

**EUROPE BY ENHANCING LABOUR FORCE SKILLS****THESSALONIKI, 21-22 APRIL 2005**
SUMMARY REPORT

INTRODUCTION/BACKGROUND

As part of its objective to facilitate sustainable economic development underpinned by appropriate social policies, one of the key tasks of Working Table II (WT II) of the Stability Pact is to ensure convergence between its traditional economic development activities and those related to social policy development in South Eastern Europe. Hence, WTII has developed the umbrella theme “Enterprise Development and Employment Generation” to describe a series of activities that complement and enhance existing initiatives in areas such as the Investment Compact, the European Charter for Small Enterprises and the Bucharest Employment Process.

At the Conference on Entrepreneurship and Employment, co-organised by the Stability Pact, the Romanian Chairmanship of the SEECP and the Irish EU Presidency in Bucharest in May 2004, one of the main conclusions was that education and training need to be further geared towards employability and entrepreneurship. To ensure implementation of this recommendation, participants called for a workshop to be organised as a follow up to the Conference. In response, the European Training Foundation (ETF), in co-operation with WTII, organised a workshop on ‘Training for Employability: Attracting Investment and Increasing Employment in South Eastern Europe by Enhancing Labour Force Skills.’ This workshop was held at the CEDEFOP training facility in Thessaloniki on 21 and 22 April 2005.

The event brought together individuals from ministries of economy, labour and education, private sector representatives, social partners and donors. Many of these individuals participate in different WT II initiatives such as the Investment Compact or the Initiative for Social Cohesion but do not meet regularly. Structured around three parallel working groups, the event provided an opportunity for the different networks and experts to come together, exchange views and brief each other on issues related to skills requirements in transition economies, education and training of the workforce, and the impact of donor activity on policy development. This exchange of views outside of traditional networks is a key benefit of this umbrella process.

KEY ISSUES DISCUSSED

During the opening session of the workshop, skills requirements and the investment climate in transition economies were discussed. As noted by the Chairman of the Business Advisory Council for SEE, among the incentives to invest in South Eastern Europe are adequate regional market size and export potential, progress towards market liberalisation, relatively low labour costs and the prospect of EU membership. Economic growth and foreign direct investment in the region are still low, however, with private sector development constrained by a relatively high share of public sector employment, a large informal sector, and insufficient investment in SME development and human capital. Initial results of labour market reviews conducted by the ETF demonstrate the need to address employment legislation rigidities and structural

problems related to taxation and social protection systems. Today's largest labour market challenge is reallocating labour to higher productivity jobs, and it is here that education and training can facilitate the development of skills to support the economic restructuring process. Although education participation and attainment levels of the population have been improving in many of the SEE countries, more resources are needed to ensure the quality of vocational education and training.

The first working group, moderated by the Investment Compact, focussed on ***Skills Requirements in Transition Economies- the Investors' View***. Participants discussed the skills which enterprises seek in their workforce and sought to identify skills gaps existing in today's workforce. With persistently high unemployment rates in South Eastern Europe, the primary focus of the discussion was on the need to create new jobs. A very broad range of promising sectors were identified, illustrating that the region is open to many possibilities and opportunities. However, participants recognised that the worldwide competition for foreign direct investment is fierce and therefore it is crucial that countries formulate proactive job creation policies that target specific sectors where SEE has a competitive advantage. A number of skills desired by enterprises, and found to be somewhat lacking in the SEE workforce can be classified as "soft skills" and include corporate social responsibility, management and business development, analytical skills, teamwork and adaptability. However, the lack of research means that the real skills of the labour force are difficult to document, and a thorough and systematic study of existing skills gaps is needed. The importance of job creation by domestic companies was also highlighted and it was noted that enterprises, especially smaller ones, can do more to invest in the training of their workforce and better articulate the skills which they seek.

The working group ***Ensuring an Employable and Adaptable Workforce*** was moderated by the ETF and discussed the extent to which education and training respond to the skills required for economic change. It also sought to identify how training can best enhance employability and entrepreneurship. Presentations on experiences in Slovenia, Romania and UNMIK/Kosovo – all at different stages in their political and economic transition - illustrated how active labour market policies and investment in education and training programmes can bear fruit and that countries were encouraged to learn from each others experience. It was acknowledged that the economic transition process is far from over in all countries and hence programmes must remain flexible and adaptable. Greater interaction between training institutions and enterprises is needed to ensure that the right type and quality of training is offered, whilst capacities to identify, monitor and evaluate skill requirements also require improvement. The difficulties in assessing market needs, predicting future skills requirements or linking active labour market policies to different phases of the economic cycle must not prevent governments from investing in vocational education and developing a long-term vision for the future which includes stakeholders at local, national and regional level.

In the working group on ***Linking Donor Support to Policy Development***, the Stability Pact moderated the discussion that focused on lessons learned from successful donor projects aimed at enhancing workforce employability and adaptability and the extent to which such projects have had an impact on policy development. Donor activity in South Eastern Europe in this field has generally been very encouraging, and human resource development is increasingly being recognised as a key area for investment, with strong emphasis on capacity building, social partnership, life-long learning and equal opportunity. Donor co-ordination has improved significantly in the past 2-3 years, although in some instances the different policies of different donors are incompatible and can create problems in the delivery of assistance. There is some concern regarding the degree of sustainability of donor programmes. Their long-term impact depends upon various conditions, such as whether the project forms part of long-term

vision and strategy, the degree of co-ordination among donors and local interlocutors to ensure proper implementation and monitoring, and the extent to which programmes are 'home-grown' or successfully adapted to local circumstances. Success moreover depends upon the absorption capacity of recipient countries, consensus and accountability among key actors, and the involvement of all social partners and civil society.

During the workshop's closing session on ***Enhancing the Climate for Entrepreneurship***, a British business education and enterprise charity – Business Dynamics - which uses volunteers from companies to introduce students to the concept of entrepreneurship and provide them with the know-how to bring a business idea to life was showcased. This presentation facilitated a discussion on training programmes already existing in South Eastern Europe, and encouraged further study as to whether a similar initiative could be developed in the region. A proposal by the European Commission, in co-operation with the European Training Foundation, was also circulated, which seeks to undertake a strategic study of the entrepreneurship learning environment in the Western Balkans. The primary outcome of the assignment would be a range of recommendations as to how entrepreneurship learning can be more strategically developed in South Eastern Europe, including the potential for establishing a South Eastern Europe Academy for Entrepreneurship Learning.

OVERALL CONCLUSIONS

Considering that productive employment is a key requisite for economic growth, employment policies must be structured in a manner that supports the transition process and recognises the central role played by human capital development, education and social protection. As such, employment and education strategies for lifelong learning must take the form of comprehensive long-term policies, which are the result of consultations with all social and economic stakeholders and are subject to consistent monitoring and evaluation. Such policies are currently at an early phase, with comprehensive legislative and structural frameworks yet to be completed.

Taking on an integrated approach towards education and training will ensure greater interaction between all parties involved, and will allow this area to become an overall priority for governments and the business community alike. Such a framework should not only look at the specific requirements of each sector, but also take into account the overall climate for enterprise development. In addition, a thorough study of the skills gaps existing in South Eastern Europe is needed, with the private sector and social partners collaborating to identify skills requirements and plan for the development of a qualified and skilled labour force.

A range of initiatives are underway that can support this process but further efforts are needed to ensure such initiatives are adapted to local circumstances and are sustainable.

PROPOSED NEXT STEPS

Taking into consideration the above conclusions, a follow-up workshop on stimulating the climate for enterprise development was proposed. This event would focus on the legislative, financial and educational aspects of generating a more entrepreneurial culture, and would identify ongoing assistance projects as well existing gaps. The workshop would build on a range of efforts underway, including the regular publication of Enterprise Policy Performance Assessments by the EBRD and OECD, in close co-operation with the EC, which assess the performance of enterprise policies implemented by each of the SEE countries and highlight the areas in need of reform.

In addition, the ETF is in the process of preparing a comprehensive framework to accurately 'map' entrepreneurship learning and employment legislation in the region which should provide very valuable information for governments and donors alike as they seek to develop further this vital area for economic and social development in SEE.