

Ongoing crises: no satisfactory solution for the labour market

Strategic Foresight – scenario 9

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Key features of the scenario

- The European labour market is undergoing significant transformation until 2030, influenced by factors like the COVID-19 pandemic, regional conflicts, inflation, and emerging technologies, leading to a potential decrease in job opportunities and exacerbation of socio-economic disparities.
- The future landscape envisions challenges in adapting to technological advances, with detrimental impacts on job quality and working conditions. Additionally, climate change effects, insufficient mitigation policies, and housing market challenges contribute to a complex scenario with regional disparities, potentially impeding occupational and spatial mobility and eroding trust in institutions.
- Prolonged permacrisis and ongoing health concerns contribute to reduced labour demand and surpluses in certain sectors, hindering recovery. The persistent polycrisis introduces challenges such as displaced populations and skill mismatches.
- The consequences of climate change, including extreme weather events, impact agriculture and coastal regions, leading to economic challenges and job losses. Climate-induced migration concentrates skilled workers in urban centres, exacerbating socio-economic disparities.
- Housing market challenges affect affordability and availability, influencing industries including construction and real estate. While the unavailability of affordable housing could potentially lead to increased demand for new construction, the unaffordability aspect may limit the overall growth potential of the real estate sector.
- The diminishing role of Public Employment Services and the rise of private providers may intensify labour market imbalances, necessitating adaptive policies and prioritised reskilling efforts for a stable future.
- EURES is facing challenges in this economic and labour market scenario due to declining trust in traditional services, necessitating adaptive strategies for relevance and effectiveness.
- To overcome this, EURES should proactively communicate the benefits its services, emphasising the value in navigating job market complexities, and employ innovative outreach strategies, such as digital platforms and partnerships, to reach a demotivated target audience.
- Additionally, active engagement in initiatives to counteract economic and labour market challenges and collaboration with private service providers can enhance EURES' competitive advantage. By strategically addressing these challenges, EURES can continue to play a vital role in supporting the European economy and labour market.

Expected developments

The European labour market is undergoing a profound and complex transformation, influenced by a range of factors that will shape its trajectory until 2030. The economic landscape remains turbulent, with enduring impacts from the COVID-19 pandemic, regional conflicts, and persistent inflation. These **ongoing crises**, coupled with developments such as the Israel-Palestine conflict, continue to hinder sustainable development. The consequences of these changes include potential wage impacts due to persistent inflation and unstable prospects, leading to reduced purchasing power for workers and demands for higher wages.

There is a noticeable **shift towards remote and flexible working** in occupations where this is feasible which was triggered by the pandemic. This situation highlights the increasing demand for digital skills, which introduces challenges with the adaptation of traditional office-based roles.

This 2030 vision is of a fast-paced deployment and adoption of automation and robotics, reducing available job opportunities and exacerbating existing socio-economic disparities. **Technological advancements**, particularly the prevalence of generative pre-trained transformers (GPTs) and artificial intelligence (AI), introduce uncertainty as to future labour market developments. There is an increasing risk that these technologies could significantly **constrain employment growth** in Europe. The increased use of GPTs, especially large language models (LLMs), might have a negative impact on employment levels, necessitating efforts to equip displaced adults with the skill sets required for emerging jobs. Moreover, the **rise of platform work** is anticipated to surge across all occupational levels and sectors, presenting challenges to traditional employment services. This shift is likely to exacerbate gender gaps and wage inequalities, reflecting the evident digital divide among a broad range of the population. Concurrently, **regional disparities** within Europe are expected to intensify, with technologically advanced areas experiencing rapid growth compared to their less advanced counterparts.

In light of these disruptive and rapid changes, companies have little need to adapt to the preferences of modern jobseekers. This gap may be exacerbated by the recruitment of other personnel, often from older generations, struggling to align their attitudes to work with those of younger generations, coupled with companies' refusal to relinquish their traditional dominant positions.

Technological advances have a detrimental impact on **job quality and working conditions**. The large-scale adoption of digitalisation, intended to streamline processes, results in an additional source of stress and psychosocial risks for the workforce. Employees face increased work intensity and risk of burnout. Despite initial expectations of enhanced efficiency and convenience, the consequences of technological advances are increased job demands which overwhelm workers. Staff experience less autonomy and more monitoring. Remote and hybrid work models also become a source of stress as the benefits of improved work-life balance and effective collaboration between remote and in-office workers fail to materialise.

In parallel, **climate mitigation and adaptation policies have proved insufficient** to halt the impacts of climate change on the European labour market and across society. Extreme climate and weather events persist, and the adverse impacts extend beyond environmental concerns. The consequences vary across regions and sectors, depending on the degree of resilience and adaptation. Southern regions grapple with recurrent heatwaves, adversely affecting agriculture and outdoor industries whilst northern areas contend with increased flooding, disrupting transportation and infrastructure. **Climate-induced displacement** becomes a reality, with affected populations moving towards areas perceived as less vulnerable. Urban centres, often seen as more resilient, experience an influx of climate migrants, adding to strain on existing social services and infrastructure, potentially driving increases in housing prices and rental costs. There is a **surge in demand from the 'green economy'** for climate resilience measures. Renewable energy, disaster preparedness, and sustainable infrastructure projects become focal points for job creation. Regions actively investing in climate adaptation and mitigation strategies witness growth in these sectors, providing opportunities for suitably skilled workers.

The **housing market** continues to be challenging, characterised by both **unaffordability** and **shortages**. Unaffordability is expected to disproportionately affect low- and middle-income earners, hindering their ability to secure suitable accommodation. The lack of affordable housing can contribute to increased commuting times and increased costs, with negative impacts on workers' well-being and productivity. Additionally, escalating accommodation costs mean that many individuals have to allocate more of their income to meeting housing expenses, leaving less disposable income for other necessities, such as education, health care, and leisure activities. Metropolitan areas are likely to bear the brunt of unaffordability, with housing markets in major cities becoming increasingly exclusive. This could result in a more balanced distribution of economic activities away from their current predominantly urban locations. In the longer-term, this could **reduce overcrowding in cities**, with less traffic and pollution, improving the overall quality of life. There could also be an **economic boost for some less affluent regions** and small towns as a result of the dispersal of some activities from metropolitan centres.

Overall, an increasing number of workers find themselves 'trapped' due to **unfavourable working and living conditions**, limited prospects, and decreasing motivation to seek solutions. This could impede occupational and/or spatial mobility, especially as **education and training offers remain specific** and very much focused on the twin transition, limiting options for some jobseekers. This evolving landscape negatively affects the competitiveness of businesses, creating a downward spiral where both employers and workers lose trust in institutions. The **role of Public Employment Services (PES) diminishes**, whilst private employment service provision increases. More self-service automated provision means that potentially PES activities are focussed on serving the more marginalised and vulnerable groups with a possible growing perception that they, as opposed to private providers, are a recruitment agency for low-paid employment with a client base dominated by the low-skilled/harder-to-integrate.

Expected impact on labour market imbalances

The future of the European labour market is anticipated to be characterised by complex imbalances, shortages, and mismatches, driven by a confluence of economic, technological, and environmental factors. The prolonged permacrisis will most likely perpetuate economic instability, leading to reduced labour demand in several sectors. Ongoing health concerns lead to a decline in consumer confidence, discouraging individuals from participating in activities such as **travel, dining out, or onsite shopping**, with preferences shifting towards online shopping, virtual experiences and contactless services. This drop in demand can result in decreased revenues for businesses in these sectors, leading them to cut down on staff or to freeze hiring. In the medium run, this results in **labour surpluses** in those sectors.

With the persistence of the polycrisis, labour supply dynamics will remain complex. The influx of displaced populations due to regional conflicts may persist, requiring governments and businesses to adapt to deal with high inward migration including significant numbers of low-skilled workers. Skill mismatches, particularly among refugees and in particular local job markets, will continue to pose challenge for both jobseekers and employers.

The increasing use of technology and automation could lead to further labour market disparities, favouring those with digital skills and leaving some segments of the workforce at a disadvantage. Due to the increasing diffusion of AI, some **occupations employing emerging technology experience increasing demand**. However, there is potential for deskilling within jobs (with possible impacts on real wage levels) and for job losses in relatively high as well as less skilled occupations. Possibly, in **sectors where there are long lead times for developing skills** (such as for technicians in manufacturing) skill **shortages** might be exacerbated at least over the short- to medium-term. Skill mismatches might be lower in other sectors where the lead times are shorter, such as some jobs in hospitality. Reflecting the dynamics of technology adoption clear divisions emerge among distinct groups of the population:

- the *digital elite* responsible for developing new digital technologies;
- the *digital adapters*, who can transform technological developments into practical applications within specific sectors or workplaces;

- the *digital users*, who creatively use applications in production processes and service delivery;
- the *digitally excluded*, who possess some digital skills, but not at the level required by many job markets.

The consequences of climate change, such as extreme weather events, may deepen economic divides across regions. In particular, **agricultural regions**, predominantly located in southern Europe, bears the brunt of heatwaves and changing precipitation patterns. Crop failures become more frequent, impacting both employment and income for agricultural workers. As a result, these regions experience heightened economic challenges, with farmers and workers facing uncertainty and potential **job losses**. Coastal regions, vital for tourism and hospitality, face recurring challenges as extreme weather events disrupt travel and damage infrastructure. This not only affects businesses directly linked to **tourism** but also has an impact on related sectors such as **retail** and **services**. **Job losses** in these areas contribute to a downturn in local economies. Floods and extreme weather events damage infrastructure and construction activities. Construction to repair damage caused by extreme climate events becomes a recurring necessity, diverting resources from new projects and hampering growth. Construction workers face job instability as projects are delayed or cancelled, impacting their livelihoods.

The persistent challenges posed by climate events also prompt migratory flows, as individuals seek regions with more stable economic prospects. This leads to a concentration of skilled, highly-paid workers, most likely to relocate, in urban centres, widening the gap between prosperous and struggling regions and driving up housing prices. As a result, **regions with limited economic opportunities experience a brain drain**, further perpetuating socio-economic disparities. Essential workers – with lower incomes than the incoming mobile workers – are forced out of the cities due to costs of living becoming unaffordable for them. Accordingly, **cities experience profound shortages of essential workers** required to address emergencies (e.g., nurses, firefighters). The unavailability of affordable housing impacts labour mobility, constraining workers' ability to relocate for job opportunities. This limitation impedes the efficient allocation of talent across sectors and regions, hindering economic growth and innovation. The sectoral and occupational effects of the housing market situation vary. While, for example, the shortage of affordable housing leads to increased demand for new construction, unaffordability limits the overall growth potential of the real estate sector. The broader economy may face challenges as workers struggle to meet housing costs, affecting their financial stability and overall job satisfaction.

Expected impact on EURES services

EURES faces significant challenges as workers and **employers are losing trust** in traditional services. The changing dynamics require EURES to adapt its operational strategy so that it can maintain relevance and receive the political and policy support and investment necessary to effectively serve its target groups. It is also important to contribute to the **creation of a new perception** around PES and EURES, moving away from the idea that they only target disadvantaged groups in the labour market, while private providers deal with high profile jobseekers, or workers who are not unemployed. The overall increased need for EURES services is challenged by limited public funding, as the ongoing economic and labour market crises also affect national budgets and national governments have to reduce their investments. As a consequence, it is important to identify activities and measures that can have a greater impact whilst requiring less resources, and ways to **maximise the contribution of AI/digital tools to job matching**.

It is of paramount importance to improve the visibility and information dissemination about existing EURES services. In recognition of the need for improved visibility, EURES needs to **better plan, design and implement its communication and promotion activities**, both at European and national level, in particular to reach out to specific target groups (i.e., most disadvantaged or at-risk workers). The challenge of reaching a demotivated target group requires innovative outreach strategies. EURES should explore new and effective ways to connect with jobseekers and employers, optimising use of digital tools and channels, social media, and partnerships with relevant organisations. Building relationships with educational institutions, industry associations, and community groups can enhance outreach efforts and make EURES services more visible.

Cooperation with stakeholders needs to be enforced to improve awareness of EURES, its services ('What EURES can do for you')¹ and its good practices, and to ensure to reach the intended target groups with the required messages delivered through the most suitable channels. Collaboration with private providers, possibly by integrating them into the EURES network as part of an extended ecosystem of cross-border employment support organisations, could foster a more cohesive approach to addressing labour market challenges with potential benefits for all public and private agencies involved. This cooperation should be designed to ensure that the interest of workers and employers is prioritised. Activities geared towards raising awareness, such as marketing campaigns, workshops, and webinars, can showcase the unique value propositions of EURES. EURES must proactively communicate the benefits of its services to both jobseekers and employers to address the decline in trust. 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. The flourishing of LinkedIn and similar platforms offering 'easy application' options also increases 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 platform check or filter, either through human input or utilising AI. EURES can explore cooperation with private providers and develop new functions including 'task-based CV' to differentiate its services.

Furthermore, EURES Advisers can **support jobseekers to input the required accurate information** to enhance job matching to differentiate EURES services from those provided on private platforms.

EURES could have a role in developing **labour market development anticipation instruments** - provide reliable and up-to-date information about labour shortages/surpluses and trends that shape the developments that lead to imbalances. This communication effort should be clear, accessible, and tailored to the diverse needs of the target audience, supported by relevant and transparent performance metrics.

¹ <https://europa.eu/europass/en/work-europe/what-can-eures-do-you>

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