Mismatches and inequalities in an active twin transition

Strategic Foresight – scenario 2

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The present document has been produced by Fondazione Giacomo Brodolini Srl SB. This task has been carried out in the context of a contract between the European Labour Authority and the authors,

awarded following a tender procedure. The document has been prepared for the European Labour Authority, however, it reflects the views of the authors only. The information contained in this report does not reflect the views or the official position of the European Labour Authority.

Key features of the scenario

- This scenario is characterised by an economic and labour market situation coping with the aftermath of the COVID-19 pandemic, regional conflicts, and inflation which contributed to economic instability and labour market complexities.
- Automation and technological advancements in European labour markets are expected to be incremental, job-enhancing, and to create more opportunities by 2030, necessitating continuous training, active labour market policies, and public employment services to address evolving skill demands.
- Shortages persist in the health and care services sector, requiring emphasis on training professionals and potential mobility, while the construction sector anticipates reskilling efforts and attracts younger generations but faces enduring labour shortages.
- Persistent shortages are expected in sectors including transportation sectors, agriculture, agri-foods, HORECA, and strategic industries including pharmaceuticals and clean energy, with universal demand for ICT professionals. Employer pressure to recruit talent from third countries rises, but faces opposition from political and social forces, while European initiatives such as the Skills and Talent Mobility Package aim to address the skill gaps and enhance workforce mobility.
- In navigating evolving labour market dynamics, EURES is poised to adapt its services, leveraging innovation, strategic partnerships, and a further increased commitment to fair and ethical recruitment practices.
- As of 2030, EURES undergoes significant changes, integrating green initiatives in services like job fairs, employing chatbots for advisory services, and maintaining a crucial role in fair recruitment practices with added support for employers.
- EURES services will increasingly focus on the Targeted Mobility Scheme, employer support, and raising awareness on public and private actors' financial support to training in (especially) small enterprises, in order to anticipate and address the challenges of intra-European recruitment.
- The future of EURES envisions enhanced self-service options for jobseekers through an improved portal, alongside continued emphasis on personalised online advice.

Expected developments

By 2030, current crises (COVID-19 pandemic, regional conflicts, and persistent inflation) have passed their peak, however, in their aftermath effects are still prevalent. This is likely to perpetuate economic instability, leading to reduced labour demand in several sectors. Ongoing health concerns linked to COVID-19 will continue to impact industries such as tourism, hospitality, and retail, exacerbating labour surpluses in these areas. Businesses may hesitate to invest and hire, contributing to a sluggish recovery. Labour supply dynamics will remain complex. The influx of displaced populations due to regional conflicts may persist, requiring governments and businesses to navigate integration challenges. Skill mismatches, particularly those of refugees with local job markets' needs, will continue to pose obstacles for both jobseekers and employers.

In the midst of a turbulent global landscape marked by the ongoing impact of numerous crises, the European Union is focused on managing consequences and building resilience, recognising the imperative to address strategic dependencies (e.g. on raw materials) and reduce reliance on imports. This necessitates significant investment in sectors supporting production of clean energy, medicines, and digital infrastructure. A pivotal focus will be on producing more clean energy and sourcing materials within Europe to strengthen sustainability and minimise environmental impact.

While Europe has made advances in climate change adaptation there is still scope for further long-term action to mitigate the impact of climate change. The consequences of ongoing pollution, natural disasters and extreme weather events persist, posing a continuous challenge. Despite these hurdles, Europe views climate action as an opportunity to bolster competitiveness, whilst cautiously addressing unfair competition and environmental dumping by international counterparts. By leveraging developments in green technologies, Europe seeks innovative solutions to enhance its global competitiveness. Climate adaptation spurs the emergence of green sectors focused on resilience and mitigation of climate impacts. Industries related to sustainable infrastructure, disaster management, and climate-resilient technologies experience growth. Skilled workers find opportunities in these burgeoning sectors, contributing to economic stability in regions actively investing in adaptation strategies. However, rural areas face the brunt of unmitigated climate change, resulting in a decline in agricultural productivity and subsequent job losses, triggering potential migratory flows towards urban hubs. Individuals from vulnerable regions, affected by the impact of ineffective climate change mitigation policies, migrate towards areas with better adaptive measures. This internal mobility contributes to demographic shifts, altering the socio-economic landscape as urban populations increase, placing additional stress on housing, employment, and social services.

Housing challenges persist within Europe. While housing supply increases, this is accompanied by increased demand – especially in urban areas -, rising prices, and growing social inequalities. Social partners are increasingly advocating for the recognition of housing as a crucial element to ensure the well-being of workers and society at large. They push governments for more and better housing policies, and collective bargaining increasingly addresses benefits, flexibility, telework, and access to public transport, aiming to create more inclusive and equitable living conditions.

The European Union emphasises the need to move beyond labour mobility as a quick solution , focusing on making sectors and occupations more attractive. Younger generations in particular prioritise lifestyle over work. As such, companies increasingly adapt to the changing jobseekers' preferences, resulting in more flexible employment contracts and improved work-life balance. In this context, telework surges, fostering greater job flexibility, albeit with variations across sectors and occupations.

Automation - in the form of robots and similar kinds of technologies - will continue along its current trajectory in European labour markets. Overall, it will be employment and skill-enhancing. By 2030, it is expected that technological change will have created more jobs than it has destroyed. For the most part, workers will find that the tasks required of them in their current jobs will change rather than their entire jobs becoming obsolescent, but some jobs will be destroyed – mainly less skilled ones where individuals have limited access to training. Consequently, there will be a need to assist workers and those who lose their jobs to acquire the skills necessary to sustain their position in the labour market. Continuous workplace training, complemented by Active Labour Market Policies (ALMP) and state-financed schemes, becomes imperative.

Where people lose their jobs because of technological change, this will result in increased pressures on Public Employment Services (PES) to assist jobseekers to acquire increasing levels of digital skills. PES maintain a significant role in the labour market. They provide a range of services augmented by private sector/third sector providers (i.e., recruitment agencies) serving particular segments of the market. Thanks to the integration of new technologies (e.g., matching algorithms), PES are able to more effectively match people to jobs.

Expected impact on labour market imbalances

The European labour market is characterised by ongoing mismatches, a heightened need for reskilling and upskilling, and the imperative for adaptive labour market policies. Policymakers and businesses need to prioritise workforce resilience, digital literacy, and social safety nets to ensure a more equitable and stable labour market. The ability to adapt and innovate is crucial for workers and employers as they navigate this challenging environment.

In the health and care services sector, shortages of medical professionals and educators persist, with working conditions and pay lagging behind the demands of these services of general interest. The development of private sector provision assists local recruitment to combat shortages; however, mobility persists, especially from Southern and Eastern countries to regions offering better conditions.

Initiatives to provide required skills, especially for younger people, are needed to ensure sufficient workers in the construction sector to address an increase in renovation projects. Despite this, labour shortages will endure in major projects, particularly for less qualified/lower skilled roles.

Transport sector occupations, including heavy truck and lorry drivers and bus drivers, face shortages, although in the medium to long-term they may be mitigated by the introduction of self-driving vehicles. In agriculture, agri-food, and HORECA, seasonal shortages may impact roles such as chefs, cooks, waiters, and room service personnel.

Industries addressing strategic dependencies, such as pharmaceuticals, lithium extraction, clean and renewable energy, and defence, will experience persistent shortages. Skill requirements vary, encompassing highly qualified professionals in pharmaceuticals, biomedical, and engineering, as well as less qualified workers.

To meet needs generated by ongoing automation and digitalisation trends ICT professionals, covering a spectrum from programmers to cybersecurity experts, will be in universal demand across almost all sectors,.

Given the expected persistent labour shortages, employers increasingly lobby EURES countries to recruit talent from third countries. However, this pressure is counterbalanced by political forces and social movements opposing increased immigration.

Simultaneously, the European Union actively implements the Skills and Talent Mobility Package, integrating the Pact on Migration and Asylum and the Skills and Talent Package. This comprehensive approach focuses on establishing a new European Talent Pool, projected to be fully operational by 2028, and measures to promote the recognition of qualifications and the mobility of learners. These initiatives aim to address persistent skills and labour shortages within Europe, fostering a more adaptable and skilled workforce.

Expected impact on EURES services

Up to 2030, there is a substantial evolution in the role of EURES in addressing labour market imbalances. Collaboration between EURES and local social partners, private employment agencies, and sectoral social partners is crucial in identifying labour market imbalances and concrete opportunities in regions where shortages are identified. EURES could have a role in developing in instruments to anticipate labour market trends - provide reliable and up-to-date information about labour shortages/surpluses and trends that shape the developments that lead to imbalances. Moreover, in the absence of a harmonised EU system of skills/qualification recognition by 2030, EURES aims to develop tools to make individuals' skills visible and assist employers in understanding how these can be utilised.

EURES could strategically focus on growing sectors (e.g., pharmaceuticals) where there is a shortage of workers. In this regard, EURES could facilitate geographical mobility by informing employers in the receiving countries about workforce availability in the countries of origin including their need for initial/basic training. In turn, PES in receiving countries could be involved in providing support for employers with information on what training offers are available.

By 2030, the landscape is also shaped by factors such as the potential for greening as a competitive advantage, the integration of advisory services with chatbots, and the focus on fair recruitment and employer support. Green initiatives in services, such as green job fairs, could become strategic investments for EURES if greening proves to provide a competitive advantage for EURES countries. The advisory role of EURES remains crucial, with chatbots contributing to efficiency gains. Although automated services become an intrinsic part of the system, personalised human delivered advice remains indispensable to address some questions which arise to ensure well-informed decisions on mobility. The flourishing of LinkedIn and similar platforms offers 'easy application' options that raise the need for EURES' cooperation with private providers. The risk of employers receiving an excessive number of irrelevant applications underscores the need for a first check or filter, either through human input or utilising AI on the platforms. EURES can explore cooperation with private providers and develop new functions to differentiate its service including production of 'task-based CVs'. Furthermore, EURES Advisers can support jobseekers to correctly complete the required appropriate information for better job matching to differentiate EURES services from private platforms.

EURES provides increasingly personalised and tailored labour market services, retains its emphasis on fair recruitment practices and extends support to employers. This involves raising awareness about essential factors in recruitment from abroad, such as providing help to identify available accommodation support, aiming to create a welcoming environment for individuals considering relocation. Furthermore, EURES provides enhanced integrated recruitment and post-recruitment services (for mobile workers moving to another country and their employers). The EURES Targeted Mobility Scheme (TMS) plays an enhanced role in facilitating worker integration, language training, and recruitment interview support. Through using TMS EURES could support low-skilled movers, including by helping identify financial support instruments in the destination country (e.g., for housing, relocation costs, language courses). In order to maximise TMS use, application handling procedures will be made less bureaucratic. The funding of training investment for newly arrived workers will be an important policy issue. Training will be funded by both public and private actors (i.e., employers). TMS may help bridge the gap, particularly for micro and small enterprises.

The question arises about the extension of EURES services to **third countries** by 2030. Some EURES countries are intensively recruiting from third countries, prompting consideration of how EURES should adapt to this trend, reviewing their service mandate whilst acknowledging that this currently only covers third country nationals who have acquired the right to free movement within the EU. Third country recruitment may further increase due to demographic shifts and challenges in meeting labour needs through intra-European recruitment projects. Smaller, and particularly Southern European countries, may find it challenging to attract European workers but could be appealing to third country nationals.

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