

From Labour Slack to Labour Shortages

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The new landscape

All European countries reported labour shortages

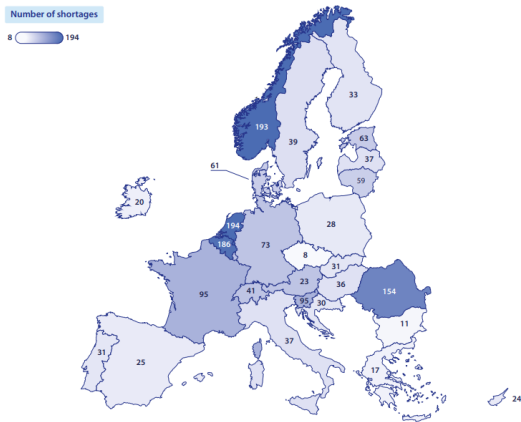


Figure: Number of shortage occupations in a country (Eures 2023)

Are they going to go away on their own?

Might be cyclical. Vacancies rising with the Covid recovery

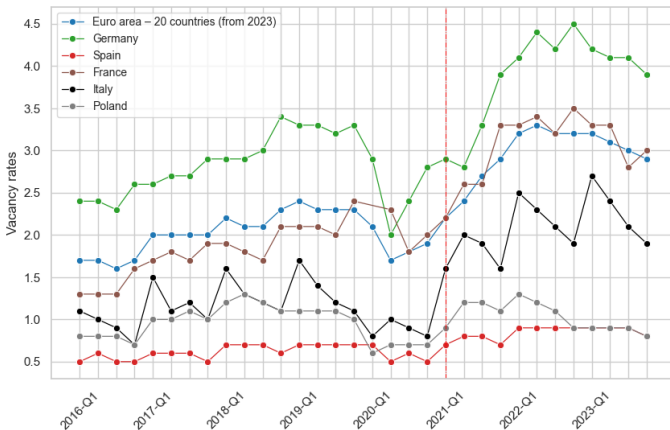


Figure: Vacancy rates over time (%), Eurostat

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)¹, 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

¹ 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%)

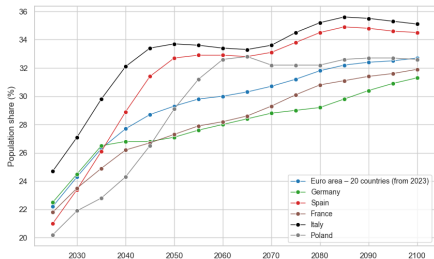
Altogether these make up a large share of the total labor force and they are all relatively unskilled occupations. How come?

Are they simply bad jobs?

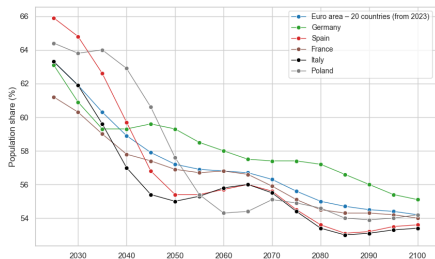
- Half of the sectors recording labor shortages recorded above-average shares of low-wage earners
- Many in these occupations said they were having difficulties making ends meet (47% of cleaners, 44% of waiters, cooks and bartenders and 43% of carers)
- In many shortage sectors workers reported high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

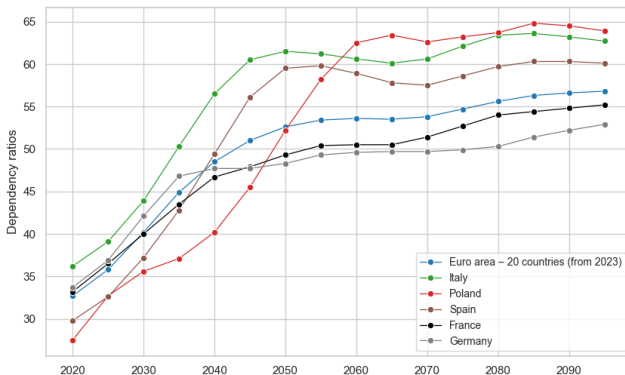


Figure: Projected dependency ratios (%), Eurostat

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