



Dealing with the green and digital transition in a context of tight labour markets: threats and opportunities?

Wouter Zwysen, 02/02/2023

Structure

- Labour shortages in Europe
- Structural trends
- Need for new skills (re-skilling and up-skilling)
- Temporary/cyclical reasons:
- Challenges and opportunities

- “Labour shortages arise when the demand for workers in an occupation exceeds the supply of workers available who possess the required skills and are willing to work at a specific wage rate and in specific working conditions in a particular place and point in time.”
(Eurofound 2022 <https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/labour-shortage>)

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Labour shortages in Europe

- Effects on:
 - Companies / productivity
 - Individuals
 - Job match

Labour shortages in Europe

- Effects on:
- Quantitative vs qualitative

Labour shortages in Europe

- Effects on:
- Quantitative vs qualitative
- Skills shortage?
 - Cedefop (2015): 12% of declared is true skills shortages
- Available workforce?
 - Beveridge curve and skills match has not worsened

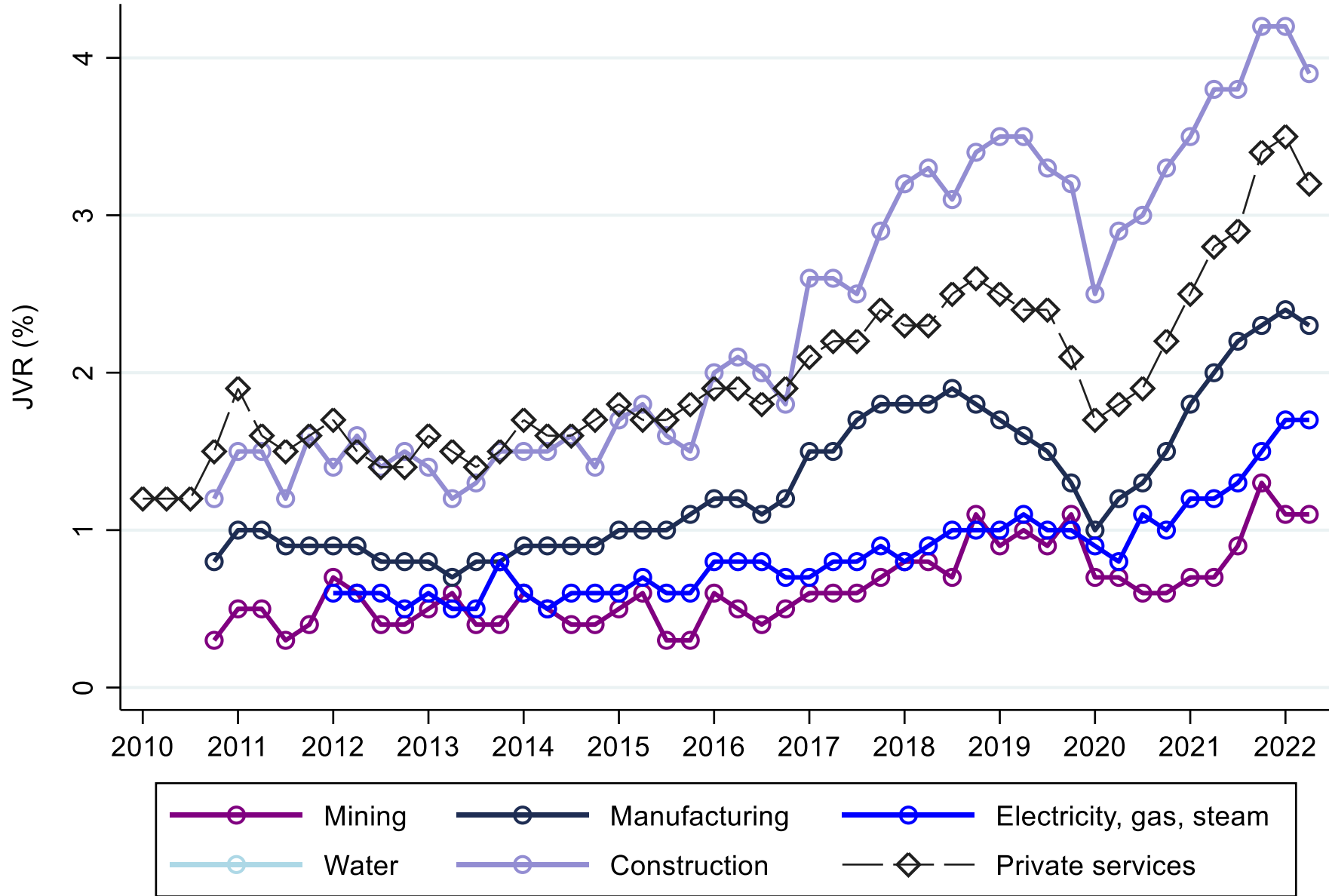
Sharp rise in
labour
shortages



Source: jvs_q_nace2 (Eurostat)

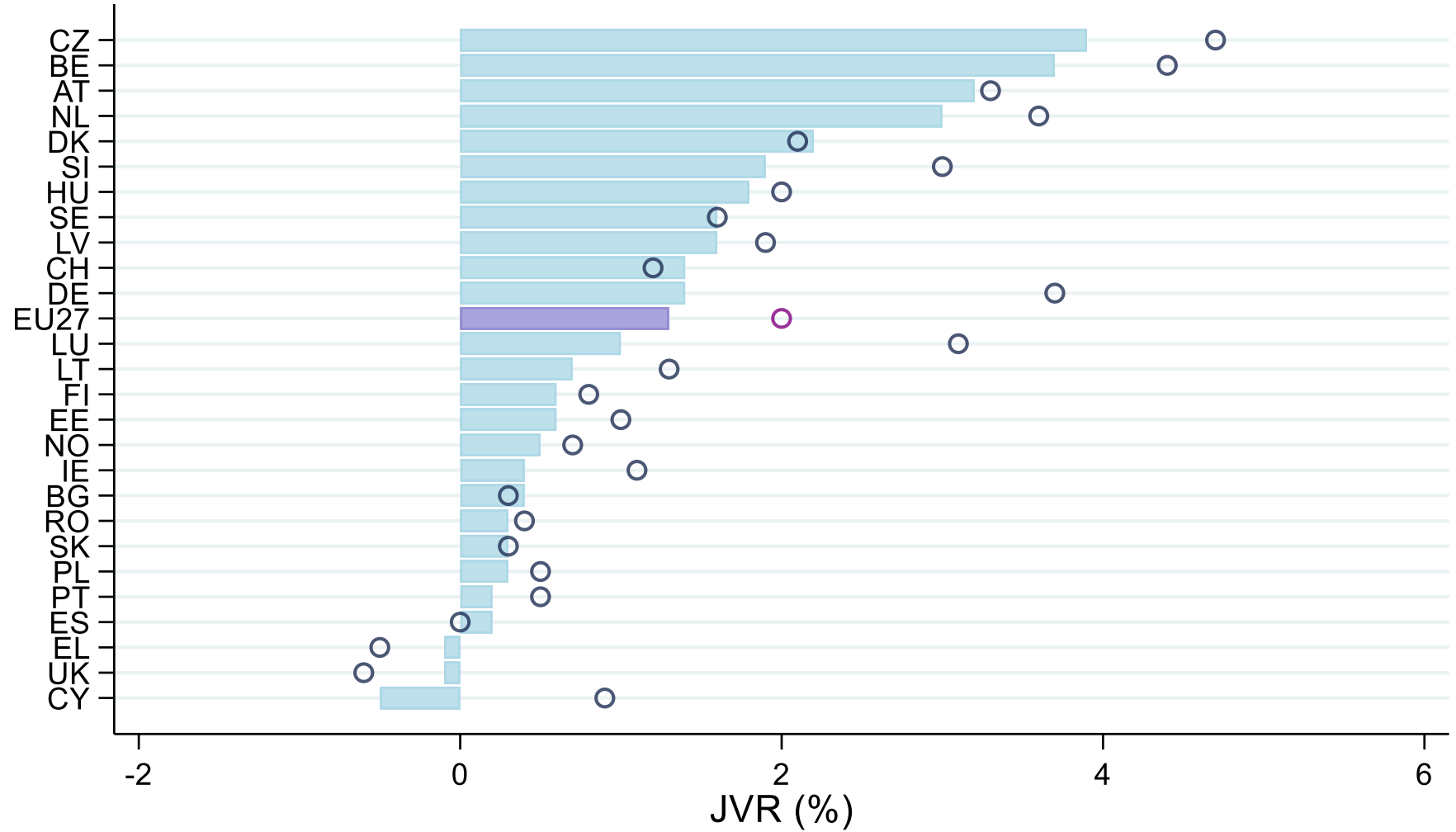


Job Vacancy Rate (%) in EU27



Change in JVR by country (%)

- Job vacancy rate increased from 2010 to 2022
- By over 1pp overall
- Most in CZ, BE, AT, NL
- Least in UK, CY, Greece



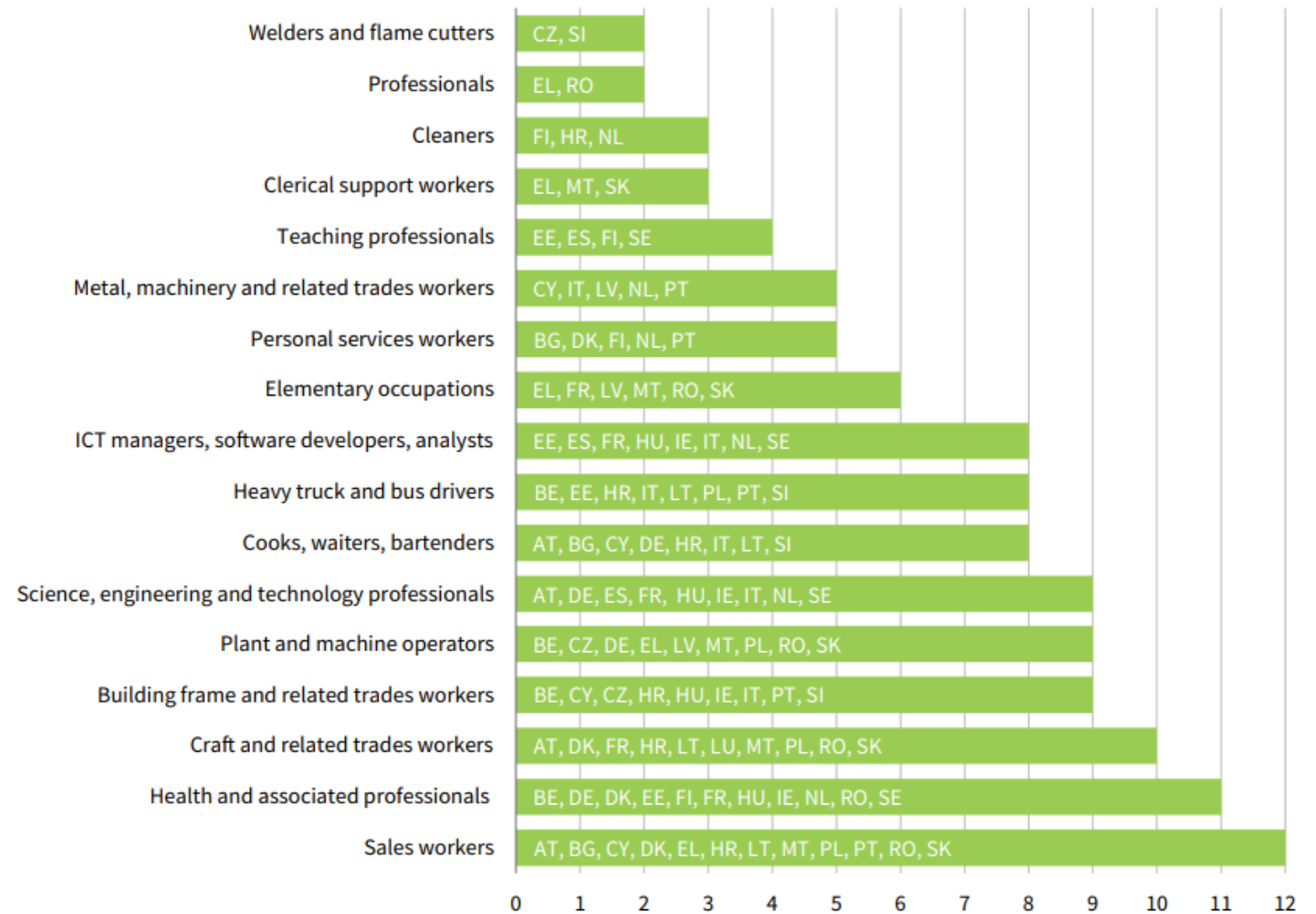
Industry (B-E) Private services



Occupations in 2019

- Similar profiles are missing across countries
- Mixed skills levels

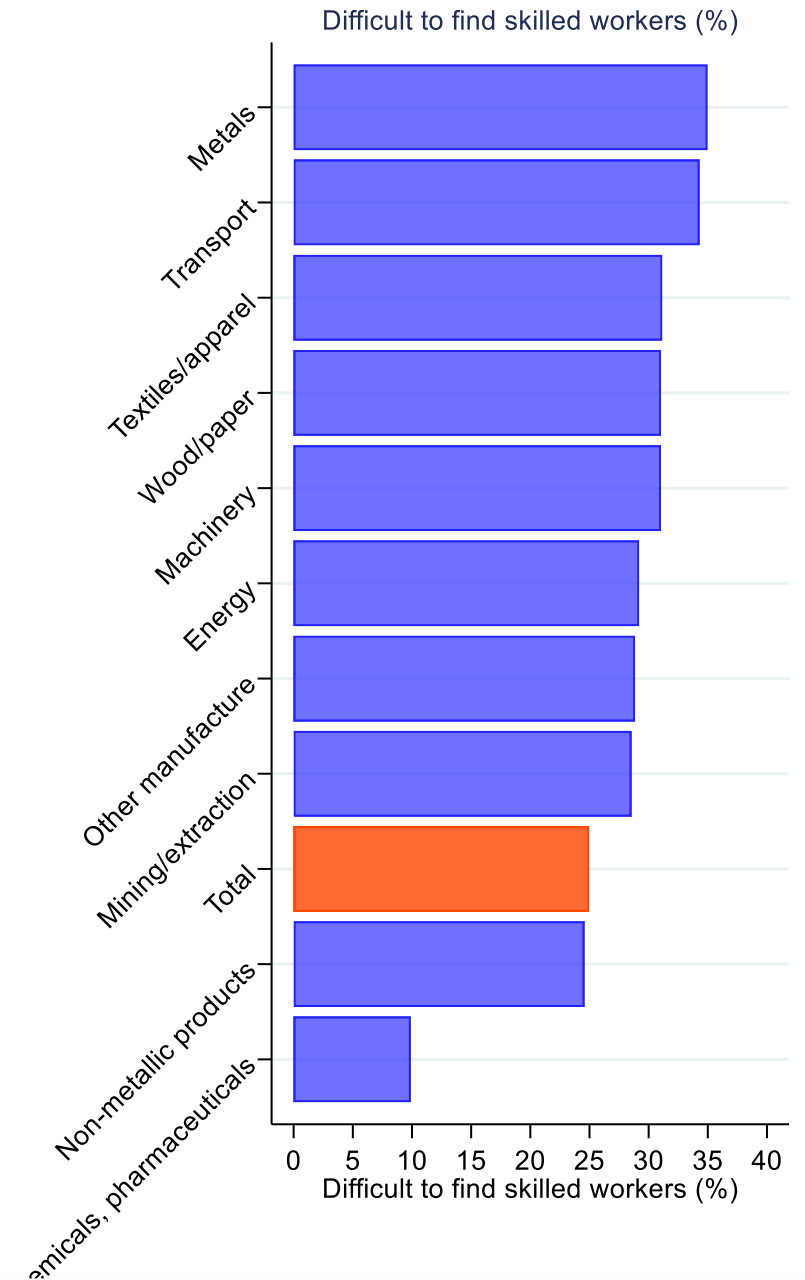
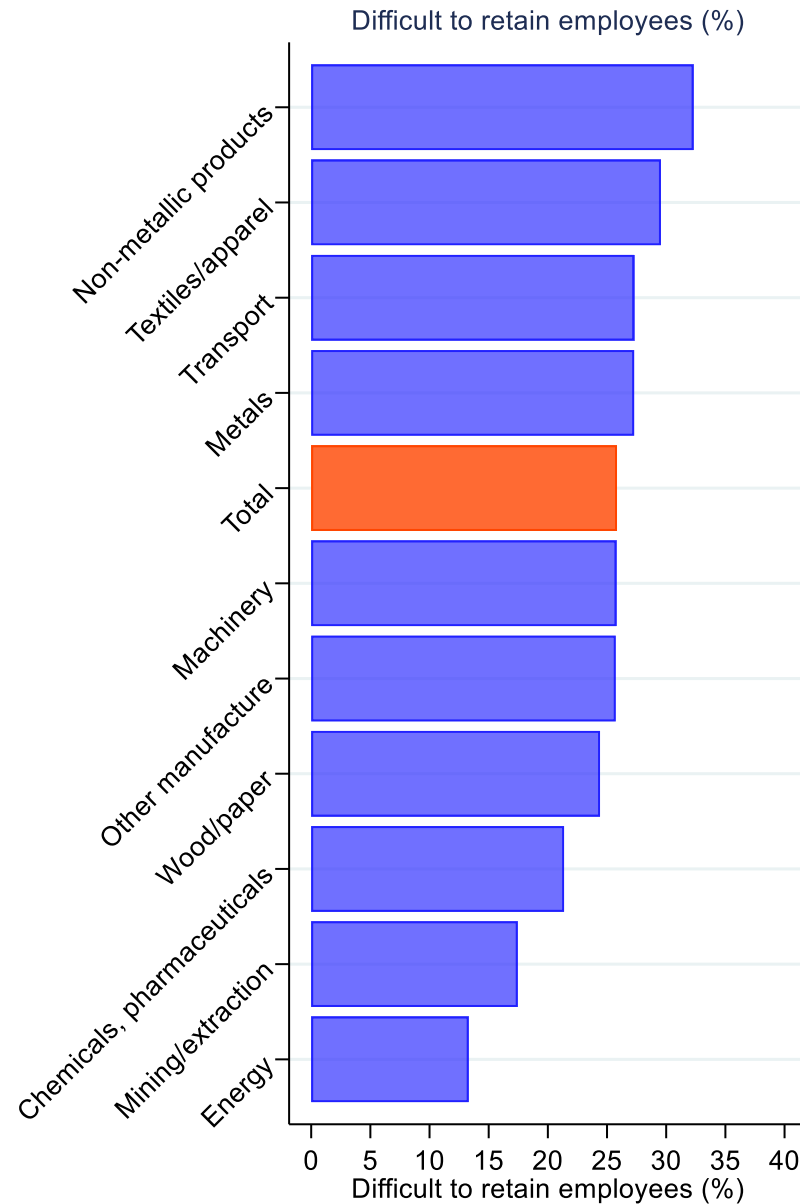
Figure 10: Main shortage occupations – number of countries reporting shortages in different occupations, EU27, 2020



Source: Authors' own compilation, based on information provided by the Network of Eurofound Correspondents

Employers' perceptions

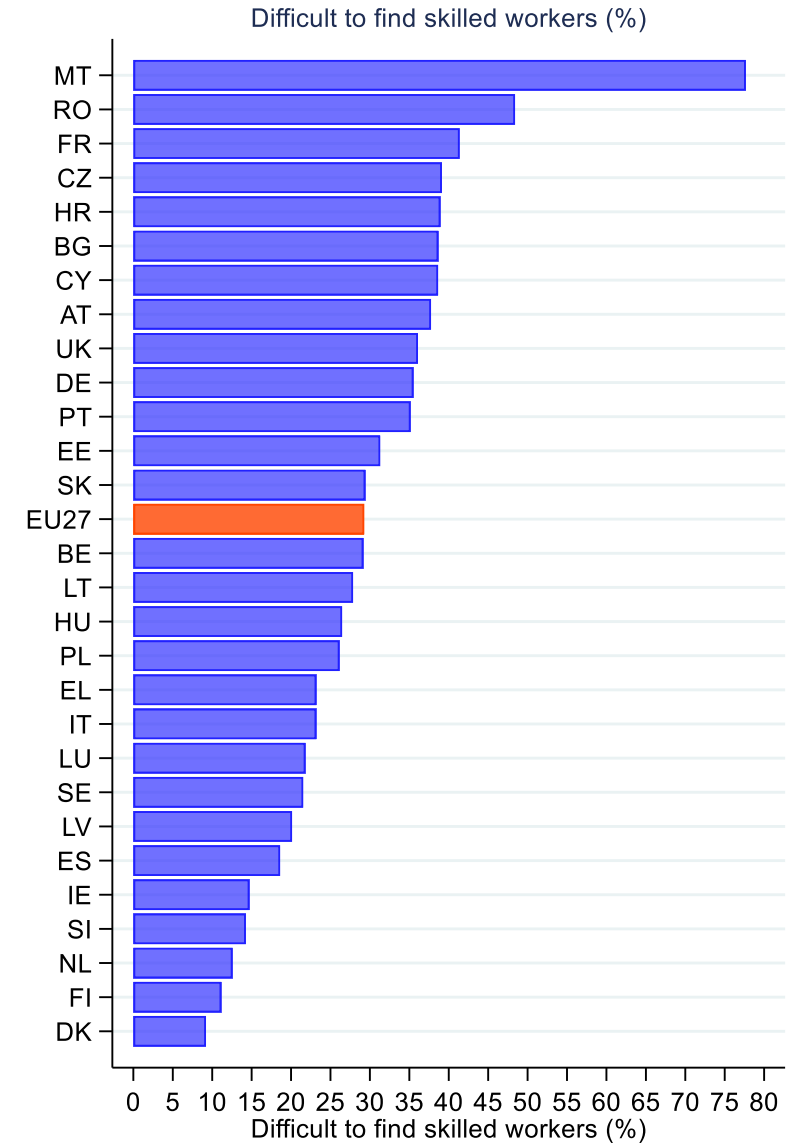
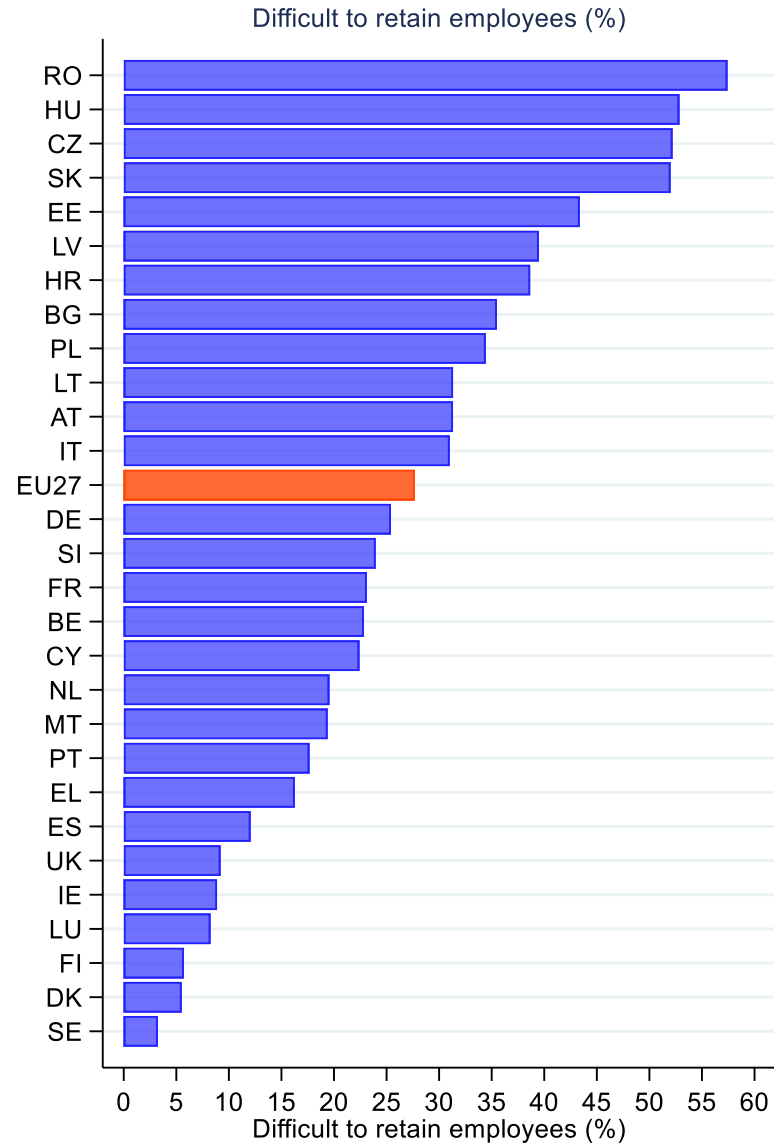
- Variation in retaining skilled workers
- Almost all employers in industrial sectors report difficulties finding skilled workers.



Source: ECS 2019, averaged over EU27+UK

Employers' perceptions

- Most difficult to retain employees in industrial sectors in Romania, Hungary, Czechia, Slovakia, ...
- Least difficult in Sweden, Denmark, Finland, Luxembourg, Ireland.
- Difficult to find skilled workers also in several of the same countries.



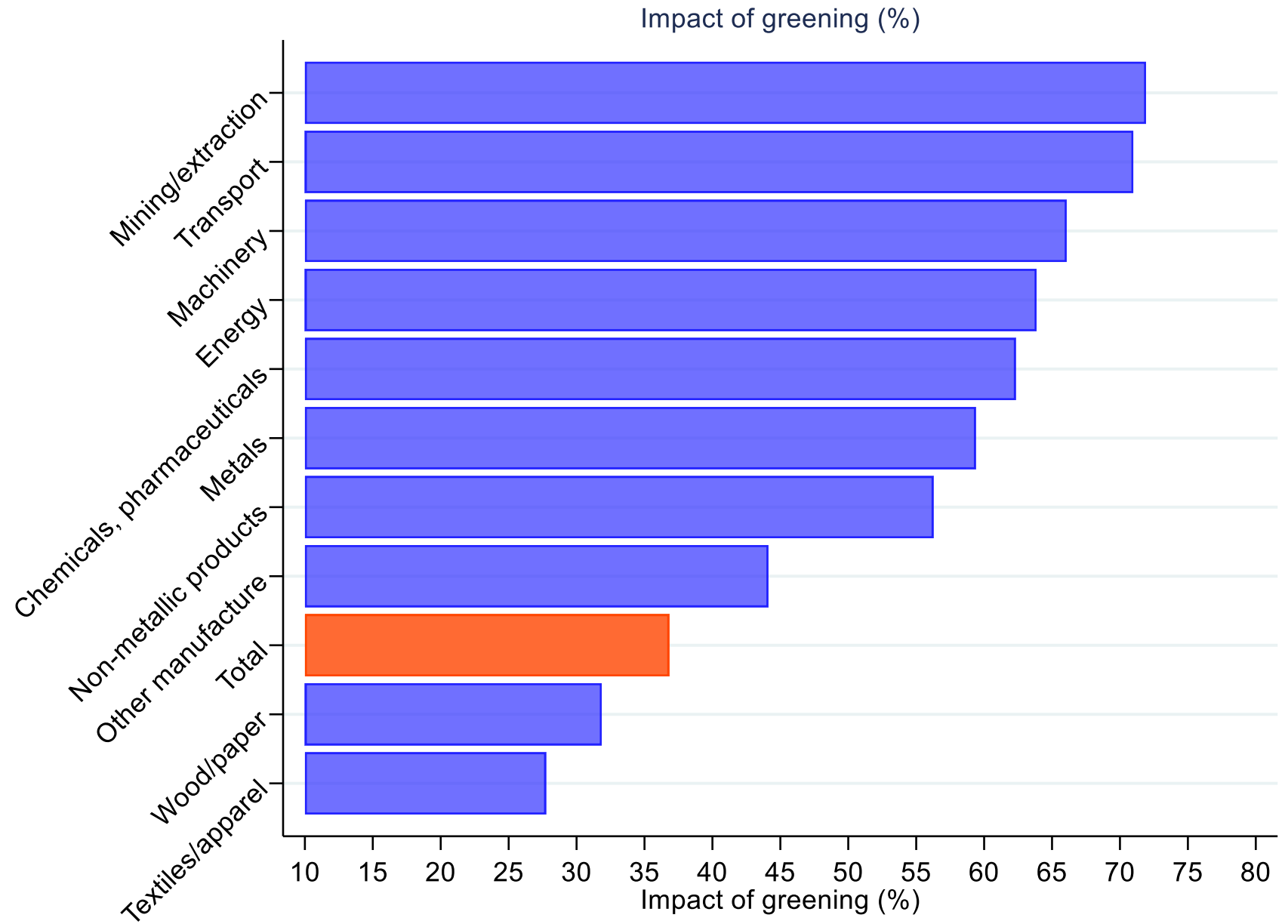
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Structural trends - transformations

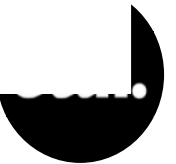
- Green transition
 - Heavily impacts industrial sectors
 - Need for new skills, but which ones?
 - Continuous learning rather than higher education

Greening

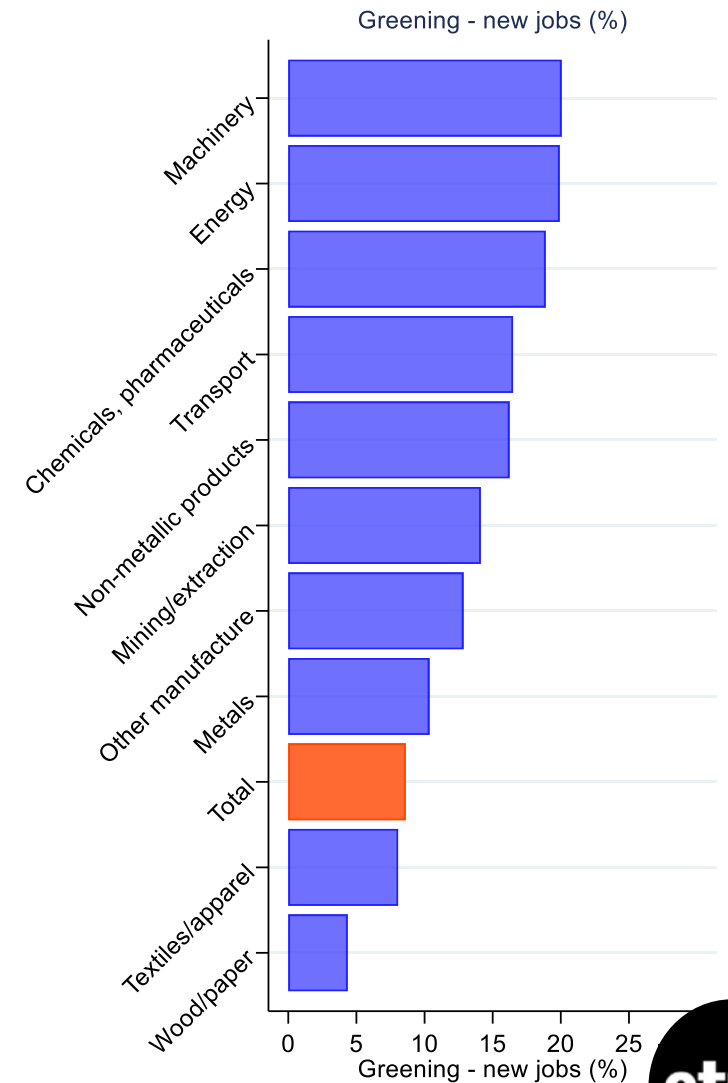
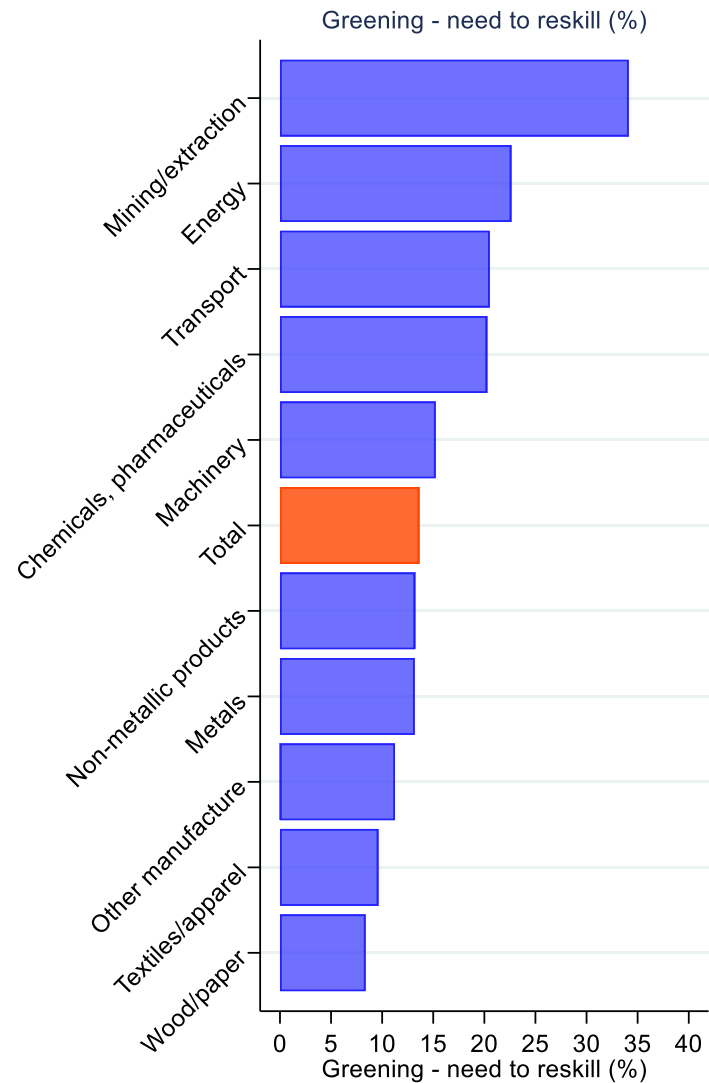
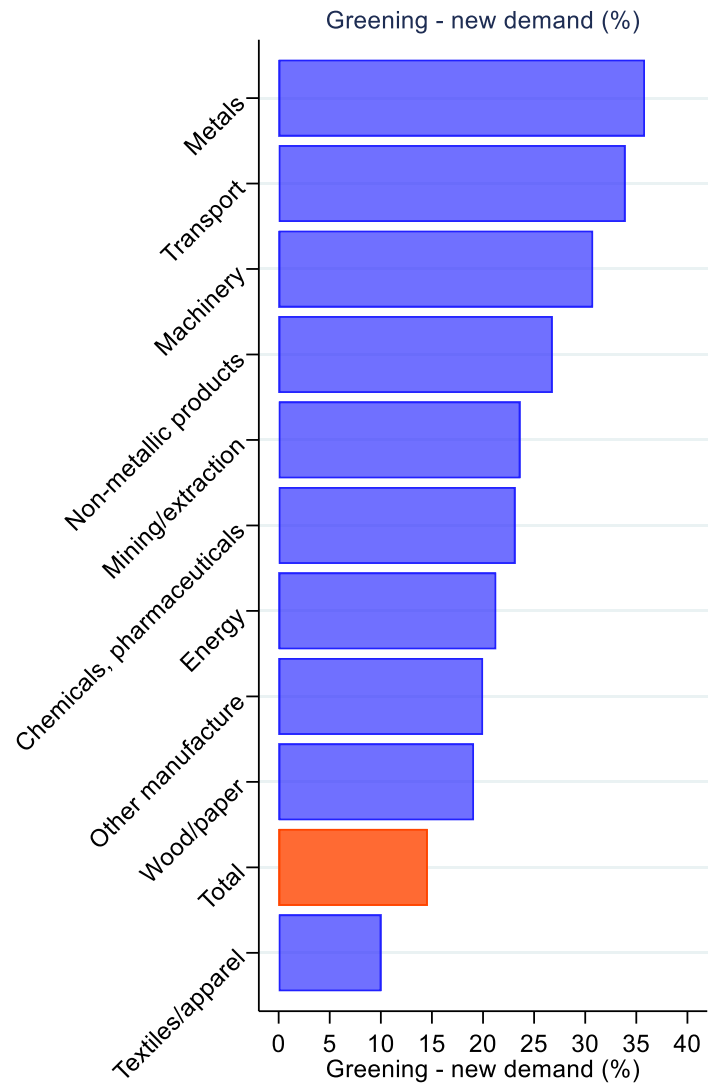
- ETWCS 2021 indicates which occupations are likely to be impacted.
- Much more than private services
- Most in mining, utilities, manufacturing
- 40% of all jobs to be affected



Source: ETWCS 2021



Greening

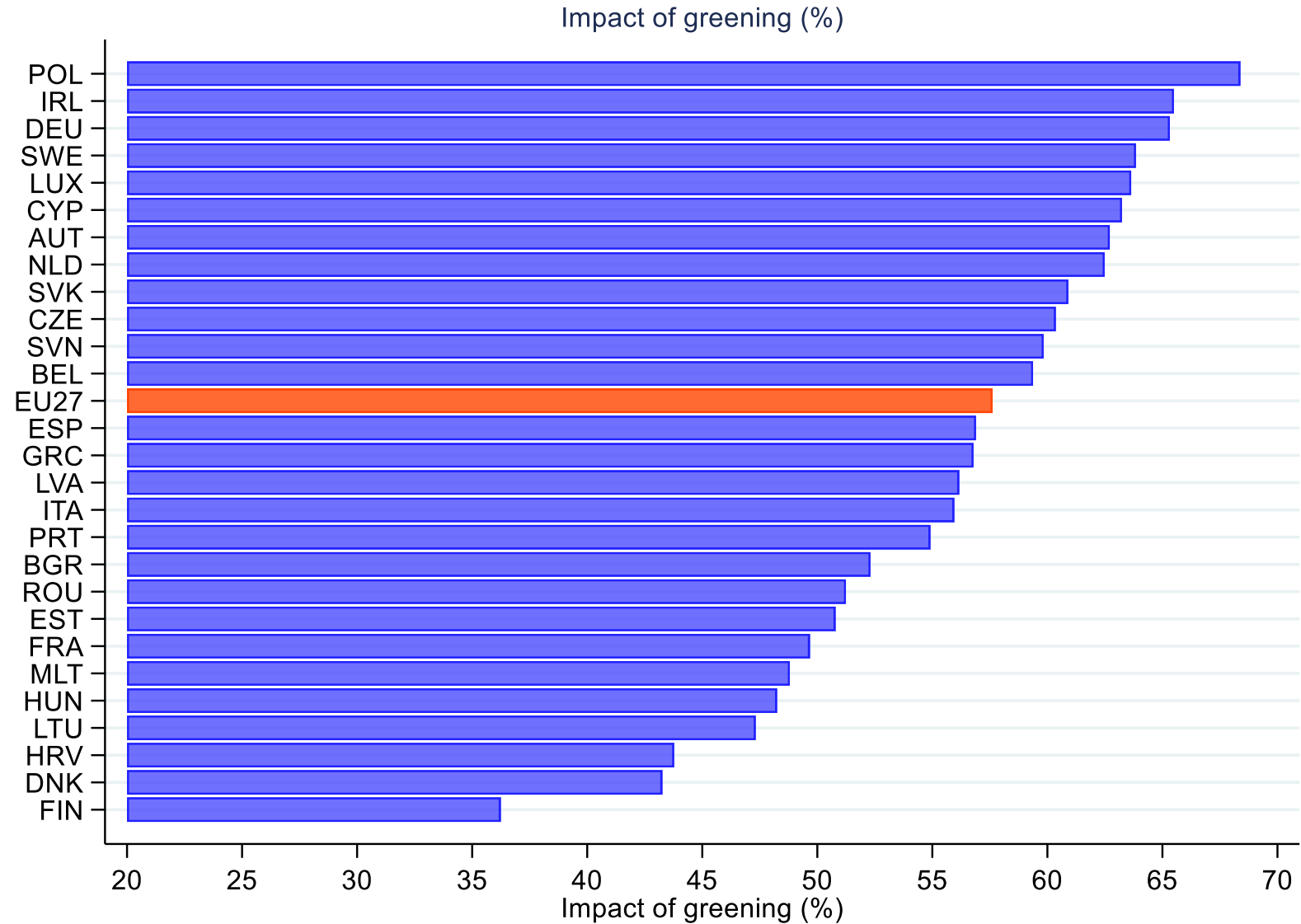


Source: ETWCS 2021



Greening

- Variation over countries



Source: ETWCS 2021

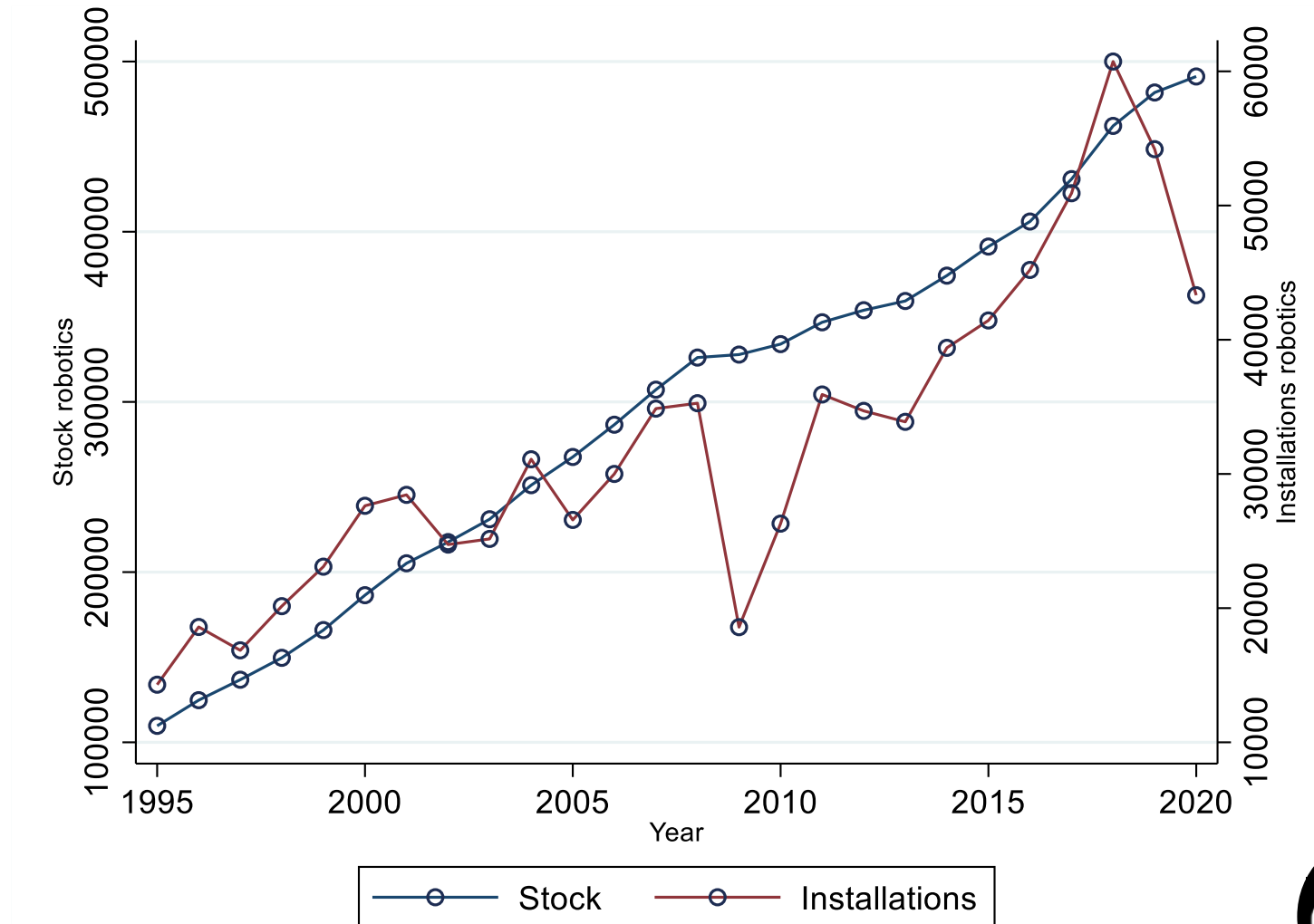


Structural trends - transformations

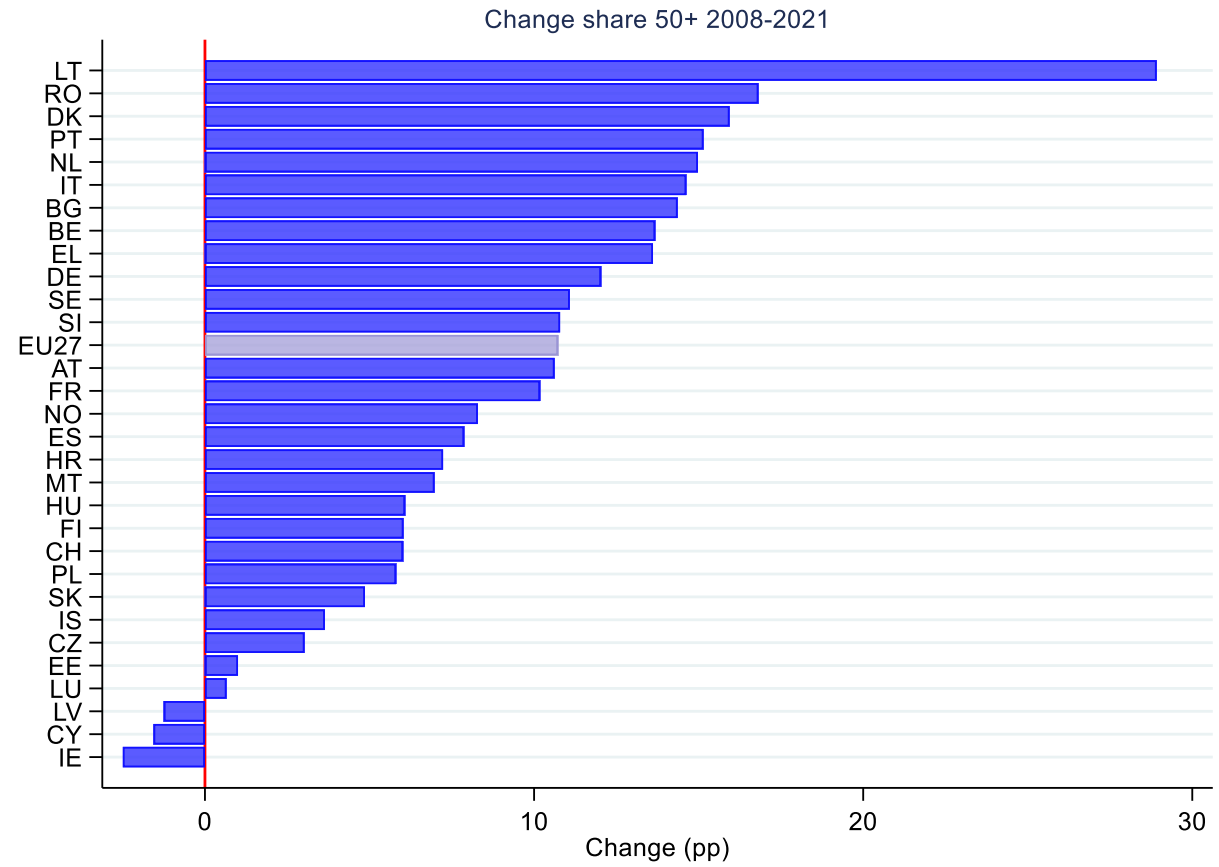
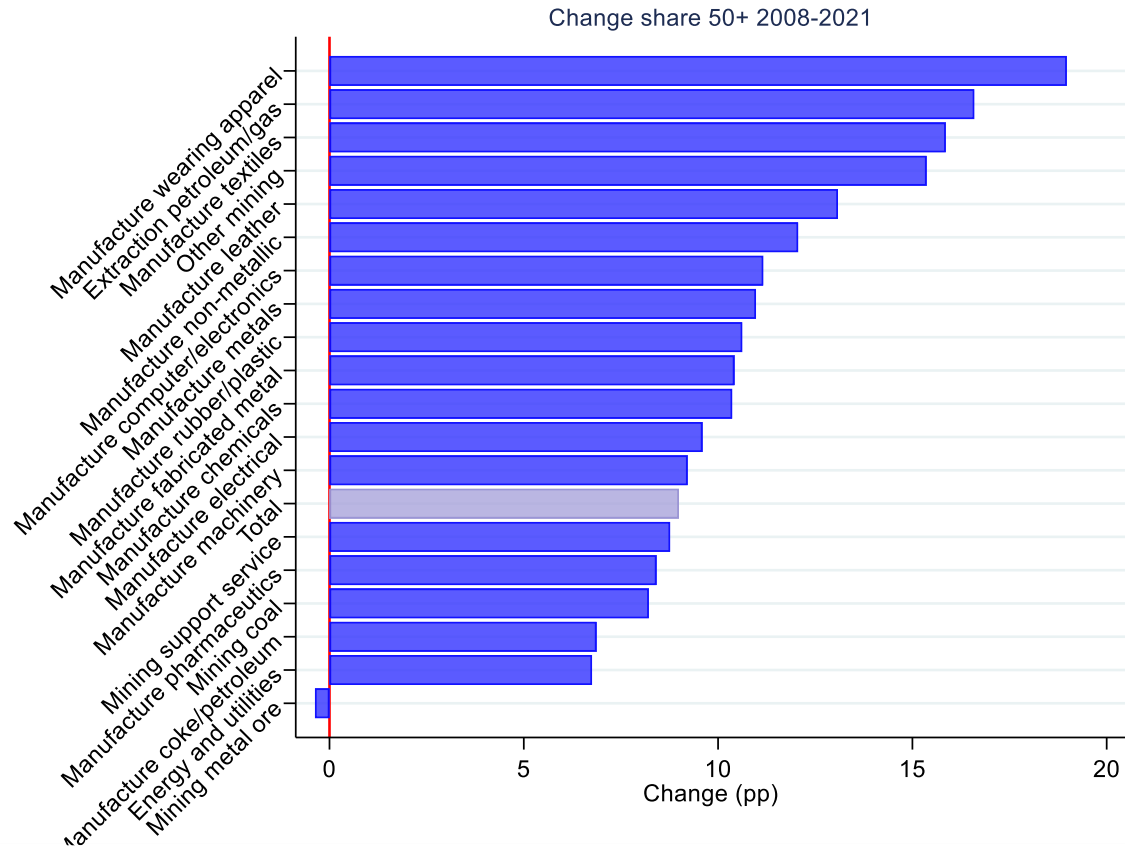
- Green transition
 - Heavily impacts industrial sectors
 - Need for new skills, but which ones?
 - Continuous learning rather than higher education
- Digital transition
 - Automation
 - Replace or change?
 - Uneven impact

Automation

- Increase in robotics / automation over time in included countries.
- Stock increases over time, but slows down with pandemic.
- Automation overall does not reduce employment, but can change tasks
- However, short-term reductions



Ageing workforce



Structural trends - transformations

- Green transition
 - Heavily impacts industrial sectors
 - Need for new skills, but which ones?
 - Continuous learning rather than higher education
- Digital transition
 - Automation
 - Replace or change?
 - Uneven impact
- Demographic transition

Skills shortage?

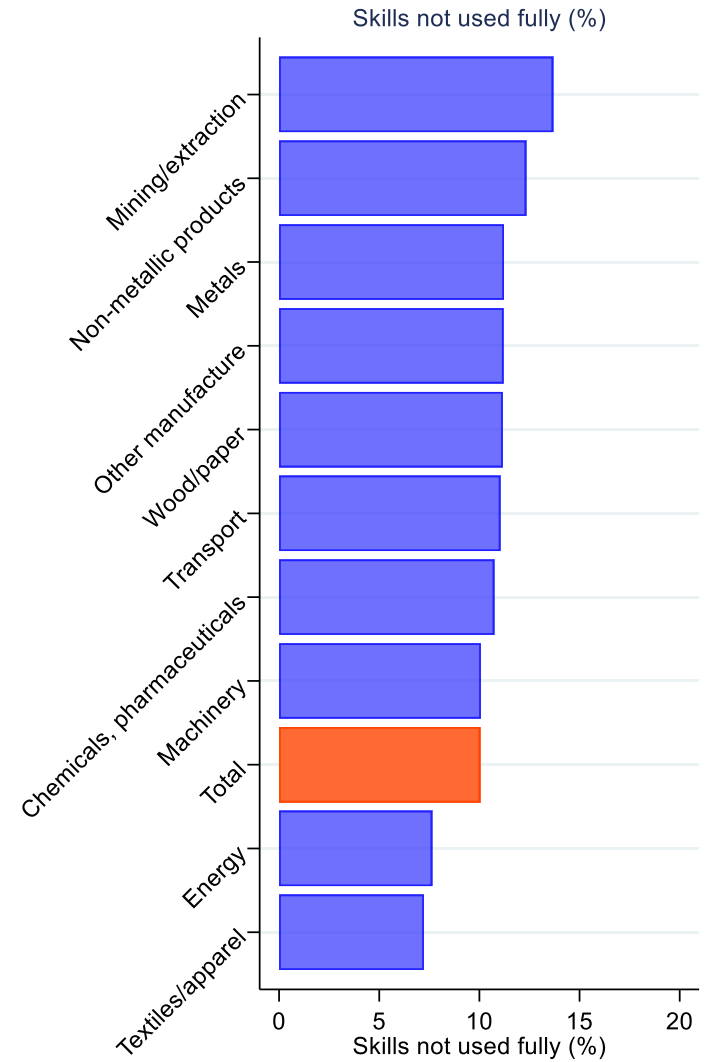
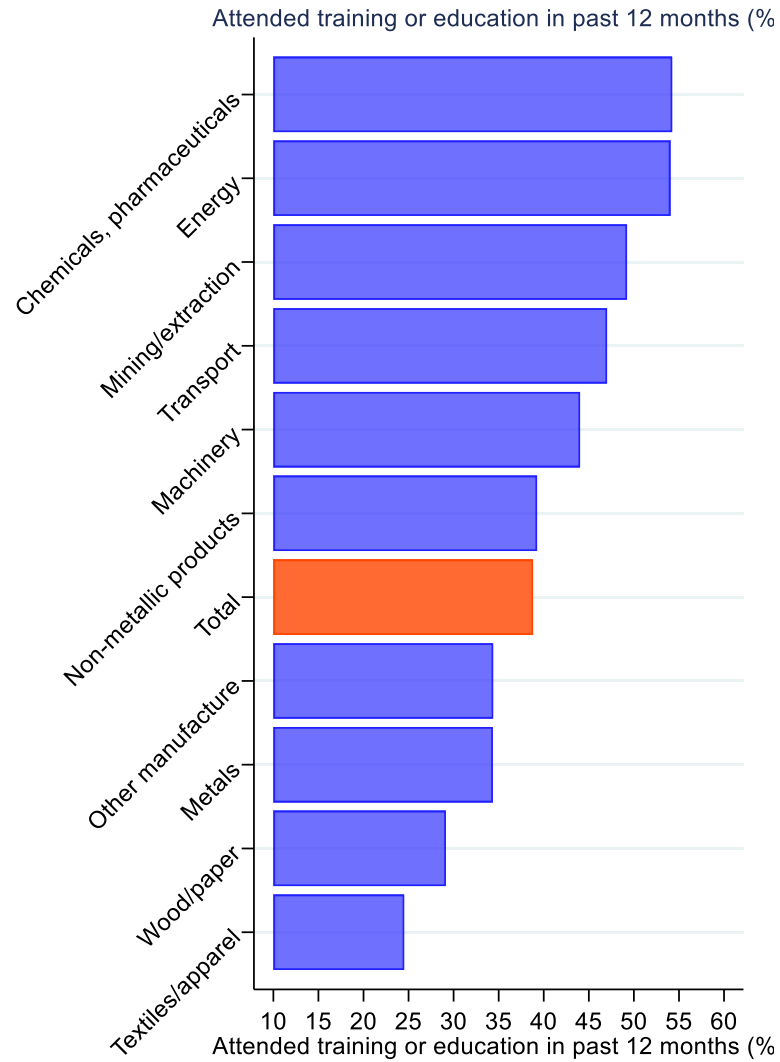
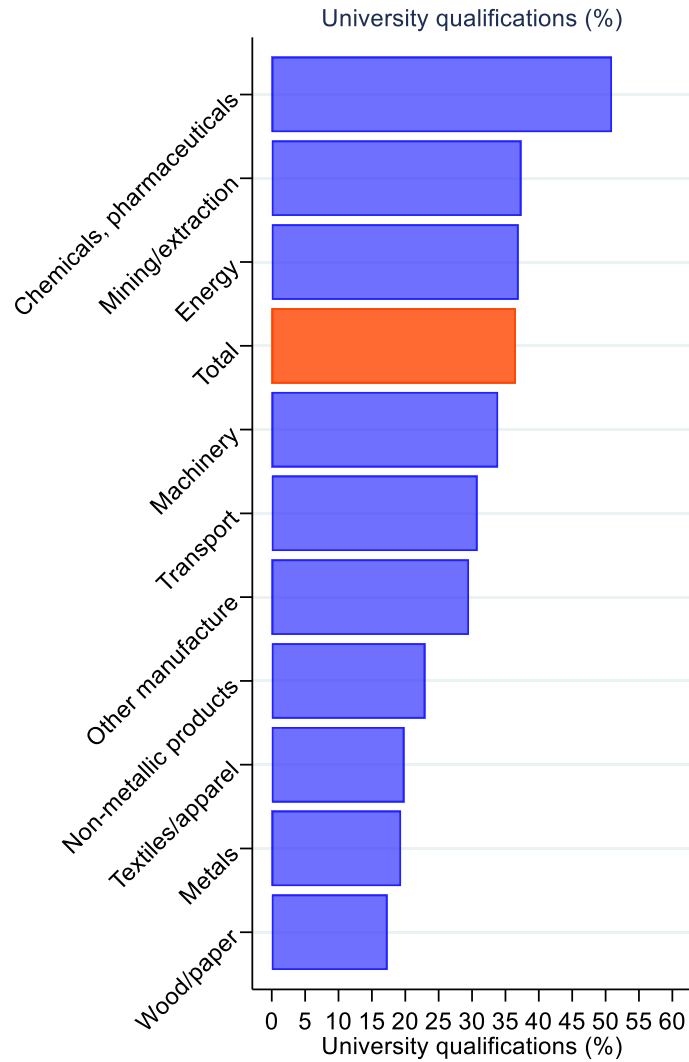
Skills shortage?

- Highest shortages in middle-educated occupations
- Need for technical/vocational profiles

Skills shortage?

- Highest shortages in middle-educated occupations
- Need for technical/vocational profiles
- Training
 - European Pillar of Social Rights
 - European Skills strategy
 - Questions:
 - Quality / quantity
 - Who pays? Employer (productivity), employee (career)

Training

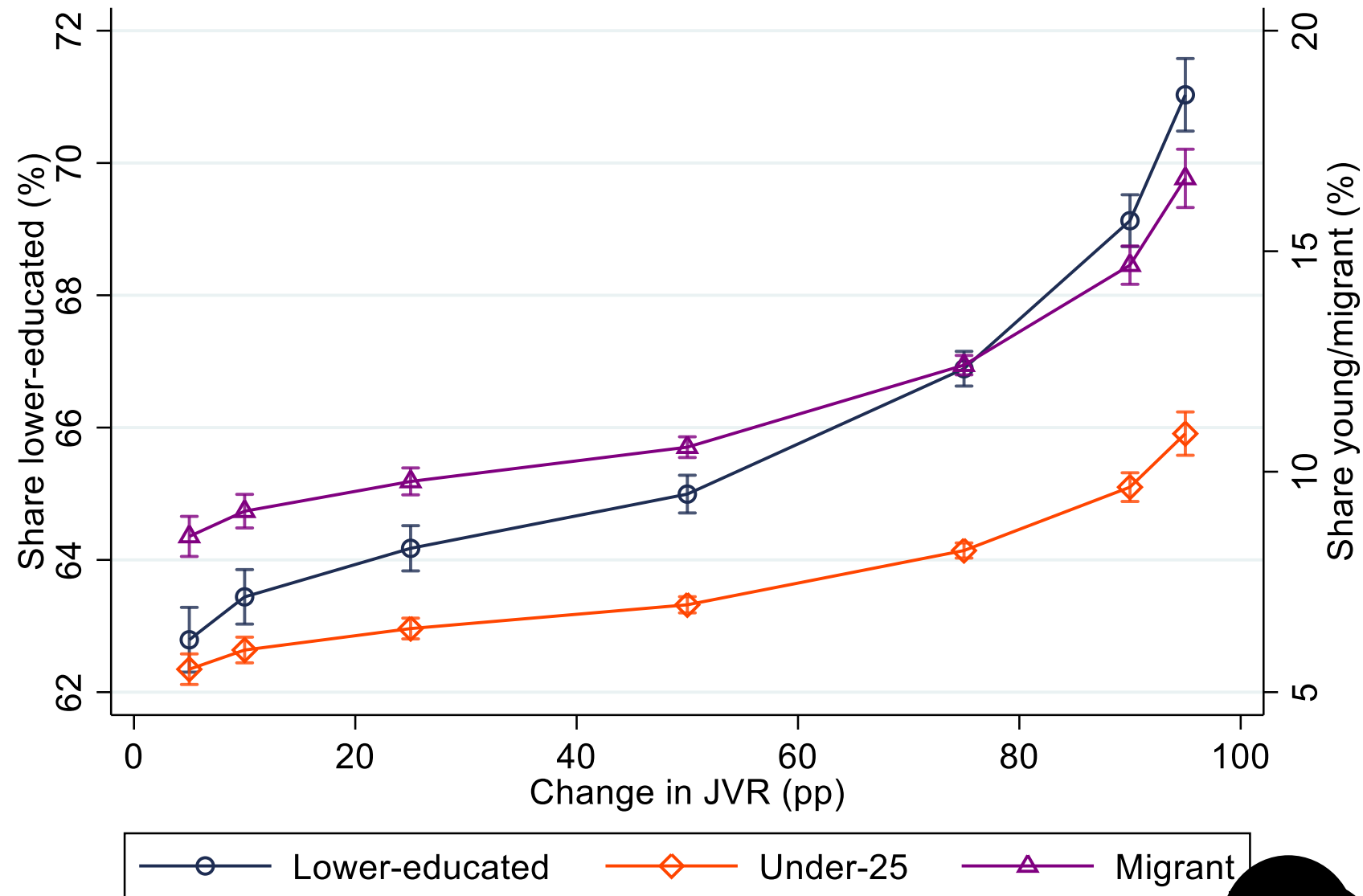


Temporary and cyclical reasons

- Surging demand after Covid-19 recovery
- Slight slump in migration/mobility
- Possible re-evaluation in workers' preferences (contact, healthcare)
 - Made shortages more acute
 - Increases bargaining power and mobility towards better jobs

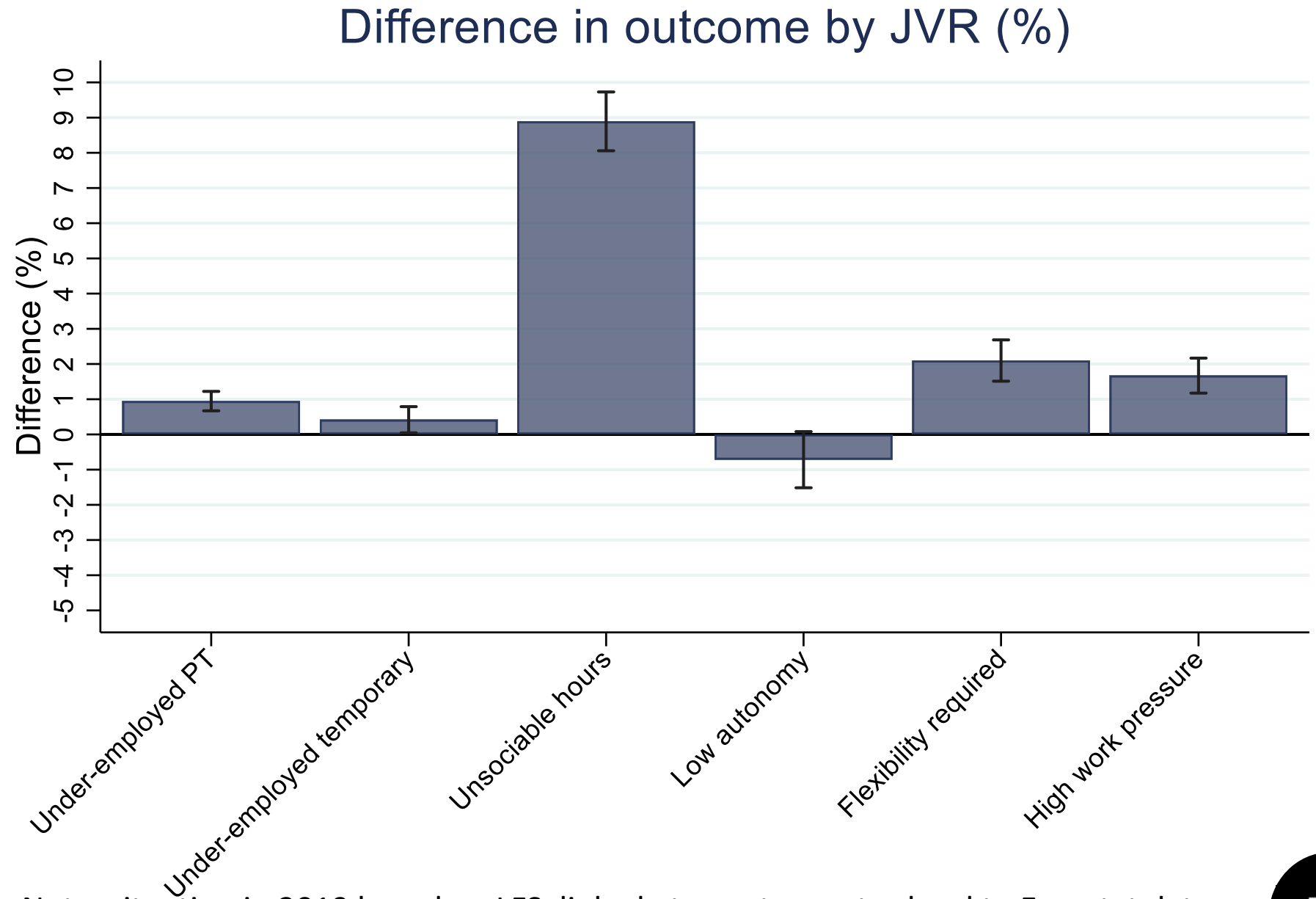
Sharpest
increase –
more low-
educated,
young, migrant
workers

Demographic profile 2019



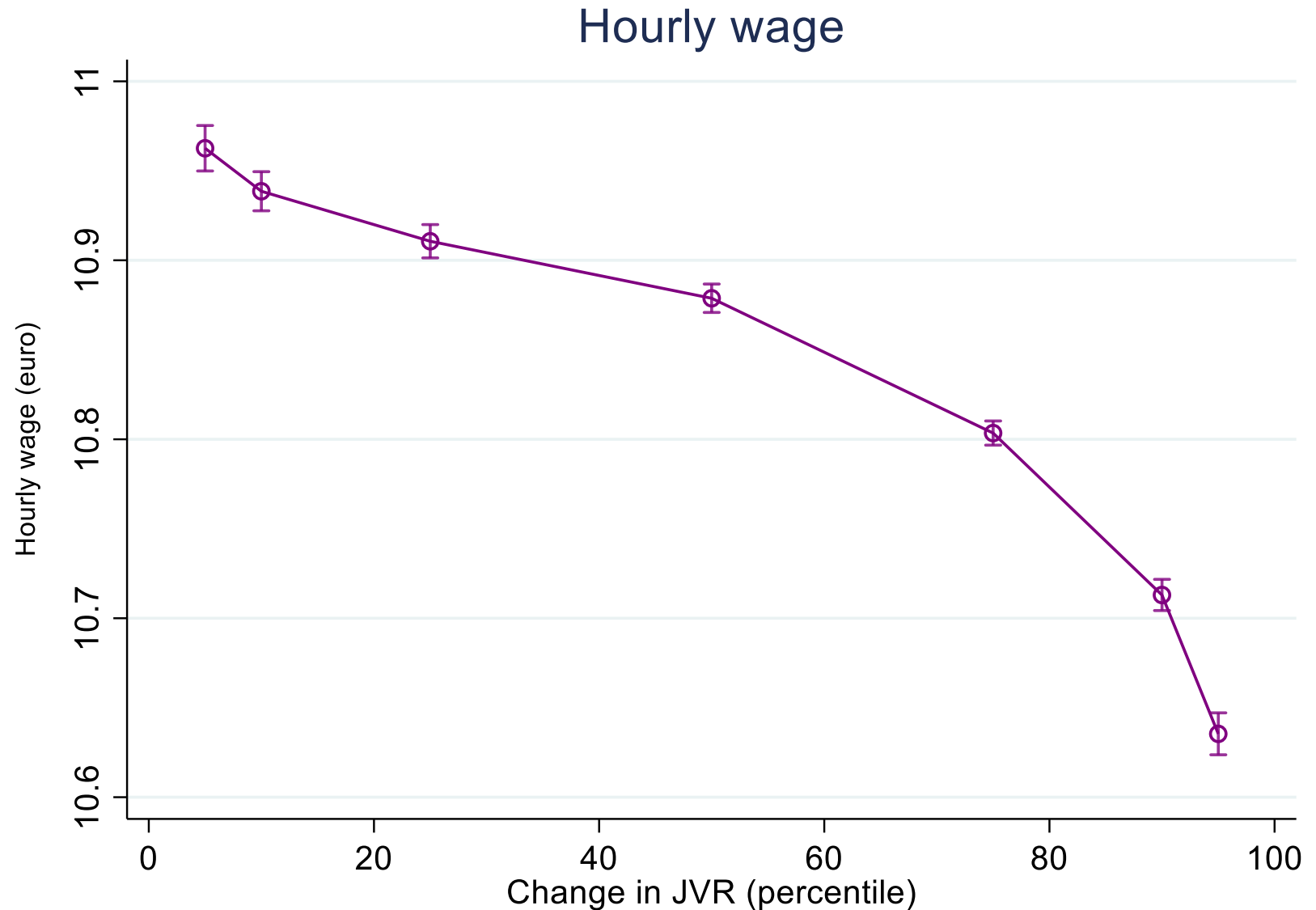
Note: situation in 2019 based on LFS, linked at country-sector level to Eurostat data, controlling for country f.e., quadratic JVR

JVR rose
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Note: situation in 2019 based on LFS, linked at country-sector level to Eurostat data, controlling for country f.e. and gender by age squared, education, cohabiting, quadratic JVR

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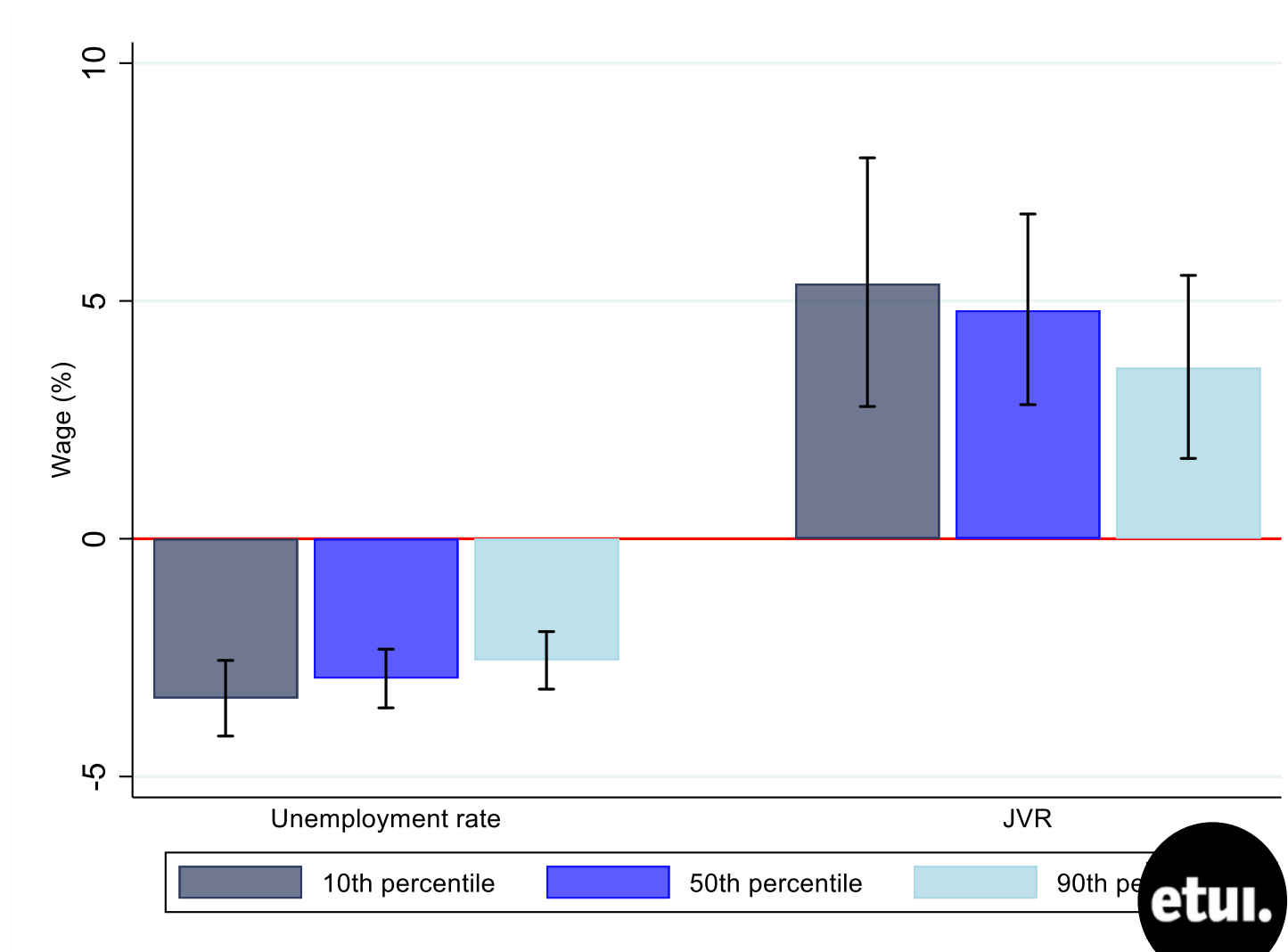


Note: situation in 2018 based on SES, linked at country-sector level to Eurostat data, controlling for country f.e. and gender by age squared, education, firm-size, tenure at firm, occupation, quadratic JVR



Tight labour market as an opportunity

- Bargaining power has been shifting towards employers with digitalization, differences between firms
- Demand for labour can shift it back somewhat
- Higher wage growth at the bottom
- Similarly in the US.



Challenges and opportunities

- Long-term labour shortages can hinder productivity and competitiveness
- Can endanger green transition
- Mobility and migration can only help so much → many shortages are ubiquitous.
- Need to ensure skilled workforce → on-the-job training and vocational rather than highly educated workers
- Tight labour market also advantages workers → improve labour conditions

Conclusion

- Shortages reflect structural and temporary aspects
- Specific profiles are lacking
 - Skills and education – particularly technical/digital
 - Continuous → European Year of Skills
- Sharp rise in JVR since Covid-pandemic
- These sectors were categorized by:
 - Relatively lower-qualified, young, and migrant workers
 - Worse conditions: contracts, autonomy and work pressure
 - Relatively lower pay