

POLICY BRIEF

The EU Pact for Skills and Investors *for Impact*

Why investors *for impact* are key players in upskilling and reskilling investments

To support a fair recovery from the combined health and economic crisis triggered by the Covid-19 pandemic, as well as to boost the twin transition towards a more green and digital society, the European Commission built on its promise to strengthen the social dimension of the European Union¹ and introduced a package of policy measures, among which the **European Skills Agenda** (November 2020) and **European Pillar of Social Rights Action Plan** (March 2021). These emphasise the importance of **upskilling and reskilling**² the labour force and aim to mobilise all stakeholders involved in education and training, to strengthen sustainable competitiveness, social fairness, and socio-economic resilience. For **Investors *for impact***, which put social impact at the core of their investment decision, these measures are opportunities to invest in areas such as lifelong learning & employability, social inclusion, active citizenship, personal development and resilience, to ultimately ensure future-proof careers and bring real change into people's lives. The cornerstone of the EU effort to promote **investment in skills** is the **Pact for Skills**, which is therefore the focus of this policy brief.

SUPPORTING SOCIAL INVESTORS TO MOBILISE RESOURCES AND ENGAGE WITH THE SECTOR

The Pact for Skills is an initiative to **mobilise resources** flowing into investments in skills and establish a **shared engagement model** between the various actors present in the area of skills, such as *companies, workers, national, regional and local authorities, social partners, cross-industry and sectoral organisations, education and training providers, researchers, chambers of commerce and employment services*, to collectively undertake action to upskill and reskill the European working-age population.

The main components of the Pact for Skills are four broad principles outlined in a **three-page charter**³ that signatories intend to translate into concrete actions. The four broad principles are:

- (1) Promoting a culture of lifelong learning for all;
- (2) Building strong skills partnerships;
- (3) Monitoring skills supply/demand and anticipating skills needs;
- (4) Working against discrimination and for gender equality and equal opportunities.

Examples of actions that can be undertaken to implement the charter are: the identification of skills needs within the sector or geography; the establishment of inter-organisational training facilities that pool resources and expertise; the establishment of mentoring schemes and peer-learning mechanisms; the facilitation of individualised learning plans and the financial and non-financial support for workers to actively engage with these plans.

To facilitate adoption of the principles, signatories enjoy access to **three dedicated support services**. First, a **Networking Hub** facilitates the establishment of partnerships, informs about existing EU networking tools, and contributes to the promotion of signatories' activities under the Pact. Second, a **Knowledge Hub** provides access to learning opportunities, policy updates and best practices. Third, a **Guidance & Resources Hub** informs of relevant EU funding opportunities and facilitates the exchange between signatories and national and regional authorities.

1 [Mission letter Nicolas Schmit](#)

2 *Upskilling* refers to improving existing skills and *reskilling* to the training in new skills.

3 The charter can be retrieved at: <https://ec.europa.eu/social/BlobServlet?docId=23158&langId=en>

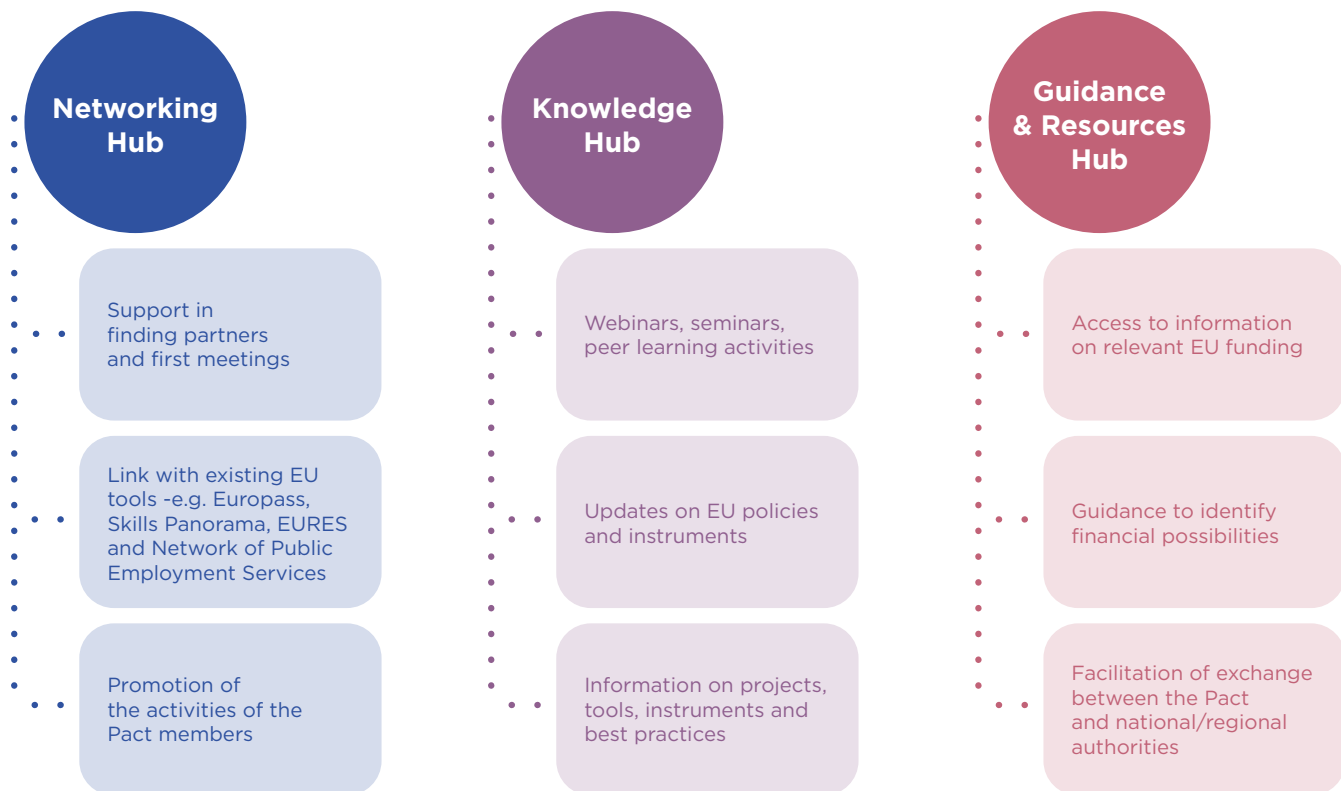


Figure 1. Support Services under the Pact for Skills⁴

WHY INVESTORS *FOR* IMPACT SHOULD SIGN THE PACT FOR SKILLS

Investors *for* impact are particularly well suited to join the partnerships promoted by the Pact for Skills given their pioneering role in the development of the social investment ecosystem, their expertise regarding local opportunities, long-term approach, high level of engagement and provision of both financial and non-financial support. In addition, the principles outlined in the Pact for Skills are fully compatible with the ten principles promoted by the EVPA Charter of Investors *for* Impact⁵. Moreover, the Pact for Skills ensures full respect of existing welfare provisions, the role of social partners and collective agreements. The mutual engagement of the public and private sector with the Pact also creates a unique opportunity to establish lasting public-private cooperation, as well as cross-sectoral partnerships.

INVESTORS FOR IMPACT AND EU SOCIAL POLICY

It is important to understand the interconnection between the Pact for Skills and the various actions of the EU in three broad policy areas, in order to enable successful translation of the principles in the Pact for Skills, to identify the funding programmes supporting its implementation, as well as to conclude lasting partnerships.

First and foremost, the Pact for Skills is a labour market policy which aims to **match future labour demand and supply**. The need for this intervention results from the radical shift in the demand for skills following progress made on the **European Green Deal** and **European Digital Strategy**, with the ambition to become climate neutral by 2050 and to create a fair and competitive digital economy. The urgency of the need to adjust the skillset of the European working-age population is well expressed by the fact that 40% of European employers cannot find people with the right skills to fill their vacancies⁶. Simultaneously, it must be emphasised that the objective of

4 Source: redesigned by EVPA based on European Commission data: <https://ec.europa.eu/social/BlobServlet?docId=23158&langId=en>

5 [EVPA Charter of Investors *for* Impact](#)

6 [Skills and qualifications - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](#)

the Pact for Skills not only relates to addressing the deficiency of certain skills among the population, but also to addressing the mismatch between the skillset of people and the skills required for the tasks they perform, such as to increase allocative efficiency in the economy.

Investors for impact therefore find in the Pact for Skills not only an opportunity to change people's lives, but also to contribute to **economic efficiency**. More concretely, Investors for Impact can contribute to the objective of the *European Pillar of Social Rights Action Plan* to ensure that **by 2030 at least 60% of all adults participate in training every year**.

Second, the increasing economic dependence on knowledge and skills, and the continuous advancement thereof, cause society to become more fast-paced and demands more frequent revision of people's skillset. **This requires a new cultural approach to education and training**. The **European Skills Agenda**, of which the Pact for Skills is the cornerstone, and the **European Pillar of Social Rights**, aim to achieve this change by fostering access to education, training and lifelong learning for everybody, everywhere in the EU.

Investors for impact find within this dimension of the Pact for Skills opportunities to not only invest in hard skills that are directly linked to technological progress, such as data literacy, but also in projects that achieve the required cultural change and therefore invest in soft skills such as adaptability, entrepreneurship, creativity, emotional intelligence, and the ability to learn. **These investments will be crucial to reduce the number of people at risk of poverty or social exclusion by 15 million in 2030 as specified in the *European Pillar of Social Rights Action Plan***.

Third, investing in skills is backed by an important economic rationale: the need to boost the **productivity of the European labour force** to keep the European economy globally competitive and relieve pressure on European welfare systems caused by Europe's ageing population, past economic crises and the current Covid-19 health crisis. The upcoming **EU Action Plan**

for the Social Economy will enhance the position of social investment and support social economy actors to **start-up, scale-up, innovate and create jobs**. Creating employment is of particular interest to some of the 16 million unemployed Europeans⁷ for whom upskilling and reskilling is not only a chance to become more productive but a necessity to re-enter employment.

Investors for impact benefit from strengthening the social economy and are encouraged to **experiment with innovative mechanisms** to finance investment in skills, so that more people find a job, workers become more productive, and the economy thrives. The objective of the *European Pillar of Social Rights Action Plan* to **employ at least 78% of the population aged 20-64 by 2030**, therefore directly relates to the implementation of the Pact for Skills.

As has been outlined above, the implementation of the Pact for Skills is related to a wide range of policy areas. The mobilisation of resources flowing into investments in skills is therefore supported by numerous funding programmes under the **Multiannual Financial Framework**, the EU's long-term budget, as well as by the economic stimulus package **NextGenerationEU** and its accompanying Recovery and Resilience Facility.

UPSKILLING AND RESKILLING: EU FUNDING OPPORTUNITIES

The main EU funding programmes supporting the implementation of the Pact for Skills are the **European Social Fund Plus (ESF+)**, the **Recovery and Resilience Facility (RRF)**, **ERASMUS+**, and **InvestEU**. On the latter funding programme, EVPA published a policy brief in 2019, which is available [here](#). In contrast to InvestEU, ESF+, RRF and ERASMUS+ are implemented under **shared management**. This implies that programme implementation is managed by the national or regional authorities of member states, and that the European Commission is solely responsible for the strategic objectives of the fund, the budget of the fund, the reimbursement of expenditures, and the monitoring of correct implementation of the programme, whereas the national authorities select projects to be funded and distribute the funding. This management structure is

7 <https://ec.europa.eu/social/BlobServlet?docId=23696&langId=en>, page 9

particularly well suited to account for local needs⁸ and to establish local partnerships.

Additionally, it must be noted that synergies and complementarities exist between the various EU funding programmes. For instance, each of the three discussed programmes can be combined with financial instruments that are, for instance, issued under the “**Social Investment and Skills**” window of InvestEU. Grants and financial instruments can thus be combined in a single financial operation and a single fund agreement.⁹

Figure 2 below (page 5) lists the major EU funding programmes supporting the implementation of the Pact for Skills and sorts these by model of governance: **shared management, the European Commission’s management, and financial intermediation**. The programmes under

shared management will fund the majority of projects associated with the Pact for Skills. Projects that are directly funded through programmes under the **European Commission’s management** are typically operating in a cross-border environment and characterised by a highly risky but innovative and disruptive approach. EU funding provided through **financial intermediaries** targets large capacity organisations and has the advantage of not only mobilising additional investors by design but of issuing EU funding in the form of financial instruments and thereby using the budget more efficiently. Lastly, funding applicants should be informed that education and skill policy is subject to a **shared mandate between the EU and member states**, hence a plethora of funding opportunities backing similar objectives exist at the national, regional and local government levels as well.

INNOVATIVE FINANCING MECHANISM: EFSI SKILLS & EDUCATION GUARANTEE PILOT

The **European Investment Fund (EIF)** launched a **50-million-euro pilot programme** testing the viability of guaranteed debt financing investments in education, training and skills. The Skills & Education Guarantee Pilot is supported by the European Fund for Strategic Investments (EFSI) and aims to make finance more accessible to individuals and organisations that want to invest in skills and education. This includes businesses that want to improve the capability of their staff, builders of the skills ecosystem, providers of education and training services including for instance, vocational training centres, universities as well as providers of early childhood education, and individuals who want to continue studying and upgrading their skills through academia, vocational training, lifelong learning and other forms of education.

The EIF guarantees debt portfolios made up of debt financing such as loans taken out to invest in skills and education. The guarantees are issued to selected financial intermediaries who issue the guaranteed debts to final beneficiaries in the form of for instance: loans, deferred payments or income linked loans. This

structure enables financial intermediaries to make such debt instruments more widely available and on more attractive terms for the target final beneficiaries.

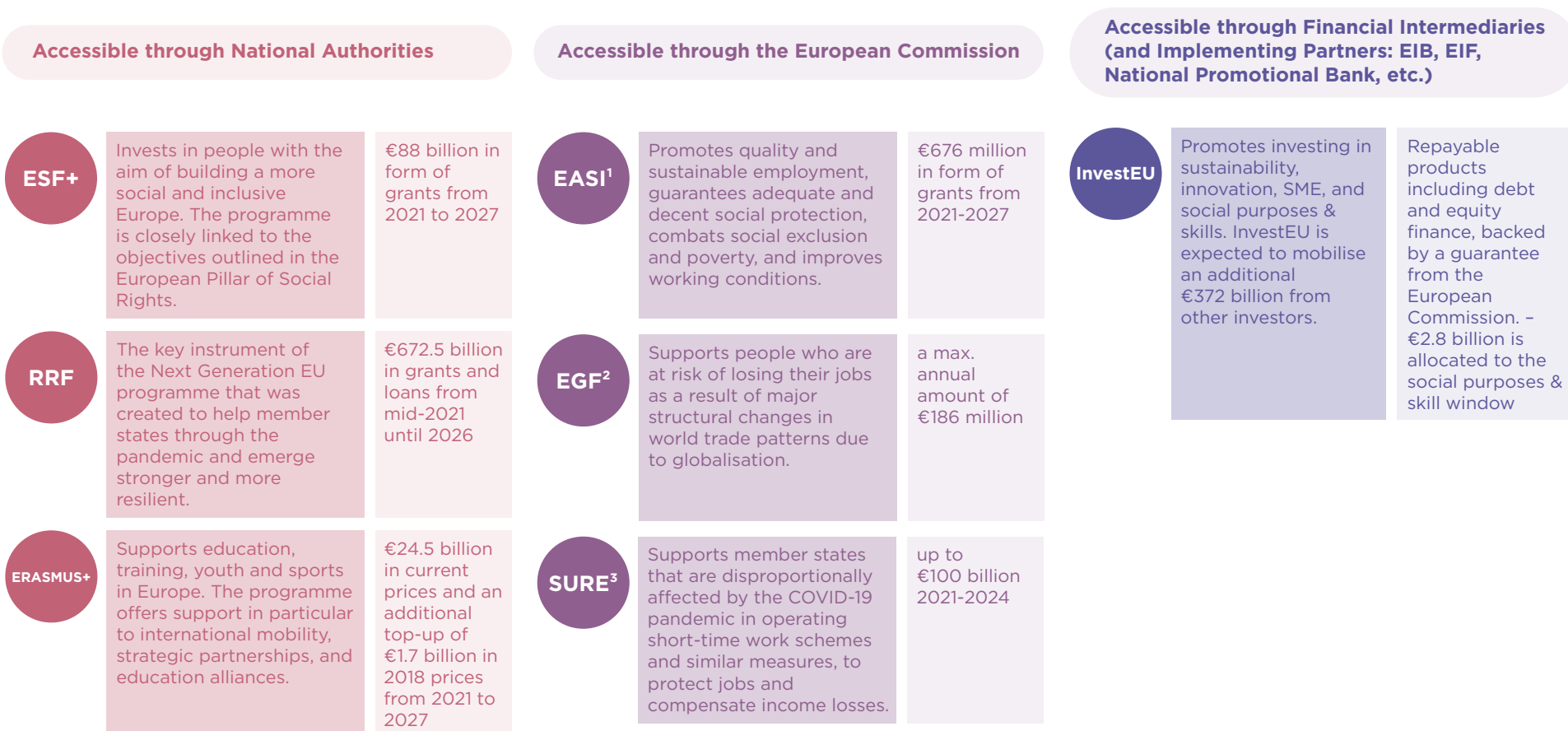
Ultimately, the guarantee aims to improve the employability and wellbeing of the beneficiaries, make European businesses more competitive, enhance social cohesion, and to contribute to the green and digital transitions.

The call for applications has closed and guarantee agreements with **18 financial intermediaries, from 14 countries**, are in the process of being signed. The observed high demand for this pilot programme paves the way for future EU interventions in support of the skills and education sector. EVPA believes that there are good prospects for **investors for impact on cooperating with the EIF**, as some of the participating intermediaries are alternative lenders, education providers and foundations. For more information on the Skills & Education Guarantee Pilot please consult the [website](#) of the EIF.

8 For instance those local needs outlined in the [country-specific recommendations](#) of the European Semester.

9 <https://www.fi-compass.eu/publication/factsheets/fi-compass-knowledge-hub-combination-financial-instruments-grants>

EU Funding Programmes supporting *upskilling and reskilling*



* Further EU funding programmes supporting upskilling and reskilling accessible through National Authorities are: [ERDF](#), [JTE](#), [REACT EU](#), [Digital Europe Programme](#), totalling an amount of approx. €273.5 billion.

Acronyms: 1) **EaSI** - EU Programme for Employment and Social Innovation - EaSI is a strand under ESF+; 2) **EGF** - European Globalisation Adjustment Fund; 3) **SURE** - temporary Support to mitigate Unemployment Risks in an Emergency.

Figure 2: EU Funding Programmes supporting upskilling and reskilling

CONCLUSION

This policy brief is written in extension to the EVPA webinar “**Pact for Skills and EU Funding Opportunities: ESF+, RRF, ERASMUS+**” that was organised in March 2021. The webinar started with an introduction by Marie Boscher (DG GROW, European Commission) who outlined the **structure** and **principles** of the Pact for Skills, and emphasised the objective of the Pact to **mobilise resources flowing into skills investment**. Luka Juros, Anna Nikowska and Lyubomira Derelieva (DG EMPL, European Commission) then highlighted the **opportunities** for different investors under the **RRF**, **Erasmus+** and **ESF+**, and the **financial and non-financial support** these programmes offer. The webinar concluded with a concrete example of investing in skills: Jessica Curtis (Senior Fund Manager and Head of Education and Health at Rethink Ireland) shared her experience with setting up the Education Innovation Fund.

You can sign the Pact for Skills [here](#).

A recording of the webinar is available on the [website](#) of EVPA. The Policy Team of EVPA is also available to provide more information on these and related policy topics. Do not hesitate to contact them at policy@evpa.eu.com. Other EVPA policy briefs that might interest you are [ESF+ towards a more Inclusive and Fairer Social Economy](#) and [InvestEU: How to Actively Engage in the Process?](#)

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