Investment in skills for competitiveness and inclusiveness

EU stands at a juncture

Pre-crisis

- Record employment but increasingly divergent “worlds of work”. Many Europeans feeling “left behind”. Digitalisation has added to growing spatial disparities.
- Skill constraints have posed persistent problems for firms. In 2017-2019, more than 70% reported skill constraints as a barrier to investment, innovative firms more often.
- Digitalisation has changed skill demand. Digital skills are increasingly sought but 42% of Europeans still lack basic digital skills.
- Structural learning inequalities.

Current situation

- Short-term work schemes continue to mitigate the rise in unemployment, but some 20% of firms expect long-term employment reductions due to COVID-19. Non-digital firms are more pessimistic.
- 73% of firms in the European Union still report skill constraints.
- Digitalisation and education helped mitigate individuals’ unemployment concerns.
- Post-pandemic labour markets could see a rise in skill mismatches that coincide with higher unemployment.
- Learning inequalities persist, with COVID-19 deepening some divides.

Twin transition comes with risks – but also opportunities

Twin transition risks across EU regions

- Risks to employment stem from automation and job losses in carbon intensive industries.
- Employment outlook of digital firms is more resilient.
- More digital firms have added jobs than non-digital peers and employment is better-paid.
- Regions with higher job risks from the twin transition are often poorer, less densely populated and with some structural difficulties in labour markets.

Clean energy jobs growth

- Clean-energy employment is set to increase to over 11mn jobs by 2030, with about 60% in highly skilled positions.
- More digital firms have added jobs than non-digital peers and employment is better-paid.
- More digital firms seeking skills invest in training.
- Employment outlook of digital firms is more resilient.
- Most advanced digital firms more optimistic on job creation effects of new technologies.
- Interest in e-learning surged during lockdown, particularly in Central and Eastern Europe.

Policy implications:

- A greener and more digital economy stands to generate sustainable benefits but does not inherently promote social inclusion. The right mix of short-term measures and long-term strategies are needed to advance social cohesion. Investment needs to focus on people for the twin transition to succeed.
- Action should focus on unlocking job opportunities of greening and digitalisation. For green jobs to materialise, Europe needs to invest and set the right incentives. A workforce well-equipped with the right skills supports digital innovation and the creation of quality jobs. Supportive labour market and welfare policies need to accompany structural transition.
- Strengthening local capacity and transition planning can help regions to better address transition risks.
- Learning is paramount for people mastering changes in labour markets and for the European economy to generate broad-based economic growth looking ahead. Digital technologies can help to broaden learning but existing learning inequalities must be addressed to fully leverage their potential. Investment in education and social infrastructure is needed to address learning inequalities.