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Building the future of work together

Making Better Matches: The Real Drivers Behind Labour Shortages

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Abstract: Skills and labour shortages are a growing concern for employers in Europe. Identifying mismatches between supply and demand as the actual driver of such shortages, the private employment services industry makes recommendations to reform labour market access, training, career support and collaboration amongst labour market stakeholders.

As economies have recovered from the Covid-19 pandemic, employers in Europe have found it increasingly difficult to recruit the right candidates and fill their job vacancies. Based on a 2022 survey by the European Labour Authority, a total of 28 occupations, employing 14 percent of the EU workforce, were classified as experiencing shortages. 19 out of the 28 were classified as occupations with 'high magnitude'. Sectors particularly impacted are healthcare and professions requiring STEM skills, but labour shortages are actually affecting all economic sectors.

Against a backdrop of existing demographic challenges, labour markets have been further disrupted by volatility and new developments such as the socio-economic impact of the war in Ukraine and the subsequent rise in energy prices. Yet, the main drivers behind current labour shortages are largely linked to mismatches between supply and demand: inactivity, a re-evaluation of work, cross-border mobility of workers and the long-term impact of the Covid-19 pandemic – with workers having left certain sectors and most likely not returning after having given their career a new orientation.

Targeted labour market reforms in four main areas could help to solve this problem, namely: to broaden labour market access through diverse forms of work, offer innovative solutions for access to training, provide career support enabling faster and more resilient transitions and to renew the focus on a collaborative approach amongst labour market stakeholders. In each of these areas, the private employment services industry has proven expertise in “making better matches.”

Broadening labour market access and tapping into the unused or underused working population is certainly a solution to reducing skills and labour shortages in the short- to-medium term. Offering diverse forms of work creates new employment pathways to sectors and occupations that are most in demand. It also functions as a stepping-stone, enabling for instance young people to gain their first professional experience. Students account for 36 percent of all agency workers in Belgium, 22 percent in the Netherlands and 21 percent in Spain. Migrant workers and third country nationals with a European residence and work permit can also contribute to reducing skills shortages and should be supported in accessing labour markets. However, they often face restrictions to work as agency workers. The current Ukrainian crisis has shown how private employment services can successfully offer work opportunities to refugees, alongside support in labour market integration. To further broaden labour market access, it is important to review and lift unjustified restrictions on agency work and further enhance transitions between jobs and occupations.

A second area of action is to invest in training and securing the employability of people throughout their professional careers. The private employment services industry has long-standing experience in developing demand-driven, company-based or bipartite training schemes that match labour market needs. In several European countries, training funds jointly developed by social partners play an important role in facilitating access to training.

In a highly volatile and shifting world of work, enabling faster and more resilient transitions through career support will also play a critical role in reducing labour shortages. Adopting a people-focused approach built on a personal, yet holistic perspective, and a commitment to re- and upskilling will enable faster and more sustainable transitions. This approach is the trademark of the career management industry. Policymakers should create enabling conditions for career support, capitalising on the role of career management services and fostering dialogue and cooperation with public employment services.

Collaboration amongst all relevant labour market stakeholders, but specifically between public and private employment services, is the fourth, key component to reducing labour market shortages. Cooperation should focus on skills assessment, better and faster matching of candidates and employment opportunities and improved labour market transparency. In 2022 the European Network of Public Employment Services has placed a welcome focus on addressing and tackling labour market shortages and mismatches through benchmarking and mutual learning. It is also essential to discuss challenges and solutions among social partners, both at sector and cross-industry level.

The private employment services sector, through agency work and career management services, has a proven track record in reducing labour market mismatches. With the right policy framework in place at both European and national levels, it has the potential to build more inclusive and sustainable labour markets.

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