



Building a better
working world

Building a Better Working Europe

Unlocking Europe's digital
growth potential

EY's Attractiveness Survey
December 2018



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We would like to extend our gratitude to ...

Richard Clayton, Head of Group Learning and **Anthony Mazen**, Head of Skills and Capabilities, Lloyds Banking Group, who kindly agreed to share their business cases as part of the discussion on building a better working Europe.

Daniela Florea, Co-founder, Geo Strategies; **Mark Pearson**, Deputy Director of Employment, Labour and Social Affairs, Organisation for Economic Co-operation and Development (OECD); **Alexander Riedl**, Deputy Head of Unit, Digital Economy and Skills Unit, European Commission DG CONNECT, who contributed to this report with their respective viewpoints.

As well as to ...

Steven Bainbridge, Expert, European Centre for the Development of Vocational Training; **Bruno Lanvin**, Executive Director, Global Indices, INSEAD; **John Marshall**, Head of North America, Adecco Group AG; **Veronique Willems**, Secretary General, UEAPME (Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises), whose contributions can be found in the viewpoints published on ey.com/attractiveness.

Also, we would like to thank the young professionals who have accepted the invitation to participate in an online panel discussion and taken the time to share their thoughts about the challenges they face in the newly shaped labor market in Europe.

And finally, we would like to thank all of the HR leaders who shared their assessments and insights in this survey.



Editorial

Building a Better Working Europe

Andy Baldwin
EY EMEA Area Managing Partner



Digitization is a core driver of growth

Growth is key to Europe's future success and its role on the international stage. One of the key drivers is the ability of Europe to attract investment, and EY's *Europe Attractiveness Survey 2018* charted the ongoing strength of Europe with growth of 10% in foreign direct investment (FDI) and more than 6,500 new projects in 2017. It also laid bare the importance of digital to Europe's current and future success with 34% of international investors believing that Europe's economic future will be shaped by the how it rides the tidal wave of digitalization and 26% highlighting the need for Europe to cultivate its digital economy. Digital remains the biggest sector by number of projects as well as a leading job creator. Digital and business services accounted for 31% of all FDI projects, an increase of 33% on the prior year, and created 63,732 jobs in 2017.

Digital is also shaping investment decisions

We also see that technological forces are transforming Europe's foreign investment dynamics. The recent World Economic Forum (WEF) report on the future of jobs reveals that nearly half of companies surveyed are looking to modify their locations of operation over the next four years.¹ Of the factors deciding which location to select, proximity to skills is the biggest factor by a long margin. The need to invest in skills, the ability to move skills across Europe and welcome talent from beyond Europe's borders is paramount to meeting investor expectations. Quite simply, unlocking Europe's digital growth potential demands access to the right capabilities.

Digital and technology skills shortages are damaging growth potential

Digitalization is having a profound impact on the labor market, creating shortages in specialist digital skills and surpluses in other areas. This shift is taking place at a pace that is accelerating as new technology matures and technology investment plans are implemented. There is no doubt that digital

will both eliminate and create jobs but there is great uncertainty as to the net effect of the disruption. Managing this transition from the old to the new economy must take on a new urgency, as skills shortages, particularly digital and technology skills shortages, are damaging the growth potential of European companies. In research carried out for this report, 67% of HR leaders said that skills shortages were damaging top-line growth and 73% see a negative impact on productivity and profitability.

Deliberate action must be taken to develop the talent for tomorrow

Attracting and developing digital skills, and having the right soft skills to harness collective approaches to power of technology and drive innovation, must be core to sectoral and organizational strategy. This is no easy task, a challenge one of the young professionals interviewed for this report articulated as "you can't know today what skills you will need in five years". Yet deliberate action must be taken and policy-makers, companies, educational institutions and individuals must work together to plot a course that will deliver the talent for tomorrow. It must also shape our approach to learning and development, both in educational institutions and in the workplace, across young and old alike.

We all have a role to play

This is an issue for the boardroom and should be at the top of policy-makers' concerns. Only at that level will business, government and educators be able to drive the collaboration that is essential to growth and to solve some of society's biggest issues. Countries and companies must develop future workforce strategies and invest in them. Upskilling and reskilling Europe's workforce requires deliberate planning with a longer-term view. Policy-makers must provide the right regulatory context and facilitate skill-building on a larger scale more consistently across borders.

A better working Europe is one that will be built together, harnessing the best of the public and private sectors to realize a world of inclusive growth.

Hanne Jesca Bax
EY EMEA Managing Partner
Markets & Accounts



Alessandro Cenderello
EY Managing Partner
for EU Institutions

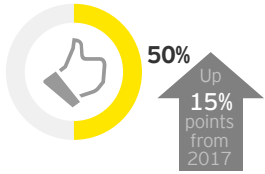


¹ *The Future of Jobs Report 2018 – World Economic Forum.*

Executive summary

Digital remains Europe's larger sector for investment

Investors have plans for future expansion



Although investors are concerned about economic and political instability, **investors' confidence in Europe recovered to 50%** (up from 35% in 2017).

41% of companies present in Europe, **plan to expand.**

Among international investors not yet present, **12%** are looking to **establish European operations.**

Investors need more ... digitalization, skills and entrepreneurship

34% of investors believe that Europe's economic future will be shaped by the **tidal wave of digitalization.**

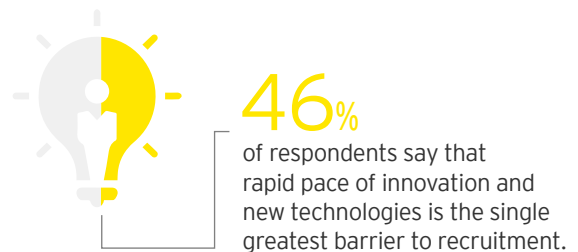
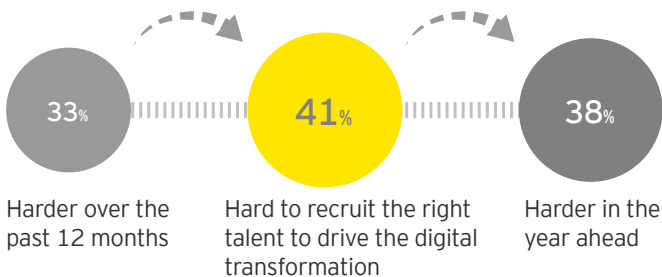
26% of international investors highlight the need for Europe to cultivate its **digital economy.** They counsel developing education and skills, and supporting SMEs.

Source: EY's Attractiveness Survey, Europe, July 2018 (total respondents: 502).

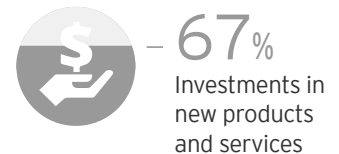
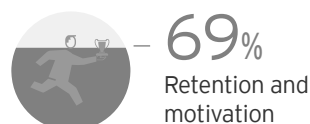
The shape of the talent pool is wrong

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

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

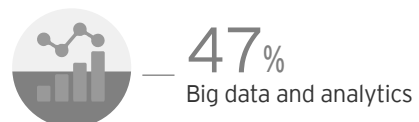
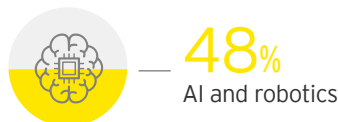


Skills shortages are damaging the growth prospects of companies and Europe's economy



The most alarming shortages are in digital skills, with Artificial Intelligence (AI), robotics and cyber all big areas of maturity – and therefore likely to get worse

Most scarce digital skills

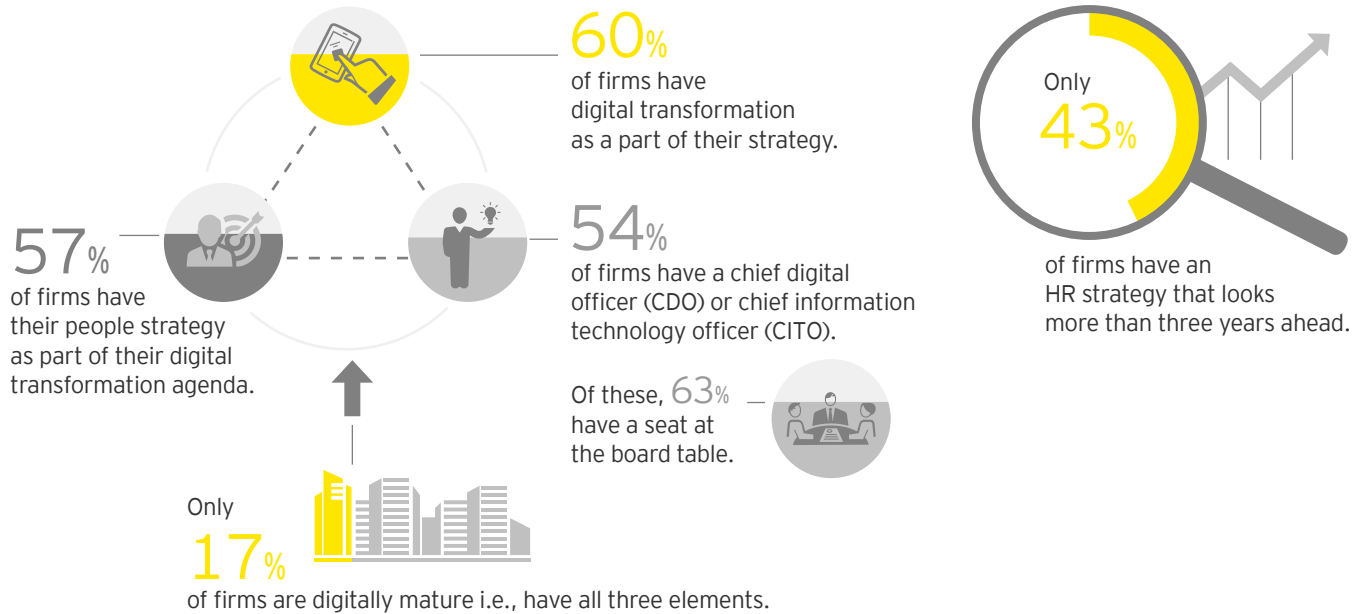


Source: EY, Building a better working Europe, December 2018 (total respondents: 200).

There is a disconnect between digital strategy and people strategy

Achieving a technology-led transformation is often a business survival issue, yet only 17% of firms are classified as digitally mature,* bringing their people strategy and transformation together with board representation for the digital agenda

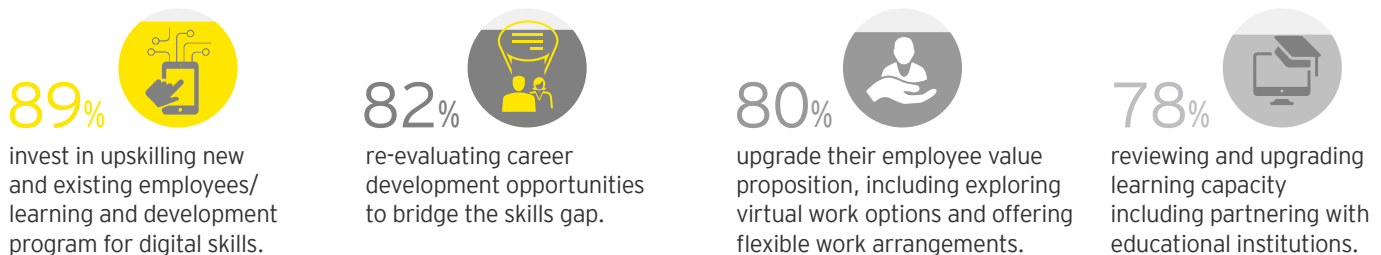
Many companies are too focused on near-term challenges to develop a long-term people strategy



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

Reskill, upskill or both?

Companies know they have a serious problem, and are making bigger strides in tackling the challenge



They are also looking to policy-makers to improve the labor market



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.

1

How can you protect your future growth in a changing labor market?

Skills shortages are damaging Europe's growth potential

The digital economy will be the dominant driver of Europe's growth in years to come. However, a skills shortage in the most important jobs needed to harness it is damaging the ability of the continent's businesses to grow. At a time when a digital transformation is creating huge new opportunities for employers, they are finding it increasingly difficult to recruit and retain employees with the skills that will enable them to embrace fully the benefits this transformation brings. Without those skills, our survey of 200 human resources professionals across Europe believe businesses

"Countries that experience more pronounced labor market imbalances also show lower productivity levels."

Mark Pearson

Deputy Director of Employment, Labour and Social Affairs
Organisation for Economic Co-operation and Development (OECD)

may struggle to thrive in a world of increasing economic uncertainty. This in turn will impact the continent's overall economic growth prospects – and its ability to compete in world of relentless, intense and increasingly global competition.

Skills shortages are damaging firms across some of their key business metrics, according to survey respondents. Nearly three-quarters of those taking part said skills challenges impacted their business's productivity and profitability. Two-thirds said shortages had an impact on revenue growth, and on how much they could invest in new products and services. Skills shortages can pose a real risk to a company's future health.

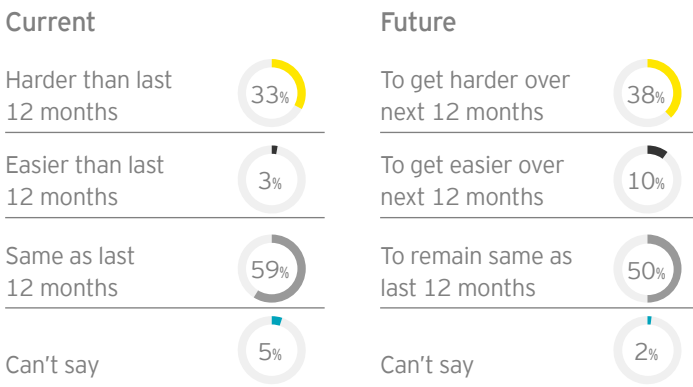
However, it isn't just the number of job vacancies that employers struggle to fill – it is the type of jobs they find difficult to recruit for that can cause the biggest headache. Many of the shortages are in roles that are core to a company's digital transformation. For example, the survey found the biggest reported difficulty was in finding employees with skills in cybersecurity. With headline-grabbing stories about the impact of attacks on companies – and their customers – a focus on the need for such jobs is understandable. Nevertheless, other skills that help with a digital transformation are also in short supply. Employees who are able to analyze the big data that is being unleashed by the world of Industry 4.0 which can help them better understand consumer trends, are also hard to find, as are those with expertise in AI and robotics. In total, more than 40% said it was hard to recruit the right talent to drive a digital transformation.

There is also evidence that the situation is likely to become increasingly challenging in the future, as more and more employers

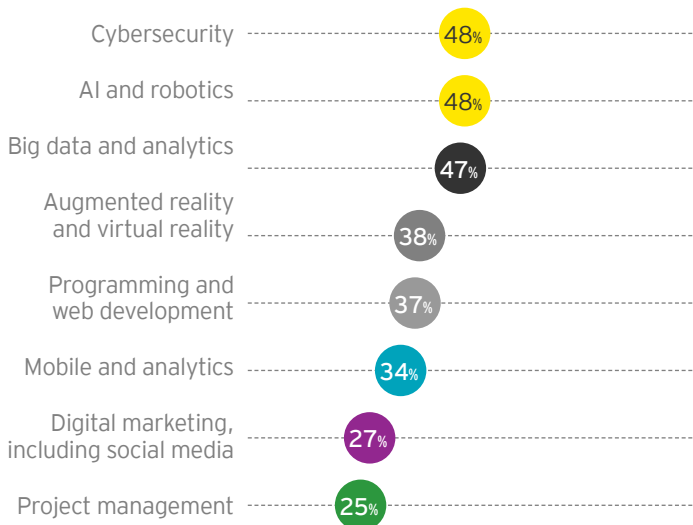
compete to find digitally skilled employees. Of those we surveyed, 10 times as many expect the recruitment challenge to get harder in the future as those who expect things to get easier. The message from employers across Europe is the same: they are struggling to hire the right people with the right range of skills, a situation that is only going to get more difficult in the years ahead. In short, the jobs market simply doesn't seem to be adapting fast enough to the pace of technological change that is sweeping industry.

So how best to overcome these issues, resolve skills shortages and help companies with their digital transformation? Governments, universities and other education providers all have a role in working together to solve this problem. There needs to be greater investment in upskilling employees for the new world, and in making the labor market better able to adapt to provide the range of skills that will be needed. Most importantly, however, business itself needs to change the way it addresses these issues.

Degree of challenge to recruit digital skills



Most scarce digital skills



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

Viewpoint

Training systems are not keeping up with fast-changing labor markets



Mark Pearson
Deputy Director of Employment, Labour and Social Affairs, OECD

The nature and intensity of the skills required by firms can vary substantially between countries, depending on each economy's productive structure or technological advancement.

On average, across the OECD countries analyzed by the Skills for Jobs Database, more than 5 in 10 jobs that are hard to fill are found in high-skill occupations.

These jobs range from managerial positions to highly skilled professionals in the health care, teaching or information and communications technology (ICT) sectors. Fewer than 1 in 10 jobs where skills are scarce across the OECD are found in low-skill occupations.

The most acute shortages in OECD countries are in the "knowledge of computers and electronics" category. In most countries, there are too few workers who are expert enough in computer hardware and software, programming and applications to meet the demand from firms.

But the next biggest shortage, which is nearly as great, is in the "judgment and decision-making skills and communication and verbal abilities" category. These skills influence the acquisition and application of information in problem-solving and are in shortage in almost all countries.

Labor market imbalances have increased in recent years in several countries, showing a relative deterioration in the countries' ability to respond effectively to changes in labor market needs.

Results suggest that, on average, the countries that experience more pronounced labor market imbalances also show lower productivity levels.

A more efficient use of skill needs information can help workers and trainers make the right decisions when deciding in which skills to invest. Countries need adult learning systems that deliver not just any skills but the right skills, so that there is a better match between the skills available in the workforce and those needed by employers. This would reduce skills shortages and surpluses.

2

Is your talent a topic for the boardroom?



Talent has become a strategic issue

Most businesses are aware of the potential for the digital revolution to disrupt their business. They understand that the huge increase in data available can give them far greater insights into their customers' behavior – provided it is analyzed rigorously. They see the impact that robotics and machine-learning algorithms can have on their processes and supply chains. And they know that connected consumers have access to more information than ever before to inform their purchasing habits. In other words, they know they must evolve, rapidly, in a digital age to survive and grow.

Curiously, however, our survey finds that many businesses' people and digital strategies have not evolved with anything like the speed, nor to anything like the extent, required to take these opportunities. There is a growing disconnect between companies' digital strategies and the processes they have in place to recruit the right people to achieve them. The potential benefits that digitalization brings instead risks becoming an existential threat to the company's future.

Although 60% of companies say they have a business plan that includes an element of technology-led transformation, there is a "long tail" of laggards: just under a third say they don't have such a strategy. In addition, only a minority of companies are currently giving the opportunities and threats posed by digitalization the

attention they deserve. While just over half of businesses surveyed have a chief digital officer or a chief information technology officer, less than two-thirds of them sit at board level. The vast majority of businesses don't seem to have anyone senior to promote the importance of embracing the digital world at the highest levels. Digital representation also has the potential to bring younger, digital natives into the boardroom offering fresh perspectives and an understanding of tech savvy customers.

Furthermore, many are making insufficient effort to ensure the right people are hired. When it comes to having an appropriate "people" strategy to execute the digital strategy, again the picture is mixed. Many are making insufficient effort to ensure the right people are hired. While 57% said they had a people strategy as part of their digital and technology transformation, more than a third of those surveyed said they did not. Without that, it is perhaps unsurprising that the issue of addressing skills shortages doesn't get the attention it deserves. So, many companies have yet to fully grasp the potential for business transformation, or put in place systems to achieve it.

"Company boards need to take responsibility for ensuring close collaboration with education policy-makers and providers"

Daniela Florea
Co-founder, Geo Strategies

Viewpoint

Training has become a boardroom issue



Daniela Florea
Co-founder, Geo Strategies

What will it take to thrive in a workplace where AI, automation and digital technologies are the norm? Excellent skills in written and verbal communication, collaboration and teamwork will be essential. Self-motivation, a desire to succeed,

enthusiasm, initiative and curiosity will be vital too.

More prosaically, the worker of the future will need an ability to produce clear graphical representations and data visualizations that convey stories.

Numerical and analytical skills will be “hygiene” skills for the workforce of the future. An ability to translate technical features into better business outcomes will be more necessary than coding or advanced statistics. Technology can do those things.

Companies should get involved in every stage of education – from primary to secondary and university. Company boards need to take responsibility for ensuring close collaboration with education policy-makers and providers, and explain what skills are needed in the world of work.

Employers should also be involved in blended learning programs and offer apprenticeships where appropriate. They should be simultaneously helping to shape the skills of those entering the workforce and training their own employees. This is true for companies of every size, in every industry.

We need to get together to promote awareness, entrepreneurship and inspirational learning. Initiatives should be driven by a change management approach to problem-solving and decision-making. Companies can provide case studies of how they are solving real problems and where particular skills have made a difference.

In total, only 17% of those we surveyed are truly “digitally mature”: they have a board-level technology “champion” as well as a people strategy that forms part of their transformation strategy. Digitally mature companies tend to have higher productivity, lower staff turnover and better top-line growth. As might be expected, the technology and financial services sectors – the industries most exposed to competition and innovation – are in the vanguard of those appreciating the need to think of this at a strategic level.

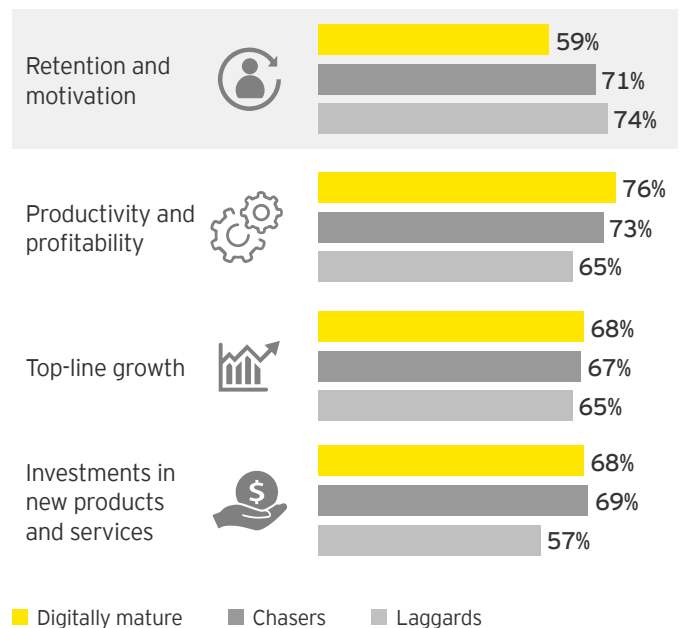
In order to drive through change, more businesses need to follow the lead of the digitally mature and adopt a digital transformation strategy. They also need to put in place a people strategy to meet it. Most crucially, they need to make sure it is driven from the highest level, meaning the boardroom. In order to ensure a company is equipped to face the future, the responsibility for ensuring it can attract and retain the right employees needs to be given a significantly higher priority. People strategy needs to become an integral part of organizational strategy and a topic of boardroom conversation.

Business also, however, needs to follow the practice of industry leaders and take a longer-term perspective on the issue. Less than half of those we surveyed have a people strategy that looks out over a timeframe of more than three years.

Boards need to rethink how they attract and retain the right employees – starting with how they plan ahead for the future. The good news is that having a better people strategy can address skills scarcity and have a positive impact on a firm’s future. The better news is that those companies that are digitally mature are already showing the way.

► So what can be done to help? What can companies do to overcome these problems and better adapt themselves to face the digital future? What steps do they need to take to ensure their employees have the right skills?

Impact on companies at level of digital maturity



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

Case study

Is your digital strategy people friendly?

Lloyds Banking Group

When the Group Chief Executive of Lloyds Banking Group, **António Horta-Osório**, announced the bank's new three-year strategy in February 2018, he set out four strategic priorities for success in the digital world. Key among them was investment in people to transform ways of working and embrace new technology. Behind the significant

public commitment to an additional 4.4 million training hours for colleagues and a 50% increase in training and development, sits a people strategy designed to deliver the Bank of the Future.

People strategy supports organizational strategy

The Group has made a deliberate shift in its business transformation from a predominately waterfall approach to a more agile one. To facilitate this, the change function has been centralized while the organization has been reconfigured based around "value streams" that map the end-to-end customer experience, cutting across organizational structure to deliver a seamless customer journey. These value streams have informed everything from new roles through to location strategy, with key hubs bringing positions together to enable value delivery. The people strategy has been built to deliver the business transformation and, as such, is integral to the overall change program.

Strategic workforce planning focused on capabilities

Strategic workforce planning was conducted over six months across all 12 divisions of the bank to identify the core skills needed to build and run the Bank of the Future. This generated a framework of 10 key capabilities that will be required by 2021. Analysis included a detailed understanding of the number of colleagues to be trained and recruited by capability, producing a bottom-up view of the number of training hours needed, which in turn became a key catalyst for change. An eight-point action plan encompasses recruitment strategy and graduate development through upskilling and reskilling, with strategic learning hubs built around the capability framework.

People-centric approach to change and development

Such a demand on learning and development can be daunting, and the Group's people strategy reflects the need for flexibility, an understanding of different motivations and an improved colleague experience. Learning hubs for each of the 10 key capabilities bring together the best curated learning content delivered through a multimedia approach, from podcasts to learning clubs, enabling colleagues to learn as they want. Role-based Accelerated Development Programs provide the organization with confidence that colleagues in roles identified as key to the Bank of the Future have the skills to perform at a consistently high level. Engagement focuses on hearts and minds, embracing everyone from the "career captain" to the "curiosity cat". Simplified processes span everything from performance development, where capabilities form a component of reward structure, to recruitment and onboarding.

Key learning

Ownership at the top of the organization has been a critical success factor; the board itself posed the question of future skills requirements. This leadership drive has ensured training hour targets are now incorporated into the Group's balanced scorecard. However, the team recognizes that transformation can only be facilitated by broad engagement and culture change. Ongoing engagement with division leads across the business continues to embed the capability framework. Paramount to success in the digital world is the creation of a continual learning culture, one that the Group is seeking to infuse in its approach to change and development.

Our thanks to:

Anthony Mazen, Head of Skills and Capabilities

Richard Clayton, Head of Group Learning

3

Should you invest in skills or the ability to learn them?

Training and upskilling will be more effective than seeking perfect candidates

Our research shows skills shortages, particularly in the jobs that are vital for a company's digitalization programs, can hold a company back and have a negative impact on business performance. A properly executed people strategy, as well as a longer-term timeframe, can help businesses meet these concerns. As part of that strategy, the right recruitment, education and training programs are also needed to help businesses meet their objectives.

At the moment, what is stopping them from attracting the right people? The rapid pace of innovation and the adoption of new technologies is currently the biggest barrier: firms appear unsure about what exact skills they will need in the future. Increasingly, however, companies' reliance on traditional approaches for sourcing digital skills means they are failing to use the right channels to attract the people they need.

Our survey shows that companies appear to recognize that they have a problem with skills shortages. The best companies are already embracing active learning strategies and taking steps to ensure their staff are equipped for their digital transformation. Nearly 90% say they are investing in improving the digital skills of existing and new employees. That is particularly true for digitally mature businesses, the majority of which are also designing specific recruitment strategies for digital skills and partnering with other businesses to help identify, develop and deliver them.

In addition, they are re-evaluating their employees' career development opportunities, upgrading the employee value proposition, including offering more flexible working, and redefining the qualifying criteria to include individuals who lack some required skills or formal qualifications but have the potential to acquire them. Equipping their employees with core digital skills is essential for a company's digital transformation.

“Decisive action by businesses, education and training providers, and governments can enhance the performance of an entire economy”

Alexander Reidl

Deputy Head of Unit, Digital Economy and Skills Unit,
European Commission DG CONNECT

But our survey also shows that is not enough: other, perhaps “softer” skills are also important. These include having an innovative and entrepreneurial mindset, being agile and adaptable, and having the right social skills for the workplace.

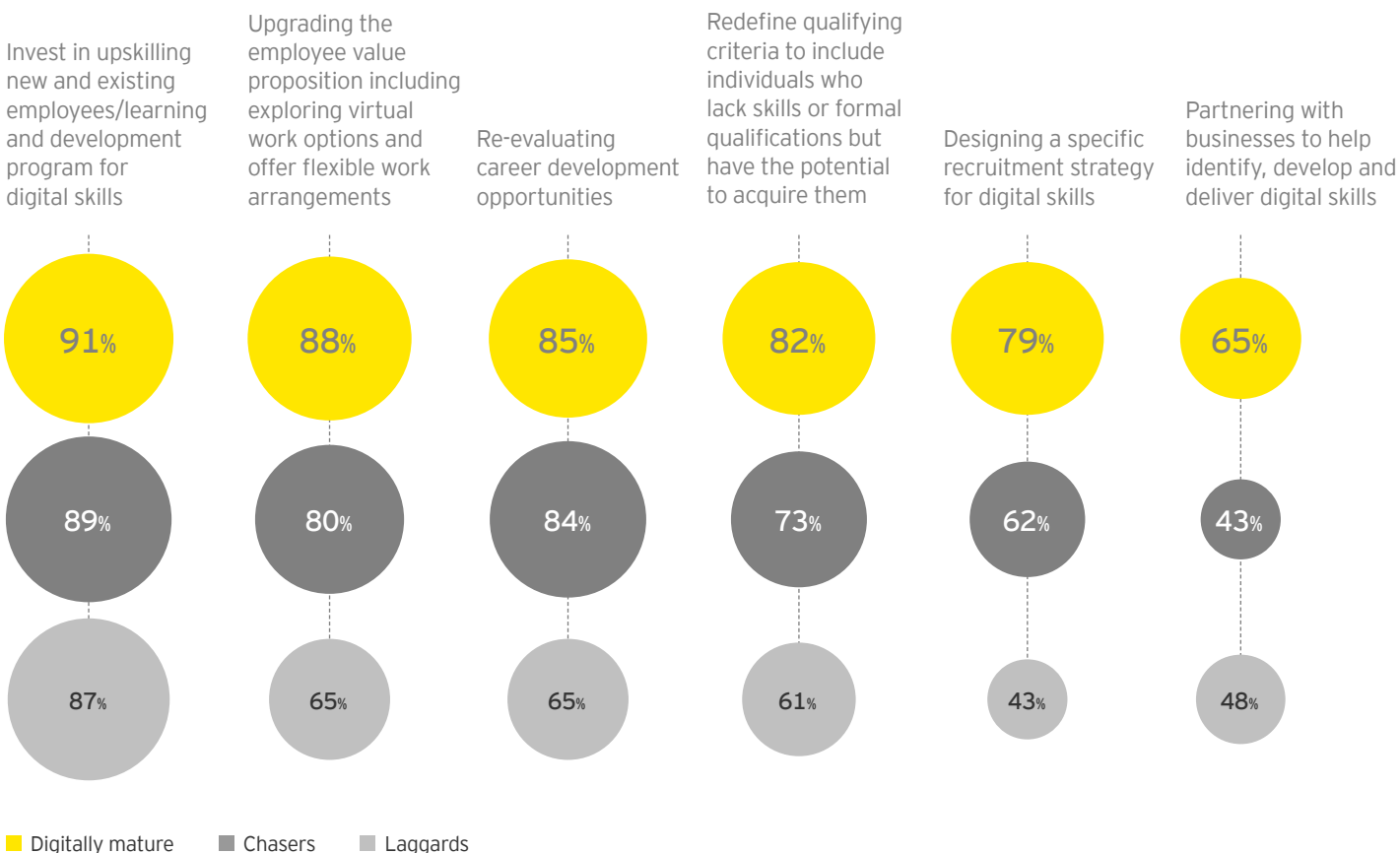
Ensuring employees are able to help with your digital transformation is all well and good at a company-specific level. But how do you go about ensuring there are more employees with the right skills to go around the whole economy? How does society not just learn to deal with skills shortages, but actually close the gap between the jobs that companies need and the employees with the most appropriate skills to fill them?

Our survey shows that business cannot solve this problem alone. Society-wide problems need society-wide solutions. So business needs to work with others to effect change, including governments and education institutions. Companies are expecting government policy initiatives to support changes in the labor market and encourage multi-stakeholder partnerships, from developing more apprenticeship programs to promoting participation of women in STEM degrees.

How will inclusion set in motion a better working world?

The benefits of diversity to company performance are well documented and policy makers should adopt an inclusive approach as they seek to expand the talent pool. With women under-represented in vital digital and technology skills, there is a risk of missing out a significant portion of the future potential workforce. The ability to harness the transformative power of technology and innovate to deliver growth requires diversity of thought, experience and skills. Governments must foster the diversity critical to successful digital transformation through initiatives that improve the prospects of the next generation, make the most of Europe’s diverse population and enable the movement of talent across borders.

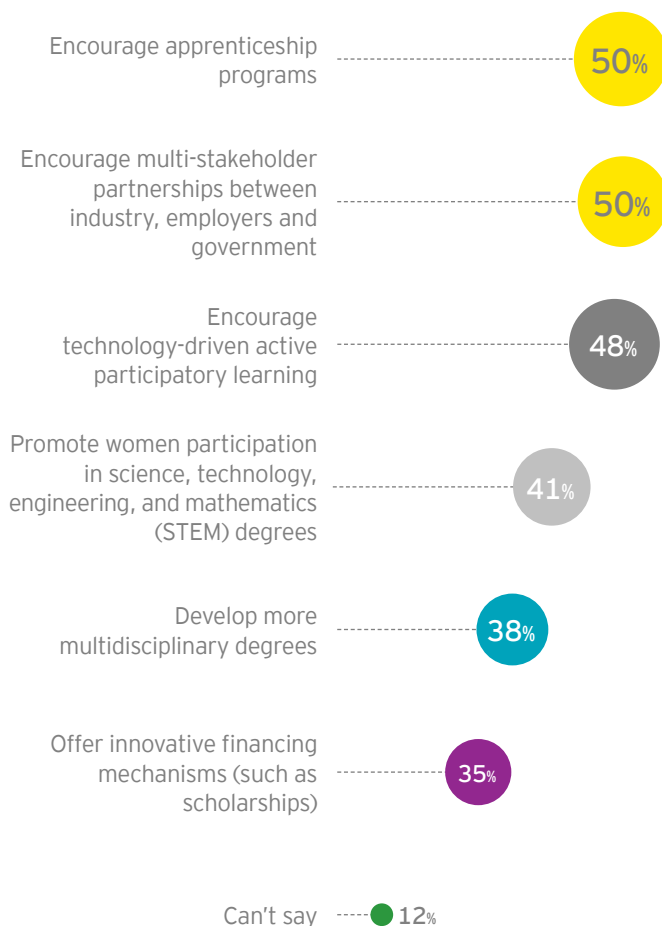
Measures taken by companies to mitigate the challenges related to digital skills



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

Collaboration is not just important to workplace success, it is also key to solving skills shortages. This could be between business and government, or business and education institutions, or perhaps even between business and business – different companies in different parts in the value chain working together to meet common goals. It also means increasing labor mobility to ensure more people are available to fill the relevant jobs. Meeting the demands of the digitalized economy requires a complete reboot, not just of a company's processes, but of the way countries think about the skills they need and how they are going to nurture them.

Policy initiatives likely to have biggest impact on labor market



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

Viewpoint

What can employers do for the education and training system?



Alexander Riedl
Deputy Head of Unit, Digital Economy and Skills Unit, European Commission DG CONNECT

As the British futurist Sir Arthur C. Clarke pointed out back in 1962, to the untrained eye, "any sufficiently advanced technology is indistinguishable from magic." A work

environment where magic rules will prevent the use of common sense. So those working with AI are going to require some basic understanding of logic.

Companies should not count on the availability of external candidates with the perfect skill set for their needs. Rather, they must train young talent – via apprenticeships and internships – and retrain and upskill their existing workforce.

Often, this will be cheaper and faster. It will also facilitate acceptance of new technologies and reduce the risk of disruption. Aware companies actively anticipate skill and training needs. They not only retrain their existing workforce but also adapt their HR strategies to ensure they can attract, retain and develop the talent they need.

How can organizations get it right?

First, analyze and understand the existing situation – needs, offers, mismatches and gaps – and anticipate future developments.

Second, public policy-makers and educational institutions should come up with a "road map," by which I mean a process and a timeline for handling the transformation and determining priorities and pathways for action. To paraphrase former US President John F. Kennedy, don't ask what the education system can do for you; ask what you can do for the education system.

Decisive action by all involved – businesses, education and training providers, and government – can enhance the whole lifelong learning cycle and thus the performance of an entire economy.



When school's out, is your education just beginning?

While a job is no longer for life, the millennial generation has fully embraced the need for lifelong learning. Our online panel of young professionals, all in the first five years of their career, understand the implications of the changing world of work. This informs their approach to training and development, the skills that they see as most valuable and their career choices.

Continuing education was a consistent theme among our panelists. The discussion revealed an active desire for learning against a backdrop of acute awareness of the pace of change. This is particularly true for those with specialist digital skills. Cybersecurity, which brings new attacks every day, and new forms of attack, called zero days, means learning new digital skills is essential. These millennials see the technological advancement and realize their current knowledge is never enough; however, that is exciting for them.

“Five years is huge, and I think that my digital skills cannot be sufficient to meet the requirements of the future, so we have to learn in our job.”

This also shapes their view of the skills that will help them to thrive in a digital future. Technical skills alone are not sufficient; critical thinking, collaboration and communication were just some of the soft skills mentioned as core to current and future success.

“The specialization of the labor market right now means you have to be able to analyze and understand the business needs as well as the technology.”

What is important for employers to understand is that this creates high expectations for corporate training and development programs, which should be focused on skills needed not just today but also in the future. These young professionals want more than just high-quality offerings: they also want to be given the time to take advantage of available learning and see additional value in certifications that will be recognized externally.

“After I graduated, I was very interested in big data, so I looked for a company where I can develop my skills.”

This desire to learn plays significantly in job selection. Career development was cited as the single most motivating factor for all panelists. The ability to gain knowledge, build experience and have opportunities for advancement outweigh other considerations.

The panel, which took place on October 30, 2018, was composed of eight young professionals, selected using the following criteria:

- ▶ The candidates were in the first five years of their career and joined their companies within the past two years.
- ▶ In their function, digital skills are important.
- ▶ Gender and country balance was taken into account.

Call to action

The digital transformation offered by Industry 4.0 means the world of work is in the middle of fundamental change that is unprecedented in recent years. The skills shortage in the digital jobs so vital for businesses to thrive is a significant impediment to their success. The demand for these skills is only going to grow further, meaning the recruitment problem is likely to get worse before the labor market catches up. And the pace of change is set to quicken. Unless things change, businesses will be held back just when their opportunity to leap forward is at its greatest.

Overcoming this requires action from government and education – as well as from the companies themselves.

Now is the time for Europe to be bold. Building a better working Europe calls for an aspirational ambition for the digital future. One that recognizes human capital as a core asset and drives inclusive growth by addressing the imbalances in the labor market to foster employment through the right education, and upskilling and reskilling of young and old alike.

- 1 Government must act as a catalyst for change by promoting a new policy initiative for a strategic, durable and forward-looking alliance between business and educational institutions to build the talent for tomorrow.
- 2 The current imbalances suggest that digital literacy should not sit only at a local or national level and that collaboration across borders is essential to bridge the gap between the old and new economy. The European Union institutions have a crucial role to play in facilitating and promoting a structural collaboration, and the exchange of knowledge and best practice among stakeholders.
- 3 Raising awareness and government support is particularly essential for less digitally mature companies, particularly Small and Middle Enterprises (SMEs), that often lack the resources to support the investment required.

However, there are important steps for businesses to take if they are to close their skills gap.

Ensuring employees have the right digital knowledge is so crucial to their performance that decisions should be taken at boardroom level. Employing the right people to realize digital opportunities and having a forward-looking view of the capabilities required should sit at the core of a business's plans for the future. Without this, a company risks being unable to compete on the global stage.

It is right that boards are accountable for such a key driver of their business.

For governments and educational institutions to play their part, it is essential they understand business's future capability needs in order to embed the right learning, tools and apprenticeships to secure the appropriate future talent supply.

- 4 Employers need to undertake strategic workforce planning, and the role of human resources needs to shift. The pace of change means that companies must recruit for capabilities rather than roles and be prepared to reskill or upskill to meet their talent needs.

Viewpoint

The future of human resources is digital



David Storey
Partner, EY EMEA Talent Lead,
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Digital transformation success will rely on the right size, shape and skills, and HR functions must plan for the needs of the future workforce and then develop, track and leverage the capability of employees, contractors

and partners to reach them – both complex tasks.

The good news is that just as digital is transforming business, it also lies at the heart of advances in the world of HR.

Traditionally tech-lite functions are investing in cloud-based systems and the plethora of associated digital HR applications entering the market. Data analysis is generating deeper insight into current employees and enabling new approaches to developing external and internal talent pools based on underlying capabilities to match current and anticipated needs. Similarly, strategic workforce planning can be used to distil capability “heat maps” and segment current roles by predicted lifespan. This enables companies to plan timely talent interventions to reskill employees, adjust recruitment strategies and quantify the investment needed to close skills gaps.

Converting people data into people insight and acting on it requires a new set of skills for HR professionals. Just as HR is focused on recruiting digital skills for the wider business, the function must also evolve its own digital talent base. Digital is both the challenge and the solution and, at its core, lies furthering human potential in an evolving world of work.

- 5 The role of human resources needs to evolve to manage role disruption. The new generation of human resource professionals must be able not only to evaluate their current requirements but also anticipate the shifts required.

A comprehensive people strategy and a commitment to invest in the recruitment, training and development of key staff are fundamental to help companies overcome their skills shortages. This can help business profitability and performance, and ensure they are ready for a digital future. In partnership with governments and educational institutions, businesses can also ensure that the right skills are made available right across the economy, creating a diverse and vibrant talent pool. That, in turn, will be good news for future employees – and will help them unlock Europe's digital growth potential for the benefit of all.

Methodology

EY team commissioned a study to find out the future readiness of Europe from a skills perspective. The research and analysis for this study was divided into three components:

1. Perceptions from the market

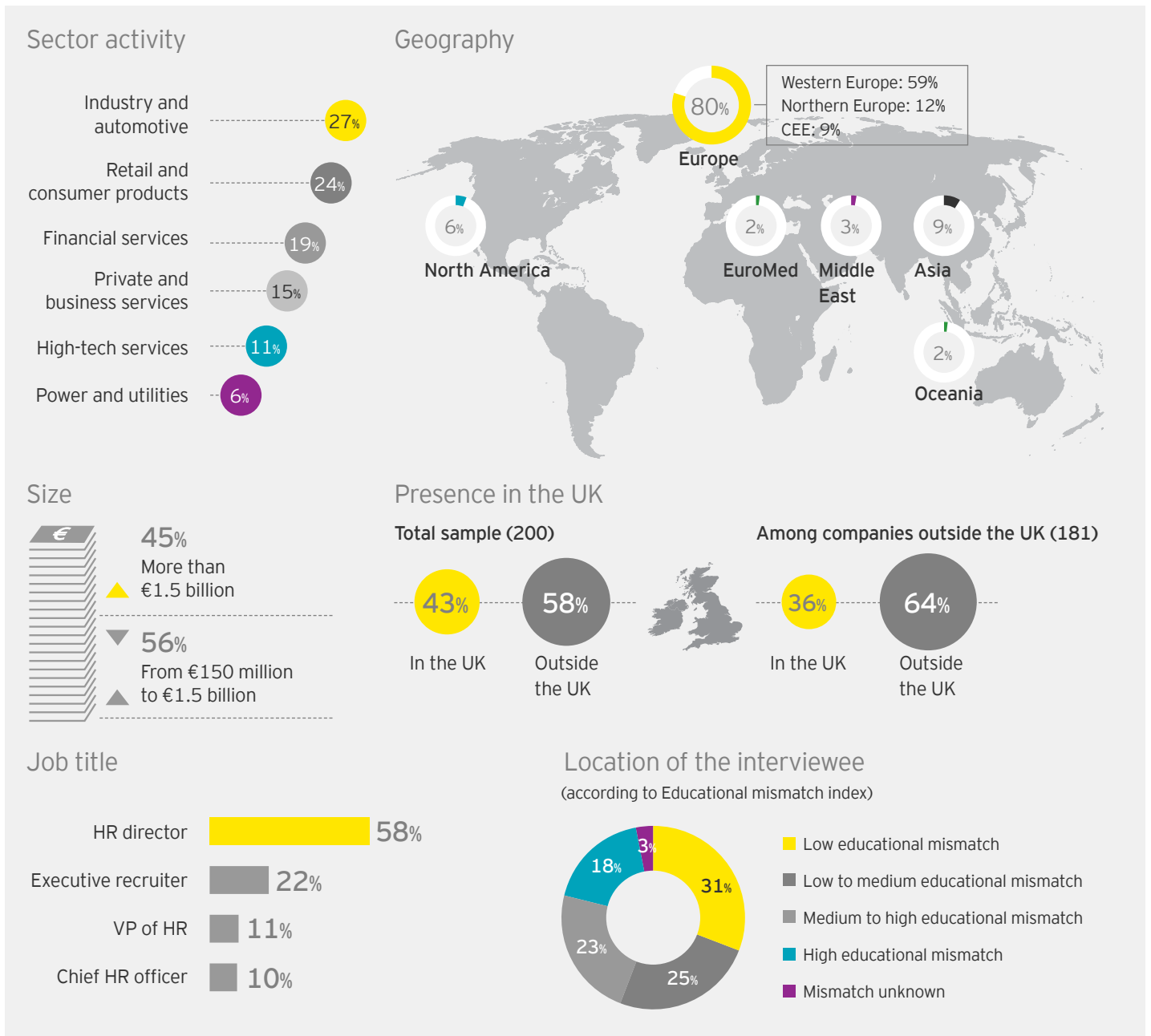
The field research was conducted by the CSA Institute in September and October 2018, via telephone interviews, based on a representative panel of 200 HR leaders (chief human resource officer (CHROs), vice president (VPs), directors and executive recruiters from large companies and SMEs). Through the interviews, information was collected based on concrete experiences, and opinions were sought on how policy can be further targeted to propose a better working Europe.

2. Inputs from subject matter experts

In order to get insights and opinions at EU and policy levels, in-depth interviews were conducted with seven experts from the most relevant key European stakeholders, including European, national and regional public authorities; academia; and HR professionals from industry, SMEs, higher education and training providers.

3. Online panel discussions with millennials

The team also conducted panel discussions with millennials in order to gain insights on how young people experience their position in the labor market, their hiring experience, their expectations and their evaluation of how education prepared them for employment. The panel comprised eight participants from the six selected countries, with a good balance between male and female.



About the EY Attractiveness program

EY's Attractiveness program focuses on insights derived from understanding growth from an FDI perspective into countries and regions across the globe. The surveys use custom-designed methodology and explore both developed and emerging markets. The program helps public sector and business leaders to make economically sound strategy and policy decisions – and ultimately helps us to build a better working world.

For more information, please visit:

ey.com/attractiveness

#EYAttract



EY's Europe Attractiveness Survey June 2018: game changers

EY's Europe Attractiveness Survey June 2018 includes analysis of the reality of FDI in Europe in 2017, the game changers of 2018 and the confidence of international investors about European future attractiveness. It reveals an inflexion in the pace of FDI inflows, influenced by four powerful undercurrents of change.



What if employment as we know it today disappears tomorrow?

A forward-looking view of the workplace in Germany, Switzerland and Austria in 2030

EY's study examines the consequences of Industry 4.0 and digitalization on the workplace in Germany, Switzerland and Austria (the GSA region), and lessons for the rest of the world. It draws insights from those who work in the fields of technology and employment, and explores ways that individuals, companies and countries can nudge the future in a more positive direction.



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EYG no. 012381-18Gbl

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