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## Beyond Education and Training – How Can We Adapt to Future Needs of Local Labour Markets?

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Investments in skills alone are insufficient for reintegrating low-qualified individuals into education or the labour market.

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Substantial policy reforms to improve salaries, job security, and working arrangements are necessary to overcome labour force shortages.

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Adult education and training opportunities need to become more flexible to boost participation and inclusiveness.

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Staff training in organisations should be seen as an investment and not a cost for accounting purposes.

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## Introduction

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In her 2023 State of the Union Address, European Commission's President Ursula von der Leyen mentioned: "I see three major economic challenges for our industry in the year ahead: labour and skills shortages, inflation, and making business easier for our companies". This Policy Brief relates to the first challenge: labour and skills shortages. What aspects of education and skills development can be improved, considering the current and future needs of local labour markets? In September 2023, the project "Mapping Inequalities through the Life Course" (MapIneq, funded by the European Union, <https://mapineq.eu>) brought together an interdisciplinary group of experts to discuss best practices and adaptations that are needed to fulfil current and future needs of European labour markets.

Participants included: **Gabriela Alvarez Minte** (UNFPA), **Jacob Nielsen Arendt** (ROCKWOOL Foundation), **Pedro Barata** (Future Skills Centre), **Mark Bergfeld** (UNI Global Union), **Sara Bianchi** (Southern Sparsely Populated Areas Network), **Paolo Ciambellini** (Council of European Municipalities and Regions), **Sara Díaz Roig** (Barcelona Activa), **Jani Erola** (University of Turku), **Julie Fionda** (European Commission), **Bernd Hemingway** (Secretariat of the Council of the Baltic Sea States, retired), **Nadine Kanu** (German Wind Association, German Renewable Energy Federation and ENERTRAG), **Anna Lundgren** (Nordregio), **Melinda Mills** (University of Oxford and University of Groningen), **Lulu Shi** (University of Oxford), **Heike Solga** (Free University of Berlin and Berlin Social Science Center – WZB), and other experts that preferred to stay anonymous.

Europe is progressing towards a digital and green economy. Artificial intelligence and automation are significantly altering labour markets in the context of labour and skills shortages. This transition, in part also a by-product of these shortages, implies that while some industries and sectors have already adapted, others are just beginning to adjust. Moreover, there are varying starting points for regions within and across countries (Mills, 2022).

## The regional challenges to tackle skills shortages

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How can we attract and prepare individuals for regional labour market integration, ensuring a strong alignment between skills and labour market demands? Two key regional challenges exist: First, in many regions, although there is

sufficient population, there is a lack of infrastructure to retain skilled workers. Second, regions experiencing population decline – particularly rural areas – often struggle to offer opportunities to individuals who choose to live in these regions. In this context, promoting a sustainable and inclusive growth by addressing the needs of communities should be a priority for local governments.

It is important to note that the majority of young people form their aspirations based on what is happening in their regions and social contexts. If this is a choice, all is well. However, from an inequality perspective, if individuals' choices are constrained by what is available and feasible for them to study in their region, there will be a regional fairness issue at the country level, as regions differ in what they can offer to young citizens.

The education and training sector in Europe is also highly heterogeneous, with variations in organisational structures and levels of responsibility. For instance, upper-secondary school is a regional responsibility in Norway, while in Sweden, it is a local responsibility. As a result, finding a "one-size-fits-all" solution is challenging. Nevertheless, there is a need for every region to establish a system to recognise skills people already have and potentially validate them via certification schemes, as well as to work on skills development and governance. Given this governance diversity, greater coordination at the international, national, and local levels is necessary.

## What works for some, won't work for all

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One of the most vulnerable groups concerning skills and labour markets comprises low-qualified adults, specifically, those who have not completed upper secondary education. However, this group is not homogeneous; there is significant variation in terms of individual characteristics, including skills. Consistent with this intra-group skills heterogeneity, their lower level of formal qualification is more important for their job placement and occupational attainment than their individual skills (Heisig et al., 2019). Moreover, evidence suggests that the participation of lower-qualified workers in job-related training are mainly influenced by this worse job placement (job tasks, type of contract, firm characteristics) rather than by their skills and motivation to learn – in contrast to those with upper secondary or tertiary education (Hornberg et al., 2023).

This underscores that investments in skills alone are insufficient for reintegrating low-qualified individuals into

education or the labour market. In essence, skills are necessary but not sufficient for success, particularly among students from disadvantaged backgrounds (Heiskala et al., 2021). More attention to accountability is also needed. Individuals must have the freedom to upskill or reskill, but making it entirely an individualised responsibility is not a sustainable solution for European labour markets.

## Zooming into sectors of activity

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Participants in our meeting stressed the importance of taking a sectors perspective when looking at the future of work, and the need to better monitor draining from sectors. In many cases, different sectors are competing for the same group of workers. However, due to the fact that some sectors are no longer regulated by collective sectorial agreements, workers tend to advance in the labour market by changing companies within a better-protected sector, or a sector which will offer them better working conditions.

We also need to get better in forecasting future needs for skills, while also getting better in using the results of skills assessments already in place in many countries. Currently, assessments barely play a role in policymaking. There is a huge potential to use national skills assessments to shape and design education and training systems. For example, it can inform public employment services at the local and regional levels, who in most countries are responsible for guiding services on adult education options. In addition, collaboration with local industries is essential to identify current and future labour market needs. In this sense, public-private partnerships can play a crucial role in creating specific solutions.

## More attention to key public services is needed

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Labour and skills shortages are impacting the functioning of the public sector at the local level. Achieving productivity improvements is significantly more challenging in health-care, education, and the service sector compared to the private sector, especially when confronted with rising costs. Another issue is that many projects led by municipalities increasingly rely on external providers or outsourcing due to a lack of specialised workforce, including recruitment of migrants to stem labour shortages. When considering recent commitments, such as the implementation of the Green Deal at the local level, skills shortages and mismatches are impeding progress toward achieving its objectives.

## Towards improving working conditions and embracing diversity

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Trying to attract people to new types of jobs and training is also about offering good incentives, wages and working conditions, and a rewarding career trajectory (Milos and Bergfeld, 2022). It is not only about jobs and skills, but all the package of what individuals consider to be a good life. For migrant workers, participants in our meeting agreed that there is a need for a cultural shift of being more welcoming and appreciative about working in a diverse work environment. While all companies should incorporate general equality and diversity policy and inclusion into its corporative culture, more efforts should also be made by the public sector and unions to promote training on the topic for small and medium size companies.

## The challenges of adult education

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Skills development is often cited as important for organisational success but that is not backed up with sufficient action. In the context of company accounts, training employees is considered a cost, not an investment. Lack of resources, along with insufficient knowledge, partnerships and collaborations, were additional reasons mentioned by participants in our meeting. They recommended increased collaboration between education and training providers and employers, as well as greater involvement of public agencies, sectoral associations and trade unions.

Looking outside companies, how to promote training opportunities that are independent of employers, in a context where in most cases no wage rise follows upskilling and depends on people's extra time? Flexibility is key to boost participation and inclusivity for everyone, regardless of gender or age. This also includes the recommendation to leverage older workers for skills transfer.

Smaller courses and innovative approaches to incremental training should be given serious consideration by public authorities and training providers, even in the face of limited public resources. Furthermore, modularising course content and recognising prior learning, skills, and work experience are essential to enable individuals to create tailored learning experiences that align with their needs (OECD, 2023). Promoting and ensuring high participation in adult learning should also be a component of a well-structured immigration policy.

## Policy Recommendations

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- Skills and labour shortages have multiple causes and are often region-specific. It requires a multi-sectorial approach for effective solutions.
- It is vital to distinguish between short-term fixes and long-term strategies to create environments that are able to attract, develop and retain talents.
- While up- and reskilling of the domestic population and immigration can alleviate specific needs of labour markets, there is a need for substantial policy reforms to improve salaries, job security, and working arrangements, as well as for strengthening collective bargaining.
- To boost participation and inclusiveness, adult education and training opportunities need to become more flexible.
- Enabling frameworks need to adapt in order to better value education and training and its contribution to productivity and value. In particular, staff training in organisations should be seen as an investment and not a cost for accounting purposes.

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