

Making better matches

How the private employment services industry helps to reduce labour and skills shortages in Europe

A World Employment Confederation-Europe Strategic Issue Paper

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I. Making better matches – a rising challenge for European labour markets

Skills and labour shortages are a topic of growing predominance and concern for employers and policymakers across Europe. They risk hampering economic growth and job creation while also limiting labour market participation.

The European Labour Authority's¹ recent Report on Labour Shortages and Surplus in Europe underlines that in 2022 a total of 28 occupations, employing 14% of the EU workforce were classified as shortages, with 19 out of the 28 are classified as shortages of high magnitude. Labour and skills shortages are of increasing concern across many different sectors and occupations, and particularly in healthcare occupations and professional positions requiring STEM skills. Most employees in shortages occupations have a medium level of education, while the share of those with higher levels of education is a little below the average for all occupations, as is the share of those with a lower level of education.

The World Employment Confederation published a comprehensive Global Labour Shortage Briefing² in the second quarter of 2022, building on resources from both its members and international organisations. Its key findings are that job vacancy rates are continuing to rise in 2022 and in many countries the numbers are the highest that they have ever been. The expected, negative economic impact of the Russian invasion of Ukraine is not yet fully reflected in the evolution of the job vacancy rates, as data was only taken into account up to April 2022.

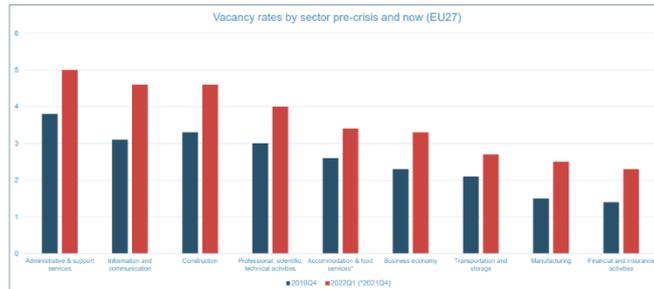


¹ European Labour Authority: [Report on Labour Shortages and Surplus 2021](#)

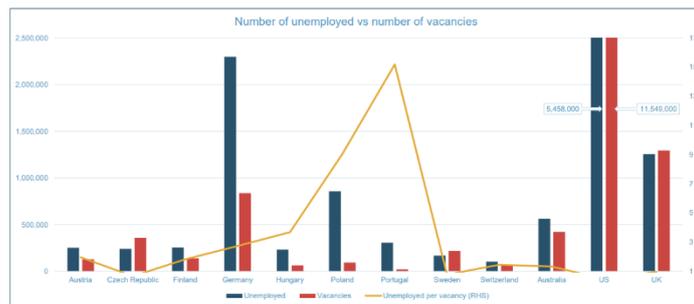
² The WEC Global Labour Shortage Briefing is available on the World Employment Confederation [website](#).

Current labour shortages affect all economic sectors with many industries and sectors reporting significantly higher vacancies than prior to the Covid pandemic.

The higher share of vacancies is often coupled with more difficulties in filling these vacancies and making a labour match. During the Covid-19 pandemic, occupational mobility, career transitions and guidance have been particularly essential to support workers in moving from declining to rising sectors as smoothly as possible. With ongoing digitalisation and green transitions, this occupational and sectoral mobility is forecast to become even more essential. Indeed, successful mobility will improve the matching of demand and supply on the labour market, connect people with meaningful work opportunities and accelerate access to the skills needed by companies in Europe.



Europe's ageing and shrinking labour force is often quoted in public debates as one of the key drivers of skills and labour shortages in EU countries and on the labour market. However, economic research by the World Employment Confederation and international organisations, finds this to be more of a medium to long-term challenge than an immediate concern. 2022 employment and labour force data shows that in most European countries, the number of unemployed people is still significantly higher than the number of (unfilled) vacancies. This suggests that it is not workforce availability that is the main challenge, but rather a workforce mismatch.

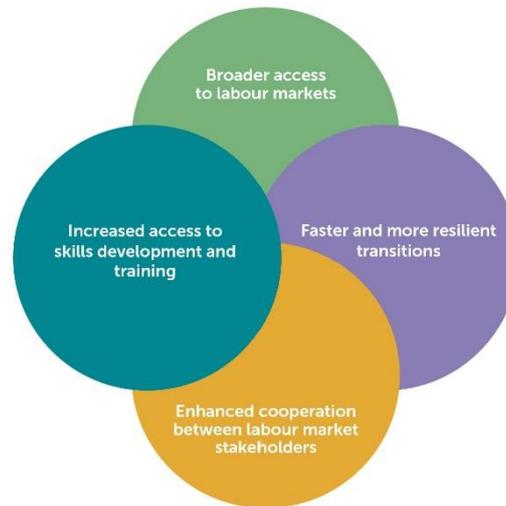


Research findings from the European Labour Authority also confirm that migrant workers and intra-EU mobility have a positive impact in alleviating shortages, although more analysis in the area is required. This is particularly the case with regard to the role of displaced workers and refugees from Ukraine. While first assessments, especially in neighbouring countries, have been positive, there are also limiting factors regarding the role of displaced workers in addressing labour shortages, which are linked to the recognition of qualifications, their fragile personal situation and temporary residence in the EU. For the private employment services industry and its agency work services, national regulation and restrictions on employing third country nationals as agency workers must be taken into account when assessing the role of labour migration in reducing skills and labour shortages. Thus, while work mobility and work migration have the potential to reduce skills and labour shortages, the impact of the integration of refugees from Ukraine in the skills and labour shortages challenge needs to be carefully assessed.

KEY FINDING

The main drivers behind the current labour shortages are largely linked to mismatches between supply and demand: inactivity, a re-evaluation of work, cross-border mobility of workers and the long-term impact of the Covid-19 pandemic – with workers having left certain sectors and most likely not returning after having given their career a new orientation.

A large share of the current skills and labour shortages faced by European companies and labour markets can be addressed by fostering labour market reforms building on four interconnected pillars.



II. Making better matches – four key roles and contributions by the private employment services sector

Against the backdrop of the above analysis, the private employment services sector can make four critical contributions to solving the skills and labour shortages in Europe through its agency work and career management segments:

1. Diverse forms of work to broaden labour market access
2. Innovative solutions to increase access to training
3. Career support to enable faster and more resilient transitions
4. A collaborative approach to foster cooperation with other labour market stakeholders

Nevertheless, further labour market reforms are still necessary to enable the private employment services sector to fully play its role. In the next section, after illustrating the industry's contributions through practical examples, we will also provide policy recommendations to further improve labour markets in Europe.

1. Broadening access to labour markets through diverse forms of work

As already illustrated, the immediate challenge linked to skills and labour shortages is less related to demographic trends and the ageing workforce, than to a persistent mismatch and challenges for several groups of people in accessing and remaining in the labour market. Young people often struggle to find their first job; women also have difficulties in finding their way, and people towards the middle or the end of their professional lives also battle to remain employable.

The private employment services industry plays a key role in increasing labour market participation in several ways, namely by easing access through diverse forms of work, improving labour market effective matching in real time and offering career guidance and labour market integration support. Looking at the profile of agency workers, a large share of them are young and often first-time labour market entrants. Young people often rely on diverse forms of work to get their first work

experience and develop their skills. This is illustrated by the number of students who use agency work to secure additional income. Students comprise 36 percent in Belgium, 22 percent in The Netherlands, 21 percent in Spain and 20 percent in Finland. By easing labour market access for young people, private employment services also help mitigate and reduce the risk of unemployment and long-term unemployment patterns.

Mid-age and experienced workers face a different challenge. Having worked for years in a certain profession or economic sector, economic volatility and business transformation may eventually force them to give their career a new orientation. Here, career management services play an important role in enabling smooth transitions, by partnering with companies and authorities on restructuring plans, promoting internal mobility and up- and reskilling activities, and by offering career coaching and orientation. The crucial importance of career support in addressing skills and labour market mismatches was very visible during the economic turbulence caused by the Covid-19 pandemic. In this period, demand for career management services increased by 14 percent in just one year (2019/2020) and rose to a volume of €2.2 billion globally. Amongst the over 3 million workers supported, the majority were enabled to change industries. According to a recent study³, two-third of the individuals supported indicated that the skills they learnt during their support programmes would be critical for their professional journey (vs. the immediate job search).

Migrant workers and third country-nationals with a European residence and work permit can also contribute to reducing skills shortages, although there are often restrictions to employing third country-nationals as agency workers. This positive role was evident after the migration and refugee crisis following the Russian invasion of Ukraine, where the private employment services industry in several European countries provided people with labour market integration support and employment opportunities. However, the situation of workers fleeing the war in Ukraine should not be generalised, as there are many different drivers and factors impacting work mobility and work migration from non-EU countries. Despite issues such as residence and work permits, for which EU instruments have been put in place, and the recognition of diploma and professional experience, labour migration has the potential to contribute to easing labour shortages in Europe

Case study – Agency work: an attractive career path for highly qualified workers

A White Paper published by World Employment Confederation-Europe member, swissstaffing, provides evidence that, contrary to widespread opinion, agency work is also an attractive way of working for highly qualified workers. A survey of highly qualified agency workers in Switzerland demonstrates the growing importance of the agency work sector for them as they are increasingly looking for a combination of flexibility and social security. Highly qualified flexible workers are taking advantage of demand in shortage occupations, highly specialised sectors, or project-based sectors, where their work is highly valued; thereby playing a role in filling shortages positions. In return, workers benefit from a high level of flexibility in terms of working hours and work content. Salaries in this configuration are also more than competitive. Even for specialists who would like to work digitally, self-reliantly and flexibly, agency work service providers can provide opportunities that combine a particular form of self-employment with social security.

Recommendations to address skills and labour shortages by broadening access to labour markets

1. **Review and lift unjustified restrictions on the temporary agency work industry** to unlock the potential of the private employment services industry.
2. **Enhance and foster labour market transitions** for people to move smoothly into new jobs and professions through tailored labour market activation policies and broader use of career transition support services.

³ *Securing long-term effectiveness on the Swiss labour market*, LHH, 2019

2. Increasing access to training through innovative solutions

Access to training and professional development for workers at each stage of their career is becoming increasingly important in reducing labour shortages as qualifications and skills needs evolve and labour markets become increasingly dynamic and volatile. For many jobs and professions, labour market matching is less and less based on formal qualifications or degrees acquired at the start of the professional life and more on the cognitive and social skills developed and acquired throughout. In addition, soft skills and transversal skills are not only developed during the professional life, but in any setting.

The private employment services industry has developed a range of innovative solutions to facilitate and enhance access to training for people in diverse forms of work, in triangular work relationships such as agency work, and in the context of business-to-business services for employees of client companies. In Italy, a subsidiary of an employment and recruitment industry company is the second largest training provider in the country. Access to training can be based on various models and solutions, such as company-based training schemes within the private employment services industry, training voucher schemes, systems of dual learning and apprenticeships and bipartite training funds, which currently exist in seven European countries as illustrated in the chart below.



Training schemes that are set up and designed by bipartite training funds include the strong involvement of sectoral social partners. They allow for demand-driven training responding to the needs of business and workers and put in place tailored training solutions which respond to the specific needs of agency workers - ultimately helping to reduce current skills shortages. Innovative projects are run by bipartite funds to, for example, enhance soft skills (Belgium)⁴, support labour market access for refugees (Italy)⁵ and enable forward planning of employment and skills (France).

Case study – Anticipating future skills needs

Prism'emploi, the national federation for temporary work agencies and the recruitment sector in France, has put in place an innovative project to anticipate the consequences of the evolution of labour markets and ensure that workers have the skills needed to fit the jobs available. Together with trade unions, it established the "Gestion Prévisionnelle des Emplois et des Compétences (GPEC)" – Forward Planning of Employment and Skills – process for the temporary agency work sector. The first phase of the project will focus on job and skill mapping in four regions of France that have either been hit particularly hard by the Covid-19 crisis or that count a large majority of low-skilled blue collars workers amongst agency workers. Once the skills mismatch is evaluated by the sectoral observatory institute (OIR – Observatoire de l'intérim et du recrutement), the sector will mobilise its training programmes which lead to a certification or qualification, and therefore, secure a pathway to employment.

Recommendations to address skills and labour shortages by increasing access to skills development and training

1. **Create an enabling policy framework** at national level to capitalise on initiatives led by the private sector to invest in training and skills. The current EU Commission's European Skills Agenda is welcomed in this respect, particularly the initiatives on pacts for skills, the focus on skills intelligence and on fostering investment in skills.
2. **Facilitate access to funding** for social partners and companies to reinforce, sustain and develop training and skills enhancement policies that help tackle real life labour market shortages and mismatches.

⁴ More information about the Testyourselfie project can be found here: <https://www.testyourselfie.eu/>

⁵ Temporary agency work social partner agreement on refugee integration in Italy of 2022

3. Enabling faster and more resilient transitions through career support

As highlighted in the first chapter of this strategic paper, skills and labour shortages in Europe are less linked to a lack of workforce availability, and more to economic restructuring, sectoral shifts and changes in labour demand. In this sense, they are the result of a misalignment between supply and demand.

In a 2021 poll, more than 57% of employees indicated that they had left their job voluntarily. Within that group, 38% were considering looking for another job and (only) 5% wanted their old job back. As professional pathways become less linear and transitions more frequent than ever, so individuals have more opportunities. As a result, workers and their organisations alike, require orientation to find new patterns in a constantly evolving work environment.

In this context, enabling fast and sustainable work transitions is of the utmost importance for all workers. Adopting a people focus is critical to anticipate, prepare and enable those transitions. Three success factors emerge to 'future-proof' one's professional path and the career management industry is uniquely placed to combine these three elements.

First, career support means more than guidance. A transition often requires a shift in mindset, not least in the context of increasingly uncertain labour markets where transitions should be considered more proactively and where one's job might become obsolete. Too many workers find themselves lost when such a separation occurs – voluntarily or involuntarily – and are inclined to be rushed into the next available opportunity without considering what is best for them. Individuals must be inspired to own their career journey and be provided with a structure for working towards it.

Secondly, career support is about taking a personal, yet holistic, approach to transitions; not just following a process. Placing the individual at the centre of the approach, looking beyond the CV and degrees to their interests, motivations, profile, learning preferences and support framework, makes people more comfortable to go through change. As developed earlier in this paper, skills shortages are often stem from a misalignment of supply and demand. A personal career transition approach is critical to lowering the barriers to employment and cementing a match between the person and the work opportunity.

Finally, career support is neither just about immediate job-readiness, nor just about up- and reskilling. It is about deploying a strategy for employability to thrive in a fast-moving world of work where transitions are non-linear and more frequent than ever. Let's consider only this: according to research⁶, receiving career support multiplies the probability of engaging in lifelong learning activities by three. Putting transitions into the perspective of a professional path helps individuals to thrive. Matching evolving labour market demands and one's own (learning, flexibility, experience) aspirations is the key to employability.

As a result, transitions are more comfortable, are made faster and are more sustainable. Using career support services reduces the duration of transitions by half, compared with transitions effected without the help of career experts. Bringing people into new placements more quickly benefits not only the individuals concerned but also public finances, as it reduces the need for unemployment benefits and fills shortages in other sectors.

Case study – Transitioning 3000 workers after the closure of a factory

A manufacturing company was planning to close a factory employing 3000 workers within three years. A career transition partner company supported the process by first engaging in the announcement of the closure. After providing support to prepare the announcement and to deliver it onsite, the career transition company offered manager orientation, onsite career centres and virtual job fairs, as well as individual support for the 3000 individuals affected by the closure. The announcement of the closure had a devastating impact on the local community, especially for young apprentices who saw their professional prospects disappear, right at the start of their journey. But, in cooperation with local regional authorities, the career transition partner supported the redeployment of workers. As a

⁶ [The Career Guidance Imperative](#), LHH, 2021

result, more than 350 companies hired 90 percent of the laid-off workforce. The remaining 10 percent continue to be supported by the career transition programme until they find a suitable new work opportunity.

Recommendations to address skills and labour shortages by enabling faster and more resilient transitions

1. **Create an enabling policy framework at European and national levels to capitalise on the role of private career management services** to ensure smooth work transitions, avoid unemployment while supporting organisations in their workforce planning process and create resilience to tackle skills mismatches and labour shortages. Countries leveraging this role through incentivising businesses increase the labour market mobility culture without additional public investments.
2. **Foster dialogue, cooperation and exchange between public authorities, public employment services and the career management industry** in the EU context. Especially in the framework of programmes linked to the European Social Funds and the Recovery and Resilience facility to promote inclusive labour markets, capitalise on the untapped labour force and ensure continued and sustained labour market participation for people most affected by structural change.

4. Fostering cooperation between labour market stakeholders through a collaborative approach

Addressing and tackling labour market shortages and mismatches can only be effective if it is based on a holistic and medium to long-term strategy and if it involves a variety of public institutions and private stakeholders.

Cooperation between companies, private employment services and education and training institutions is essential to designing training and upskilling policies that are demand-driven and relevant to the labour market needs. Cooperation and exchange between public and private employment services is an equally important instrument for making better matches and addressing skills and labour shortages in dynamic and fast evolving labour markets. Effective forms of cooperation between public and private employment services - such as in the Netherlands, the United Kingdom, Belgium, France and Italy - have the potential to increase labour market transparency, improve labour market matching, identify bottleneck occupations and set up joint skills assessment and training programmes for candidates and jobseekers.

Framing cooperation between public and private employment services by Memorandums of Understanding signed at national or regional level has proved effective. Such cooperation between employment services is especially important in the context of structural changes in the economy linked to the post-pandemic recovery and the new economic challenges resulting from the Russian invasion into Ukraine, as well as to the digital and green transition. The European Network of Public Employment Services also plays an important role in promoting benchlearning - combining benchmarking and mutual learning. A first, very insightful session on approaches to tackle skills and labour shortages was held in 2022 in the context of the EU Public Employment Services Network stakeholder conference, to which the private employment services industry actively contributed. The main obstacles that still need to be overcome are mostly a culture and mentality shift in several European countries - especially in some southern and eastern European Member States - to view public and private employment services as essential and equal partners working together towards more resilient and inclusive labour markets.

Alongside the cooperation between public and private employment services, it is equally important to address skills and labour shortages in the context of sectoral social dialogue and to foster cooperation between employers and trade unions.

Case study – Cooperation to support displaced workers from Ukraine

A socially innovative solution to address labour market participation and matching was put in place in 2022 in Italy based on cooperation between labour market stakeholders and an agreement between the sectoral social partners for temporary agency work. It aims to facilitate the welcoming and social and labour inclusion of refugees arriving in Italy. The main actions focus on creating training paths to facilitate work transition after a specific skills assessment (language training, training on culture and civic education and professional training). They are financed via the bipartite training fund with € 3 million in financial support in 2022, for welcoming initiatives: a one-off payment ranging from € 1,000 to € 1,500 and welfare benefits to support the social inclusion of refugees, including the coverage of childcare, psychological assistance and the purchase of essential goods for children. The agreement has been put in place for an experimental phase of six months to provide support to displaced workers from Ukraine, to support their labour market integration and to contribute to addressing skills and labour shortages in Italy.

Recommendations to address skills and labour shortages through enhanced cooperation between labour market stakeholders

1. **Strengthen the cooperation and collaboration between public and private employment services** to speed up the matching of job seekers and vacancies on the European labour market. The recently proposed EU initiative for an EU talent pool can be a useful complementary initiative to attract talent from outside of the EU and fill skills and labour shortages. **Use the European Network of Public Employment Services as a forum for dialogue, mutual learning and benchmarking** of policies to address skills and labour market mismatches.
2. **Foster sectoral social dialogue at European and national level to strengthen collaboration between labour market stakeholders and develop innovative solutions for more inclusive and resilient labour markets.**

About the World Employment Confederation-Europe

The World Employment Confederation-Europe is the voice of the employment industry at European level, representing labour market enablers.

Its membership includes national federations from across Europe, as well as several of the largest international workforce solutions companies. It is therefore fully representative of the industry, both in size and diversity. The World Employment Confederation-Europe brings a unique access to and engagement with European policymakers (EU Commission, European Parliament, and Council) and stakeholders (trade unions, academic world, think tanks).

The World Employment Confederation-Europe strives for a recognition of the economic and social role played by the industry in enabling work, adaptation, security and prosperity in our societies. Its members provide access to the labour market and meaningful work to almost 11 million people in Europe.

