer the set-up of a coherent policy intervention linking existing targeted interventions and resources to improve and consolidate support for low-skilled/ low-qualified adults, and develop effective coordination and partnerships across policy fields.

In the context of the European Semester, the Employment Committee (EMCO) conducts annual multilateral surveillance reviews of the implementation of reforms by the Member States. In the fields of education, skills, vocational education and training (VET) and adult learning this is done jointly with the Education Committee. Multilateral surveillance plays an essential role within the European Semester framework, ensuring that the knowledge-base and policy consensus achieved in Council on interrelated challenges are used to assess and support Member States' reforms. Within the existing governance framework of the European Semester, further developing the dialogue between the Employment Committee and the Education Committee may enrich discussions on relevant reforms and investments<sup>1</sup>.

On 7 November 2019, the EMCO Policy Analysis Group conducted a thematic seminar on skills shortages during which selected Member States presented their policy responses to skills shortages and exchanged views, also with social partner representatives, on the implementation of the Upskilling Pathways Recommendation. The seminar aimed to draw synergies with the discussions held on 6 November 2019 at the High Level Conference on 'Skills Mismatches: analysis and policy challenges'.

It was also recalled that the Council in June 2019 adopted conclusions on the implementation of the Upskilling Pathways Recommendation 'New Opportunities for Adults' reconfirming member States commitment to step up efforts for its implementation.

*The following messages provide an overview of the discussions during this thematic seminar:*

**Low-skilled people represent a high percentage of the EU working age population** and more strategic, sustainable and coherent approaches are needed to support them into accessing and progressing through upskilling pathways. Continued efforts to limit and prevent early school leaving are also needed to tackle the challenge of low education achievements. There is an overall need to address the gender gap in labour market participation and to simultaneously achieve a more balanced representation of women and men across fields of education, occupations and sectors.

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<sup>1</sup> A joint meeting to discuss EMCO and EDUC collaboration on issues related to education, training and skills in the European semester is planned for 11 March 2020

**Mismatches between qualifications and job requirements remain a long-standing challenge** for several Member States. Skill shortages are impeding growth because of the entailing high productivity cost in many economies across the EU. Moreover, shortages in skilled workers hinder innovation in companies.

Across Europe, the transformation of the labour market linked to digitalisation and transition to a carbon-free economy will continue to result in job displacements and replacements and in changing skills needs. **Education and training need to become more agile** and to adapt to take into account the evolving needs of the labour market. People on the labour market at all skills levels need to be empowered to take up upskilling and reskilling opportunities to be able to adapt to changing skills needs. Therefore, the efforts for upskilling low-skilled people should be complemented by broader upskilling of the entire working age population.

At the same time, it is **important to identify the nature of the skills needed**, ranging from job specific skills to digital skills and 21<sup>st</sup> century skills, including a broader set of transversal skills such as critical thinking, adaptability, capacity to learn and relearn etc. It is equally important to recognise that such skills are best learnt on the job, thereby requiring close cooperation between education and training, employers, and social partners.

**Work-based learning and apprenticeships can play an important role in alleviating skills shortages.** Therefore, efforts should be made to increase the quality and attractiveness of apprenticeships, as well as to improve working conditions - in line with the criteria identified in the 2018 Council Recommendation on a European Framework for Quality and Effective Apprenticeships. In this context, sectoral social dialogue is very important.

**Vocational education and training (VET)** is at the centre of reforms in several Member States, aiming to **create a closer link between educational outcomes and labour market needs**. Some measures in this field foresee linking education with the labour market in the framework of apprenticeship systems. In some cases, mechanisms to improve skill needs forecasting have been set up. New training opportunities for the unemployed and priority groups such as young people, or people in employment in low skilled low wage jobs have been introduced in several Member States. Tailored approaches are needed for all these different target groups.

**Good labour market intelligence (LMI)**, including reliable skills forecasting systems, in particular at regional and local level, **is needed**. The available data should be effectively used for policy-making but also for career guidance and for the adaptation of the training offers. LMI, together with other digital services, such as skills recognition tools and self-assessments can enforce people's career management skills. A coherent approach to the governance of skills policies is key to bringing together many small-scale, disparate initiatives. It requires closer cooperation between education and training, businesses, social partners and other relevant stakeholders.

At a time of fast technological change, ageing and globalisation and the emergence of new forms of work, **adult learning is key to maintaining a productive labour force and facilitating longer working lives**. This was also discussed in the October EPSCO policy debate on "Matching skills and labour market needs in the changing world of work" and in the recent joint policy debate of the EU Ministers of finance and education on the importance of effectiveness, efficiency and quality of education and training for a strong economy.

Evidence confirms that, in particular, **the low-skilled tend not to take part in adult learning activities** and, in consequence, risk being locked in a "low-skills trap". The skills and education levels of the working-age population are linked to their success in the labour market and engagement and participation in society. Adults with high levels of proficiency in literacy, numeracy and digital skills have a much lower probability of being unemployed or inactive than those with low levels. In many European countries job and wage polarisation has in turn contributed to rising inequality and to a higher risk of poverty.

Therefore, it is essential to **invest in human capital, skills and life-long learning to help people address the employment and social challenges ahead**. Addressing the low-skills challenge requires a long-term systemic approach and needs to be accompanied by appropriate and sustainable funding resources and mechanisms. Adequate levels of both private and public investment should clearly be stressed, as only a combined effort would allow addressing the existing major funding gaps in this area.

It is also **essential to motivate both employers and employees to invest in upskilling and reskilling**, as the lack of information on the benefits often impedes action. Strong guidance and validation arrangements should be in place to support people's progress in their learning pathways and get recognition for skills acquired in different learning environments and settings. It is important to offer women and men equal access to continuous learning and upskilling. Upskilling opportunities are needed also for the employers, especially in the case of small and medium sized enterprises, not only for their employees.

Regional disparities within some countries are significant, and it is important for national governments to work together with social partners at local level. Appropriate governance structures **linking the regional, national and sectoral level are essential** for effectively tackling the skill shortage challenge.

More efforts should be made to improve the quality and labour market relevance of education and training systems in order to reduce the existing skills mismatches and to increase the skills level of young girls and boys at high risk of early school leaving. Moreover, **closer cooperation between education and training institutions, businesses, employment services and social partners is necessary** in order to address skill mismatches and to support the upskilling and reskilling of people to help them reach their full potential.

In all these endeavours, a strong focus should be placed on acquisition of digital skills at all levels.