

Employment and labour markets
**Company practices to tackle
labour shortages**



Company practices to tackle labour shortages



When citing this report, please use the following wording:

Eurofound (2024), *Company practices to tackle labour shortages*, Publications Office of the European Union, Luxembourg.

Authors: Tina Weber and Dragoş Adăscăliţei

Research manager: Tina Weber

Research project: Company practices to tackle labour shortages (230301)

Providers: Members of the Network of Eurofound Correspondents, listed in the Annex

Luxembourg: Publications Office of the European Union, 2024

Print: ISBN 978-92-897-2414-2 doi:10.2806/251749 TJ-02-24-856-EN-C

PDF: ISBN 978-92-897-2413-5 doi:10.2806/858763 TJ-02-24-856-EN-N

This report and any associated materials are available online at <https://eurofound.link/ef24020>

© European Foundation for the Improvement of Living and Working Conditions, 2024

Reproduction is authorised provided the source is acknowledged.

For any use or reproduction of photos or other material that is not under the Eurofound copyright, permission must be sought directly from the copyright holders.

Cover image: © Sam Edwards/KOTO/Adobe Stock

Any queries on copyright must be addressed in writing to: copyright@eurofound.europa.eu

Research carried out prior to the UK's withdrawal from the European Union on 31 January 2020, and published subsequently, may include data relating to the 28 EU Member States. Following this date, research only takes into account the 27 EU Member States (EU28 minus the UK), unless specified otherwise.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00

Email: information@eurofound.europa.eu

Web: <https://www.eurofound.europa.eu>

Contents

	Executive summary	1
	Introduction	3
	Policy context	3
	Aims and structure of the report	4
1.	Evolution of labour shortages	7
	Introduction	7
	Trends in labour shortages	7
	Evolution of labour market slack	11
	Summary	14
2.	Employer perceptions of labour shortages	15
	Shortages as a factor limiting production	15
	Skills shortages and skills mismatches	17
	Skills shortages among SMEs	21
	Summary	24
3.	Organisational measures to address labour shortages	25
	Introduction	25
	Attracting workers	27
	Activating underutilised labour	43
	Enhancing the use of existing labour	44
4.	Conclusions	51
	References	53
	Annex	55
	Contributors from the Network of Eurofound Correspondents	55

Executive summary

Introduction

The scale of labour shortages in the EU has been increasing for over a decade and remains high despite the economic slowdown in 2023. Labour shortages affect growth, innovation and the EU's ability to achieve its digital and green targets. They can also contribute to a vicious cycle, whereby the existing workforce experiences intensified work, increasing the likelihood of stress and burnout, leading to absences and exits that exacerbate the situation.

This report centres on the recruitment and retention measures that organisations have deployed to address labour shortages, based on 17 case studies in different sectors and across 13 Member States. The report includes an update to previous Eurofound research on trends in labour shortages and labour market slack (the unmet demand for labour in a given population). It also describes the impact of labour shortages on companies and their experiences of skills shortages.

Policy context

The European Commission adopted an action plan on labour and skills shortages in March 2024, which specifies five priority areas for action:

1. supporting the activation of underrepresented people in the labour market
2. providing support for skills, training and education
3. improving working conditions in certain sectors
4. improving mobility for workers and learners
5. attracting talent from outside the EU

The priority areas reflect the key categories of measures identified in previous Eurofound reports on labour shortages: attracting labour (priorities 3–5), activating underutilised labour (priority 1) and enhancing the use of existing labour (priority 2).

The plan acknowledges the social partners' key role in addressing labour shortages and emphasises the Commission's commitment to supporting capacity building and social dialogue solutions at national and subnational levels.

Key findings

Labour and skills shortages and labour market slack

- The EU job vacancy rate decreased slightly from 3% in the second quarter of 2022 to 2.6% by the third quarter of 2023. However, it remains significantly above pre-pandemic rates. Vacancy rates remain at or above 3.5% in Austria, Belgium, Czechia, Germany and the Netherlands.
- Labour market slack has decreased slightly, mostly as a result of reduced unemployment. However, changes in other components of slack (such as underemployed part-time workers and people available for work but not looking for it) are more muted. This demonstrates that organisations are working, by and large, within a constant supply of labour, which implies that further actions are required to increase the pool of available labour.
- Job vacancies appear increasingly to have been filled by workers moving jobs, thereby gaining better wages and conditions, rather than by unemployed people entering employment. This could indicate ineffective activation policies, particularly for those outside the labour market or underemployed. At the same time, more remains to be done to update education and initial vocational training curricula and invest in ongoing training.
- Around 80% of EU employers struggle to recruit workers with the right skills. The skills of one in three employees are mismatched with their job: 17% are overqualified and 13% underqualified.
- In 2023, a quarter of EU companies recruited workers without the required skills. An additional 18% report fewer than one in five recruits having the necessary skills.
- One source of the skills shortage is lack of training in companies. Countries with high proportions of underskilled workers also have lower shares of companies providing employee training. Between 2015 and 2020, the share of EU companies providing training decreased (although 2020 data were potentially affected by the pandemic).

- To address shortages, 42% of small and medium-sized enterprises (SMEs) seek to better use existing talent, 33% to invest more in training and 32% to increase job attractiveness by improving benefits. Fewer than 10% recruited candidates from outside the EU in 2023.
- Drivers of shortages vary between sectors and occupations, with some sectors particularly affected by low job quality, recruitment struggles in a tight labour market or changing skills requirements, including as a result of the twin transition.

Organisational measures

- Better matching of supply and demand remains a concern. Employers are scaling up their work with partners in educational and vocational training and public and private employment services to better target training to their needs and ensure early, direct contact with graduates. The offer of ongoing training and routes to career progression is also key.
- Greater competition means that employers must increasingly work harder on marketing and employer branding, offering better pay, non-wage benefits and good working conditions. These include working time flexibility, remote working, and assistance with housing and childcare. Such benefits are increasingly critical to employee retention. Employers in sectors with limited ability to improve certain working conditions (for instance, where remote work is not possible) have to rely on other types of benefits (such as assistance with finding accommodation, childcare or private health insurance).
- Smarter recruitment is increasingly important. Employers are reconsidering recruitment tools and pathways and turning, for instance, to social media, employee referral programmes and recruitment catchment areas. More emphasis is being placed on soft skills and personality traits that fit organisations, rather than just formal qualifications.
- Companies' willingness to use mobility and migration recruitment routes is currently greater than actual use – due to administrative barriers but also to challenges regarding recognition of qualifications and the skills required, including language skills.
- Some EU companies have developed initiatives to employ people displaced from Ukraine. However, they face issues arising from non-recognition of qualifications, lack of language skills and uncertain duration of stay.

Policy pointers

- The persistence of components of labour market slack other than unemployment means that more must be done to enable involuntary part-time workers to work additional hours and inactive individuals who can work to return to the labour market. This requires enhanced public policy regarding care provision; integrating people not in employment, education or training (NEET) and people with disabilities; and introducing more effective targeted activation policies (for example for low-skilled and migrant workers). Public policy intervention in this area should be combined with the greater involvement of the social partners and employers, since among the latter active engagement with the integration of underutilised groups is currently more limited.
- Effective public policy, social partner and employer strategies should provide targeted approaches that address specific drivers of shortages depending on the nature of the sector and organisation, while considering differences between countries, including in relation to the scale of shortages and the level of unemployment and labour market slack. Where job quality is low, improved wage and non-wage benefits, as well as enhanced working conditions, are important. In the pandemic's aftermath, so is geographical and temporal flexibility, where feasible. Where skill shortages are widespread, active collaboration between employers and education and training providers as well as employment services must be enhanced to match skills supply and demand through initial and ongoing training.
- Effectively integrating Ukrainian refugees and third-country migrants will entail addressing barriers to sustainable recruitment, including avoiding skills underutilisation. Solutions include streamlining processes to regularly update the identification of shortage occupations for the purposes of granting work permits to third-country nationals as well as the recognition of qualifications gained abroad and the offer of language training and integration services with the involvement of the social partners.

Introduction

In recent years, labour shortages have increasingly been the main factor affecting labour markets in the EU and beyond. While addressing high levels of unemployment was the policy priority during recovery from the economic crisis of 2008–2012, in the aftermath of the COVID-19 pandemic the prevalence of labour shortages has become a key concern for governments and social partners alike.

However, rising labour shortages are not a novel phenomenon. The economic growth period that preceded the pandemic also contributed to an increase in the demand for workers. As Eurofound (2021a, 2023a) has shown, aside from these cyclical factors, key drivers of labour shortages include demographic change and the green and digital transition. These megadrivers affect both the supply and demand sides of the labour market, reducing the number of available workers, transforming the skills demanded by employers and increasing the pace at which workers need to adapt their skills. In some sectors, as Eurofound research has highlighted, job quality plays a critical role as a driver of labour shortages.

The swift policy response to the pandemic, which used emergency employment policies such as job retention schemes, contributed to the resilience of labour markets in the EU. Relative to the depth of the pandemic crisis, shifts in employment and unemployment levels were more muted, as companies adjusted mainly through reductions in working hours. Employment levels remained high even during the recent supply-side and geopolitical shocks that saw unprecedented increases in inflation and a slowing of economic activity. However, the other side of this situation is that labour shortages have resumed the historical growth that commenced in the aftermath of the economic crisis.

Previous Eurofound reports on the topic of labour shortages analysed and compared their evolution in the EU, developed a taxonomy of measures that aim to address shortages (Eurofound, 2021a) and evaluated the effectiveness of existing policy interventions that aim to address labour shortages (Eurofound, 2023a). This report complements these analyses by zooming in on what organisations do to address the issue of shortages. In doing so, it updates previous research on

the evolution of shortages and brings in micro-level evidence on the main impacts of labour shortages at company level and the different strategies and measures that companies deploy in response to persistently tight labour markets.

Policy context

Efforts have been made at various levels of policymaking to address the drivers of labour shortages (Eurofound, 2023a), but more are needed where this challenge persists. The importance attached to this issue was highlighted at the Val Duchesse Social Partner Summit held in January 2024 (European Commission, 2024a). In the declaration signed at the close of the summit, the Commission, the Belgian Presidency of the Council of the European Union and the European social partners agreed to address labour shortages and reinforce social dialogue, including on this issue. As part of the declaration, the Commission committed itself to publishing an action plan on addressing labour and skills shortages in the EU, following consultation with the social partners. The action plan was published in March 2024 (European Commission, 2024b).

In addition to summarising a number of actions already taken at EU and national levels and by cross-sectoral and sectoral social partners, the action plan includes commitments to new actions to be taken by the Commission, calls to action on the part of Member States and recommendations aimed at the social partners. The plan sets out five key policy areas for action.

1. **Supporting the activation of underrepresented people in the labour market:** This relates to addressing labour market slack and acknowledges that the main barriers to employment vary between labour market groups. For example, lower employment rates and high shares of part-time work among women mainly result from the unequal sharing of domestic and caring tasks and the lack of affordable, accessible and high-quality early childhood education and care and long-term care facilities. Other groups requiring further targeted policy assistance to access the labour market include people with disabilities, migrants and minority groups, and low-skilled younger and older workers.

Definition

Labour shortages arise when the demand for workers in an occupation exceeds the supply of workers available who possess the required skills and are willing to work at a specific wage rate and in specific working conditions in a particular place and point in time.

(Eurofound, 2021a)

2. **Providing support for skills, training and education:** The action plan draws on data from Eurofound's European Company Survey (ECS), which show that the majority of new recruits do not have the skills required to perform their jobs. Skills shortages are set to increase in the context of the green and digital transition, so access to high-quality initial and ongoing training, the continuous monitoring of new skills requirements, and the translation of this skill mapping into education and training curricula are key.
3. **Improving working conditions in certain sectors:** Informed by Eurofound data, among other things, the action plan highlights that many of the sectors and occupations experiencing shortages suffer from poor job quality. The consultation of the social partners on appropriate measures and practices is considered key to ensuring fair working conditions.
4. **Improving mobility for workers and learners:** Although there were around 11 million EU mobile workers in 2023, it is acknowledged that intra-EU mobility is currently insufficient to address the scale of labour shortages.
5. **Attracting talent from outside the EU:** The action plan argues that the EU is punching below its weight in terms of its attractiveness as a destination for global talent. As part of a package of measures to address shortages, the Commission has therefore recently proposed establishing the EU Talent Pool to facilitate the recruitment of jobseekers from third countries. Actions to enable and speed up the recognition of third-country qualifications, as well as language skill training, are considered key to the success of third-country recruitment.

In relation to the key priority policy areas, in the plan, the European Commission commits itself to the following actions (among other things):

- financing new projects on achieving zero long-term unemployment and on activating and upskilling young people not in employment, education or training (NEETs)
- co-financing more centres of vocational excellence, with a target of at least 100 new ones by 2027
- setting up new skills partnerships under the Pact for Skills
- improving skills intelligence – mapping the skills needs of today and the future – in close coordination with EU agencies
- analysing sick leave policies to identify best practices for workers and businesses
- evaluating the impact of pension reforms, including introducing more opportunities for flexible retirement and for combining pension income with a salary
- peer-reviewing national approaches to address psychosocial risks at work

As well as calling on Member States to fully implement EU initiatives such as the reinforced Youth Guarantee and the Council recommendation on early childhood education and care, the plan calls on them to revise education and training programmes, pursue benefit reforms addressing pockets of inactivity and provide sufficient support to allow those who can work to gradually return to the labour market. Member States are also encouraged to improve skills intelligence and the transfer of such information into curricula, pursue tax reforms that reduce the pressure on low-income earners, continue to support the digitisation of social security to facilitate mobility and commit to supporting legal migration by bringing in more talent from outside the EU.

The European Commission recommends that the social partners focus on tackling poor working conditions through collective bargaining in the sectors affected by labour shortages and contribute to the activation of underrepresented groups, while finding solutions to promote the employment of older workers. They are also called on to use social dialogue to promote upskilling and reskilling, contribute to updates of vocational and educational curricula, and support apprenticeships.

The May 2024 European Council conclusions, *A single market for the benefit of all*, also emphasise the importance of the availability, development and retention of a highly skilled workforce to further enhance the functioning of the single market and to prevent labour shortages. It calls on the Commission and the Member States to ensure access to quality and inclusive education, training, reskilling and upskilling, and lifelong learning for all. It urges them to promote high-quality jobs and improve working conditions, while ensuring fair and effective professional mobility and recognition of professional qualifications in the Union (Council of the European Union, 2024). This echoes some of the recommendations of the Letta report on the future of the single market (Letta, 2024).

Aims and structure of the report

The purpose of this report is to provide updated data on the scale and nature of labour shortages, following on from the information provided in two previous Eurofound reports (Eurofound, 2021a, 2023a; the temporal cut-off point for this study was the third quarter of 2023). The previous reports focused on the scale and drivers of shortages and created a typology of the Member State-level policy measures introduced to address shortages. The research also assessed what worked in which contexts based on a meta-evaluation of evaluated policy initiatives.

This report focuses on organisational-level measures and the actions taken by individual employers, based on 17 qualitative case studies. These case studies were carried out in various sectors (construction, health and social care, information and communications technology (ICT), marketing, consulting, retail, tourism

and transport) in 13 Member States. Their purpose is to aid the understanding of the actions that can be taken to address shortages at organisational level and the interaction between public policy initiatives and organisational policies.

1 Evolution of labour shortages

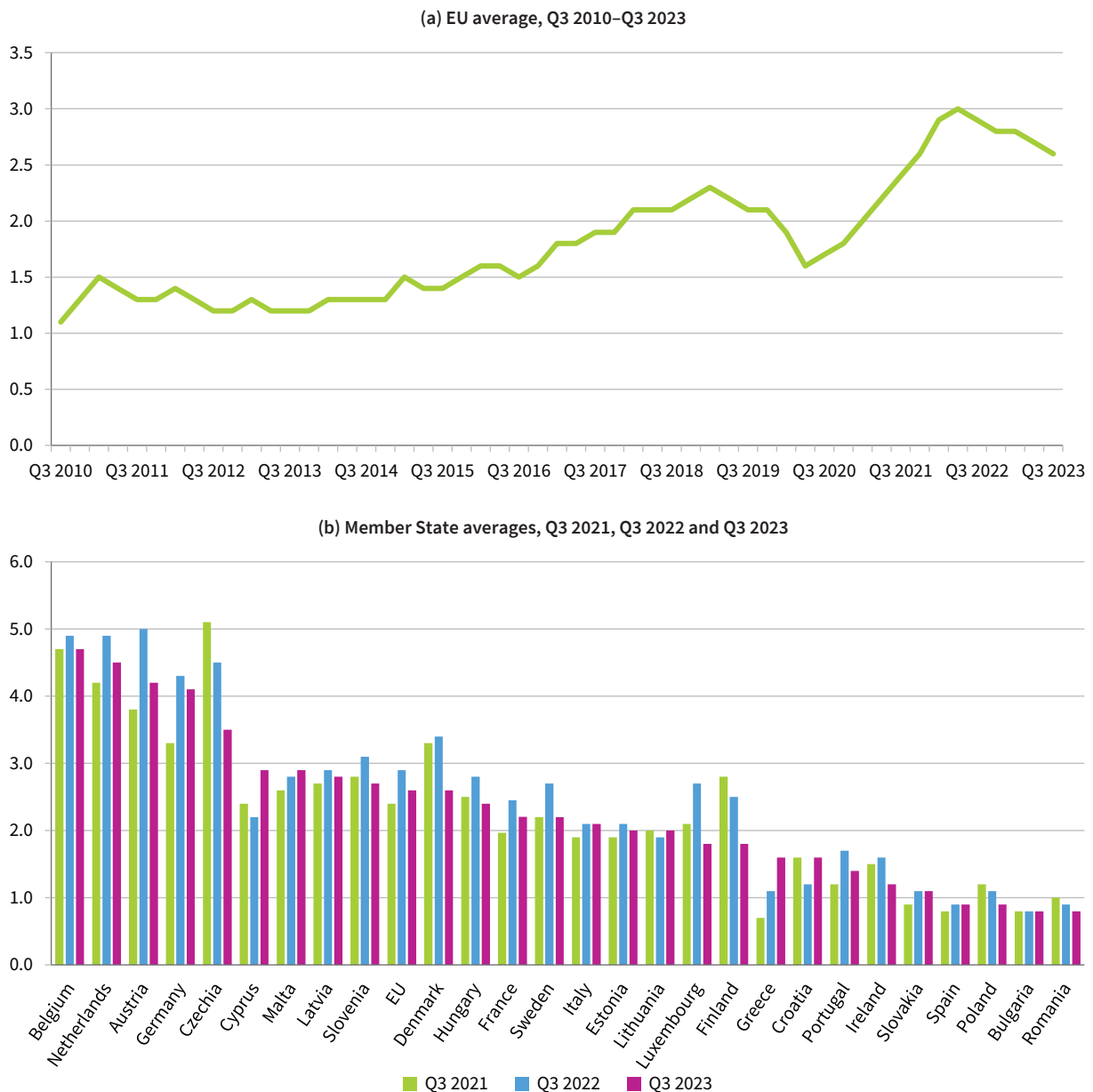
Introduction

This chapter examines the recent evolution of labour shortages, which continued to rise during the recovery from the COVID-19 pandemic, despite the impact of surging inflation, supply chain shocks and flat economic growth. In light of this trend, it goes on to consider change in labour market slack, which has not declined at a comparable pace.

Trends in labour shortages

The EU labour market remained resilient in 2023 despite weak economic growth and high but falling inflation. Following a period of sustained growth for nine consecutive quarters, the employment rate declined marginally, from 75.4% in the second quarter of 2023 to 75.3% in the third quarter of the same year. Amid these developments, labour shortages remained a persistent problem in the EU. The post-pandemic recovery saw a spike in the EU job vacancy rate in line with the historical trend. As Figure 1 (a) shows, the job vacancy

Figure 1: Job vacancy rates in the EU (%)



Source: Eurostat [jvs_q_nace2]; data for France and Denmark are from national sources

rate reached a peak of 3% in the second quarter of 2022, declining to 2.6% by the third quarter of 2023. The slight decrease in the vacancy rate is explained by cyclical factors – including high levels of inflation and subdued demand, especially in certain sectors of the economy, such as construction (Colliac, 2023).

However, job vacancy rates remain particularly high in some Member States. Figure 1 (b) shows that in Austria, Belgium, Czechia, Germany and the Netherlands rates were at or above 3.5% in spite of declining vacancies in 2023. The figure also shows that vacancy rates declined in 18 Member States in 2023, remained unchanged in 4 and increased in the remaining 5. Czechia, a country with a historically high vacancy rate and structural labour shortages, registered the largest decline (-1 percentage point). However, in the majority of countries, the decreases in the vacancy rates were very small – an indication that labour shortages are likely to persist in the absence of significant external shocks.

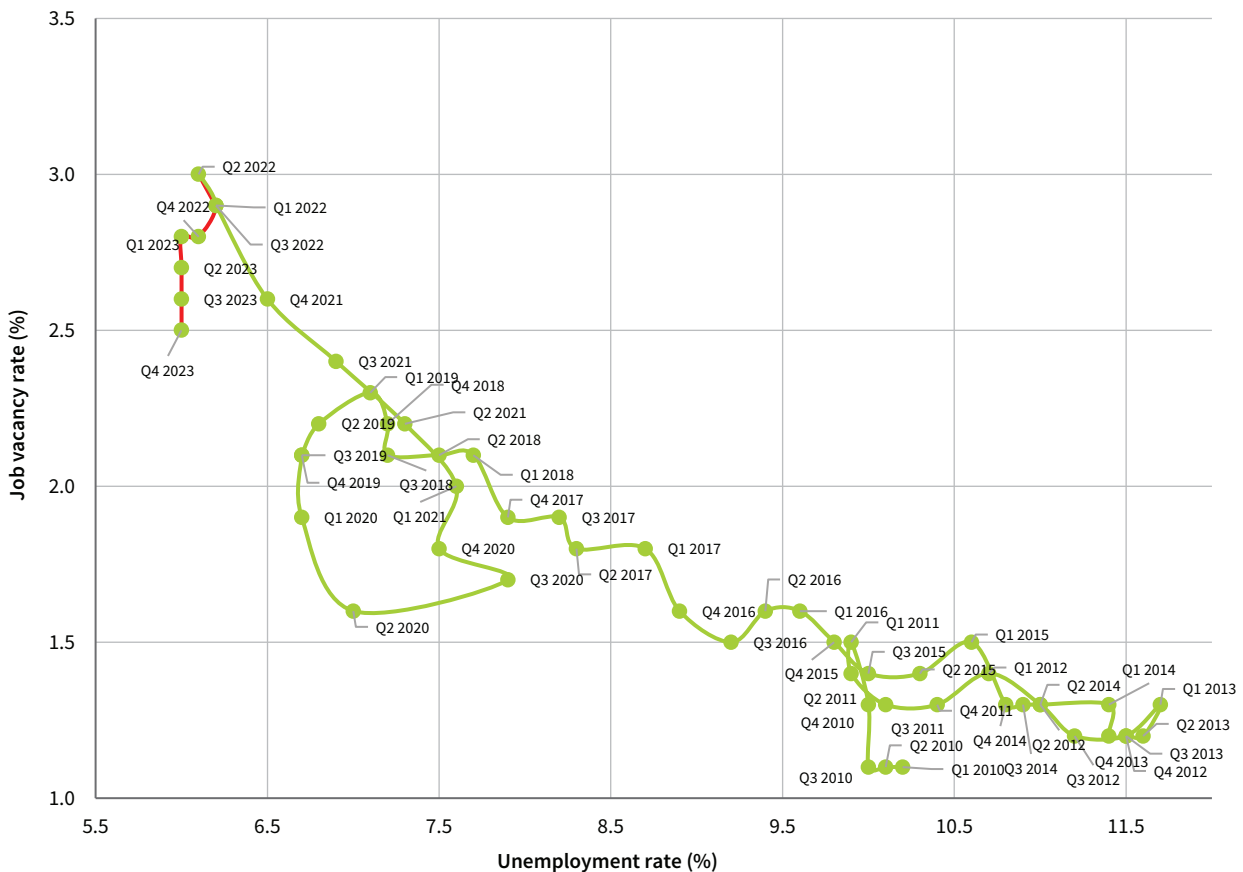
Trends in matching efficiency

A Beveridge curve captures the relationship between the vacancy rate and the unemployment rate. The curve for the EU shows that, while vacancies declined in 2023, the unemployment rate remained stable (Figure 2).

This development goes against the textbook theoretical expectation, which assumes that lower vacancy rates would be matched by higher unemployment rates. Conversely, the theory assumes that higher vacancy rates would be associated with lower unemployment rates – an indication of an increase in the efficiency of the labour market at matching workers to vacant jobs. Figure 2 shows that, while these expectations held until the second quarter of 2022, they cannot explain more recent developments.

The puzzling behaviour of the EU Beveridge curve could be indicative of a dual vacancy model in which qualitatively distinct types of job postings exist: ones targeting unemployed people and ones designed to poach workers from other firms (Cheremukhin and Restrepo-Echavarria, 2022). The effects that each type of vacancy has on the labour market are very different: while a job posting aimed at unemployed people can lead to a hire, reduce the overall unemployment rate and increase the employment rate, a job posting that targets employed workers has no effect on employment or unemployment but can potentially result in higher wages or better working conditions for existing employees.

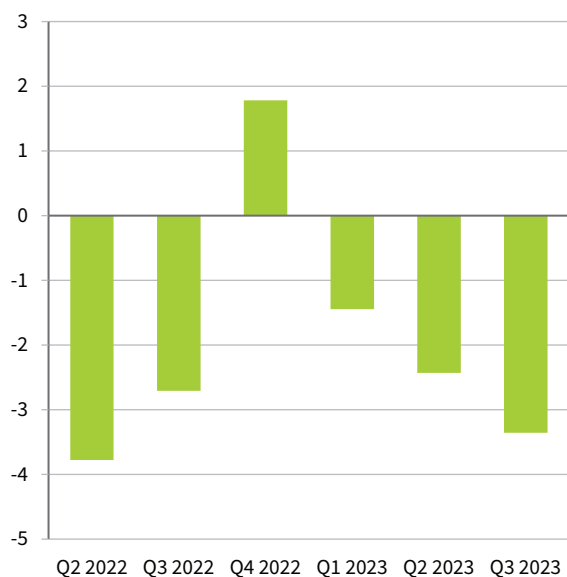
Figure 2: EU Beveridge curve, Q1 2010–Q4 2023



Note: The red line indicates curve since Q3 2022.
 Source: Eurostat [jvs_q_nace2] and [une_rt_q]

Figure 3 supports the poaching hypothesis – that is, that vacancies are being filled by already employed people rather than those who are unemployed or outside the labour market. Using available Eurostat data on labour market transitions, it shows that, except for the last quarter of 2022, the quarterly change in transitions from unemployment to employment was negative, meaning that fewer people went from unemployment into employment than the other way round, despite the high level of job vacancies. Added to this, employee surveys indicate that a growing number of workers in the EU expect to change jobs in the next six months (Sifted, 2023). Furthermore, evidence suggests that, in an attempt to hedge against costly recruitment once recovery resumes, European companies have responded to ongoing structural labour shortages by labour hoarding (VoxEU, 2024). This means that, during periods of low growth, they are more likely to resort to improving the utilisation of their current workforce rather than recruiting new employees (see the section ‘Measures to address labour shortages among SMEs’ below).

Figure 3: Quarterly change in unemployment to employment transitions, EU, Q2 2022–Q3 2023 (%)



Source: Eurostat [lfsi_long_q], authors' calculations

The EU Beveridge curve hides a large variation in the matching efficiency of national labour markets. Figure 4 plots country-level Beveridge points, which provide insights into how the efficiency of individual Member States compared in Q3 2023. Generally, labour markets in countries above the regression line have a relatively poorer matching efficiency, while the reverse is true for countries below the line. Different clusters of countries in the EU can be identified in the figure.

The first group includes Austria, Belgium, Czechia, Germany and the Netherlands, characterised by low unemployment rates and high vacancy rates. The positioning of these countries in the upper-left corner of the graph indicates very tight labour markets and shortages that are unlikely to be cyclical in nature. Rather, labour shortages in these countries are likely to be structural, having as root causes longer-term developments such as demographic ageing, as well as regional and skills mismatches.

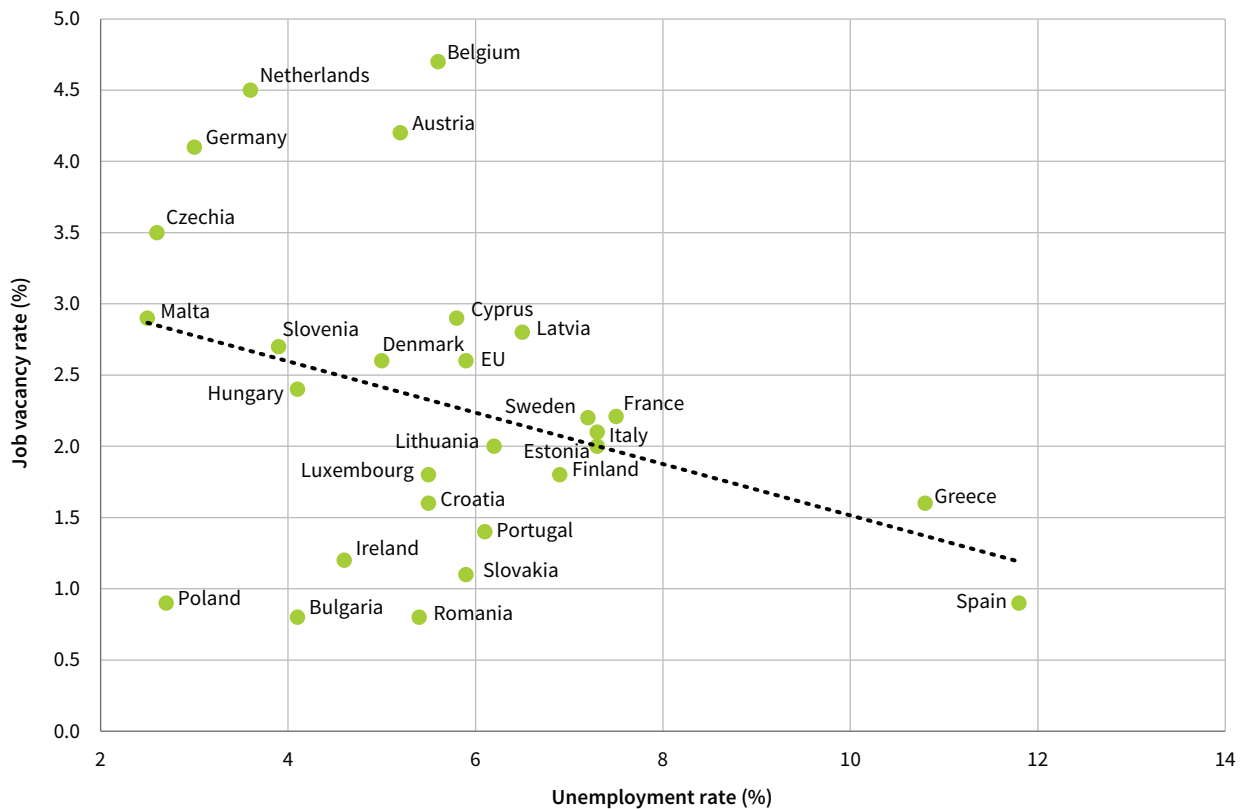
A second group of countries clusters around the EU average. This group includes Cyprus, Estonia, Italy, Latvia and Sweden. These are countries with relatively high unemployment rates and average vacancy rates.

A third group, which includes countries such as Bulgaria, Ireland and Poland, is located below the regression line and covers countries where both unemployment rates and vacancy rates are low.

Greece and Spain are in a separate category, with low vacancy rates and very high unemployment rates. While the unemployment rates in both countries have declined significantly in the past decade, unemployment remains the main structural problem affecting their labour markets.

However, one important aspect worth highlighting is that national averages can hide significant variations in shortages between sectors, occupations and regions. Indeed, even countries where the aggregate vacancy rates tend to be very low have economic sectors that are affected by shortages. For example, in Bulgaria and Spain shortages in the public administration sector are more than double the national averages. In Poland, shortages tend to be concentrated in the ICT and construction sectors, while in Romania shortages affect mainly electricity, gas, steam and air conditioning supply; financial and insurance activities; and the public administration sector.

Figure 4: Beveridge points, EU Member States, Q3 2023



Source: Eurostat [jvs_q_nace2] and [une_rt_q]

Impact of job quality on labour shortages

Table 1 further disaggregates the EU vacancy rate by sector of activity, showing that labour shortages tend to be concentrated in sectors such as construction or ICT but also in parts of the services sector, such as administrative and support service activities and professional scientific and technical activities. By comparison, vacancies tend to be lower in economic sectors that have seen a secular decline in levels of employment, such as agriculture and mining. The comparison between sectors indicates that multiple factors are behind developments in labour shortages. For example, in human health and social work activities and parts of the services sector, poor job quality and low pay remain core drivers of labour shortages (Eurofound, 2023b). In the health and social care sector, labour shortages have become widespread, especially among general practitioners, doctors and associate professional nurses (Eurofound, 2023a). While shortages in the sector are also driven by regional disparities

within Member States, which affect the attractiveness of jobs in less developed areas, precarious working conditions – including long and unsocial hours, high work intensity, and high-risk environments – are a key contributor to shortages. Poor job quality is widespread, especially among nurses and carers, who experience above-average levels of work intensity combined with elevated levels of emotional demands (European Commission, 2023a).

Poor working conditions also explain the persistence of labour shortages in the construction sector. The sector is particularly sensitive to cyclical changes in the economy, leading to high levels of job instability and contractual precariousness. Data on fatal accidents at work reveal that the construction sector accounted for one in five fatal accidents in the EU in 2021 (Eurostat, 2024a), while health and safety issues were particularly common among construction workers (European Commission, 2023a).

Table 1: EU vacancy rate by sector, Q3 2019–Q3 2023 (%)

	Sector	Q3 2019	Q3 2020	Q3 2022	Q3 2023
A	Agriculture, forestry and fishing	2.4	1.7	1.6	1.7
B	Mining and quarrying	1.0	0.7	1.1	1.0
C	Manufacturing	1.6	1.2	2.3	2.0
D	Electricity, gas and steam	1.1	0.8	1.8	1.5
E	Water supply	1.3	1.2	1.6	1.6
F	Construction	3.5	2.9	3.9	3.4
G	Wholesale and retail trade	1.7	1.3	2.4	2.2
H	Transportation and storage	2.2	1.4	2.8	2.4
I	Accommodation and food service activities	2.5	1.6	3.6	3.1
J	Information and communication	3.0	2.3	4.1	3.2
K	Financial and insurance activities	1.4	1.2	1.9	1.9
L	Real estate activities	2.2	2.0	2.3	1.9
M	Professional, scientific and technical activities	2.8	2.2	4.0	3.9
N	Administrative and support service activities	3.9	2.8	4.7	4.1
O	Public administration and defence	1.8	1.8	2.3	2.5
P	Education	1.2	1.1	1.4	1.5
Q	Human health and social work activities	1.7	1.7	2.0	2.1
R	Arts, entertainment and recreation	1.9	1.5	2.1	2.0
S	Other service activities	2.0	1.6	2.2	2.2

Note: EU averages for sectors A, O, P, Q, R and S calculated by authors as an average of the available vacancy rates for Member States, as no Eurostat data are available.

Source: Eurostat [jvs_q_nace2] and authors' calculations (see note)

Evolution of labour market slack

Given the high and growing labour shortages that have been affecting European labour markets since 2014, it is worth investigating to what extent labour market slack – or the unmet demand for paid labour – has declined at a comparable pace. Figure 5 captures labour market slack and its components between 2010 and 2023. The

first aspect worth noting is that the average level of slack declined in the aftermath of the 2008–2012 economic crisis. The decline in unemployment was the main driver of this change. Changes in other components of labour market slack were more muted. Therefore, the growth in labour shortages over the past decade has not brought people with loose attachments to the labour market back into employment.

Definitions

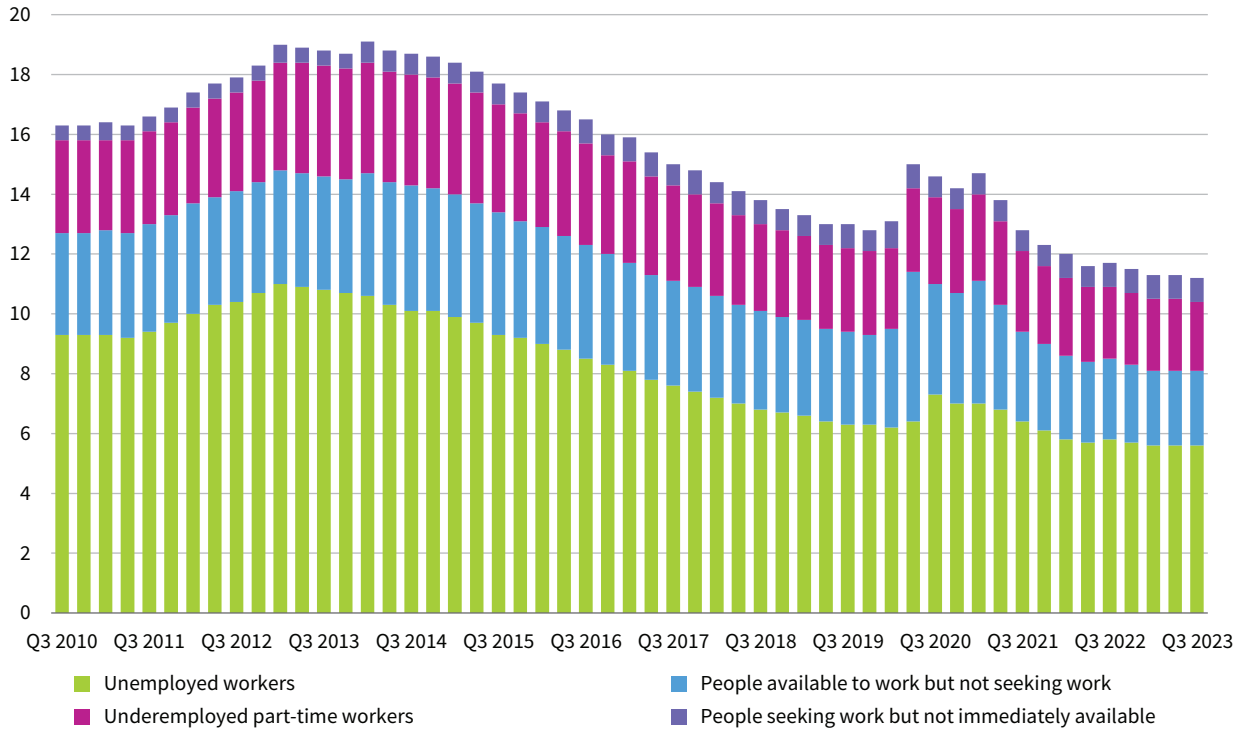
Labour market slack is the unmet demand for paid labour within a given population. The term describes the shortfall between the workers' desired amount of work and the amount of paid work available. Labour market slack exists when there are more workers willing to work a given number of hours than there are available jobs providing those hours of work.

The **components of labour market slack** are (1) unemployed people, as defined by the International Labour Organisation (ILO), (2) underemployed part-time workers (that is, part-time workers who want to work more), (3) people who are available to work but are not looking for work and (4) people who are looking for work but are not available for work.

The **potential additional labour force** comprises the last two groups: people who are available to work but are not looking for work and people who are looking for work but are not available for work.

The **extended labour force** comprises people in employment plus the potential additional labour force. Labour market slack is expressed as a percentage of this extended labour force.

Figure 5: Labour market slack in the EU, Q3 2010–Q3 2023 (%)

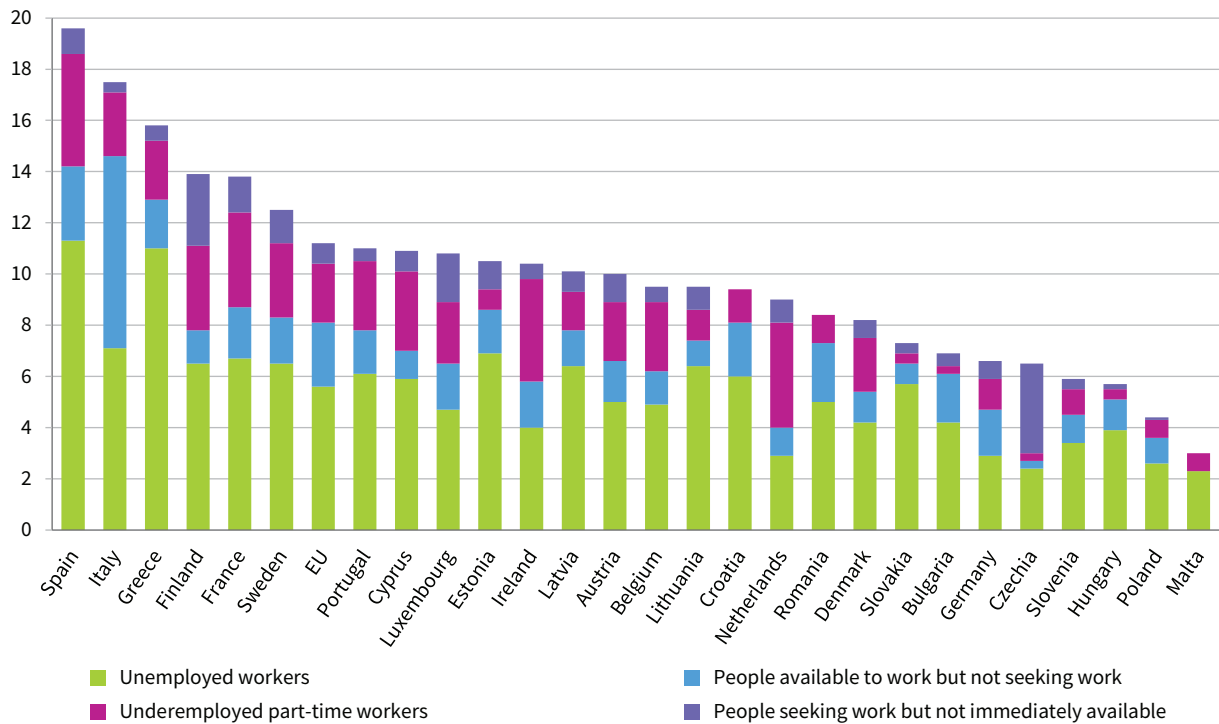


Source: Eurostat [lfsi_sla_q]

The breakdown of the components of labour slack by country indicates variations both in terms of aggregate levels of slack and in terms of the weight of each component of the potential additional labour force

(Figure 6). In five countries – France, Finland, Greece, Italy and Spain – labour market slack makes up more than 13% of the extended labour force. While unemployment is the largest component of labour

Figure 6: Labour market slack and its components, EU Member States, Q3 2023 (% extended labour force)

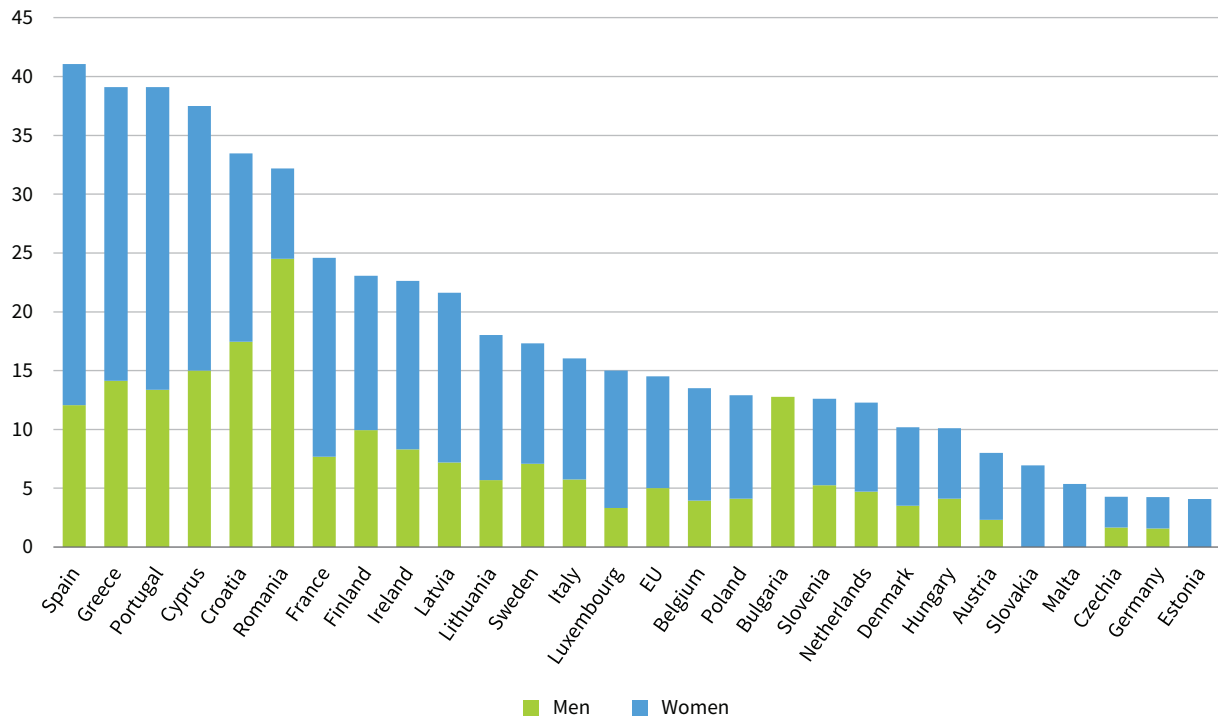


Source: Eurostat [lfsi_sla_q]

market slack in all five countries except for Italy, underemployed part-time workers also account for a large share of labour market slack. In contrast, Italy stands out for its large share of people who are available to work but not seeking work. Around 15% of the inactive working age Italian population state that the main reason for their inactivity is education and training, while another 32% state that they are not seeking employment for family reasons or because they care for family members with disabilities. Furthermore, more than a third of inactive Italians state that they are not seeking employment because they believe that there are no jobs available.

In the majority of Member States, the levels of slack vary between 8% and 13% (see Figure 6), with unemployment levels oscillating around the EU average. Underemployed part-time workers constitute the second largest component driving up the potential additional labour force. In 2023, there were about 5.4 million part-time underemployed workers in the EU, with a large majority of them (65%) being women. In four Member States – Cyprus, Greece, Portugal and Spain – underemployment accounted for more than a third of part-time employment. Furthermore, as Figure 7 demonstrates, despite a closing gender employment gap against the background of increasing female participation in the labour market (Eurofound, 2021a), women remain overrepresented in underemployment in almost all Member States.

Figure 7: Underemployment as a share of part-time employment by gender, EU Member States, Q3 2023 (%)



Note: Eurostat defines underemployed part-time workers as people working part-time who wish to work additional hours and are available to do so.

Source: Eurostat [lfsq_empt] and [lfsi_sla_q]

Summary

While the COVID-19 pandemic put a temporary brake on growing labour shortages, the subsequent labour market recovery brought them back in line with their historical trend. The job vacancy rate reached a peak of 3% in the second quarter of 2022, falling to 2.6% by the third quarter of 2023. Rates in Austria, Belgium, Czechia, Germany and the Netherlands were at or above 3.5%.

Labour shortages remain widespread despite the economic slowdown triggered by rising inflation and supply chain shocks. This indicates that rising shortages reflect structural shifts in European economies, driven by demographic ageing and the digital and green transition.

At the same time, despite tight labour markets and persistently high labour shortages, changes in unemployment rates and, more broadly, levels of labour market slack were muted in 2023. This seems to indicate a mismatch between the skills of the potential additional labour force and the needs of employers.

Movements on the Beveridge curve – which plots the relationship between the vacancy rate and the unemployment rate – suggest that, when facing recruitment challenges, especially in a context of tight labour markets, employers shift their recruitment strategies towards attracting already employed workers. This is especially the case in Member States with low levels of slack. While such an environment can provide opportunities for employed workers to negotiate better pay and working conditions, it also provides fewer opportunities for those not in the labour force to enter employment. This suggests shortcomings in policies aimed at the integration of unemployed people and those currently outside the labour market.

Companies are reporting that lack of labour is limiting production. In some Member States, this sentiment is expressed across sectors, whereas in others it is concentrated in specific sectors. For instance, more than half of companies in the construction sector in Croatia, Czechia, Greece, Poland and Slovenia indicate that shortages are a factor limiting production, whereas more than one-third of services sector companies in Croatia, Germany, Malta, the Netherlands, Poland and Slovenia report the same.

A related issue is skills shortages, which are prevalent across the EU, with 77% of employers reporting difficulty hiring workers with the right skills in 2019. A mismatch between skills needs and skills supply is apparent: 17% of employees were overqualified for their job while 13% were underqualified. One in four newly recruited candidates did not have the skills required for the job.

2 Employer perceptions of labour shortages

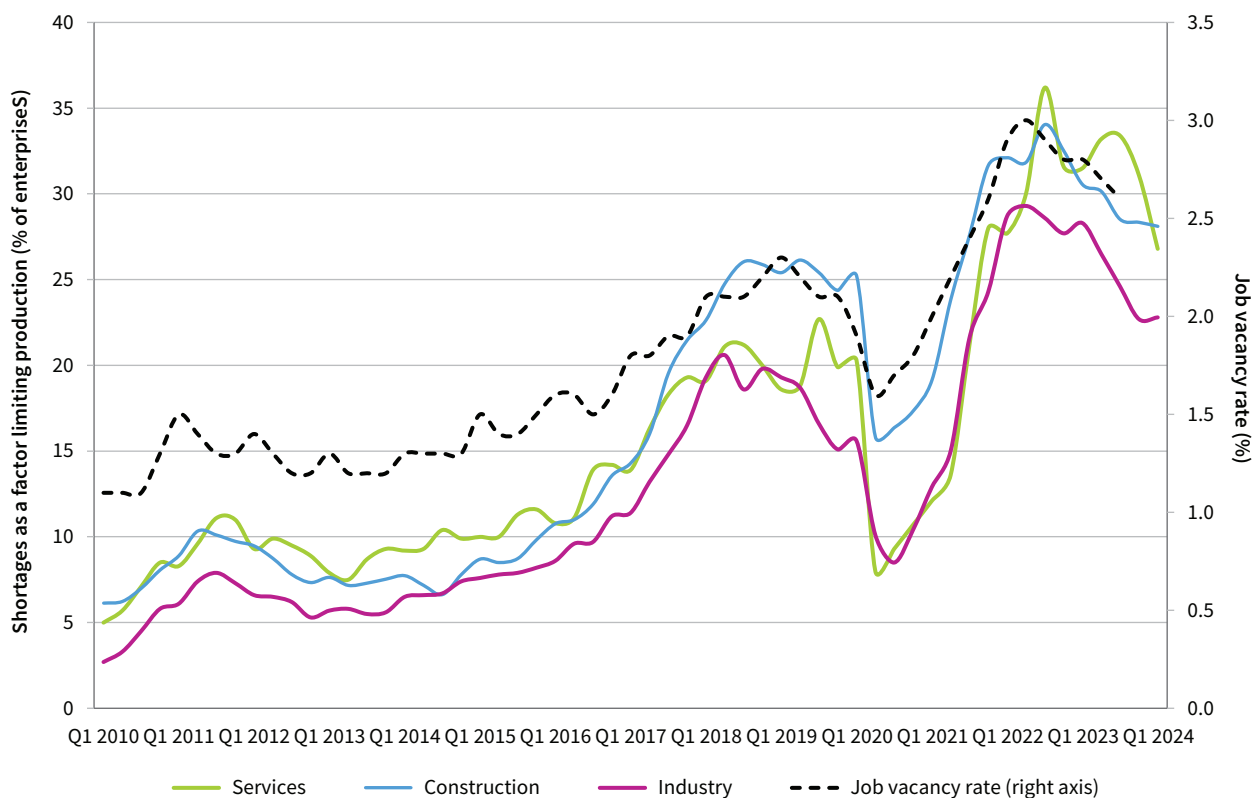
The focus of this chapter is employers' experiences of labour shortages and the related issue of skills shortages. Data from the EU Business Company Surveys describe companies' assessment of the impact of lack of staff on production, while data from the latest European Company Survey (ECS) are used to analyse skills shortages in European companies. The section shows that perceived skills shortages and skills mismatches are prevalent across the EU. It also demonstrates that one in four newly recruited candidates do not have the skills required for the job.

In the final section, the chapter zooms in on the impact of skills shortages on small and medium-sized enterprises (SMEs) and the strategies that SMEs use to address shortages, using data from Eurobarometer 529 (European Commission, 2023b). SMEs represent 99% of all businesses in the EU and employed 84.9 million people in the EU in 2022.

Shortages as a factor limiting production

Labour shortages can also be captured through subjective indicators that gauge the extent to which businesses report that shortages limit their production capacity (Eurofound, 2021a). Figure 8 presents the shares of companies, grouped by broad sector of activity, that mentioned labour shortages as a factor limiting production, alongside the job vacancy rate discussed in the previous section. The first aspect worth noting is that the subjective indicator across all three broad sectors correlates highly with changes in the vacancy rate. However, this indicator of business sentiment is more volatile, especially during times of crisis, indicating the link between companies' expectations and the business cycle. For example, during the COVID-19 pandemic and the recent

Figure 8: Share of companies indicating labour shortages as a factor limiting production, by broad sector and the job vacancy rate, EU, Q1 2010–Q1 2024



Source: EU Business Company Surveys and Eurostat [jvs_q_nace2], authors' calculations

inflationary crisis, the indicator registered larger drops than the vacancy rate.

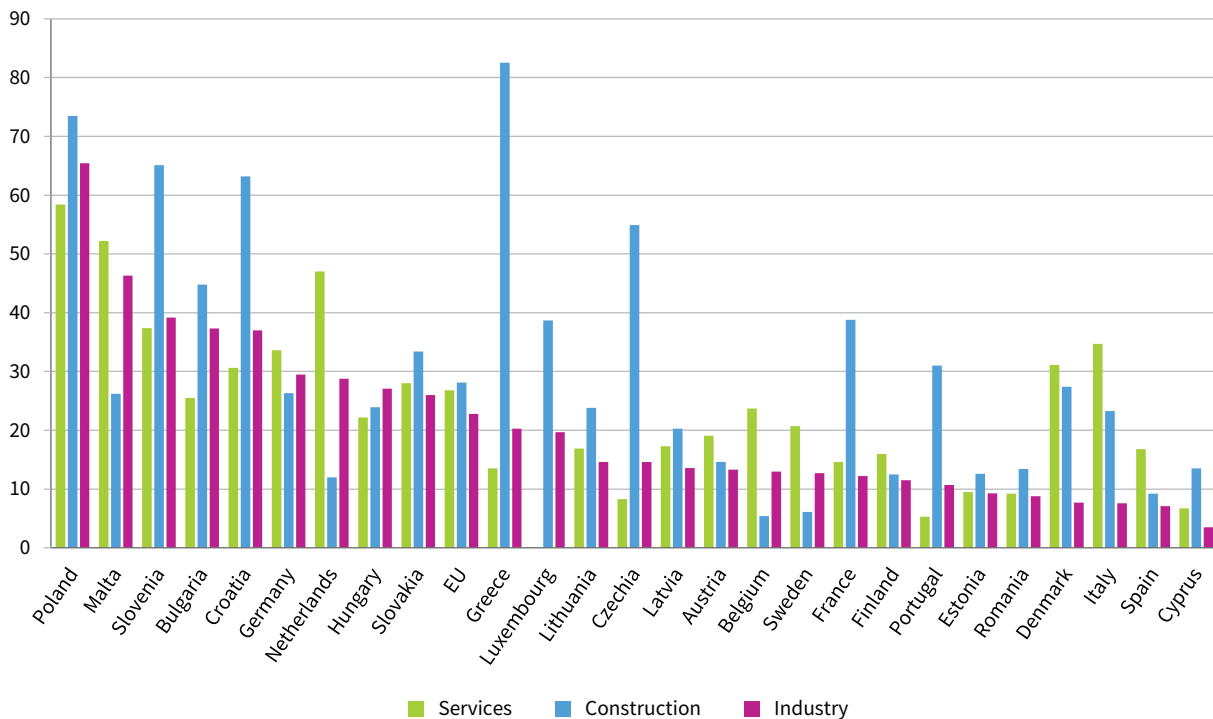
At the same time, Figure 8 shows that the recent inflationary crisis affected each of the three broad sectors differently. In Q1 2024, the largest year-on-year declines in the shares of companies indicating labour shortages as a factor limiting production were registered in industry (-5.5 percentage points), followed by services (-4.7 percentage points) and construction (-2.4 percentage points). The large drop in the industry sector reflects the slowing of industrial production amid a global semiconductor crisis, higher production costs driven by the energy crisis and lower demand from international markets.

The breakdown of the business sentiment indicator by country shows that, while in some countries – such as Poland – labour shortages are a generalised cross-sectoral phenomenon, in others – such as Greece – they tend to be concentrated in specific sectors (Figure 9). Shortages remain particularly high in the construction sector despite a slowdown in production (European Commission, 2024c). In five countries – Croatia, Czechia, Greece, Poland and Slovenia – more than half of companies in the construction sector indicate that shortages are a factor limiting production. As argued in the previous section, a key factor that explains the persistence of labour shortages in the sector is the

unfavourable working conditions, especially the numerous risks related to occupational health and safety. In Greece, 82% of companies in the construction sector identify shortages as a factor limiting production. This exceptionally large share is likely to be driven by cyclical factors, including significant investments in the sector driven by the implementation of the national recovery and resilience plan (European Commission, 2024c).

In six countries – Germany, Italy, Malta, the Netherlands, Poland and Slovenia – more than one in three companies in the services sector indicate that labour shortages is a factor limiting production. Given the heterogeneity of the sector, a variety of factors are likely to contribute to the persistence of shortages. In general, the data suggest that in the aftermath of the pandemic labour shortages increased in subsectors with low-paid, poor-quality jobs (Zwysen, 2023). This conclusion is reinforced by the vacancy data presented in the previous section (Table 1), which show that vacancies are particularly high in administrative and support service activities and hospitality, where earnings and job quality tend to be lower (Díaz-Carrión et al, 2020). At the same time, shortages in other parts of the broad services sector, such as in professional and technical services, are more likely to be driven by a lack of technical skills and competencies than by poor job quality.

Figure 9: Share of companies indicating labour shortages as a factor limiting production, by broad sector, EU Member States, Q1 2024 (%)



Note: No data available for Ireland.

Source: EU Business Company Surveys, authors' calculations

Shortages are also persistent in the industry sector despite the recent slowing of production. In Germany and the Netherlands, almost one in three companies reports that labour is a factor limiting production, whereas the same is true for 65% of companies in Poland. While the industry sector experienced a downturn in 2023 amid shocks triggered by supply chain bottlenecks, high energy costs and a broader transformation of supply chains, labour shortages have also contributed to a decline in industrial output. Research by VoxEU (2022) has found that 5.1% of the decline in industrial output in the EU is explained by labour shortages, with four large countries – France, Germany, Italy and Poland – accounting for 3.9% of this decline.

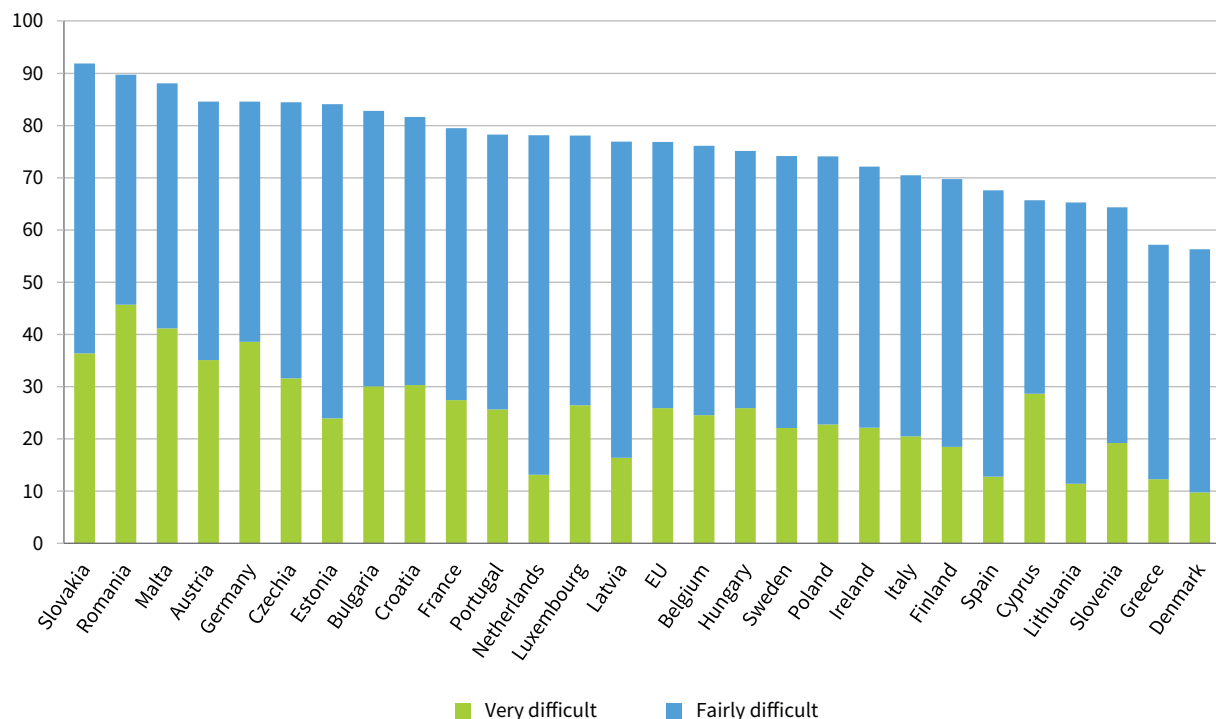
Skills shortages and skills mismatches

Data from Eurofound's ECS show that a majority of employers in the EU (77%) had skills shortages in 2019, with more than a quarter of employers finding it very difficult to hire workers with the right skills (Figure 10).

Skills shortages tend to be widespread across all Member States and particularly in central Europe. More than 80% of companies in Slovakia, Romania, Czechia, Estonia, Bulgaria and Croatia faced difficulties finding staff with the right skills. The same is true for Austria and Germany, where 85% of companies had difficulties with finding suitably skilled employees. Importantly, compared with the previous edition of the ECS – which was fielded in 2013 (Eurofound, 2015) – reports of skills shortages increased in all Member States in 2019.

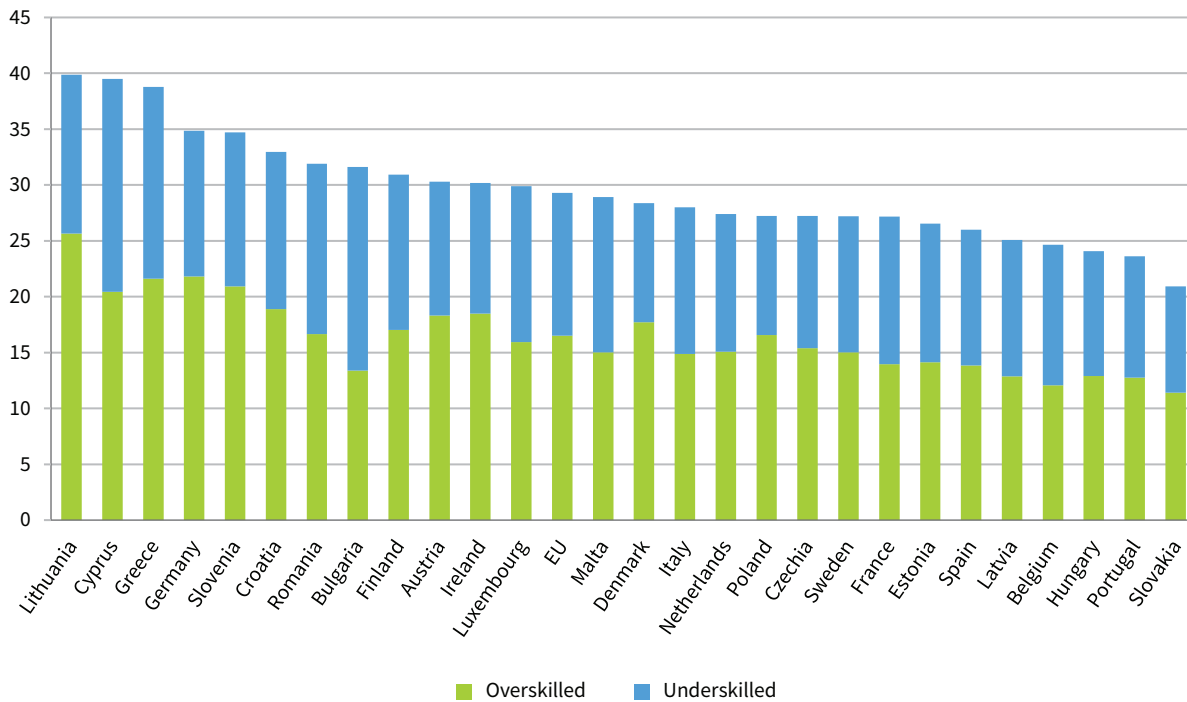
A complementary dimension of skills shortages is the issue of skills mismatches – that is, the extent to which discrepancies exist between the skills or qualifications required for a job and the skills and qualifications that employees possess. Figure 11 provides an overview of the extent of the skills mismatches in the EU, separated into those who have a higher skills level than needed for their job (overskilled) and those who lack the necessary skills to perform their tasks (underskilled). The figure demonstrates that almost one in three employees in the EU are mismatched with their jobs. At the same time, there are more employees who are overqualified for their job (17%) than there are underqualified employees (13%).

Figure 10: Establishments finding it difficult to hire employees with the right skills, EU Member States, 2019 (%)



Source: ECS 2019, authors' calculations

Figure 11: Share of employees whose skills are mismatched with their jobs, EU Member States, 2019 (%)



Source: ECS 2019, authors' calculations

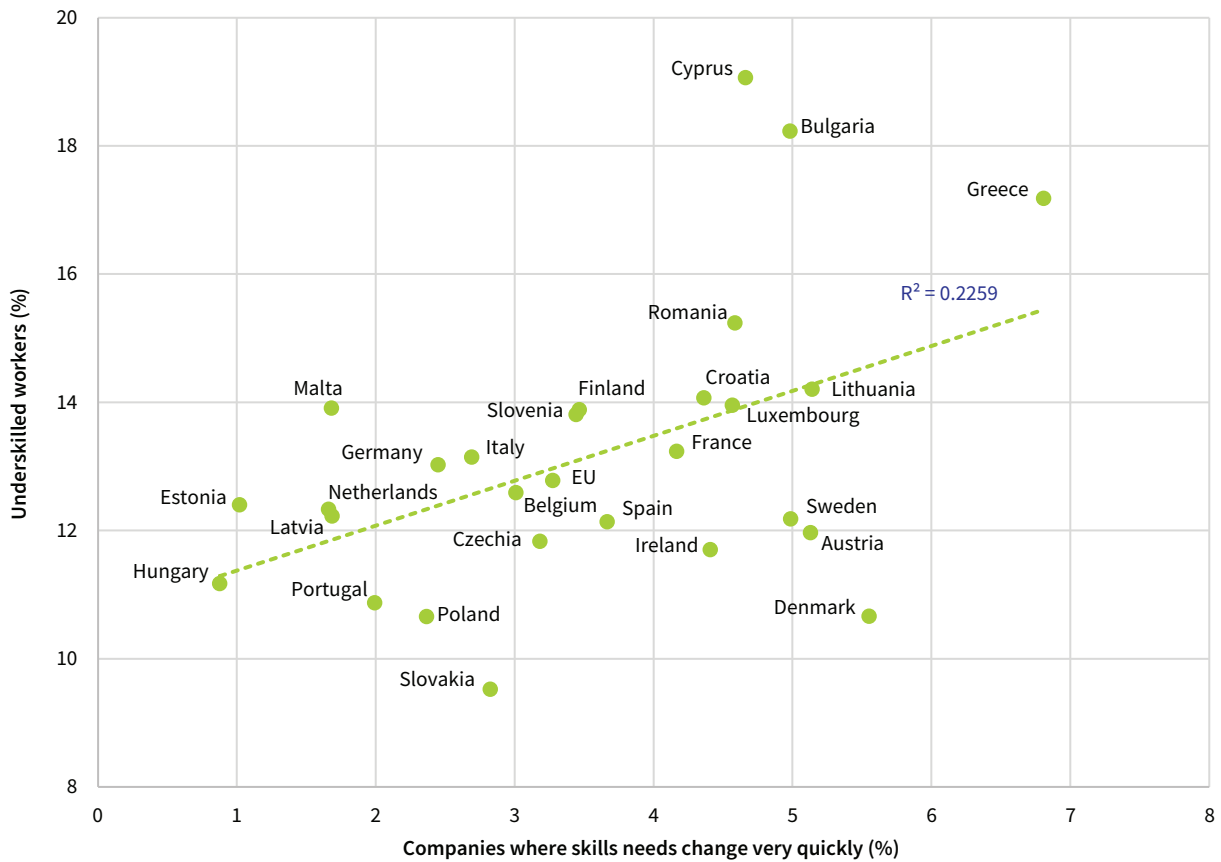
Levels of mismatch are highest in Cyprus, Greece and Lithuania, where they approach 40%. A potential explanation for the high share of employees who are mismatched in these countries is their relatively small economies combined with sectoral specialisation, which may offer fewer opportunities for workers to make use of their skills. In contrast, in Belgium, Hungary, Portugal and Slovakia fewer than one in four employees are mismatched with their jobs.

The extent to which employees must adjust their skills and knowledge to the needs of companies can also affect the level of shortages. The demand for changes in skills sets can stem from various factors, including shifts in the production of goods or services or longer-term structural transformations generated by the digital and twin transition. While the skills sets of those who are overskilled for their current jobs can be more easily adjusted to new demands faced by firms, those who lack skills usually require additional investment in training to keep up with changing skills needs.

Figure 12 shows a positive correlation between the share of underskilled workers and the share of companies where the skills and knowledge needed from employees change very quickly. Labour markets in countries that score high on both indicators (for example Greece, Bulgaria, Cyprus and Romania) are more likely to suffer from skills bottlenecks stemming from a disconnect between the availability of skilled workers and changing skills needs. This is a dimension of labour shortages that complements vacancy data and emphasises that, even in countries where job vacancy rates are low, shortages can persist as a result of mismatches between skills needs and skills supply.

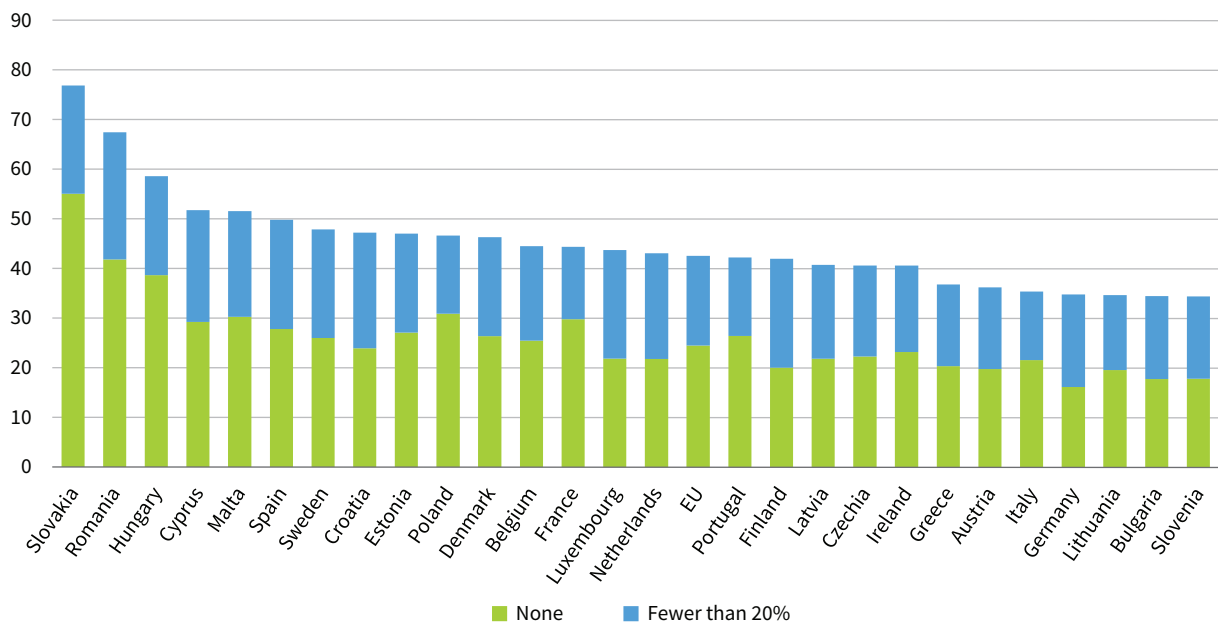
Skills bottlenecks are also reflected in the recruitment strategies of companies, which, when faced with shortages, tend to expand recruitment pools beyond job-ready candidates. In the EU, a quarter of companies recruited no candidates with the skills required for their jobs in 2019 (Figure 13). For an additional 18% of companies, fewer than one in five new recruits had the necessary skills for the job. Recruiting candidates who

Figure 12: Correlation between the share of underskilled workers and the share of companies whose skills needs change very quickly, EU Member States, 2019



Source: ECS 2019, authors' calculations

Figure 13: Percentage of companies where no or fewer than 20% of new recruits have the skills needed to do their jobs, EU Member States, 2019 (%)

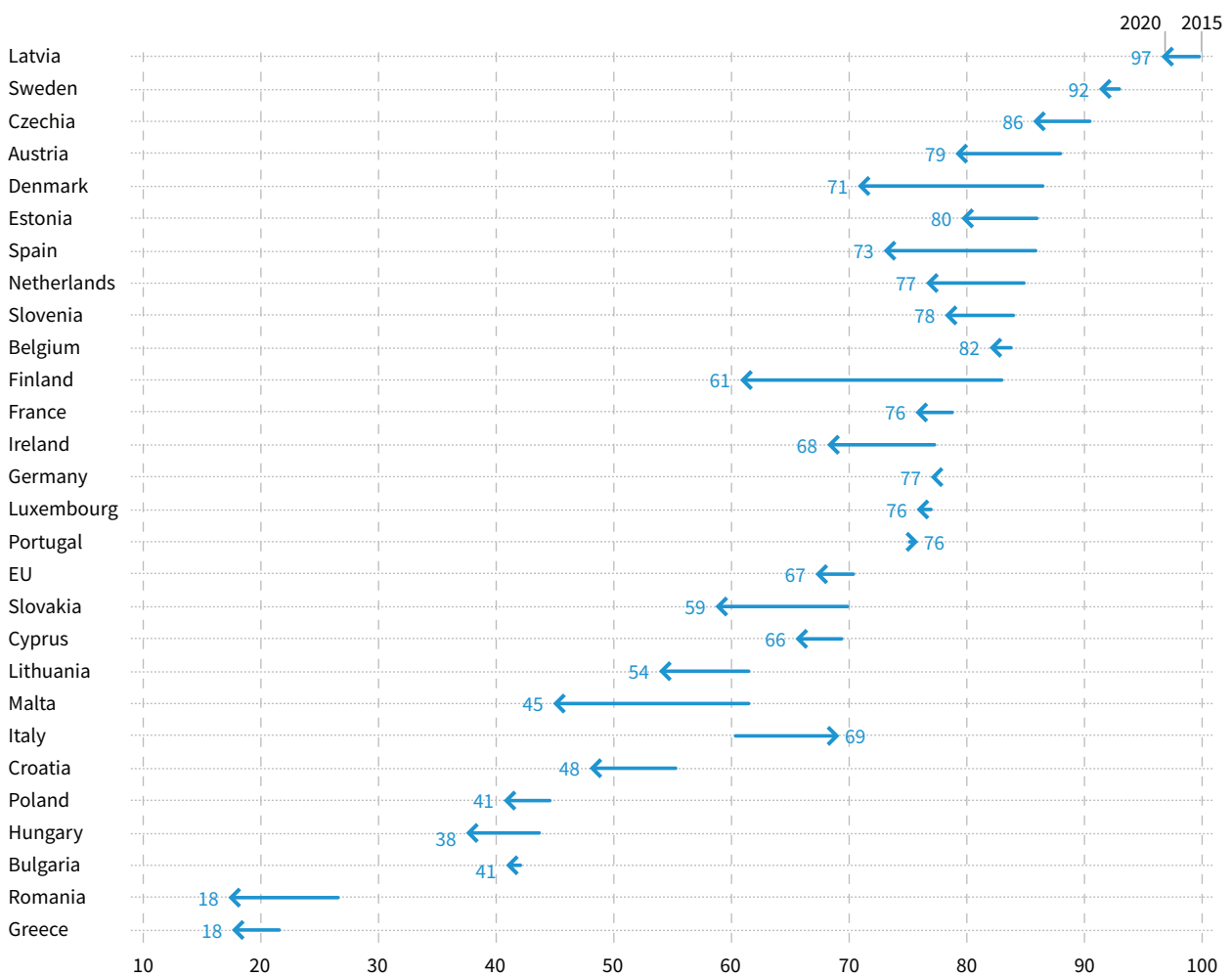


Source: ECS 2019, authors' calculations

do not possess the necessary skills for jobs was most common in some eastern European countries – Hungary, Romania and Slovakia – where a majority of companies resorted to this practice. However, it is important to note that these countries do not rank high in the EU job vacancy rate comparison. This disconnect might reflect a potential bias among managers with respect to the skills required for specific jobs as well as the skills possessed by newly recruited employees. Indeed, as Cedefop (2015) notes, managers’ perceptions of the availability of a skilled workforce are conditioned on personal beliefs about the responsiveness of national education systems to the needs of a competitive economy. Countries where managers believe that the educational and training systems are responsive to the market tend to have fewer skills shortages.

One persistent source of the shortage of skills is the lack of training in companies. As Figure 14 shows, countries with high shares of underskilled workers also rank at the lower end of the distribution in terms of shares of enterprises that provide training to their employees. Fewer than one in three enterprises in Romania and Greece provided training to employees in 2015, with the share declining between 2015 and 2020. During that period, the share of enterprises which provided training declined in all Member States except Italy and Portugal. Figure 14 also shows that geographical disparities in the provision of training persist, with most enterprises in northern and western Europe offering training to employees, while – with the exceptions of Czechia and Spain – all southern and eastern European countries rank below the EU average. However, data for 2020 may have been affected by the pandemic’s impact on the ability to deliver training.

Figure 14: Companies providing training, 2015 and 2020 (%)

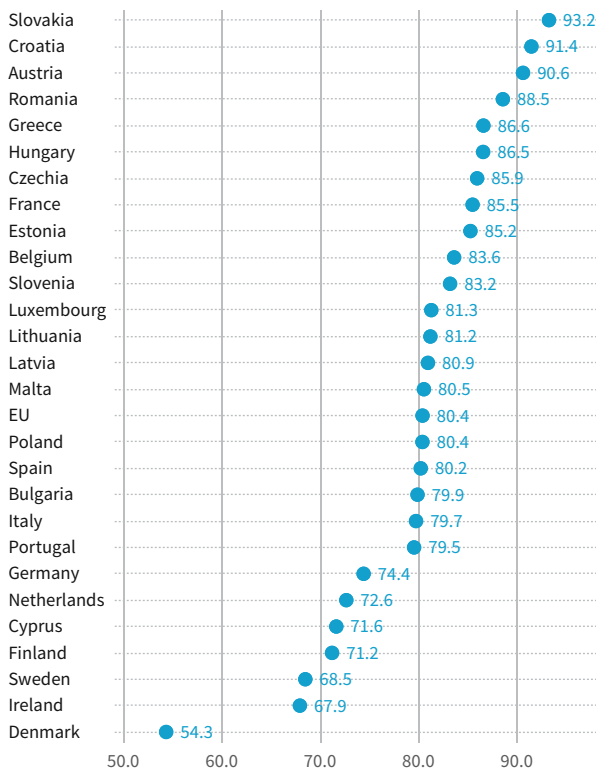


Source: Eurostat [trng_cvt_01s]

Skills shortages among SMEs

Skills shortages are a serious problem for European SMEs. As Figure 15 shows, 80% of SMEs in the EU Member States reported difficulties finding workers with the right skills in 2023. Importantly, the ranking of countries largely reflects the ECS findings shown in Figure 10. Skills shortages among SMEs are the highest in Austria, Croatia and Slovakia, where more than 9 in 10 SMEs had difficulties finding workers with the right skills. At the other end of the ranking, 68% of SMEs in Ireland and 54% of SMEs in Denmark faced similar issues. Skills shortages are also generalised across microenterprises (1–9 employees) and medium-sized enterprises (50–249 employees) and across sectors of activity. A large majority of medium-sized companies have skills shortages in Belgium, Bulgaria, Czechia, France, Romania and Slovakia, with more than 9 in 10 having difficulties finding workers with the right skills.

Figure 15: SMEs facing difficulties finding workers with the right skills, EU Member States, 2023 (% of SMEs)



Note: Data represent weighted totals for categories ‘very difficult’ and ‘moderately difficult’.

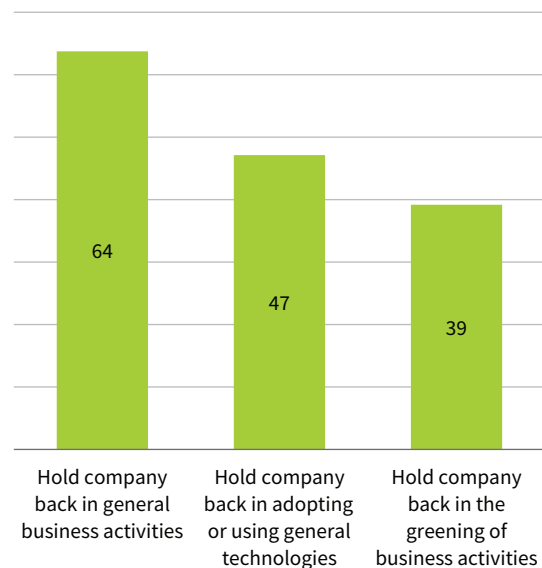
Source: Eurobarometer 529, authors’ calculations

In contrast, skills shortages are similarly widespread among microenterprises only in Austria and Slovakia. Furthermore, skills shortages among SMEs are very high in the manufacturing sector, where 86% of firms have difficulties finding workers with the right skills; 80% of companies in the retail sector and 79% of companies in the services sector face similar difficulties.

Impact of skills shortages

Widespread skills shortages are likely to affect day-to-day business activities and also more strategic investments necessary in the context of the twin transition. As Figure 16 shows, 64% of SMEs identified skills shortages as a factor holding the company back in general business activities. Furthermore, 47% linked skills shortages with holding back the adoption or use of general technologies, while 39% linked them with holding back the greening of business activities. While investments linked to the twin transition are likely to help SMEs in building a competitive advantage, challenges remain. For example, a large majority of European SMEs have a very low or low level of digital intensity.

Figure 16: SMEs’ perceived impacts of skills shortages, EU, 2023 (% of SMEs)



Note: Bars represent weighted totals for categories ‘totally agree’ and ‘somewhat agree’.

Source: Eurobarometer 529, authors’ calculations

Table 2: Reasons SMEs face difficulties recruiting staff, by occupation and size category, EU, 2023 (% of SMEs)

Occupation	1-9 employees	10-49 employees	50-249 employees	EU average
Managers				
Lack qualifications, skills or experience	13.6	16.7	17.5	13.9
Few or no applicants	16.0	18.9	24.9	16.3
Professionals				
Lack qualifications, skills or experience	23.1	22.0	20.4	23.0
Few or no applicants	32.7	38.4	40.2	33.1
Clerical and service workers				
Lack qualifications, skills or experience	13.3	11.5	12.1	13.2
Few or no applicants	15.1	17.5	18.7	15.3
Machine operators				
Lack qualifications, skills or experience	23.5	24.9	25.7	23.6
Few or no applicants	37.1	41.0	40.2	37.4
Manual labourers				
Lack qualifications, skills or experience	19.1	18.7	19.2	19.0
Few or no applicants	29.6	34.3	33.1	29.9

Source: Eurobarometer 529, authors' calculations

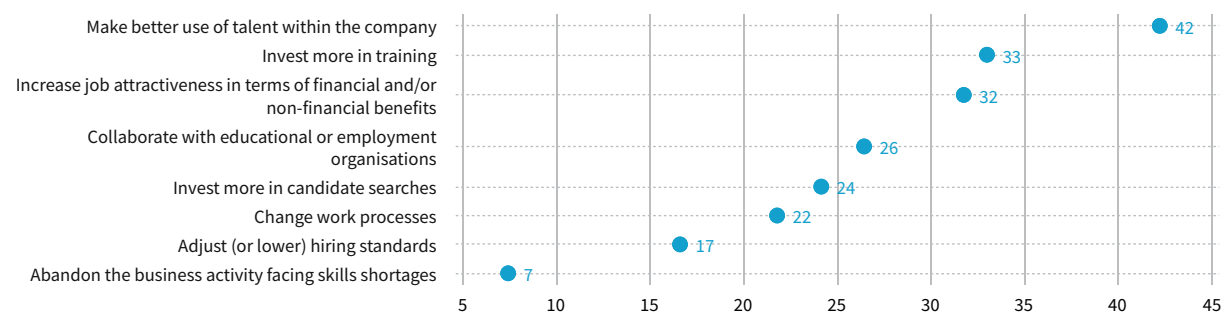
Recruitment challenges among SMEs are especially widespread in relation to professionals and machine operators, according to data from Eurobarometer 529 (Table 2). The main reason SMEs face challenges in these occupational groups is the lack of applicants. Furthermore, around one in three SMEs in the EU face difficulties recruiting manual labourers due to the lack of applicants. Differences in the prevalence of recruitment challenges between sizes of SMEs tend to be pronounced only for professionals, with a larger share of medium-sized enterprises (40%) having such

challenges. In contrast, recruitment difficulties for more generalist occupations such as managers and clerical and service workers tend to be less pronounced across size categories of SMEs.

Measures to address labour shortages among SMEs

Eurobarometer 529 also asked respondents to indicate the strategies they use to address skills shortages in their companies. As Figure 17 shows, most SMEs employ internal measures such as making better use of talent

Figure 17: Strategies used to address skills shortages in SMEs, EU, 2023 (% of SMEs)



Source: Eurobarometer 529, authors' calculations

(42%), investing more in training (33%) and increasing the attractiveness of jobs through both financial and non-financial incentives (32%). Around one in four SMEs collaborate with educational or employment organisations to address skills shortages. Less frequently, SMEs opt to change work processes (22%) or lower hiring standards (17%).

In addition to the strategies indicated above, SMEs can opt to recruit candidates from outside the EU to alleviate labour shortages. As Figure 18 shows, only 9% of SMEs in the EU hired candidates from outside the EU in 2023, with large differences between Member States.

Furthermore, a second Eurobarometer on the topic of skills shortages highlighted that in 2023 16% of SMEs tried to hire foreign talent to address skills shortages (European Commission, 2023c). Around one in four SMEs in Ireland and Portugal recruited workers from outside the EU. More than 1 in 10 did so in Cyprus, Austria, Germany, Poland, France, Malta and the Netherlands. At the other end of the ranking, fewer than 5% of SMEs in Croatia, Spain, Estonia, Slovakia, Finland, Bulgaria, Romania, Italy and Hungary recruited non-EU workers in response to labour shortages. More than half (56%) of the EU SMEs that recruited from outside the EU reported that this hiring process was difficult.

Figure 18: SMEs that recruited non-EU workers, EU and Member States, 2023 (% of SMEs)

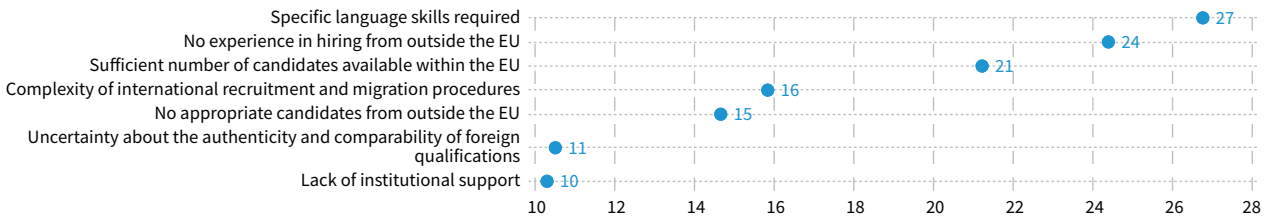


Source: Eurobarometer 529, authors' calculations

Among the SMEs that did not recruit candidates from outside the EU, the most cited reasons, illustrated in Figure 19, are the applicants' lack of language skills (27%), the SMEs' lack of experience in hiring from outside the EU (24%) and SMEs' having a sufficient number of candidates from within the EU (21%). Less

common reasons include the complexity of international recruitment and migration procedures (16%), the lack of appropriate candidates from outside the EU (15%), uncertainty about the authenticity and comparability of credentials (11%) and the lack of institutional support (10%).

Figure 19: Reasons why SMEs did not recruit from outside the EU, 2023 (% of SMEs)



Source: Eurobarometer 529, authors' calculations

Summary

Skills shortages are generalised among European SMEs: 9 out of 10 SMEs faced difficulties finding workers with the right skills in 2023. This has broad implications for the digital and green transition because of the impact on SMEs' business activities.

Given the tight labour market and unfavourable external conditions, most SMEs resort to internal measures to address existing shortages (such as making better use of talent, investing in training, and offering more attractive financial and non-financial reward packages).

Fewer than 1 in 10 SMEs recruited workers from outside the EU in response to skills shortages, and most of those that did found the process to be difficult.

SMEs that did not hire from outside the EU cited the candidates' lack of language skills or their own lack of experience with hiring non-EU candidates as the main reasons for not opting for this route.

3 Organisational measures to address labour shortages

Introduction

Labour shortages have a significant impact at organisational level. An inability to draw from a sufficient pool of labour with the right skills and competencies to meet workplace requirements can either lead to inefficient matching (if employers are forced to recruit workers lacking the right qualifications and capabilities) or result in vacancies remaining unfilled. Both results can negatively affect productivity, competitiveness and the ability to innovate. Working conditions for existing workers and managers in affected organisations or teams can also suffer. New orders or business may have to be turned down or delivered with delays, reducing customer satisfaction and the quality of service and thus contributing to medium-term loss of consumer confidence. Labour shortages are also risk factors for clients in areas such as health and social care and other essential services. Furthermore, new initiatives may need to be abandoned, affecting business viability in the longer term.

Labour and skills shortages are one of the most pressing issues facing employers at this time. Access to a skilled workforce is a key factor in a company's competitiveness, affecting their productivity and innovation potential.

(BusinessEurope, 2023)

As noted in the previous chapter, recruitment challenges can be linked to megadrivers such as demographic change and rapid changes in skills requirements, as well as poor job quality and inadequate recruitment strategies.

In order to gain an insight into how organisations deal with recruitment and retention challenges in a tight labour market, Eurofound carried out 17 case studies in various sectors (construction, health and social care, ICT, marketing, consulting, retail, tourism and transport) across 13 Member States. Four of the Member States had vacancy rates above the EU average (Austria, Cyprus, Czechia and the Netherlands), two had vacancy rates around the EU average (Hungary and Sweden) and seven had vacancy rates below the EU average (Bulgaria, Croatia, Finland, Italy, Poland, Romania and Spain) at the time of study in mid-2023. However, even in countries where the aggregate levels of labour shortages were below the EU average, more localised shortages persisted in specific sectors or occupations. This demonstrates both the complexity of capturing labour shortages with aggregate indicators and the

need to zoom in on the specific realities at company level to unpack how local labour markets affect company needs and responses.

Information was gathered from human resource managers, worker representatives and individual workers involved in measures implemented to address labour shortages. Nine case study organisations had fewer than 250 employees, while seven had more than 250. One case study focused on a non-governmental organisation (NGO) providing job matching for Ukrainian refugees and therefore did not have an individual employer focus.

Case study methodology

Although the case studies are not representative of the whole population of European companies, they provide insights into the scale of the challenges being faced in different contexts, the types of initiatives being adopted, the partnerships in place, and the success factors, barriers and lessons learned with regard to addressing labour shortages. Importantly, the type of measures implemented in the companies selected for the study reflect the current discussions at national and European levels around the type of strategies that can be deployed to address labour shortages (Table 3).

A number of other factors have to be borne in mind regarding the methodology for selecting case studies, as they affect the evidence reported in this chapter. Case study organisations were identified by members of the Network of Eurofound Correspondents based on several criteria regarding relevant shortage sectors, the presence of shortages, the duration for which measures have been in place, and the ability to obtain information from management, employee representatives and the beneficiaries of measures. Given the challenges of recruiting companies to take part in case studies, a positive selection bias must be assumed, as employers with unsuccessful initiatives are less likely to agree to take part in case study interviews. Due to sensitivities around the experience of shortages and their impact on production or service delivery, it also proved difficult in some instances to obtain clear information about trends in the scale of shortages faced by individual organisations. Similarly, the outcomes of measures must be seen within a broader labour market and policy context, and it can therefore be challenging to attribute causality regarding changes in recruitment outcomes to the actions taken. It must be noted that it is the views provided by interviewees in this regard that are reported here.

Nature of measures implemented to address labour shortages

As shown in Chapter 1, evidence from the 2023 Eurobarometer 529 survey of SMEs indicates that, when faced with shortages, organisations are most likely to seek to make better use of in-house talent (over 40% of responding SMEs), followed by investing in training and increasing the attractiveness of jobs in terms of both financial and non-financial benefits (over 30% of responding SMEs). Partnerships also play an important role: over a quarter of SMEs indicate that they collaborate with public or private employment services and training and sectoral institutions. A similar share invest more in candidate searches, while around a fifth seek to change work processes (for example through automation) to reduce labour requirements. Lowering hiring standards tends to be done as a last resort. For around 7% of SMEs responding to the Eurobarometer survey, abandoning businesses or parts of operations that are unable to recruit sufficiently skilled staff is the final outcome of labour shortages.

A survey carried out by BusinessEurope also identifies approaches adopted by companies. These include enhanced pay and working conditions, improved recruitment methods through better employer branding, and greater use of social media and other recruitment tools, such as job fairs. Involvement in the ongoing updates of curricula, initial and ongoing skills delivery at company level and in partnership with other organisations, and a greater emphasis on recruitment from other Member States and third countries are also evident. Some employers indicate that they are placing greater emphasis on candidates' skills and capacities rather than focusing solely on their qualifications. All of these approaches were found among the case study organisations examined for this report.

The types of measures adopted at organisational level can be broadly categorised following Eurofound's typology (Eurofound, 2021a, 2023a) (Table 3), with a number of organisations utilising more than one approach.

Table 3: Typology of organisational measures to address labour shortages

Attracting workers	Activating underutilised labour	Enhancing the use of existing labour
<p>Improving job quality:</p> <ul style="list-style-type: none"> improving working conditions (temporal and geographical flexibility, working time reduction) improving wages providing additional non-wage benefits (e.g. psychological and financial counselling, childcare services, health-related benefits) providing support with housing costs enhancing social security for seasonal workers <p>Enhancing attractiveness and employer branding:</p> <ul style="list-style-type: none"> enhancing sectoral and employer attractiveness by disseminating information about breadth of occupations and career potential <p>Exploiting the potential of mobility and migration:</p> <ul style="list-style-type: none"> recruiting from abroad 	<p>Removing barriers to participation in training and employment:</p> <ul style="list-style-type: none"> addressing barriers linked to health, caring responsibilities, etc. introducing support measures for the integration of migrants and refugees 	<p>Shaping curricula and improving initial and ongoing training:</p> <ul style="list-style-type: none"> providing initial and ongoing training, and work experience adapting training to the specific needs of organisations and jobseekers establishing partnerships with education institutions working in partnership with sectoral bodies and regional development agencies <p>Enhancing recruitment practices:</p> <ul style="list-style-type: none"> expanding recruitment catchment areas (within country) tailoring recruitment strategies to key target groups using new recruitment tools (e.g. social media) improving recruitment pathways (use of external recruiters, employee referral programmes)

Source: Eurofound, based on company case studies carried out for this project

The remainder of this chapter summarises the main approaches used by case study employers and provides illustrative examples of individual company practices.

Attracting workers

Actions aimed at attracting workers to a specific sector, occupation or organisation can take various forms, ranging from improving wages and working conditions to offering additional non-wage benefits, enhancing the attractiveness of specific sectors and occupations, improving employer branding, and recruiting from other Member States or from third countries.

Improving job quality

A clear link exists between poor-quality employment and labour shortages (Eurofound, 2023a). Many of the jobs in sectors experiencing the highest vacancy rates feature an imbalance between job demands and job resources whereby the negative attributes of the job (demands), such as physical or psychosocial risks, high work intensity, unsocial working hours or low job security, outweigh positive attributes (resources), such as a high level of social support, opportunities for career development, flexible working hours, strong organisational participation, task discretion and training and learning opportunities (Eurofound, 2023a). This type of imbalance affects sectors including health and social care, transport, agriculture, commerce and hospitality and also associated job profiles, such as nursing and personal care workers; heavy truck and bus drivers; workers in the hotel, restaurant and catering sectors; and medical doctors.

Enhancing pay, terms and conditions and additional work-related benefits

Six of the case study organisations indicated that, to attract more applicants, they had taken measures to enhance pay or to offer additional non-wage benefits. Pay levels had been increased in order to better compete with larger organisations (in the case of SMEs) or to simply keep pace with rising wages in occupations requiring skills that are in increasing demand (such as data analytics; artificial intelligence (AI) and other ICT skills; and science, technology, engineering and mathematics). In the context of broader labour shortages and an inflationary environment, pay increases on their own were, however, often considered insufficient in the ‘war for talent’. As a result, terms and conditions and non-wage benefits were also improved, including the offer of longer (or open-ended) contracts, enhanced social insurance coverage and additional benefits, such as private health insurance, meal vouchers or gym memberships. In an effort to target early career graduates, who are likely to have concerns about childcare or starting a family, one of the case study employers is also working on offering on-site crèche facilities to attract and retain parents of young children or prospective parents.

The **hospitality and tourism sector** is an example of a sector in which challenging working conditions, including a high prevalence of shift work and antisocial hours, are combined with a high share of part-time and temporary contracts, due to seasonality. In addition, pay and benefits tend to be below average, while skills requirements can include strong customer-facing and language skills and, increasingly, the ability to keep abreast of new digital tools.

The impacts of recruitment challenges in this sector are particularly evident in countries where tourism contributes significantly to gross domestic product (GDP), as is the case in Croatia. According to the Ministry of Tourism and Sport, the sector contributed 16% of the country’s GDP in 2021. In 2023, the sector employed around 105,000 workers in 21,000 companies. While clear job vacancy data are lacking, a regular survey of employers demonstrates that the sector is experiencing increasing recruitment problems, particularly among waiters, cooks, bakers and confectionery makers but also among cleaners and reception and back office staff (HZZ, 2021). Wages in the sector are 14.5% below the median net wage for the whole economy. Furthermore, challenging contractual arrangements and working conditions have a key role to play as drivers of labour shortage. Insufficient staffing leads to productivity loss, longer wait times and poorer customer service, which can be reflected in customer ratings (such as on online platforms). This can rapidly damage reputations and affect future business, and the ability to recruit, leading to a vicious cycle. Some tourism facilities have had to partially or fully close or reduce their capacity due to labour shortages, which has affected revenue and contributed to business failure.

The ability to innovate and attract new business is also constrained. Higher workloads for staff contribute to stress, higher levels of absence, damage to staff morale and increased staff turnover, which in turn increases recruitment and training costs. Some hotels have outsourced hiring by using recruitment and temporary work agencies, but this often leads to increased costs. Although training facilities exist to feed the sector, such courses are often not popular with young people, who prefer to work in sectors with less challenging working conditions and better pay.

Box 1 summarises the sector’s recruitment challenges from the perspective of a specific hotel and the measures taken at national and organisational levels to address labour shortages in the tourism sector. These demonstrate the importance of combining organisation-specific measures with national or regional support schemes to maximise impact. At national level, there is a wide range of initiatives under way to make the Croatian tourism sector more attractive to workers. A measure on permanent seasonal work was introduced 15 years ago. The offer of a fixed-term employment contract for a permanent

Box 1: Improving the attractiveness of the tourism sector – Lessons from a hotel in Croatia

Background and recruitment challenges

The manager of the hotel interviewed for this case study pointed to recruitment challenges including the following.

Skills mismatch: Customer service skills, language proficiency and knowledge of local attractions are important. These are difficult to find locally during peak seasons, and foreign workers often lack sufficient language skills (as well as Croatian, German and Italian are in particular demand) and local knowledge. Prior to the pandemic, many foreign seasonal workers came from neighbouring countries such as Bosnia and Herzegovina, North Macedonia and Serbia, but these workers and many Croatian workers have increasingly chosen to work in the sector in western Europe or left the sector during the pandemic and have not returned. Recruitment is therefore increasingly from countries such as Bangladesh, India, Nepal and the Philippines. Such workers often lack sufficient training and language skills for some of the shortage occupations. Obtaining permission from the authorities to recruit third-country nationals in the sector during peak season is not considered a particular challenge – but recruiting workers with the right skills is.

Location-specific challenges: More remote locations and island hotels often find it more difficult to recruit workers due to a limited local labour pool and poor infrastructure connections. At the same time, in more popular tourist destinations competition for talent is generally high, and larger hotels and restaurants find it easier to attract staff than smaller businesses, as they are able to offer wages above the minima set in collective agreements.

Measures taken

The case study hotel sought to avoid having to reduce its capacity by paying overtime and offering additional remuneration to retain staff. Additional seasonal recruitment requirements were met by offering competitive salaries, bonuses and co-financing of housing costs. It also offered part-time work and flexible scheduling to attract students and workers with care commitments. Seasonal work opportunities were also widely marketed – locally, nationally and internationally – with the assistance of regional trade bodies.

Impact of measures

Using these measures, the hotel was able to avoid labour shortages and the need to constrain its services offer. However, it acknowledged that, as the hospitality and tourism sector increasingly requires new digital and green skills, training pathways and potentially reward systems need to be reconsidered to take account of additional skills requirements.

seasonal job obliges employers to pay pension insurance contributions for their seasonal workers throughout the year and provide a new employment contract for the following season. If a worker refuses the employment contract without objective grounds, the employer is entitled to demand a refund of the contributions paid. Moreover, a permanently employed seasonal worker is entitled to financial assistance for a maximum period of six months of extended insurance. Roughly every fifth worker in tourism was employed on such a contract, but, since the COVID-19 pandemic, interest in this work has been shrinking because there are more opportunities for permanent full-time jobs in other sectors.

To address the needs of a future-oriented tourism industry, a new regional competence centre in tourism was established in Zabok. This new facility focuses not only on the traditional core skills required in the sector but also on new digital and sustainable tourism skills.

Regional tourism boards collaborate with businesses in the sector to organise job fairs and promote careers in tourism, while industry associations assist with marketing and provide workforce planning and training.

Another sector facing job quality challenges and relatively high vacancy rates across the EU is the **construction sector**. This is of particular concern in the context of evidence showing that demand for workers in construction is likely to increase as a result of the requirements for energy efficiency in new buildings and retrofitting as part of the EU's Fit for 55 package (Eurofound, 2023a, 2023c). The example from Romania presented in Box 2 demonstrates the particular challenges of recruiting in a remote location, with the benefits offered including free transport to the workplace from regional hubs. It highlights the importance of infrastructure improvements to make specific regions more attractive to workers. It also demonstrates the potential risks of offering enhanced

Box 2: Enhancing pay and additional benefits – Meeting increasing demand for labour at Saint-Gobain in Romania

Background and recruitment challenges

Saint-Gobain, a French multinational corporation specialising in construction materials, has been operating in Romania since 1994. In 2009, the company acquired a plasterboard company in Turda. Globally, Saint-Gobain employs over 167,000 individuals, with more than 2,000 of these employees working across five distinct subsidiaries in Romania. At present, around 80% of the workforce are men, mostly employed directly on open-ended contracts.

Staff turnover at the Turda plant is relatively high, and demand for workers is significant. Some of this turnover can be attributed to intense work shifts, with the Turda plant operating a three-shift system, seven days per week. Similar construction employers in the same region do not operate such an intense shift system. The shifts can often require overtime hours.

Romania witnessed a significant 10.3% increase in construction volume when comparing August 2023 with the same month in the previous year.

Measures taken

Facing difficulties recruiting adequate workers at the Turda site, Saint-Gobain has adopted a variety of strategies to address the issue. In order to attract young workers, the company has begun offering higher pay to new hires, even if they lack some of the required skills. This approach has been questioned by trade unions, since it creates divergence between more experienced staff and new hires. The company also offers private healthcare and life insurance, meal vouchers and gym memberships. Such perks are facilitated through tax and benefit legislation in Romania. To encourage existing employees to participate in the recruitment process, the company pays referral bonuses if they refer a job candidate to the company. In order to compete with other firms and extend its recruitment reach, the company runs buses for those coming from Cluj and reimburses transportation costs for those who must use other means, such as public buses, trains or personal cars. Social events are also regularly organised to nurture attachment to the company and create a better working environment.

Impact of measures

Anecdotal evidence from interviews with workers indicates that referral programmes have contributed to the recruitment of additional staff, and free transport has also extended the reach of recruitment. However, significant challenges remain in the context of high turnover and an ageing workforce. The company is now considering extending recruitment to third countries with the help of legal advice and recruitment agencies.

pay packages to new (and less qualified) staff in the context of relatively flat pay scales, as trade unions question the fairness of providing such starting salaries without adjusting the pay of more experienced existing workers.

Other case studies also demonstrate efforts to boost recruitment by enhancing pay and additional benefits, even in sectors generally characterised by higher levels of job quality. As mentioned earlier in the chapter, a common feature of the case studies in the **ICT sector** is the rising cost of recruiting skilled staff in a tight labour market, with wages for some specialisations – including experts in data analysis and AI – increasing significantly in recent years. Talk-A-Bot, the Hungarian company discussed in Box 4, sought to address this challenge by introducing a flexible wage system under which employees receive performance-related ‘target earnings’ on top of their basic wages. Targets are defined in accordance with the company’s strategic goals and are seen to be realistically achievable. These

target earnings amount to around an additional 15% on top of the basic wage but can be up to 25% for exceptional performance.

Rising wages are considered to pose a particular challenge for SMEs, which are finding themselves unable to compete with larger companies in terms of salary and career prospects. Opportunities for promotion are more limited in the context of hierarchical organisational patterns. On the face of it, larger companies with more hierarchical layers provide more options for advancement over a longer career, but some smaller companies have been able to market their flatter management structures as an advantage, allowing staff to contribute more directly to development, innovation or expansion within the organisation.

The ability to attract workers with enhanced salary packages is more common in the private sector, since public sector salaries tend to be decided at national or regional level. However, the example of Bidasoa Regional Hospital in the Basque Country, presented in

more detail in Box 14, demonstrates that regional differences in public sector salaries can provide establishments in regions with higher levels of public sector pay with a recruitment advantage over neighbouring regions.

Where basic salaries are set down in collective agreements, company-level agreements offering salary enhancements have been used to attract staff. This approach was used in the Saint-Gobain construction company in Romania (see Box 2), where enhanced salary benefits were combined with offers of free

transport from regional hubs and other benefits, such as private healthcare and life insurance.

With regard to additional benefits, the example of Ipsos in Czechia demonstrates the benefits of tailoring such offers to the target recruitment population of young professionals in the context of a shortage of accessible and affordable high-quality childcare (Box 3). In order to attract highly skilled graduates in an age bracket where childcare concerns are likely, the company is establishing crèche facilities on its premises, with opening hours corresponding to working hours.

Box 3: Tailoring workplace benefits to the age structure of the target recruitment population – Attracting early career workers to Ipsos in Czechia

Background and recruitment challenges

Ipsos provides market and public opinion research and consulting services in 84 countries. Its branch in Czechia was established in 1993 and expanded with the acquisition of Tambor in 2007, which operated in the same space. The Prague branch of the company is responsible for the central European region and manages branches in Austria, Hungary and Slovakia. As of November 2023, the company had a total of 300 employees. Workers are highly qualified, with 95% being university graduates; 60% are women. Recruitment in the Czech labour market, which is characterised by a high rate of labour shortages in general, was particularly challenging in 2019, prior to the pandemic. Since then, the situation has eased.

The company considers recruitment to be more challenging for companies, such as itself, that have lower public brand recognition than companies such as Google and Microsoft. Although the share of university graduates (Ipsos's key target demographic) in the Prague region is high, the competition to attract such graduates is significant, particularly for those with ICT and data management skills, which are required in advertising and market research. Table 4 shows the difference between the numbers of job vacancies and applicants in these fields in the Prague region between 2016 and 2023.

Table 4: Differences between the numbers of job vacancies and applicants in marketing-related sectors in the Prague region, 2016–2023

Year*	ISCO 2431: Specialists in advertising and marketing			ISCO 24313: Specialists in market research		
	Supply (job applicants)	Demand (job vacancies)	Difference (demand minus supply)	Supply (job applicants)	Demand (job vacancies)	Difference (demand minus supply)
2016	44	14	-30	4	133	129
2017	29	16	-13	1	46	45
2018	30	29	-1	5	54	49
2019	20	33	13	2	68	66
2020	21	36	15	0	63	63
2021	29	40	11	1	52	51
2022	23	44	21	0	89	89
2023	20	31	11	1	82	81

* For comparison purposes, 31 January in all cases.

Note: ISCO, International Standard Classification of Occupations.

Source: Ministry of Labour and Social Affairs of the Czech Republic, undated

Measures taken

Ipsos has tailored its measures to address shortages so they focus on the company's target demographic: young graduate job starters.

It is also acknowledged that the age profile of the company means that, at any given time, workers will probably be starting families; wish to take maternity, paternity and parental leave; and have childcare responsibilities. To address this and the challenge of accessing high-quality, affordable, early years childcare services, the company is establishing a 'children's group' (crèche) on the premises, allowing parents to have their children looked after at the workplace before the children are eligible to enrol in kindergarten. Opening hours are set to correspond with working hours. Teleworking is generally possible for two days per week. On-site presence of employees is still considered important, particularly for more junior colleagues, but flexible working hours are offered in agreement with team leaders.

The company offers regular ongoing training, gym memberships, company cars and refreshments at the workplace.

Impact of measures

The company is currently experiencing no significant recruitment issues, apart from ongoing difficulties recruiting workers with German language skills. The employee turnover rate is low, and the company finds that employees who leave to work for larger firms in the same field often return to the company.

Other initiatives to improve working conditions relate to efforts to reduce work intensity to address the risk of stress and burnout. Such measures can help to enhance companies' reputations in recruitment processes but primarily aim to support retention. A Spanish construction company (whose third-country hiring practices are explored in Box 7) also sought to improve project planning to avoid overlaps between projects, as overlaps can lead to higher work intensity, overtime hours and associated stress. A number of other case study companies also mention efforts to plan workloads to avoid the need to work additional hours. More generally, greater temporal and geographical working time flexibility is proving to be of increasing importance in the post-pandemic labour market.

Enhancing geographical flexibility through hybrid working and providing greater temporal flexibility

Case study examples show that, in a tight labour market, improvements in working conditions at organisational level are important across the board, not only in sectors with more challenging job quality features. The post-pandemic experience demonstrates that more priority is being given to geographical and temporal flexibility as well as an overall reduction in working hours, including among younger jobseekers keen to establish a better balance between work and family life. In sectors in which the delivery of a service or the production of a specific output are highly place or time dependent, such measures are clearly more difficult to implement, but they can provide an opportunity to improve attractiveness to jobseekers in occupations in which task delivery can be more flexible.

The shift from workplace-based working to telework, in sectors and occupations in which this was feasible,

during the period of pandemic-related movement restrictions not only contributed to preserving employment but also shifted perceptions regarding the feasibility of remote and hybrid working (Eurofound, 2023d). Although there is some – largely management-driven – emphasis on a greater return to the office, employers reluctant to offer a degree of hybrid working are increasingly experiencing recruitment difficulties. In the 2022 Eurofound Living, working and COVID-19 e-survey, 60% of respondents expressed a preference to work at home at least several times a month, preferring more – rather than less – geographical flexibility than they are currently afforded (Eurofound, 2023e).

It is therefore not surprising that six of the organisational case studies highlighted efforts to provide flexible and remote working opportunities among the measures implemented to recruit and retain staff. For new recruits, the importance of balancing such flexibility with strong (face-to-face) onboarding and mentoring processes is emphasised to aid their integration into the social and organisational fabric and to avoid a sense of isolation. The Hungarian example presented in Box 4 shows that remote working practices do not have to be limited to working from home but can include regional hubs where employees based in close proximity can co-locate and collaborate outside of the head office.

Temporal flexibility, through the ability to adjust working hours to some extent (and within parameters set by the organisation) to personal needs, is a feature of work that is highly appreciated by workers. This is demonstrated by the research finding that the ability to take one or two hours off to carry out personal errands and to deliver these working hours at another time is positively associated with job satisfaction. Some

Box 4: Capitalising on flexible and remote working – Learning from the pandemic at Talk-A-Bot in Hungary

Background and recruitment challenges

Talk-A-Bot is a chatbot provider set up in 2016 and specialising in AI solutions for the automation of internal and external communications. The company witnessed expansion from a chief executive officer (CEO) and 3 employees in 2016 to 45 employees in 2023, having received various venture capital injections in 2018, 2020 and 2022, which supported its growth in central and eastern Europe. The company now has offices in Bulgaria, Hungary, Poland and Romania.

Talk-A-Bot has experienced two primary recruitment challenges in recent years. First, the demand for skilled developers has outstripped supply, leading to significant salary increases. Second, the recruitment of sales professionals has proved challenging due to the introduction of a new Talk-A-Bot service. As the complexity of services has increased, it has become necessary to find workers combining sales, consultancy and customer service skills. These challenges have had a substantial impact on the company's ability to attract and retain the necessary talent to support its growth. The recruitment of non-IT professionals typically takes three to five months.

IT professionals are in short supply in Hungary and surrounding countries. A recent study estimates that an additional 44,000 IT professionals will be needed in Hungary in the coming years. Over 70% of IT jobs require a higher degree, and all jobs are increasingly requiring more digital skills. However, since the company has a good and recognised name in the IT community and offers an attractive and flexible working environment, its recruitment issue mainly relates to sales and consulting staff. Talk-A-Bot has also invested in recruiting women into IT roles and has a higher share of female staff (22%) than similar IT companies. Furthermore, the age distribution of the company is already relatively even, and the Hungarian Association of IT, Telecommunications and Electronics Enterprises (IVSZ), which counts Talk-A-Bot's CEO among its steering group, is working to dispel the image that IT is a young people's field.

Measures taken

The company has maintained a flexible and remote working schedule following the COVID-19 pandemic. During the pandemic, the company developed an 'out-of-the-home-office' programme for workers who did not have ideal working conditions at home. This allowed them to work in empty holiday homes in the countryside and form small groups working together in a safe environment. Although used less frequently now, this option remains available. In addition, workers are allowed to work from home up to three days per week, with two mandatory office days so that teams can meet. When working from home, employees can use two hours of every working day for personal activities – the two hours of work must then be shifted to the morning or evening.

Beyond the flexible working opportunities, the company has created an employee referral programme, which grants a referral bonus of around €350 to any team member referring suitable candidates for posts. The company has also outsourced its recruitment programme to a professional recruitment company.

Impact of measures

Both the use of professional recruiters and the referral programme have contributed substantially to the success of the company's recruitment efforts. Flexible working arrangements contribute towards retention. However, challenges remain in the recruitment of sales professionals, and the company is keen to enhance its career pathways in future to increase the attractiveness of employment. This is partly contingent on further growth, as careers in SMEs are generally flatter than in larger companies.

workplaces address the issue of flexibility by reducing the number of core hours and extending the window of possible working hours. Such approaches can require periods of adjustment and improved planning – for example, ensuring fewer and shorter meetings, limited to briefer time windows, and better coordination within teams to ensure sufficient opportunities for joint meetings and collaboration within a framework of greater flexibility.

Furthermore, while greater flexibility for employees to determine their own working hours can assist in improving work-life balance, it could also bear the risk of normalising working early in the morning or late at night and therefore potentially increasing the actual hours worked, particularly in the home-working environment, where the boundaries between work and private life become increasingly blurred and delivering work using digital tools is possible (Eurofound, 2023e).

As the Austrian case study example of eMagnetix in Box 5 demonstrates, preventive measures may have to be taken to avoid greater flexibility in the distribution of working hours contributing to a perceived inability to disconnect from work, thus potentially increasing overall working time.

Reducing working hours

The desire to reduce the overall number of working hours and to create a better balance between work and private time has been an overarching goal of the labour movement since the mid-19th century. Significant progress in achieving this goal largely came to a halt in the EU at the turn of the 21st century. It has only been in the past five years, and particularly since the pandemic, that a discussion around the reduction of working hours has again assumed greater prominence. This complex debate is located within the wider context of greater automation and digitalisation, concerns over planetary sustainability, the desire for greater work–life balance and space for personal and professional development, the rise in mental-health-related absences from work and growing numbers of disability-related labour market withdrawals, as well as the current labour market situation characterised by shortages.

A number of models of working hours reduction need to be distinguished in the debate, since their impacts and attractiveness vary significantly. These include the compressed work week, where the same number of hours are delivered at the same rate of pay over a reduced number of days; working hours reduction with reduced pay; reduced working hours and reduced output, with the recruitment of additional workers to bridge the output gap; and working hours reduction on full pay, with the expectation of delivery of the same output. It is the last of these models that has been gaining traction, not least because of the promotion of pilot projects and their evaluation in various countries

(through the 4 Day Week Global initiative). Available evaluations appear to point to a relatively high rate of post-pilot adoption of the model owing to the benefits obtained in relation to worker well-being and satisfaction, associated with lower levels of absence and turnover, and improved recruitment rates. In the United Kingdom, which ran a pilot project in 2022, 51% of all participating companies made the four-day work week permanent, 82% of surveyed companies reported positive impacts on staff well-being and 35% indicated that the policy had noticeably improved their recruitment performance (Pignon et al, 2024). However, employer organisations have expressed concerns over efforts to introduce working time reduction, particularly in a context of labour shortages. The feasibility of introducing a four-day work week, particularly in manufacturing (often dependent on full utilisation of machinery), has also been called into question (Zander, 2023). It may also be a challenge from a human resource management point of view, as it could increase administrative processes and burden, particularly for SMEs.

Working time reduction can prove successful in some environments but must be introduced with a significant degree of advance planning to ensure the delivery of similar outputs. Box 5 provides the example of eMagnetix – an online marketing company in Austria that implemented working time reduction on full pay, with the explicit goal of addressing labour shortages. It also demonstrates the evolution of the model since its introduction in 2018 from a five-day to a four-day week. Management representatives argue that, as well as aiding recruitment, the policy has assisted with the retention of staff in a sector in which turnover is generally high. Comparing values for four years before and after the introduction of the change in working hours, productivity in the company had increased by 34%.

Box 5: Increasing employer attractiveness by adjusting working time requirements – The 30-hour work week at eMagnetix in Austria

Background and recruitment challenges

eMagnetix is an online marketing company based in a small town in Upper Austria, close to the Czech border. The company was founded in 2009 by two entrepreneurs with one full-time employee. By 2018, the company had 25 employees and was experiencing increasing difficulty recruiting suitable specialists in the areas of e-business, e-commerce, online marketing, digital communications, digital business and media management, media and communications consulting, project management, and information systems and business informatics. Recruits generally require tertiary education. Although regional universities provide relevant training, the number of graduates is insufficient to meet increasing demand for workers with ICT skills. It is estimated that the Austrian labour market required an additional 11,500 IT professionals in 2022–2023 (Tikvic and Wohlgemuth, 2023).

For the company, recruitment is further complicated by the fact that it requires an advanced mix of ICT and marketing skills, and also project management skills. Its location away from urban centres in an area with more limited public transport availability has acted as a further barrier to recruitment (the company opened an office in Linz shortly before the pandemic, but the decision was subsequently taken to close this facility as teleworking became more widespread). Having experienced a situation where not a single application was received in

response to a job advertisement for several weeks, the management team stepped up its efforts to find solutions to the company's recruitment challenges. The recruitment shortfall was not only restricting the company's growth potential (with the company losing potential customers because it could not accept new orders or could offer only long deadlines) but also increased paid overtime among key workers. The goals were to become a more attractive employer, to receive more applications for job openings and to meet the changing needs of the company's largely younger workforce.

Measures taken

Following a few unsuccessful initiatives aiming to provide in-house training, the company took inspiration from a Swedish marketing company and decided to transition towards a 30-hour working week on full pay. In informal consultation with the workforce (there is no works council in eMagnetix), a plan was agreed to implement the working hours reduction in two stages: a first reduction from the 38.5 hours set out in the collective agreement to 34 hours from June 2018 and then a further reduction to 30 hours in October 2018. The figure of 30 hours was chosen since survey data show that this roughly corresponds to the desired number of working hours among Austrians.

In order to achieve the same performance in the context of reduced working hours, significant effort was invested in preparatory work, including scrutinising time management. As a result, long internal meetings were reduced and streamlined. Daily calendars were restructured to allow for the creation of more uninterrupted periods to enable more concentrated work. Some more standardised processes were automated to allow for more creative work to be carried out. Similarly, work was carried out to assess the average time required for various tasks. Together, these measures allow the company to plan staff capacity further ahead.

Flexitime always existed at the company, but core hours were reduced over time and are now limited to between 09:00 and 12:00. The flexitime window of possible working hours has been extended (now covering 06:00 to 22:00). Email availability outside working hours has also been eliminated to ensure workers disconnect in their free time. Outside the flexitime framework and at weekends, email receipt is deactivated for all employees, including management. This means that no emails can be sent or received at the weekend. Delivery of any emails sent during these times is delayed until Monday morning.

In the first two years of the measure, the 30 hours were spread over five days, but subsequently workers were given the choice to either continue in this pattern or work a four-day week. Initially, employees were asked to indicate by Wednesday which days they wished to take off in the following week to allow for 50% presence of the team (with coordination taking place at team level). However, it was subsequently possible to drop this requirement, as coordination worked smoothly.

Working from home is possible for all employees, with one day per week (Tuesday) fixed as an office day for all staff to ensure that workplace communication and social life are not neglected. On office days, after-work social events are often organised. In addition, the company has introduced a buddy system for new recruits and professionalised its induction and ongoing training offer.

Impact of measures

The measure rapidly brought positive changes, with an increase in the number of job applicants and media coverage, which even led to a new investor coming on board. While previously there would have been 10 applications for junior positions, after the introduction of the policy there were 100. While no applications were previously received for a senior position, more recent advertisements garnered 80 applications from high-calibre candidates. The positive media coverage assisted in giving the company a pioneering role and enhanced its image as a good employer. The increasing ability to recruit assisted the company in increasing its customer base, particularly after the pandemic, when demand for its services grew. As a result, the number of employees now stands at 40. Overtime hours are now kept very low at around 2% and, if overtime is worked, employees are encouraged to take compensatory time off soon after. Employees use their additional free time for family and domestic commitments and also for sports and further training. An internal assessment of the measure shows that employees are more motivated; still feel physically, mentally and emotionally fit; and have energy reserves at the end of the working day. High levels of staff satisfaction are regularly expressed in staff surveys.

Provision of additional benefits that address barriers to recruitment

Additional barriers to recruitment that may arise are linked to the attractiveness of, or the cost associated with, living in particular towns and regions. In the case studies, the issue of attractiveness was particularly evident in smaller towns and rural locations less well connected by public transport infrastructure and offering fewer draws in terms of cultural and social life, educational provision, or high-quality health and social care provision. By contrast, urban locations that do offer these facilities can face challenges related to the high cost of living, and of accommodation in particular.

It is clear that such challenges require a broader policy and integrated regional development approach. However, employers can also play a role in addressing some of these barriers. As mentioned, the offer of free transport from regional hubs to employer sites is one way of overcoming insufficient public transport infrastructure. In addition, three case study employers offer assistance with sourcing accommodation or directly provide housing. An example of the latter is in the case study of the Bulgarian Sea Hotel, which houses refugees from Ukraine while at the same time providing employment opportunities at the hotel (see Box 10). In the case of the Bidasoa Regional Hospital in the Basque Country, the employer – with the assistance of existing staff members – provides a specific service seeking to provide short-term accommodation for nurses recruited to cover holiday periods of permanent staff. The Na Františku Hospital in Prague uses its links to the municipality to offer lower-than-market-cost accommodation to workers meeting a number of criteria.

The Na Františku Hospital is one of the oldest hospitals in Europe and is owned by the Prague 1 Municipal

District. In 2022, the hospital had 411 employees (79 doctors, 243 other medical personnel and 46 non-medical staff). A further 43 non-medical staff work in auxiliary positions (cleaners, staff responsible for building and grounds maintenance, and so on). Around 63% of staff are women, and the average age of employees is 47. The hospital employs 58 foreign workers, of whom 25 are Ukrainians. The Czech labour market is among the tightest in the EU, with the health and social care sector particularly affected. Table 5 shows trends in the differences between job supply and demand among doctors, nurses and midwives in Czechia, demonstrating that demand by far outstrips supply. The shortage of doctors is particularly severe.

Figures from Prague show that, in 2023, demand for doctors exceeded supply by a ratio of more than three to one. Among nurses, this ratio was two to one.

Labour market slack is limited in Czechia, and recruitment from certain groups, including women, is limited by the lack of offers of part-time and flexible work and affordable and high-quality childcare facilities. The Czech government has been making efforts to encourage immigration by reducing the administrative burden associated with recruiting workers from third countries. However, according to the Czech Chamber of Commerce, these projects did not have sufficient capacity in terms of the numbers of workers who could potentially obtain work permits (HK, 2023). The influx of Ukrainians fleeing the war in Ukraine has also failed to alleviate the situation, as language remains a barrier and displaced individuals are mostly women who have small children and who would therefore require childcare support and (potentially) flexible working arrangements. More information on the recruitment challenges and measures adopted at this hospital are outlined in Box 6.

Table 5: Differences between the number of job vacancies and job applicants in the Czech health and social care sector, 2016–2023

Year*	ISCO 221: Doctors (dentists not included)			ISCO 222: General nurses and specialised midwives		
	Supply (job applicants)	Demand (job vacancies)	Difference (demand minus supply)	Supply (job applicants)	Demand (job vacancies)	Difference (demand minus supply)
2016	155	997	842	281	254	-27
2017	155	1,345	1,190	189	327	138
2018	143	1,430	1,287	141	355	214
2019	133	1,479	1,346	114	256	142
2020	135	1,343	1,208	197	293	96
2021	132	1,281	1,149	221	351	130
2022	229	1,372	1,143	256	333	77
2023	215	1,369	1,154	216	328	112

* For comparison purposes, 30 October in all cases.

Note: ISCO, International Standard Classification of Occupations.

Source: Ministry of Labour and Social Affairs of the Czech Republic, undated

Box 6: Assistance with housing and other support services – Recruiting medical personnel to the Na Františku Hospital in Prague

Background and recruitment challenges

A number of factors contribute to the shortage of doctors and nurses at the Na Františku Hospital.

- Many graduates from medical school opt for better financial returns by working abroad or in the pharmaceutical industry.
- Shift-based work, particularly in acute nursing, acts as a barrier to recruitment and retention, particularly among nurses with young families.
- Interest in nurse training declined in the years post EU accession, when requirements for training changed (degree-level qualifications became required).

In 2017, the government changed the training system to allow more flexibility in the delivery of training programmes. In addition, salaries for nurses were increased. According to the Ministry of Health of the Czech Republic (2019), with the introduction of these changes, in addition to other factors such as the awarding of higher salaries, the situation has stabilised in the sense that nurses are no longer leaving the health and social care sector. Nevertheless, there remains a shortage of around 3,000 nurses in the sector (Zdravotnický deník, 2023).

In early 2024, the Na Františku Hospital lacked 12 medical doctors of various specialisations and 12 other medical-related workers. The hospital considers this shortage to be less significant than in previous years, and it does not prevent the facility from offering all of its services. However, future development of the hospital is considered constrained by the ongoing staff shortage.

Since salaries in different hospitals are largely at the same level, individual establishments have to work to attract workers (often from other hospitals) with additional benefits.

Measures taken

For the Na Františku Hospital, its location in the centre of Prague is both an advantage and a disadvantage. The advantage is its proximity to good public transport links and civic amenities, whereas the disadvantage relates to high property prices and rental costs in the vicinity. The hospital seeks to overcome this challenge by assisting workers with finding affordable housing. It owns three dormitories within walking distance of the hospital, which staff are able to use. For employees who have or are planning to start a family, the hospital is able – in cooperation with its founding authority, the Prague 1 Municipal District – to provide rental accommodation with favourable rents (on average about 40% lower than market prices). This option applies to all job positions (in other words, it is available to both medical and non-medical personnel, regardless of qualifications, number of years of service, and so on). Any of the hospital's staff can apply for an apartment at any time, and such requests are then discussed by hospital management. If management concludes that the applicant's competencies, skills and professional experience are of sufficient importance to the hospital, it submits an application to the Prague 1 Town Hall, which then allocates a rental apartment according to availability. The waiting period typically varies from one week to half a year.

Since the hospital cannot compete with larger university hospitals in terms of offering a wide range of specialisations and services, it seeks to exploit its more 'family-like' nature as a smaller facility. Part of this is a number of services offered via the hospital's human resource department, including free psychological assistance and financial advice. In order to retain staff, the management is also proactive in offering the possibility of part-time working. As a result, the share of part-time workers at the hospital stands at 30%, compared with just 5.6% in the Czech labour market, according to 2020 Eurostat data.

The hospital has also benefited from the additional recruitment of Ukrainians (see also the section 'The role of mobility and migration', below).

Impact of measures

The hospital is currently experiencing no significant labour shortages but would like to further support recruitment in order to be able to expand the facility's services. The offer of accommodation and the recruitment of Ukrainians have helped to address previous shortages. The hospital would like to be able to reduce the turnover among auxiliary staff, which remains high, but is not able to compete with other sectors regarding salaries for jobs requiring similar skills levels.

The role of mobility and migration

Labour mobility both within and between Member States plays an important role in addressing labour shortages. Despite the pandemic, the share of EU movers between the ages of 20 and 64 remained relatively stable at around 10.2 million. The main countries of origin are Romania (27%), Poland (12%) and Italy (10%), with the main destination countries being Germany (31% of active EU movers), Spain (12%) and Italy (10%). Together, these countries account for over 50% of intra-EU mobility. Over 30% of movers had higher education qualifications, and their labour market performance outstrips that of nationals, with an average employment rate of 74%. However, EU movers are more likely to be overqualified for low-skilled jobs than nationals. The 2022 annual report by the European Commission on intra-EU mobility (which reports 2021 data) concludes that the overall small share of EU movers is currently insufficient to mitigate potential labour shortages at occupational level in the short term (European Commission, 2023d). The annual report on shortage and surplus occupations published by the European Labour Authority (ELA) increasingly aims to map the potential for cross-border (and other intra-EU) mobility, where shortages in one country can be addressed by surpluses in another. It also aims to boost the role of the European employment services (EURES) in assisting matching. While such potential exists (ELA, 2023), the overlap of shortage occupations in many Member States means that there are limitations in the extent to which the persistence of shortage occupations can be addressed with the tool of intra-EU mobility.

With the persistence of labour shortages in the EU, employer organisations' call for an easing of restrictions on third-country migrants' access to EU labour markets has become louder. BusinessEurope expressed its support for a well-designed EU Talent Pool as a complementary way to address employers' skills needs, while the European Trade Union Confederation remains highly critical of the set-up of the proposed matching tool (ETUC, 2023). Around 60% of employers responding to a survey conducted by BusinessEurope in 2023 indicated that they are open to exploiting the possibilities of third-country migration to address organisational shortages (BusinessEurope, 2023). Many Member States' governments also consider migration from third countries to be an important source of labour, although important variations remain in the balance of policy emphasis accorded to easing third-country migration against efforts to activate those who are unemployed or inactive in the national labour markets. This depends both on the scale of shortages and labour market slack and on policy and political emphases at national level (Eurofound, 2021b). Most Member States use a demand-driven model of managing third-country

migration, allowing them to adjust labour market migration policies based on the scale of shortages.

Eurostat data show that, in 2020, there were 23 million non-EU nationals living in Member States. Therefore, third-country nationals make up around 5% of the EU population. In terms of labour market performance, while EU movers tend to have higher employment rates than nationals, as mentioned above, third-country nationals lag behind in terms of employment rate (59% in 2021; European Commission, 2023a). Another feature of the employment of third-country nationals is the higher degree of overqualification, exceeding that of EU movers. This results from challenges surrounding the recognition of qualifications gained in other countries and language and other integration barriers as well as the experience of discrimination in recruitment – for example, on the ground of race or ethnic origin (Eurofound, 2020).

While the first policy priority in this sphere is therefore to create effective avenues for legal migration as part of a broader package of policy measures to address labour shortages, this may be insufficient in and of itself to address challenges regarding the effective utilisation of the skills of third-country migrants and their integration into host-country labour markets and society.

The data presented in Chapter 1 not only demonstrate the national differences among SMEs regarding the use of recruitment from outside the EU (ranging from 1% to 27%, with an EU average of 9% – thus well below the share of employers in the BusinessEurope survey indicating that they would consider the option of recruiting from third countries) but also demonstrate that around 55% of SMEs still consider hiring from abroad to be challenging. More surprising is perhaps the absence of significant differences between size categories of SMEs in the perception of the level of difficulty in recruiting from outside the EU.

Challenges around recruitment from third countries are also reflected in one of the case studies, in which a construction company in Spain sought to address the shortage of highly skilled specialist construction workers by recruiting from outside the EU. Although the company was able to bring in the relevant skills, company management reflected on the complex administrative processes required to obtain work permits for these workers, which required the support of specialised legal advice. This was despite company management being able to use well-established personal contacts to source workers with highly specialised skills. Another construction company in Romania, which had not yet worked with third-country recruitment, also indicated that, if it were to go down this route, outside advice would be needed to address the administrative processes required.

Box 7: Enhancing sectoral attractiveness and targeting underutilised groups – An example from a company in the construction sector in Spain

Background and recruitment challenges

The case study company employs 180 workers in the construction sector in the Basque Country, mainly providing large civil works contracts. Around 80% of staff are technical personnel and site managers who have long-term hands-on experience in the sector and manage the day-to-day operation of construction sites. The remaining 20% are highly experienced tradespeople (bricklayers, electricians, and so on). The company has found it particularly challenging to hire workers specialised in tunnel construction, which requires the use of very complex machinery and experienced site managers. The company does not directly employ low-skilled workers, instead subcontracting these tasks. Subcontractors struggle to recruit labourers, which means that they often hire unqualified workers, making the running of construction sites more challenging. Like many construction companies, this company experienced a post-pandemic boom, which required the recruitment of additional workers. Between January and July 2023 alone, the company recruited 25 additional workers.

National data show that there were an estimated 6,200 unfilled vacancies in the Spanish construction sector in the first quarter of 2023 (SEPE, 2023). The real estate crisis following the Great Recession meant that many young people preferred not to enter careers in the sector, which already suffers from a poor image due to perceived hazardous working environments and the need to work in adverse weather conditions. In the Basque Country, workforce ageing in the sector further exacerbates recruitment challenges. The lack of workers clearly affects the company's ability to deliver on contracts and bid for new ones.

Measures taken

The company has implemented a range of measures to improve recruitment, with third-country recruitment forming only part of its toolbox. A specific ad hoc project has been developed to recruit foreign workers experienced in tunnel construction. One of the company's managers has used his direct experience of and industry contacts from working in South America to recruit five specialist workers from Peru. Prior to launching this initiative, company trade union representatives were consulted. They agreed with this solution to the current shortages problem, but asked to be kept informed of the process in order to ensure full compliance with all existing legal requirements and emphasised that initiatives to recruit and train workers locally should be strengthened. In 2023, 10 Peruvian tunnel work specialists were recruited, bringing the number of skilled workers from that country to 15. The company was responsible for paying their travel and housing as well as providing them with training in the use of the local specialist machinery. Their terms and conditions respect applicable collective agreements, and their contracts are time limited, covering the fulfilment of the contract providing tunnel works.

The company has also been promoting the recruitment of women into the sector, especially among highly qualified technical staff. To encourage this, the company introduced greater working time flexibility and parental leave policies (benefiting both men and women).

Impact of measures

The company and workers recruited from Peru are satisfied with the initiative, the former in terms of finding skilled workers and the latter in terms of obtaining work with terms and conditions that exceed those that they would have obtained in their home country. Some concern was expressed by the company about the administrative procedures and time taken to process the recruitment of the workers from Peru (six months). In order to manage these processes, the company had to recruit the help of a specialist law firm. The company welcomes the fact that the catalogue of difficult-to-fill occupations for the third quarter of 2023 (published by the Spanish state) included some occupations related to the construction sector. The company also expressed a desire for more coordinated action among sector organisations to enhance the attractiveness of the sector.

Recruitment of displaced workers from Ukraine

According to Eurostat data from December 2023, around 4.2 million non-EU citizens who fled Ukraine as a consequence of the Russian invasion of 24 February 2022 had temporary protection status in Member States (Table 6). The largest receiving countries were Germany

(around 1.2 million), Poland (951,435) and Czechia (372,145). Nearly 63% of arrivals from Ukraine were women and around 25% of all arrivals were children under the age of 14 (data regarding the number of children are not available from France or Hungary).

Table 6: Total arrivals from Ukraine under the Temporary Protection Directive and share of women, EU and Member States, December 2023

	Total arrivals from Ukraine under the Temporary Protection Directive	Share of women (%)
EU	4,235,355	63
Germany	1,211,785	62
Poland	951,435	63
Czechia	372,145	60
Spain	191,080	62
Bulgaria	170,250	66
Italy	160,515	71
Romania	144,455	57
Netherlands	138,115	63
Slovakia	113,590	66
Ireland	100,415	61
Austria	82,375	65
Lithuania	74,615	67
Belgium	72,970	60
Finland	63,400	61
France	62,440	71
Portugal	50,750	65
Latvia	43,430	61
Sweden	43,135	58
Denmark	35,920	63
Estonia	35,825	63
Hungary	33,570	64
Greece	26,595	69
Croatia	22,865	67
Cyprus	18,980	68
Slovenia	8,665	65
Luxembourg	4,090	65
Malta	1,950	70

Source: Eurostat, 2024b

Under the Temporary Protection Directive (TPD), refugees from Ukraine were provided with protection, and a harmonised legal approach was established to provide them with immediate access to the labour market and key public services. As of spring 2024, the application of the TPD to refugees from Ukraine has been extended until March 2025.

Estimated employment rates of Ukrainians under temporary protection range from 10% to above 40% in Member States (Eurofound, 2024a). In some of the countries with the highest integration rates (Czechia, Poland, the Baltic states, Ireland, the Netherlands and

Sweden), the rates can be attributed to a range of factors, including fewer language barriers and the presence of a large Ukrainian diaspora – for example, in Poland. The relatively high education level of Ukrainian refugees is another contributing factor, whereas the significant share of women with young children could act as a barrier to successful integration in the absence of adequate affordable childcare provision. Labour shortages can also be seen as contributing to the relatively high levels of labour market integration in a number of countries.

However, as with third-country migrants, with regard to the employment obtained by Ukrainian refugees, a high level of overqualification is relatively common, which can be attributed to challenges related to qualification-recognition processes, lack of language skills, and uncertainty about the duration of stay and length of employment contracts. This is also demonstrated anecdotally by a number of the case studies. Although Ukrainian beneficiaries of the reported measures were generally content with their employment and the support received, they emphasised that the jobs obtained and tasks involved did not match their qualifications (often tertiary level). Many stated that they would ultimately like to work in jobs more fully utilising their knowledge and qualifications, particularly if they were to stay in their host country for a longer period.

The case study from Sweden, which looks at an NGO that operates a job-matching service, clearly demonstrates the challenges facing refugees from Ukraine upon their arrival and their changing needs over time as their stay becomes more prolonged and attachment to the diaspora and the host country grows. As of 12 March 2023, 35,500 Ukrainian refugees had arrived in Sweden. Of them, 44% were adult women, 25% were adult men and 31% were children below the age of 18. The main counties of residence were Stockholm (40%), Västra Götaland (13%) and Skåne (12%). In general, in Sweden the official unemployment rate for Ukrainian refugees was around 44% (compared with the general unemployment rate of 7.5% in Sweden). Only half (50%) of Ukrainians in Sweden consider themselves to have enough monetary income to live comfortably (IOM, 2023).

While the Ukrainians' status under the TPD assists in expediting the process of recruitment, it has also created some problems for the Ukrainian refugees since several important rights were not granted by the TPD. For instance, Ukrainian refugees could not take part in the free Swedish for Immigrants course offered until a policy change made it possible to join these Swedish classes in June of 2023. The TPD also does not grant the right to register for a Swedish social security number, called a personal number in Sweden. This means that Ukrainians are outside the regular public insurance system and cannot access the system of electronic

identification, BankID, as they do not have regular bank accounts. This electronic ID is very commonly used in Sweden; it is necessary when contacting the healthcare services and most state services, and it is also used in the private sector.

The largest labour market challenge for Ukrainian refugees in Sweden is language. Around 45% of all Ukrainian refugees in Sweden cited language as the foremost barrier to integration, with 85% of refugees citing it as the main barrier to employment (IOM, 2023). Another important barrier is inability to use

qualifications gained in Ukraine in the Swedish labour market. As a result, 47% of the respondents to a survey stated that they were not utilising their experience or skills in their current occupation. Respondents with tertiary education were working primarily in other service activities (21%), construction (14%), ICT (10%), education (8%) or accommodation and food services (7%) (IOM, 2023).

Box 8 describes the efforts of an NGO, (initially) supported by EU funds, to assist the integration of Ukrainian refugees in Sweden into the labour market.

Box 8: Matching displaced workers from Ukraine with jobs – The experience of the Ukrainian Professional Support Centre in Sweden

Background and recruitment challenges

Although Ukrainian refugees have higher levels of education than other migrant groups, they still face the same significant challenges when looking to join the labour force. The main problems are a lack of language skills, a lack of familiarity with the Swedish job market, and a lack of means to validate their level of education and prove their past professional experience. At the same time, there are significant labour shortages in the Swedish labour market, particularly in the health and social care and the hotels and restaurants sectors but also in the ICT sector and the professional, scientific and technical activities sector. In 2023, 70% of all municipalities reported labour shortages in the elderly care sector, leading to workers in the sector having to work overtime, reschedule their holidays and work in an understaffed environment (Kommunalarbetaren, 2023; Tidningen Näringslivet, 2023).

Measures taken

The Ukrainian Professional Support Centre (UPSC) is a voluntary job-matching project founded by the Swedish organisation Beredskapslyftet to help integrate Ukrainian refugees into the Swedish job market. It started in the spring of 2022, shortly after the war began, and is a cooperative project run by Novare, Academic Work, Amrop, Irisgruppen, Axel Johnson and Spritmuseum.¹ Until 2023, the project received support through funding from the European Social Fund, but this was not renewed, and the organisation is now supported by a private sector partner. The UPSC's goal is to connect employers in shortage sectors with potential employees through organised talent pools and job meets. It also provides training in necessary labour markets skills, including through Swedish language courses. Job matching is done by means of the following:

- setting up small networking events where employers can meet potential employees
- creating CV databases that employers can use to find qualified candidates
- informing Ukrainian jobseekers about vacancies
- running full-day job fairs where Ukrainians can meet potential employers

The UPSC also seeks to address 'brain waste' – non-recognition of qualifications acquired in another jurisdiction, preventing the use of workers' skills. It tries to connect qualified candidates with international companies in the areas of, for instance, finance, ICT or law to facilitate an easier transfer of labour market skills. However, where such matches are not possible, the UPSC also tries to introduce refugee jobseekers to sectors that do not require as much language knowledge. This mainly means hotel and restaurant work.

The UPSC has built its network of Ukrainian refugees in several ways such as through word-of-mouth and through social media. In the beginning, when Ukrainian refugees were more concentrated in refugee facilities, the UPSC put up posters in these centres to reach its intended audience. Since then, the most important source for building the contact network has been groups on Telegram, a messaging platform that is often used by Ukrainian refugees. A key aspect of the UPSC is that half of the people employed in it are Ukrainians, who contribute their language skills, their contact networks within Sweden and their knowledge of where Ukrainian refugees can be reached. By using these contact networks, the UPSC can build trust within the Ukrainian community in Sweden.

¹ Novare, Academic Work, Amrop, Irisgruppen and Axel Johnson are all private companies in the recruitment and staffing sectors. Spritmuseum is a museum of drinking culture; it allowed the recruitment and job fairs to be held on its premises.

Impact of measures

As of October 2023, the UPSC had helped 340 Ukrainian refugees to gain employment in various Swedish companies across the entire country, although mostly in Stockholm.

One of the challenges of recruitment is seen to be linked to the TPD, which allows only for the issuing of relatively short work visas, which need to be renewed on an annual basis. As the war in Ukraine continues, an increasing number of refugees express a desire to remain in the country (80% say they have no plans to leave Sweden immediately and close to a quarter indicate that they wish to stay in Sweden even after the war). As a result, many Ukrainian refugees have begun to establish permanent lives in Sweden. With this increased integration, a clearer understanding of the Swedish labour market has grown within the community, and organisations such as the UPSC are less needed (IOM, 2023; Migrationsverket, 2024).

As mentioned earlier in the section, Poland has the second highest number of refugees from Ukraine and has achieved relatively high levels of integration. The case study example in Box 9 demonstrates the engagement of private sector employers in both facilitating the matching of Ukrainians with employers – in this case beyond their own businesses – and offering broader assistance with housing, language skills, and financial and psychological support. In relation to

psychological support, the case study demonstrates the importance of offering such assistance to groups of refugees escaping war and other traumatic circumstances in their home country, since such issues can act as further barriers to successful integration.² Both the Swedish and Polish case studies demonstrate the added value of such initiatives in creating supportive communities that prevail beyond the experience of initial labour market integration.

Box 9: Integration of Ukrainian refugees through private sector engagement – The Meeting Place Academy in Poland

Background and recruitment challenges

The Meeting Place Academy project was designed by Ingka Centres, a property management business that is part of the IKEA group. The group manages 45 real estate properties in Europe and Asia, including four shopping centres in Poland. These centres provide not only retail space but also food and entertainment. Labour shortages among some of the centres' tenants were linked to the aftermath of the COVID-19 pandemic, the war in Ukraine and the ban on Sunday trading. During the pandemic, many retail and hospitality workers left the sector and did not return. Businesses had Ukrainian retail staff even prior to the war. When the war broke out, a number of them brought their children from Ukraine to Poland and subsequently experienced difficulties with sourcing childcare in Poland and did not return to work. The ban on Sunday trading also meant that many students who had previously taken weekend work shifts left the retail sector.

Measures taken

The Meeting Place Academy project was developed in 2022, with the aim of assisting Ukrainian refugees to integrate into Polish society by providing help to source accommodation, language training, psychological support and basic skills training – including training on handling cash and customer service – as well as CV writing and job matching help. This holistic approach to support was initially developed to help different migrant populations, but 95% of beneficiaries were from Ukraine, given the high number of refugees fleeing the war in Ukraine to Poland. The Meeting Place Academy project was carried out at the three centres operated by the Ingka Group, one in each of Łódź, Warsaw and Wrocław.

Almost all participants in the project were women, with the majority aged over 40. In each location, Ingka Centres collaborated with local NGOs with expertise in supporting refugees. The NGOs were responsible for disseminating information about the project. Around 160 refugees applied for assistance, and 56 were eventually accepted to participate. The objective was to work with the centres' tenants that were experiencing labour shortages to find employment for the refugees. Employment was available mainly in retail, hospitality, entertainment and private

² For more information on the impact of war on the mental health of displaced Ukrainians arriving in the EU, see Eurofound (2024b).

security. Following the training phase, successful candidates were offered internships with one of the centres' tenants. Ingka Centres was responsible for paying participants' salaries during the internships, which generally lasted around three months, after which the business could decide whether to retain the worker.

Impact of measures

Of the 56 refugees who took part in the project, 43 received internships with one of Ingka Centres' tenants. Following the internship, 27 of them found employment. Participant dropout was mainly linked to a lack of language capacity, difficulties sourcing childcare and, in some instances, issues linked to psychological problems resulting from the war. Participants in the project also emphasised that the project helped to create supportive communities that were of value beyond the period of the internships. In terms of learning, a number of participating businesses emphasised their own need for greater support in dealing with employees who have experienced trauma.

Similar to the Ingka Centres in Poland, one of the two Czech case study employers considered lack of language skills to be the main barrier to employment matching their skill levels for Ukrainian refugees. The Na Františku Hospital in Prague employed workers from Ukraine even prior to 2022, but since the outbreak of the war it has been actively working with Prague City Hall (which is responsible for coordinating aid for refugees) to offer employment opportunities in cleaning, maintenance and auxiliary work where no or only more limited Czech language skills are required. In 2023, the hospital employed 25 Ukrainians. The hospital is keen to offer refugees from Ukraine qualified positions and is ready to assist them with regard to the administrative stages required for the accreditation of qualifications obtained outside the EU. However, examinations are in Czech and working with patients requires excellent language capabilities. Thus far, no Ukrainian employee has obtained the required qualifications, despite the hospital offering free and in-house Czech language courses run during working hours for a defined period. These courses were discontinued after three months, as Ukrainian workers preferred to take up language courses held closer to their places of residence where there were also childcare facilities (provided by the municipality).

Around 8% of employees in Ipsos in Czechia are foreign nationals, some of whom are Ukrainians. The company has sought to address the language issue since the outbreak of the war by reducing requirements regarding Czech language skills, and it employs such workers on open-ended contracts, assigning them tasks requiring lower levels of Czech language skills (preparation of graphics, data analysis and so on).

The example of the Finnish elderly care sector presented in Box 13 features the development of a shorter training pathway for care assistants in the elderly care sector, which – albeit requiring some native language skills – does not ask for the same level of language proficiency as would be required for nursing staff with higher levels of responsibility for the medical aspects of patient care, including the dispensation of medications.

The final case study of the recruitment of Ukrainian refugees relates to the abovementioned combination of hotel-based accommodation with work experience in the tourism and hospitality sector. While many Member States use such accommodation to temporarily house refugees arriving from Ukraine, this accommodation forms the main source of housing in Bulgaria, Cyprus and Ireland (European Migration Network, 2022). Some hotels on the Bulgarian Black Sea Coast have (temporarily) shifted their business model to accommodating refugees, other clients such as flight crew and, to a more limited extent, tourists choosing self-catering options. In some cases, this allows them to overcome issues with staff shortages, as this form of use requires lower staffing ratios. In some instances, hotels are offering refugees the opportunity to work within the hotel, in line with the regulations allowing refugees to be employed on temporary employment contracts for the holiday season.

Box 10: Turning accommodation into employment solutions – The Sea Hotel on the Black Sea Coast, Bulgaria

Background and recruitment challenges

The Sea Hotel is a four-star hotel located on the Bulgarian Black Sea Coast. It offers over 100 studios and one-bedroom apartments. Labour shortages in the tourism sector in Bulgaria are not new but have become more acute, as many workers left the sector during the pandemic and were no longer available when the Bulgarian tourism sector bounced back, with hotel occupancy now 4% above that of 2019. The sector has long recruited workers from Ukraine and other former Soviet republics. Nonetheless, labour shortages remain a challenge due to seasonal employment, relatively low wages and the requirement for language skills. In the summer of 2023, some hotels remained closed to tourists because of staff shortages. In the meantime, hotel capacity was employed in different ways, including to accommodate international protection applicants. Close to 10,000 Ukrainians (20% of Ukrainians in the country) were being accommodated in hotels and state recreation facilities as of mid-December 2022. In 2023, the Black Sea Hotel provided accommodation to Ukrainian refugees, airline crews, personnel from other hotels, restaurants and water parks, and a small number of tourists during the tourist season. This type of occupancy meant that staffing requirements were lower than would have been the case if the hotel had solely accommodated tourists.

Measures taken

The hotel management recruited five Ukrainian women already resident in the hotel (four to work as housekeepers and one in administration). All had completed higher education and had held qualified jobs in Ukraine. They were offered standard (temporary) labour contracts, with the employer covering wage and social insurance payments. Although the participants would have preferred to work in jobs better aligned with their skills and qualifications, a lack of Bulgarian language skills made this challenging. The workers also appreciated having jobs that did not require commuting and provided accommodation on site. The employer provided basic training in housekeeping and check-in and check-out procedures, but no language training was offered.

Impact of measures

The opportunity for seasonal work at the hotel provided the displaced Ukrainians with paid employment and ensured that the hotel could meet its (more limited) staffing requirement for the accommodation model it operated in 2023 (which is likely to be the case again in 2024). Since the workers were living at the hotel, the management knew them and was able to recruit them directly rather than having to interact with the public employment services or NGOs. The seasonality of such employment remains a challenge for securing sustainable employment for refugees. Due to the uncertainty regarding the duration of the war, the workers did not have any long-term professional or personal plans. They welcomed the ability to work and, despite the abundance of offers in other local establishments during the tourist season, they expressed a preference for working in the same hotel again in 2024, should they still be in the country.

Activating underutilised labour

Despite the overall reduction in labour market slack, the data presented in Chapter 1 show that the potential remains to activate or increase the labour force participation of certain groups, including unemployed individuals whose skills do not match labour market requirements or who face additional barriers to labour market entry, such as women with caring responsibilities, persons with disabilities or chronic diseases, and other groups currently outside the labour market, including young people who are NEET. Under Eurofound's categorisation of measures to address labour shortages, initiatives to improve the matching of demand and supply are included under the category 'enhancing the use of existing labour' and are therefore discussed in the subsequent section.

Since measures under the 'activating underutilised labour' category are intended to address obstacles that prevent workers from entering training or the labour market, relevant initiatives tend to be implemented by public sector bodies. In some instances, this is done in collaboration with NGOs and private sector organisations, including employers. With the exceptions of the Polish organisation offering psychological support to Ukrainian refugees suffering trauma linked to the experience of war in their country (Box 9) and the Czech organisation developing a crèche facility (Box 3), there were no other examples among the case studies of employers offering specific services to help individuals overcome barriers to participation in training, work experience or employment. In the case study of the Spanish construction sector company (see Box 7), efforts were made to recruit underrepresented groups – in this case women. This was combined with some

initiatives that could be considered measures addressing barriers to labour market access. As well as targeted recruitment, the company introduced more flexible working hours and family leave policies.

Enhancing the use of existing labour

Organisational efforts to enhance the use of existing labour revolve around actions to encourage retention, as well as improved job matching and investments in initial and ongoing training. Activities linked to initial training are often implemented in partnership with vocational or tertiary education institutions.

Retention measures are crucial to avoid the aggravation of shortages and reduce hiring costs. Many case study employers have implemented such actions, revolving around greater working time flexibility, the possibility of remote working, the offer of enhanced benefits, the offer of ongoing training and clear career progression routes, and the creation of an improved social climate through social events and a positive working environment.

However, the focus of this section is on measures aimed at boosting recruitment, on the one hand, through the provision of initial training and efforts to engage in partnership work – particularly with vocational training institutions and universities – and, on the other hand, through enhanced recruitment pathways. Support for ongoing training is equally important and was highlighted by most case study organisations as being among the measures used to support recruitment and retention.

Investment in initial training

Investments in initial training essentially pursue four goals: bridging the gap between formal education and workplace requirements by helping to make curricula

more relevant, establishing joint training initiatives that combine theoretical instruction with workplace experience, marketing the organisation to potential future employees, and reducing the cost of training potential recruits.

Reducing training costs is one of the goals of an initiative by Cyprus Public Transport (CPT) to offer bus driver apprenticeships. An extensive programme was – and continues to be – developed to address acute and future labour shortages, which jeopardise service delivery and can lead to financial penalties for an organisation contracted to deliver an exact number of specific services.

In 2020, CPT won a tender to provide public bus transport services in the districts of Nicosia and Larnaca for 10 years. The company is part of a larger group of companies based in Spain operating in several Member States and globally. The tender also required the upgrade of the infrastructure and an increase in the number of bus routes provided. The new contract involved the transfer of employment from the company that had held the previous contract under the same terms of employment. CPT currently employs 600 workers, 411 of whom are bus drivers. The vast majority of employees are men (85%), with 74% coming from Cyprus, 12% from Greece, around 8% from Romania and 6% from Bulgaria. The workforce is ageing, with 36% of employees being over the age of 60. The company estimates that 50% of drivers will retire in the next five years. Box 11 summarises the company's recruitment challenges and provides details of its existing and planned measures designed to overcome the significant deficit in available drivers, which also negatively affects the company financially. Actions include not only support with applications and relevant paperwork, streamlined training and financial support, but also the guarantee of a contract upon successful completion of the training and acquisition of a bus driver licence.

Box 11: Overcoming shortages by offering training – Bus driver apprenticeships at CPT in Cyprus

Background and recruitment challenges

The company faces major challenges not only recruiting the bus drivers needed now to deliver and expand the service but also replacing the high number of workers expected to retire in the coming years. In addition, there is growing competition for staff among transport operators, not only those that provide public transport, which is also being expanded and enhanced in other parts of the country, but also private logistics companies. The majority of bus drivers are employed on full-time open-ended contracts, working a rotating shift system that changes every two weeks, with no flexibility to choose schedules. Having to provide services on many routes within the same day means that drivers are often under pressure to get to their various routes in time, which can result in stress and the inability to take the necessary breaks.

The profession of bus driver is considered unattractive by young people, and obtaining a professional driving licence is expensive (around €800–1,000) as well as being a long process that can take up to a year. The professional driver's exam is offered only in the official languages of the country, which can prevent EU movers residing in the country from applying to take it.

Labour shortages negatively affect the company in a number of ways.

- The smooth delivery of public transport is disrupted, and the company is often unable to deliver scheduled routes; the loss of passenger numbers leads to penalties for the company, as they are contracted to provide specific routes at an agreed frequency, and the kilometres lost from routes are subtracted from the agreed funding.
- It raises obstacles for the provision of further, new and innovative projects, including new routes or the improvement of existing routes, thus limiting the company's growth potential.
- Competition for staff among transport companies distorts the market.
- Existing staff often need to work overtime; this can pose issues for retention, as some drivers resign owing to fatigue resulting from overwork.

Measures taken

After exhausting the possibility of attracting professional drivers through the public employment services, private advertising and support from the trade unions in the transportation sector, CPT introduced the Bus Drivers Apprenticeship Programme in 2020–2021. As part of a larger company, CPT took advantage of the experience of providing similar training in other locations where the company operates. The programme provides support and funding for the acquisition of a bus driver licence, in-work training and career opportunities for successful apprentice bus drivers.

The programme includes the following elements:

- support for applicants in providing paperwork (such as criminal records checks) and form filling to gain access to the programme
- agreements with a number of driving schools to offer a package of 10 driving lessons and to cover the cost of the bus driving test (an agreement is also in place for a free second test should this be required)
- professional driving lessons for the acquisition of the professional driving licence (CPT provides an external accredited trainer who prepares the candidates for the written test)
- tests for the acquisition of the professional driving licence
- for candidates who pass both tests, 10–15 days of in-work training, covering use of the tachograph card, training in operating different buses, learning of different routes, and so on
- employment contracts upon conclusion of training
- reimbursement of driving lessons expenses (around €800) after a six-month period of employment

The period of driving training is not paid, but once in-work training starts drivers are paid wages in line with those in collective agreements.

Impact of measures

In the first enrolment in 2020–2021, 70 individuals registered, 15 reached the stage of taking the test for the professional driving licence but only 7 were successful in obtaining it. The high dropout rate at the beginning was considered to be due to some applicants' lack of familiarity with the role, while others were put off by the duration of the training. Furthermore, the first call for the programme coincided with the lockdown period and therefore attracted more applicants affected by the economic implications of the pandemic.

A second round of training was organised in 2023. Instead of an open call, a referral scheme among existing employees was used to reduce the number of dropouts, as it was assumed that trainees referred by acquaintances would have a better knowledge of the requirements of the job. A referral bonus of €250 was paid after new recruits completed the training process and the six-month probation period. This call attracted 31 applicants, of whom 15 withdrew from the programme. The remainder were expected to complete their training in early 2024 at the time the case study was carried out (late 2023).

Going forward, CPT is considering ways to facilitate the payment of bus driving lesson and test costs up front to ensure that this financial commitment does not act as a barrier to recruitment. The company has plans to establish its own driving school in Cyprus. This would allow the company to offer the training free of charge, pay the trainee drivers from the beginning and assign them other tasks while they are training. Although the apprenticeship programme is considered to have been successful in reducing recruitment challenges, given the demographic structure of the company and the high need for drivers in the future, establishing its own school is seen to be necessary to face these challenges and address issues related to the upfront cost of training limiting the pool of potential recruits.

An issue often reported by employers is the mismatch between training delivered in vocational and tertiary education institutions and the hard and soft skills needed in the labour market. As indicated in Chapter 1, when asked how many newly recruited employees lacked the skills needed to perform their job successfully, close to a fifth of employers indicated that between 80% and 100% of new recruits were in this situation. A quarter of respondents reported that none of the new recruits required additional skills. However, the delivery of training in such skills can be a greater challenge for SMEs than for larger companies.

One important way of addressing the mismatch between education and training provision and labour market requirements is through the closer involvement of social partner organisations in the regular update of curricula (Eurofound, 2023a). At individual employer level, there are examples of organisations devising short

additional training programmes or contributing to the update of existing training programmes – often combined with work experience – in order to provide knowledge and skills that are better tailored to their specific needs. These can be either delivered in-house or developed in collaboration with training and educational institutions. In some countries, public employment services offer financial assistance to employers wishing to develop such tailored training in collaboration with external bodies (Eurofound, 2021a). The development and delivery of such curricula can be time consuming, which can be a barrier for smaller organisations, but the example from the Netherlands outlined in Box 12 highlights an SME providing such traineeships even under the assumption that a share of trainees will not remain with the business in the longer term. The SME sees the traineeships as a way to meet the requirements of its clients and as providing a further opportunity to market its skills and specialisations.

Box 12: Targeted training to link higher education and the labour market – Traineeships for data scientists at Aurai in the Netherlands

Background and recruitment challenges

Aurai is an IT company based in Amsterdam in the Netherlands and offers data and cloud engineering services. The company was set up in 2015 and had grown to 42 employees by October 2023. Nearly 90% of staff have tertiary-level education; 80% are men and the average age is 29. Half of employees have temporary contracts but, among those no longer in traineeships, 70% have permanent contracts.

The company faces recruitment challenges since data science and AI professionals are in high demand and salaries have grown significantly in recent years as most companies seek to remain attractive to recruits. In addition to the Netherlands having a generally tight labour market, the IT sector has one of the highest sector vacancy rates. The number of vacancies per 1,000 jobs was 69 in the first quarter of 2023, only slightly below the figures for the hospitality and construction sectors. Shortages persist despite the growing number of graduates in the field.

A further challenge for Aurai is that its professionals need not only advanced technical skills but also social and communication skills. The work requires a high degree of flexibility since assignments are not known in advance, and working in different organisations requires adaptation to their specific requirements. Career pathways and brand recognition are also challenges. Furthermore, the company's recruiter thinks that graduates often have poor knowledge of what the labour market requires.

Measures taken

To bridge the gap between theoretical, tertiary-level training and the labour market, Aurai developed a 16-month advanced traineeship in data science (until 2019), data engineering and machine learning. The goal is to provide trainees with a strong technical foundation through a continuously updated curriculum as well as work experience. The traineeship consists of two phases: two months of full-time training, followed by hands-on assignments largely delivered at Aurai's client sites. During this assignment phase, trainees still spend at least one day per week in Aurai's office to receive guidance, peer-to-peer learning, code reviews and any other assistance.

Impact of measures

The purpose of the traineeship is twofold: to attract employees to Aurai and to supply other companies with IT professionals. The company aims to retain only a few of the trainees from each group and – as intended – most of them leave the company at the end of the traineeship, often to work at client companies. Between 2017 and 2023, 11 rounds of traineeships were organised across the different disciplines, with a total of 65 participants. Since the start of the programme, 11 participants have been retained. Apprentices highly valued the personalised and in-depth nature of the traineeships, the ability to experiment and implement their own ideas, and the many opportunities to grow their career, gain practical experience and gain exposure to different potential employers. They also appreciated the non-hierarchical organisation structure, company social life and good work-life balance. The challenges still faced by Aurai include the tight labour market, limited recruitment windows and competition with better-known names in the ICT sector.

One of the additional benefits of providing tailored in-house training is the enhanced ability to meet the personal requirements of individual learners who may have different ways or speeds of learning. An understanding of the needs of different learners also informs other approaches to initial training developed in partnerships between training providers and organisations facing labour shortages. In the case of a Helsinki-based employer in the Finnish elderly care sector, described in more detail in Box 13, one of the goals of this tailored approach is to enable at least some trainees to complete their training more quickly to meet the requirements of a sector experiencing severe labour shortages.

A 2023 report from the Ministry of Social Affairs and Health in Finland highlighted an acute shortage of care sector workers. This is a result of both demographic ageing and a decline in applications for related vocational training. According to sectoral trade unions, challenging working conditions contribute to a high rate of sickness absence, which leads to a further deterioration in working conditions for those remaining active in the sector. Relatively low pay is also considered to be an issue, particularly in locations, such as Helsinki, with high housing costs. Although migrant workers do alleviate the situation to some extent, some professions require recognised qualifications and Finnish language capabilities, which potential recruits often do not have.

Following some scandals related to poor quality of care, the government reformed the legislation on elderly care, now requiring a higher carer-to-client ratio in 24-hour care facilities. However, in the short to medium

term, this further aggravated labour shortages and forced some facilities to suspend their services, as they could not meet these ratios. Furthermore, according to Keva (Finland's largest pension provider), a significant number of employees in the health and social care sector will retire by 2033, placing additional pressures on recruitment. One of the solutions developed is a project offering flexible, tailor-made studies combined with work experience, which can more rapidly lead to the acquisition of the skills needed to perform a support role in the elderly care sector and can subsequently be built upon and turned into a nursing qualification. This approach is seen to be particularly suitable for refugees from Ukraine, whose language skills might not immediately allow them to work in roles requiring more advanced language and technical skills (such as the dispensation of medications).

For refugees with relevant qualifications from their home country, such fast-track qualifications have been used as a way to recognise prior qualifications, while modular training units can be added to address any divergence in the content of qualifications from different countries. This also serves to prevent brain waste (Eurofound, 2023d). Other fast-track qualifications that do not build on candidates' relevant existing diplomas from other countries are sometimes criticised for lowering standards, but this arguably depends on the nature of the qualification eventually achieved. In the case of the Finnish example, fast-track training leads to an intermediate-level diploma enabling the holder to deliver a more limited number of care functions, but it also has the advantage that it can be tailored to the needs of individual learners in terms of the method and speed of delivery.

Box 13: Providing on-the-job training opportunities for students – Fast-track training in the elderly care sector in Helsinki, Finland

Background and recruitment challenges

A care home provider interviewed for this case study highlighted a number of specific recruitment challenges. Although it did not generally experience significant labour shortages, it has issues with finding permanent staff. Many of its employees prefer temporary or fixed-term contracts, as they are considered more flexible and carry less responsibility. The insufficient share of permanent staff means that the provider struggles to meet requirements to accommodate interns and apprentices, who must be supervised by permanent staff. Language requirements also pose a barrier to recruiting migrant workers. In order to source additional staff, it recruited workers from a project run by the city of Helsinki aimed at training care assistants.

Measures taken

The measure adopted by the city of Helsinki to address shortages in the fields of geriatric health and long-term care is entitled 'Työllisty hoiva-avustajaksi' ('Find a Job as a Care Assistant'). The project offers tailor-made, flexible and practice-oriented studies with additional learning support with the objective of educating or upskilling students to work as care assistants in elderly care in Helsinki. It is run in cooperation with Helsinki Vocational College and Adult Institute (Stadin AO). In 2022–2023, it had an intake of 120 students. The project is funded through government grants. Training is modular and, after completing six modules, trainees can work as care assistants or take further modules and qualify as community nurses. This means that the course essentially

consists of two parts. If a learner decides to continue training as a student nurse following their qualification as a care assistant, the modules of the care assistant qualification count as part of the training as a student nurse.

Care assistants in elderly care facilities assist residents with day-to-day activities but do not have any responsibilities for dispensing medications and are not allowed to work independently during their shifts.

The training is very practice oriented and provides the option of completing an 8- to 12-week internship in elderly care facilities, which often collaborate in devising the training. This also helps trainees to meet potential future employers. During the theoretical phase of the training, visits are arranged to a variety of facilities, allowing trainees to decide where to apply for their internship.

The programme targets unemployed individuals as well as refugees and migrants, including those from Ukraine. It provides participants with assistance to overcome any obstacles to participation – for example, providing assistance with disabilities and any educational challenges through the development of individualised training plans. This also includes the option to adjust the total duration of the training, which can be shorter or longer than the 10–11 months usually required to finish a similar course of study.

Outreach to potential participants takes place through various social media channels, marketing events and cooperation with parties including employment services and care providers. Participation in the training requires at least an A2.1 Common European Framework of Reference skills level in Finnish.

Impact of measures

The flexible, work-based study approach, adapted to the needs of different learners, has supported the learners in their studies and has contributed to the successful completion of learning outcomes.

A further five case study organisations report having developed partnerships with universities and vocational training institutions in order to help them attract suitable graduates. This is done both through marketing the employer at job fairs or ‘welcome days’ and by offering work experience. These approaches were taken by three construction and engineering sector employers, including Electromontaj in Romania. Together with the Romanian electrical engineers’ association, Electromontaj created an apprenticeship programme implemented as a collaboration between the company and universities. Ipsos in Czechia also developed a collaboration with universities where it uses welcome days to present examples of its current research and provides tours of the company’s offices. It offers its young graduates clearly structured career progression, which is considered generally more rapid than would be available in large consulting firms. A career progression strategy set out in this way aims to send a clear signal to jobseekers that their careers will be actively supported and that, if they perform the job requirements well, their career (and financial) advancement will be relatively fast.

Enhancing recruitment pathways

The case study from the Spanish health and social care sector demonstrates the advantages of creating clear recruitment pathways between universities and employers. In this case, the Bidasoa Regional Hospital expanded its collaborations beyond the region and its direct catchment area when recruitment from its closest university proved insufficient to meet its need to cover the leave periods of permanent staff.

Other improvements to recruitment pathways include the abovementioned employee referral programmes, which were used in at least three case study organisations. The programmes were generally considered to be relatively successful, as recruits referred through the programmes were more likely to be aware of the nature of the work and the culture and working conditions of the organisation they were joining.

Another way of enhancing recruitment pathways is closer collaboration between employers and public employment services. Over the years, public employment services have strengthened their employer services, including measures to help employers deal with labour shortages (European Network of Public Employment Services, 2023).

Box 14: Creating direct recruitment pathways between universities and training bodies and employers – Cultivating relationships between Bidasoa Regional Hospital and universities training nurses in Spain

Background and recruitment challenges

Bidasoa Regional Hospital is a public hospital in the Osakidetza-Basque Health Service. It offers inpatient and outpatient services and has 500 staff, of whom 150 are nurses. In order to work in the Osakidetza-Basque Health Service, workers have to pass a public examination and be registered on a reserve list. Public hospitals are obliged to use these reserve lists to recruit new staff, including temporary staff.

The main challenge faced by Bidasoa Regional Hospital is finding nurses to cover all its posts, especially during the holiday season. For the past two to three years, the reserve list has been practically empty, making it very difficult to find nursing staff. A shortage of nursing staff affects the whole of Spain. With a national average of 652 nurses per 100,000 inhabitants, Spain is far behind the EU average (827 per 100,000). According to data provided by the Spanish Trade Union of Nursing Professionals (SATSE), in order to alleviate the chronic deficit of nurses in Spain, 72,000 nurses would have to be recruited in hospitals and 15,000 in primary care. A particular challenge for Bidasoa Regional Hospital is that, in the recruitment of nurses, it is in competition with another, larger, hospital 20 kilometres away, which has more medical specialties, employs more nurses (around 500) and is able to offer longer contracts in a greater variety of positions.

The pandemic revealed some weaknesses in the Basque health system. As a result, the nursing service was restructured, increasing the nurse-to-patient ratio (3 nurses per 33 patients compared with the previous ratio of 2 nurses per 40 patients). However, this has caused an even higher demand for nursing staff.

Measures taken

Given these challenges, the hospital set up a recruitment working group in 2022 made up of nurse supervisors. The group decided to expand the reach of the hospital's contact with universities that train nurses. In the past, there had been long-standing contact with the University School of Nursing of the University of the Basque Country, providing an active exchange of information on graduates and vacancies and seeking to attract newly trained nurses to temporary contracts at the hospital (via registration on the official vacancy list). When it became clear that the stream of graduates from this university would be insufficient to cover vacancies in 2023, further contacts were established with universities in the regions surrounding the Basque Country, and nurse training schools were provided with information about the hospital and available contracts. In relation to this, it is important to note that nurses' pay in the Basque Country is higher than in most other regions in Spain. In addition, the recruitment working group encouraged existing employees to use word of mouth to attract more candidates, and tried to market the location (close to the coast) as having a good quality of life and the smaller hospital as having a more pleasant working environment.

The hospital has also made a special effort to offer attractive contracts to candidates in terms of their duration. Many young nurses entering the job market for the first time only find contracts of a few days' duration, which leads to instability. In addition, young nurses want to accumulate as many days of work experience as possible because this gives them more points in the public examinations and puts them in a better position on the reserve list. The possibility of a contract lasting several months is therefore very attractive to young people. To be able to offer these longer contracts, the hospital has coordinated staff holidays so that several people take holidays in succession, leading to longer vacancies and therefore longer contracts. The recruitment working group ensures that the contracts signed by new employees who come to cover summer holidays are at least three or four months long (from June to September). This is a very attractive aspect and one that many hospitals cannot offer. In addition, a special effort has been made to adapt the available vacancies to the wishes of the new employees. That is, the recruitment working group has taken into account their needs or preferences in terms of shifts and timetables, tasks to be performed, and so on, in order to try to offer them contracts that meet their expectations.

Another aspect in which the hospital has tried to stand out is the ease of recruitment procedures, such as supporting young employees in compiling the necessary documentation for the signing of employment contracts. For example, some hospitals require recent graduates to have an official certificate attesting that they have completed a university degree in nursing. This official certificate, issued by the competent educational administration, may take some time to be issued. However, the hospital accepts a supporting document more simply issued by the university as confirmation that candidates have passed all exams and practical training periods.

The working group also coordinates accommodation arrangements by working with external real estate agencies and encouraging staff to provide information about rental opportunities.

Impact of measures

Thanks to the measures put in place, the hospital was able to cover its recruitment needs for the holiday period, allowing all nurses to take their desired holidays. Beyond recruitment through its contacts with the University of the Basque Country, the hospital was able to recruit around 20 nurses from other autonomous communities. The aspect that new recruits value the most is the length of the contracts offered, together with a good salary. Support to find accommodation and other practical support provided during the early days of employment are also particularly appreciated. The hospital aims to implement the same measures in subsequent years.

4 | Conclusions

Despite a decline of 0.4% in the job vacancy rate at EU level between the third quarter of 2022 and the third quarter of 2023, the rate – an indicator of labour shortages – continues to exceed pre-pandemic levels. The potential reserve of labour as measured by labour market slack also remains relatively low, although it is notable that unemployment as a component of slack has declined more significantly than other elements, indicating that policy issues remain around the integration of inactive and underutilised groups into the labour market. As a result, labour shortages remain among employers' key concerns. A Eurobarometer survey carried out among SMEs in 2023 showed that two-thirds of respondents consider that labour and skills shortages hold them back in their general business activities.

The importance accorded to this issue on the EU policy agenda was reflected in the outputs of the Val Duchesse Social Partner Summit in January 2024, which included a commitment that the Commission, in collaboration with the social partners, would present an action plan to tackle labour and skills shortages. The action plan was published in March 2024.

Previous Eurofound research has shown that labour shortages are a complex phenomenon requiring policy action and collaboration at various levels, based on an understanding of the drivers of shortages in different countries, regions, sectors and occupations. Based on Eurofound's categorisation, relevant actions include:

- introducing measures to attract workers by improving the quality of jobs and opening up opportunities to recruit workers through mobility and migration
- enhancing the use of underutilised labour through measures to remove barriers to training and employment and thus reduce labour market slack
- enhancing the use of existing labour by ensuring retention and better matching labour market needs and skills supply through skills delivery and better approaches to recruitment

Social dialogue and partnerships between the social partners and governmental, private and non-governmental organisations have an important role to play in devising and implementing suitable strategies, while taking account of national economic, policy and industrial relations contexts. Such partnerships are important both at the level of broader policymaking and in relation to individual employers.

Organisational case studies conducted for this report show that, in the context of greater competition for talent, employers are taking action primarily to enhance the attractiveness of jobs, to make use of mobility and migration to source additional labour, to enhance the use of existing labour through both retention measures and greater engagement with education and training providers, and to deepen outreach to public and private actors to improve the matching of skills demand and supply. Beyond some efforts to attract workers from certain underutilised groups (particularly to attract women into sectors in which they are underrepresented), the case studies suggest that organisational actors are not highly engaged in measures to integrate underutilised groups beyond one example where on-site childcare provision was offered. Bringing such groups closer to the labour market (for example by enhancing care provision or overcoming health or other barriers to integration) tends to be considered something that needs to be done through public policy before the direct involvement of individual employers.

The case studies also demonstrate the importance of tailoring measures to enhance their attractiveness to specific organisations and occupations, since some measures – such as pay increases in sectors that tend to have fixed wage rates, or greater temporal and geographical work flexibility – are more challenging to implement (for example, flexibility is less easily accommodated in direct customer-facing roles). In such cases, the snapshot provided by the case studies shows that organisations have sought to take other measures to improve attractiveness, including offering additional benefits such as health insurance, assistance with mobility, and access to housing or affordable childcare.

It is clear that, since the pandemic, working arrangements offering temporal or geographical flexibility have become increasingly valued by employees and jobseekers in sectors in which these arrangements are feasible; lack of such flexibility in work may act as a deterrent to successful recruitment.

In terms of mobility and migration, seen as part of a larger set of measures to address labour shortages, the evidence shows that willingness to explore such options is currently greater than the actual use of this recruitment route. This is partly due to administrative barriers. At national and European levels, there are measures that seek to ease the path towards legal migration, and these can work as part of a broader

package of measures to tackle shortages. However, in the contexts of intra-EU mobility and the integration of Ukrainian refugees and other third-country migrants, further efforts are needed to reduce brain waste and to enhance integration.

The experience of shortages has also led a number of employers to rethink their recruitment strategies both in terms of tools and pathways and in relation to the capacities and qualifications sought. In terms of the latter, where possible, greater emphasis is being placed on soft skills rather than focusing solely on qualifications obtained. Regarding tools and pathways, greater use of social media, the expansion of recruitment catchment areas, stronger efforts to market the organisation and the opportunities that it offers, and the use of employee referral programmes and external recruiters were among the most commonly used approaches.

Better matching between skills supply and demand remains among the key concerns. This is increasingly being addressed through more institutionalised partnerships between the social partners and education and vocational training providers and sectoral

organisations; the development of more tailored training, either in house or with training providers; and the provision of apprenticeships or work experience, often in collaboration with public agencies and in some cases with the support of national or European funds. Enhancements to initial and ongoing training clearly have an important role to play in addressing skills shortages, as demonstrated by the link between a low level of training provision and an underskilled workforce. Monitoring of post-pandemic data will be important to assess whether the declining trend in enterprise training provision is simply a result of the challenges faced in delivering training during the pandemic or continues to persist.

Finally, worker retention through the establishment of a positive workplace experience is also key to reducing the risk of shortages and the costs of recruitment. Many of the abovementioned measures – in particular those linked to working conditions and the ability to develop and progress together in an environment where workers feel involved in decision-making – contribute to retention and the building of a positive employer brand.

References

All Eurofound publications are available at www.eurofound.europa.eu

BusinessEurope (2023), *Analysis of labour and skills shortages: Overcoming bottlenecks to productivity and growth*, Brussels.

Cedefop (European Centre for the Development of Vocational Training) (2015), *Skill shortages and gaps in European enterprises: Striking a balance between vocational education and training and the labour market*, Publications Office of the European Union, Luxembourg.

Cheremukhin, A. and Restrepo-Echavarria, P. (2022), *The dual Beveridge curve*, Working Paper 2022-021, Federal Reserve Bank of St Louis, Missouri.

Colliac, S. (2023), *Europe: Less widespread but still meaningful labour shortages*, EcoFlash No. 23-08, BNP Paribas Economic Research, Paris.

Council of the European Union (2024), *A single market for the benefit of all*, Council conclusions 24 May 2024, 10298/24, Brussels.

Díaz-Carrión, R., Navajas-Romero, V. and Casas-Rosal, J. C. (2020), 'Comparing working conditions and job satisfaction in hospitality workers across Europe', *International Journal of Hospitality Management*, Vol. 90, e102631.

ELA (European Labour Authority) (2023), *Report on labour shortages and surpluses 2022*, Publications Office of the European Union, Luxembourg.

ETUC (European Trade Union Confederation) (2023), *ETUC position on the European Commission proposal for an EU Talent Pool: Adopted at the ETUC meeting of 6 and 7 December 2023*, Brussels.

Eurofound (2015), *Third European Company Survey – Overview report: Workplace practices – Patterns, performance and well-being*, Publications Office of the European Union, Luxembourg.

Eurofound (2020), *Role of social partners in tackling discrimination at work*, Publications Office of the European Union, Luxembourg.

Eurofound (2021a), *Tackling labour shortages in EU Member States*, Publications Office of the European Union, Luxembourg.

Eurofound (2021b), *Understanding the gender pay gap: What role do sector and occupation play?* European Jobs Monitor series, Publications Office of the European Union, Luxembourg.

Eurofound (2023a), *Measures to tackle labour shortages: Lessons for future policy*, Publications Office of the European Union, Luxembourg.

Eurofound (2023b), 'EU lack of labour won't be solved by skills alone: Improving job quality is key', blog post, 27 March.

Eurofound (2023c), *Fit for 55 climate package: Impact on EU employment by 2030*, Publications Office of the European Union, Luxembourg.

Eurofound (2023d), *The future of telework and hybrid work*, Publications Office of the European Union, Luxembourg.

Eurofound (2023e), *Right to disconnect: Implementation and impact at company level*, Publications Office of the European Union, Luxembourg.

Eurofound (2024a), *Social impact of migration: Addressing the challenges of receiving and integrating Ukrainian refugees*, Publications Office of the European Union, Luxembourg.

Eurofound (2024b), *The Ukraine crisis: The mental health toll of the war*, Eurofound working paper, Dublin.

European Commission (2023a), *Employment and social developments in Europe 2023*, Publications Office of the European Union, Luxembourg.

European Commission (2023b), *Flash Eurobarometer 529 – European Year of Skills: Skills shortages, recruitment and retention strategies in small and medium-sized enterprises*, Publications Office of the European Union, Luxembourg.

European Commission (2023c), *Flash Eurobarometer 537: SMEs and skills shortages*, Publications Office of the European Union, Luxembourg.

European Commission (2023d), *Annual report on intra-EU labour mobility 2022*, Publications Office of the European Union, Luxembourg.

European Commission (2024a), *Val Duchesse Social Partner Summit – Tripartite Declaration for a Thriving European Social Dialogue*.

European Commission (2024b), *Labour and skills shortages in the EU: An action plan*, COM(2024)131 final, Brussels.

European Commission (2024c), *European economic forecast – Winter 2024*, Institutional Paper 268, Publications Office of the European Union, Luxembourg.

European Migration Network (2022), *Arrangements for accommodation and housing for beneficiaries of temporary protection*, Brussels.

European Network of Public Employment Services (2023), *Trends in PES – Assessment report on PES capacity in 2023*, European Commission, Brussels.

Eurostat (2024a), *Accidents at work – Statistics by economic activity*, web page, accessed 3 June 2024.

Eurostat (2024b), *Temporary protection for persons fleeing Ukraine – Monthly statistics*, web page, accessed March 2024.

HK (Hospodářská Komora) (2023), 'Ekonomické hrozby pro Českou republiku: Pracovní síla', press release, Prague.

HZZ (Hrvatski zavod za zapošljavanje) (2021), *Anketa poslodavaca 2020*, Zagreb.

IOM (International Organization for Migration) (2023), *Ukrainians and third-country nationals under temporary protection in Sweden – Needs, intentions and challenges*, Vienna.

Kommunalarbetaren (2023), 'Nästan en miljon övertidstimmar – Så akut är personalkrisen i äldreomsorgen', 23 January.

Letta, E. (2024), *Much more than a market: Speed, security, solidarity – Empowering the single market to deliver a sustainable future and prosperity for all EU citizens*, Council of the European Union, Brussels.

Migrationsverket (2024), *Sökande från Ukraina*, web page, accessed 4 June 2024.

Ministry of Health of the Czech Republic (2019), 'Sestry už neodcházejí po stovkách, říká v rozhovoru ministr Adam Vojtěch', press release, 18 June.

Ministry of Labour and Social Affairs of the Czech Republic (undated), *Analýza poptávky po pracovní síle a nabídky pracovní síly*, web page, accessed 3 June 2024.

Pignon, T., Lewis, K., Mullally, L., Kikuchi, L., Kellam, J. and Western, G. (2024), *Making it stick: The UK four-day week pilot one year on*, Autonomy Research Limited, Crookham Village, United Kingdom.

SEPE (Servicio Publico de Empleo Estatal) (2023), *La estadística de vacantes, una medida de la demanda de trabajo insatisfecha*, Madrid.

Sifted (2023), *The Great Resignation continues: 4 in 5 employees plan to switch jobs in the next 12 months*, web page, accessed 18 June 2024.

Tidningen Näringslivet (2023), 'Akut personalbrist inom äldreomsorgen', 24 January.

Tikvic, M. and Wohlgemuth, N. (2023), *IKT-Statusreport, Kärntner Institut für Höhere Studien und Wissenschaftliche Forschung*, Klagenfurt, Austria.

VoxEU (2022), *The impact of shortages on manufacturing in the EU: Evidence from the Business and Consumer Surveys*, web page, accessed 19 June 2024.

VoxEU (2024), *Vulnerabilities of the labour market: A new survey-based measure of labour hoarding in the EU*, web page, accessed 18 June 2024.

Zander, G. (2023), *Wundermittel 4-Tage Woche? Chancen, Risiken, Grenzen und flexible Alternativen*, Haufe Group, Freiburg, Germany.

Zdravotnický deník (2023), 'Česku chybí 3000 sester a 1000 lékařů, kde je vezme?' 13 January.

Zwysen, W. (2023), *Labour shortages – Turning away from bad jobs*, ETUI Policy Brief 2023.03, European Trade Union Institute, Brussels.

Annex

Contributors from the Network of Eurofound Correspondents

Name	Country	Institution
Bernadette Allinger	Austria	Working Life Research Centre, Vienna
Vassil Kirov	Bulgaria	Institute of Philosophy and Sociology, Bulgarian Academy of Sciences
Predrag Bejaković	Croatia	University of Split
Loucas Antoniou	Cyprus	Cyprus Labour Institute
Soňa Veverková and Jana Váňová	Czechia	Research Institute for Labour and Social Affairs
Mikael Lundqvist	Finland	Oxford Research AB
Éva Palócz	Hungary	Kopint-Tárki Institute for Economic Research Ltd
Alessandro Smilari	Italy	Fondazione Giacomo Brodolini
Thomas de Winter	The Netherlands	Panteia
Agnieszka Górniak	Poland	Ecorys Polska Sp z o.o.
Katarzyna Dębska	Poland	Polityka Insight
Marcel Spatari	Romania	Syndex Consulting SRL
Iñigo Isusi and Jessica Durán	Spain	IKEI Research and Consultancy
Nils Brandsma	Sweden	Oxford Research AB

Getting in touch with the EU

In person

All over the European Union there are hundreds of Europe Direct information centres. You can find the address of the centre nearest you at: https://european-union.europa.eu/contact-eu_en

On the phone or by email

Europe Direct is a service that answers your questions about the European Union. You can contact this service:

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls)
- at the following standard number: +32 22999696
- by email via: https://european-union.europa.eu/contact-eu_en

Finding information about the EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: <https://europa.eu>

EU publications

You can download or order free and priced EU publications at: <https://op.europa.eu/publications>

Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://european-union.europa.eu/contact-eu_en).

EU law and related documents

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: <https://eur-lex.europa.eu>

Open data from the EU

The EU Open Data Portal (<https://data.europa.eu>) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

This report provides updated evidence on the persistence of labour shortages amid declining levels of labour market slack in the EU and at Member State level. This serves as a background to the main focus of the report, which is on organisational policies aimed at attracting workers to occupations in which shortages are common. Case studies were conducted across sectors and Member States to gain an insight into how organisations deal with recruitment and retention challenges in a tight labour market. The report offers lessons on steps employers can take to fill vacancies, whether acting alone or in partnership with other organisations. It builds on previous Eurofound research that developed a taxonomy of actions employers adopt aimed at addressing labour shortages.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

