

Skills mismatches in the EU: A perpetual impasse?

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The global financial and economic crisis has led to an alarmingly high unemployment and underemployment across the EU. Yet surveys still find that more than one in three employers in Europe has difficulties finding the right job candidates to fill their vacancies. The skills mismatches found year on year in Europe point to a situation where labour market institutions and their related policies have not kept up with the changes and exigencies in business practices and technology. Needless to say such a situation is worrying given that skills shortages and gaps negatively affect a country's economic competitiveness. If unmanaged, in the medium to long term a skills mismatch can lead to lower productivity in the affected industries since the right skills are not sourced, as well as to wage inflation because companies competing for talent seek to attract an ever diminishing cohort of people with higher salaries.

Many employers claim that the ongoing "skills mismatches challenge" found in the EU is mainly related to young graduates at different levels and other workers being ill-prepared for the world of work. A persistent assertion by stakeholders in business is that education systems are teaching dated skills to tomorrow's generation of workers. This has led

to a situation in which competences needed by a modern vibrant economy in the 21st century such as digital literacy, life sciences and entrepreneurship, amongst others, are in constant demand yet not adequately supplied within the EU. The European skills and jobs (ESJ) survey carried out by the European Centre for the Development of Vocational Training (Cedefop) in 2015 reveals a more complex problem: It finds that the skill mismatch affects most of the EU's workforce, not only those looking for a job. For instance, due to weak employment demand in some sectors, around 25% of highly qualified young adult employees are overqualified for their job.

All this points out the need of governments and industry to strengthen their channels of communication and facilitate customised career guidance and counselling, more promotion of job mobility, and better intelligence on labour market opportunities in order to share job market trends more effectively, both within member states but also throughout the EU.

With an imperfect labour market in the EU, it is inevitable that there is a disequilibrium between the supply of and the demand for different skills.

Overall European labour market mobility tends to be low, not only due to language barriers and unwillingness to move, but also due to lack of information on existing job opportunities. Obstacles to recognising qualifications gained in other countries also persist. In fact in 2013, the share of citizens of working age (15 to 64 years) from an EU-28 Member State/EFTA country, who resided in another EU-28 Member State, was around 3.1 per cent of the total population residing in the EU-28 Member States.

The recent ‘New Skills Agenda for Europe’ recognises the need to revamp and modernise Europe’s education sector and intends to tackle intra-EU labour mobility issues. Half of the ten actions identified by the European Commission are aimed at ensuring a better fit between what businesses need and what education provides. This includes the introduction of a “Skills Guarantee” to assist low-skilled adults to acquire a minimum level of education, a review of the ‘European Qualifications Framework’ and enhancing opportunities for vocational education as well as training learners to undertake work based learning experiences. According to the European Commission Communication “the use of EU financial support, including through the potential reallocation of ESF programmes is encouraged.” Furthermore existing resources of funds promoting social inclusion (e.g.) ESF, EaSi, FEAD, EGF or sector skills development (e.g. EAFRD) may also be used“.

However, it would be a misnomer to simply bet on upgrading Europe’s educational system to address the persistent skills mismatch found on the continent. A number of other factors come into play. Better designed, proactive, national and

regional labour market policies need to be implemented, especially in empowering part of the long-term unemployed to re-enter the job market. Improved childcare services and flexible retirement schemes can lead to women and older employees remain active in the workforce for a longer period. Government schemes rewarding or facilitating employers who invest in lifelong- and on-the-job learning for their employees should be enacted and be permanent in nature rather than temporary. This will assist in maintaining a skilled force workforce that is able to handle the jobs of tomorrow. The ESJ survey highlighted above shows that, in order to avoid a skills mismatch, 53% of adult employees in the EU would have to learn continuously, as the variety of their tasks has increased significantly since they started their job. In addition, around 26% of EU adult employees have significant skill deficits – their skills are much lower compared to those an average worker needs to be fully proficient in his or her job – leaving much scope to improve the overall level.

The European Commission Communication goes further by highlighting the need of a ‘Skills Profile Tool for Third Country Nationals’. The objective is to support early identification and profiling of skills and qualifications of third-country migrants arriving and living in the EU. With the rise of far right parties and terrorism, migration has become very topical in the EU. The idea of a fortress Europe will solely exacerbate the current skills mismatches European countries are facing. Migrants are needed in both low skilled jobs, which more and more European are reluctant to take, and also high skilled professions especially in the healthcare and ICT sectors in which the demand is constantly outstripping the supply. This eventually leads to a rise in operating costs and lower

productivity rates for enterprises based in the EU.

Having the right skills and matching them to the job profiles requested by employers today and tomorrow is a critical asset for individuals and businesses as well as a decisive factor towards economic prosperity. The skills match stalemate in the EU has become more prominent following the economic crisis, yet this is a structural issue which has existed for a number of years by now. EU countries with the highest shares of adult employees suffering from skill deficits have overall lower levels of labour productivity. The recent European Commission's Communication is a step in the right direction and recognises that the skills mismatch is acting as a major constraint which hampers the economic recovery whilst posing a risk to long-term competitiveness in the EU. This should persuade national governments to enact even deeper structural reforms so as to adequately address the skills mismatch impasse.

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