



EU Action Plan on Labour and Skills Shortages

KEY MESSAGES

- 1** BusinessEurope broadly welcomes the European Commission's Action Plan on Labour and Skills shortages. This is a pressing social policy challenge that is impacting upon the productivity and competitiveness of employers of all sizes and across different sectors. This Plan should not only serve as a roadmap to help reduce labour and skills shortages, but also as a guide for the EU's social policy dimension during the course of the next EU political cycle for the period 2024-2029.
- 2** In designing and implementing actions to reduce labour and skills shortages, it is important to work in the context of a coordinated approach to reforms at the EU level, including in the areas of labour markets; education and training systems; and migration and mobility policies.
- 3** A particular priority should be developing a more joined up approach between the priorities and reforms identified through the European Semester process and the EU's funding instruments, notably the European Social Fund+, fully taking into account the role of social partners. A key focus should be the better use of the ESF+ to incentivise employers to offer training opportunities for their workers. Such an approach would support the creation of EU added value in terms of the functioning of the Single Market and support coordination and cooperation with and between Member States in areas that are within the national competence.

WHAT WE AIM FOR

- A reduction in labour and skills shortages, which are hampering companies in their efforts to be productive, innovative and competitive, which is ultimately creating a bottleneck to economic growth and prosperity in the EU.

Position paper – EU Action Plan on Labour and Skills Shortages

Introduction

1. On 20 March, the European Commission published a Communication for an EU Action Plan on Labour and Skills Shortages. Given the extent of the current labour market challenges associated with persisting labour and skills shortages, BusinessEurope has been proactively calling for this Action Plan for almost two years as a way to help structure EU and national level actions to reduce shortages in the years ahead.
2. BusinessEurope broadly welcomes the Action Plan, believing that this can serve as a roadmap to not only help reduce labour and skills shortages, but also to guide the EU's social policy dimension during the course of the next EU political cycle for the period 2024-2029.

General comments

3. Labour and skills shortages are affecting all Member States and sectors in one way or another, impacting upon the ability of companies of all sizes to remain productive and competitive. This will continue to be a key point of attention for businesses over the coming years. The recovery from COVID saw an exponential increase in the need for workers as the demand for goods and services began to increase and employers had the confidence to step up their recruitment. This is demonstrated through a record level of EU employment (213.7 million people), with an employment rate of 74.6%. Conversely, the unemployment rate decreased to a record low of 6.2%, while youth unemployment continued to fall to 14.5%¹. There is a role for a variety of contractual arrangements to underpin flexible work organisation. At the same time, it is important to make full-time employment fiscally more attractive compared to part-time employment in order to help boost productivity.
4. In parallel, the EU's demographic situation in which the size of the working population is expected to decrease by around 1 million people per year, every year until 2050, presents a further challenge to companies that are already struggling to attain a sufficiently sized and skilled workforce.
5. With a view to maintaining employability throughout a long working life, good work design and the necessary further training and re-training are important. As part of this, employers have a responsibility to shape personnel policies in line with demographics. For example, the 2017 European social partners autonomous framework agreement on active ageing², referred to the possibility for social partners/managers to undertake strategic assessments of workforce demography. Such assessments can be used by employers, workers and/or their representatives to assess skills, qualifications and experience; and developments linked to digitalisation and innovation among others. and . Labour market instruments can also be used to better support older people, for example older people are currently underrepresented in further training and other active labour market policy measures.
6. Supporting the overall employability of workers and offering flexible work organisation to accommodate their needs during different moments of their lives is also important. For example, this concerns childcare and/or education needs at the beginning of the

¹ European Commission 2023

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https://www.busseurope.eu/sites/buseur/files/media/reports_and_studies/with_signatures_framework_agreement_on_active_ageing_0.pdf

professional career, long-term care provision for dependent relatives and/or more free time for leisure at a later stage. BusinessEurope recently published a policy orientation note on working time flexibility³. This note observes that in the majority of Member States, social partners are involved in designing legal measures relevant for working time flexibility.

7. The past 5 years have been characterised by the growing outreach of the EU's social dimension and EU legislation. The EU has dealt with issues that have encroached onto national competences. The approach taken has often failed to take into account the impact on companies' competitiveness and on the attractiveness of the EU as a place to invest and do business, hindering the development and creation of enterprises, especially small and medium-sized ones.
8. Skills are among the primary factors of a company's competitiveness and their ability to remain productive, competitive and innovative. The value of an appropriately skilled workforce is particularly evident in the current context of labour and skills shortages, where the lack of such workers is creating bottlenecks to growth across the EU. Notably, the decline in learning outcomes seen in OECD's latest PISA results and in national assessments is a worrying trend in many EU countries. Basic skills in reading, mathematics and science are vital for later learning and participation in working life. Europe and European companies cannot succeed in global competition if Europe falls behind in basic skills.
9. With up to half of the EU's working-age population considered to be in need of up-skilling and re-skilling within the context of the digital and green transitions, it is also important to ensure coherence between the Action Plan on Labour and Skills Shortages and existing initiatives, such as the New Skills Agenda, the EU Digital Education Action Plan 2021-2027 and the Council Recommendations on digital skills and digital education.
10. A concrete example of shortage, particularly concerning for the EU's competitiveness is the profession of science and engineering technicians. There are today 7 million workers in this profession at EU level. Cedefop data indicates that an estimated 4.7 million job openings for science and engineering technicians will have to be filled in the EU between 2022 and 2035⁴ due to new job openings (around 250,000 job openings) and employee retirement (4.4 million job openings).
11. There is a growing interplay between mobility, migration and skills as concerns the role that mobility and migration can play in supporting job matching, thereby helping employers to address their skills needs. The EU Talent Pool, if well designed, can play an important role in helping to reduce labour and skills shortages through matching skilled third country nationals with job openings in the EU.
12. The Action Plan can help to steer and shape a more coordinated approach to national labour market reforms, especially in the areas of employment and activation and education and training and mobility and migration.
13. The overarching context for a coordinated approach to reforms at the EU level, including in the area of labour markets and education and training systems, is the European semester process. The undertaking of reforms identified through the

³ <https://www.businesseurope.eu/publications/working-time-flexibility-businesseurope-policy-orientation-note>

⁴ https://www.cedefop.europa.eu/en/data-insights/researchers-and-engineers-skills-opportunities-and-challenges-2023-update#_summary

semester can be further supported by the Structural Reform Support Programme and the EU's financial instruments.

14. Going forward, it is important to improve social partner involvement in the design and implementation of labour market reforms at EU and national level. Building on the employment guideline number 7 and the Council recommendation on strengthening social dialogue of 12 June 2023, the Commission's relevant directorates general (in particular DG EMPL and DG REFORM) should work together to ensure the timely and meaningful involvement of the social partners in the design and implementation of employment, social and, where relevant, economic reforms. The upcoming review of the technical support instrument (TSI) is a good opportunity to make a step in this direction.
15. In the next programming period 2028-2034, 50% of ESF+ resources should be earmarked for the implementation of actions to support skills development within the context of helping to address labour and skills shortages. Within this earmarking, 15% should be allocated to financial incentives to encourage employers to provide training. There should also be a thematic concentration on reducing skills mismatches as part of the Erasmus + 2028-2034.
16. A focus is needed at EU level to encourage Member States using ESF+ resources and other relevant EU funds as appropriate to design in the Member States, in a coordinated way across Europe, financial incentives to stimulate employers' investments in the skills of their workforce. Well-targeted incentives geared towards employers will be the main factor to make progress towards the target of 60% of all adults participating in training every year by 2030.

Specific comments

17. BusinessEurope urges the Commission and Member States to recognise the importance of tackling the different root causes of labour shortages when defining further action at EU and national level and foresee efforts to improve the labour market participation of those currently out of work, including under-represented groups, people aged 50+, people with disabilities and people living in rural areas.
18. In parallel, BusinessEurope believes it is essential to reinforce the link between the political priorities established in the European semester process and the EU funding instruments, notably the ESF+. ESF+ resources need to be better used to support the up-skilling and re-skilling of workers by providing financial incentives to employers to invest in the training of their workers.
19. There are several national examples that can be referred to as concerns investing in skills, which can be seen as good practices and which could be further supported by the ESF+. One example is in Spain where social partners can apply for financial support from the Public Employment Service for funds to support capacity building actions at national and regional level. Spanish employers make good use of this possibility to organise training seminars for their members, typically focussing on information and experience sharing about new reforms, policies and approaches towards education and training.
20. Another example is in Poland where employers are looking at how to develop a model for the co-financing of training provision, through a national training fund and use of the ESF+, with the ESF+ having the potential to help support the establishment of a training fund approach. Cedefop's ongoing study on training funds in the EU can be an

important aide to Member States looking to develop or strengthen a training fund approach.

21. Additional areas of education and training that would benefit from a coordinated approach to reforms include efforts to foster the attainment of basic skills during initial education, in combination with reducing early school leaving; further developing the role of apprenticeships as a means to up-skill and re-skill adult workers; and improving the process for the timely and effective updating of curriculum to make programmes more responsive to evolving labour market needs. These aspects should be taken up, as appropriate, in the context of the proposed successor to the Osnabruck Declaration on the future of EU cooperation in VET.
22. In addition to skills, other key strands of the Action Plan rightly relate to mobility and migration. As concerns labour mobility, it is important to continue work on initiatives that can foster and promote mobility. This includes strengthening the emphasis on the role of digitalisation in fostering the coordination of social security, including through the exchange of experiences and practices between Member States and social partners in the context of the European Labour Authority, taking into account the ongoing initiatives around EESSI and ESSPASS. ELA should also promote the full digitalisation of the application, issuance and control process of the A1 forms.
23. BusinessEurope also supports the Commission's efforts to take forward the work on the posting eDeclaration. While BusinessEurope would like to see all Member States utilise this approach, it is important to foster exchanges of practice and awareness raising, further facilitating cooperation and take-up of this initiative to the broadest extent possible. ELA should play a supportive role in this regard.
24. In the area of third country migration, it is important to simplify and speed up administrative processes when it comes to recruiting third country nationals, including as concerns the issuing of visas. BusinessEurope welcomes the proposal to setup an EU Talent Pool with an automated matching function to facilitate the targeted recruitment of third country nationals of all skills levels. Orienting the Talent Pool in a way that addresses those occupations in the EU where there are the most pronounced shortages is a good way to respond to employers' specific needs in the current context of labour and skills shortages. In this respect it is important that Member States develop with employers their approaches to defining and regularly updating shortage occupation lists in order that these provide a credible and trustworthy basis for the identification of the priority occupations. In the medium term, the Talent Pool should be broadened and opened to all occupations.
25. While labour market tests can play a role within the national context, the Council Resolution of 1994, on which they are based, is formulated in a way that first seeks to restrict the possibility for employers to hire third country nationals. Member States are encouraged to revisit and improve, as appropriate, the approach to, and role of, labour market tests relative to their legal basis and to avoid placing unjustified administrative burdens on EU employers when hiring third country nationals through the Talent Pool.
26. It also needs to be recognised that efforts are needed to better integrate into work people with a migrant background, especially women that have come to the EU for reasons of family reunification. Migrant women typically take longer to enter the labour market than men and the longer that migrants are outside of the labour market, the longer it can take to achieve a first work opportunity. This needs to be a stronger point of attention within the wider context of supporting the labour market activation of the unemployed and inactive in order to reduce the current levels of inactivity that stand at around 74 million people.

27. Skills development programmes can play an important role in supporting the successful labour market integration of low skilled migrants. In Switzerland, pre-apprenticeship integration programmes and industry certificates have been successfully introduced. On the one hand, these programmes allow low skilled migrants to enter the education system and, on the other, they are shorter training programmes, which is why migrants are more willing to take part in them. Such programmes can then be credited towards formal qualifications.
28. Therefore, BusinessEurope is calling for a targeted revision of the Family Reunification Directive in the same way as has been done in recent years for other legal migration directives, notably the EU Blue Card, Single Permit, and Long-term Residents Directives. It is also important that discussions are concluded on the revision of the Long-Term Residents Directive, which can further support the mobility and cross-border job matching of third country nationals within the EU.
29. More broadly, it is important to facilitate the labour market activation of the inactive and (long-term) unemployed⁵ ⁶as well as fostering the continued labour market participation of older workers. In particular, extending working lives can be done by gradually raising the retirement age. Such decisions should be considered and taken at the national level in close cooperation with national social partners to correspond to the reality of each Member State, societal expectations and the political landscape.
30. Underpinning increases to the retirement age, there is room for proposing out of the box solutions. In this context, flexible transitions between employment and retirement as well as combining income from work and pension allowance are especially important. Older workers should not be financially punished if they decide to work past official retirement age.
31. As concerns working conditions, the Action Plan rightly acknowledges that social partners are best placed to improve working conditions in certain occupations and sectors, where needed, through their collective bargaining. The EU and Member States should support social dialogue solutions at EU and national level and must respect the autonomy of the social partners.
32. Building on the European Commission's social dialogue initiative, especially the Council Recommendation, it is important that Member States support efforts to enhance social partners capacity building, with strengthened knowledge, expertise and human resources being essential for improving the ability of national social partners to engage in social dialogue.
33. In particular, the ESF+, remains the main source of support for social partners capacity building and this link should be further strengthened. A key element of this going forward will be to better reflect in the European Code of Conduct on Partnership and the future ESF+ and Common Provisions Regulations, the need for a differentiated approach to capacity building support for social partners compared to NGOs.

⁵ https://www.businesseurope.eu/sites/buseur/files/media/position_papers/social/2022-09-16_recommendations_access_to_training_inactive_unemployed.pdf

⁶ <https://www.businesseurope.eu/publications/reducing-inactivity-rates-europe-businesseurope-policy-orientation-note>