



LABOUR MARKET MATCHING AND QUALITY OF WORK IN A CHANGING WORLD: the role of labour market regulations, collective bargaining and investments in up- and re-skilling

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AT A GLANCE:

- ▶ Effective labour market matching is pivotal in addressing the labour shortages that the EU is currently facing. As labour shortages intensify, improving the alignment between labour demand and labour supply has become critical.
- ▶ Such labour market mismatches – where the skills, locations, and expectations of workers do not align with job requirements – pose a significant challenge to the EU's economic resilience and social cohesion.
- ▶ Four megatrends—digitalisation, climate change, demographic shifts, and globalisation—are reshaping labour market dynamics and amplifying the need for effective matching mechanisms.
- ▶ Besides efforts to improve job quality, enhanced labour market matching mechanisms, such as targeted up- and reskilling programmes, are essential to mitigate mismatches and ensure a sustainable workforce.
- ▶ Restricting fixed-term contracts encourages employers to invest in stable, high-quality jobs, while coordinated wage bargaining prevents downward wage pressures that exacerbate (in-work) poverty.
- ▶ Policymakers must prioritise integrated strategies that address both employment conditions and broader socio-economic factors influencing worker well-being.

► Summary

The rapid advancement of digital technologies, combined with automation and artificial intelligence, is fundamentally transforming European industries and labour markets. These changes generate a growing demand for digital and hybrid roles that integrate technical expertise and soft skills. Digitalisation also disrupts traditional sectors, necessitating systemic policy responses to support emerging industries and address skill gaps. In parallel, the EU's transition to a green economy is driving demand for roles in renewable energy and sustainable agriculture. However, reskilling workers from carbon-intensive industries remains a significant challenge. Demographic shifts, such as ageing populations, exacerbate labour shortages, particularly in care-related sectors, while globalisation influences labour markets through increased competition and mobility. Coordinated policies are vital to address these structural shifts and ensure a resilient and inclusive labour market.

Labour shortages are an escalating issue across the EU, particularly in healthcare, ICT, construction, agriculture, and hospitality. These shortages stem from ageing populations, skill mismatches, and structural shifts in industries. For instance, the healthcare sector faces an urgent need for nurses and doctors, while the ICT sector struggles with a growing gap in digital literacy and advanced technical skills. Construction and agriculture encounter recruitment challenges due to physically demanding work and seasonal demands. Regional disparities further complicate labour shortages, with Northern and Western Europe grappling with healthcare and ICT deficits, while Southern Europe faces acute shortages in tourism-dependent sectors. In Central and Eastern Europe, high outmigration exacerbates gaps in manufacturing, agriculture, and construction. Addressing these shortages requires targeted interventions to align workforce skills with market needs.

Job quality plays a pivotal role in mitigating labour shortages and fostering labour market resilience. Poor working conditions and low wages deter workers from certain roles, contributing to mismatches. High-quality jobs, offering fair pay and career progression, enhance worker retention and attract underrepresented groups. Policies that promote equitable wages, better working conditions, and lifelong learning initiatives are crucial for fostering sustainable employment. Improving job quality also addresses regional disparities by reducing migration pressures and fostering economic inclusivity. Targeted strategies in critical sectors, such as healthcare and ICT, are essential to building a resilient and adaptable workforce.

Labour market regulations, wage bargaining systems, and a well-functioning social dialogue are instrumental in shaping equitable and efficient labour markets. Balanced regulations that combine flexibility with job security support innovation while protecting vulnerable groups. Coordinated wage-setting mechanisms reduce disparities and promote labour mobility, enhancing job quality and fostering economic equity. Trade unions play a critical role in advocating for workers' rights, facilitating skill development, and promoting inclusivity. By investing in upskilling and fostering collaboration, the EU can address labour shortages, improve job quality, and create a more inclusive and sustainable labour market.

► Background

The rapid advancement of digital technologies has transformed industries and job requirements. Automation replaces routine tasks, while artificial intelligence (AI) reshapes jobs to align with specific AI-related activities. This shift generates new demand for digital and hybrid roles combining technical and soft skills (Brynjolfsson and McAfee, 2014; Acemoglu et al., 2022; Frey and Osborne, 2023). Beyond individual roles, digitalisation is driving structural changes in industries as well, necessitating systemic policy responses to manage the disruption of traditional sectors while supporting emerging fields.

The EU's Green Deal and commitment to sustainability have sparked a structural shift towards green jobs, including roles in renewable energy, energy efficiency, and sustainable agriculture (Fetting, 2020). However, transitioning to a green economy necessitates the reskilling and re-deploying workers from carbon-intensive sectors, underscoring the urgency of labour market matching to facilitate a [just transition](#) (ILO, 2022). The challenge lies in the scale of the transition, requiring both coordinated policies and significant investment in worker training and infrastructure. (ILO, 2022). Programmes targeting the retraining of workers in fossil fuel industries for positions in renewable energy are essential in mitigating employment impacts and fostering economic sustainability. The challenge lies in the scale of the transition, requiring both coordinated policies and significant investment in worker training and infrastructure.

Ageing populations across the EU exacerbate labour shortages, particularly in care-related industries. By 2050, the working-age population in many EU countries is expected to decline significantly, creating additional pressure on labour markets. Addressing these shortages requires leveraging diverse talent pools, including older workers, women, and migrants, through inclusive labour market policies (ELA, 2023). Policies to encourage delayed retirement, alongside flexible working conditions, can help maintain labour force participation among older demographics. Furthermore, active inclusion strategies, such as retraining older workers for emerging roles, are necessary to ensure their continued engagement in the labour market.

The current geopolitical instability and uncertainty about how this instability will affect the global networks of commerce in the future lead us to strictly focus on the recent past by remaining aware that trends observed so far could radically change soon. However, globalisation, as we know it, has influenced labour markets through increased competition, cross-border mobility, and integration into global supply chains. While this globalisation can facilitate talent mobility, it also exposes domestic labour markets to external shocks, such as trade disruptions or pandemics. Resilient labour market matching systems can help mitigate these vulnerabilities by fostering adaptability and skills alignment. The interplay between globalisation and labour market matching underscores the importance of coordinated EU-level initiatives to manage cross-border employment challenges effectively.

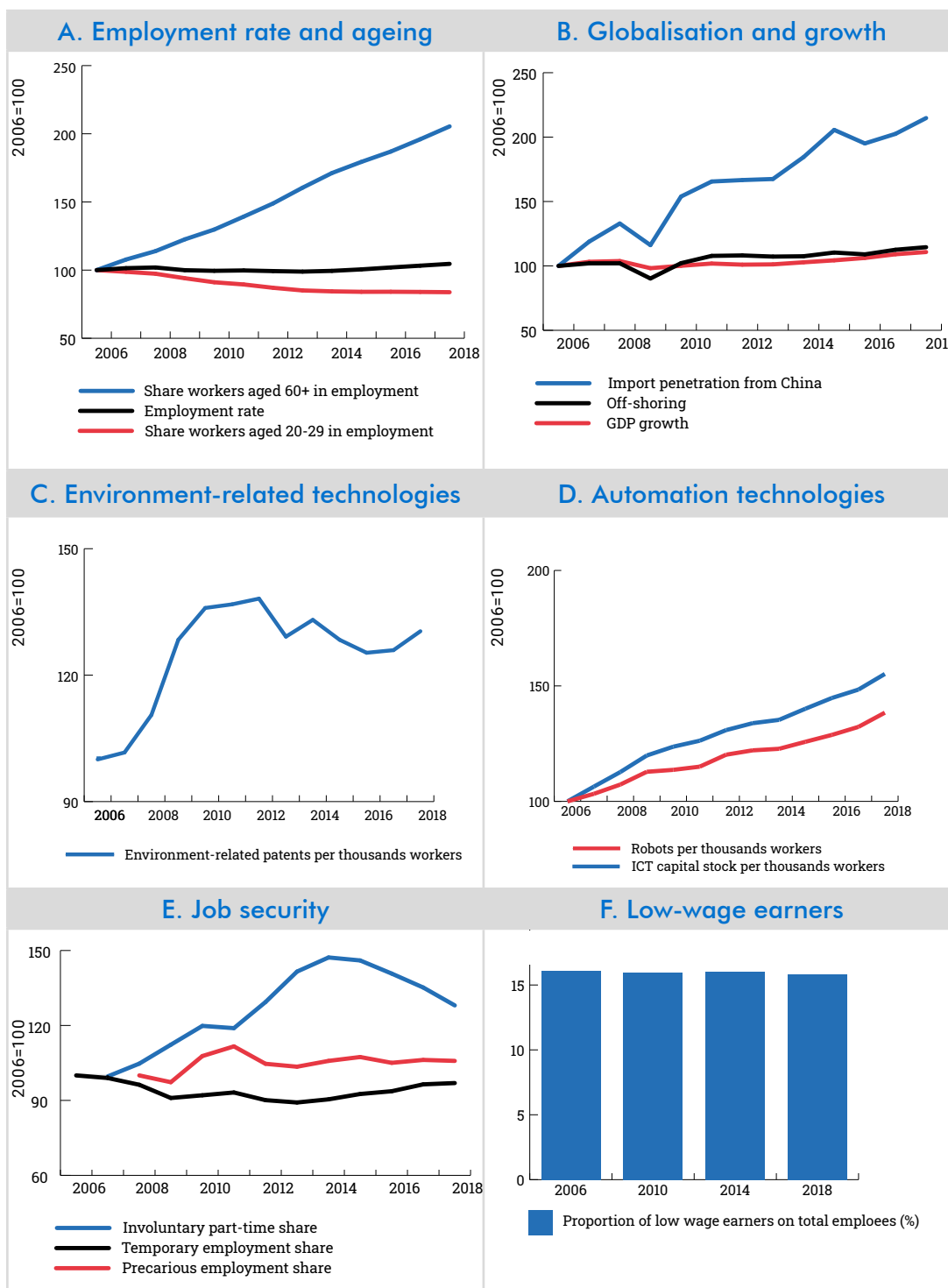
Against this background, the WeLaR project has examined the impact of four megatrends – demographic change, technological transformations, globalisation, and climate change – on labour markets and welfare states, highlighting the need to assure high-quality jobs and to improve labour market matching, in a context of labour market shortages and transition.

► Impact of megatrends on job quality

Megatrends such as digitalisation, climate change, demographic shifts, and globalisation, indeed, profoundly influence job quality by reshaping working conditions, job security, and career development opportunities. Digitalisation, while enhancing efficiency, often leads to the automation of routine tasks, resulting in the proliferation of precarious gig economy roles with limited job security and benefits. Conversely, it creates opportunities for high-skilled workers in emerging fields, offering robust career development paths. Climate change and the transition to a green economy drive demand for new skill sets in renewable energy and sustainability-related sectors, yet they also disrupt traditional industries, potentially reducing job security in carbon-intensive roles. Demographic shifts, including ageing populations, increase demand for care-related jobs, which often suffer from low pay and poor working conditions, necessitating targeted interventions to enhance job quality. Globalisation so far has further complicated the landscape by fostering labour market competition, which can erode job stability in certain sectors while simultaneously enabling mobility and skill acquisition. Addressing these challenges requires policies that focus on upskilling, fair employment practices, and the promotion of high-quality, sustainable employment across all sectors influenced by these megatrends.

When considering specific economic dimensions of employment quality, such as job security and labour income, we observe a significant increase in involuntary part-time and precarious jobs (Figure 1, panel E), alongside no improvement in the reduction of the proportion of low-wage earners' jobs (Figure 1, panel F). Therefore, a specific section of the WeLaR project has been dedicated to better clarifying which megatrends are responsible for these outcomes and studying whether specific institutional settings and policies may alleviate the adverse effects. In more detail, some of WeLaR's research analysed the effects of the diffusion of automation technologies shown in Figure 1 (panel B) on job quality and employee welfare by disentangling the impact and potential interference of other megatrends, such as the ageing workforce, globalisation, and the rise of green technology to address the climate change (Figure 1, panels A, B, and C, respectively).

Figure 1. Megatrends and specific dimensions of job quality in 12 selected European Union countries (2006-2018)¹



Source: Eurostat, OECD, EUKLEMS, IFR.

1 Note: all indicators are calculated as weighted averages from Belgium, Czech Republic, Estonia, France, Germany, Greece, Italy, Latvia, Lithuania, the Netherlands, Spain, and Sweden. Employment rate and shares of older workers are calculated on individuals aged 20-64. The indexes for automation technologies are calculated from number of robots (IFR) and net ICT capital stock (EUKLEMS) per thousand workers. Environment-related patents per thousand workers are from OECD. Import penetration from China is the ratio of imports from this country and the sum of gross output plus imports minus exports. Off-shoring is measured as foreign value added to gross output. The Indexes for job security come from Eurostat (Labour Force Survey). The precarious employment share refers to the percentage of employees with a short-term contract of up to three months. The proportion of low-wage earners is sourced

► Megatrends and labour shortages

SECTORAL DISPARITIES IN LABOUR SHORTAGES AND THEIR RELATION WITH JOB QUALITY

Labour shortages are a critical and growing issue across the European Union, impacting various sectors and regions (ELA, 2023). These shortages are most pronounced in key sectors such as healthcare, ICT, construction, agriculture, and hospitality, where the demand for workers far exceeds the available supply (European Commission, 2023). These widespread shortages underline the intensifying competition among companies to attract and retain talent capable of meeting the evolving demands of Europe's labour market (ELA, 2023).

The health and social care sectors are particularly affected, with severe shortages driven by ageing populations and the increasing demand for comprehensive care services. Nursing professionals, including specialists, and doctors are among the most impacted roles, highlighting the strain on healthcare systems as care needs escalate. This is compounded by the limited capacity of educational and training institutions to meet the rising demand for qualified healthcare workers (European Commission, 2023).

Similarly, the ICT sector has seen a surge in demand for specialists, reflecting the digital transformation of economies. Significant vacancies in this sector underscore the growing gap between the evolving skill requirements brought about by digitalisation and the current workforce's capabilities (ELA, 2023).

The construction sector is also experiencing acute labour shortages, particularly in roles such as electricians, roofers, and general labourers. These shortages are aggravated by unattractive working conditions and the physically demanding nature of the work, deterring potential candidates despite the urgent need for infrastructure development across Europe. In agriculture, seasonal demands create additional challenges, making it difficult to fill roles and resulting in elevated vacancy rates (European Commission, 2023).

Hospitality and retail remain deeply affected in the aftermath of the COVID-19 pandemic, particularly in tourism-dependent regions. Waiters and related professions are especially in demand, reflecting a mismatch between jobseekers' preferences and employers' offerings.

REGIONAL DISPARITIES IN LABOUR SHORTAGES AND THEIR RELATION WITH JOB QUALITY

Regional disparities further complicate the labour shortage landscape, reflecting diverse economic structures and demographic trends. In Northern and Western Europe, countries like Germany, the Netherlands, and Sweden report persistent shortages in healthcare and ICT. These challenges are driven by demographic pressures, including ageing populations, and the advanced industrial structures that create high demand for specialised skills. The healthcare sector faces particular strain due to a lack of nursing professionals and doctors, while ICT grapples with skill gaps in digital proficiency and advanced technical roles (European Commission, 2023).

In Southern Europe, Member States such as Spain and Italy experience acute shortages in tourism-related industries, including hospitality and retail.² The impact of the uneven economic recovery following the COVID-19 pandemic has further exacerbated these shortages, as businesses struggle to attract workers for roles such as waiters and other service positions critical to their tourism-dependent economies (European Commission, 2023).

Central and Eastern European countries, including Poland, Hungary, and Czechia, confront a different set of challenges. High levels of outmigration have depleted local labour markets, creating significant shortages in sectors such as manufacturing, construction, and agriculture. These shortages are intensified by the lack of incentives to retain workers and the allure of higher wages and better working conditions in Western European countries (ELA, 2023).

SKILLS MISMATCHES FURTHER COMPOUND THESE SECTORAL AND REGIONAL DISPARITIES

The gap between the skills employers seek and those possessed by jobseekers remains a major obstacle. Data from Eurostat highlights that over [40% of employers struggle to find candidates with the right qualifications](#). The ICT sector exemplifies this challenge, with less than 35% of job applicants meeting expectations for digital literacy and technical skills (ELA, 2023). Meanwhile, educational mismatches persist, with STEM fields underrepresented in the labour supply despite increasing demand for these qualifications. This imbalance reflects broader structural issues in education and training systems, which often fail to align with evolving labour market needs (European Commission, 2023).

► Why job quality matters in a context of labour shortages

High-quality jobs are more likely to attract and retain skilled workers, addressing persistent labour shortages in key sectors. Conversely, poor job quality can exacerbate mismatches and labour market imbalances by deterring workers from engaging in certain roles or sectors (European Commission, 2023).

Eurofound (2024) highlights the significant role of high-quality jobs in improving employee retention rates, particularly in sectors experiencing labour shortages. Targeted policy interventions aimed at enhancing job quality in low-wage sectors can promote inclusivity and support the broader objectives of labour market stability and sustainability. The Joint Research Centre (JRC) connects improvements in job quality to increased labour market participation, particularly among underrepresented groups such as women and older workers. The JRC report (JRC, 2021) argues that fostering equitable wages, better working conditions, and career advancement opportunities can address demographic challenges and enhance overall labour market inclusivity. These insights highlight the dual importance of job quality for both economic competitiveness and social equity in the EU.

To enhance the connection between labour market matching and job quality, policymakers should not only focus on creating high-quality employment opportunities but also on improving

² It is important to highlight that this issue is not confined to Southern Europe but is more widespread. However, these countries are particularly affected due to the significant size of their tourism sector.

the quality of existing jobs to enhance worker retention. This includes fostering equitable wages, enhancing working conditions, promoting lifelong learning initiatives to help workers adapt to evolving labour market demands, creating inclusive workplaces, and ensuring workers' rights and access to comprehensive social protection. This is especially important in critical sectors such as healthcare, ICT, construction and education. Addressing job quality is not only a moral imperative but also an economic necessity for the EU's long-term competitiveness.

The interplay between labour market matching and job quality also has significant implications for regional equity within the EU. Disparities between Member States in job quality and labour market outcomes contribute to uneven economic development, fostering migration patterns that exacerbate regional inequalities. Moreover, addressing job quality concerns is key for fostering social cohesion. High-quality employment reduces income inequality and strengthens workers' connections to their communities, which are vital for maintaining social stability. By embedding job quality at the core of labour market strategies, the EU can build a workforce that is not only more adaptable to future challenges but also more inclusive and equitable.

► Moderators of labour market matching

LABOUR MARKET REGULATIONS

Labour market regulations play a pivotal role in shaping unemployment and job security, especially for vulnerable groups. The balance between flexibility and rigidity significantly impacts employment outcomes. While more flexible regulations can foster job creation by lowering costs for employers, excessive deregulation may lead to job insecurity and precarious employment. Conversely, overly rigid regulations, such as stringent employment protection legislation for permanent positions (EPL), can stifle innovation and hinder labour market adaptability.

Recent research highlights the nuanced effects of EPL on employment in the context of automation technologies. Traverso et al. (2022) found that EPL often obstructs the adoption of automation and digitalisation, potentially slowing productivity growth. Higher firing costs discourage workforce restructuring because strict EPL makes layoffs expensive and administratively complex. As a result, firms may hesitate to invest in automation if it requires significant workforce adjustments. When businesses cannot easily adapt their workforce, they may delay or avoid adopting new technologies that could enhance productivity. Additionally, rigid labour regulations can reduce firms' flexibility in reallocating resources, making it harder for them to shift towards digitalisation and automation. This reluctance can, in turn, slow productivity growth by limiting efficiency gains that automation would otherwise provide. Firms operating in environments with stringent EPL may also prioritise incremental innovations over disruptive automation to avoid large-scale employment shifts, further affecting long-term technological progress. Lewandowski et al. (2023), within the WeLaR project, examined EPL's moderating effect on automation's impact on employment. They show that while EPL reduces labour reallocation between manufacturing and services, its influence varies across age groups. Young workers (aged 20-29) were particularly vulnerable under restrictive EPL, as heightened dismissal costs discouraged hiring. When EPL is too strict, firms may be reluctant to hire young workers due to high dismissal costs, limiting their entry into stable employment. Conversely, when EPL is too weak, young workers face higher job

insecurity and may struggle with precarious contracts or frequent layoffs, particularly in industries affected by automation. A moderate level of EPL provides enough job security to encourage firms to invest in training and skills development for young employees, while still allowing businesses the flexibility to adopt automation without excessive constraints. This balance ensures that young workers are not disproportionately displaced by technological advancements and instead gain opportunities to transition into new, emerging roles.

The nature of technology adoption also affects job quality. While digital technologies, such as computers, have improved work discretion and intensity (Menon et al., 2020), industrial robots have often diminished job quality in terms of autonomy and meaningfulness (Antón et al., 2023; Nikolova et al., 2024). Labour market institutions, particularly wage coordination mechanisms, can mitigate some of these adverse effects. Lewandowski et al. (2024) demonstrated that higher software investments in countries with coordinated wage bargaining reduced atypical employment and enhanced job quality. This suggests that labour market regulations promoting balanced wage-setting practices can amplify the positive impacts of digitalisation.

WAGE BARGAINING SYSTEMS

Wage bargaining systems significantly influence labour market matching and efficiency. Centralised systems, where wage-setting is coordinated across industries, tend to reduce wage disparities and promote labour mobility by creating equitable employment conditions. Decentralised systems, in contrast, allow companies greater flexibility in wage adjustments but may exacerbate inequalities and hinder labour mobility.

Evidence from WeLaR underscores the advantages of wage coordination. Lewandowski et al. (2024) find that coordinated wage bargaining reduced the prevalence of atypical employment by limiting downward wage adjustments. This not only improves job quality but also aligns labour market dynamics with broader social objectives. A shift towards coordinated wage bargaining at the EU level could enhance labour market efficiency, reduce regional disparities, and foster greater labour mobility across Member States.

The benefits of coordinated wage bargaining extend beyond wage fairness; they also influence broader labour market dynamics. By reducing wage disparities, coordinated systems help to minimise economic inequality, which is often a barrier to social cohesion and workforce stability. Equitable wage-setting practices encourage greater participation in the labour force, particularly among marginalised groups such as women and low-skilled workers. These systems also support long-term employment relationships by discouraging precarious contracts and ensuring stable income levels.

Decentralised wage bargaining systems, while offering flexibility to employers, may lead to fragmented labour markets. Without coordinated practices, wage-setting can result in significant disparities between industries and regions, creating inefficiencies in labour mobility. Workers may be dissuaded from relocating or transitioning between sectors due to uneven wage structures, exacerbating regional labour shortages and skill mismatches. Decentralised systems may thus hinder efforts to align workforce capabilities with market needs.

The **question of extending the coverage of collective bargaining** is particularly relevant in this context, as emphasised in the EU Directive on Adequate Minimum Wages. The directive

recognises that collective bargaining plays a crucial role in securing fair wages and reducing wage inequality, especially in countries where bargaining coverage is low. Expanding the reach of collective agreements could serve as a mechanism to counterbalance the negative effects of decentralised wage-setting by ensuring that a larger share of workers benefit from negotiated wage floors and improved working conditions. Strengthening collective bargaining frameworks at the EU level would help promote wage convergence, prevent excessive wage competition, and enhance social protection for workers across different sectors and regions.

The role of wage bargaining systems in mitigating the adverse effects of technological change cannot be overstated. As automation and digitalisation reshape labour markets, wage coordination serves as a stabilising mechanism. It ensures that the economic gains from increased productivity are shared across the workforce, rather than being concentrated in specific industries or among high-skilled workers. Wage coordination can help address the growing polarisation between low- and high-income jobs often associated with technological advancements.

The adaptability of coordinated wage bargaining systems makes them well-suited to address emerging challenges such as climate transitions and demographic shifts. By fostering dialogue between employers, unions, and policymakers, these systems facilitate agreements that balance economic competitiveness with social equity. For instance, wage-setting mechanisms can be tailored to incentivise green jobs or support sectors facing demographic pressures, such as healthcare and eldercare.

THE ROLE OF TRADE UNIONS AND A WELL-FUNCTIONING SOCIAL DIALOGUE

Trade unions remain central to ensuring fair wages, advocating for workers' rights, and bridging skill gaps. By representing workers in wage negotiations, unions can help protect against exploitative practices and promote equitable labour market conditions. Unions play a critical role in safeguarding job quality by pushing for better working conditions including an improved work-life balance, fair pay, and secure employment contracts, particularly for vulnerable groups such as low-income workers, migrants, and women. Such efforts may not only improve employee well-being but also contribute to higher retention rates and overall workforce stability.

Besides negotiating wages and working conditions, unions often facilitate upskilling and reskilling initiatives, aligning workforce capabilities with evolving market demands. As industries undergo rapid technological advancements, unions have increasingly taken on the responsibility of advocating for lifelong learning opportunities. By working with educational institutions and employers, unions help design training programmes that equip workers with the skills needed to navigate transitions caused by automation and digitalisation. For example, unions in the manufacturing sector could collaborate with employers to introduce technical certifications that address specific skill gaps in robotics and artificial intelligence.

Collaborative approaches between trade unions and employers are crucial for addressing labour market challenges. Joint initiatives can focus on training programmes tailored to high-demand sectors, fostering a more adaptable and skilled workforce. These partnerships are particularly vital in sectors undergoing rapid technological transformation, where skill mismatches are prevalent. For example, unions in the ICT sector could partner with companies to develop coding bootcamps and data analysis training, enabling workers to access high-growth opportunities.

Unions further play an essential role in promoting inclusivity within the workforce. By advocating for equitable hiring practices and anti-discrimination policies, unions ensure that underrepresented groups, such as women and minorities, have access to quality employment opportunities. This inclusivity strengthens labour market participation and enhances social cohesion, which are critical for economic resilience.

Employers also play a vital role in the social dialogue process by actively engaging with trade unions and policymakers to shape fair and sustainable labour market practices. Their responsibility extends beyond wage negotiations to fostering inclusive workplaces, ensuring decent working conditions, and supporting workforce adaptability through skills development initiatives. By investing in training programmes, implementing family-friendly workplace policies, and promoting diversity and inclusion strategies, employers contribute to a more resilient and equitable labour market. Furthermore, their collaboration with unions in addressing automation-driven job displacement and promoting job security is key to navigating future labour market transformations effectively.

INCOME SUPPORT POLICIES

Income support policies, including unemployment benefits play a critical role in maintaining labour market stability. These measures provide a safety net for workers, ensuring economic resilience during transitions caused by digitalisation or climate-related transformations.

Enhanced income support systems can mitigate the adverse effects of job displacement. For instance, targeted benefits for workers affected by automation or green transitions can ease their reintegration into the labour market. Additionally, policies promoting work-life balance, such as flexible work arrangements and parental leave, can encourage greater labour market participation.

Labour market reforms targeting temporary employment and wage coordination also contribute to mitigating in-work poverty. In-work poverty remains a pressing issue across the EU, with a substantial share of workers facing economic hardship despite being employed. The WeLaR project's analysis frames in-work poverty through a comprehensive lens, considering employment intensity, job quality, household structures, and welfare state capacity. D'Aguanno et al. (2024) identify that family policies, rather than labour market reforms alone, have the most substantial impact on alleviating in-work poverty. Reforms promoting balanced parental leave and flexible work arrangements significantly improve labour market participation and earnings, reducing vulnerability among low-income households and households with children.

► Policy recommendations

LABOUR MARKET REGULATIONS must evolve to balance flexibility and job security. Adopting intermediate levels of employment protection legislation is essential for minimising the negative effects of automation on vulnerable groups, particularly young workers, while encouraging innovation and adaptability in the labour market. Adaptive regulatory frameworks should address sector-specific needs, ensuring that workers and employers can respond effectively to technological and economic changes.

WAGE BARGAINING SYSTEMS significantly influence labour market matching and efficiency. Coordinated wage-setting at national (industry) levels can reduce wage disparities, enhance job quality, and promote labour mobility across the EU Member States. Developing frameworks for regional or sectoral wage coordination can harmonise labour market conditions and address regional disparities in employment opportunities, in that way fostering a more equitable labour landscape.

TRADE UNIONS play a critical role in shaping equitable labour markets and boosting job quality. Supporting collaboration between trade unions, employers, and policymakers is crucial for aligning workforce skills with evolving market demands, particularly in sectors undergoing rapid technological transformation. Cross-border collaboration among unions can promote harmonised labour standards and protect workers' rights in a globalised economy, ensuring fair treatment and competitive equity.

INVESTMENTS IN UPSKILLING AND RESKILLING INITIATIVES must be prioritised through partnerships between educational institutions, trade unions, and employers, with a focus on high-demand sectors such as ICT, healthcare, and green industries. These investments are critical to ensure that systems are responsive to the changing economic demands, which is key for bridging widening skills gaps. Targeted training programmes should be established for vulnerable groups, including young workers, low-income individuals, and women, to enhance their employability and integration into the workforce. These initiatives contribute to a skilled and adaptable labour force prepared for future challenges.

ADDRESSING IN-WORK POVERTY requires a multifaceted approach. Family-friendly policies, such as extended parental leave and flexible work arrangements, should be prioritised to support balanced labour market participation and reduce in-work poverty. Employment protection for temporary workers must be strengthened, and wage coordination mechanisms should be enforced to prevent precarious employment and promote stable incomes. These efforts should be complemented by well-designed income support policies, including adequate minimum wages, targeted tax credits, and social transfers, to ensure that workers in low-paid or unstable jobs receive sufficient financial security.

SECTORAL AND REGIONAL STRATEGIES must be tailored to address specific challenges and imbalances, such as healthcare shortages, ICT skill gaps, and green transition demands. Regional policies should focus on workforce retention in Central and Eastern Europe and improving job quality in tourism-dependent regions, thus considering the unique needs of each region. By doing so, policymakers can reduce disparities and foster balanced economic growth across the EU Member States. By taking a targeted and comprehensive approach, the EU can create a more resilient and equitable labour market that supports its long-term economic goals.

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