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EDUC 246
JEUN 206
ECOFIN 766
COMPET 770
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MIGR 307
DIGIT 174
ENV 769
FISC 157
SAN 446
GENDER 185

NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	European Semester 2024: Labour and skills shortages in the EU - Policy debate

Delegations will find attached a Presidency steering note on the above subject, with a view to the policy debate at the Council (EPSCO) on 16 July 2024.

European Semester 2024: Labour and skills shortages in the EU*Policy debate***Labour and skills shortages persist in the EU**

Data show that around 80% of employers in the EU indicate that they find it difficult to recruit workers with the right skills. In addition, one in three employees in the EU are mismatched with their job, with 17% being overqualified and 13% underqualified¹. Shortages are particularly significant in sectors with poor job quality² and are often found in professions which do not typically require tertiary level education.³

Persistent labour shortages translate into a high EU job vacancy rate, which reached a record 3% in the second quarter of 2022, while falling to 2.6% by the first quarter of 2024⁴. The vacancy rate remains particularly high in some Member States despite the recent slowdown in economic activity due to supply chain issues and inflationary pressures. This indicates that labour shortages remain a structural problem for EU labour markets in the aftermath of the COVID-19 pandemic.

The increase in labour shortages has not resulted in bringing the inactive or those with a loose attachment to the labour market back into employment. Therefore, targeted interventions are needed to mobilise untapped labour potential of the Union's workforce, in particular focusing on those groups that are underrepresented in the labour market, and complement efforts to bring back to employment unemployed individuals as well as to support job-to-job transitions from declining sectors to expanding sectors. These measures need to go beyond active labour market policies and address barriers to labour market participation and training, including those related to care infrastructure and services, rehabilitation and workplace adaptation.

¹Data based on 2019 European Company Survey, Eurofound 2019

² Measures to tackle labour shortages: lessons for future policy – Eurofound report, 2023

³ EURES report on shortages and surpluses 2023, European Labour Authority, 2 May 2024

⁴ Eurostat Job Vacancy Statistics : https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Job_vacancy_statistics

Interventions aimed at the integration of unemployed individuals into the labour market tend to focus on improving matching job seekers with job offers, fostering mobility and offering training, work experience and other active labour market measures. However, supports to integrate underemployed workers and those available but not seeking work require a broader and more holistic approach that addresses reasons for inactivity.

The Action Plan of the European Commission on labour and skills shortages in the EU⁵ aims at steering relevant measures for the short- to medium- term that the Commission, the Member States and the social partners will or should take to tackle the challenges brought about by labour and skills shortages. It highlights, among others, that improving activity rates requires a wide range of tailored policies for each under-represented group addressing the specific root causes of being inactive in the labour market.

The Action plan recognises women, low-skilled workers, older workers, young people, people with migrant or minority racial or ethnic backgrounds and persons with disabilities as population groups that are currently underrepresented in the labour market.

During this policy debate the Ministers are invited to pay special attention to the challenges that young people and older workers face regarding participation in the labour market.

Despite improvements, sustained efforts are needed to overcome the structural challenges that hold young people back in the labour market, particularly in the context of widespread labour and skills shortages.

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24)

Young people neither in employment nor in education and training (NEETs) constitute an untapped source of talent and innovation which, if addressed, can contribute to the green and digital transformations and enhance economic and societal dynamism. In 2022, in the EU, while the unemployed NEET rate stood at 4.3%, the share of inactive NEETs was significantly higher, at 7.4%⁶. Understanding the reasons behind the economic inactivity of young NEETs is key for designing targeted policy interventions. The reinforced Youth Guarantee includes measures that help targeting NEETs by offering quality employment, further education and training, apprenticeships, or traineeships after becoming unemployed or leaving formal education.

Population ageing is expected to have an impact on labour supply, reducing the labour force, while potentially further deepening skills and labour shortages in the Union. In this context, longer and healthier working lives play an important role in supporting the supply of labour and ensure the fiscal sustainability of social protection systems, while guaranteeing social cohesion, solidarity and knowledge transfers between generations.⁷

Older workers are more active in the labour market than ever before, yet there is still room for improvement, particularly for women. Increased emphasis needs to be placed on sustainable work, defined as the interplay between working and living conditions being such ‘that they support people in engaging and remaining in work throughout an extended working life’⁸.

Awareness of the need for early intervention has increased in recent years, and a number of countries offer targeted training support measures not only to unemployed older workers but also to older workers facing change and/or redundancy to enable transition to new tasks with the same employer or direct job-to-job transition. Incentives in the pension system for longer working lives and for combining pension with work income as well as flexible working arrangements can also facilitate retention of older workers.

⁶ Joint Employment Report 2024 (ST 6073/24, p. 117).

⁷ Joint Employment Report 2024 (ST 6073/24 p. 22.)

⁸ Sustainable work over the life course: Concept paper - Eurofound, 2015 (p.2)

Against this background, Ministers are invited to exchange views on the following questions:

- *What are the main challenges posed by labour and skills shortages in the short to medium term in your Member State? Which calls for action included in the European Commission's Action Plan on Labour and skills shortages in the EU are the most relevant for your Member State?*
 - *What employment policy measures can contribute to mobilising untapped labour potential in the European Union? How could the resources of the public and the private sector be synergised in order to facilitate the policy measures aiming for activation?*
 - *Does your Member State have any targeted measures in order to promote higher participation of young people starting their career and to encourage older people to remain in the labour market?*
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