



Low-skilled workers falling behind in an adaptive labour market

Strategic foresight – *scenario 1*



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Key features of the scenario

- This scenario is characterised by a steady economic and labour market recovery from the various crises experienced since the late 2000s. This is facilitated by continuous technological developments which bring about ongoing incremental change in work organisation, job profiles and production/service delivery.
- Most companies, as well as the workforce and labour market institutions, are well aware of these changes and their implications. They are capable of adapting, laying the grounds for economic growth, competitiveness and innovation.
- Vulnerable workers, notably the low-skilled, however, experience a decrease in employment opportunities and job quality. They are most affected by the changes in job design driven by automation, with a significant impact on lower skilled occupations, and less qualified to access opportunities in growing sectors utilising emerging technologies. There is a continuing need for some lower skilled workers; however, competition for these posts increases as their volume declines. EURES can assist in identifying opportunities for mobility enabling people to access jobs commensurate with their skill levels. Their quality of life is negatively impacted by the effects of climate change and developments in the housing market. This adds to their unfavourable labour market situation and increases inequalities not only in the labour market but also in society at large.
- Structural labour shortages, such as in the construction, IT and care sectors, persist and aggravate. Labour surpluses increase among vulnerable workers (particularly the low-skilled ones) and in deserted areas (notably if they are negatively affected by climate change).
- Delivering the EURES core mandate to facilitate free movement of labour is getting more difficult as the target group who would benefit most from spatial mobility – low-skilled workers – are reluctant to move. People in this group can also find it most difficult to find a job in another country as they usually lack competency in foreign languages and frequently lack skills required by employers.
- EURES needs to review its outreach strategy toward low-skilled jobseekers and more actively approach them. EURES portal and human network services need to be adjusted to better take into account the specific requirements of this target group. For example, this refers to how information is provided on the portal and through the Advisers, which information is available, and how additional services related to living conditions and individual well-being are offered.
- The EURES portal must undergo technological enhancements to keep pace with the overall digitalisation trend in the economy and employment services. A user-centric approach is essential to ensure the suitability of the functionalities for the target groups.
- EURES human network services must be enhanced by devoting additional human resources to the network and providing sufficient and adequate training to EURES staff to equip them with the right skills and tools to serve best the changing needs of jobseekers and employers (notably SMEs).
- EURES needs to further invest in enhanced collaboration with trade unions, employer organisations and education /training providers to anticipate the continuously changing needs of the labour market and to find and implement effective solutions jointly.

Expected developments

Up to 2030, technology continues to gain importance in the economy. Digitalisation is creating more jobs than it destroys but brings about changes in the task profiles of a large number of occupations. Employers and workers are aware of the changing environment and able to adapt work organisation and job profiles, production/service delivery and other work and employment related elements. Change is rather incremental and can be relatively well anticipated. The pace and scale of skills change is manageable for the majority of the workforce. Workers and employers are generally willing to invest in re- and upskilling, and related activities are also supported by public policies (e.g., education and training subsidies, provision of local training offers, recognition and support of on-the-job training, etc.) and initiatives by social partners. However, low-skilled workers face challenges in remaining in the labour market due to the continuous need to adapt their personal skills endowment, their generally higher reluctance to learn, and gaps in education that impede their participation in the available training offers focused on addressing rather high-end needs.

An increased frequency of job changes is expected, notably among the lower-skilled workers for whom it is becoming increasingly difficult to secure stable employment. This places additional demand on PES services in the field of information provision, matching and recruitment support, and post-recruitment/relocation services for mobile workers seeking opportunities in other countries. The services for assisting people who want to find a job in another region or outside their country are strengthened, and jobseekers can access tailored support and relocation assistance to facilitate their integration (e.g., support with procedures related to social services, family and health related needs, and post-recruitment counselling services). Technology also gains importance in the provision of PES services. Due to these incremental developments, PES and their staff are well able to modernise and offer sufficient digitalised services to match the expectations and in a form requested by their customers, with relevant options also provided for less digitally proficient persons

PES are also increasingly expected to provide anticipatory information about expected future labour market developments, notably related to the impact of digitalisation and greening on work and employment, job opportunities and skills available on the labour market.

PES services play an enhanced role in education and training measures, either through their own training centres or through stronger cooperation with external education providers. PES also strengthen their collaboration with trade unions and employer organisations to jointly identify skills needs and the most appropriate training curricula and formats. Multiple mechanisms for financing skill enhance-

ment initiatives are in place. Training funds and efficient tax incentives developed for SMEs support their investment in upskilling initiatives to develop sector-specific skills for their own workers. Transversal and technical skills are to be publicly provided. Other workers and jobseekers are required to partially finance their participation in training, supplemented by contributions from employers as public support targets vulnerable groups such as people with disabilities, long-term unemployed, youth, and older people. Satisfaction with PES services is high, and clients see little need to look for alternative service providers, such as private employment services.

The economic and labour market crises experienced in recent years have been solved, not least due to the continuous facilitation of technology and effective labour market institutions, and Europe is recovering well. **Economic growth and job creation** are consistent features, **but** they are **not equally distributed** across sectors and regions. Also workers' adaptability differs, with vulnerable groups substantially more affected by negative consequences than workers that benefit from a more favourable position in the labour market. In combination with technological developments, this further disadvantages the low-skilled, given their more limited possibilities for telework/remote work, a working pattern that increasingly becomes 'normal' in the European labour market. Stable employment opportunities reduce, and the working conditions of low-skilled workers decline. Labour market segmentation increases, so that the most vulnerable face considerable challenges in improving their situation due to 'glass ceilings' that are hard to overcome. Short-term peaks in demand for specific services (e.g., in the tourism sector) or products create intermittent opportunities for low-skilled workers willing to accept unstable employment. EURES needs to help them because a certain level of low-skilled workers is still required in the labour market. Therefore, services are expanded including those providing advice on social issues, housing, health-care, and upskilling opportunities, and others offering information to promote fair and ethical recruitment among people from vulnerable groups.

As the economy and labour market are recovering and labour supply is improving, employers are re-establishing their **power position in the labour market** and can significantly influence and broadly define employment and working conditions for the available workforce. This trend particularly affects the vulnerable low-skilled – and especially those residing in the most disadvantaged regions – who more and more have to accept any conditions offered if they want to remain integrated into the labour market.

The housing market remains characterised by **insufficient accommodation of acceptable quality available at an affordable price**.

This contributes to societal problems as people with unstable jobs and employment perspectives are increasingly unable to afford decent accommodation, affecting their physical and psycho-social well-being, as well as their family planning. The spatial mobility inclination of the low-skilled decreases as it becomes increasingly difficult for them to find and afford adequate housing. If they find it, they hold on to it rather than moving. The situation is particularly severe in regions negatively affected by climate change (e.g., regions dominated by agriculture or 'brown' industries; coastal areas) as the resulting living and working conditions particularly hit the low-skilled. This has societal implications, making these regions less and less attractive, e.g., unfavourable housing situations, limited provision of services of general interest such as health care, childcare, education, and limited provision of business services. Fewer and fewer employment opportunities are offered in these regions, resulting in the increasing disintegration of vulnerable workers in the labour market and society.

Workers are required to look for job opportunities outside the region, implying longer commuting times and costs, negatively impacting workers' well-being and productivity. Additionally, the escalating costs of living associated with high housing prices force individuals to allocate more of their income to housing expenses, leaving less disposable income for other necessities, such as health care and leisure activities – adding to their decreasing quality of life. From a labour market perspective, this impacts their willingness and capacity to invest in education and training, further disadvantaging their prospects of finding good quality and sustainable jobs. In addition, attracting low-skilled individuals who can benefit more from mobility, to relocate for jobs in other European countries is challenging due to their typically weaker foreign language proficiency and qualifications that may not meet employers' expectations.

Expected impact on labour market imbalances

Structural labour shortages continue to persist, e.g., in construction, IT, and health care. Due to economic (e.g., constant digitalisation developments; increased demand for new building works or renovations by those who can afford these) and societal developments (such as population ageing or increasing demand for psycho-social care for vulnerable workers due to their worsening labour market and societal situation) it is expected that labour shortages are further aggravated. These are common across Europe, with limited possibility for spatial mobility to resolve these. This situation is also aggravated by the tightening housing market, which discourages workers to move once they have secured decent accommodation. The increased frequency of job changes experienced in the economy also adds to the challenges, as matching supply and demand in the labour market becomes an ongoing high volume and intensity activity for employment services.

Temporary/cyclical shortages have a marginal impact as the economy and labour market is able to continuously adapt to incremental changes.

The level of **labour surpluses among low-skilled workers increases** across all occupations and sectors. Low-skilled workers who are not in a position to continuously adapt to the changing requirements brought about by the twin transition – notably by engaging in effective re- and upskilling – are forming an increasing proportion of the stock of surplus (not in demand) workers across Europe. Additionally, they are less willing to move, influenced by the difficulties in finding affordable housing, and finding

it more challenging to fill vacancies as they have limited foreign language skills.

Whilst in theory reskilling, upskilling, and occupational change can provide sound solutions, in practice this proves to be unrealistic. The growing number of surplus low-skilled workers tend to have low educational qualification levels, and are more reluctant to participate in and benefit from training programmes. Even in the context of a slow pace of change many measures to attract them to skills enhancement activities are ineffective.

From a regional perspective, **metropolitan and other urban areas experience fewer labour market imbalances**, as a wider variety of job opportunities and workforce skills exists. Better provision of services of general interest, labour market and business services makes these areas a more attractive places to live. Urban areas experience an influx of 'climate migrants' as urban centres are perceived to be more resilient to climate shocks. Inward labour mobility of higher-skilled workers for higher-quality jobs (with decent wages enabling them to afford the elevated housing prices) from both within the country and abroad alleviates labour shortages. At the same time, shortage occupations requiring lower skills experience an increasing lack of labour supply as lower skilled workers can no longer afford to live in urban centres, and long commuting times are not feasible for them in the medium to long term. This presents challenge the provision of essential services such as health care, childcare and care for older people.

Areas experiencing de-population and those suffering most from climate change are facing increasing labour market imbalances as more affluent workers with in-demand skills move away from these regions, whilst vulnerable workers stay but cannot find sufficient work or high quality employment.

This impedes the efficient allocation of talent across regions, compromising the distribution of economic growth and innovation in 'left behind' areas.

Expected impact on EURES services

Realising EURES's core mandate to facilitate the free movement of labour is becoming increasingly difficult. Labour market imbalances cannot be tackled effectively by intra-European mobility, as structural imbalances are prominent everywhere. However, the EURES network continues its efforts to identify and understand labour market imbalances and labour mobility trends across Europe with the help of advanced digital solutions. The EURES network facilitates and encourages peer-to-peer learning programmes, **partnerships** with academic institutions and business leaders to provide specific training, and the utilisation of digital tools and platforms to support ongoing learning and developing the skills of EURES Advisers. It also strengthens **cooperation** with local and sectoral social partners to enhance awareness of identified vacancies and shortages.

There is strong agreement among policymakers and labour market institutions that an **enhanced focus** needs to be **devoted to low-skilled workers** as a target group of active labour market policies and personalised support. Workers and jobseekers with higher skills and digital knowledge who are considering mobility and employment opportunities abroad can receive more accessible and flexible services through digital solutions and self-services which are available through the EURES portal. EURES can communicate the benefits of intra-EU labour mobility to jobseekers and employers. For the low-skilled, ongoing information provision of accurate and transparent details is needed. Considering the strategic focus on growing sectors that need low-skilled workers (e.g., pharmaceutical), EURES can play a role in connecting these workers to where the vacancies are. To do that, EURES enhances transparency by providing information on

- how earnings compare to the cost of living in different regions, aiding jobseekers in making informed decisions about potential relocations or job opportunities;
- labour law and taxation issues, such as social protection effects and psycho-social aspects that are emerging due to the rise in telework and remote working;
- relevant trade unions and applicable collective agreements in various sectors, empowering them to negotiate fair wages and working conditions;

- the available workforce in the country of origin and the training needs of these potential workers; and
- training offers and available subsidies provided by PES.

All these will represent a significant change/broadening of the EURES advice with implications for Advisers' training.

EURES should utilise existing services to **promote the advantages of mobility** to enhance education to employment transitions. These activities can include group counselling and information sessions for newly registered unemployed people, and information sessions in schools, and for final year students.

EURES Advisers' capacities to approach, inform and consult particular target group needs to be enhanced, i.e., **more staff** will be required (particularly in the disadvantaged regions), and they are **adequately trained** to deal with the specific needs of the increasing target group. Next to work and employment related issues, the EURES Advisers increasingly deliver counselling services and advice to overcome mobility barriers, such as navigating administrative procedures for mobile workers and their families, details on finding decent housing or financial support for accommodation, information on re- and upskilling, including assistance in finding suitable education and training opportunities.

EURES Advisers also need to continuously maintain their knowledge about employers' preferences, as they are essential for effective matching. **Closer relationships with businesses and employer organisations** need to be established. Enhanced EURES services targeting SMEs will be needed as the smaller companies face more challenges in finding the required workforce in a 'more fluid' labour market marked by frequent job changes. Due to their more limited resources, continuous recruitment needs are a substantial burden for SMEs who are resorting for support at employment services, including EURES. The EURES network improves its communication services and promotes inspiring success stories in supporting mobility to better inform and raise awareness about EURES services available for SMEs and targeted support (e.g., EURES Advisers specialising in SMEs' needs). Cooperation with private employment services, however, is of decreasing importance as their services are not intensively in demand on the market.

Furthermore, the increased **compilation and provision of labour market intelligence** through EURES can engender a better understanding of labour market imbalances. Harvesting this information, providing increasingly robust and accurate data on future labour demand, particularly in the growing digital and green economy, can help providers adapt and improve the training offer available to the needs of low-skilled people, and following this, a better matching on the labour market.

EURES seeks to balance the increasing use of technology in PES with the provision of tailored and in-depth physical support needed by the growing target group of vulnerable workers. Various **digital information and matching tools** ensure that EURES is not perceived as an old-fashioned service, just because more emphasis is placed on personal consultations. The EURES portal is streamlined, adapted to cater for the needs of an increasing number of low-skilled jobseekers. Vacancy notices published on the EURES portal are optimised, increasing the transparency, accuracy, completeness, and speed at which vacancy notices are posted.

EURES provides precise and complete details about skills requirements, tasks expected to be performed, and whether these are open to candidates from other countries. Navigation is made intuitive, and information is easy to access and understand. New functionalities, facilitated by the ongoing technological developments and the experiences acquired by PES, are developed and implemented with the low-skilled in mind. This refers, for example, to the provision of tutorial videos or user-friendly manuals explaining the benefits of the technical tools and how to use them best. Also, EURES Advisers have an increasingly important role in 'teaching' jobseekers on the use of the portal's functionalities. To increase effectiveness, close cooperation is needed with trade unions and other institutions representing workers, notably the most vulnerable.



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