

# Labour and Skills Shortages



## Context and Impetus:

Labour and skills shortages are projected to escalate in the coming decades, primarily driven by demographic shifts and the escalating demand for workers possessing specialized skills, particularly in response to the digital and green transitions. Recent data from a Eurobarometer survey reveals that approximately 63% of small and medium-sized enterprises struggle to secure the necessary talent. Moreover, the Commission forecasts the creation of 3.5 million new jobs in renewable energy sectors by 2030. Concurrently, the Commission has identified 42 occupations categorized as EU-wide shortage occupations, underscoring the magnitude of the challenge. Compounding this issue, approximately 21% of individuals aged 20-64 in the EU are currently inactive and require targeted interventions to facilitate their integration into the labour market.

## The Action Plan

The [action plan](#), a pivotal outcome of the '[2024 - European Year of Skills](#)', builds upon existing EU policies and funding mechanisms. Namely, the [Pact for Skills](#), which has trained over 3.5 million workers, the endorsement of 2030 employment and skills targets at the Porto Social Summit, and directives on minimum wages and platform work. Additionally, the plan aligns with the principles outlined in the European Pillar of Social Rights Action Plan, and receives policy guidance within the framework of the European Semester, supplemented by EU funding support. In fact, €65 billion in EU funds are earmarked for skill development investments. The successful implementation of this action plan is imperative for attaining the 2030 EU headline targets on skills and employment, which aim for 78% employment and 60% adult participation in yearly training.

## Implementation Strategies:

The action plan delineates five strategic areas for prompt implementation at EU, national, and social-partner levels:

1. Supporting underrepresented groups in the labour market activation;
2. Facilitating skills development, training, and education;
3. Enhancing working conditions in specific sectors;
4. Improving fair intra-EU mobility for workers and learners;
5. Attracting talent from outside the EU.

## **Key Initiatives:**

### **The role of the European Union**

The EU's role in mitigating labour and skills shortages involves strategic oversight and facilitation, particularly in fostering an environment conducive to labour mobility and skill enhancement. Key initiatives include the promotion of learning mobility through swift adoption and implementation of the Council Recommendation titled 'Europe on the Move — Learning Mobility Opportunities for Everyone.' This will likely enhance cross-border educational opportunities, enabling workers to acquire necessary skills prevalent across EU states.

Furthermore, the EU will support the digitalisation of social security coordination, which is crucial for fair labour mobility. By ensuring that workers' social security rights are maintained across borders, the EU can make working in different member states more appealing and practical.

Lastly, enhancing legal migration pathways through further engagement in talent partnerships forms a significant part of the EU's strategy. This is intended to address specific skill shortages by attracting talent from third countries, supported by the proposed establishment of the EU Talent Pool. This initiative aims to streamline and enhance the process of attracting and integrating skilled workers from outside the EU.

### **The role of Member States**

National governments are tasked with implementing a range of reforms and initiatives that directly impact their labour markets. These actions include revising education and training curricula to align more closely with current labour market needs, ensuring that educational outputs meet the qualitative demands of employers.

Additionally, member states are encouraged to pursue benefit reforms that target areas of inactivity and provide adequate support for those capable of working, to facilitate their gradual return to the workforce. Tax reforms should aim to reduce the tax burden on second wage earners and low-income earners, making employment more attractive and financially viable for these groups. Another significant area is the engagement in talent partnerships which should be prioritized to foster legal migration that addresses specific skill shortages domestically.

### **The role of Social Partners**

National social partners, including employer organizations and trade unions, are essential in tackling labour and skills shortages. They are expected to improve working conditions through collective bargaining, especially in sectors with known inadequacies, enhancing job appeal and quality. Additionally, they are tasked with activating underrepresented groups in the workforce,

such as older workers, and supporting apprenticeships that connect vocational education with practical workplace training.

Social partners are also expected to lead training initiatives for long-term care workers, focusing on person-centred care and digital skills to align with societal shifts towards digitalization. Furthermore, their expertise is crucial in developing the EU Talent Pool to meet the needs of both employers and potential employees from third countries, streamlining the process of attracting and integrating non-EU talent into the workforce.

## **Conclusion:**

Addressing labour and skills shortages is imperative for fostering sustainable economic growth, harnessing the opportunities presented by green and digital transitions, creating quality jobs, and enhancing EU's economic and social resilience. The coordinated efforts of the EU, Member States, and social partners are pivotal in ensuring the successful implementation of the action plan and achieving these overarching objectives.

**Disclaimer: This is a policy brief to create awareness about the European Commission strategy and for information purposes. It is not an official position of the Malta Business Bureau.**

**For questions or more detailed information please contact EU Affairs Manager Daniel Debono and Policy Advisor Michele Agius on [infobrussels@mbb.org.mt](mailto:infobrussels@mbb.org.mt)**

*The Malta business bureau is the EU advisory organisation of;*



*and a partner of the Enterprise Europe Network;*

