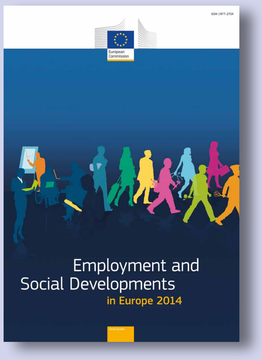
European Commission



Investing in human capital and responding to long-term societal challenges

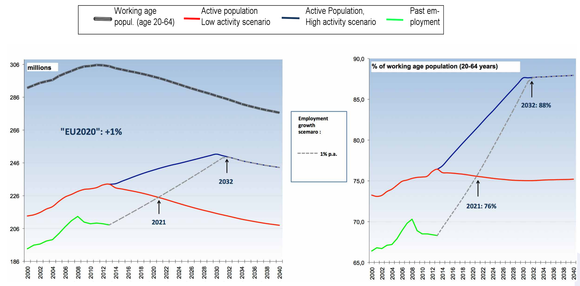
The challenges

- Demographic shift: EU working-age population will shrink by -0.4% p.a.
- Fast structural changes in product and factor markets
- Technological progress continues to facilitate automation and substitution of low-profile jobs

Our mission: stop wasting resources and pave the way for higher productivity growth!

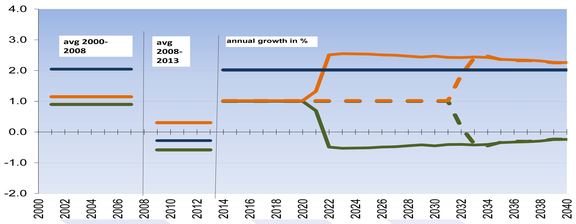
- EU2020: 1% employment growth p.a. – t. b. c. after 2020?
- **Low scenario** - no further activation progress (red): EU will touch the limits of growth soon
- **High scenario** - best progress (blue): More time for structural reforms towards higher productivity through investment in human capital

1. Potential employment path assuming different activity-scenarios, EU-28



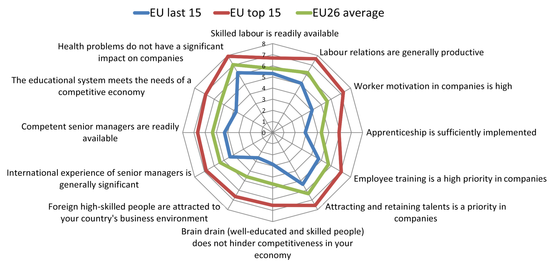
Source: Own calculations based on Eurostat EU LFS and Eurostat Europop 2013 population projection

2. Resulting employment growth and productivity requirements at 2% GDP growth, % p.a., EU-28



Investing in skills is the obvious answer

3. Competitive countries do have better skilled workforce at all levels

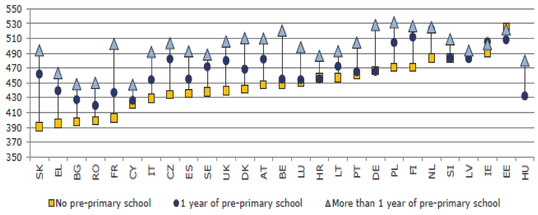


Source: IMD World Competitiveness Yearbook 2014

Core strategies

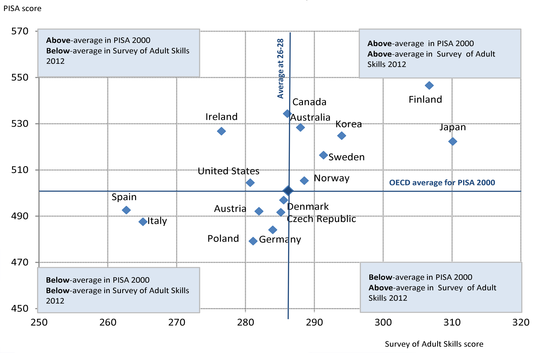
4. Early childhood education: take advantage of double dividend…

PISA 2012: Pre-primary school participation improves achievement in maths substantially.



5. …and break the vicious circle of low performance

Low-performing pupils stand a high risk to become low-performing adults:
Results of PISA 2000 vs. PIAAC 12 years later

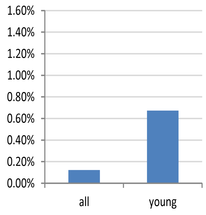


6. Help the most vulnerable but the right policy-mix needs to be found. Tertiary education remains a driver of growth

Evidence from the Labour Market Model: long-term impact of a policy mix in Italy:

1. Reduce labour cost for under 25's employment PLUS
2. Support take-up of tertiary education

… help shift labour demand for young workers …

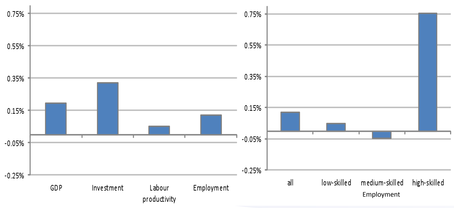


Long-term impact on..

.. employment

.. different magnitudes

… AND triggers investment through higher education (capital-skill-complementarity)



Contact persons: Paolo.PASIMENI@ec.europa.eu, Jorg.PESCHNER@ec.europa.eu, Monika.VELIKONJA@ec.europa.eu