Brussels Forum

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Introduction/Getting the Workforce Going

Ms. Sharon Stirling-Woolsey: Ladies and Gentlemen, please take your seats. The program is about to begin. Ladies and Gentlemen, please welcome the CEO of Deloitte, Mr. Joe Echevarria.

Mr. Joe Echevarria: Sounds like they just made an announcement. They could've told us that--whoops. I thought you were producing. You got me in a little late, hum? Well, good morning. I'm a little embarrassed. I was actually back there getting coffee when they made the announcement of my name, and so I looked at the producer and I said, "I thought you were going to pull this all together," and so I hope that the next five minutes goes a little better than the first two minutes. How are you all doing? Good? I see all my partners, Mr. Potts there, Rick, thank you for inviting me.

I'm just going to set up the next subject real quickly. I’m not going to spend a whole lot of time on it. It's all about the workforce. We've got some great panelists here. And I'll just give you a couple of quick data points, a little bit about my personal background, though, because I do think when you speak to groups, it's important that they understand a little bit about who you are. Because without that understanding, communication is difficult.

So I am, in my country, the United States, a minority, because I'm Puerto Rican, so I can actually do this session in two languages, English or Spanish. Which would you prefer? Español? I hear Español on this side.

It's fascinating because in my own country, I'm considered a minority but when I come to places like this, I'm considered an American, which is always interesting and that tells you a little bit about the workforce in our country.

So a little bit about the subject at hand. I think it's about 25 years ago when the Berlin Wall came down. I think that's pretty factually accurate. I think about 25 years ago, the World Wide Web also opened up. And if you think of those two extremes, a physical structure that basically kept people in, guarded, secured, and then think of the World Wide Web, and I think we're all pretty convinced it's not guarded, it's not secured, anybody can get on there, and those two dimensions put in stay something in this generation that none of us certainly anticipated. What would that have been? Well, for us, quite simply, it would've been the fact that the workforce became more mobile, became more global. It had an ability to leave the boundaries simply through technology, whether we liked it or not.

So if you thought of the 19th century as being tariff-driven and the 20th century as being trade and treaty-driven, then think of the 21st century will be globally talent-driven. And there are no rules, no laws, no regulations that you'll be able to construct that will keep people from going to where the opportunities are. And trust me, the United States, we're working really hard to try to do just that; keep people out. Out is what we're doing in the United States.

And if you think about the great experiment about immigration, is there a greater experiment than the United States? It's a country built on immigrants. Fifty percent of the Fortune 500 are either immigrants or children of immigrants. And yet, in the United States, we have a policy today that basically says you can come to our universities, you can get your degrees, your stem degrees, but then you have to leave the country.

We actually built a wall in one of our states, a wall, not that long ago. And so the real question is, will people become viewed as capital? Economists have viewed them as human capital for quite some time, so I think for me, the real question for the panel will become, quite simply; will people become capital? And when I say capital, capital in terms of an asset.

Where does capital go? Capital flows to where it has the greatest returns. Capital flows to where the greatest opportunities are, and it is unrestricted. That’s what this generation will hold, and I think putting people back to work starts with education. That’s the easy part. The harder part is recognizing that that capital will deploy itself to the greatest opportunities, and I think the panel will talk a little bit more about how that’s going to happen. And I’ll be here to take any questions you like. With that, Maestro? You see how well coordinated we have this?

Mr. Bruce Stokes: Welcome. My name is Bruce Stokes, former German Marshall Fund Fellow and Head of the Global Economics Program at the Pew Research Center in Washington. I want to welcome you all to this discussion about getting people to work.

We’ve been talking a lot about the crises of our time. Most of yesterday was devoted to the Ukraine. This morning we talked about the crisis in Syria. Clearly profound crises. Now we’re going to talk about an economic crisis, a very profound one, and we’re going to open with a short video to lay out some of that crisis.

Video Clip: In December 2013, the national unemployment rate in the United States fell to 6.7 percent, the lowest in more than 5 years. In the EU, an unemployment rate of 10.7 percent indicated stability but is still considerably higher than the 7.1 percent of 2008.

Getting the Workforce to Work implies adjusting skills to the economies of tomorrow. Economic recovery itself requires adjustments and targeted investments that will have an impact on the jobs of the future.

What are enterprises doing to adapt to the job market in the post-crisis economy? How can national, regional, and local governments work together in fighting mass unemployment? How can policymakers work with industries to shape the employment market of the future while preserving and fostering competition?

Mr. Bruce Stokes: Now one of the questions you may be asking yourself is in light of the strategic crisis in Ukraine, in light of the human crisis in Syria, how can I call even this profound jobless challenge a crisis? I submit to you that it is a profound crisis of our economic system, an economic system that cannot provide meaningful remunerative employment to its people is an economic system that is failing its citizens, and we profoundly are failing our citizens on both sides of the Atlantic.

We worry about it in part because it's a political crisis. We all worry about the political consequences of continued high unemployment, but I suggest to you it's also a moral crisis because we have a moral responsibility to our people to enable them to control their lives through having a job, having the psychological stability of contributing to their families, to their own future, to the success of their society.

And again, we have failed these people, and we are failing them profoundly. And we are failing them in a way we have not failed them since the Great Depression. So I do think that in terms of the challenges we face on both sides of the Atlantic, this is a very important discussion we're about to have.

I would like to welcome our panelists to talk about this. We have Caroline Atkinson, who is the Deputy Assistant to the President and Deputy National Security Advisor for International Economics. She is the President's Sherpa on these vital economic issues.

We have Jim Clifton, who's the Chairman and CEO of Gallup.

We have Carlos Moedas, who is the State Secretary in the Prime Minister's Office in Portugal, on the front lines on some of these issues in his own country.

We have Wilfried Porth, member of the Board of Management of Daimler, one of the major sponsors of the GMF Forum for many years, but more importantly in this role, a company that is actually trying to deal with these issues in the company setting where obviously a lot of the work has to be done.

Before we start this, I want to ask all of you a question. There is a debate, a broad debate, about what is the cause--what is the challenge we face. Is it a demand-side challenge of we just need to find some way to create more jobs? We aren't doing a good enough job doing that. Or is the challenge a supply-side one, that we are not training people, giving them the skills and the education they need so they aren't employable?

And if we can go to the first survey question if we have it up there. Yes. We just lost it. If we could get it back, that'd be good. There. Great. What I would like you to do is go to your app and vote. We're going to see how this plays out through the conversation. One is the job problem a question of a need for greater growth that will create a demand for more jobs or a need for a more skilled workforce that will then stimulate employment? You have 15 seconds to vote, so if we could start now and you could cast your vote that would be great.

And the winner is--it would appear that nearly 6 in 10 of you believe it's a demand-side problem, not a supply-side problem, but there's a significant minority who believe it's a supply-side problem. We'll return to this issue throughout the conversation and at the end.

So, if we could start with Caroline, a question for you. In the last three years, the US economy has created about 8.5 million jobs according to the

President’s most recent economic report, and yet we still have 10.5 million people who are out of work. Doesn’t that suggest to you, five years on, five years on since the advent of the Great Recession, that we really just do not know how to get the workforce working again, that we’ve tried a number of different things in the United States, but this track record is not a commentary on necessarily the Obama Administration, but we just don’t know how to do this?

Ms. Caroline Atkinson: No, I don’t agree with that. I think that that 8.5 million shows you that there has been a steady increase in employment. That’s a figure for the private sector. For the last many quarters the private sector has been adding jobs. We have more and more evidence that there is a recovery underway in the United States. It is not fast enough yet. We have a long way further to go. We still have much too high unemployment, especially long-term unemployment, but we do know that the trajectory is the right one, and I think that is a result of some of the policies that have been put in place and the gradual healing that has been taking place after the Recession. It’s not nearly good enough, but we are not helpless.

Mr. Bruce Stokes: Let me follow up with that. One insidious aspect of this unemployment--the existing, continuing unemployment--is, as you mentioned, this rise in the number of long-term unemployed. We now have in the United States, if I'm not wrong, more long-term unemployed than we've had at any time since the Great Depression. That means in the US parlance people who have been out of work for more than 26 weeks, as I recall.

Do we have to assume, given how difficult it's been to get them back into the workforce and every week we don't get them back into the workforce they have been unemployed for a longer period of time, that those people may never actually get full-time, meaningful employment again?

Ms. Caroline Atkinson: Again, you know, America is the land of optimism and can-do, and what I believe is that for those long-term unemployed you need more than just a general recovery and a general rise. We need some specific policies which we've been proposing and advocating and putting in place that go to the employment of long-term unemployed. And this is somewhere where we need to work--the public sector needs to work with the private sector.

We know that in your resume if you put in for a job, and there is only the difference--you have identical resumes, but in one the period of unemployment is much longer than in the other a business will choose the person with the shortest unemployment. And that's understandable, but we need to work against that.

We need to work very deliberately with the private sector on supporting the return to employment of the longer-term unemployed. That's a very specific and very important problem to address.

Mr. Bruce Stokes: Carlos, unemployment stands at 15 percent in Portugal. Now, compared to your neighbor Spain that's good, and in fact, the unemployment rate in Portugal has come down about two percentage points in recent months.

The Portuguese government has attempted some labor market reforms as a way to try to stimulate more hiring. Could you talk a little bit about what you've tried but also share with us the difficulty of that because obviously everybody talks about labor market reform, but doing it is another issue, and where did you fail? What would you have liked to have done but you couldn't get done?

Mr. Carlos Moedas: Yes, Bruce. Good morning to everybody. Thank you so much for the question and the opportunity to tell you a little bit here about the story of what's going on in Portugal in the past two and a half years, and we've been through a lot of sacrifices during this period. But one of the things that is important and I think that I will try to convince the audience is that when you answered that it's basically a demand-side problem. I would argue that in Europe it is a supply-side problem.

When you look at basically what we have done in Portugal in terms of the labor market and the reforms on the labor market, they were about the biggest problem in Europe in the labor market which is basic dualism. You have the typical problem of insiders versus outsiders. You have young people that do not have any protection--very weak contracts--and you have the older people with better contracts and better protection.

So when, Bruce, you asked me what we did we actually had two ways to go about it. One was to break it, and let's do one single contract to everybody. But there was no track record in Europe or in other countries that works, and so our approach was more a step-by-step approach. How can I actually get and equalize these two types of contracts, so I get people back to work with the same conditions and the same opportunities?

And so that was the work that was done in two and a half years with the unions and let's face it, that because we decided to go step by step we could have the unions with us.

And we looked what are the major differences. I mean severance payments are very different from the temporary contracts to the permanent contracts, so let's equalize those two. What's the difference in between myself being able to dismiss someone on a permanent contract or on temporary contract? And let’s try to equalize that. And by doing that, I think that you’re really changing the bone, and you’re not breaking it. And you have the unions with you which in Portugal was crucial in these very difficult times.

Mr. Bruce Stokes: Thank you. Wilfried, Gallup recently did a survey that showed that 59 percent of workers said they acquired the skills that they’re using not in school but in work. That would seem to argue that what we need is better training in the workplace and apprenticeships to get people into work where they can learn those skills.

Daimler has been in the forefront on many of these issues, both in Germany and some of its plants abroad. Could you talk a little bit about how you do that, and then how does it relate to the broader German experience which we all know has been fairly forward leaning on some of these issues in the past?

Mr. Wilfried Porth: Yes. First, companies on long-term are only successful if their products are successful. So the big question is how can you create interesting products where customers are prepared to pay for on long term. So short-term political interventions might help a little bit, but in long term they are not really helping to support the success of the companies.

So we are very much convinced that good products can only come from very good and well-qualified people. That is not only a Daimler belief. It's a German belief, I would say so.

What we are having is we have those apprenticeships for young people where they really get a very profound education, and the big difference between somebody who is trained and somebody who is qualified through apprenticeship is the problem-solving capabilities. They are really able to solve problems across functions, across divisions, across business units, across products, and that is our big benefit.

Now, the big hurdle we always have to jump over when we bring that to foreign countries is that there is no society base, or there is no real base there, first to accept the formal achievements, you know, and the people are not really prepared to take that. So we always fight this with the governments there to accept this formal graduation.

We always have to talk to those people. They cannot earn the money from the very beginning they expect because they have to invest in themselves in the beginning. We are investing in them. So it's a mix of, you know, our company philosophy and what we find in the different countries in order to develop that further on.

Mr. Bruce Stokes: Jim Clifton, Gallup just published a study called The State of the Global Workforce. What, from that study, do you think gives us some insight as to not just what has to be done but what can be successful in terms of dealing with getting people back to work?

Mr. Jim Clifton: I'm going to answer a question that you didn't ask, first of all.

Mr. Bruce Stokes: Like a good politician, you know?

Ms. Caroline Atkinson: At least he can admit it.

Mr. Jim Clifton: You have to be very careful about the word unemployment. It's getting so messy, because the denominator's always changing. So we reported that the unemployment's the best it's been at 6.7. 580,000 people dropped out of the workforce with that 500 so I don't want to use the word dishonest. I'm going to use the word cruel. But the unemployment number in the United States is a cruel number.

The best number to use is the number of people that have a full-time job compared to the population, because what people really want is a full-time job. So if you clean out the messiness of part-time, informal, all that kind of stuff, just cut to the chase, how many people have a full-time job compared to adult population?

The answer in the United States is 42 percent. It's the lowest it's been in 40 years. Our employment situation is the worst it's been in 40 years and it will get worse in 2014. I bet all my Gallup stock on it. It will get worse.

So what we did—now the ILO, God bless all of you from the ILO and the OACD, but everybody sends in their own unemployment numbers, and so they're supposed to go by the same rules, but they don't. But if you go around the world and ask for full-time to population, then you have the real energy of a workforce. So we did this in 160 countries. It gets you 98 percent of the population. There's 7 billion people, 5 billion adults, and of the 5 billion, 3 billion of them said we really wish we had a full-time job. That's the will of the world is to have a full-time job. 1.2 billion of them have a real job. So you could argue that there's over 50 percent unemployment in the world.

Now remember, I'm sorry about this, but ILO and OACD and everybody, all your governments, you can be selling gum in traffic and you'll call them employed. And if you go and ask them, what do you wish you had? They wish they had a real job, so clean that out.

But that number's sinking a little bit and so with productivity, when you talk about supply and demand, where are we going to get our next growth? That's probably, I don't mean to sound too breathless, but human development probably lies within the productivity of that 1.2 billion people that have a real job.

I'll get this over with. We ask the 1.2 how many of them kind of love their job, feel that their life has meaning because they're in a job they're developing and all that, that's only about 12 to 13 percent. We're not doing a very good job—so all of us went to business school and all that, it's not working.

So there's only about 150 million people in the world that kind of cook up everything, create good customers, get ideas, spinoffs, start new companies, build new cars, and do all of that kind of thing, but that's the state of the global workplace.

Mr. Bruce Stokes: No, and that it seems to me is the real challenge is that it's not just creating a job, any job, it's basically also creating full-time jobs and meaningful jobs, ones that are fulfilling to people because, at the end of the day, it's not that people just want an income. Of course they want an income, but they'd like to feel that they're contributing, that they're human resources are being fully utilized. And you actually, it seems to me, hinted at even a more profound issue is that what economists see as productivity, from a working point of view, it means that we can produce as much with fewer people. And so how do we get those people into the workforce when, in fact, you go into a modern factory today and there are virtually no people if it's a globally competitive factory?

And so we do face, I think, that broader challenge which goes beyond this panel of the nature of work going forward. I'd like to turn to Joe Echevarria, I could ask you a question. Deloitte recently published a survey of about 2,500 firms. And what struck me about that was that while workforce capability and training was an important issue for the people you surveyed, the number one most urgent priority was leadership. Now that's a bit of an intangible issue. You don't just kind of prescribe leadership. You don't pass a leadership initiative in Congress.

What is your sense of if we need better leadership to get out of this joblessness challenge, how do you cultivate that? How do you stimulate that? How do you get that going if that's going to be one of the answers?

Mr. Joe Echevarria: You know, leadership is getting somebody to believe in you. So you have to start with that premise. It's not some grand title that you're given. Someone has to believe in you, and I think the gentleman right here first talked about, well, the experiences that you get as an apprenticeship versus someone who's just been trained, that distinguishment is leadership in and of itself.

So I wouldn't confuse leadership with big titles, muckity-muck jobs, nothing like that. Basic, basic skills that people want to follow you, because without that is hard to move the needle on anything. And in the country that I'm from, United States, Washington D.C., I think Senator Menendez was here before, we are certainly lacking in leadership in Washington. And if we don't get a couple of basic things done, some of the suggestions of running the Gallup poll and the long-term unemployment will just continue. They'll just continue. They're not going to get any better. It'll be on the burden of the private sector.

And the gap you have in the United States, if you think about the fact that we have 600,000 manufacturing jobs to fill, cannot be filled, half of those require a stem, and we tell most of our girls when they're coming up, they're not going to be good at science and math. And we just start a problem of not being able to fill stem.

To that first question, we can move them along if we just did something simple like that.

Mr. Bruce Stokes: An anecdote, I recently went back to my high school in Western Pennsylvania, which fortunately still has a steel mill. Not many towns in Pennsylvania still have steel mills. They still have a manufacturing base. In my high school, you can major in different things. Even though you could leave that high school and get a manufacturing job that paid, with overtime, maybe 60,000 dollars a year, there were more kids studying to be beauticians than there were studying to go into manufacturing.

That is a leadership issue, because someone has to convince those kids that they have a future, not going to college, and not becoming a beautician, but actually doing jobs which no longer get their hands dirty and, I mean, that's the other challenge.

We're going to throw this open to the audience now. If you could identify yourself, if you could ask a specific question to a specific panelist, that would help so people don't feel the need to answer all questions. Right here?

Mr. Hari Hariharan: My name is Hari Hariharan and this is a question for Caroline Atkinson.

Mr. Bruce Stokes: And you're from where?

Mr. Hari Hariharan: I'm sorry, I run a fund in New York called NWI.

Mr. Bruce Stokes: Okay.

Mr. Hari Hariharan: One of the beveling issues here is that with cost of capital virtually close to zero, you know, interest rates in the US, in the west, are virtually at floor levels. How do we explain this basic question as to why smart American and European corporations do not find attractive enough investment opportunities with an IRR which could now be extremely low, what are we missing? Because if the poll is correct, an aggregate demand is what is going to create jobs, I don’t see how aggregate demand is going to come from anything other than investment. What is holding investment back with interest rates the where they are?

Mr. Bruce Stokes: Great question. Caroline.

Ms. Caroline Atkinson: That is a great question, and I was interested in the poll showing how many people felt that there was a shortage of demand, which I agree with. I think that’s more striking in Europe than it is in the United States.

I believe that as this recovery moves forward slowly, as I said, it is definitely moving. We expect growth this year to be somewhat stronger than last year. We had a big headwind against expansion from the fiscal consolidation that was occurring. That will not be the same this year. And I believe that gradually, not as quickly as we would like, businesses will start to invest and, as you know, and many people here know better than I do, business will invest only if they think they can sell whatever it is that they are investing to produce.

So it’s not just about the cost of capital, it’s also about the estimate of the market. What we need to be showing is that there will be a market for those goods, so it is worth making that investment.

Mr. Bruce Stokes: Next question, back here.

Unidentified: Thank you. My question relates to confidence and I think, you know, the unreasonable macroeconomic policy we have been following before the crisis and which we are continuing to follow in advance economies with huge uncertainty on fiscal consolidation, on movement of capital flow, on tapering and all this liquidity that is around, it generates uncertainty and that leads back to what the gentleman said on investment. Everybody's holding back his options, waiting to see how it's going to evolve. So therefore there's a structural component to this crisis beyond, you know, the deficiency and demand that the Fed has been doing a lot to compensate with the huge monetary stimulus and it's not really happening.

The same situation goes in Europe. So how, you know, and the process that you guys had within the G20 is now not really working. So if you add all that to, you know, Ukraine and all that stuff, if I had cash I would sit on it, you know? Why should I invest? Maybe I'll go to Africa where they are, you know, interesting return.

And this is, again, not happening because the World Bank and all these guys are not capable of, you know, pushing the button and risking investment for this to elope. So there is something wrong in the corporation mechanism, the lateralism at the IMF and with, you know.

So what's your--and that's a question for Caroline Atkinson, is this something you perceive or it is something that is not in your agenda at all? And, if yes, what are you doing to correct that because it's not reassuring?

Mr. Bruce Stokes: Okay. So, I mean, this is what Paul Krugman in a more negative sense would call the confidence fairy, right? It's been an issue that's been raised for years now. Clearly, there is a lack of confidence or people would, in theory, be investing more but it's not at all clear what can be done five years on to increase confidence. So maybe Carlos you could start it and then we'll go, yeah.

Mr. Carlos Moedas: Thank you so much. I'm sorry that you are asking Caroline, but I thought that you question is so interesting, because you have here more the two sides of the world, if I might say, more the United States and the problem of Europe.

And when you look at European countries that, for the last 10, 15 years have been spending money for 10 years, and absolutely creating no growth, so you actually have a problem that is not about spending. It's not about demand. There's something else, as you said, that is structural. And the structural side in Europe is about how can you actually create this single market without barriers because you have created in Europe a market that had no barriers for credit and flows of that were all around Europe but there are still barriers in terms of equity, cross-border transactions are very low in Europe.

And my point is that that’s all about how you can lower down barriers to businesspeople and to companies and that’s where you get into the labor reform and to the product market reform. How can you have free transactions without barriers? And that’s something that, unfortunately, we have a lot to do still in Europe.

I’m not going to talk about the case of the United States. But in my own continent, I think that--and president, governor of the Central Bank, President Draghi, normally says that we have all the tools to actually look at the fiscal consolidation, look what countries are doing. But we don't have the tools to oblige countries to do the structural reforms. So, you create these negative atonalities in between these countries in Europe that are negative for the creation of jobs and for the confidence. Sorry, Caroline.

Mr. Bruce Stokes: Caroline?

Ms. Caroline Atkinson: Certainly confidence is important but it is also--I share some of Paul Krugman's doubt about a confidence fairy--I believe that business and private capital is smart enough to find opportunities and exploit those opportunities when they're there. But they need to see the opportunity. They need to see the ability to sell and make a profit.

I don't agree, if I may, with the analysis of the difficulty in Europe. There were some countries that certainly borrowed and spent too much. Eurozone as a whole had a rather modest debt-to-GDP ratio. The problem was imbalances within the euro that were not financed in an easy way. And the response was to have very sharp fiscal consolidation in some countries that could no longer borrow with no offsetting increase in demand in other countries.

So, the eurozone as a whole is not yet back to the level of output that it was before the crisis. In the United States, we are back and above that but still not been recovering rapidly enough to provide that assurance that you will have a market for your goods.

Mr. Bruce Stokes: Jim Clifton, one of the issues in the US beyond investor confidence is consumer confidence. That as modestly well as the, or relatively well as the US economy is doing, compared to how it did or how Europe is doing, you don't see a real strong revival in consumer confidence. And do you have any sense of what's lacking in terms of reviving consumer confidence?

Mr. Jim Clifton: Let me go up just one tick from consumer to small business. So, there's six million businesses in America. You'll read 26 or 28 - there's not. There's six million. There's 20 million businesses on paper, and I don't know why people say 26 or 28. Of the six million, four million of them have only one to four employees - 1.4. They're mom and pop shops.

So, there's only two million businesses, only a thousand in the big category of 10 thou--there's really very few big businesses in America. I mean, you hear Wal-Mart and those other big--it tails off real fast. So, there's an ecosystem that the whole country rides on of only about two million. I'm going to call them small- and medium-size--that's where all the jobs are and everything is.

When we poll them, we asked them why aren't you sticking your neck out? Why don't you hire a new salesman? Why don't you have a new ad campaign and all that kind of thing? And what they say is--'cause, remember, they're stopped--these are turtles with their heads and tails--everything's tucked in. They look like a rock on the highway. And we say why are you like that? And the first word out of their mouth is regulations.

We say really? Which ones. And the first one out of their mouth is healthcare. And we say what is it about healthcare? And they say we don't know. We just know it's bad.

Second one they say is environment. Whether you like it or not, I'm just telling you what they say and what other side they have.

And about a third of them have something to do with construction. And so this is where you find the spirit of free enterprise or confidence, and I think it's everything. And to think that America's recovering, you're hallucinating.

So, we say what's happening--

Mr. Bruce Stokes: As a child of '60s, I'm always hallucinating, but anyway.

Mr. Jim Clifton: But they get letters in the mail that say you can't use this paintbrush anymore, you can't use a steel bucket, you got to use a rubber bucket, and all that, and they go oh my gosh. They just stop. So, confidence right there is killing growth. And, you know, our growth is, I think, was 1.9, it's supposed to be three. Economists, they're worse than weathermen. They overshoot. They're always hoping for the biggest storm. You know, three percent. And then it comes in at one-nine; now, we're going to adjust it down maybe to one-six.

But here is the other place where confidence just crushes us, and it's crushing Europe too.

So, that ecosystem of two million businesses that we live off--we tax it and get jobs and everything else--is built by 500,000 new businesses starting each year and 400,000 that close and die. So, we live off of a net of 100,000.

If we had a herd of cattle, 400,000 cows die of 500,000 new calves. It works. Herd keeps growing. Three years ago, those lines crossed. By the way, this is from the US Census Bureau. It's not a poll. The error range is zero. They get them all. They crossed. So, now we only have 400,000 starting and 500,000 dying. We're like the rainforest. The trees are dying faster than they're growing.

And, of course, that all comes back to confidence. But the spirit of free enterprise I overlapped with--they're the same thing. But that thing is definitely injured.

Mr. Bruce Stokes: Wilfried, I mean, this gets back to the issue of that middle shun in that--

Mr. Wilfried Porth: Maybe I can jump in.

Mr. Bruce Stokes: Yeah. Right. That's what I was just saying.

Mr. Wilfried Porth: Maybe it could be quite interesting to--

Mr. Bruce Stokes: There's a lot of capital out there in the business community. Why is it not being invested? You have a sense of that.

Mr. Wilfried Porth: Yeah, maybe it would be interesting to have an opinion from somebody who is deciding on real investments and not only on frame here.

I think it's far too short to say the financial crisis and uncertainty whatsoever. What we need to realize is that since years, I would say since a decade, there's a huge shift taking place where manufacturing jobs are moving from Europe to Asia. And when you look at the UK, and you look at France, this structural change is tremendous.

But there was no addressing of the change by attracting other industries or preparing the people for those other jobs. And that's a huge issue. And you cannot really heal that with putting more money into the system. You need structural changes in general.

And even in the US, you know, also ourselves, you know, we are the owner of Freightliner, we are moving manufacturing jobs to Mexico. Why? Less cost, more flexible, and we need to look at those kind of frameworks. And if those kind of things are not changing, we will not really go back into investments in our traditional locations.

We are investing a lot in Germany but we're investing basically in existing locations. But we are not increasing our existing locations because of all those hindering framework conditions. And this is where we need to be very careful. It's not the financial crisis alone. There's a thing which has been started 10 years, maybe 15 years ago, and it's ongoing and it's actually increasing.

Mr. Bruce Stokes: Great. So, over here we had a question. Right here.

Mr. Pavol Demes: Pavol Demes in Warsaw. I have a question, especially for Caroline and Wilfried, 'cause in Europe we used to speak about four different socioeconomic models: the SAPIA Report 10 years ago, continental, Anglo-Saxon, Nordic, and Mediterranean. And the assumption was that there are cultural characteristics which we cannot overcome, so we should not aim at harmonizing the socioeconomic models. We should accept the diversity but learn from each other. Now, are we in a different situation now after the crisis with the German labor market reforms being so much of a reference point?

I mean, you have Professor Horowitz, the author of the reports, being invited to the Elysee to advise President Hollande. Very meaningful situation. And isn't that--if this is the case that we are building more of a common denominator, isn't that making things more difficult for you in the south where you have very specific problems? Some of them you referred to: the product market reforms, also shifting taxation from labor to consumption, which would translate into a significant boost of employment? So, isn't that making life more difficult for you?

Mr. Bruce Stokes: Carlos, you want to?

Mr. Carlos Moedas: Oh, I can start that one. Look, I don't believe in the theory that this is about cultural differences. I was very young when I left my country at the age of 23, and I spent 14 years outside, in the United States, in different countries in Europe. And I don't believe that. I think that exactly it's something that we have to see as the past.

I mean, this is not about cultural differences. This is about countries in Europe and about doing the right reforms in your economy to create jobs. And so when you look--and Caroline was rightly saying about the imbalances in the different countries of Europe--there's no reason today for a country in the south to not be as productive as a country in the north if you do the right reforms to have the right incentives.

People respond to incentives. And the incentive in the south for a long time was about spending and not doing the reforms.

So, you have these bubble of public expenditure that went on and on and suddenly you were not competitive anymore. So, the point of creating a union in Europe, where actually you can live with these differences, is about getting these barriers out of the way so you can live in a Europe where you don't have 28 different labor markets. You have to have one European labor market.

And for that, the rules have to be kind of similar. If not, it doesn't work. For people to look to our continent and say, look, actually, on average, it looks good, as Caroline was saying, it has to be looking good and I can, have to have mobility in between the countries. I have to go around and I have to create these new generation that is very different from the formal one.

One of the major successes of Europe in these past 15, 20 years was something very simple, because sometimes reforms are very simple. What's called Erasmus problem.

In my generation, there was absolutely, very rare, there was very few people from countries in the south that will travel and live in the north. I mean, the Erasmus problem has created a new generation of people that actually don't look at any more to the borders as they did before. And so if you can't actually step-by-step destroy these barriers to level the playing field, you will not talk about this dichotomy in between the north and the south in the next 10, 20 years. At least that's my hope.

Mr. Bruce Stokes: Carlos, you mentioned the next generation. One of the issues we haven't talked about maybe enough here is the high rate of youth unemployment, especially in southern Europe. But it's also a problem in the United States. And there is at least a fear--maybe it's not well-grounded--that we could lose a whole generation of people, that we could have a whole generation of people who in their 40s and 50s have never held a full-time job, haven't learned not only how to support themselves but haven't learned work habits. The discipline that comes with work, which we all hate when we're 18, but we realize when we're older that it was actually useful thing to learn.

You’ve talked about this bifurcated system in Portugal and trying to get rid of that. But is there more that can be done or should be done? Do we have any other lessons we can learn from other places? In Daimler, I mean, are there things that you have done to try to emphasize hiring younger people? I mean, how do we address this youth unemployment problem or frankly do we not have a clue how to do that?

Mr. Wilfried Porth: It's very different. They're across the countries in Europe. And this is why in Germany we are about to have a problem to get enough young people hired for apprenticeships, because there are so many other options. And for some smaller companies, there's already today a big problem to get enough young people in the apprenticeship programs.

Now, I know that there is a lot of calls around Europe that we should hire more Spanish and Portuguese and Italian people and bring them to Germany. I think that's the wrong way around, because we have this experience from Western and Eastern Germany where a lot--Eastern Germany, in a lot of areas, there's nobody living anymore but the old people. Industry has gone, companies have gone.

So, we rather need to invest in the countries. So, for example, we have a factory in Portugal; we have a factory in Spain. And we need increase our apprenticeship programs there in order to support the society. But we should not, you know, take all the young people out of those countries because they are the future of the country, and they need to create the market, they need to create new initiatives, business initiatives and we need to be very careful to call them out.

Mr. Bruce Stokes: Caroline, in the US, when we had either a very successful Clinton economy at the end of the Clinton term, or you could call it a bubble economy, depending on how you'd define--

Ms. Caroline Atkinson: It wasn't that.

Mr. Bruce Stokes: --why we were doing so well. Nevertheless, youth unemployment and especially unemployment among young African-Americans was at a record low. So, we do know how to address this problem if we can juice up the economy enough.

But assuming either we can't get back there or it would be too dangerous to go the full way back there, how do we get young people into the workforce?

Ms. Caroline Atkinson: I think we have a lot of lessons to learn also from Europe and from Germany. And, as you know, we've been looking at how you can, obviously, STEM education, but also how you can look at apprenticeships. I think those are very important steps to be working towards and looking at.

I would just like to say that in the Clinton years, of course, there was not a big fiscal deficit, that we were moving into a surplus.

Mr. Bruce Stokes: Right.

Ms. Caroline Atkinson: And I don't think the world's a bubble economy then. It developed later. And it does--that low level of unemployment, including amongst the most vulnerable shows how important the overall level of demand is. I think within that we have specific problems within the unemployment level now. We have specific problems of the long-term unemployed, youth unemployed, and the less well trained.

Mr. Bruce Stokes: Back here, question.

Mr. Ilter Turan: Yes, my name is Ilter Turan from Istanbul Bilgi University. It seems like we are talking about two different types of unemployment, one of them that can be directly traced to the bad economic conditions that happened to prevail at the moment and then a more structural one where actually, the way the productive enterprise is organized and the way we educate people and build up expectations in them do not correspond to the way the productive enterprise functions. So this is more of a problem.

And my question is, apparently we're doing something wrong with the educational system. And essentially what kind of changes do we need in the educational system to sort of bring the needs and the expectations a bit more together?

Mr. Bruce Stokes: Joe, do you have any thoughts on that?

Mr. Joe Echevarria: Sure. I agree a hundred percent. And I think that's why it's a more of a public-private partnership. Because if you think about what the jobs of the future are versus the traditional training that we take today, they're not aligned whatsoever, not from the time someone that enters elementary school, which would be, you know, primary school here, to the time they graduate. It's still a select process. The menu looks the same. The choices look the same. University programs look the same. And we need to steer people and children in certain directions, and it doesn't happen today.

We have education completely disparate from business, from the geography that we deploy people. We hire 18,000 people a year in our firm in certain capacities, so I think you're right. I think that is a structural problem that needs to be addressed. I know in the current administration, Obama, they're trying to, but that's a hard one. That's a hard one to do.

But if it doesn't get done, those long-term unemployment numbers, the cruel that you referred to, the two-point, they're going to just get higher, not going to get lower because those individuals cannot be placed. They don't have the job of the future. So I'm a hundred percent aligned with that.

Mr. Bruce Stokes: Here in front.

Mr. John Richardson: John Richardson from the German Marshall Fund. I'd like to pick up what Wilfried Porth said about the pressure on manufacturing in Europe, and its possible shift to the rest of the world. EU growth policy seems to me to have concentrated, and to still be concentrating, on expanding the knowledge base and improving the work skills of those who work in manufacturing industry.

And I will have a question for Carlos Moedas. We have a very large sector in Europe which has production assets, which nobody else has. It's the great density of tourist destinations that we have per square kilometer in Europe. That's something where others cannot compete on that same basis at all. And it happens to be a sector which produces very, very many jobs. It's not affected by losing jobs through productivity gains. It creates very many jobs throughout the European regions.

Do you think that the European growth policy should be devoting more attention to tourism bringing in high spending tourists from outside of the European Union? And wouldn't that help in a country like yours?

Mr. Bruce Stokes: A very good question, because it does seem to go to our conceits about what is a good job and what's not a good job. Now, I would challenge my good friend John that--I'm not at all sure that there's a lot of value added in some of these tourist jobs, but they are jobs. So I'm curious. Is the growth mix in Europe right? Or does it need to shift in terms of being able to generate more jobs?

Mr. Carlos Moedas: It's a very good question, and especially for a country like Portugal that one of our major industries is actually tourism. It's basically more than 10 percent of our GDP. When I look at actually the sector and I look at what should be done--I actually looked at the productivity and what's the productivity of the industrial sector in Europe versus the services sector because tourism is about the services sector.

And one of the things that strikes me is that if you look at the numbers of productivity, the difference in between the US and Europe is a lot focused on lack of productivity on the services sector in Europe.

And so one of the things that we've been very focused in Portugal is about how do you look at innovation, just not on the technology, as people sometimes look at innovation, but on the innovation of services and innovation of processes. And so I'm not about what actually could be in resources that could come to Europe. My worry is about whatever I, as a member of government, can control, which is how can I get it better and more attractive for people to come?

And just linking your question to the professor there back there on how do we look at education--and tourism is a part of our education system--one of the things that we did was looking at other countries and see what are the countries that have low youth unemployment doing that we're not? And one of the things that we understood in the very early stages is that countries that are doing better is because they have this dual system where people work and they study.

And the earliest you can start that, the better. So if you can start that by the age of 13, 14, that young kids can have these two experiences, then you really have an effect. And tourism is a very good example.

Mr. Bruce Stokes: Carlos does raise an interesting point, that we have not applied the lessons from manufacturing, in terms of improving productivity, to the services sector to the extent that it would be humanly possible. We know in the US where hospitals, the ultimate service center, have applied Toyota management techniques. They have improved the productivity of the hospital and the profitability of the hospital and the efficiency of the hospital and reduced the error rate and all sorts of other things. Error rate in this case is people don't die. So it's a terribly important thing. But when you talk to people about applying the Toyota management techniques to services, they just--it's like, how can we do this? I mean, this is a totally different world. It's not a different world. It's management. And at the end of the day, it's a management failure that we haven't done it, because it's not the workers who have failed to do this. It is the fact that management hasn't applied these lessons in a services situation. Right here.

Mr. Paul Ortega: Thank you very much. Yes. Thank you very much. My name is Paul Ortega coming from the Basque region in Spain. Very interesting topics on things, but I am a little bit surprised not to see--you visit on the line a lot the link between employment and the investment public and private in science, technology, and innovation. If you see the figures in Germany, but in the countries of North Europe, and recently the investments in the United States, I think there's a clear connection and according that this reflection about a structural employment, in addition to education, I think there's a very clear link between the investment, private and public investment in science, technology, and innovation with employment.

Please I would like to have your opinions. Thank you very much.

Mr. Bruce Stokes: Who wants to? Jim.

Mr. Jim Clifton: You know, you hear so much about innovation, you know, that let's put billions and billions and billions into innovation. You know, to fix this job thing, you've got to be open to the fact that we're just dead wrong about the role of innovation. And nobody in their right mind would say that. But we have put--I watch in Washington--tens of billions of dollars, and people stand back, and they go, did any jobs come out of that? The answer's always zero.

And the reason is that those innovations don't have any value until a customer's standing next to them. There isn't a person in Washington, especially this administration, and Republicans--I mean, I'm not picking on anybody. They don't have any idea about that. They just keep thinking that you build innovation, so we have giant piles of innovation and no jobs. But it's getting pretty tiring watching it.

Here's a point. It's the business model, not the innovation. That Internet sat in DARPA in the Defense Department for years. Vint Cerf, you know, he got the packets to fly across the fiber optics. He had that thing sitting there until Al Gore came on. It's a nice story about--I’m the only guy in the world that tells a nice story about Al Gore. But Al Gore--I don't like him any better than you do. But Al Gore came over. He ought to get a Nobel Prize for this. If anybody here is in charge of, that's what he should have got it for.

But he went over and--he loved technology, and he threw it out into commerce. And then, you know, I don't know, probably a hundred trillion--I mean, trillions and trillions and trillion of dollars. But it was business models, not the innovation.

And I've asked NASA, I've asked CDC and all of them, do you have innovation in your labs right now that just need business models? They all say they've got all kinds of innovation. But we've made the development of--I'm going to call it intellectual development. We've made that so intentional. God, we are doughnuts--Europe is, the United States--at creating great things, but no customers.

But I don't think until we make it as--until we make the early identification of unusual entrepreneurs as systematic as we do intellectual, I think we're just going to keep spending billions and billions.

The Saudis are a great experiment. They just build innovation cities. They got nothing. It's like the more they build, the fewer real jobs they have. That's a good experiment right there.

Mr. Bruce Stokes: And I would add on to that that the studies that have shown that of all the innovation that's done, over half of it is process innovation, not product innovation. And, again, that's a management challenge. How do you take the process innovations, two guys working on the assembly line to come up with a better way to kind of make this product with fewer people? How do you kind of system-wide that and improve--

Mr. Jim Clifton: And most of the people that develop this stuff, these other guys, they don't go to college.

Mr. Bruce Stokes: No, they don't go to college.

Mr. Jim Clifton: Larry Ellison, Jobs, and--

Mr. Bruce Stokes: And the value of some of those, you know, shop floor entrepreneurs basically is they say, we can go make this better than the guy who is employing us. And they go off. And you want to create an environment in which they can start their own firms and be successful, and maybe fail and not then be penalized by a system, especially in Europe, where failure is a death knell.

Mr. Wilfried Porth: Yeah. And one thing we should not forget, there are--we have to invest in some areas where we are forced by regulations, not by the pure desire of innovation. And then those investments in innovation, they are simply increasing cost, cost for the customer. I mean, look at all those CO2 regulations. We, as the automotive industry, we are spending more money, therefore less impact than you could do in other areas of our lives. And that is where, again, a lot of investment but no additional jobs, but just increasing cost for the customer.

Mr. Bruce Stokes: Caroline.

Ms. Caroline Atkinson: I just want to challenge that because I think a lot of--you know, we can have regulation as a boogie bear, but I think that everybody knows, and we can see right now, if we look at what's been happening in China, air quality there is terrible. That is because--

Mr. Wilfried Porth: Not because of the cars.

Ms. Caroline Atkinson: That is--no, well, actually, it's quite a lot because of--

Mr. Wilfried Porth: Not because of our cars.

Ms. Caroline Atkinson: It's quite a lot--

Mr. Bruce Stokes: But your cars--

Mr. Wilfried Porth: Actually, our cars are cleaning the air.

Mr. Bruce Stokes: I was (inaudible). But without regulation, your cars would be more of the problem.

Ms. Caroline Atkinson: Thank you. Thank you. Without regulation, your cars would be more of a problem. And without the sharing--and I think one of the most exciting things is that you and other car manufacturers have been able to innovate and find more effective ways to produce clean cars. We've also found that entrepreneurs have been able to innovate and discover ways of harnessing other parts of other energies.

And that is something that, as you said, if you have the environment to allow that entrepreneurship and the regulations to make us able to live in a decent environment, I think those are fully sympathetic.

Mr. Bruce Stokes: We actually had a question up there from Andreas Kruger from--if you can put the question back up there, which was directly to this point, that isn't the energy transition one of the ways we can generate more jobs by--and that the German experience, Andreas would suggest, that that's the case--and maybe some Germans here would disagree with that. I don't know. I know it's a controversial issue in Germany.

But shouldn't we focus--this is a way actually to combine a solution to two problems. We have an energy problem--three problems. We have a carbon in the air problem. And we have a jobs problem. Shouldn't we pursue an energy transition across Europe and the United States to begin to address this? Anybody have a response to that assertion?

Ms. Caroline Atkinson: Well, I would say that the energy transition and what the European Commission just said they would do on Thursday, work within Europe to improve energy security, work to provide the pipelines and interconnectedness is really important.

Of course it’s very political and we know that in all of our societies that it’s great to have energy supply as long as it doesn’t affect your own backyard and that’s understandable.

Mr. Bruce Stokes: But it drove up your electricity costs.

Mr. Wilfried Porth: That’s what I wanted to say. You know the energy transition, especially in Germany, is just tremendously increasing the cost and there’s no strategy up to date, how can we have cost efficient energy supply for Europe in the future. And that’s a huge issue after the political decision of stopping all the nuclear power plants.

Mr. Bruce Stokes: My friend (inaudible) has a question up there which is a broad, societal question that seems to me we need to address and that is don’t corporations have a social responsibility in this time of very high unemployment to hire people not simply based on bottom line considerations but especially those corporations that are sitting on so much capital, don’t they have a social responsibility to the stability of the system to hire more people? I’d be curious to get—

Mr. Wilfried Porth: I’m very well prepared to do so.

Mr. Bruce Stokes: Yes.

Mr. Wilfried Porth: If you are prepared to educate the financial markets that a reduction of our return rates is acceptable to them.

Mr. Bruce Stokes: They won't punish you for that, yes. That would--

Mr. Wilfried Porth: So you go first and we go second.

Mr. Bruce Stokes: Fair point. A fair point, yes. We'll return to the audience for some more questions here. I got a question here. Yeah.

Mr. (inaudible): Thank you. My name is (inaudible) Turkish Business and Industrial Association. My question is on the social psychology and the cultural work. Well, a couple years ago a French politician campaigned in saying that people have to work more to earn more, but maybe the reality today is that people in west, in societies under the present circumstance of the global competition, have to work more and better in order to keep the actual earnings. But meanwhile, the revenue disparities are becoming more and more problematic, towards the '70s the share by the top 10 percent of the society of the total income was diminishing. But in the last 10 years it is again increasing very, very dramatically, probably not sending the good signals of motivation to the rest of the societies. So how to tackle with that, what I would call the necessity of a new cultural work in western societies?

Mr. Bruce Stokes: A very good question because one of the dramatic agreements across all societies, at least based on our surveys, my guess is Gallup has found the same thing, is that people everywhere believe that inequality is a big problem, they believe it's growing, and they blame the economic system for being unfair.

That latter point is something that should worry all of us, even if you morally don't care about the other issues. And we have new IMF studies that argue that they see a link between rising inequality and slowing growth, so there is a demand side reason to narrow inequality. Should that be one of the policies we pursue to stimulate jobs? Caroline?

Ms. Caroline Atkinson: I think inequality or lack of opportunity is an enormous problem. I think it's one that's very hard to address just from governments. It's probably one that does go to long-term education, long-term ways to find people able to work with, you know, in companies and with apprenticeships. Obviously, there is a role for the tax and social safety net system, but I think there are limits to how much, limits in every society, to how much you can change the distribution after the job.

I think this is an important issue that every country needs to be working on.

Mr. Bruce Stokes: I want the Republicans in the audience to know that was a Democrat who just said that. Okay, anyway. Question here, Jack.

Mr. Jim Clifton: Can I make one remark on his—

Mr. Bruce Stokes: Oh, yeah, sure. Jim, go ahead.

Mr. Jim Clifton: You know, I would answer this a little differently. Rather than worry about the unemployed, I think I'd worry about the employed youth. The reason I say that is because we're doing such a poor job with their development. So if you do a poll of European youth in the workplace, only 20 percent of them feel that they have meaning in their jobs and they feel good about it and all that. And that's pretty much what your life is. You know, you sleep eight hours, you work eight or ten hours, or more and whatever you do with the rest of it.

I've had the same job my whole life, by the way, but one of the most unbelievable correlates I've ever seen is if I ask you how your life's going, how your marriage is going, just whatever it is, it all comes back to your relationship with your boss. It explains almost all variation in life.

Mr. Bruce Stokes: Yeah. Well, this actually is a very good--can I interrupt you? We supposedly have a question from the young professionals downstairs. Do we have that somewhere?

Mr. Jim Clifton: But only 20 percent of young people feel that they're in--and by the way, don't go after satisfaction. That's mother nature's trick. You buy them a latte machine, you give them a free lunch, and all that kind of stuff. What they really want, honest to God, is to be developed but only--but in Europe, it's about the same in Europe and the United States, it's only about 20 percent of the youth feel they're in a real developmental environment, and that's a bad--the right culture to have is a developmental culture, not a satisfaction culture.

If we did a better job with the youth we have now, there'd be more jobs. We'd grow more. Everything would grow more.

Mr. Bruce Stokes: Like I said, I thought we were going to get a question from the young professionals downstairs. I guess we did not get that, but it's my understanding that was the question they thought would come up in the group downstairs is that, is that we all have jobs, the 100 or so young professionals downstairs have jobs.

What their concern was that those jobs have no trajectory. They are going to be stuck in these kind of--they're quite pleased they have jobs but the income prospects are not that great. Their leadership prospects are not that great and that, as you say, is very frustrating, unfulfilling and I think it's—

Mr. Jim Clifton: But it's not the economy. If you have a bad boss, you are stuck.

Mr. Bruce Stokes: Yeah.

Mr. Jim Clifton: Your career is stuck.

Mr. Bruce Stokes: Yeah. Yeah, yeah. And your full potential as a human being and your ability to contribute to society is limited as a result, just as if someone's unemployed it's going to be limited. Yes?

Ms. Caroline Atkinson: But if you have a bad boss and you're in a thriving economy, you don't feel stuck with that boss because you can go and find another job. I think that's partly why a lot of the dissatisfaction comes back to the unemployment, underemployment, and a lack of vitality in the economy in Europe and in the United States, which I believe will gradually change, but it's certainly still an issue now.

Mr. Bruce Stokes: Jack.

Dr. Jack James: I wanted to bring back the—

Mr. Bruce Stokes: Introduce—

Dr. Jack James: Jack James from German Studies in Washington. I wanted to ask you, Mr. Porth, about your experience. You seem to indicate that exporting the training system to other countries might run into some cultural problems. I wonder if you zero in on the United States on that, because there's a lot of focus on the system in the United States. Just last Wednesday there was a business roundtable meeting in which I think Eric Spiegel from Siemens held forth on how they're trying to do what they're doing in the United States with the German model.

If you could explain one thing about the obstacles that you run into in the United States with trying to do that. I know you're doing it, Volkswagen's doing it, other countries.

And Caroline, one of the things that I worry about in that respect is the fact that you have investment in school systems but we still have a major dropout rate problem. And Obama, as you well know, was simply I think about three months ago in New York investing a lot of money in the charter school system that IBM is starting up. What's wrong with our school system, because I think that's going to be an answer that I'm going to hear from Mr. Porth.

Mr. Bruce Stokes: Okay. Wilfried first, and I would sharpen that question. We've known about the success of the German model now for a couple of decades, at least, in the United States. To go to Jack's point, why in the world isn't every company in the United States, you know, when you talk to people, why do they resist?

Mr. Wilfried Porth: There are two major reasons and I'll try to address them. The first one is if you invest in such kind of apprenticeship, you want a formal graduation afterwards. And in the US you only find formal graduations for universities or for business schools and so on.

But in this apprenticeship surrounding, you don't have a formal graduation, which is a value for itself and there's no value in the society about that kind of a graduation.

And the second one is that the people go there. In the US they have the option to go for training and for a quick job and they get decent money there and they're all happy. But if you go for apprenticeship, you get much less money in the beginning because you're not a productive person. You're investing in yourself. You're investing. And this is why young people tend to go for the job.

This is actually why, in Germany, we have actually the discussion at the moment about the minimum wage to have some exclusions because if we put the minimum wage for younger people also, in fact, then they might tend to go directly into jobs and not invest in their education so I would say those are the two main reasons for the exceptions.

Mr. Bruce Stokes: Caroline, very briefly on education because we have to close and we've got one last other thing we've got to do, but on education in the US

Ms. Caroline Atkinson: Clearly, that's a major area of challenge. Clearly, we need to look at the whole range of education from pre-K through developing different ways to see what works and the research, rather tantalizingly, shows that it is good teaching that matters most. So I think that's where we need to be focusing.

Mr. Bruce Stokes: I might point out to our European audience that 30 years ago we did a study on the failings of the US education system and we could probably do the same study again, we'd find different failings but it's an issue that we're still wrestling with and we haven't found an answer to.

We're going to bring you all in one last time at the end of this with another survey of you. So if you could put that survey up there on the screen somewhere. There we go.

Clearly in the best of all possible worlds, the government and the society would do multiple things. This is a multifaceted problem and we should be doing 17 things at once. The reality is, societies and governments, even corporations often can't walk and chew gum at the same time. So we're asking you to say, in terms of your priority, if there was an initiative that was the most important, you think, to deal with this, single initiative, is it invest in and raise standards for education? Is it reduce deficits? Cut taxes to spur investment and consumer spending? Create more public funded apprenticeship programs? Set up large scale infrastructure investment, or deregulate the labor economy, what would you tell people should be the top focus? You have 15 seconds.

Ms. Caroline Atkinson: What about increase the deficit?

Mr. Bruce Stokes: So hopefully we'll get some votes out of this. We'll see where everybody is.

Ms. Caroline Atkinson: Cut taxes.

Mr. Bruce Stokes: Interesting. Education, education, education, maybe secondary on the labor markets. That is a fascinating--that I will tell you is contradictory to what you said at the beginning. That's a supply side solution and the majority of you said what we should do is demand side things. I think that's fascinating. It shows how complex this is.

I would like to thank our panel. I would like to thank our initial speaker. I would like to thank you for a very stimulating conversation. Thank you.

Mr. Craig Kennedy: And I'd like to thank you, Bruce Stokes. So we're going to break for a networking lunch now outside. When we come back, we're going to talk about energy policy in Europe, and if there's any theme that ran kind of under the current yesterday as we were talking about Russia and Ukraine, it's energy. So we look forward to having you back here at 1:45. Thank you all.