

# From Labour Slack to Labour Shortages

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# The new landscape

All European countries reported labour shortages

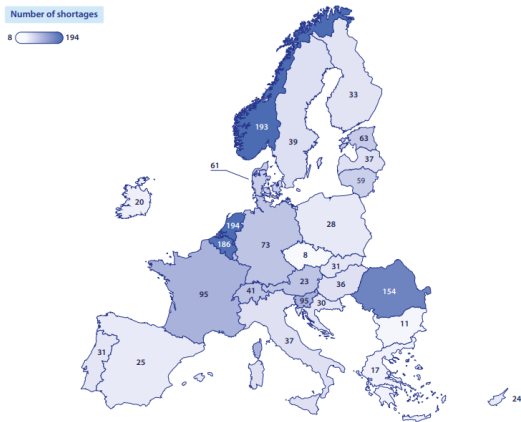


Figure: Number of shortage occupations in a country (Eures 2023)

# Are they going to go away on their own?

Might be cyclical. Vacancies rising with the Covid recovery

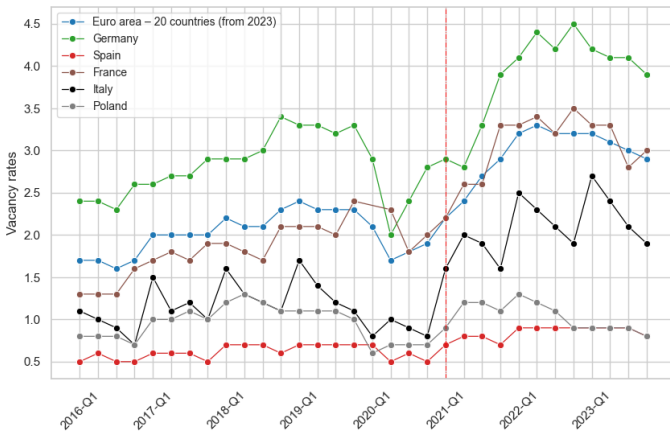


Figure: Vacancy rates over time (%), Eurostat

# Probably not...

Most shortages are structural

- Shortages are *persistent*. Many "shortage" occupations were already in high demand in 2014
- Concentrated in some sectors, not the whole economy
- Present also in countries with a poor economic performance

# Possible causes

- Skill mismatch
- Preferences, labour supply
- Demographics

# Skill mismatch

- Common argument that not the right workers are being trained
- Prominent shortage occupations require advanced training such as specialist doctors (1% of the labor force)<sup>1</sup>, nurses (0.8%) and software developers (1.7%)
- Others require vocational training, such as machinery mechanics (1.8%), metal sheet workers (0.8%) or electricians (1.2%)
- Stereotypes against STEM women and HEAL men

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<sup>1</sup> Source: Employment and Social Developments in Europe, European Commission:2023 

# Skill mismatch: solutions

- Improved access to vocational training
- Incentive to women in STEM and ICT related fields and men in Health, Education and Administration
- Steer doctors towards specialties in high demand

# Skill mismatch? Not only

Shortage occupations include also:

- Shop salespeople (5.3%)
- Cooks and waiters (1.8%)
- Cleaners (3%)

Altogether these make up a large share of the total labor force and they are all relatively unskilled occupations. How come?

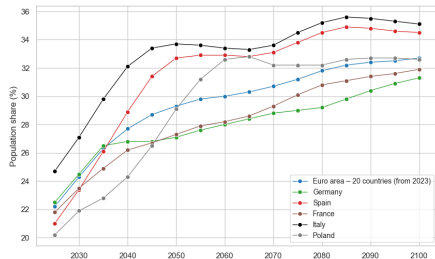


## Are they simply bad jobs?

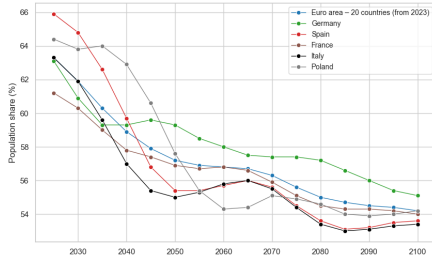
- Half of the sectors recording labor shortages recorded above-average shares of low-wage earners
- Many in these occupations said they were having difficulties making ends meet (47% of cleaners, 44% of waiters, cooks and bartenders and 43% of carers)
- In many shortage sectors workers reported high levels of job strain

Bad jobs → people don't want to work there. Hard to fix when these might simply be sectors with low productivity. Limited policy role.

# What if, instead, we are simply getting older?



(a) Share of the population aged 65 and over (%)



(b) Share of the working age population (%)

# Less workers, more people to care for

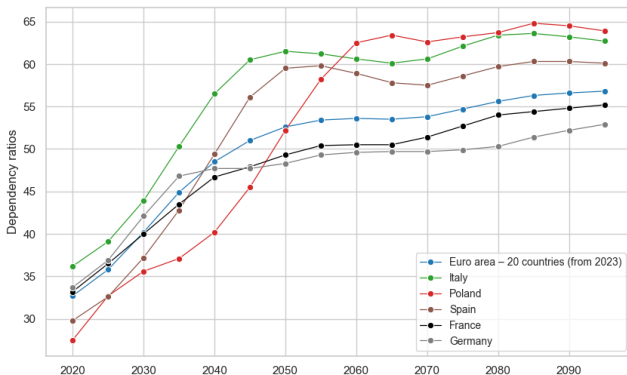


Figure: Projected dependency ratios (%), Eurostat

# The consequences of getting older

- Increased labor shortages as *replacement demand* cannot be satisfied
- Many shortage jobs require manual labor, harder for older people
- Greater demand for jobs already in high demand (e.g. doctors, nurses, carers ecc.)

# Can we become young again?

Sadly no. But we can "import" workers from non-EU countries. Immigration has many benefits:

- Younger labor force → lower dependency ratio
- Easier to satisfy replacement demand
- "Shop" for the workers with the right skills (e.g. British point system)
- Unskilled migrant workers might have a lower outside option → Easier to fill the "bad" jobs

# Conclusion

Labor shortages are driven by:

- Population ageing and the labor force shrinking
- Shortcomings of the educational system not training the "right" workers and encouraging them to develop unsuitable profiles
- Poor working conditions

Possible solutions are:

- Greater immigration
- More emphasis on vocational training and specific degrees
- Greater inclusion of women in the labor force
- Less monopsony power