

Opinion of the European Economic and Social Committee on supporting labour market developments: how to maintain employability, boost productivity and develop skills, especially in SMEs

(own-initiative opinion)

(2023/C 146/03)

Rapporteur: **Mariya MINCHEVA**

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1. Conclusions and recommendations

1.1. The **European labour market is transforming** and is facing new challenges, deriving from — the acceleration of technological progress and sustainable smart growth, coupled with climate change, **demographic change** and ageing, migration, and the **digital and green transitions**. This transformation requires good understanding of **what type of skills** are needed for future labour market transformations, including in SMEs, in order to maintain sustainable employability, contribute to a high level of productivity and to reduce labour shortages.

1.2. **Skills development and effective implementation of the right and access to lifelong learning must be an integral part in broader economic growth strategies and recovery and resilience plans.** The technological revolution is having a strong impact **on the nature of work and jobs**, and is accelerating trends in **employment restructuring**. Thus employability is directly linked to the capacity to upskill and reskill workers at enterprise level in order to be able to manage changes and people's attitudes towards new skills and opportunities and motivation to develop them.

1.3. Different factors, such as the aging society and demographic trends, pose a number of **challenges in terms of managing transitions in the employment lifecycle**. They relate to fair and equal treatment of different generations, motivation and equal access for training and skills development, and upskilling and reskilling opportunities in order to contribute to increasing productivity levels, improving individual professional capacities, managing generational differences, and cooperation and mutual support between generations in the workplace. Adult learning is essential for upskilling adults and can generate a range of personal, societal, economic and social benefits.

1.4. The European Economic and Social Committee (EESC) shares the view that **'The EU needs a skills revolution to ensure people can thrive'** ⁽¹⁾ and calls for the mobilisation of efforts and effective joint action by institutions, businesses, social partners and stakeholders under the Pact for Skills and the realisation of the ambitious goals set out in its programme. In this context, the EESC welcomes the European Commission's proposal for 2023 to become the European Year of Skills ⁽²⁾.

1.5. The **social partners** are key actors in developing the human potential to achieve sustainable development and maintain employability skills. Their role in a sound and effective collective bargaining process is critical to bridge the gap between employees' aspirations towards their professional careers and companies' needs, as well as the recognition of skills, but also to improve the link between education systems, VET systems and employment services with policies on development of innovation, industry, trade, and technology. Social dialogue and collective bargaining are powerful tools for achieving these goals. Civil society organisations are well placed to offer non-formal and informal learning environments as well as meaningful engagement for corporate volunteers to develop key competences. Respective civil society organisations also have an important role to play, especially those operating in the field of social entrepreneurship or with various vulnerable groups in society.

1.6. **New forms of employment**, duly protected, deriving from the changes of the nature of work, can offer various opportunities for people to engage in entrepreneurship, to diversify their incomes, and to take up occupations and activities that were not previously available to them. Maintaining employability in these conditions requires appropriate regulation, including through collective bargaining, a professional vocational training system that is able to develop entrepreneurial and professional skills according to labour market needs; a new type of motivational mindset, and the right legal and economic culture.

1.7. **Digital transformation** can be a challenge for maintaining employability and successful labour market realisation for large parts of our society. It may pose a risk of widening inequalities due to differences in education and vocational training, including basic and functional literacy, age barriers, and access to modern technologies and the extent to which they are used depending on skills and incomes. The capacity to constantly update **digital skills** according to labour market changes and introduction of new technologies will undoubtedly be among the most important challenges in the future. In this respect, the EESC welcomes the wide scale investments envisaged in the National Recovery and resilience plans to support the increase in digital skills ⁽³⁾.

1.8. To be successful, the **green transition** will require people with the right skills and working places with the right working environment and green production systems. Social partners have a key role to ensure a just transition in a number of economic sectors, where existing jobs will undergo radical transformation. There are four groups of **skills** that are considered especially important for **green** occupations: engineering and technical skills; science skills; operation management skills; and monitoring skills. The EESC supports the actions already undertaken at EU level to promote learning on environmental sustainability and the green transition in the EU ⁽⁴⁾ and calls for practical solutions to be offered to EU citizens and businesses.

⁽¹⁾ European Skills Agenda for sustainable competitiveness, social fairness and resilience, COM(2020) 274 final.

⁽²⁾ See the 2022 State of the Union Address by President Ursula von der Leyen https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_5493

⁽³⁾ https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/assets/thematic_analysis/scoreboard_thematic_analysis_digital_skills.pdf

⁽⁴⁾ GreenComp: the European sustainability competence framework

Council Recommendation of 16 June 2022 on ensuring a fair transition towards climate neutrality (2022/C 243/04).

Council Recommendation of 16 June 2022 on learning for the green transition and sustainable development (2022/C 243/01).

1.9. Future labour market needs will increasingly require advanced, higher-order cognitive skills, making it possible to operate and take decisions in an unpredictable, non-routine and dynamically changing environment. 'Meta-skills', which increase and accelerate the acquisition of other skills and are a catalyst for faster learning and successful lifelong development, are key to maintaining employability in modern conditions.

1.10. The role of systems in acquiring, forecasting and classifying skills is becoming key against the backdrop of dynamically changing labour market needs. At the same time, the design and implementation of tools to anticipate skills needs in individual countries needs to be improved and all stakeholders should be actively involved and make full use of the results of this process.

1.11. Putting skills and qualifications at the heart of the European political debate should stimulate:

1.11.1. mobilisation of governments, business, social partners and stakeholders to develop and implement modern, comprehensive skills strategies at national and sectoral level; creation of more and better learning and development opportunities; attracting and retaining of talent to develop key digital, green and cognitive abilities, soft skills, the capacity to manage changes and unlocking of more public and private investment;

1.11.2. use of artificial intelligence in skill-matching systems and awareness-raising of existing good practices in this area. These can be systems that function both in public employment services and in the private sector;

1.11.3. acceleration of processes in modernising and integrating vocational education and training, increasing its attractiveness, quality, flexibility and adaptability to the needs of different ages and categories of workers, the needs of the labour market and the need to build key competences in order to ensure a sound competitive environment, sustainability and the transition to a green and digital economy;

1.11.4. creation of conditions for and motivation of young people to participate in the labour market through career guidance, in order to give them access to good working conditions and a genuine career development.

1.12. SMEs should be encouraged to work in networks that interact, to cooperate in sharing the costs for research into skill needs and pool their capacities to respond to the challenges of the twin transitions and skills development. Key to their sustainable functioning are the conditions of the local community in which they operate, regional employment systems, the support of local administrations, and their access to new technologies, innovation and the services of Centres of Vocational Excellence.

1.13. Skills anticipation needs to be widely developed by economic actors and their stakeholders. Support for SMEs is needed to facilitate the development of their human capital training and development policy. In particular, dual training schemes and work-based learning are particularly adapted to the needs of SMEs. In this respect, the social partners have a fundamental role to play in this regard in the framework of social dialogue in their sectors of activity.

2. General comments and background

2.1. The COVID-19 pandemic has put us in a new context that has led to changes in society's behaviour, attitudes and culture. Consumer expectations and behaviour have changed (more online communication and interaction), as have business models and work organisation (more remote and hybrid ways of working). The green and digital transitions pave the way to adapting the existing education and training systems and practices so that they are able to provide the right knowledge, skills and competences.

2.2. Skills, qualifications and employment, the changing nature of work and the development of an inclusive labour market have been the subject of numerous EESC opinions⁽⁵⁾, which are still relevant today. The aim of this opinion is to analyse what type of skills are needed for future labour market transformations, how to maintain employability and contribute to boost productivity, and to explore effective strategies to improve labour force development and reduce labour shortages, including for SMEs.

2.3. Skills development strategies must be made part of national growth policies and plans in synergy with industrial research and economic development. Member States should encourage the development of high value-added sectors, help workers and businesses to manage change and be able to keep pace with innovation in the technological, digital and green fields. This will require further investment in resources and planning in terms of an education and training system that is able to meet the new challenges and that can eliminate the mismatch in the labour market.

2.4. The EESC believes that maintaining sustainable employability is a multifaceted issue, where the main challenges relate to the changing nature of work, jobs and occupations, the need for effective implementation of the right to lifelong learning and development, digitalisation, the growing role of human potential and labour productivity, changes in work organisation, demographic change and the need to ensure new patterns of work-life balance with flexible working time, and promote active aging policies⁽⁶⁾. There is a need for a supportive environment, so that people understand and are well aware of the importance of training for their professional lives, and are able and motivated to use all opportunities for lifelong learning, regardless of their stage of life. In this context, the capacity to maintain employment is directly linked to attitudes towards and the ability to develop new skills in line with labour market dynamics.

2.5. Social partners are key actors when it comes to developing and maintaining employability skills. They are best placed to support the convergence between the aspiration of the employee in their professional career and the skills needs of the companies. Their role, in particular through a sound and effective collective bargaining structure, is essential in the process of recognition of skills. The EESC considers that in order to improve the overall outcome in the labour markets, the coordination between education systems, VET systems and employment services with policies on the development of innovation, industry, trade, and technology, and also macroeconomic policies, must be strengthened. This could be especially effective at the local levels.

2.6. Changes in the nature of work are also leading to the development of new and flexible forms of employment relationships and non-standard employment models that change the way in which the European labour market is structured. New forms of work, duly protected, can open up new opportunities for people to engage in entrepreneurship, to diversify incomes, and to take up occupations and activities that were previously unavailable to them. On the other hand, new forms of work should provide a guarantee of access to social protection, as this is directly linked with the financial

⁽⁵⁾ Labour Market Observatory (LMO) study on 'The work of the future, ensuring lifelong learning and training of employees' (2022); Future of work — acquiring of appropriate knowledge and skills to meet the needs of future jobs (2017); Sustainable funding for lifelong learning and development of skills, in the context of a shortage of skilled labour (2019); The changing world of work and the longevity/ageing population — The preconditions for ageing workers to stay active in the new world of work (2019); Digitalisation, AI and Equity — How to strengthen the EU in the global race of future skills and education, while ensuring social inclusion (2019); Vocational training: the effectiveness of systems to anticipate and match skills and labour market needs and the role of social partners and different stakeholders (2020); Proposal for a Council Recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience (2020); How to promote, based on education and training, from a lifelong learning perspective, the skills needed for Europe to establish a more just, more cohesive, more sustainable, more digital and more resilient society (2020); An SME Strategy for a sustainable and digital Europe (2020); Industrial ecosystems, strategic autonomy and well-being (2021); Blended learning (2021), Higher education package (2022), etc.

⁽⁶⁾ <https://www.eurofound.europa.eu/observatories/eurwork/industrial-relations-dictionary/active-ageing>
https://erc-online.eu/wp-content/uploads/2017/03/With-signatures_Framework-agreement-on-active-ageing.pdf

sustainability of social protection systems. Maintaining employability under these conditions requires appropriate regulation (including through collective bargaining), a new type of motivational mindset, the right legal and economic culture, and a willingness to develop entrepreneurial and professional skills that respond to changing circumstances.

2.7. The uptake of digital technologies and their impact on the nature and organisation of work may pose serious challenges in maintaining employability and successful labour market outcomes. Digitalisation may lead to a risk of the widening of existing inequalities due to huge differences in education, including basic and functional literacy, age barriers, and access to modern technologies, as well as the extent to which they are used depending on skills and incomes. As the emerging generation is largely digital and older people tend to prefer analogue ways of working, the different generations can be beneficial to each other. The EESC welcomes the massive investments in digital skills via the National Recovery and Resilience Plans.

2.8. Green skills are the knowledge, abilities, values and attitudes needed to live in, develop and support a sustainable and resource-efficient society ⁽⁷⁾. The green transition will require changes in production processes and business models and will inevitably change the skills required and the tasks involved in many existing occupations, and will call for upskilling and reskilling programmes for workers. To be successful, the green transition will require people with the right skills. The EESC acknowledges the policy response to this end and calls for practical solutions to be offered to EU citizens and businesses.

2.9. Irreversible demographic trends, a shrinking labour force and increased longevity make it necessary to promote new work organisation policies, inter-generational exchange programmes, new work-life patterns with negotiated flexible work time, and measures which can contribute to better labour productivity and promote active aging. In the context of employability, many problems and challenges arise in managing the transitions in work-related lifecycles. They concern fair and equal treatment of generations in the labour market, the culture relating to the understanding of age, management of generational differences, management of social capital. Access to equal opportunities for all to lifelong learning helps to maintain employability and contribute to increased productivity at all stages of life, enhance cooperation and support between generations in the workplace.

2.10. Attracting migrants with particular skills is also an important part of any future skills supply chain. The Commission Communication on 'Attracting skills and talent to the EU' is a positive step in this direction.

3. Skills needed for future transformations in the labour market

3.1. Skills are central to the ability of societies, companies and individuals to thrive in an increasingly interconnected and fast-changing world. The future of work will be different for people with different levels of education and qualifications. Demand for low-skilled jobs will gradually decrease, while quite a number will be preserved. Some of the job tasks that are linked to physical or manual, numerical and customer service skills are most at risk of transforming or dropping out, due to the uptake of automation and intelligent systems. Still, craftsmen or artistic professions will remain and their upskilling is essential for participation in economic and social development. Due to the digital and green transitions, the demand for high levels of education and qualifications will grow significantly, while medium-skilled jobs will remain temporarily stable, but many of them will be transformed in line with labour market needs.

3.2. The role of systems in acquiring, forecasting and classifying skills is becoming key against the backdrop of dynamically changing labour market needs. The EESC welcomes the trend towards the creation and development of European taxonomies and dictionaries of skills and competences such as ESCO, Digital competence framework (DigComp 2.2), DigCompEdu, e-Competence Framework, DISCO, EU Occupations, GreenComp etc. These make a major contribution to the transparency of skills required in the labour market, to the portability of qualifications and the

⁽⁷⁾ United Nations Industrial Development Organisation.

introduction of a competency-based approach to education, training and human resource development. At the same time, we support the view ⁽⁸⁾ that the design and implementation of tools to anticipate skills needs in individual countries is not at the required level and not all stakeholders are actively involved or make full use of the results of this process.

3.3. The social partners have an essential role in defining skills development strategies in the light of data from professional and territorial observatories. It is therefore essential to involve the social partners from the start of process to prevent a mismatch between the real needs of employers and employees in Europe.

3.4. **Digital skills** will undoubtedly be among the most important skills in the future. In all sectors of the European economy, there is a significant increase in the need for specialised and highly developed digital skills.

3.5. There is also an increased need for STEM skills (science, technology, engineering, mathematics) and interdisciplinary skills combinations — ‘hybrid skills’, ‘transversal skills’ and ‘inter-functional skills’. Professional expertise, research and foresight skills, skills for sophisticated analysis and interpretation of complex information and technological skills will be increasingly valued. The Green General Skill index ⁽⁹⁾ identifies four groups of **skills** that are especially important for **green** occupations: engineering and technical skills; science skills; operation management skills; and monitoring skills.

3.6. Future economies and labour market needs will increasingly require advanced, higher-order **cognitive skills**, making it possible to operate and take decisions in an unpredictable, non-routine and dynamically changing environment. Most often, these are analytical, creative, innovative, non-standard, systemic, conceptual, strategic, abstract, autonomous and critical-thinking skills. **Meta-skills**, which increase and accelerate the acquisition of other skills and are a catalyst for faster learning and successful lifelong development, are key to maintaining employability in modern conditions.

3.7. Machines and algorithms will not replace the need for **‘soft skills’** in the labour market. The future of work and changing job profiles will require a multitude of socio-communicative and behavioural skills, the most sought after of which will be emotional intelligence, empathy, relationship-building, networking, effective communication, assertiveness, teamwork, styling, business etiquette, intercultural tolerance, negotiation, conflict management, etc.

3.8. Many **inter-functional** and **behavioural** skills relating to personal effectiveness are also at the forefront of labour market demands. The skills most in demand in this context are entrepreneurship and teamwork, decision-making and problem-solving skills, result orientation, multitasking, flexibility and adaptability, sense of initiative, resourcefulness, responsibility, self-monitoring, foresight, attention to detail, dealing with uncertainty, tension and stress, time management, etc.

4. Labour force development for an inclusive labour market and high productivity

4.1. In order for the European labour market to meet the challenges ahead, it must first and foremost be inclusive, ensure a level playing field and create conditions for investment in well- functioning employment systems which could contribute to increased productivity and guide efficient training and skilling policies, together with robust active labour market policies. In spite of the different traditions and practices across the Member States, the EESC believes that there is a need for:

4.1.1. optimising systems for monitoring, analysing and forecasting skills needs in the labour market;

⁽⁸⁾ See i.e. Skill needs anticipation: systems and approaches. Analysis of stakeholder survey on skill needs assessment and anticipation. ILO — Geneva, 2017, ISBN: 978-92-2-130248-3 (https://www.cedefop.europa.eu/files/2223_en.pdf).
Council Resolution on a new European agenda for adult learning 2021-2030 (2021/C 504/02).

⁽⁹⁾ <http://www.nber.org/papers/w21116>

4.1.2. stepping up the involvement of social partners and all stakeholders, paying particular attention to the ability of enterprises to develop internal procedures to identify skills gaps and training needs, and to apply measures for upskilling and reskilling their own workforce;

4.1.3. applying modern approaches and information technologies to strengthen, systematise across sectors and regions and make accessible analytical data on skills in order to provide training and qualifications relevant to labour market needs; for example, talent intelligence platforms can integrate different information about workers on the one hand (their skills, abilities, experience, desire for professional development, demographics, training needs, development opportunities) and employers' needs on the other;

4.1.4. together with the social partners, carrying out a strategic assessment of the challenges and implications for jobs, occupations, qualifications, activities and skills related to the transition to a green and digital economy, and develop both appropriate forms of qualification and reskilling and also investment in skills development and support for people affected by change or transitioning to green jobs;

4.1.5. analyse the barriers faced by young people to acquiring STEM qualifications and skills, and carry out targeted actions to increase the attractiveness of STEM education and careers among girls and women;

4.1.6. take measures to create agile, resilient and future-proof VET systems which can attract young people and support their entry to a changing labour market and ensure that adults have access to vocational programmes tailored to their needs and adapted to the twin green and digital transitions;

4.1.7. to ensure a more active strategic role for the social partners in accelerating the cycle of the creation and offering of new qualifications, in the updating of curricula, and in funding mechanisms and quality audit. Particular attention should be paid to micro-credentials, their quality standards and the possibilities for their recognition and inclusion in networks of broader qualifications; and expanding the practice of setting up sectoral committees, also at territorial level, with the involvement of social partners and educational institutions, to address skills mismatches and to flexibly create micro-credentials that closely match companies' training needs;

4.1.8. encourage the use of collective bargaining to ensure access to lifelong learning and facilitate inclusion in the labour market, including through: individual learning accounts, exploring the possibilities for paid training leave, according to national practices and a minimum number of hours of training per year; providing incentives for upskilling and reskilling; recognition of qualifications across EU Member States; development of corporate knowledge management systems; conclusion of mentoring contracts with retired experienced employees, etc.;

4.1.9. develop policies ensuring equal access to learning and development opportunities. This implies:

4.1.9.1. implementing the three steps set out in the 2016 EU Recommendation on 'Upskilling Pathways: New Opportunities for Adults' — skills assessment, provision of an individualised learning offer, and validation and recognition of skills acquired;

4.1.10. paying particular attention to those categories of workers who are most often excluded from training but who, for that very reason, need it most: the low-skilled; people over 45 years of age; people with disabilities; women returning to work after prolonged absences due to family and care responsibilities; migrants and refugees. The role of civil society organisations and social enterprises is key in assisting these vulnerable groups with their training needs.

5. Challenges for SMEs in developing skills needed for future transformations in the labour market

5.1. Micro, small and medium-sized enterprises make up 99 % of all businesses in the EU. Around 24 million SMEs generate more than EUR 4 trillion in added value and employ over 90 million people, representing a crucial source of entrepreneurial spirit and innovation, which are key to the sustainable development and competitiveness of European industry ⁽¹⁰⁾. The importance of SMEs has always been recognised, but COVID-19 has made it apparent how vulnerable to external impacts they are, especially in the context of a crisis which has put a huge number of SMEs in a precarious financial situation and millions of jobs at risk.

5.2. SMEs face the same challenges as everyone else, but have specific problems relating to better market access and financing, innovation uptake, digitalisation, the transition to climate-neutral business models and the shift from linear to circular production.

5.3. Due to limited resources, insufficient expertise and their regional location, the vast majority of SMEs have serious difficulties in attracting talent, and in selecting, training, developing, motivating and retaining staff. Only around 40 % of SMEs have written strategies and policies for human resources management. Due to their difficulties in compensating for the absences of staff on external training, as well as their limited financial capacity, SMEs have a lower percentage than the EU average in the use of face-to-face forms of vocational training.

5.4. The vast majority of SMEs operate in specific market niches and/or non-traditional economic sectors, where the nature of the work requires specific professional skills that need to be acquired and developed in real practical environments. Limited human resources often mean that jobs require broader specialisation and transferable hybrid skills linked to the need to combine a wider range of functional duties.

5.5. The specific skills needs of SMEs relate mainly to technological entrepreneurship, identification of business opportunities, risk assessment and management, funding sources, development of company strategies, business projects and plans, implementation of innovative business models, use of digital technologies, digital branding and digital marketing, acting in line with the established regulatory framework, staff administration, the green economy and use of renewable energy sources, and the circular economy.

5.6. Given the technical nature of professions in a large number of SMEs that possess unique know-how, especially in niche markets, on-the-job training provides an appropriate response to their skills needs. Similarly, on-the-job training is needed to meet the challenges of the digital and green transformations. This type of training facilitates skills development in SMEs thanks to the simplified possibility it offers of organising in-house training and transferring knowledge within the company. In order to address the problem of maintaining production levels when workers are absent to attend training courses, employers should have recourse to appropriate forms of training and ad hoc instruments, such as sharing of training programmes at sectoral or territorial level fostering synergies between SMEs, and have access to targeted financial support measures.

5.7. Skills anticipation needs to be developed widely by economic actors and their stakeholders. The social partners, through social dialogue in occupational branches and sectors, have a key role to play to this end.

Brussels, 22 February 2023.

*The President
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⁽¹⁰⁾ <https://www.europarl.europa.eu/factsheets/en/sheet/63/small-and-medium-sized-enterprises>