

Stronger PES and EURES cooperation in an unpredictable environment

Strategic Foresight – scenario 5

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Key features of the scenario

- Europe's economic and labour market evolutions are marked by instability. Various local/regional crises determined by climate change events accompanied by emerging or 'frozen' conflicts disrupt economic activities and make it challenging to anticipate medium- and long-term developments. This is accentuated by an increased adoption of technological solutions, which lead to transformations in job profiles, employment, and wage instability.
- Digitalisation and technological advancements are increasingly adopted by companies to cope with hikes in demand and to fix short-term shortages. As multiple routine and non-routine tasks are automated, various occupations are transformed, and increased competition for highly specialised roles is observed, especially in large companies. The adoption of technology and the inconsistent economic evolution constrain employment growth in Europe.
- PES services are called to support a diversified range of jobseekers, including highly skilled people but also medium- and low-skilled ones. This leads to an expansion of labour market services provisions and adaptation to the new clients' needs. Enhanced collaboration between PES and social partners facilitates the identification of skills gaps and the implementation of adequate education and training initiatives. PES foster the development and recognition of flexible training programmes and broaden their partnerships with educational and training institutions that deliver short-term courses leading to recognised micro-credentials across Europe.
- The uneven impact of climate change leads to economic and labour market disruptions, exacerbating inequalities among regions, sectors, occupations, and societal groups. The housing market is transforming, with telework and remote work making rural areas more attractive. In this context, governmental policies support new construction, retrofitting, and modernising, while investments in infrastructure and general services facilitate mobility and relocation in climate protected regions.
- Differences between the expectations of employers and jobseekers intensify local and regional challenges, leading to temporary labour shortages in particular areas and occupations. At the same time, labour surpluses can emerge in industry and various services as digitalisation and the shift in consumer preferences displaces job tasks and impacts on work organisation.
- The EURES network enhances its role in facilitating fair labour mobility in Europe, addressing regional labour market imbalances and consolidating information services provided. Policymakers promote stronger cooperation with other actors and domestic employment services and increase the financial allocation for expanding the EURES services. The PES' experience in assisting diverse customers with technology-driven services serves as a base for EURES to expand its personalised services.
- The EURES portal augments CV and job matching by applying machine learning algorithms and ethical AI approaches. It further supports jobseekers and mobile workers by providing access to information regarding working conditions, earnings and the cost of living, along with an extensive resource library, links to skills assessment tools, and suggestions for learning opportunities to fill knowledge gaps.
- EURES Advisers enhance their counselling abilities through dedicated training and have access to multiple resources that streamline communication and delivery of services to clients. Increased cooperation with guidance services facilitates delivery of support and raises the likelihood that customers successfully navigate labour market uncertainties.

Expected developments

Up to 2030, the **economic situation** in Europe will be marked by **instability**, local/regional crises (e.g., triggered by severe weather events), and uncertainty about long-term perspectives. Overall economic growth is small, as periods of modest growth and recession alternate. Job creation and destruction follow a similar pattern. European value chains continue to be disrupted by emerging or 'frozen' regional conflicts that are not comprehensively resolved, further hampering companies' ability to source relevant components and materials (e.g., rare earth minerals for the automotive and renewable energy sector) that support their development and expansion. In this unstable economic environment, employers find it difficult to anticipate market trends, resort to technology to remain agile and to find 'quick fixes' for their supply challenges and emerging labour shortages. The unstable situation creates a volatile environment for all workers, with many alternating between spells of employment and unemployment. This is further accentuated by the **mismatch between employers' and workers' preferences**. The increasing dissatisfaction with the quality of employment and general social conditions fuel the rise of extremist parties that enter governments and bring additional instability by promoting inconsistent and short-term policies.

The diffusion of **technology** accelerates, particularly in large and medium-sized companies, which use robotics, artificial intelligence (AI) and machine learning applications to streamline their services, cope with hikes in demand and to fix short-term shortages. Advancements in digitalisation are increasingly adopted, and the race to increase productivity and reduce costs reignites. Multiple routine and non-routine tasks are automated, resulting in the transformation of occupations and the emergence of highly specialised roles. The adoption of technology begins to constrain employment growth in Europe. The slow increase in the provision of training opportunities and accelerated automation leads to **deskilling** within jobs and impacts both employment stability and the wages of low- and medium-skilled workers (e.g., cleaners, mining labourers, assemblers and mobile plant operators) whilst also beginning to affect some high-skilled profiles (e.g., middle managers, legal professionals, foreign language teachers). An increasing number of workers compete for the highly specialised jobs available in large companies, and digitalisation becomes an additional source of stress and psychosocial risks for the workforce as employees face increased work intensity and an omnipresent sense of burnout. Additionally, employers choose to invest only in the upskilling of workers who have the greatest potential to deliver increased productivity over the medium term. As digital technologies become more important in European citizens' daily lives, governmental policies and social partners' initiatives focus on SMEs and the digitally excluded workers by providing reskilling and training opportunities to keep them connected with the labour market. Widening gaps and wage **inequalities** between and within skill groups are likely outcomes of the evident digital divide among diverse population segments. Similarly, regional disparities within Europe intensify as technologically advanced areas expand faster and register higher growth rates than their less advanced counterparts.

Labour market volatility impacts all groups, and all workers experience an increased frequency of job changes. In this context, a more diverse range of jobseekers (highly skilled people but also medium- and low-skilled ones) access **PES services** for support, leading to a pressing need to adapt and **expand** service provision. Technology is enhanced in the provision of PES services as automated job matching services are the default channel. Information, guidance and counselling services are expanded and tailored to jobseekers' skill levels and preferences, such as digitally delivered services for highly skilled individuals and those familiar with digital technologies and in face-to-face or group sessions for those who lack access to technology or basic digital skills. Enhanced PES services help people to broaden their job search and to navigate uncertainties. The unpredictable evolution of the labour market presents difficulties for PES in providing accurate anticipatory information about future labour market opportunities and skills needed. **Strengthened cooperation between PES and social partners**, as well as with SMEs, helps to identify skills gaps and deliver appropriate support measures.

Developing these partnerships can help training providers to adapt and improve the training offer available to the needs of both sides of the labour market. Using intelligence obtained increases the awareness of both reskilling and upskilling opportunities, and contributes to increasing the supply of suitably skilled potential employees on the labour market.

To this end, PES promote the development of adaptable training provisions and extends their **collaboration with education providers**, especially for short training courses leading to incremental and recognised micro-credentials across Europe. Multiple mechanisms for financing the skill enhancement initiatives are in place. Training funds and efficient tax incentives developed for SMEs support their investment in upskilling initiatives for their own workers in developing their sector-specific skills. Transversal and technical skills are publicly provided. Other workers and jobseekers are required to partially finance their participation in training, supplemented by contributions from employers as public support targets vulnerable groups such as people with disabilities, long-term unemployed, youth, and older people.

The lack of effective mitigation measures results in an uneven impact of **climate change**, and severe weather events trigger local and regional crises, bringing additional economic and labour market challenges and disruptions. To alleviate the effects of such events, governments face significant spending needs to limit the impact and implement adaptation measures. This further constrains the availability of resources to support structural reforms and long-term adaptations in sectors such as education and training that could meet changing labour market demands. Climate change accentuates emerging **inequalities among regions, sectors, occupations and societal groups**.

The housing market is undergoing a significant transformation. The rise in telework and remote work makes housing in **rural areas more attractive** with some renovation of property which was previously an urban phenomenon. Changes in work patterns reduce the demand for office buildings, and owners are incentivised by governmental policies to convert these buildings into multi-functional spaces (both residential and services-oriented), **increasing housing availability**. However, this development is uneven as regions negatively impacted by climate change events continue to decline, and workers are required to look for job opportunities elsewhere. Public policies support new construction, when possible retrofitting office buildings into living spaces, and modernising old houses in rural areas that are identified as safe regions. These policies are coupled with investments in infrastructure and an increased provision of general interest services (e.g., health care and child care) to support mobility and people's relocation. The inconsistent economic evolution and labour market volatility affecting many workers, coupled with climate-induced mobility, poses challenges to social integration and living standards, including housing for a high number of workers and jobseekers. However, such challenges are overcome with the help of an increase in housing availability due to the renovation and transformation wave, and to well-crafted social housing policies (e.g., periodic eligibility reviews, income-dependent rent levels), which ensure affordability for climate-displaced people during relocation and for vulnerable persons during transition periods between jobs.

Expected impact on labour market imbalances

Temporary mismatches between the demand for and supply of labour in specific regions and occupations evolve as a consequence of local and regional crises, accentuated by discrepancies between employers' and jobseekers' expectations. In this context, PES take a more substantial and proactive role, enhancing their cooperation with trade unions and employer organisations at the local level, aiming to expand the provision of labour market services and Active Labour Market Policies (ALMPs) and to solve short-term shortages.

Labour shortages for highly specialised workers in occupations based on **science, technology, engineering and mathematics (STEM) qualifications** are sustained by the deployment and use of technologies. Various engineering profiles, data scientists, and people with multidisciplinary skills (i.e., combining both digital and sector-specific) are in great demand as employers in evolving sectors such as agri-tech, renewable energies, automated transport services seek to fill their vacancies. Structural shortages for **health and caretaker occupations** are accentuated as demographic trends and the labour market exit of baby boomer generations boost the demand for such services. Additionally, the renovation wave, retrofitting and modernising of houses, and various climate adaptation measures that aim at making the physical infrastructures resilient to climate events raise the demand for workers in **construction**-related professions.

Digitalisation has a cross-cutting displacement effect on job tasks and work organisation with implications for workers at all skill levels. **Labour surpluses** can occur in **industry** as additive manufacturing processes (based on 3D printing and other technologies) make various profiles obsolete. AI and machine learning-based applications provide faster solutions to customer problems, disrupting various service areas (e.g., customer service, transportation, retail, and sales). Also, a change in younger generations' consumer patterns and the exponential growth of online shopping leads to a decline in large shopping centres and a reduced demand for sales and customer services workforce. Some workers manage to transition into new emerging occupations, such as online product reviewers or testers who are recognised and included in occupational classifications; others use their skills to provide services in temporary shops and restaurants (opened in containers and tents) designed to cater for the needs of 'old fashioned' consumers who care for human interaction.

At the regional level, labour market imbalances significantly diverge as local and regional areas, protected from the impacts of severe climate events, experience an influx of skilled workers, further fuelling their growth, development of opportunities and an expansion in the provision of essential services (e.g., health care and education). Climate adaptation spurs the emergence of industries focused on resilience and cushions the impact of climate change. **Sectors related to sustainable infrastructure, disaster management, and climate-resilient technologies experience growth, and workers find opportunities in these growing sectors, accentuating the expansion of regions actively investing in adaptation strategies.** The interregional mobility of workers and the general population contribute to demographic shifts, altering the socio-economic landscape in Europe. The urban and rural areas of climate-protected regions experience increases in the numbers of young and prime-age workers. In contrast, the climate-exposed regions experience an ageing of their populations as older persons are more reluctant to move elsewhere.

Expected impact on EURES services

The EURES network is strengthened and manages to effectively deliver its core role of facilitating the fair and free movement of labour in EURES countries, successfully navigating short-term challenges raised by extremist parties' policies. Regional labour market imbalances are properly tackled through **enhanced cooperation among Members, Partners and local/regional stakeholders**, and by consolidating information services. To this end, EURES facilitates access to accurate and transparent details about expected earnings and the cost of living in specific regions, as well as relevant collective agreements that govern employment relations and working conditions. This assists jobseekers in making informed decisions about potential relocations or job opportunities;

European and national policymakers recognise the need to promote stronger EURES **cooperation with other actors, including networks such as Euroguidance and Eurodesk, and with domestic employment services** as an essential tool in navigating an unpredictable environment. Agreement on a common European approach and understanding of the value added from the network translates into an increased financial allocation devoted to expanding EURES services. The growing experience of PES in assisting an increasingly diverse group of customers in dealing with the implications of technology-driven changes in employment structures serves as pillars for developing increasingly **personalised and tailored EURES services** to meet the preferences of jobseekers.

EURES portal functionalities and effectiveness in matching job vacancies and CVs are strengthened with the use of **ethical AI practices and machine learning algorithms**. Vacancy notices published on the EURES portal are optimised, providing precise and complete details about skills requirements, tasks expected to be performed, and whether these are open to candidates from other countries. A comprehensive and compelling **resource library** is developed to offer jobseekers access to downloadable materials, articles, and webinars on topics such as CV development, interview tips, and professional development guidance. Links to tests for assessing various skills are available, and (through cooperation with other EU-level mobility services) jobseekers receive complete feedback on results and recommendations for courses and learning opportunities that can help fill their knowledge gaps. This builds trust among mobile workers and jobseekers who are willing to expand their job search horizons and actively approach other support services.

The format of **European (Online) Job Days** is altered beyond the traditional job matching function. Jobseekers have access to **smaller group sessions and discussions** on specific topics and industries, designed to expand their knowledge and foster meaningful connections with peers. Also, **Virtual Reality** technology is used to provide participants with virtual tours of employers' premises, creating immersive experiences and enhancing familiarity with the workplace environment. AI technology supports the organisation of events with multiple language options and real-time translation services that accommodate the participation of jobseekers with diverse backgrounds and skill levels.

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