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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Draft Council Conclusions on labour and skills shortages in the EU: Mobilising untapped labour potential in the European Union - Approval

1. The Presidency has prepared a set of draft Council Conclusions on "labour and skills shortages in the EU: Mobilising untapped labour potential in the European Union".
2. The Conclusions were examined by the Working Party on Social Questions on 8 July, 17 September and 21 October 2024. Following an informal written consultation, an agreement in principle was found on the text, as set out in the Annex to this note.
3. The Permanent Representatives Committee is invited to forward the draft Conclusions in the Annex to this Note to the EPSCO Council for approval at its session on 2 December 2024.

**Labour and skills shortages in the EU:
Mobilising untapped labour potential in the European Union
Draft Council Conclusions**

ACKNOWLEDGING THAT:

1. Labour and skill shortages are serious bottlenecks for the EU's sustainable and inclusive growth, competitiveness, and green and digital transitions. Moreover, although they affect the different sectors and the Member States to varying degrees, they can also hamper the EU's overall resilience and its quest to improve its open strategic autonomy and its security.¹ It is important to thoroughly analyse the drivers of the persistent shortages in order to find the best ways to manage them.
2. Addressing the challenges of labour and skills shortages will boost the EU's capacity for innovation and attractiveness for investments, foster its industrial base and enhance its competitiveness. It will also contribute to preserving the EU's social protection systems and overall social cohesion.²

¹ 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, p. 23).

² 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, p. 23).

3. Based on the substantial evidence and analysis provided in the 2023 annual Employment and Social Developments in Europe (ESDE) review on ‘Addressing labour shortages and skills gaps in the EU’³, the Action Plan of the European Commission on labour and skills shortages in the EU has identified three key drivers for labour and skills shortages across the European Union: 1) demographic change, which reduces the supply of labour and increases the demand for certain services; 2) substantial job growth expected from the green and digital transitions, increased need for security and the quest for open strategic autonomy and enhanced resilience with consequences for the skillsets needed on the labour market; and 3) poor working conditions in certain occupations and sectors, which make it difficult to fill vacancies and/or retain workers.⁴
4. In order to address unmet demand for labour and skills in addition to targeting unemployed people, relevant measures should also target and support underemployed workers, including involuntary part-time workers, as well as inactive people of working age, in particular groups that are underrepresented in the labour market, including by providing up- and reskilling opportunities in areas of identified labour market needs.
5. The current and projected demographic trends and structural changes to the labour market highlight the importance of flexible working arrangements and inclusive employment opportunities, quality working conditions, training and skills development in order to retain workers and attract more people into the labour market in a sustainable manner.

³ Employment and Social Developments in Europe 2023: Addressing labour shortages and skills gaps.

⁴ 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, p. 2).

NOTING THAT:

6. Achieving an employment rate of 78% in the EU by 2030 is one of the headline targets⁵ set by the European Pillar of Social Rights Action Plan⁶. While this target is within reach, further steps are needed at all levels to activate underrepresented groups and attract more people into the labour market.
7. The set of policy tools included in the Demography Toolbox adopted by the Commission in October 2023, is available to Member States for managing demographic change and its impacts. The Demography Toolbox sets out a comprehensive approach to addressing demographic change structured around four pillars: 1) better reconciling family aspirations and paid work, notably by ensuring access to quality childcare and a good work-life balance, with a view to fostering gender equality; 2) supporting and empowering younger generations to thrive, develop their skills, facilitate their access to the labour market and to affordable housing; 3) empowering older generations and sustaining their welfare, through reforms combined with appropriate labour market and workplace policies; 4) where necessary, helping to fill labour shortages through managed legal migration, in full complementarity to harnessing talents from within the Union⁷. In the Council of 12 December 2023, Member States welcomed this approach to managing demographic change and underlined the need for further action by undertaking continuous efforts to reflect demographic change and its impact on competitiveness, human capital and equality.⁸

⁵ The two other headline targets are: (i) at least 60% of all adults participating in training every year and (ii) reducing by 15 million the number of people at risk of poverty and social exclusion by 2030.

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Pillar of Social Rights Action Plan (doc. 6649/21, p. 6).

⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Demographic change in Europe: a toolbox for action (doc. 14191/23, p. 1).

⁸ Council Conclusions on managing demographic change in Europe (doc.16754/23, p. 2).

8. The Council of the European Union, the European Commission and the European social partners are committed to taking action to address the root causes of labour and skills shortages, each within the remit of their competences but in close cooperation, as declared in the Val Duchesse Tripartite Declaration for a Thriving European Social Dialogue on 31st January 2024⁹.
9. The Action Plan of the European Commission on labour and skills shortages in the EU, of 20 March 2024, aims at steering relevant measures for the short- to medium term by operationalising concrete further steps for the EU, Member States and social partners to tackle the challenges brought about by labour and skills shortages¹⁰.

STRESSING THAT:

10. A well-functioning labour market and good working conditions are essential components of sustainable and inclusive growth. They ensure that the labour demands of businesses and the needs of workers are met, and they encourage employment, increase productivity, offer high quality job opportunities and help workers and jobseekers to adapt to change through a balance of security and flexibility.
11. Investing in workers' skills is crucial throughout the entire lifecycle to achieve better labour market outcomes in terms of both the quantity and the quality of jobs. This is recognized by the recently published Draghi Report, which also highlights the role of skills and training, emphasizing that to increase competitiveness and productivity, the EU needs to reassess its approach to skills. The report states that a future-oriented strategy focused on emerging skill shortages is necessary, that education and training systems must respond better to changing skill demands and that special attention should be given to adult education, which is essential for the continuous renewal of workers' skills.

⁹ Doc.5687/24.

¹⁰ 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, p. 1).

12. Technological changes, automation, digitalisation, artificial intelligence and the green transition already have and will continue to have in the coming years a significant impact on the world of work, including employment opportunities and the structure and content of occupations, skills requirements, quality of work and productivity.
13. Among the factors underlying labour shortages, individual characteristics, such as age and the highest level of education attained, are significant predictors of the probability of people's labour market participation. These characteristics as determinants of labour market participation show similar patterns across countries.¹¹
14. The free movement of workers is a fundamental freedom for EU citizens and represents a considerable added value for the internal market. Labour mobility within the EU plays a significant role in addressing labour and skills shortages in certain sectors and territories of the EU. However, the Letta report¹² also states that a significant number of highly skilled workers or young people leave certain regions and countries to seek job opportunities and education elsewhere, that may result in a phenomenon often referred to as 'brain drain'. Combined with demographic trends, this can result in a sharp working age population decline in some regions, ultimately hampering their economic capacity.

¹¹ Employment and Social Developments in Europe 2023: Addressing labour shortages and skills gaps, (p. 67).

¹² Enrico Letta: Much more than a market (p. 93.)

15. Increasing labour market participation is crucial to addressing labour and skills shortages. Despite continuous improvements in the EU employment rate, substantial untapped potential remains outside the labour market¹³. Further gains in labour market participation could also be achieved by activating the inactive working-age population and, in particular, groups that are currently underrepresented in the labour market (including, among others, women, low-skilled workers, older workers, young people, people with a migrant or minority racial or ethnic background, and persons with disabilities¹⁴), which requires measures to address individual and structural barriers to labour market participation.
16. In order to address the challenges of labour shortages, special attention needs to be given to improving the labour market integration of young people inter alia by offering targeted counselling and support services ~~to~~ and support the transition from education and training to employment as well as opportunities for quality apprenticeships and work-based learning, while ensuring adequate working conditions. Intergenerational solidarity, *e.g.* using, when available, the potential for transferring skills and knowledge between older and younger workers, is also important to facilitate labour market participation.
17. Women have lower employment rates and a significantly higher proportion of part-time employment than men, mostly due to the unequal sharing of unpaid care work and domestic work between women and men. Increasing the labour market participation of women, and tackling gender stereotypes is crucial to address labour shortages and contributes to gender equality.
18. For people with a migrant, or with a minority racial or ethnic background, skills mismatches, language difficulties, discrimination and weak or no access to supporting services could lead to challenges regarding their labour market integration. Addressing these challenges can improve their labour market integration and help to address labour shortages in various sectors.

¹³ 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, p. 3).

¹⁴ 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, p. 3).

19. Persons with disabilities often encounter a lack of reasonable accommodation in the workplace¹⁵, inclusive recruitment processes and accessible education and training. Addressing these challenges could lead to a better labour market participation of this group and therefore help to mobilise this untapped labour potential in the European Union.
20. Taking into account the needs of older generations, targeted measures should also be developed to support older workers to remain in employment longer or to re-enter the labour market. Such targeted measures could include health promotion, investment in healthcare, up- and reskilling opportunities along with incentives in the pension systems for longer working lives and more flexible working time arrangements and quality working conditions; furthermore, age discrimination should also be tackled.
21. In order to increase employment rates and prevent labour shortages from becoming permanent, it is also important to maintain and support the employability, adaptability and activity of workers and to support the capacity of businesses to learn and adapt, in view of the technological changes that are already underway and those that lie ahead.
22. The importance of developing the training and skills of workers must be underlined. It is essential that education and training reflecting labour market needs is available to all and that education and training structures and providers are able to respond rapidly and appropriately to developments.
23. Enterprises and social partners have an important role to play in identifying the knowledge, skills and competences needed for employment, in particular in the context of the green and digital transitions, which require communication and active cooperation between education and training institutions and employers to be developed and supported, as well as in addressing poor working conditions in certain sectors and occupations.

¹⁵ United Nations Convention on the Rights of People with Disabilities, Article 27i.

24. Fair and decent working conditions, including in particular adequate wages, equal pay for equal work or work of equal value, flexible working arrangements and promotion of work-life balance, a good working environment, provisions of reasonable accommodation in the workplace, health and safety at work and the quality of employment as well as access to adequate social protection, play an important role in preserving workers' mental and physical well-being and prolonging their active working years, while being essential factors in increasing productivity and competitiveness.
25. In order to ensure the inclusion of disadvantaged groups in employment on a stable basis, job search assistance and reskilling policies must be improved, using digital solutions where relevant. labour inspections also with possible support of the European Labour Authority in the context of cross-border situations, have an important role to play in tackling all forms of illegal work and unequal treatments, which would affect disadvantaged groups, and to promote decent working conditions.
26. In pursuing all these objectives, a key horizontal priority is to strengthen the capacity of employment services to serve the economy and provide timely and tailor-made employment support, and other services to activate untapped labour potential with a view to facilitating entry into and transition within the labour market, and to improve the matching of skills on the EU labour market making full use of the analytical work of the relevant EU agencies and the EURES network. This also implies the need to strengthen the scope and effectiveness of active labour market policies by improving their targeting, increasing their outreach and coverage and by better linking them with social and youth services, trainings, education providers, workers and employers. Combining employment and social services in an active inclusion approach is essential to support those underrepresented in the labour market.
27. Social dialogue, including collective bargaining, at all levels, is a key instrument to tackle the challenges brought about by labour and skills shortages.

THE COUNCIL OF THE EUROPEAN UNION INVITES THE MEMBER STATES, in accordance with their competences, and taking into account national circumstances, while respecting the role and autonomy of the social partners, to:

28. Continue developing inclusive and comprehensive employment, skills and social policies aimed at facilitating entry into and transition within the labour market and the retention of employment, as well as helping workers, jobseekers and employers to adapt, in particular with reinforced up-and reskilling and lifelong learning opportunities, to the changing needs of the labour market such as labour and skills shortages in light of demographic change and the green and digital transitions.
29. Implement measures to foster the labour market access and integration of youth, also by paying special attention to activating and up- and reskilling young people not in employment, education or training (NEETs), and further enhancing the implementation of the reinforced Youth Guarantee in this regard.
30. Strive to explore and address further the specific needs of older workers, in order to reduce their barriers to employment and enable them to stay in the labour market for longer and in good health or to return to work.
31. Strive to tap into the labour market potential of women by tackling the gender employment and pay gaps, combatting gender stereotypes and fostering reconciliation of family aspirations and paid work, as well as the equal sharing of care responsibilities and domestic work between women and men, and supporting informal caregivers notably by ensuring access to high quality and affordable early childhood education and care, outpatient -care services and long term care services for the elderly and a good work-life balance, with a view to fostering gender equality and work-life balance.
32. Focus on supporting better labour market outcomes for persons with disabilities.
33. Make full use of relevant EU funding instruments, in particular the European Social Fund Plus (ESF+), to support and finance measures aimed at increasing labour market participation.

34. Continue developing skills monitoring and forecasting tools to anticipate future skills needs in the labour market.
35. Reinforce the role of lifelong career guidance strategies and services in supporting individuals and employers to make career decisions informed by high-quality career information and skills forecasts.
36. Further reinforce the employment services in order to enable them to map, reach out to and activate the labour reserve at all ages in the EU, including by supporting workplace learning.
37. Make efforts to improve health and safety at work, especially by addressing mental health, work-related psychosocial risks and wellbeing at work.
38. Promote fair and decent working conditions, and employment on a stable basis.
39. Continue strengthening social dialogue and enable effective collective bargaining, while respecting the role and autonomy of social partners, to improve working conditions and to tackle the challenges brought about by labour and skills shortages.

THE COUNCIL OF THE EUROPEAN UNION INVITES THE MEMBER STATES AND THE EUROPEAN COMMISSION, in accordance with their respective competences, and taking into account national circumstances, while respecting the role and autonomy of the social partners, to:

40. Promote policy coherence at EU and national level, in order to address the challenges of labour and skills shortages in a coherent and sustainable manner.
41. Improve labour and skill forecasting as well as data gathering and analysis in close cooperation with relevant EU agencies in order to broaden the scope of comparable information on labour and skills shortages at EU and national and regional level. Where appropriate, this data should be public.
42. Explore further the potential of new technologies and new forms of work in creating opportunities for labour market participation and inclusion, while mitigating the risks involved and providing fair and quality working conditions and adequate social protection.

**THE COUNCIL OF THE EUROPEAN UNION INVITES THE EMPLOYMENT
COMMITTEE AND THE SOCIAL PROTECTION COMMITTEE TO:**

43. Continue monitoring labour and skills shortages and related challenges in the EU in the context of the European Semester, including by carrying out thematic discussions, with the involvement of social partners, in order to promote the sharing of knowledge and good practices among Member States on the issue of addressing labour and skills shortages.
 44. When carrying out their monitoring tasks, put special emphasis on the potential impacts of labour market policies and other measures on the activation of the labour market reserve.
 45. Analyse and elaborate further on the impacts of digitalisation and automation technologies, including artificial intelligence and the green transition, on the labour market, especially on employment and working conditions.
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