Building a Better Working Europe

7th Cedefop Brussels Seminar
25 June 2019

EY’s Attractiveness Survey
December 2018
Scarcity of digital skills is damaging the ability of Europe’s businesses to grow

Labour market imbalances are widening, and recruitment to drive the digital transformation agenda is harder.

\[
\text{41\% say it’s hard to recruit the right talent to drive the digital transformation.}
\]

Skills shortages are damaging the growth prospects of companies and Europe’s economy.

\[
\begin{align*}
\text{73\% Productivity and profitability} \\
\text{69\% Retention and motivation} \\
\text{67\% Top-line growth} \\
\text{67\% Investments in new products and services}
\end{align*}
\]

Degree of challenge to recruit digital skills:

\[
\begin{array}{|c|c|}
\hline
\text{Current} & \text{Future} \\
\hline
\text{Harder than last 12 months} & \text{To get harder over next 12 months} \\
33\% & 38\% \\
\text{Easier than last 12 months} & \text{To get easier over next 12 months} \\
3\% & 10\% \\
\text{Same as last 12 months} & \text{To remain same as last 12 months} \\
59\% & 50\% \\
\text{Can’t say} & \text{Can’t say} \\
5\% & 2\% \\
\hline
\end{array}
\]

Source: EY, Building a better working Europe, December 2018 (total respondents: 200).
The most alarming shortages are in digital skills

<table>
<thead>
<tr>
<th>Most scarce digital skills</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Cybersecurity</td>
<td>48%</td>
</tr>
<tr>
<td>AI and robotics</td>
<td>48%</td>
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<tr>
<td>Big data and analytics</td>
<td>47%</td>
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<tr>
<td>Augmented reality and virtual reality</td>
<td>38%</td>
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<tr>
<td>Programming and web development</td>
<td>37%</td>
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<tr>
<td>Mobile and analytics</td>
<td>34%</td>
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<tr>
<td>Digital marketing, including social media</td>
<td>27%</td>
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<tr>
<td>Project management</td>
<td>25%</td>
</tr>
</tbody>
</table>

Innovation and technology change is happening faster than companies can hire skills to adopt it.

Many of the shortages are in the roles key to company’s digital transformation – cybersecurity, AI and robotics and big data and analytics.

Source: EY, Building a better working Europe, December 2018 (total respondents: 200).
Businesses’ people and digital strategies have not evolved to drive through the change

Achieving a technology-led transformation is often a business survival issue, yet only 17% firms are digitally mature

- 57% of firms have their people strategy as part of their digital transformation agenda.
- 60% of firms have digital transformation as a part of their strategy.
- 54% of firms have a chief digital officer (CDO) or chief information technology officer (CITO).
- Of these, 63% have a seat at the board table.
- Only 17% of firms are digitally mature i.e., have all three elements.

Many companies are too focused on near-term challenges to develop a long-term people strategy

Only 43% firms have an HR strategy that looks more than three years ahead

In order to drive through the change, people strategy needs to become an integral part of organisational strategy and a topic of boardroom conversation

Source: EY, Building a better working Europe, December 2018 (total respondents: 200).

*Digitally mature companies are those that have digital transformation as part of their strategy, have people strategy as part of their digital transformation agenda and have a chief digital officer or chief information technology officer.
Companies recognise that training and upskilling will be more effective than seeking perfect candidates ...

Companies are already embracing active learning strategies and taking steps to ensure their staff are equipped for their digital transformation

Measures taken by companies to mitigate the challenges related to digital skills

- Invest in upskilling new and existing employees/learning and development program for digital skills: 89%
- Upgrading the employee value proposition including exploring virtual work options and offer flexible work arrangements: 80%
- Re-evaluating career development opportunities: 84%
- Redefine qualifying criteria to include individuals who lack skills or formal qualifications but have the potential to acquire them: 73%
- Designing a specific recruitment strategy for digital skills: 62%
- Partnering with businesses to help identify, develop and deliver digital skills: 43%

Source: EY, Building a better working Europe, December 2018 (total respondents: 200).
... and they need to work with government and education institutions to close the skill gap

Policy initiatives likely to have biggest impact on labor market

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Encourage apprenticeship programs</td>
<td>50%</td>
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<tr>
<td>Encourage multi-stakeholder partnerships between industry, employers and government</td>
<td>50%</td>
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<tr>
<td>Encourage technology-driven active participatory learning</td>
<td>48%</td>
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<tr>
<td>Promote women participation in science, technology, engineering, and mathematics (STEM) degrees</td>
<td>41%</td>
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<tr>
<td>Develop more multidisciplinary degrees</td>
<td>38%</td>
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<tr>
<td>Offer innovative financing mechanisms (such as scholarships)</td>
<td>35%</td>
</tr>
<tr>
<td>Can’t say</td>
<td>12%</td>
</tr>
</tbody>
</table>

Businesses need to work with others to effect change - collaboration between businesses, government and education institutions is a key to solving skills shortages

Companies are expecting government policy initiatives to support changes in the labor market, including developing more apprenticeship programs and technology-driven learning opportunities

Meeting the demands of digitized economy also means increasing labor mobility to ensure more people are available to fill the relevant jobs

Source: EY, Building a better working Europe, December 2018 (total respondents: 200).