Skills and social rights in times of technological transformation

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As the European economy goes through profound changes, industry and society will need employees to gain new skills.

Green and digital technologies both need people who can build, maintain, update and use them if the green and digital transitions are to be successful.

At the same time, the drive for European competitiveness in the global market puts pressure on companies, workers, and social systems to work more productively.

Is there a way to increase competitiveness, increase the skill levels of European workers, and safeguard social rights simultaneously?

In a short series of articles following the European Employment and Social Rights Forum, Euractiv will dive into this topic.
With countries and companies lamenting ongoing skills and labour shortages, experts argue that part of the problem is not a lack of workers – but an unwillingness on the part of employers to provide better working conditions.

Complaints about a lack of workers have become hard to ignore. “We increasingly hear complaints from member states, from social partners, especially the business side, that labour and skills shortages are a major stumbling block to expanding business and to economic growth in general,” Barbara Kaufmann, director for employment and social governance at the European Commission, told the European Employment and Social Rights Forum 2023.

As the “Employment and Social Developments in Europe” annual report by the EU Commission shows, there are several factors driving skills and labour shortages in Europe.

For one, the digital and green transitions require some skills in a larger quantity than before, such as software developers or solar power specialists.

Demographic change produces a doubly-layered effect: it influences labour shortages directly by depriving the economy of a disproportionate amount of workers who retire and starkly increases the need for medical and care personnel.

However, in some cases, it’s not about missing skills, but about working conditions that are simply not good enough.

“I think it’s important to distinguish recruitment difficulties from actual skill shortages,” Mark Keese, head of the skills and employability division at the OECD, said at the Employment and Social Rights Forum. “Sometimes labour recruitment difficulties are simply because employers are unwilling to pay the going market rate – and so, of course, they have difficulties in attracting workers, but that’s not really a skills shortage per se.”

According to Keese, the two different kinds of shortages can be distinguished according to skill level. Shortages in less highly-skilled jobs could often be linked to poor working conditions.

Economics Professor and labour economics specialist Sara De La Rica pointed to the care sector as one of those sectors where it’s not necessarily a lack of skills but a lack of decent working conditions that were responsible for the shortage.

“The care sector has very bad work conditions,” she said, arguing that improving working conditions was essential to attract new workers or even former workers who fled the sector due to the bad conditions.

The EU Commission has also identified working conditions as a key lever to fill labour shortages. Kaufmann stressed that the Commission was actively supporting social dialogue and pointed towards initiatives like the Minimum Wage Directive that is currently being transposed by member states and should increase collective bargaining coverage and statutory minimum wages in many countries.

Of course, labour shortages are usually also a sign of a healthy economy. In an expanding economy, you would expect there to be a need for more employees. It forces companies to improve their offer to workers and find ways to work more efficiently.

This also means that, in a good economy, labour shortages will never be completely filled, and employers will always be in competition to make a compelling case to prospective employees.

After years of high unemployment in the previous decade, the current environment of relatively low unemployment and high employment rates might be a situation that many European companies first have to get used to.
Nobel economist: Rapid technological changes drive EU skills shortages

By Théo Bourgey-Gonse | Euractiv.com

Languages: Français

Skills shortages across the EU can be explained by technological changes so rapid that workers and companies are struggling to keep up, labour economics scholar and Nobel prize winner Christopher Pissarides told Euractiv in an interview on Friday (1 December).

Across the bloc, many companies are struggling to hire new staff, resulting in suboptimal production levels and rising fears some “vital” industries may be at risk of slowing down too.

Skill shortages, a priority issue for governments especially since the pandemic, “is coming from more rapid technological changes now than we ever experienced in the past,” Pissarides told Euractiv.

The London School of Economics scholar and Nobel prize winner, who specialises in labour economics, is adamant the intrusion of advanced technological tools in everyday work explains skills differentials between what businesses are looking for, and what workers can actually provide.

“Technological change makes it difficult for workers to keep up,” he said.

This doesn’t hold for high-skilled jobs only, but industrial ones too. As governments invest in the green transition and look to repatriate industrial production in the EU, hundreds of thousands of new jobs are set to be created.

“We still equate industrial jobs with dirty manual work. In fact, most manufacturing jobs require working with computers and robotics, and knowing how to control [high-tech machinery],” Pissarides said.

He also refuses the claim that robots are taking human jobs. “I’ve always said: let the robots take the jobs, there will be plenty more jobs to come” as a result of automation.

Reskilling here and now

Are governments and the private sector effectively grappling with the reality of such a skills mismatch?

“The only solution is for companies to set aside time for training on an ongoing basis, get comprehensive training options on companies’ intranet and ensure frequent communication with line managers and senior leaders to agree on training objectives,” the scholar explained, adding that the onus should be on the private world, not on government, to provide training and reskilling programmes.

“The best training is the one provided on the job,” Pissarides argued, citing studies which show that best-performing firms are those that “upgrade the skills of their employees all the time, even if they don’t plan to change [production strategies].”

The public sector must only be a “residual training medium”, ready to step in to support the unemployed and smaller companies that cannot afford in-house training programmes.

Flexibility and wellbeing

It’s one thing to think of reskilling – but how do we get people into the labour force in the first place?

“I hear company leaders say we must cut benefits and that will bring people back into the workforce,” Pissarides said. However, studies have shown that is not proven to work.

Instead, “we need to remove barriers to give workers the flexibility they need,” he said. Part-time work or four-day weeks are some examples of new, more flexible working arrangements that could help cater for different lifestyles and needs.

“The ultimate objective is wellbeing at work [...] Don’t put obstacles in people’s way back to work, or force them to come back [by cutting benefits],” the scholar said, arguing that companies and governments should instead focus on incentives and different working patterns – through the help, when applicable, of new tech tools.

This will be key to improving productivity levels in the EU, Pissarides said, which so far are showing “stark divides” among member states. New ways of working could contribute to boosting growth, reaching a better level playing field across the EU, and reducing general debt levels, as European leaders look into reforming the bloc’s fiscal rules.

Keeping debt levels in check comes “either by finding ways to raise productivity growth above the rest or implement austerity policies”, the professor said. So far, in his view, the latter has been a more common policy choice by decision-makers, to the detriment of the former.

Immigration conversation “flawed”

Allowing more immigrants into EU labour markets would open new markets for finding skilled staff. However, the debate is stifled by heavy politicalisation and a dominant narrative that migration at large is a threat that must be controlled.

“The talk about immigration is completely disjointed,” Pissarides said. On the one hand, immigrants are badly needed in critical sectors including construction or health care, and contribute needed in critical sectors including construction or health care, and contribute needed in critical sectors including construction or health care, and contribute.

On the other, Europeans are being fed with a scaremongering discourse, and immigrants are presented in a negative and risk-heavy light.

Pissarides’ message is clear: stop fearmongering, start employing.
Business leaders, policymakers, academia and industry experts discussed the impact of AI on the world of work at the European Employment & Social Rights Forum.

Artificial intelligence (AI) is reshaping the way we work, with research projecting it will deliver a €6.5 trillion increase in annual global GDP over the next decade. However, alongside unprecedented opportunities for innovation and growth, there are concerns over workers’ rights and job security.

This raises the question of how to harness AI to deliver benefits, while also protecting society – including workers – from its potentially harmful effects.

“AI means changes, but not necessarily bad changes,” said Joost Korte, the European Commission’s Director-General for Employment, Social Affairs and Inclusion. He spoke at the second edition of the European Employment & Social Rights Forum, which took place on 16-17 November in Brussels and online, under the theme ‘AI and the world of work’.

The Forum brought together a diverse panel of 74 speakers and explored the responsible harnessing of AI to ensure that technological advancements do not compromise workers’ rights.

“Setting clear rules doesn’t slow down innovation. On the contrary, it provides guidelines for investment. Our goal is to ensure that our values are preserved and included in this AI revolution,” said Commissioner Breton.

A ‘human-centric’ approach

A similar approach is needed when it comes to the use of AI at work, and many participants at the European Employment & Social Rights Forum advocated for a ‘human-centric’ approach to both AI innovation and regulation.

It is necessary to ensure that impactful decisions are still made by a human,” said Annette Bernhardt, Director of the Technology and Work programme at the UC Berkeley Labor Center.

It is also key for workers to have a say in how changes to their roles might be managed. Esther Lynch, General Secretary for the European Trade Union Confederation (ETUC), said that keeping employees involved and invested in new processes is an important part of learning to work in harness with AI. “Workers want participation & discussion on change, and access to training. It’s necessary to enable frameworks to inform them,” she commented.

The main message running through the Forum was clear: No matter how advanced technology gets, human workers still hold the key, and they should be the main beneficiaries of technological advancement.

“With the new technologies such as ChatGPT, work can be more efficient, faster, facilitated, simplified,” said Nicolas Schmit – EU Commissioner for Jobs and Social Rights. “But we also need to ensure that workers profit from each new breakthrough. The biggest challenge is to establish a system where the gains made out of AI are distributed fairly.”

Missed the European Employment & Social Rights Forum 2023? Catch up on the discussions: watch the wrap-up video and the recordings of the conference.
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Contact us

Marco VENOSTA
EU Affairs Manager
marco.venosta@Euractiv.com
tel. +32 (0) 2 226 58 19