Job Migration to Low Wage Countries

A Strategic Answer for Europe

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The Facts

Localisation: What Matters

- Availability of competent people
- Closeness to the leading market for deployment of new technologies services and support for technology development
- Size of the local market
- Cost efficiency

Significant Cost Differences Exist: Example R&D Cost per/hr

- USA: € 70 - € 120 /hr
- Japan: € 65 /hr
- Australia: € 55 /hr
- Canada: € 55 /hr
- West. Europe: € 40 - € 90 /hr
- East. Europe: € 20 - € 35 /hr
- China: € 20 /hr
- India: € 10 - € 20 /hr

Cost Efficiency is Related to...

- Basic salary level
- Social charges (linked also to employment level)
- Taxation (linked to cost of government)
- Efficiency (linked to ICT utilisation)

Leadership in New Services?

- Early local market acceptance and standardisation of new products or technologies can provide advantage to local industries (e.g. GSM networks).
  - In a number of new technology areas (ICT, Broadband, ….) Europe is not leading in terms of market acceptance or usage
  - A number of Asian countries have been more agressive in terms of ICT usage
  - Europe has lost a lot of its leadership in standardisation

Other Markets Are Growing...

- A number of markets in Asia (China,…) are becoming of equal size or larger than the European market for certain ICT products. This provides a volume effect for local developers/producers
- European companies need a local presence in these countries in order to be a major player in these markets

Support for Technology Development?

- R&D in Europe receives little government support and suffers at the same time from the same indirect cost disadvantages
  - Less military or security related programs than in the US
  - No industrial policy like in some Asian countries
  - R&D employees have higher salaries and therefore have higher social charges in absolute terms
  - Obtaining financial support on national and EU level is complicated and long process
  - Risk of no rewards for patents in leading areas (eg. Computer implemented inventions)

Is There a Captain on Board?

- « Industrial policy » has become a dirty word in Europe
- Main Asian competitors (China, Japan, India, Korea) have a clear industrial policy
- In the US, military programs provide significant R&D support to companies also involved in civilian activities (satellites, security systems, software,…)

Competence: The Result of Continuous Education

- Aging of the population will require higher level of employment in 50+ age bracket
- Immigration will create new demands in terms of education
- e-Education must play a major role in making sure that a maximum number of people are « employable » across Europe

What is Critical?

The Key Factors for Future Employment

- **Market:** *Is Europe leading in terms of introducing new services?*
- **R&D Support:** *Is it a priority? For example, are we creating incentives for European innovation by not renumerating patents on « computer implemented inventions »?*
- **Cost Efficiency:** *How can we make Europe more competitive?*
- **Competence:** *How to make e-education a reality?*

What Can Europe do?

1. Use ICT to Make Europe a Much More Efficient and Productive Society

- Push e-government, e-health, e-education to make society more efficient
- Promote teleworking and transport automation
- Make Europe leading in new service introduction through inter-industry co-operation

2. Make Europe a Leader in Standards

- Redefine and reinforce the role of European standardisation bodies
- Provide financial support to standards related activities in European companies
- EU must take a leadership role in promoting new standards
- EU must act as a promotor of meeting of different industry sectors (telecom, information systems, content, consumer products…) to define standards for new services

3. Simplify Social Systems to Promote Mobility & Career Extension

- Pension systems and other advantages should not be a blocking factor for changing jobs
- Entry into the public sector should be easier even at a later point in a career
- Encourage young people to go into « creative jobs » rather than administration

4. Reinforce R&D Efforts

- Provide for a simple linear reduction of R&D costs by e.g. reducing or eliminating social charges on such activities
- Simplify the attribution process for R&D support to ensure time to market requirements
- Allow the patenting of computer-implemented inventions in Europe by reaffirming current practice, which is demonstrably serving all stakeholders well
- Support continuous education

5. Move European Industry up the Value Chain

- Content and software will take a larger and larger part of the value creation
- Europe is weak in content production (only 20% of DVDs sold in Europe are European content!) and not sufficiently strong in some key software domains
- Public initiatives in terms of linking networks and content and developing e-government can help to bridge the gap