“Reducing labour shortages by improving skills matching”

Employers statement

12 September 2019

European employers are concerned about the growing skills mismatches and labour force shortages in a majority of Member States. If left unaddressed, this worrying trend will have a negative impact on innovation and productivity, both in highly innovative industry sectors and other services sectors, some of which are already confronted with the challenge of attracting motivated and competent workers.

To address this pressing issue, cross-industry and sectoral employers are issuing this statement to call on policy-makers and social partners at all appropriate levels to prioritise measures designed with the purpose to reduce labour shortages by improving skills matching across European Member States.

Labour force shortages and skills mismatches are caused by both cyclical and structural factors, both of which need to be addressed. Positively, the cycle of economic recovery over recent years has resulted in strong employment creation.

Around **13 million new jobs** have been created since 2014, but many vacancies are left unfilled and many employers are facing difficulties finding the people with the skills they need[1]. It can also be noted that the unemployment rate remains very high - about 10% and above in some Member States.

This recent trend has exacerbated the pre-existing structural labour market challenges caused by population ageing, and skills provision that is not sufficiently connected with labour market needs. Overall, skills mismatches are the major determinants of labour shortages. In particular, **STEM skills** – Science, Technology, Engineering and Mathematics – **are increasingly required by employers** across a broad range of sectors, to varying extents, and with digitalisation this will only intensify. Additionally, specialised professional skills are required by companies in a number of sectors that are facing a scarcity of qualified workers.

Digitalisation of the economy further stimulates these changes. Not only is there the emergence of new jobs that require new skills, but existing jobs are profoundly transformed, with some tasks disappearing and some new tasks being added. Additionally, a key challenge across sectors and different work levels is the lack of basic digital skills. Achieving a better link between skills training and innovation is also key to ensuring that European companies have the competitive advantage they need to attract customers and grow. Another important challenge is to foster increasing employment participation levels of women and to simultaneously achieve a more balanced representation of men and women across fields of education, occupations and sectors.

In this context, employers call on policy makers and social partners at EU and national levels to work together to improve the situation. This means focusing on the following priorities:

- Reform education and training systems to increase their structural capacity to provide basic skills to the whole workforce and to cater for the growing needs for human / soft skills across the economy, as well as to facilitate the faster updating of curricula and qualifications in response to new and rapidly changing occupations. In addition, the introduction of new curricula based on digital job profiles, which have been successfully launched in some sectors, should be encouraged. These elements should form part of an overall approach to lifelong learning through various education and training pathways. Vocational Education and Training – VET, both initial (I-VET) and continuing (C-VET), has a prominent role to play in helping to reducing skills mismatches, in particular through setting up quality and effective apprenticeship policy frameworks across Europe[2]. The specific situation and needs of SMEs should be taken into account.

- Putting in place a new EU VET strategy for 2030 is an important priority for the next months, to which employers will continue to contribute. There is no time to waste to respond to the growing challenge of re-skilling and up-skilling the workforce. The reduction of the half-life of knowledge, driven by rapid technological change, requires more than ever that societies, employers and workers co-invest in lifelong learning - LLL - to improve and sustain our workforce's employability. To make progress, EU

[1] 40% of European employers have difficulties in finding people with the skills they need to grow and innovate European Commission, Communication "A new skills agenda for Europe", 2016, https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/1-2016-381-EN-F1-1.PDF

[2] Council Recommendation on a European Framework for Quality and Effective Apprenticeships adopted by the EU Council in March 2018

Member States and social partners also need to improve the effectiveness of active labour market policies throughout Europe, including the need to encourage the cooperation between public and private employment services.

- Strengthen cooperation between business, schools, vocational schools, professional colleges and universities. A key challenge in many countries is to introduce more vocational training elements into high school and university courses as well as a stronger focus on learning outcomes in higher education. It is also important to consider introducing a dual element at all levels of education. Each country should develop and promote Higher Vocational Education and Training pathways and do so in a way that makes sense in the context of its education and training system. Learning pathways in the EU should also become more permeable to make it easier for students to combine and/or move between different forms of education and training.

- Foster the role of sectoral social dialogue to ensure a more relevant use of the available resources in the interest of employers and workers. Financial incentives and other forms of investment pooling can also play a positive role, particularly for SMEs, which struggle to find the resources and expertise needed to embrace digitalisation. Employers need to be better involved in the design and delivery of education and training curricula so as to better align them with the real needs of industry. Sectoral social partners can also play an important role in changing mindsets in society and campaign to promote the benefits of a "life-long-learning culture", in the shared interest and responsibility of employers and workers.

- Develop concrete initiatives to close the digital skills gap, such as by fostering the attainment of STEM skills at various levels of education, and through different education and training pathways. This includes the need to promote the importance of STEM skills in our societies, and their relevance for today's economy, notably to attract more women in STEM.

- Promote labour mobility across Europe and within the Member States: Freedom of movement of workers plays a positive role in addressing growing labour shortages. Mobility of workers, researchers and talent, in full respect of Directive 2005-36-EC on the recognition of professional qualifications, as revised by Directive 2013-55-EC[3], is crucial for the future of industry by ensuring a better match between people and job vacancies. This should be accompanied by measures to encourage circular mobility to maximise the benefits of mobility for countries of origin and destination.

- Develop a renewed EU policy framework for third-country legal migration: Legal migration can play an important role to reduce the impact of labour shortages on businesses. Employers call on the European Commission and on Member States to renew the European policy framework for legal migration. In the current context, a broad-based approach to third-country economic migration is needed, across skills levels. To be supported, the EU's future legal migration framework needs to respect national competences when it comes to the terms and volume of admission of the third country nationals - TCNs. The Commission should also consider ways in which a better

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0055&from=EN

understanding of third country qualifications could be achieved for Member States and employers, including, inter alia, in relation to the European Qualifications Framework - EQF.

Further initiatives at EU level

The European dimension can be helpful in supporting mutual learning between Member States and social partners. In particular, EU financial resources can play a positive role in supporting better skills and job training and matching, as well as to support education and training systems to adapt to digitalisation.

To add value, European policy initiatives need to be well-targeted and streamlined, avoiding the risk of inefficient, multiple, fragmented and uncoordinated tools and activities. This has been a weakness in the past, particularly in the fields of education and training.

In particular, we call on the European Commission and ESF managing authorities in the Member States to design European and national initiatives aimed at supporting investment in skills with social partners, at both cross-industry and sectoral levels. Involving social partners at an early stage will be crucial to avoiding resources being used in a way that fails to meet the real needs of employers and workers across Europe.

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