



Council of the
European Union

Brussels, 10 September 2024
(OR. en)

13114/24

LIMITE

SOC 629
EMPL 416
EDUC 326
JEUN 217
ECOFIN 961
COMPET 880
MI 779
MIGR 340
DIGIT 192
ENV 864
FISC 172
SAN 502
GENDER 193

NOTE

From:	General Secretariat of the Council
To:	Delegations
No. prev. doc.:	ST 11582/24
Subject:	Labour and skills shortages in the EU: Mobilising untapped labour potential in the European Union - Draft Council Conclusions

In preparation of the meeting of the Working Party on Social Questions of 17 September 2024, delegations will find attached a new version of the draft Council Conclusions prepared by the Presidency.

Changes in relation to the previous version (11582/24) are marked as follows: new text is in **bold** and deletions are marked in ~~strikethrough~~.

**Labour and skills shortages in the EU:
Mobilising untapped labour potential in the European Union
Draft Council Conclusions**

ACKNOWLEDGING THAT:

1. Labour and skill shortages are serious bottlenecks for the EU's sustainable and inclusive growth, competitiveness, and green and digital transitions. They can also hamper the EU's overall resilience and its quest to improve its open strategic autonomy and its security.¹ It is important to thoroughly analyse the drivers of the persistent shortages in order to find the best ways to manage them.
2. Addressing the challenges of labour and skills shortages will boost the EU's capacity for innovation and attractiveness for investments, foster its industrial base and enhance its competitiveness. It will also contribute to preserving the EU's social protection systems and overall social cohesion.²

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24, p. 4 **23**).

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24, p. 23).

3. Based on the substantial evidence and analysis provided in the 2023 annual Employment and Social Developments in Europe (ESDE) review on ‘Addressing labour shortages and skills gaps in the EU’³ the Action Plan of the European Commission on labour and skills shortages in the EU has identified three key drivers for labour and skills shortages across the European Union: 1) demographic change, which reduces the supply of labour and increases the demand for certain services; 2) substantial job growth expected from the green and digital transitions, increased need for security and the quest for open strategic autonomy and enhanced resilience with consequences for the skillsets needed on the labour market; and 3) poor working conditions in certain occupations and sectors, which make it difficult to fill vacancies and/or retain workers.⁴
4. In order to address unmet demand for labour and skills in addition to targeting unemployed people, relevant measures should also target and support underemployed workers, including involuntary part-time workers, as well as inactive population of working age, in particular those groups who are underrepresented in the labour market, **including by providing upskilling opportunities in areas of identified labour market needs.**
5. The current **and projected** demographic trends and structural changes to the labour market highlight the importance of flexible **and inclusive** employment opportunities, quality working conditions, training and skills development for retaining workers and attracting more people into the labour market **in a sustainable manner.**

³ Employment and Social Developments in Europe 2023: Addressing labour shortages and skills gaps.

⁴ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24, p. 2).

NOTING THAT:

6. Achieving an employment rate of 78% in the EU by 2030 is one of the headline targets set by the European Pillar of Social Rights Action Plan⁵. While the target is within reach, further steps are needed at all levels to activate underrepresented groups **and attract involve** more people into the labour market.
7. The set of policy tools included in the Demography Toolbox⁶, adopted by the Commission in October 2023, are available to Member States for managing demographic change and its impacts. The Demography Toolbox sets out a comprehensive approach to addressing demographic change structured around four pillars: 1) support parents by better reconciling family aspirations and paid work, notably by ensuring access to quality childcare and a good work-life balance, with a view to fostering gender equality; 2) supporting and empowering younger generations to thrive, developing their skills, facilitating their access to the labour market and to affordable housing; 3) empowering older generations and sustaining their welfare, through reforms combined with appropriate labour market and workplace policies; 4) where necessary, helping to fill labour shortages through managed legal migration, in full complementarity to harnessing talents from within the Union. In the **Council** conclusions of the General Affairs Council of 12 December 2023, Member States welcomed this approach to managing demographic change **and underlined the need for further action by undertaking continuous efforts to reflect demographic change and its impact on competitiveness, human capital and equality.**⁷

⁵ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Pillar of Social Rights Action Plan (doc. 6649/21, p. 6).

⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Demographic change in Europe: a toolbox for action (doc. 14191/23, p. 1).

⁷ Council Conclusions on managing demographic change in Europe (doc.16754/23, p. 2).

8. ~~The European Commission,~~ The Council of the European Union, **the European Commission** and the **European** social partners are committed to taking action to address the root causes of labour and skills shortages, each within the remit of their competences but in close cooperation, as declared in the Val Duchesse Tripartite Declaration for a Thriving European Social Dialogue **on the 31st of January 2024**⁸.
9. The Action Plan of the European Commission on labour and skills shortages in the EU, of 20 March 2024, aims at steering relevant measures for the short- to medium term by operationalising concrete further steps for the EU, Member States and social partners to tackle the challenges brought about by labour and skills shortages⁹.

STRESSING THAT:

10. A well-functioning labour market **and good working conditions** ~~is an~~ **are** essential components of sustainable **and inclusive** growth. ~~It~~ They ensures that the labour demands of businesses **and needs of workers** are met, encourages employment, offers ~~good~~ **high** quality job opportunities for jobseekers and helps **workers and jobseekers** ~~them~~ in adapting to change through a balance of security and flexibility.
11. Technological changes, automation, digitalisation, artificial intelligence and the green transition already have and will continue to have in the coming years a significant impact on **the world of work, including** employment opportunities and the structure and content of occupations, ~~including~~ skills requirements, **quality of work and productivity**.
12. Among the factors underlying labour shortages, individual characteristics are significant predictors of people's labour market participation. These characteristics as determinants of labour market participation show similar patterns across countries, **for instance the highest level of education attained has a strong impact on the probability of being employed or actively seeking work**.¹⁰

⁸ Doc.5687/24.

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24, p. 1).

¹⁰ Employment and Social Developments in Europe 2023: Addressing labour shortages and skills gaps, (p. 67).

- 12a. (NEW) Intra-EU labour mobility could also contribute to the labour and skills shortages in certain territories, however it may reduce shortages in others. As stated by the Letta report¹¹, significant number of highly skilled workers or young people leave certain regions and countries to seek job opportunities and education elsewhere, resulting in a phenomenon often referred to as 'brain drain'. Combined with demographic trends, this results in a sharp working age population decline in some regions, ultimately hampering their economic capacity.
13. Increasing labour market participation is crucial to address labour and skills shortages. Despite continuous improvements in the EU employment rate, substantial untapped potential remains outside the labour market¹². Further gains in labour market participation could also be achieved by activating the inactive working-age population and, particularly, groups underrepresented in the labour market, which requires measures to address individual and structural barriers to labour market participation.
14. In order to address the challenges of labour shortages, special attention needs to be given to improving the labour market integration of young people **by inter alia offering targeted counselling and support services** ~~and~~ to better explore **and seize** ~~and exploiting~~ opportunities for working while studying, **and support the transition from education to employment as well as opportunities for quality apprenticeships and work-based learning, while ensuring adequate working conditions. Intergenerational solidarity, i.e. using, when available, the potential of older workers to pass on skills and knowledge to younger generations of workers, is also especially important to facilitate for young people to integrate into the labour market.**

¹¹ Enrico Letta: Much more than a market (page 93.)

¹² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Labour and skills shortages in the EU: an action plan (doc. 8153/24, p. 3).

- 14a. (NEW) Women have lower employment rates and a significantly higher proportion of part-time employment than men, mostly due to the unequal sharing of unpaid domestic work and caring responsibilities. Increasing the labour market participation of women is crucial to address labour shortages. For people with a migrant, or with a minority racial or ethnic background, skills mismatches, inadequate skills, language difficulties, discrimination and weak or no access to supporting services lead to challenges regarding their labour market integration. Persons with disabilities encounter a lack of adapted workplaces and inclusive recruitment processes and education. Mitigating these circumstances could lead to a better labour market participation of these groups and therefore help to mobilise this untapped labour potential of the European Union.
15. ~~Appropriate targeted measures, taking into account the needs of the older generations, should also be developed and implemented to help older workers stay in employment for longer, including health promotion and investments in healthcare, incentives in the pension system for longer working lives and for combining pension with work income, and ‘making work pay’ policies, together with up and reskilling, more flexible working time arrangements and attractive working environments.~~ **Taking into account the needs for older generations, targeted measures should also be developed to support older workers to remain in employment longer or to re-enter the labour market. Health promotion, investment in healthcare, upskilling/reskilling along with incentives in the pension systems and more flexible working time arrangements and quality working conditions should be considered as part of these targeted measures; furthermore, age discrimination should also be tackled.**
16. In order to ~~increase maintain~~ employment rates and prevent labour shortages from becoming permanent, it is also important to maintain **and support** the employability, adaptability and activity of workers and to support the capacity of businesses to **learn and** adapt, in view of the technological changes that are already underway and those that lie ahead.

17. The importance of developing the training and skills of workers must be underlined. It is essential that **education and** training reflecting labour market needs is available **to all** ~~for a wide range of~~ job-seekers and workers and that **education and** training structures **and providers** are able to respond rapidly **and appropriately** to changes.
18. Employers **and social partners** have an important role to play in identifying the knowledge, skills and competences needed for employment, **in particular in the context of the green and digital transitions**, which requires communication and active cooperation between education and training institutions and employers to be developed and supported.
19. Fair and decent employment conditions, including ~~support for~~ **in particular adequate wages, and** flexible forms of work and atypical employment, as appropriate, the reconciliation of ~~family and work~~ **working arrangements and promotion of work- life balance**, good working environment conditions , **including equal pay for equal work and for work of equal value**, health and safety at work and the quality of employment **as well as access to adequate social protection**, play an important role in preserving workers' mental and physical well-being and prolonging their active working years, while being essential factors in increasing **productivity and** competitiveness.
20. In order to ensure ~~that the inclusion of vulnerable disadvantaged groups also have stable presence in the labour market in employment on a stable basis,~~ **job search assistance and reskilling policies must be improved.** Particular attention should also be paid to fostering employment security, ~~especially in the case of temporary work,~~ and combating undeclared work. **National labour inspections have an important role to play in order to tackle all forms of illegal work and unequal treatments, which would affect disadvantaged groups, and to promote decent working conditions.**

21. In pursuing all these objectives, a key horizontal priority is to strengthen the role of employment services in serving the economy and providing timely and tailor-made **employment support, including** career guidance, and other services to activate untapped labour potential with a view to facilitating entry into the labour market. This also implies the need to ~~strengthening~~ the scope and effectiveness of active labour market policies by **improving** ~~increasing~~ their targeting, **increasing their** outreach and coverage and by better linking them with social services, ~~and~~ trainings, **education providers, youth workers and employers.**
- 21a. (NEW) Social dialogue, including collective bargaining, at all levels, is a key instrument to tackle the challenges brought about by labour and skills shortages.

THE COUNCIL OF THE EUROPEAN UNION INVITES THE MEMBER STATES, in accordance with their competences, and taking into account national circumstances, while respecting the role and autonomy of the social partners, to:

22. Continue developing inclusive and comprehensive employment, **skills** and social policies aimed at facilitating entry into the labour market and retention of employment, as well as helping workers, **jobseekers** and employers to adapt, **in particular with up-and reskilling and lifelong learning incentives**, to the changing needs of the labour market **such as labour and skills shortages.**
23. Implement measures to foster the labour market **access and** integration of youth, also by paying special attention to activating and up- and reskilling young people not in employment, education or training (NEETs), and enhancing further the implementation of the reinforced Youth Guarantee in this regard.
24. Strive to explore and address further the ~~special~~ **specific** needs of older workers, in order to reduce their barriers to employment and enable them to stay in the labour market for longer or to return to work.

- 24a. (NEW) Strive to tap into the labour market potential of women by supporting parents in better reconciling family aspirations and paid work as well as supporting informal caregivers of older people in need of care, notably by ensuring access to quality childcare, outpatient -care services and day care services for the elderly and a good work-life balance, with a view to fostering gender equality.**
- 24b. (NEW) Focus on supporting better labour market outcomes for persons with disabilities.**
25. Make full use of relevant EU funding instruments, in particular the European Social Fund Plus (ESF+), to support and finance measures aimed at increasing labour market participation.
- 25a. (NEW) Continue developing skills monitoring and forecasting tools to anticipate future skills needs in the labour market.**
26. Reinforce the role of lifelong career guidance **strategies and services in supporting** systems ~~to enable~~ individuals and employers to make career decisions **informed by** ~~based on~~ high-quality career information **and skills forecasts.**
27. Further reinforce the employment services ~~ecosystems~~ in order to enable ~~the public employment services~~ **them** to map, reach out to and activate the labour reserve at all ages in the EU, **in particular by supporting in-work training.**
28. Make efforts to improve health and safety at work, especially by addressing mental health, ~~and~~ psychosocial risks **and wellbeing** at work.
29. Promote fair **and decent** working conditions, and ~~ensure~~ employment security.
- 29a. (NEW) Continue strengthening social dialogue and enable effective collective bargaining, while respecting the role and autonomy of social partners, to improve working conditions and to tackle the challenges brought about by labour and skills shortages.**

THE COUNCIL OF THE EUROPEAN UNION INVITES THE MEMBER STATES AND THE EUROPEAN COMMISSION, in accordance with their respective competences, and taking into account national circumstances, while respecting the role and autonomy of the social partners, to:

- 30. Promote policy coherence at EU and national level, in order to address the challenges of labour and skills shortages in a coherent and sustainable manner.
- 31. Improve **labour and skill forecasting as well as** data gathering **and analysis** in close cooperation with relevant EU agencies in order to broaden the scope of comparable information on labour and skills shortages at EU and national level.
- 32. Explore further the potential of new technologies and new forms of work in creating opportunities for labour market **participation and** inclusion, while **mitigating the risks involved and** providing fair and quality working conditions and **adequate** social protection.
- 32a.(NEW) Promote consistent EU-wide recognition of vocational education and training as well as support a more coordinated approach between the Public Employment Services within the EURES network in the area of vocational training and talent pools.**

THE COUNCIL OF THE EUROPEAN UNION INVITES THE EMPLOYMENT COMMITTEE AND THE SOCIAL PROTECTION COMMITTEE TO:

- 33. Continue **monitoring labour and skills shortages and related challenges in the EU in the context of the European Semester, including by** carrying out thematic ~~and country-specific~~ discussions, with the involvement of social partners, in order to promote the sharing of knowledge and good practices among Member States on the issue of addressing labour and skills shortages.
- 34. When carrying out their monitoring tasks, put special emphasis on the potential impacts of the labour market policies and other measures on the activation of the labour market reserve.

35. Analyse and elaborate further on the impacts of digitalisation and automation technologies, including artificial intelligence, on the labour market, especially **on employment** and working conditions.
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