Skills: From a triple loss to a triple benefit for all

Laurent Probst
Partner
PwC

June 2019
“At the most basic level, an economy grows ... whenever people take resources and rearrange them in a way that makes them more valuable.”

Volkswagen to invest €4 billion in IT systems and digital staff, while eliminating unproductive jobs

By Christopher Ludwig
Misalignment of resources – what does it cost?

Unemployment

Loss €320 bn**
16 million people*

3.5% of EU GDP annually

Job vacancies

Loss €280 bn**
5.5 million job vacancies*

* Eurostat – April 2019, ** PwC estimates
At company level, a paradigm shift

From...

Technology Investment

Savings

Job cuts

Employer choice

• No real skills strategy

• HR Department: more transactional than strategic

• High bill & High social cost

• Company as a winner – Society as a loser
At company level, a paradigm shift

...To

Technology Investment

Skills

Savings & growth

Employee choice

- Lack of resources
- Skills & Upskilling Strategy
- New HR departments considering financial & non financial costs
- Win-Win situation
From Vocational Training ...

• Some days a year
• Below €1,500 per person per year
• For the most skilled
• No real ROI

... To Upskilling

• Minimum 20 days per year
• €5,000-20,000 per person
• In relation with a new job / new company
• A clear ROI
Upskilling’s return on investment?

1. Reducing unemployment risk and cost

2. Filling vacant jobs
1. Reducing unemployment risk and cost

John, 30 years old, 10 years experience, low skilled

His job is threatened by a new automated production line

Out or Upskilled as operator of the new machine?
**John, 30 years old, 10 years experience, low skilled**

*His job is threatened by a new automated production line*

<table>
<thead>
<tr>
<th>Company - Minimum lay off costs for 6 months</th>
<th>Government - social benefits cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>€15,000</td>
<td>€12,500</td>
<td>€27,500</td>
</tr>
</tbody>
</table>
John, 30 years old, 10 years experience, low skilled
His job is threatened by a new automated production line

The Upskilling scenario with 2 months full-time training

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate management cost</td>
<td>€3,000</td>
</tr>
<tr>
<td>Training cost - €15 per hour</td>
<td>€4,800</td>
</tr>
<tr>
<td>Salary cost - 2 months</td>
<td>€5,000</td>
</tr>
<tr>
<td>Total - Upskilling cost</td>
<td>€12,800</td>
</tr>
<tr>
<td>Savings</td>
<td>€14,700</td>
</tr>
<tr>
<td>Total - Out scenario</td>
<td>€27,500</td>
</tr>
</tbody>
</table>
2. Filling a vacant job

Wait for the ideal candidate, which means losing revenue or Upskill an employee with a compatible skills profile?
## Job vacancy: loss of revenue versus Upskilling

### New Data Engineer

<table>
<thead>
<tr>
<th>Loss</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin loss (50% of revenue) linked to unsuccessful recruitment – 6 months</td>
<td>€50,000</td>
</tr>
<tr>
<td>Recruitment cost</td>
<td>€ 5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€55,000</strong></td>
</tr>
</tbody>
</table>

### Pauline, engineer, 60% of the skills target profile

<table>
<thead>
<tr>
<th>Investment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary cost - 3 months</td>
<td>€21,000</td>
</tr>
<tr>
<td>Training</td>
<td>€ 6,000</td>
</tr>
<tr>
<td>Corporate Management</td>
<td>€ 5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>€ 32,000</strong></td>
</tr>
</tbody>
</table>

**Difference**

€23,000

-42%
Should Upskilling become the mainstream solution as a Skills Bridge? €1 invested returns at least €2 savings for corporates and government.
Actions

Leadership & Skills strategy

- Building an enabling environment

Economics of upskilling / Social benefits

- New incentives to unlock private investments
Upskilling: a triple benefit for all

A learning society leading to new economic and social fabric.
Thank you.