



ANALYTICAL HIGHLIGHT

FOCUS ON

Skills challenges in Europe

- Even as the EU economy has been recovering from the recession of 2008, unemployment has continued to rise. However, despite the 27 million unemployed workers in the EU, in 2013, **four out of ten European employers reported difficulties in finding employees with the right skills.**
- Recruitment difficulties are partly related to a lack of available skills, but are also explained by unattractive working conditions, low pay, high labour turnover, lack of mobility and inadequate recruitment practices by firms. These tend to be most apparent in the **health, ICT, engineering and business service** sectors.
- Around a third of employers attribute their recruitment difficulties to a lack of technical skills and overall lack of candidates, while more than a fifth of employers are concerned about the lack of work experience and 'soft' skills among job applicants.
- Only **57% of EU employees were in a job that matched their skills** in 2010. In some countries, recovery is being driven by highly-qualified individuals being recruited to low-skilled jobs, resulting in rising levels of 'over-qualification'.

Labour market mismatches in Europe

As a consequence of the economic crisis, EU-28 unemployment has risen from 7% in 2008 to 10.8% in 2013¹. Yet in 2013, there were around 2 million vacancies available in the EU². This indicates a degree of mismatch between the available labour and jobs in the EU labour market – including shortages of the right skilled people in the right place to fill these vacancies. The level of recruitment difficulties varies by sector. For instance, these problems are widely reported by employers in the manufacturing sector while they are least common in financial services.

The European Vacancy and Recruitment Report 2014 outlines the top growth occupations, for which there will be a need to maintain skills supply. These are concentrated in high-skilled and professional areas: 18 out of the top 25 growth occupations require high-level skills and 11 of the occupations are in the 'professionals' group³. This includes occupations related to:

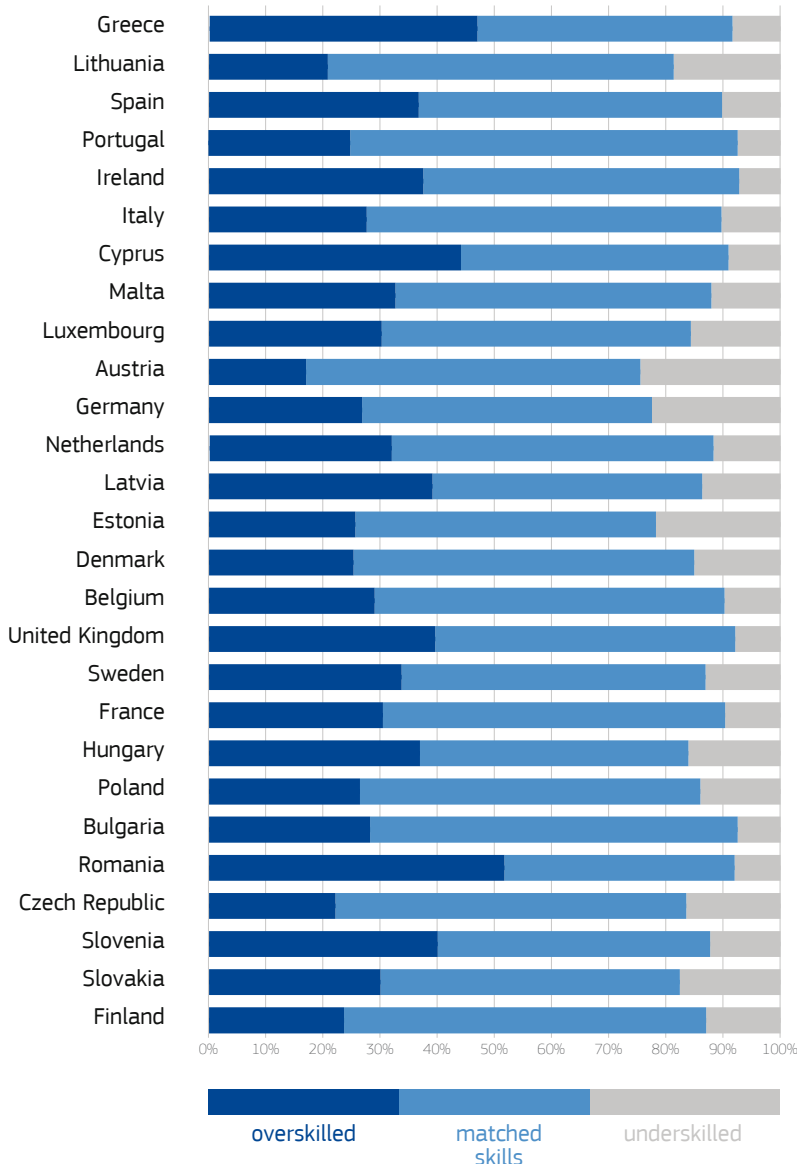
- Health, including personal care workers in health services, which is the second largest growth occupation across the EU, with notable expansion in Belgium, Greece, Italy and the Netherlands. There have also been increases in the number of nursing and midwifery professionals (notably in Croatia, the Czech Republic, Denmark, France, Malta and Portugal), medical and pharmaceutical technicians (especially in the United Kingdom) and medical doctors (in the Netherlands).

- ICT, specifically in terms of software and applications developers and analysts, which is the top growth occupation across the EU and has experienced particular growth in Denmark, Estonia, Finland, France, Luxembourg, the Netherlands, Poland, Sweden and the United Kingdom.
- Engineering, including: engineering professionals (Austria; the Czech Republic; Finland, France; and Romania); mining, manufacturing and construction supervisors (Belgium; Cyprus; the Czech Republic; Estonia; Finland; Italy; Poland; Portugal; and Sweden); and process control technicians (Finland; France; and Italy).
- Teaching, including: university and higher education teachers (Denmark; Estonia; Latvia; Portugal), other teaching professionals (Denmark; Finland; Hungary; Slovenia) and child care workers and teachers' aides (Finland, France and Latvia)
- Other occupations in the top 25 growth category include: administration professionals; sales marketing and public relations professionals; finance professionals and legal professionals⁴.

While recruitment difficulties can be related to shortages of skills, the relationship here is extremely complex. Some sectoral labour shortages may occur because the jobs are not attractive enough to a sufficient number of people (e.g. resulting from long and anti-social hours, relatively low wages, or demanding working conditions). Labour mobility can help to alleviate shortages, but, across the EU and within countries, it is constrained by factors such as people's willingness and ability to move. It

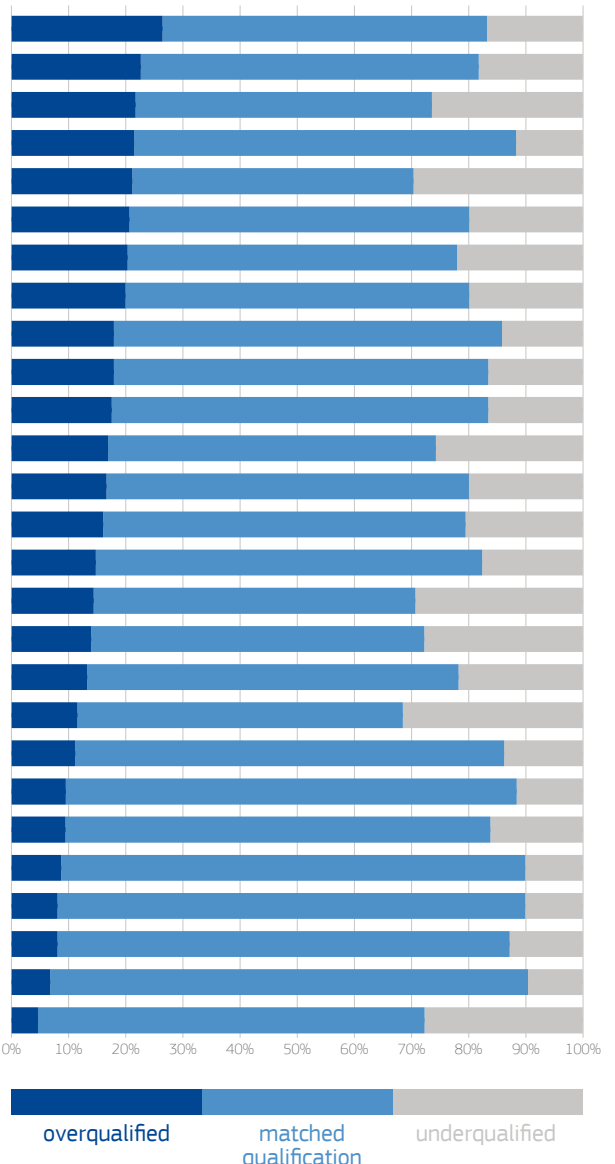
▼ Figure 1 – Incidence of self-reported skills mismatch in the EU-27, percentage of employees

Source: European Working Conditions Survey (2010)



▼ Figure 2 – Average incidence of educational mismatch among 25-64 year olds in the EU-27, 2000-2011, percentage of employees

Source: Labour Force Survey; Cedefop, based on EU-LFS data²⁶



also implies that efficient job matching is possible – that the right people are aware of potential vacancies and employers can effectively market and target vacancies.

Evidence on skill shortages in Europe

Shortages often also reflect a lack of sufficiently-trained candidates. This can indicate problems with skills supply: that the labour force is not sufficiently qualified or not trained in the right occupational areas. Furthermore, the skills required by employers evolve as the occupational pattern changes over time. New jobs are not created evenly across the economy. This can contribute to recruitment difficulties.

A lack of skilled labour or a skills shortage is where the skills of jobseekers may not match the skills required by employers. This discrepancy is known as a ‘shortage of skilled labour’ to distinguish it from lack of supply, or, the insufficient numerical supply of job seekers for the available job vacancies⁵.

In 2013, four out of ten (39%) European establishments reported difficulties in finding employees with the required skills⁶. These skill shortages vary markedly across EU Member States; ‘Over 60% of establishments in Austria and the Baltic states have difficulties finding suitably skilled employees’, compared to less than 25% in Croatia, Cyprus, Greece and Spain⁷.

Overall, such skills shortages tend to account for a small share of all vacancies; but they can be persistent and underlie most vacancies that are hard-to-fill. Evidence from the UK, for example, indicates that these skill shortage vacancies represented more than one in five of all vacancies in 2013, up from one in six in 2011⁸. Furthermore, almost two-thirds of all skill-shortage vacancies in 2013 were linked to ‘a lack of technical, practical or job-specific skills. Generic or “softer” skills such as planning and organisation, customer handling, problem solving and team working were each cited in connection with between one-third and two-fifths of skill-shortage vacancies⁹. While deficiencies in softer skills might be associated with lack of work experience (such as among recent higher education graduates), in reality most employers (89%) across the EU report that the graduates they have recruited in recent years have the skills required to work in their company¹⁰.

Responses to skills shortages

In the short term, employers deploy a number of strategies to respond to the shortages they experience, including, for example, providing additional training and development to existing staff, followed by appointing people with potential rather than proven skills¹¹. On-the-job training has become more prevalent over time, growing from 26.3% of workers participating in 2005 to 32.2% in 2010¹². Other short-term solutions include increasing overtime working, retaining older workers and recruiting early retirees. Possible medium-term solutions include deskilling some of the work by stripping out routine work from the tasks of high-skilled workers, then passing this more routine work to less-skilled workers¹³. For example, this has been happening in the health sector in relation to nurses taking on tasks previously done by doctors.

Skills and qualification mismatches among employees

In addition to difficulties employers face in recruiting the skills that they need, there are also individuals in jobs that do not match their qualifications or skills:

- A qualification mismatch may occur when a worker has more (over-qualification) or fewer (under-qualification) educational qualifications (i.e. formal academic skills) than those required for the job.
- A skills mismatch may occur when a worker's skills (i.e. generic, technical and soft skills) are insufficient for the requirements of the job (under-skilling) or exceed those required for the job (over-skilling)¹⁴.

Skills mismatch has increased in most countries in recent years¹⁵. Only 57% of EU employees are in jobs that match their skills¹⁶. Figure 1 shows that over-skilling is a major issue in Romania, Greece, Cyprus, Slovenia and the United Kingdom. While it is associated with lower job satisfaction and increased staff turnover, there is evidence that it may have 'productivity advantages for firms'¹⁷. There are, though, costs to individuals and society, especially as 'young people, migrant and those working in part-time and fixed-term jobs are more affected by skills mismatch'¹⁸.

Factors such as the responsiveness of education and training systems, the career choices made by individuals and the wider economic context (the number of jobs available) can all serve to reinforce skills mismatch:

- During periods of high unemployment, new graduates are more likely find jobs themselves in jobs that do not require high-level qualifications. This can be a transitory experience, or it can persist over time. There is evidence that economic recovery in areas such as Southern Europe is being driven by employers hiring qualified workers in low-skilled jobs¹⁹. Figure 2 shows that over-qualification is a particular issue in Greece, Lithuania, Spain, Portugal and Ireland.
- Even though there is an apparent long-term shift towards high-skilled and more knowledge-intensive work, the EU workforce has become more highly-qualified at a pace that arguably outstrips the changing jobs profile. This has also led to over-qualification and displacement of lower-skilled workers in some areas²⁰.
- There is a continual need for alignment between education and training systems and the labour market. In some areas, such as advanced manufacturing, employers depend not only on sufficient supply of

STEM graduates, but also on being able to recruit and develop staff that are both technical specialists and have the problem-solving and team-working skills to adapt to rapid technological change²¹.

- Skills mismatch is also a 'dynamic phenomenon' affecting employees over the course of their working careers, especially where they do not upgrade their skills or their skills become obsolete in the face of changing job requirements and new technologies. Access to continual training at work is therefore a factor in enabling workers to adapt over time and over the course of their working lives²².

Much therefore depends on the approach taken by employers 'given that firm personnel policies are likely to play a significant role in terms of ensuring that individual skills and competences are used in an optimal and productive way'²³. This relates to recruitment strategies and preferences, as well as the approach to identifying and addressing training needs. It is not just about the volume of training undertaken, but, for example, the importance of linking training to performance objectives²⁴. Job design can also influence the level of skills mismatch. By 'encouraging worker empowerment via the provision of adequate levels of autonomy, task discretion, control and responsibility', employees can be encouraged to fully use and to further develop their skills in role²⁵. ■

- 1 Eurostat
- 2 European Commission (2013), Skills mismatches and labour mobility: Europe 2020 thematic summary
- 3 European Commission (2014), European vacancy and recruitment report 2014
- 4 *ibid.*
- 5 A Kettner (2012), Phd dissertation, Technical University of Berlin referred to in European Commission (2012), European vacancy and recruitment report 2012.
- 6 Eurofound (2012), Fifth European Working Conditions Survey
- 7 *ibid.*
- 8 UK Commission for Employment and Skills (2014), UK Commission's employer skills survey 2013: UK results
- 9 *ibid.*
- 10 Eurobarometer (2010), Employers' perception of graduate employability: Analytical report
- 11 Manpower Group (2013), 2013 Talent shortage survey: Research results
- 12 *ibid.* 6
- 13 European Commission (2012), European vacancy and recruitment report 2012
- 14 *ibid.* 2
- 15 *ibid.* 2
- 16 European Commission (2013), Employment and social developments in Europe 2012
- 17 Cedefop (2012), Skills mismatch: The role of the enterprise
- 18 World Economic Forum Global Agenda Council on Employment (2014), Matching skills and labour market needs: Building social partnerships for better skills and better jobs
- 19 European Commission (2014), European vacancy monitor No. 12
- 20 Cedefop (2012), Europe's skill challenge: Lagging skill demand increases risks of skill mismatch
- 21 For more information, see the separate Analytical Highlight: EU Skills Panorama (2014), Advanced manufacturing
- 22 *ibid.* 18
- 23 *ibid.* 17
- 24 *ibid.*
- 25 *ibid.*
- 26 Reported in European Commission (2013), Employment and social developments in Europe 2012



Please quote this Analytical Highlight as:
EU Skills Panorama (2014) Skills challenges in Europe
Analytical Highlight,
 prepared by ICF GHK and Cedefop for the European Commission