

Position Paper 2023/147

Urgency to invest in workers, training and quality jobs to loosen the tight labour market and meet the shortages

Document adopted by the 26th IndustriAll Europe Executive Committee
Thessaloniki, 30 May 2023 | 2023/147

The European labour market is considered to be extremely tight in 2023, meaning one in which the number of job vacancies is higher than the number of jobseekers and employers compete for workers. The European Commission [announced](#) that euro area unemployment was at an all-time low level of 6.6%, while the employment rate had reached an all-time height of 74.4%. These figures require a critical assessment, because they lack a comprehensive qualitative approach, as this paper will explain below more extensively. Nevertheless, in a nutshell, the high number of job vacancies is a consequence of an increased precarisation and flexibilisation of the labour market.

The European labour market has been affected by skills shortages already for the past decades. However, since the relaxation of the COVID-19 measures, the labour market has continued to tighten. In the current extraordinary situation also marked by high inflation, coupled with the cost-of-living and energy crises, as well as the ongoing twin green and digital transformation, a tight labour market is an additional challenge for a sustainable recovery and a competitive Europe that creates quality jobs.

Employers have been very quick to react by calling for labour migration as the key solution to this complex issue. The European Commission's reaction was similar, with the publication of the [Skills and Talent Package](#) in April 2022, which favours both intra-EU mobility and third country migration. In addition, the Commission declared 2023 as the [European Year of Skills](#), with initiatives to promote skills development, such as the 'European Skills Agenda', but also the EU "Talent Partnership" and "Talent Pool", based on migration policies.

Trade unions have been warning against increasing skills shortages already for decades, calling for adequate education, training and life-long learning measures, including re-skilling and up-skilling. IndustriAll European Trade Union and its members have made training a central priority, with the first European common demand for an individual right to training adopted in 2005. At national level, our members have been actively engaged in training efforts at all levels.

Moreover, we have also been calling for good industrial policies that create quality unionised jobs, as training only makes sense in a job-rich environment based on quality employment. The United States seems to have understood this, as the new Inflation Reduction Act (IRA) directly ties tax incentives for companies with training obligations and the creation of apprenticeships. Meanwhile, despite its European Skills Agenda and the 2023 European Year of Skills, the EU remains shy on coming up with ground-breaking, binding initiatives.

Solving the current skills shortages and tackling the twin transition requires a more comprehensive approach which goes beyond training and migration. [Eurofound](#) points out that similar profiles are missing

across countries, so labour mobility will not solve the overall problem. On the contrary, it risks exacerbating the [brain drain](#) that is plaguing Eastern European Member States and countries in the European neighbourhood. All countries need skills and competences, as these are key to upward convergence. The opposite will only widen the already large gap between Member States. The situation is also similar regarding migration from other continents. Our assessment is in line with the [OECD](#)'s and the [IMF](#)'s; neither of whom consider migration as a sustainable solution and [Eurofound](#) sees it only as a short-term one.

In addition, labour migration as a short-term solution to skills shortages comes with some risk, which must be tackled through clear regulation that protects migrant workers and ensures equal pay for equal work. This must be based on the principle of equal treatment, because otherwise it risks creating a race to the bottom in which employers misuse migrant workers by paying them less for the same work performed by locals. This could easily be prevented if the right to join a union and to engage in collective bargaining would be properly enforced across the EU, so that migrant workers can also be protected by their union. However, unfortunately, very often migrant workers are prevented from joining a union, either due to national regulation or to union-busting activities by employers.

Meanwhile, more and more institutions are pointing towards the quality and attractiveness of jobs as the main reason for shortages. The [OECD](#) shows that the rising job vacancies are linked to rising quit rates, calling this phenomenon the 'Great Quit'. In a tight labour market, workers' bargaining power is increasing. So, workers no longer accept low-quality jobs that are low paid and with bad working conditions – instead, they quit and look for better opportunities. Similarly, the [IMF](#) and the [European Commission](#) recommend wage growth and improving working conditions as a solution to attract workers. Eurofound [highlights](#) that improving job quality is key to meet the current shortages and that skills cannot solve the problem alone. Moreover, [CEDEFOP](#) highlights that all sectors with bad pay and working conditions have an issue with shortages. 70% of companies report skills shortages, but few link them to their lack of incentives to attract and retain workers.

The current skills shortages are not only the result of extraordinary situations like the COVID-19 crisis and the twin transformation. Therefore, it is a mistake to focus too narrowly on migration, instead of choosing sustainable solutions based on investments in training and quality jobs. The current skills shortages are a result of the lack of strategic workforce planning, underinvestment in industrial production capacities, lack of financial investments in training and the job-cuts plans which were decided based on short-sighted views of employers and which led to a loss of know-how. This is also the result of the lack of a proper industrial, education and training policy, that emphasises strategic investments in education and training and facilitates lifelong learning.

For industriAll Europe, solving the skills shortages requires a holistic approach, based on industrial policy, employment and social policies, active labour market policies, education and training policies, as well as collective bargaining. In this position paper, we highlight our data-based analysis of the drivers behind the current tight labour market and skills shortages and propose recommendations for policymakers, employers and trade unions.

Moving beyond the rhetoric: The reality of shortages in Europe

Employers like to speak about 'labour shortages', claiming that there are not enough workers available on the European labour market to fill their vacancies and that migration is needed. However, a closer look at the available data shows that the main issue is not the number of workers available. The issue is rather the number of workers with the right skills, and especially the willingness to work for the pay and under

the conditions currently offered by employers. Hence, what we are witnessing is better referred to as ‘skills shortages’ and insufficient good quality and attractive job vacancies.

What is missing from most debates on the current tight labour market is the quality indicators¹. We are observing an explosion of unattractive, low-quality and even precarious job vacancies. The biggest increase was in job vacancies for which the hourly wage is the lowest and which are performed at unsociable hours (during the night or Saturdays-Sundays), with low autonomy, high pressure and demanding excessive flexibility.² These are generally performed by lower-educated, younger, migrant workers (all vulnerable groups) and their labour market participation increased in the past year.³ It is of no surprise that most workers do not accept such conditions. Employers need to invest in the attractiveness and quality of jobs, not opt for social dumping.

This increasing precariousness is best reflected in the situation of young people on the European labour market. Ever since the 2008-2009 financial crisis, youth unemployment has exploded, and it continues to persist even in today’s record tight labour market. Youth unemployment is [registered](#) at 13% EU average, with dramatic [levels](#) in many Member States, like Greece (28.6%), Spain (26.9%), Italy (24%), Romania (22.7%), Slovakia (19.5%) and France (17%). Even more worrying are the [levels](#) of young people neither in employment, nor in education, nor training (NEET), registered at 13.1% EU average.

It is wrong to fall into the trap of saying that young people do not want to work, because the ‘lucky’ ones who did find employment have [reported](#) precarious conditions: 47% of young workers have a temporary contract, compared to 10% of overall workers; 1 in 10 young workers are on a temporary contract, non-voluntarily; 31% of young workers (particularly women) have a part time job in order to make ends meet. The issue is rather the attractiveness and quality of jobs.

Moreover, more evidence that the current tight labour market is driven by an increase in low-quality and unattractive vacancies, is the number of hours worked. Contrary to most expectations, the number of hours worked is [reported](#) to still be below the pre-pandemic level. On the other hand, we have a record high number of people in employment and a record low percentage of unemployment. This probably means that many of the workers are currently not working full-time and are kept by employers on different arrangements to reduce costs. CEDEFOP’s data on [involuntary part-time](#) work and on underemployed workers proves this point.

Another contradiction lies in employers’ push for migrant workers, while planning massive redundancies in the upcoming months. The [tech sector](#) has started this worrying trend. Once again, public policy is needed to prevent social dumping and ensure equal pay for equal work and compliance with collective agreements and labour regulations.

The reality on the ground in the industry

Across [OECD](#) countries, vacancy rates increased mostly in the manufacturing, service and construction sectors. The largest perceived shortages reported by manufacturing companies were in Eastern Europe. Northern and Western countries also reported shortages in the manufacturing sectors, but mainly in services. Southern European countries reported a less severe situation (9% of manufacturing companies pointed out labour shortages to be a limit to production). Overall, in Q2 2022, manufacturing firms reported 8.5% higher rates of labour shortages than before the pandemic.

¹ ETUI’s [Benchmarking](#) (2023) offers a variety of quality indicators, including under-employment, etc.

² Based on EU Labour Force Survey (2019), linked at country-sector level to Eurostat data

³ Based on Structure of Earnings Survey (2018), linked at country-sector level to Eurostat data

Furthermore, a deeper analysis of different manufacturing sectors shows a mixed picture. Employers [report](#) difficulties to retain workers, mostly in the textile, non-metallic and metal production sectors. The least retention problems are [reported](#) in the chemical, mining, and energy sectors. Again, the attractiveness and quality of jobs make the difference. For example, the textile sector is notorious for its high level of non-unionised, badly paid jobs and poor working conditions (mostly women workers), while the chemical and energy sectors are unionised, with good collective agreements that ensure high pay and good conditions (including the right to training).

Opting for migration as a solution, as employers' preferred 'easy-fix', instead of investing in quality employment and training across the EU, will only increase the growing gap between EU countries. Eurofound's [survey](#) shows that employers have the most difficulty to retain workers in the industrial sectors in Romania, Hungary, Czechia and Slovakia. These are countries with particularly high numbers of intra-EU mobility. Meanwhile, the least difficulties are reported in Sweden, Denmark, Finland, Luxembourg and Ireland.

Moreover, similar profiles are [reported](#) missing across countries with mixed skills levels (plant machine operators, STEM professionals, etc.), making migration an unsustainable solution.

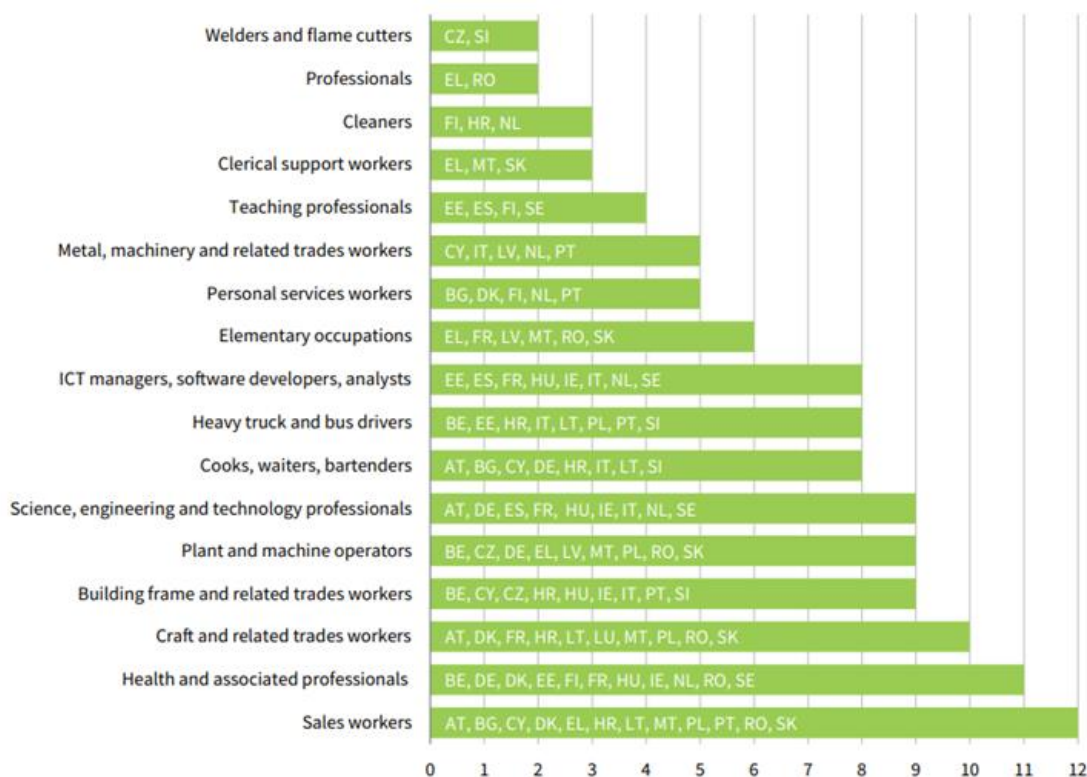


Figure 1.: Main shortages of occupation – number of countries reporting shortages in different occupations. Source: Eurofound. Tackling labour shortages in EU Member States (2021)

Industrial sectors [report](#) the most difficulties in finding skilled workers, indicating that the problem is not labour shortages, but skills shortages. [Eurofound](#) reported that in 2020, 55% of enterprises that recruited or tried to recruit ICT specialists reported difficulties in filling such vacancies.

With the general exception of STEM professionals, many shortages are in jobs that do not require high qualifications but rather medium skills. These are mostly technical skills that can be learned through

training, including through vocational education or dual-learning programmes, but especially through on-the-job training.

The main issue here again is employers’ reluctance to invest adequately in training and quality jobs. Even in countries with a long tradition of training, like Germany, trade unions [report](#) that “never before have so few companies trained as now”. Unfortunately, most companies nowadays expect cost-free solutions from public authorities and refuse to invest in their own workforce.

The issue is similar in the case of skills mismatches, which did not increase in the aftermath of the pandemic. Employers often cite skills mismatches as a key issue, forgetting that one solution to this problem is for them to invest in on-the-job training. While companies’ rapid innovation is essential, it is not possible (or some might even argue desirable) to expect the public education system to instantly adapt to companies’ daily needs. [CEDEFOP](#) similarly argues that skills mismatches are normal because workers cannot know every detail when they start new positions. Hence, companies need to invest more in their own workforce.

Public policies and strong social dialogue and collective bargaining can tackle the problem. Europe needs social conditionalities on public funding and on tax incentives, like in the US Inflation Reduction Act, which foresee training obligations, of compliance with collective agreements, and the creation of apprenticeships for companies receiving public support. In addition, we see that in countries where the social partners work together in good faith, like in [Sweden](#), landmark collective agreements are turned into law to ensure that both public and private actors work together with the social partners to meet the skills needs. In the Netherlands, the social partners in the metal sectors have also recently joined forces to tackle the skills shortages. We need more examples like these.

Dangers of not investing in skills: Hampering productivity and competitiveness

Focusing on migration, instead of investing in quality jobs and training, will hamper Europe’s productivity and competitiveness, as well as jeopardise the twin green and digital transition. The twin transformation is taking place in Europe across all countries simultaneously, therefore migration alone cannot tackle the skills challenge.

Greening is expected to massively impact jobs in industrial sectors, as illustrated below.

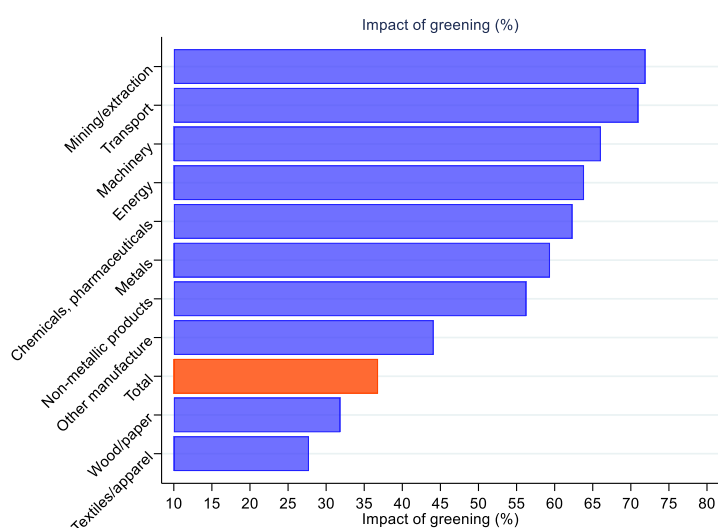


Figure 2. Impact of greening on occupations. Source: ETWCS 2021

The challenge is staggering. The changes within automotive manufacturing are indicative of what European industry is facing in view of the green and digital twin transition: the emergence of completely new job profiles and the need to massively step-up training programmes to meet the growing demands. According to the European Battery Alliance, 800,000 re/upskilled workers are needed to reach the EU's battery ambitions, while BCG research for the European Electromobility Platform estimates that 2.4 million automotive workers will need to be retrained by 2030.

Skills shortages can prove to be the Achilles' heel of the green transition, unless policymakers and employers shoulder their responsibility and move beyond the rhetoric around training and skills to concrete action. We already see the effect of insufficient public policies to ensure a Just Transition. The European Investment Bank's latest [annual investment report](#) warns that the EU is currently lacking the skills needed for its clean tech transition. According to the report, around 85% of firms said a skills shortage was impeding investment. It is disappointing to read that firms do not invest in skills development without any outside push. Therefore, social conditionalities that link public funding or tax incentives to training are essential. The US has been showing Europe that this is possible, by linking tax incentives for companies to training in the IRA.

No social conditionalities in public funding schemes will only make matters worse, as perfectly illustrated by today's paradoxical situation in industry. Hundreds of thousands of workers in Europe are currently subject to short-time arrangements as a result of the energy price crisis and supply chain problems. This is lost time for workers and their industries – a SURE 2.0 plan should include mandatory conditions on retraining/upskilling. The SURE plan proved its worth during the pandemic, helping 2.5 million businesses retain 31 million workers in 2020, according to a report issued last year. Today's period of reduced activity or production should be used for retraining and upskilling the workforce.

Employers should have a responsibility and natural interest in investing in maintaining a skilled workforce. As argued throughout our [Just Transition Manifesto](#), we need an EU legal framework for the anticipation and management of the Just Transition, which recognises the vital role that information, consultation and participation of workers, as well as collective bargaining, play in anticipating change and changing skills needs. Such an EU legal framework must ensure that skills intelligence – the anticipation of skills requirement— is strengthened through strategic skills and jobs planning in every company, every region and every sector, with the full involvement of the social partners, VET providers and public authorities, which are best placed to accompany structural changes.

The digital transformation is mainly driven by companies that are investing in new technologies aiming for huge productivity gains. Digitalisation can be both a response to and a driver of skills shortages. However, as the [2020 OECD Digital Economy Outlook](#) states, the success of firms in the digital age depends on workers with good digital skills, which requires investments in education, training and life-long learning. Employers are responsible for facilitating access to continuous training for all workers at the workplace. Moreover, the application of Artificial Intelligence (AI) and advanced robotics at the workplace is seen by some as a solution to the skills shortages. However, this is not a silver bullet to solve the problem and it also comes with some risks with regard to the quality of jobs, potentially leading to the devaluation of workers' tasks and de-skilling. In view of the digital transition, employers must provide adequate training and upskilling to workers who today perform jobs that might be taken over by AI tomorrow. They cannot cherry-pick those they send for training, leaving aside those who are most in need. They have to cover the costs of upskilling and reskilling. Particularly in the case of digital skills, employers have already recognised their responsibility to cover the costs of training in the [EU Social Partners' Agreement on Digitalisation](#). In the rapidly changing digital industry, it is crucial to continuously anticipate and manage skills and training needs, to avoid a situation where the lack of skills hampers companies' investments.

In today's context, when most EU actors are panicking over an adequate response to the US IRA, focusing on subsidies and competitiveness, it is striking that the skills challenge is only addressed through soft measures in the EU's Green Deal Industrial Plan. The US did not make this mistake in their IRA, realising that competitiveness is based on quality jobs and skilled workforce, linking therefore public subsidies and tax incentives to companies' commitment to invest in these. We do not see direct linkages between public support and training obligations in Europe, or the generation of quality employment, despite evidence from the EU's own foundation, Eurofound, pointing to the negative effects of shortages on competitiveness: shortages not only lead to reduced productivity and lower growth potential, they also discourage foreign direct investment, reduce global competitiveness, lower innovation and pose challenges in the implementation of public investment programmes. They also negatively affect workers, leading to increased work intensity and stress, and worsen work-life balance.

Solutions exist: Our demands!

General demands:

- An individual right to training negotiated collectively and preferably guaranteed by collective agreement, to secure access to training for ALL, irrespective of age (young/senior), gender, level of occupation (blue/white collars), type of contract (open-ended, precarious)
- High-quality training leading to qualifications which are validated (quality insurance) and recognised (thanks to a qualification framework comparable between Member States)
- Obligation to elaborate skills forecast at sectoral/regional levels (e.g., local skills observatories) and at company level (e.g., strategic skills planning, incl. career guidance)
- Much major public and private investment in vocational education and training (VET). Work-related VET (to adapt to one's occupation) must be cost-free for workers and provided during working hours
- Full involvement of trade unions (and social partners, more broadly) in all skills-related initiatives/strategies designed at company, local, sectoral and national levels
- Flanking industrial and employment policies to secure that re- and upskilling lead to quality/sustainable jobs in thriving industries

Demands towards policymakers:

- **Set social conditionalities that link all national and/or EU public funding opportunities and tax incentives to the creation of quality jobs, the respect of collective bargaining and of trade union rights and training**
- Ensure that all workers have access to education and training, regardless of their age, gender, level of occupation or type of contract
- Develop national, regional and local skills strategies with the full involvement of trade unions, including in the design and implementation of training programmes
- Make full use of all available opportunities of EU funding to step up sustainable public budgets for life-long learning

- Work together with the social partners at all relevant levels to reach the targets of the European Pillar of Social Rights Action Plan by 2030 (at least 60% of all adults should participate in training every year, and at least 80% of those aged 16-74 should have basic digital skills)
- Ensure that social protection systems and employment policies are adequately designed to facilitate job-to-job transitions, including across sectors, by providing adequate schemes, income security, career guidance and care services (in line with the Council Recommendation on ensuring a fair transition towards climate neutrality)
- Fight against labour migration exploitation by ensuring equal treatment for equal work, involvement of trade unions, both in countries of origins and destination at relevant levels, and ensure that minimum requirements and quality standards are imposed on Private Employment Agencies in accordance with ILO Convention C181

Secure a clear and comparable system of skills/qualifications recognition to ensure the respect of the principle of equal treatment for migrant workers.

Demands towards employers:

- Invest in workers, workforce planning and training: offer good-quality jobs and step-up funding and access to on-the-job training
- Ensure all workers are equipped with the skills required to cope with changing industries through good quality, cost-free training during working hours
- Engage in social dialogue and collective bargaining at all company and sectoral levels to ensure skills identification and an adequate training programme for all workers
- Ensure that periods of workload reduction are used for training, especially in anticipation of the twin transition, but also other relevant training
- Ensure the validation of formal and non-formal training through qualifications and concrete forms of compensation
- Engage in reindustrialisation