

# Measures to tackle labour shortages: Lessons for future policy

## Introduction

A strong labour market recovery in the aftermath of the COVID-19 pandemic, together with ongoing demographic trends, have exacerbated labour shortages in the EU. By the third quarter of 2022, the average EU vacancy rate had reached historic highs of close to 3%, with nearly a third of EU employers reporting that these shortages are a factor limiting production and service delivery – the fight for talent being most acute in countries like Austria, Belgium, Czechia, Germany and the Netherlands. Sectoral differences are also evident: shortages in healthcare and the information and communication technology (ICT) sector have been exacerbated by the pandemic. With the ending of most restrictions, labour market tightness also increased in sectors such as hospitality and retail, which were particularly affected by lockdowns and had shed labour, as many workers found employment in sectors with better working conditions. The impact of the green and digital transition increasingly influences skills mismatches, contributing to a shortage of appropriately skilled labour, as digital skills in particular are increasingly becoming core skills.

Labour market slack was at the lowest level in a decade in late 2022, again displaying variations between countries and demonstrating that there are still opportunities to integrate underutilised labour into the labour market.

## Policy context

The importance of tackling labour shortages has been recognised by EU institutions, national governments and social partners, and is reflected in many country-specific recommendations. A wide range of EU initiatives affect and target this complex phenomenon, including in relation to the green and digital transition, skills, mobility and migration. The European Commission has declared 2023 the European Year of Skills to further emphasise the importance of initial and ongoing skills development to meet Europe's labour market requirements.

## Key findings

- The main drivers of labour shortage differ by sector, occupation and region. Measures to address them must respond to these drivers by increasing the attractiveness of certain sectors and occupations, activating underutilised labour, and better matching supply and demand by enhancing the use of existing labour and retaining labour.
- Labour shortages are particularly evident in sectors with challenging working conditions, such as health and long-term care. This factor, together with low levels of investment, the impact of the pandemic and a gender-segregated labour market, contribute to the shortage of health and long-term care workers. Shortages in these sectors are likely to intensify in the next few years due to the ageing of the population and the workforce in the sector. This is particularly significant, as gaps in these sectors can have further knock-on effects on shortages in other sectors if bottlenecks arise in the treatment of health conditions.
- Most of the measures to address shortages in the health and long-term care sectors focus on pay and working conditions. Although initiatives to tackle the issue of low wages in some central and eastern European countries have managed to cut down on the number of applications to have qualifications recognised for work abroad, initiatives focusing on pay across the board can be insufficient to attract workers to more remote towns and villages, due to poorer healthcare as well as more limited educational infrastructure and other quality of life factors. Specific payments to attract healthcare professionals to such regions have shown some impact. However, focussing on pay alone is often insufficient without other interventions to increase the attractiveness of working and living conditions. Other working conditions related factors, such as greater autonomy over working hours, access to training and career progression and more meaningful work, also have an important role to play.

- In the ICT sector, the main driver of shortages relates to a lack of foresight and poor matching of skills supply and demand. The low representation of women is an additional contributing factor. In 2022, 6% of European enterprises had hard-to-fill vacancies for jobs requiring ICT specialist skills, 3.4 percentage points more than in 2014. As a result, measures tend to focus on raising awareness of relevant careers, providing female role models and delivering training to girls and women. Some initiatives aimed at migrant and other vulnerable groups of women also include supporting measures to allow women to access the labour market – for example childcare support.
- In both the health and ICT sectors, another focus of measures to target underutilised labour revolves around integrating migrants and refugees. This is done by implementing streamlined systems to assess and accredit qualifications gained abroad and offering short, modular training to deliver any additional content required for accreditation in the host country, as well as language training.
- Measures to enhance the use of existing labour are present in all sectors and skills gaps, but arguably play a more important role in ICT and in relation to the green and digital transition, where skills mismatch is a more significant driver of shortages. Given ongoing technological developments and the need for the clear identification of future skills needs in a greening economy, joint working between governments, social partners and training providers to identify existing skills needs and forecast future ones and to match these with the content and supply of training has an important role to play.
- The role of social partners and other key stakeholders is critical in ensuring that these efforts are closely related to broader strategies to develop particular sectors at the national and regional level, to reach climate targets and to ensure the delivery of required skills. In relation to green skills and jobs, the emphasis tends to be on ‘market/demand building’ and the development of an initial understanding of the skills to be included in new curricula, for example in the construction sector.
- A key challenge here is the lack of a clear definition and associated training for green jobs and skills. Not least as a result of the commitments of the Fit for 55 package, demand for such skills is set to grow. Certain sectors and occupations are likely to be particularly affected, with some – such as the construction sector – already experiencing significant labour shortages. Without policy intervention, this is likely to be exacerbated, as demand for the use of renewable technologies and retrofitting grows in business and domestic settings, in part driven by the regulatory agenda.
- Research highlights the need for support for micro and small enterprises to identify skills gaps, and to provide flexible and affordable training for managers and workers.
- Despite the increasing emphasis in recent decades on the need for evidence-based policymaking, high-quality policy evaluation remains sparse. Around 65% of the evaluated policies covered by this study had only basic or incomplete evidence available to assess impact.

## Policy pointers

- Effective policy design requires good baseline information on the exact nature and drivers of shortage and the slack in the labour market. This enables the precise targeting of measures to enhance attractiveness, make use of underutilised resources and ensure the better matching of skills demand and supply.
- Key stakeholders including social partners, companies and training providers should be involved in defining specific skills requirements and training content on an ongoing basis, ideally embedded in stable structures. National-level sectoral social partners have a critical role to play in addressing factors linked to pay and working conditions which are the key drivers of shortages in a number of sectors featuring high levels of vacancies.
- Measures targeting under-utilised groups in the labour market should provide wrap-around support to target not only training and work experience requirements, but also other factors that might impede labour market entry (such as health issues and lack of access to affordable care infrastructure). This requires collaboration with social partners and must be implemented in the context of broader support measures, including work–life balance policies, tax and benefit incentives.
- Efforts are required to overcome stereotyping or attitudinal barriers among pupils (and parents), students, workers and employers, which can prevent entry to certain training and career paths, recruitment of specific groups or take-up of training by women in male-dominated professions and vice versa.
- Effective green transitions require better knowledge and data around the definition of green jobs and green skills to be able to operationalise and regularly update relevant training measures.

### Further information

The report *Measures to tackle labour shortages: Lessons for future policy* is available at <https://eurofound.link/ef22015>

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