

**A study commissioned by
the Patriots for Europe Foundation**

Unemployment And the European Labour market

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INTRODUCTION

In an increasingly complex and multifaceted world, it is vital to be able to break free from stereotypes and deconstruct numbers. The concept of unemployment is often over-categorised. We are sometimes quick to infer the health of a country and its people, or even the effectiveness of its employment policies, from a particular figure and its trend. But unemployment rates hide many realities and can only be interpreted by looking at other factors in detail.

The unemployment rate in Europe reached an unprecedented low in 2022, and subsequently continued to decrease, reaching 5.9% in May 2023.

The objective of this study is to unveil the hidden aspects of this phenomenon, transcending the

limitations of raw and opaque data that fail to reflect reality.

In the context of a challenging employment market, **the supply of available positions is found to be inadequate in meeting the demand** for employment. The excessively high number of unemployed people is unable to meet the needs of businesses. At the European level, the implementation of opportunistic solutions that have a significant impact on our country has been ongoing for several years.

In order to establish a precise and objective picture, a European survey of unemployment has been carried out to better understand the situation in France.

In-depth data analysis has enabled the identification of issues such as job vacancies, rising labour costs, generational demographics, job migration and professional training policies.

Based on these elements, we then set out to give some recommendations from the field, whilst acknowledging the intricacies of the employment landscape, in order to answer the following questions: how can we tackle unemployment and the shortage of qualified workers? How is European migration policy currently affecting employment variables? How can we stem the brain drain and respond qualitatively to companies' needs?

This study was conducted by Adevea Consultancy. It is based on a comparative analysis of institutional data with regard to European employment policies, and its aim is to refocus the subject on issues specific to France.

This involved the collection of quantitative and qualitative data to identify and characterise all the measures impacting the labour market, as well as their trends. The findings are substantiated by testimonies collated in situ by Agnès Duroni and Laurent Kirsch from a sample of individuals, including low-skilled labour and highly qualified personnel.

An overview of the evolution of European employment policy

European employment policy was established in 1957, with the creation of the European Social Fund (ESF), and aims to:

- Address large-scale socio-economic problems common to all member countries
- Underpin Europe's economic competitiveness
- Guarantee respect for fundamental rights

Treaties are drawn up in response to common problems, with a common vision. Primary law must support fundamental rights throughout the EU.

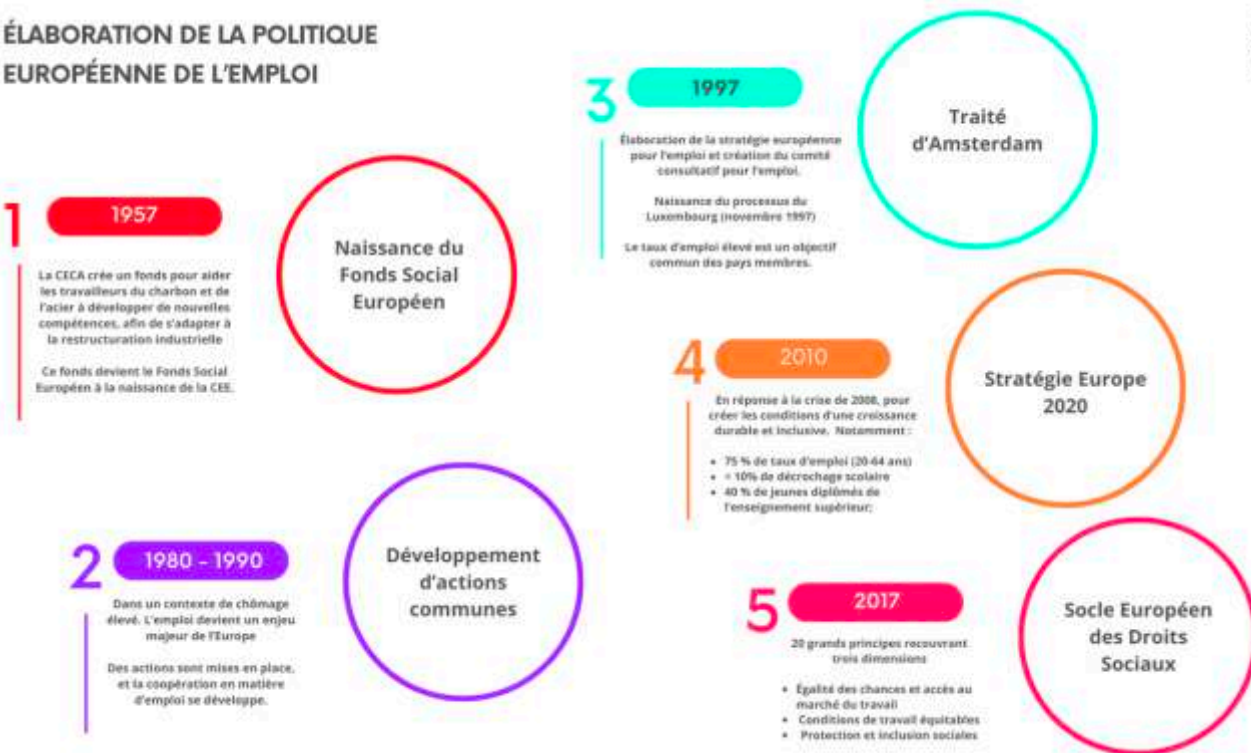
Although EU legislation is applicable in certain areas, the decision-making process regarding employment is delegated to the Heads of Government. In particular, Member States are obligated to foster a skilled, trained, and adaptable workforce.

The following three factors are pivotal in the decision-making process: human rights, a humanist and progressive vision, and maintaining economic strength.

The Commission has proposed new, more ambitious objectives in the fields of employment, skills and social protection with the Europe 2020 Strategy. The 2021 Action Plan for the European Social Rights Framework has established three overarching objectives for the Union to accomplish by the end of 2030:

- At least 78% of the population aged between 20 and 64 must be in employment
- At least 60% of adults must take part in professional development activities each year
- The number of people at risk of poverty or social exclusion must be reduced by at least 15 million.

ÉLABORATION DE LA POLITIQUE EUROPÉENNE DE L'EMPLOI



Graphic 1: Overview of European employment policy development compiled from official information available on the European Commission website

In 1997, the EU Member States decided to set a series of common objectives for employment policy, giving rise to the European Employment Strategy (EES):

- New and better jobs
- Achieving a decrease in unemployment, particularly among younger demographics
- A more up-to-date labour market
- Entrepreneurship and innovation drive

UNEMPLOYMENT THE SITUATION IN EUROPE AND FRANCE

1.1 An unbalanced labour market

The measures to be taken in Europe have been outlined, however, due to the challenging economic and social context, their scope is limited. At present, there is an imbalance in the labour market.

It has become necessary to rebalance the relationship between active and passive policies.

What is an active policy?

The objective is to enhance the employment market by assisting individuals in securing employment or improving their employment status. This involves implementing a range of measures and initiatives to encourage job creation, reduce unemployment and enhance the skillsets of workers.

Types of measures: training and re-training programmes, employment incentives, measures to exempt low-wage earners from social security contributions.

For instance, the recently enacted Labour Law in Greece (voted on in September 2023) is designed to enhance the number of sustainable, well-paid employment opportunities and address the significant levels of unemployment and undeclared work.

- 6-day working week

• 13-hour working day (30% of jobs are part-time)

- Possibility of termination without notice or compensation in the first year
- Trial period extended to 6 months.

What is a passive policy?

It enables individuals who have lost their jobs the opportunity to receive financial support and/or social protection.

The measures in question include unemployment benefits, social benefits and healthcare. There is limited investment in training in this type of policy.

The example of Spain: In February 2022, a labour reform was passed to address precariousness and respond to the difficulties faced by Spaniards in the labour market. This contrasts with the 2012 reform, which increased flexibility. The permanent contract is set to become the norm.

- Promoting permanent contracts, reducing the number of fixed-term and part-time contracts
- Impossibility of dismissing a person for missing work or illness
- Increase in redundancy payments to limit job insecurity
- Abolition of the 'task-based' contract, which could last up to three years
- Fixed-term contracts only in special circumstances (production needs, replacement of a worker,

safeguarding a position) and limited to 18 months.

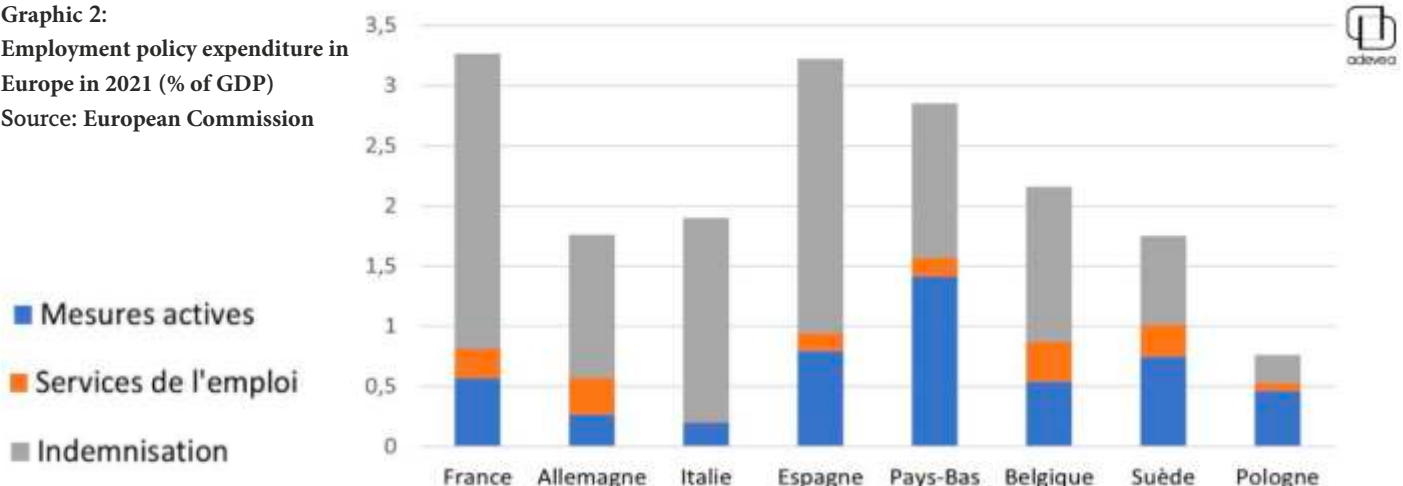
- Financial incentives for companies to introduce a 32-hour working week instead of a 40-hour week

In France

According to data on employment and the labour market published in 2023 by Dares and data from the European Commission, France spent the highest percentage of its GDP on employment in 2021 (approximately 3.3%). This is due to a high unemployment rate and a generous benefits policy, which results in expenditure on unemployment benefits being much higher than in other countries. More than 2% of France's GDP is spent on unemployment benefits. By way of comparison, Poland, the country with the lowest unemployment rate, spends less than 0.5% of GDP on unemployment benefits.

France spends 0.5% of its GDP on active employment policies. This puts it in the median position. Scandinavian countries tend to invest more in active employment policy. The so-called "flexicurity" model is favourable to both the unemployed and businesses. Public employment service spending in France is equivalent to that in the core European countries.

Graphic 2:
Employment policy expenditure in Europe in 2021 (% of GDP)
Source: European Commission



1.2 Overview of current European initiatives

European reports are in agreement about the situation. The most recent findings, compiled in the ESDE report, give a mixed assessment of the European Union's policies to date and highlight a number of inequalities:

- Unemployment is particularly high among young people, the over-50s and those with a low level of education
- The employment gap between women and men remains high (10.7%)
- It is anticipated that labour and skills shortages will continue to increase, with implications for a wide range of sectors and occupations at all skill levels.
- The digital and ecological transitions are contributing to ongoing labour shortages.
- There is a growing need for updated skill sets, particularly in relation to the ecological transition.

The European Union is intensifying its efforts to address the issues of labour shortages and has adopted a range of measures to do so, including:

- Investment in training and skills development
- Improvement of working conditions and labour-management dialogue
- Promotion of active inclusion and labour migration from third countries

1.3 Trends in unemployment rates in Europe

In August 2023, 12.8 million people were unemployed in the European Union. The unemployment rate then reached 5.9%. This rate is slightly down compared to August 2022 (6.1%). But this figure should be treated with caution: despite a downward trend, the unemployment rate figure alone conceals more complex realities and real urgent problems that need to be resolved.



Graphic 3:
Changes in the unemployment rate in the European Union

As the graph illustrates, the unemployment rate curve in Europe is declining, with the rise in 2008 attributable to the subprime crisis and the increase in 2020 resulting from the impact of the pandemic. We have seen spikes in unemployment, including bankruptcies, part-time employment and resignations,

particularly in the hotel and catering, and care sectors. However, as the health crisis subsided, the unemployment rate experienced a swift and automatic decline. France is currently experiencing an unemployment rate that is comparable to those witnessed in 2008 and 2020.

Impact of the Big Quit

Since the start of the pandemic, more than 66 million employees in the United States have resigned. This trend, which is without precedent in its scale, has initiated a major social movement.

To a lesser extent, the phenomenon known as the "Big Quit" (the Great Resignation) has gained ground across the world. In 2022, Microsoft surveyed 31,000 people in 31 countries worldwide, revealing that 43% of employees were considering resigning. The figure for Generation Z was 52%.

France has not been spared: between 2019 and 2021, the number of people leaving permanent contracts rose by more than 19.4%. It is clear that employees are resigning more easily than before, often without even having secured another position and without fear of tomorrow.

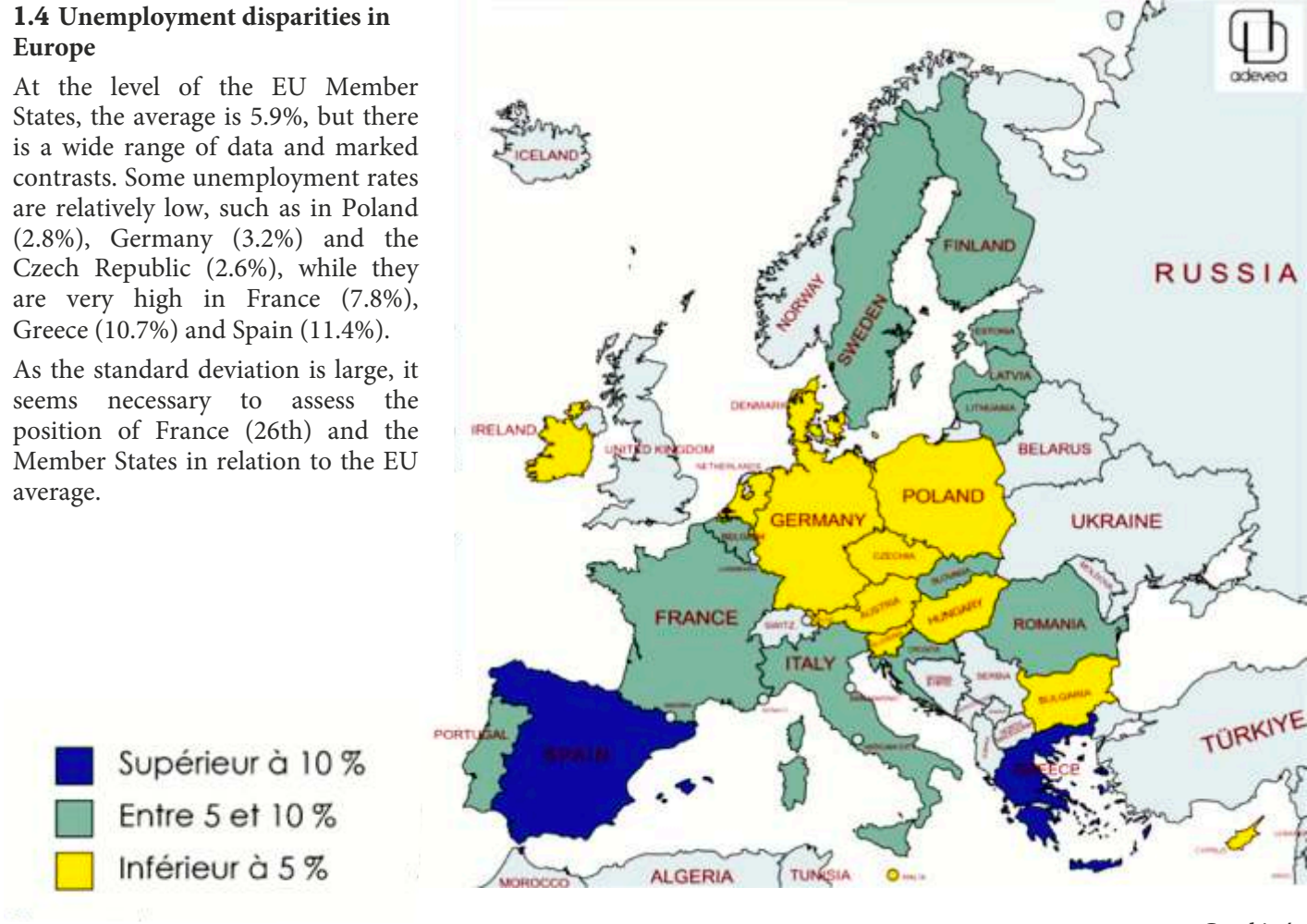
At the close of 2021, the number of resignations reached 520,000 per quarter, with 470,000 of these being from permanent contracts. There has also been an increase in negotiated terminations from June 2021, along with more refusals of fixed-term contracts in specific sectors, such as hotels and restaurants, and culture.

While the pandemic has accelerated this shift, it has also prompted a fundamental reevaluation of work and professional choices.

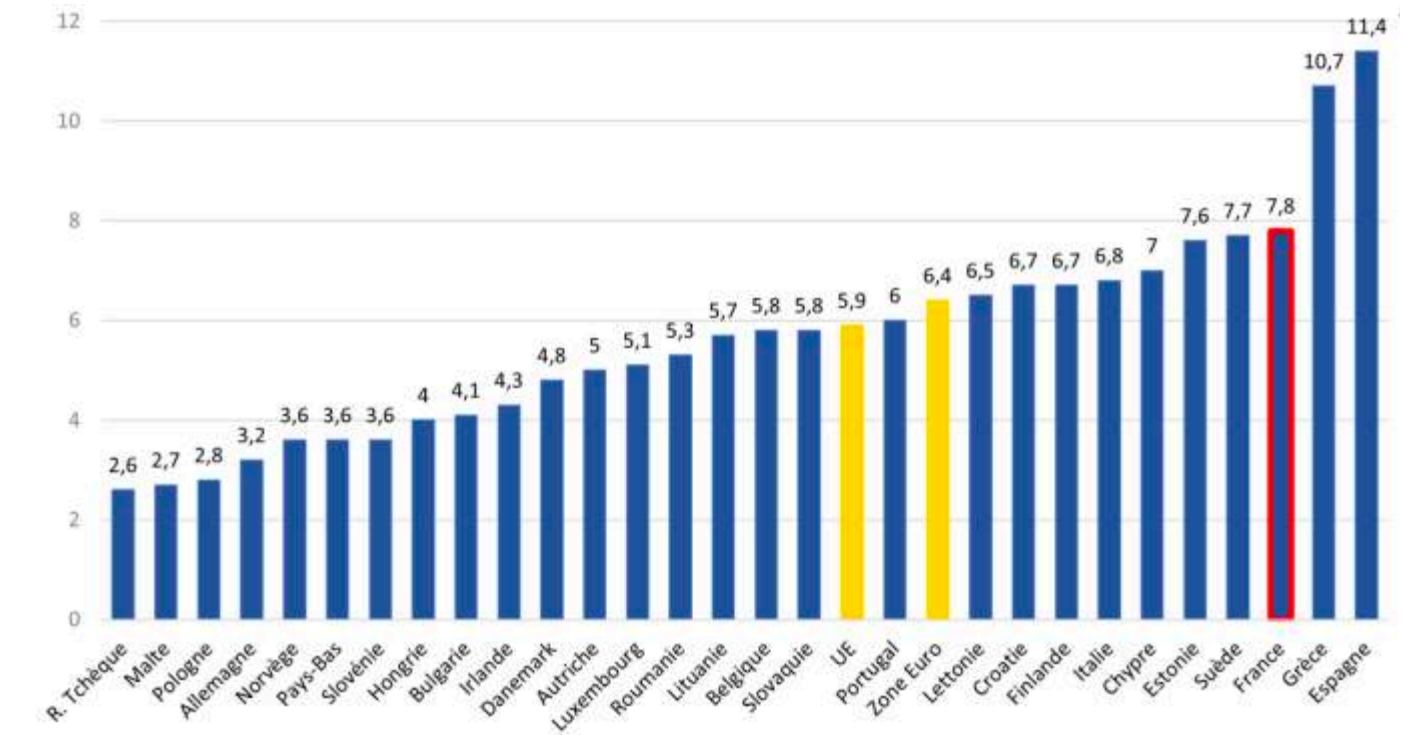
1.4 Unemployment disparities in Europe

At the level of the EU Member States, the average is 5.9%, but there is a wide range of data and marked contrasts. Some unemployment rates are relatively low, such as in Poland (2.8%), Germany (3.2%) and the Czech Republic (2.6%), while they are very high in France (7.8%), Greece (10.7%) and Spain (11.4%).

As the standard deviation is large, it seems necessary to assess the position of France (26th) and the Member States in relation to the EU average.



Graphic 4 : Breakdown of unemployment rates in Europe (August 2023) - Source: Eurostat



Graphic 5 : Unemployment rate in Europe and EU average (August 2023) - Source: Eurostat

The 17 Member States with an unemployment rate below the EU average

These countries are: Czech Republic, Malta, Poland, Germany, Norway, Netherlands, Slovenia, Hungary, Bulgaria, Ireland, Denmark, Austria, Luxembourg, Romania, Lithuania, Belgium, Slovakia.

Many of these countries have 'old' employment models, traditionally based on a stable and relatively industrialised economy. In this group of countries, technological and environmental transition is underway, but based on more or less drastic reforms.

The primary challenge confronting them in terms of employment is to sustain their current momentum in the context of this transition. However, it should be noted that the countries in this group vary and do not all have the same development potential.

Some member states have the potential to address the transition while sustaining relatively stable employment levels. In contrast, the countries that emerged from the Eastern bloc have had the opportunity to strengthen their economies through reforms and extensive liberalisation but may not be fully ready to tackle the transition with confidence.

The 11 Member States with an unemployment rate above the EU average

These are the following countries: Portugal, Latvia, Croatia, Finland, Italy, Cyprus, Estonia, Sweden, France, Greece and Spain.

Once again, there are major disparities between these countries. Two main trends stand out:

- Member States are inspired by Scandinavian models based on flexicurity (Sweden, Finland, Estonia). This is a pre-eminent trend in northern and north-western Europe - the heart of Europe. While the model may seem interesting at first glance, it has its drawbacks: employment is highly liberalised and employees can be

made redundant very easily. This inevitably has a "mechanical" effect on unemployment, which remains higher than expected.

- The Mediterranean Member States (Greece, Spain) combine these factors with an unfavourable economic situation as a result of the recent crises.

The Member States with the highest unemployment are subject to socio-economic mechanisms and competition between companies in a tight labour market. Two main phenomena are at work: in some occupations, skills shortages favour candidates who do not hesitate to sell themselves to the highest bidder; at the same time, other occupations are becoming increasingly unattractive, leading to labour shortages. In both cases, companies face recruitment challenges, but for different reasons.

France's unemployment rate ranks 26th in the EU out of 28 Member States

France is currently experiencing a unemployment rate of 7.8% which is equivalent to 6 million people. While this figure has been associated with an optimistic trend, the fact remains that there are many underlying employment problems that need to be addressed in our country, as described below.

Firstly, it should be noted that the unemployment rate varies across French regions, with significant disparities between them. Historically, the northern and southern regions have been particularly affected by high levels of unemployment.

Unemployment is particularly prevalent among younger people and the over-50s. At the same time, there is a significant number of vacancies that remain unfilled.



2 - WHAT'S BEHIND THESE NUMBERS?

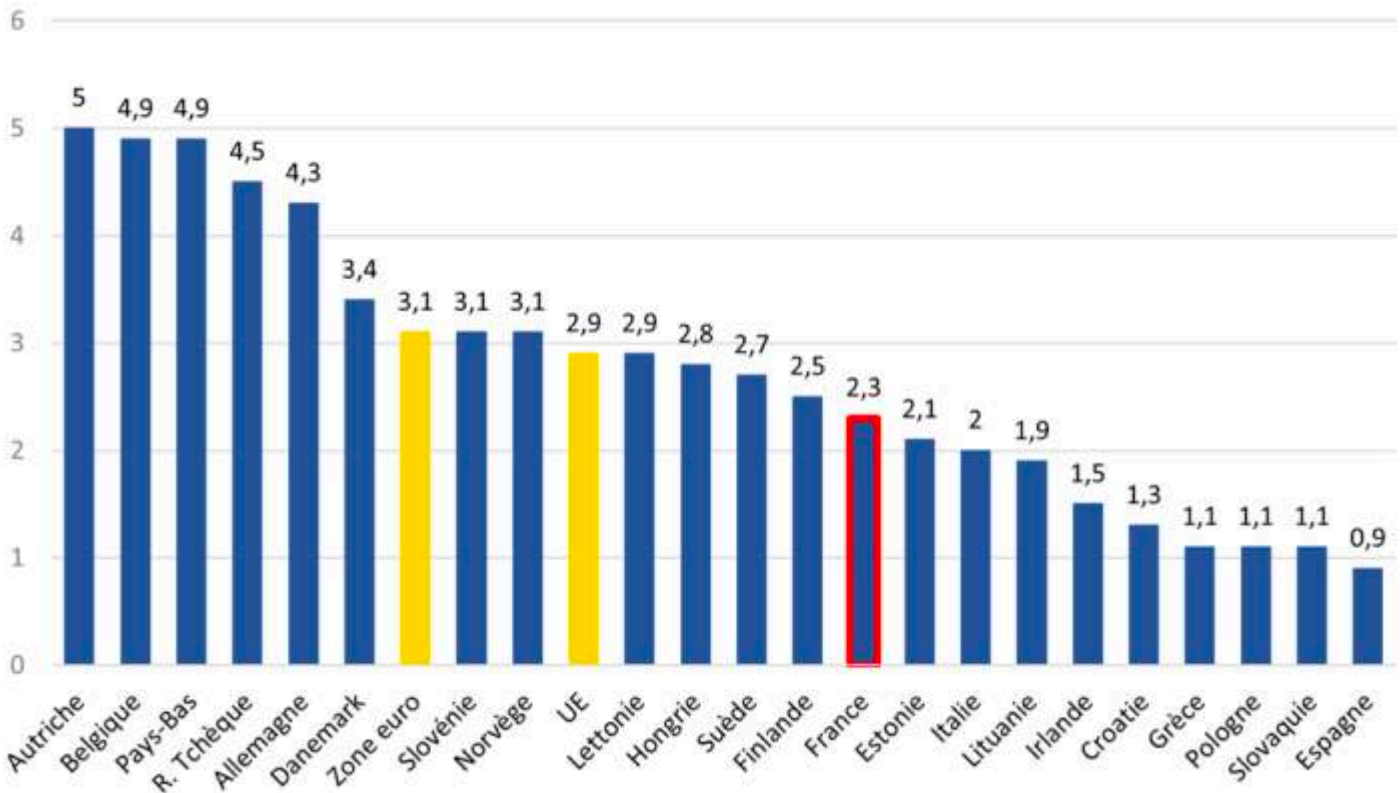
2.1 Too many unfilled jobs: vacancy rates

The match between job supply and demand has become complex. The employment situation is paradoxical, with job seekers on the one hand

and vacancies on the other. This is a global phenomenon. In the United States, the ratio of job vacancies to the unemployed is now 1.8 (almost two job openings for every unemployed person).

This reflects a double impact of the increase in resignations and the increase in precarious or part-time contracts.

The average job vacancy rate in Europe is 2.9%.



Graphic 6 : Job vacancy rates in Europe - 2022. Source: Eurostat

- Countries with a rate above the EU average

These are the founding states of Europe, some of which are following or intend to follow the Scandinavian model. One of the priorities for these countries is to ultimately reduce the job vacancy rate (Belgium, Germany, etc.).

- Countries with a rate within the EU average

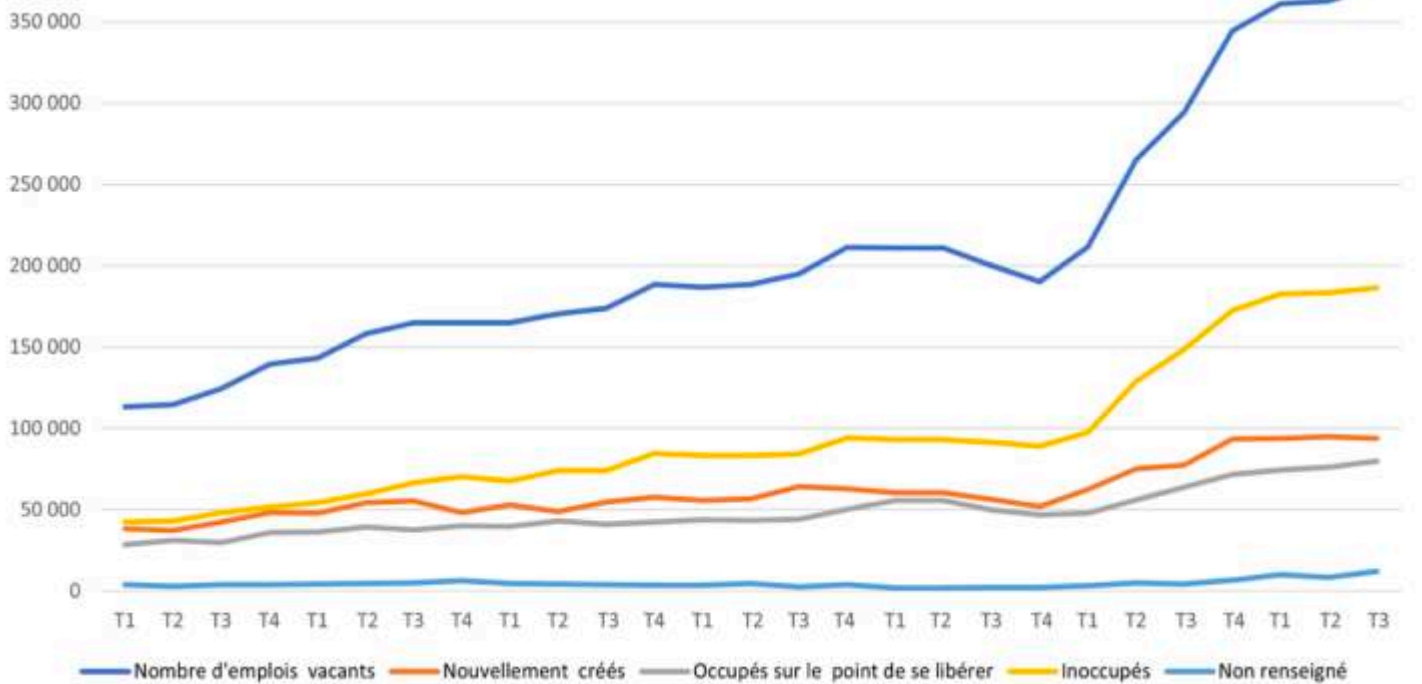
This group essentially corresponds to the States that have developed the flexicurity model. These are the Scandinavian countries, where employment is highly liberalised (Finland, Sweden, etc.).

- Countries with a much lower rate than the EU average

Overall, it is those countries whose models have not yet allowed their digital and environmental transitions to develop satisfactorily that manage to maintain a low rate of job vacancies.

FOCUS on France

In France, the job vacancy rate has been rising steadily since 2016.



Graphic 7 : Change in the number of job vacancies in France by type from 2016 to 2022 Source Dares - December 2022

There are three types of job vacancy:

- Job creation where companies are looking for the right person, either internally or externally,
- Positions that are about to become vacant (e.g. due to appointment) and for which no replacement has been found,
- Jobs that already exist but are not being filled due to a lack of applicants.

Despite the 6 million unemployed, there were **367,500 job vacancies** in companies in 2023 (up 69% on 2019). All sectors are affected, particularly construction, personal services, hotels and restaurants, and manufacturing.

In the second quarter of 2023, the job vacancy rate **in industry** was **1.9%**. In the commercial service sector, it was **2.2%**, in the construction sector **2.7%** and in the **non-commercial service** sector **3.1%**. The average job vacancy rate in France is 2.24%.

Companies are having to adapt to this unprecedented situation. While a quarter of these posts are new, the main difficulty remains **the growing number of job vacancies** (almost one in two, depending on the sector). It is not uncommon for companies to take months to find the right candidate for these jobs.



Graphic 8 :
Job vacancy rate in
France 2022 - Source
Dares

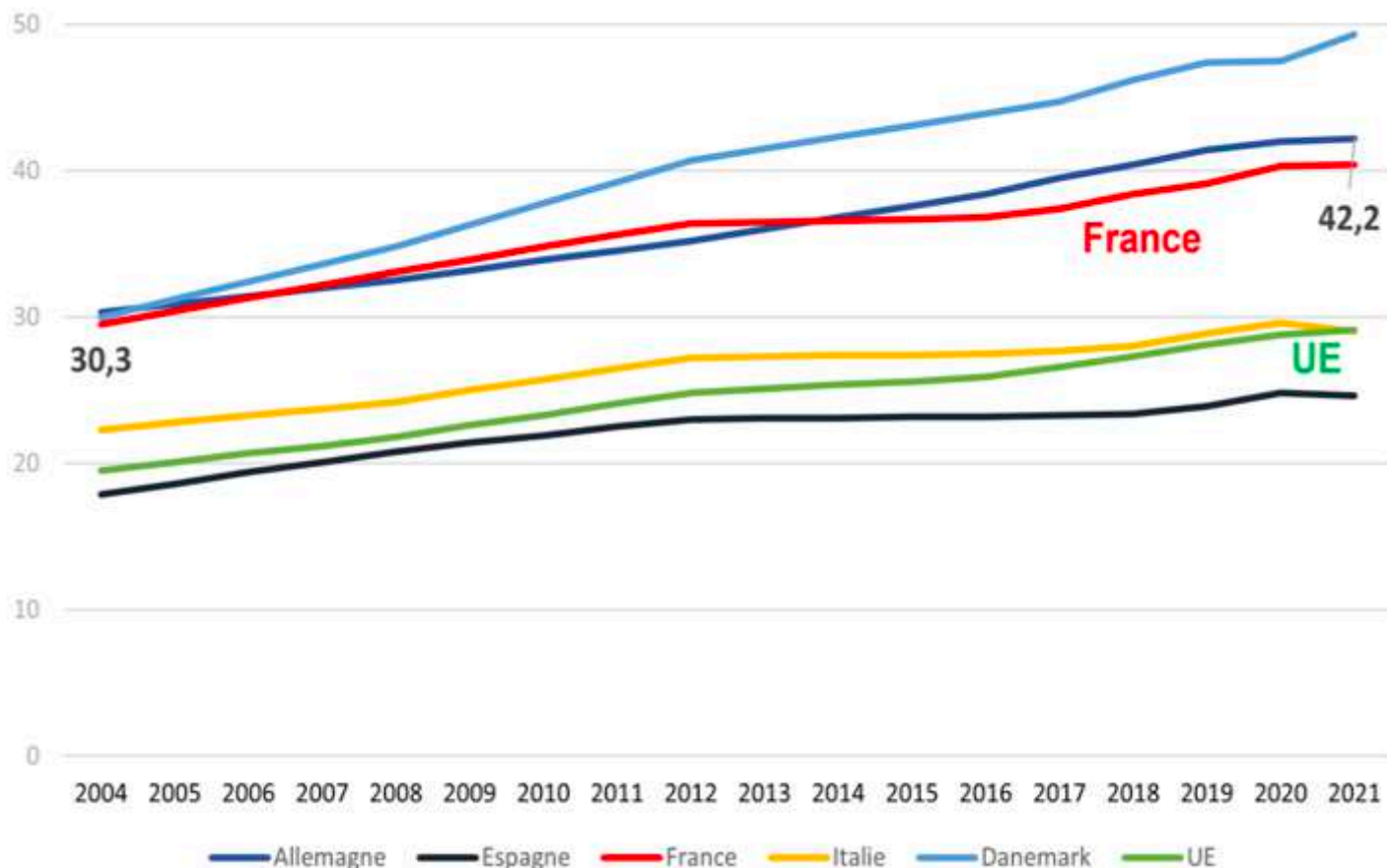
2.2 Rising labour costs

Between 2004 and 2021, the cost of labour has continued to rise. We can see a growing gap between EU countries, and therefore greater disparity between them (from €6.5 in Luxembourg to €47 in Bulgaria).

Average labour costs in France are among the highest in the European Union. According to an INSEE survey published every four years, it stood at €39.30 in 2020, compared with an EU average of €28.2.

Gross wages and salaries account for the majority of labour costs, which is

a key challenge in terms of job creation. High labour costs can be detrimental to businesses, potentially leading them to relocate to countries with lower labour costs. This can also hinder managers' willingness to hire new staff.



Graphic 9: Hourly cost in euros in Industry from 2004 to 2021 - Source INSEE - 2022

The impact of the rise in the minimum wage on labour costs

In October 2022, the European Union adopted a directive with the objective of encouraging an increase in minimum wages across member states. The aim of the directive is not to standardise minimum wages (which would be impossible from an economic point of view), but to guarantee a

minimum income and a decent standard of living.

All governments that raise the minimum wage therefore automatically increase the cost of labour. Some countries have adopted measures along these lines in the current context of employment pressures and high inflation.

In February 2023, the Spanish government increased the minimum wage by 8%, from €1,000 to €1,080 gross. This represents a 47% increase over a five-year period.

Similarly, in January 2024, the Portuguese government and some of the employers' unions increased the minimum wage by 7.9%, from €760 to €820 gross over 14 months.

2.3 The challenge of employment for young people and the over-50s

Unemployment among young people and the over-50s remains a major problem requiring urgent action.

Is Gen Z a sacrificed generation?

Born between 1995 and 2010, they have taken their first steps into the corporate world in recent years.

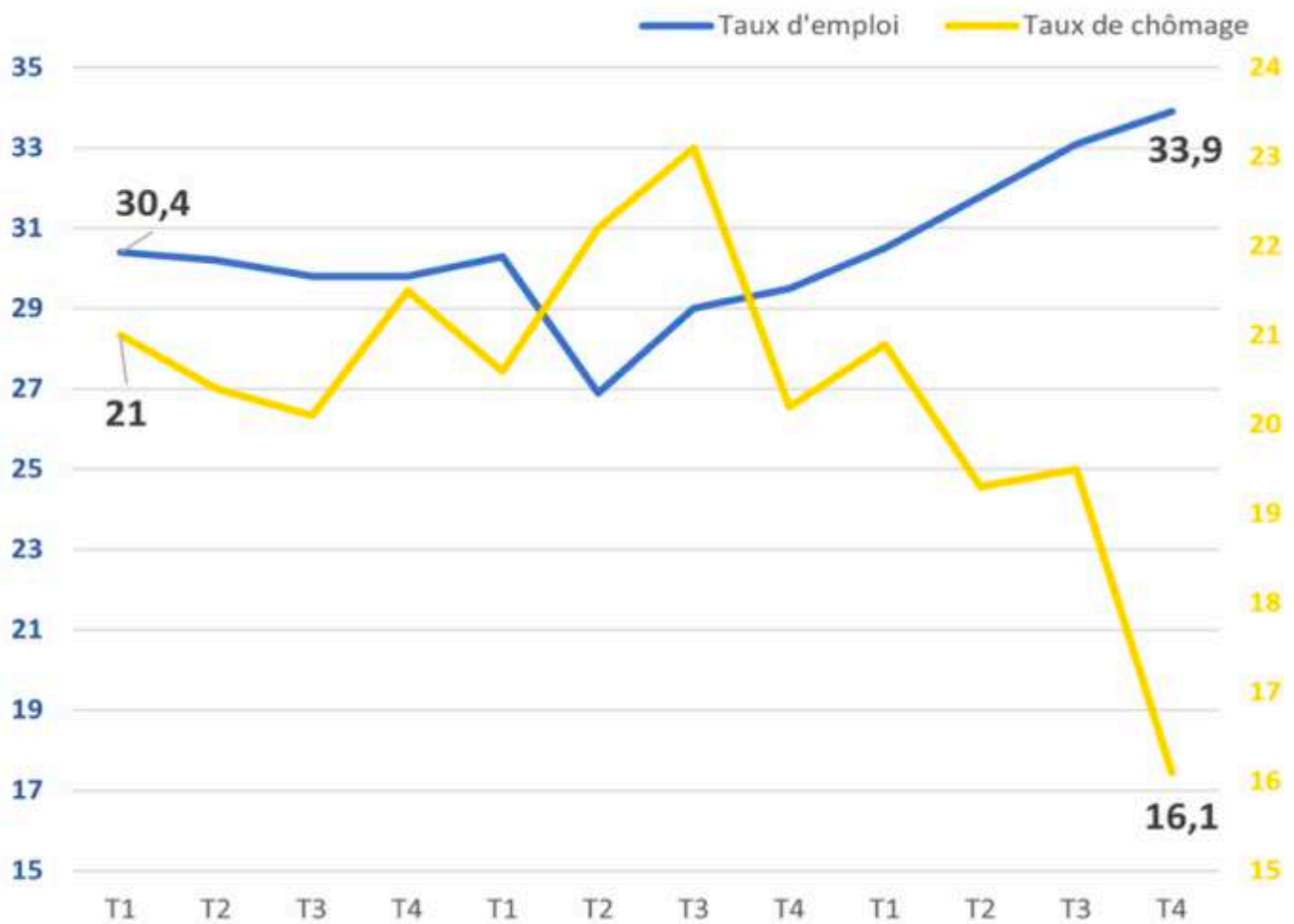
By 2025, they will make up 27% of the workforce in OECD countries. With behaviours that are very different from those of their elders, they are regularly the subject of

reports and even stereotypes (the generation with short attention spans, hyper-connected, impatient, hedonists...).

But in 2020, with the onset of the health crisis, they were particularly affected by the loss of contracts (sandwich courses, open-ended contracts) and isolation. **The unemployment rate for young people in France peaked at 23% during this period (1 in 6 young people lost their job as 700,000 students entered the labour market).** This had a direct and very negative impact on their personal lives (difficulties in finding housing and even putting food on the table).

These young people, who have experienced school and their first contacts with the world of work from a distance, will necessarily have a different view of it. This period will have been all the more difficult for those looking for their first job.

Although falling, **the current unemployment rate (16.1%)** is still far too high for young people entering the workforce.



Graphic 10 : Employment and unemployment rates from 2019 to 2021 for 15-24 year olds - Source INSEE, 2022

The over-50s employment challenge

The European average employment rate for the over-50s is **60.5%** in 2021. However, this employment rate can vary considerably from one country to another, ranging from 43.8% (Romania) to 76.9% (Sweden). **The employment rate for the over-50s (aged 55-64) in France is one of the lowest in Europe (56%), well behind Sweden, Germany and Portugal.**

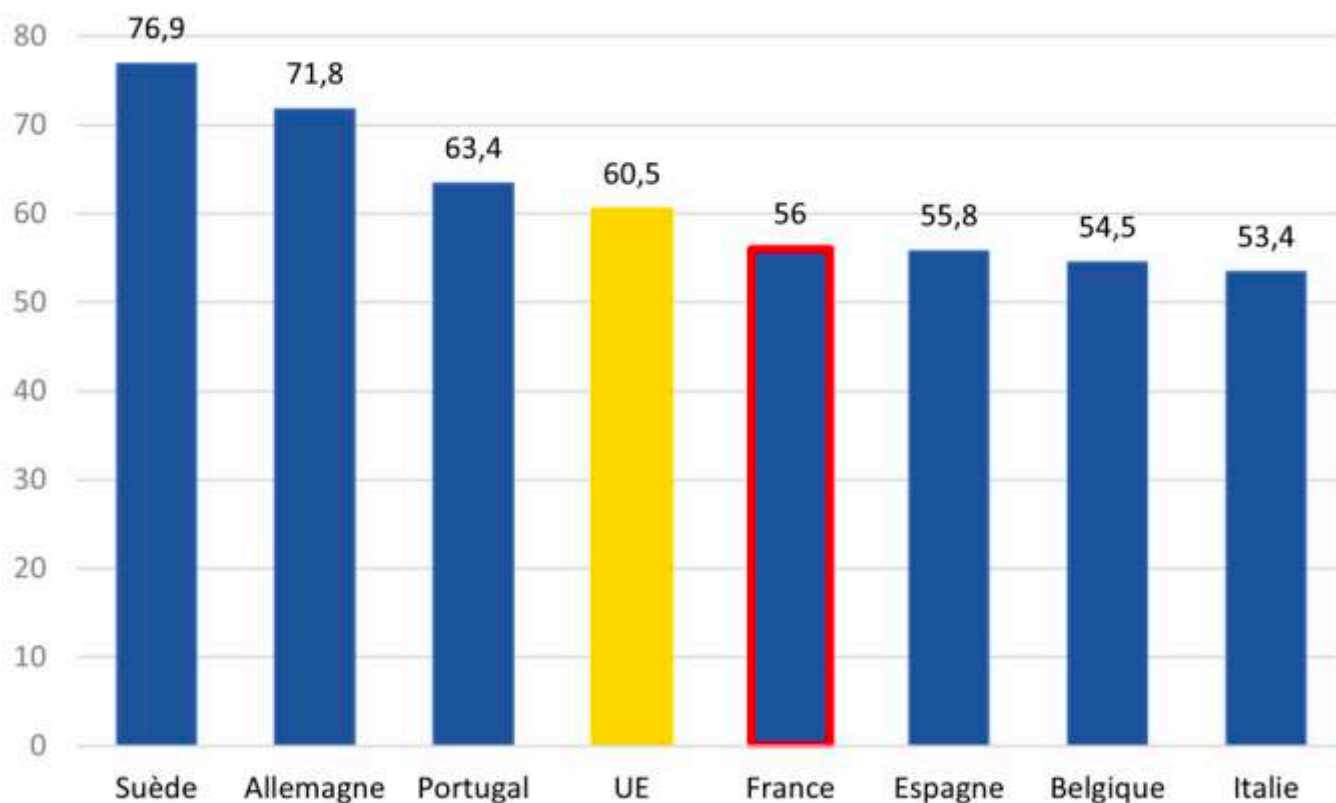
Despite the fact that the retirement age has been increased from 62 to 64, the issue of employment for people aged 55-64 remains a significant challenge. Indeed, in France, barely one in two individuals in this age group is in work.

This worrying phenomenon is compounded by another: an increasing number of retired people are seeking employment, even if it means undertaking short-term temporary contracts in order to earn a decent living.

Faced with the need to work longer, it is now necessary to implement measures to keep people over the age of 50 employed and to avoid discrimination when recruiting. Currently, a significant number of recruitment agencies are rejecting CVs from applicants over the age of 45 at the request of their corporate clients.

The strengths of the over-50s

- They possess the expertise and experience to share, offering guidance and insights that are valuable in many situations.
- They are more likely to remain with an organisation and see it through to the end of their careers, which is particularly valuable in the current climate of mass resignations.
- Their presence helps to strengthen intergenerational links, for example through 'reverse mentoring'. This consists of setting up training courses or tutorials between a young employee and a senior member of staff.



Graphic 11 : Employment rate of over-50s in some European Union countries - Source DARES

2.4 France and flexicurity

Employment decisions in France are the result of a compromise between active and passive policies. When it comes to employment, French social liberalism seeks to maintain the balance necessary for economic and social stability. This balancing policy is in line with the European philosophy, and strives to follow its guidelines.

However, is it truly sufficient? Can the measures implemented adequately counterbalance the weight of current social trends? Is French employment policy sustainable in the long term? The question of the liberalisation of employment, under pressure from changes in the world of work, is one of the major issues of this century.

In the current business environment, it is no longer satisfactory to consider employment as a simple balancing of variables. The problem has become much more complex,

and we now have to take into account:

- The rapid and recent transformation of the global employment market
- Social vulnerability: the weight of unemployment and the current economic situation
- Societal and generational phenomena / Changing expectations in society / Environmental issues
- Technological change and its importance for economic competitiveness
- The need to tackle undeclared work
- The importance of immigration in terms of demographic and labour force trends, but also in terms of internal security.
- France's position in Europe

The problem is all the more sensitive in a divided society. Territorial disparities mean that not all regions have the same employment potential. France is a geographical

mosaic of livestock farming, agriculture, old industries and newly industrialised regions.

There is also the difficulty of integrating and mixing populations, both ethnically as well as culturally and socio-economically. The gradual impoverishment of workers leads to a multiplication of social classes and situations. The economic boundary between this population and that of the jobseekers is no longer as clear as it used to be, and many working people now question the meaning of work in general.

The labour market is gradually being liberalised through the relaxation of labour law. Entrepreneurs and, more generally, all those who are likely to create jobs are ultimately little affected by this model, at least in its current form. So is flexicurity really a viable solution for France?

What is flexicurity?

Developed in 1995 and first implemented in the Netherlands, Flexicurity is a highly adaptable model that combines flexibility for the company with a certain level of social security for the employees concerned.

The 3 pillars of flexicurity: the Golden Triangle

- Flexible labour market legislation based on collective bargaining on all issues, making it very easy to hire (permanent and fixed-term contracts) and fire employees.
- An efficient social protection and security system, and advantageous unemployment benefits
- A securing of career paths: an active employment policy with strong investment in training in response to employer demand

Thus, while the model provides adequate protection for workers and the unemployed with an effective return-to-work policy, it is less conducive to stimulating the economy and job creation through entrepreneurship. Flexibility applies to everyone, but not to individual situations.

This massive liberalisation of employment in the Nordic countries has had a profound effect on the market, which has become increasingly fragmented (more part-time jobs, disappearance of certain 'intermediate' occupations). This has ensured stability and social support, but at the expense of development potential.

"Flexi-jobs" in Belgium

A flexi-job contract is a contract under which a worker undertakes to carry out additional work for an employer on condition that the worker is already employed by one or more other employers at a rate of 4/5 of a full-time job. However, this condition does not apply if the flexi-job worker is a pensioner.

The flexi-job employment contract was introduced in Belgium by the law of 16 November 2015. Initially, only companies in the Horeca sector (hotels, restaurants, cafés) could use the flexi-job. Then, in 2018, the sectors were extended to include some companies in commerce, hairdressing/beauty and bakeries. In 2022, the scope of flexi-job was extended to other sectors. And in 2023, companies in the sports, film, entertainment and healthcare sectors were able to use flexi-job.

2.5 A slow and violent process of deindustrialisation

While many countries in Europe have experienced a sharp decline in industry since the 1970s, in some member states industry is still a major contributor to economic output. In addition to Ireland, for example, Germany and most of the countries of central and eastern Europe have industrial sectors accounting for between 25% and 30% of national output.

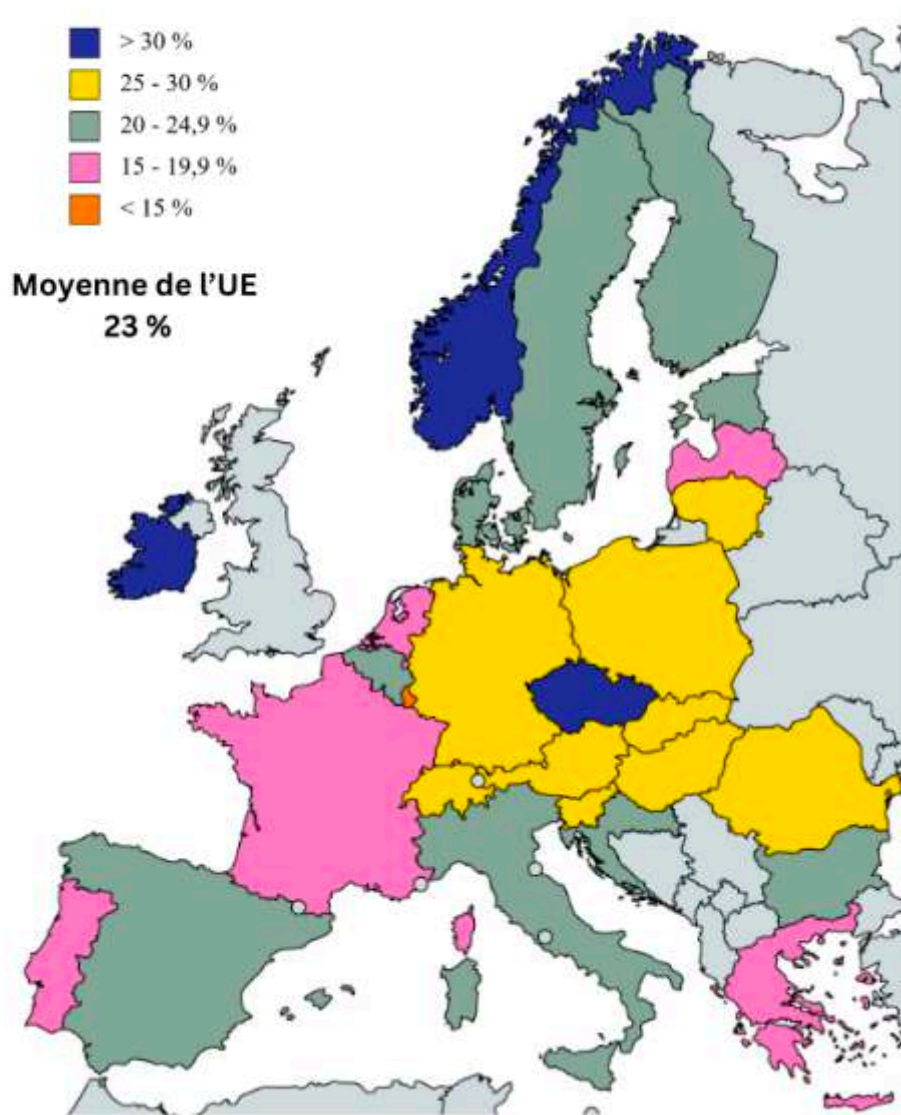
Focus on France

Although deindustrialisation began in the aftermath of the "Thirty Glorious Years" with textiles, shipbuilding, the steel industry and coal mining, it intensified in the 1980s and accelerated in the 2000s. In the space of just twenty years, the country has lost almost half of its factories and a third of its industrial jobs.

It is now estimated that French industry lost 1.9 million jobs, or 36% of its workforce, between 1980 and 2007. Industry's share of GDP has fallen from 35% in 1970 to less than 20% today. Our deindustrialisation is not only the result of globalisation or technological progress, but also of political choices.

France is experiencing a more significant level of deindustrialisation compared to other European countries. The number of jobs in German industry stands at 7.5 million, in contrast to 2.7 million in France. Over a period of 20 years, France has seen a third of its workforce disappear, while Germany has maintained its level.

Since 2008, 936 factories with 50 or more employees have closed. While deindustrialisation is affecting all regions of France, it has had a particularly significant impact on the Île-de-France, the Seine Valley, Nord Pas-de-Calais, Alsace and Moselle, and the Lyon region, which were historically industrial areas.



Graphic 12 : Share of the Industrial Sector in the Gross Domestic Product of countries in 2021 Source: World Bank

This deindustrialisation is still happening.

Tackling the FABLESS phenomenon

The early 2000s saw the introduction of the concept of 'fabless' companies, defined as those operating without factories or manufacturing processes. Alcatel pioneered this strategy with its decision to sell off production sites internationally, focusing instead on product design. This approach has been a contributing factor to the ongoing trend of deindustrialisation.

There is currently a strong impetus to reindustrialise France, but the question remains as to how long this process will take.

3 - MIGRATIONS AND EMPLOYMENT

3.1 Opening up the borders

There are numerous factors that can motivate an individual to consider emigrating from their country of origin. Chief among these is the escalating threat of climate change (heat waves, floods, and storms.) The World Organization for Migration (IOM) anticipates that over the next 30 years, the number of 'climate migrants' could reach an astonishing one billion.

Aside from migration for social or humanitarian reasons, there are individuals who choose to leave their country voluntarily. These include:

- Highly qualified people. This is known as the 'brain drain'.
- Low-skilled or unskilled workers who could fill shortages in sectors under pressure. Member States are therefore more or less obliged to open their borders. But within what limits and with what migration policies?

In France, the Immigration Bill, which provides for the regularisation of undocumented workers in 'shortage occupations' and the 'reinstatement of the right to work for asylum seekers' (subject to a six-month waiting period before applying for a work permit), has been the subject of debate for several months.

Current migratory flows are primarily driven by humanitarian considerations: people are not being brought in to alleviate pressure on the labour market, as was the case after the Second World War, for example, when immigration was driven by the objective of reconstruction. This is not the case today, so it seems premature to speed up the integration process for populations that do not match our real needs.

The Danish case: what kind of migration policy for jobs that are in short supply?

Denmark is a prime example of this phenomenon, given its current state of full employment and rapid recovery from the covid crisis. However, this atypical case in Europe is analysed here in the context of its very restrictive immigration policy.

The country has often been characterised as a pioneering welfare state, a system predicated on the notion of solidarity between affluent workers financing the social benefits of the poorest. Between 2001 and 2011, the country initiated a concerted effort to restrict immigration, a policy that has been perpetuated by successive governments.

With foreign workers currently accounting for almost 10% of the total Danish workforce (the same proportion as in Spain, Belgium and the UK), Denmark, like many other countries, is now looking for new ways to address skills shortages.

Denmark has an ultra-restrictive immigration policy that includes the following measures:

- Controlled conditions of access to the labour market
- An employment contract is signed with the municipality (covering the objectives and stages of the integration process).
- A declaration of residence and financial autonomy is signed, guaranteeing compliance with the entire Danish system.
- Since 2002, Denmark has been issuing 'professional cards' allowing foreign skilled workers to take up work in short-staffed occupations (maximum 3 years).
- Permanent residence is granted after passing language tests, being financially independent and having lived in Denmark for 5 years, including 3 years of full-time work.

- If the contract specifications are not met, the contract may be terminated and the obligation to leave the country immediately imposed.

"Social dumping" is prohibited

In order to protect workers and prevent them from being paid less for their work, Denmark initially introduced special conditions for foreign workers from outside the EU.

In order to obtain administrative authorisation to recruit an immigrant, a company must first demonstrate that the role in question meets a skill requirement. The Danish Immigration Service then has the right to approve the salary offered and may demand a higher figure if it is deemed to be inadequate for the position.

Since 1 January 2021, companies have been legally obligated to pay a minimum annual salary of 448,000 kronor, equivalent to approximately €60,218 gross.

A new agreement since June 2022

With low unemployment, there is a shortage of applicants (158,000 vacancies in the second half of 2021). This has reignited the debate on immigration and skills shortages.

In response to the concerns and difficulties experienced by businesses, the government reached an agreement on 29 June 2022 to facilitate recruitment processes. The minimum annual salary required to hire a non-European employee has thus been lowered. Companies are now able to offer foreign candidates from outside the EU three-year employment contracts paying 375,000 kronor a year (50,414 euros gross) instead of 448,000 kronor (60,229 euros gross). The employee are then eligible to obtain a residence and work permit for a maximum of 5 years.

What is a brain drain?

The brain drain is a global phenomenon that refers to the emigration of highly educated people who leave their country to study or work abroad. This loss of skills has an impact on the countries of origin, hampering their economic and technological development. While the brain drain is generally beneficial for the individuals who leave, it presents numerous challenges for governments.

3.2 The brain drain

This is an example of chosen emigration, the primary reasons for which are consistent across different countries. The motivations of the emigrants interviewed are as follows:

- Financial opportunities and career advancement: higher salaries, more advantageous fiscal and administrative systems:
"I wanted to move abroad to advance my career and give my family a taste of another country's culture. However, I have to admit that the salary package was attractive and influenced my decision."
Sylvain, Senior SAP Consultant, Switzerland
- The search for a prestigious lifestyle or a better quality of life (comfort, services, medical care, etc.) is a common motivation for relocation.
"In Dubai, I have a lot more comfort and a quality of life that I didn't have in France: there are lots of services (restaurants, buildings, service stations, etc.). Everything is well organised. Wherever you go, there's always someone to offer a service, for a tip."
Patricia, Project Manager, Bank, Dubai
- The desire to work in renowned

schools, companies or institutions:
"I moved to the Silicon Valley 20 years ago for its reputation and way of life. For me, it was a golden opportunity, and it has been"
Paul, Engineer and Computer Scientist.

As the proportion of highly skilled people in international migration grows, there is increased competition between countries to attract them, and a greater desire to become an 'attractive territory'. In response, some governments are introducing policies aimed at attracting and retaining talent, as well as encouraging highly skilled emigrants to return.

A number of measures have been implemented to bring in a skilled workforce or to attract back those who have left:

- The Regressar (return) programme, to encourage the return of Portuguese emigrants
- The Startup Visa, TechVisa and Non-Habitual Resident (RNH) programmes, which aim to encourage foreign entrepreneurs and employees to set up in high value-added sectors.

Focus on 'Programa Regressar': Returning to Portugal, launched in July 2019

The objective of this programme is to facilitate the return of emigrants (descendants and family members) to mainland Portugal in optimal conditions. To this end, the government has implemented specific measures to encourage workers of all backgrounds to return to the country, including those with higher education qualifications and those with less than secondary education.

- A more favourable fiscal status is available to returning emigrants, with a 50% deduction in the base subject to income tax.
- Financial assistance for returning emigrants or members of their families starting up a professional activity in Portugal, as well as partial coverage of relocation costs and administrative expenses such as diploma certification.
- A return credit line is available for Portuguese nationals who choose to return, with the aim of stimulating entrepreneurial investment and supporting the creation of new businesses.

The case of Portugal

In 2022, Portugal experienced a significant brain drain, with highly skilled professionals seeking opportunities abroad due to the country's economic reliance on services, particularly tourism. This sector lacks the capacity to provide adequate opportunities. Furthermore, the remuneration for professionals such as consultants, architects, and bankers in Portugal is significantly lower than in Switzerland, the UK, or France, ranging from three to four times less.

In light of the departure of graduates and, more generally, to cope with a declining demography, Portugal is making a concerted effort to attract foreigners. Between 2015 and 2019, the number of foreign students enrolling for degrees in Portugal increased by 86%.

- Promoting the 'Programa Regressar' among the Portuguese Diaspora in order to simplify return procedures through a dedicated structure.

According to the programme's statistics, since 2020, a total of 9,098 applications have been received, assisting a total of 20,326 individuals. The majority of applicants are residents of Switzerland (2,014), followed by France (1,695) and the UK (1,489). With regard to age demographics, 75% of applicants are under the age of 44.

The case of France

There are no reliable statistics available for the number of French citizens living abroad. In 2021, it was estimated that there were 3 million people of all levels of qualification living abroad.

Some of these people are students or graduates, while others are not. More than 13% of French graduates are currently working abroad.

In 2023, the Ministry of Higher Education, Research and Innovation has not released any statistics on French scientists working abroad. However, it is known that more than six out of 10 engineers working abroad live outside the European Union; therefore, countries outside the EU are generally perceived as more attractive. In terms of students, the number of young graduates going abroad, estimated at 80,000 per year, has doubled in the last ten years.

There is also what could be termed as a "brain gain". It is estimated that the number of international students in French higher education at the start of the 2021 academic year is 302,900. Of these, 50% are of African origin, mainly from the North African region and sub-Saharan Africa.

France is also an attractive destination for other countries, but to a lesser extent. The inflow from Africa remains significant. However, this immigration does not manage to offset the loss of our talent, because immigrant skills do not have the same level of training as those who leave.

Barriers to talent immigration towards France

In the context of the brain drain, it is also important to consider France's regulatory framework and bureaucracy as factors that may be contributing to the challenge of attracting talent. Certain regulations and administrative procedures can potentially deter foreign professionals from coming to work in France, which limits the available talent pool.



4 - SKILLS AND TRAINING EFFECTIVENESS

4.1 The skills shortage

We often hear about so-called 'shortage' of qualified professionals within companies. We identify three categories:

- Labour shortages (operators, construction workers, etc.)
- A shortage of specialist technical skills (AI, digital, robotics, sales)
- A shortage of high-level specialisations (sectors affected by the brain drain)

In light of the challenging and competitive labour market, the Member States, the European Parliament and the Commission have decided to designate 2023 as the 'European Year of Skills'.

Ursula von der Leyen, President of the European Commission, has called for greater investment in education and professional development, emphasising the importance of enhanced collaboration with businesses to better align with their needs.

The ESDE report indicates that labour shortages are impacting numerous sectors and occupations at all skill levels, with projections indicating an ongoing increase in both high-skilled and low-skilled occupations. The primary factor contributing to this trend is the anticipated decline in the working population, from 265 million in 2022 to 258 million in 2030.

The sectors most affected are construction, hotels and restaurants, healthcare, STEM (Science, Technology, Engineering and Mathematics) and ICT (Information and Communication Technologies).

What is the European Year of Skills?

The European Year of Skills is a European Union initiative to highlight and promote the development of skills and lifelong learning.

4.2 Apprenticeships: a key tool for overcoming skills shortages

France has only recently introduced apprenticeship contracts, in comparison to other countries such as Germany, which has a long-standing tradition in this area. Despite increased efforts to encourage companies to adopt apprenticeships, there is still much to be done. A significant challenge is the long-standing devaluation of manual jobs in education, which has had serious consequences for apprenticeships.

- In 2021, the number of apprenticeship contracts signed increased by 37% compared with 2020, reaching more than 700,000. In Germany, the number of people participating in work-linked vocational training reached 1.3 million in 2021.
- By 2021, France will have allocated €21.6 billion to fund apprenticeships, equivalent to 0.8% of the country's GDP. In 2018, the figure was €10.6 billion.

The apprenticeship scheme allows young people to become more familiar with working life and to become integrated into companies. For the latter, measures have been implemented to reduce costs. However, the apprenticeship scheme is expensive for France Compétences (the body that funds vocational training, co-managed by the State, the regions and labour representatives).

In March 2023, there were just over 953,000 apprentices in France.

4.3 The downside of professional training

Until now, the training systems put in place have not met the needs of businesses and have not produced the expected results. In 2023, the Cour des Comptes (French Court of Auditors) highlighted the shortcomings of a system that was underutilised, financially unsustainable, and not optimally sized. These undesirable outcomes have had the effect of contributing to an increase in the public deficit.

In France, training is the focus of significant investment, primarily through the CPF, which financed over 2 million training initiatives in 2021 as part of the Congé Professionnel de Formation (Professional Training Leave). However, upon closer inspection, certain shortcomings become evident:

- Some employees are appointed to positions without any prior training, on the basis of their good results. 'I was appointed manager when I was urgently needed, but I didn't have the time to be trained. My manager told me that I had the ability and that I would learn on the job' Maxence, aged 26, Restaurant Chef de rang.
- Some training courses are decided at the annual appraisal interview, but are not put into practice immediately. In some sectors, such as ICT, training can quickly become obsolete and therefore inadequate. 'At my last appraisal interview, I asked for PHP training, but by the time I got to it, I was working on another project and there was no point in attending'. Chloé, Engineer, 33.

- Companies or institutions may offer training to make up for the shortage of skills, but this may not necessarily match the aspirations of individuals 'I'm a human resources coach and I've been offered training to become a bus driver. I don't really want to go' Nathalie, 60, registered with Pôle emploi (the French employment agency).

- There is sometimes a mismatch between the skills required by the labour market and the training programmes offered by educational institutions. Rapid changes in technology and industry mean that it can be difficult for workers to keep their skills up to date, or for professionals to make long-term plans. 'Technological advancement is a moving target, progressing much faster than our brains can keep up, and it's difficult to predict where it's going to take us.' Xavier, HR Manager, CAC40 group, aged 51.

- There is often a significant delay between companies expressing their needs and training centres or schools establishing suitable programmes (budgeting, volumes, planning). 'I developed programmes for a training centre, but due to a lack of participants, the courses I was scheduled to deliver were cancelled, despite my conviction of their value and the current demand from companies.' Anne, freelance HR consultant, aged 35.

It appears that a vocational training policy based on volume is not sufficient to meet the needs of companies. For example, LinkedIn offers approximately 1,700 training courses.

In order to pursue an efficient, high-quality policy, it is necessary to implement agile systems that are calibrated in terms of budget and exemplary in their responsiveness.

4.4 Can open borders make up for skills shortages?

In the face of mounting recruitment challenges, businesses and governments are seeking solutions. Is an open migration policy the most effective way to address the skills shortage?

In light of the ongoing skills shortage, a growing number of countries, including Germany, have adopted a policy of opening their borders. 'Germany is highly industrialised and has an ageing population. It needed to open up its borders, but now it has to integrate a mosaic of cultures and implement a policy of acculturation that was not anticipated. Hans, Senior executive, aged 49. In June 2023, Germany's immigration policy was updated with the aim of attracting people from outside the European Union, within a well-regulated framework.

Italy, for its part, wants to slow down the massive immigration it is experiencing. Giorgia Meloni was elected in October 2022 on a platform of addressing the issue of illegal immigration. However, the underlying motivation for this policy is also the desire to mitigate the consequences of the demographic decline that began four decades ago.

While the initial objective has been achieved, the opening of borders is currently more complex to manage. In terms of industry, as we have seen, the situation in France is very different. Due to deindustrialisation and the relocation of many jobs, mass immigration could potentially lead to an increase in the unemployment rate if it is not better coordinated.

At present, migration policies are primarily focused on addressing immediate and opportunistic social or humanitarian needs and issues (e.g. wars, political refugees). However, it is important to consider whether these issues, which are the source of this century's major population movements, align with current employment needs in France.

It is Europe's current position that skills shortages can be addressed in the long term by this means, provided that migrants are successfully integrated. We might also expect the impact on labour shortages to be immediate. However, this is not the case. In fact, despite a wide-open immigration policy, the number of unfilled jobs remains high... As does the unemployment rate among these populations.

Inclusion initiatives have been implemented throughout Europe, with each initiative tailored to suit the specific economic, social and political conditions of the respective country.

Focus on Germany

In 2015, Germany experienced a significant influx of immigration, with the arrival of over a million refugees from Syria, Afghanistan, Eritrea, Iraq, Iran, Nigeria, Pakistan and Somalia. Of this million migrants, 400,000 were in training or had secured paid employment by 2018. According to the Federal Employment Agency, 30,000 young refugees had started an apprenticeship.

4.5 Re-establishing work as a central focus of the debate

The issue of workers alternating periods of work and unemployment at their own instigation (rather than being forced to do so) is not a new phenomenon. It affects all sectors of activity (tourism, catering, etc.), although it is more noticeable in 'seasonal' occupations, or on short contracts (temporary workers, fixed-term contracts). This can be seen directly in the field. Many temporary workers admit to it clearly, as a matter of course.

'I'm not looking for a job at the moment because I'm waiting for a reply from Pôle emploi to find out how much I'm going to earn with them. Depending on the answer, I'll look for a job because I also have to send money to Afghanistan. Rasooli, Afghan, 27, currently job hunting.

Depending on income levels or the pressure from organisations such as Pôle emploi, individuals adapt their job-hunting strategies. It is not uncommon, therefore, to see temporary workers who have the opportunity to sign a permanent contract but decline it because the unemployment benefits are more advantageous.

The nature of the work placement is generally a matter of choice, whether full-time or part-time. Some applicants may accept a position provided that the days and times are convenient for them, ensuring that it aligns with their personal circumstances.

'I regret to inform you that I am unable to accept your offer of a temporary contract from October 2022 to May 2023. I would prefer to remain on a weekly contract, as I will not be available in November.' Sandrine, 49, Line operator.

However, it should be noted that immigrants do not experience work in the same way as native populations. They are often exposed to difficult work situations during the integration process, and even afterwards. Those who secure employment encounter difficulties with the language, a key factor in the integration process.

'I've just applied for a job in a well-known factory as a low-level worker. I was an engineer, in charge of production in my country with a hundred or so people under my responsibility. I started from scratch. Then war broke out and I had to leave my country. I can't aspire to positions of responsibility here because my level of French is not adequate.'" Jovan, 55, Serbian.

4.6 A new approach to employment policies

In order to provide support to Member States in their employment initiatives, should European employment policy directly integrate the CSR (Corporate Social Responsibility) / TEN (Territorial Corporate Responsibility) / Employer Brand triptych? This would unify the debate on employment in Europe, while taking into account the specificities of each country.

Today, the State can no longer activate the levers of employment in a purely mechanical, top-down way. It has become essential to act locally, to implement appropriate regional policies, and to encourage businesses to take these issues into their own hands.

The challenging balance between supply and demand in the job market is influenced by a number of factors. In addition to the lack of training, brain drain and labour shortage, the impact of falling purchasing power, coupled with current social policy, has led to a decline in workforce motivation and a reluctance to seek employment.

In today's competitive job market, job seekers frequently evaluate job opportunities based on their personal preferences and commitments. They often select work that aligns with their personal schedule, such as availability during specific days of the week. This can be illustrated by statements like, "I'm only available in the mornings" or "I can work on Mondays, Tuesdays and Thursdays, but not on other days due to my rugby schedule.

Work is accepted when the financial gain is greater than the benefits, or sought when the institutions no longer leave much choice. Some jobseekers operate in dotted lines: Characterised by extended periods of inactivity, followed by an active and eager search. This pattern is evident even in CVs.

It is evident that a paucity of motivation, coupled with an emphasis on the transactional nature of work, is prevalent in corporate environments. In such settings, where the obligation to work supersedes human relationships and the value of work, it is imperative not only to infuse work with meaning and enrich it, but also to elevate it back to a central position in life.

On the ground, this will involve making the company more human-centred. By taking appropriate and properly implemented actions, the company can enhance its identity, enabling it to work and develop its relationship with job applicants and employees. This will increase its attractiveness and foster employee loyalty.



Recommendations

In relation to the issue of the French brain drain, which is a matter of concern given the current decline in the population of workers:

- A policy of fiscal incentives, such as tax breaks or tax credits, should be developed in order to encourage return.
- It is recommended that a greater emphasis be placed on investment in R&D, with a target of 3-4% of GDP by 2040. The quality of publications should be improved to enhance their reputation.
- Promote entrepreneurship with a more robust legal framework, an attractive regulatory environment, streamlined administrative procedures and better protection.
- Deter citizens from leaving their country by guaranteeing them superior employment opportunities, career prospects, a higher standard of living and enhanced services (education, transport, digital infrastructure, etc.) by working closely with local authorities.

Adopt sensible measures to regulate migration:

- It is vital that migration policies place the primary focus on employment, on the jobs to be filled and the potential contributed by migrants, rather than on humanitarian or social considerations.
- In order to avoid sub-optimal outcomes, it is essential to implement enhanced border control measures. A comprehensive evaluation of migrants' skill sets in relation to available employment opportunities is also necessary.
- Initial training policies must be responsive to industry needs and requirements, both in terms of quantity and quality. It is essential to foster effective interaction between academia and businesses to facilitate the alignment of educational programmes with employment opportunities.
- Lifelong learning policies should be encouraged to facilitate career progression and adapt workers to the evolving nature of the world of work and technological advancements.
- Restore the prestige of technical and vocational training, thereby raising its profile, including with regard to wages.
- The employer brand needs to be democratised, from large companies to small and medium-sized businesses: to boost the value of the company and its identity, enabling it to develop by building relationship with job applicants and employees. It's about involving employees in the company, and enabling them to make it that much loved life space that it should never have ceased to be.



CONCLUSION

For the record, the European Pillar of Social Rights of the EU had set three ambitious targets for 2030. None of them seems achievable today.

Achieving full employment (78% of the population aged between 20 and 64) is encountering a number of obstacles. The number of job vacancies and skills shortages is set to increase, and the current policy of large-scale immigration is driving up unemployment figures. Furthermore, the high level of investment in a passive policy is not encouraging job creation.

Achieving a target of 60% of adults participating in professional training each year appears feasible; however, **the current systems do not align with the requirements of companies.** The number of individuals trained and the responsiveness of organisations are not always aligned with demand.

With regard to the objective of reducing the number of people experiencing poverty or social exclusion by 15 million, this equates to a reduction in the number of people living in poverty in Europe by 1/6th (95.3 million) within a seven-year timeframe. This target is therefore

very ambitious, and to achieve it, it would already be necessary to reverse the current trend. Inflation, ageing demographics and the immigration of vulnerable populations are all obstacles to achieving this goal.

The fall in the unemployment rate must not obscure the reality, and we must be vigilant against **over-optimism and confidence** in the European actions taken to date. A strong Europe is one that can maintain its economic competitiveness and solve its own societal and economic problems. However, the policies implemented in terms of migration, professional training and stimulating employment are not complementary and do not form a coherent and well-considered whole. These policies are sometimes driven by factors other than employment, which hinders their effectiveness.

Adopting a model similar to that of the Scandinavian countries and their flexicurity system involves the rejection of our own national perspective. This would be tantamount to ignoring our domestic challenges and adopting a politically expedient (passive) policy, albeit one that is costly and inefficient.

Today, **the State can no longer** activate the levers of employment in a purely mechanical, top-down way. It has become essential to understand the problem in depth and to act locally, to implement appropriate local policies. Ultimately, we need to encourage companies to take these issues into their own hands.

It is imperative to acknowledge the pivotal role of regional and local authorities in addressing the prevailing social challenges and their ramifications, including issues such as demotivation and the erosion of work value.

In contrast, Europe must assume a significant role in this matter. CSR, territoriality and employer branding have emerged as national issues, necessitating support for Member States in their development. Consequently, European policy must integrate these dimensions to facilitate standardisation of the debate on employment in Europe. Through primary legislation, policy can guide Member States in re-establishing the value of work and ensuring that companies become conducive environments for living and development.

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