

Labor Market Challenges from an European Union with Diversified Human Resources

Patricia Petronela PETRE

*Bucharest University of Economic Studies, Bucharest, Romania
petrepatricia9s@gmail.com*

Daniela Livia TRASCA

*Bucharest University of Economic Studies, Bucharest, Romania
daniela.trasca@gmail.com*

Abstract. *The European continent is going through a period when uncertainty is the key word: a war on its eastern borders, increasing flows of migrants, a labor market in transition to a green economy, technological trend threatening the viability of human resources and, economic difficulties. In this scenario, the labor market must accommodate an increasing number of immigrants with non-European origin, on a job market where qualification requirements are not covered by human resources that must prove their relevance in competition with the artificial intelligence and automation in more and more areas of economy. In order to determine the level of integration of immigrants, the most relevant indicator was and remains their employment rate. This paper aims to make an analysis of the European labor market, subject of these pressures, through a comparative analysis between native-born human resources and that of non-European origin. The time frame covers the period 2014-2022. The system of analyzed indicators includes: the employment rate, the job retention rate, the schooling level, the types of targeted jobs and the qualification for them. We expect to identify an increasing level of employment among non-EU immigrants, as well as a widening gap between labor market requirements and labor supply.*

Keywords: employment, workforce, immigrants, labor market, jobs, skills

Introduction

More and more member state of the European Union are seeing an increase in the proportion of the population with non-European origin from the total population. Just for example, according with OECD-2022, we can mention the case of Germany, with an increase of immigrants from total population of 16.1% or France, with an increase of 12.4%.

Right now, we are facing some social aspects that are difficult to control on a long term: the aging of population and the scarcity of labor resources in host countries, mixed with the population growth and worsening living conditions in home countries. Considering all of these, it is clear that this trend of immigrant flows will continue or even amplify in the near future. Even more, according with the United Nations projections, the population of Africa will double and will be four times larger that of the EU-28 by 2040.

For these reasons, the integration of immigrants has become a top priority for host countries. Without active policies to integrate immigrants, economically, socially and politically, they will be marginalized and create more problem in host countries, from social tensions to tax cost and even creating neighborhoods that encourage violence against the local citizens.

This paper is focused on investigating two objectives:

1. Creating an overview of the labor market considering present economic and social challenges occasioned by the phenomenon of migration.

2. A quantitative analysis will be performed using relevant macroeconomic indicators such as: employment rate, schooling rate, salary level and long term unemployment, but not restricted to them. All indicators will be analyzed for native-born Europeans and immigrants from outside European borders.

In order to achieve the first objective, this paper is built to follow the framing, at European level, of the migration phenomenon and the labor market crisis. It will be emphasized the importance of a strong management of these events using historical evidences, from similar precedents. It will be paid greater attention to the risk of labor market exclusion. This point will be detailed from the perspective of aligning the professional qualification requirements of recruitment companies for the jobs of the future with the actual qualifications offered by the recruitment base regardless of origin. Also, a part of this section will be presented a series of the best practices for integration of immigrants. The quantitative analysis is here to support, with analytical evidences, the first section of the paper.

The structure of this material is divided into four sections: literature review, the used methodology, results and discussions based on the quantitative analysis. The section of conclusions will be the last one, that will provide the key facts obtained after the two analyses. In addition, it will be delivered some research limitations and new research topics.

Literature review

The phenomenon of migration is a very complex one because it has many implications and has been the subject of numerous scientific studies. Our article is focused on the economic aspects of immigrant integration, such as integration into the labor market of destination countries, access to education or vocational training, but also the types of targeted jobs.

Authors such as Blume et al. (2009), Botrić (2018) or Bratsberg et al. (2018) pointed out that, in relation to the native population, immigrants have experienced disadvantages on the local labor market. In the Nordic countries, for example, Norway or Denmark, immigrants are rather jobless, and the negative consequences of losing their jobs are much more significant among them than among the native population. On the other hand, in Spain, one of the member countries of the southern European sub-model, Silva and Vásquez-Grenno (2011) pointed out that, between 2002 and 2006, the employment rate and job-separation rate were higher among immigrants compared to those recorded by the Spanish people.

Relative to the native-born population, immigrants seem more exposed to job losses, but in terms of employment possibilities, the conclusions of studies differ. The transition from unemployed to employed depends from country to country and year to year. In the United States, according to Albert (2021), immigrants and, in particular, illegal immigrants have low unemployment rates, and the explanation lies in higher job-finding rates. At the same time, according to Dustmann et al. (2010), responses to economic shocks regarding unemployment are more intense among low-skilled workers compared to highly skilled workers, and for immigrants compared to natives.

Developed countries are the preferred destination of immigrants due to their high standard of living, quality of institutions and opportunities for professional and financial development. Most controversial, however, remains the wave of poorly prepared immigrants. In 2016, amid the migrant crisis, the European Commission adopted an action plan for immigrants integration, and a year later, in 2017, launched the *'EU Skills Profile Tool for migrants'*, which aims to identify and record the skills and training of asylum seekers, refugees and non-EU citizens. The EU's efforts to support the wave of migrants have also included European Semester recommendations for

countries such as Austria, Belgium or France to improve education, vocational training and labor market policies for these people. At the same time, for the period 2015-2021, additional funds of over 5.000 million euros were allocated in the context of the intensification of the migration phenomenon.

The last report from CEDEFOP, *'Skills forecast: trends and challenges to 2030'*, It reveals a forecast of moderate employment growth in the medium term, which is expected to slow down from 2025 onwards. Following these forecasts, World Economic Forum estimates that by 2027, 6 out of 10 employees will need a training program or a job shift. At the moment, the training demand is oriented to develop and improve the critical and creative thinking. These social changes must be highlighted in order to draw attention to the need of integration of non-EU immigrants.

The improvement on non-EU immigrants integration process is supported by the European Commission which launched, in November 2020, a plan, *'The action plan on integration and inclusion for the period 2021-2027'*. This initiative presents some best practice to be followed in order to have an inclusive integration: inclusive education and training, equal employment opportunities for local people and immigrants, access for health and social services, and access to proper and price reasonable housing.

Methodology

This paper was organized into different parts: a qualitative research of specialized literature and a qualitative research of statistical data. Considering that the present work is focused on a comparative analysis of labor market conditions for native Europeans and non-EU immigrants, we believed a mixed methods review to be the best methodological approach.

The qualitative analysis of the specialized literature was based on detailed research of academic papers and official documents from public institutions responsible for managing the two investigated phenomena. This research strategy was finalized by describing the current context of the European labor market, identifying its particularities and prospects. The same rigorous qualitative analysis has been maintained for research of the migration flows. To create a research base, we used academic resources such as: Web of Science, JSTOR, Science Direct.

The qualitative analysis of certain macroeconomic indices was chosen as a research method because it provides temporal visibility of the studied phenomena. Also, using this research method, objective opinions can be issued based on the transparency and correctness of the data used. It is important to mentioned, that the qualitative analysis was restricted to the geographical area of European countries for the period between 2014 and 2022.

Results and discussions

The labor market is not just the meeting point of labor demand and labor offer, just as work that is not limited only to a salary. Work offers purpose and enables people to discover and develop new skills. Also, being a part of a team is an important indicator of integration.

2024 is expected to be really challenging for the labor market. The successful recovery after COVID-19 pandemic period is overshadowed on several levels. Economically, rising inflation can be observed, accompanied by slowing economic growth and an erosion of purchasing capacity. Socially, there are structural changes caused by the transition to a green and digital economy. Discussing about digitalization, automation and artificial intelligence, it is important to pointed out the pressure that these trends put on the human resource that must reposition itself in the hierarchy

of labor as an engine of economic growth. Also, the European Union is facing negative demographic trends: the birth rate is falling and the aging of population is accentuating.

Having this overview in mind, the European Union countries must pay greater attention to migration flows from outside the community. Beside the pressure they exert on the social systems of host countries, immigrants are an undoubted source of labor: they work really hard for a better life. Figure 1 presents indicators of immigrants integration to be followed on a long-term basis:

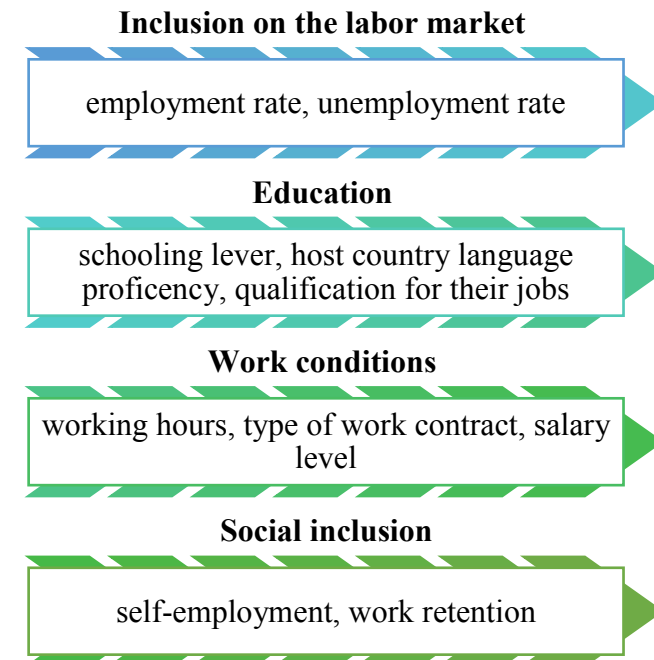


Figure 1. Indicators of immigrants integration

Source: Author's own research.

A perspective of European labor market

The latest statistical data available for 2022 presented that 74.6% of the European origin workforce was employed, while the employment rate of non-EU immigrants was 61.9%. Figure 2 maps the employment rate gap between the immigrants and local people.

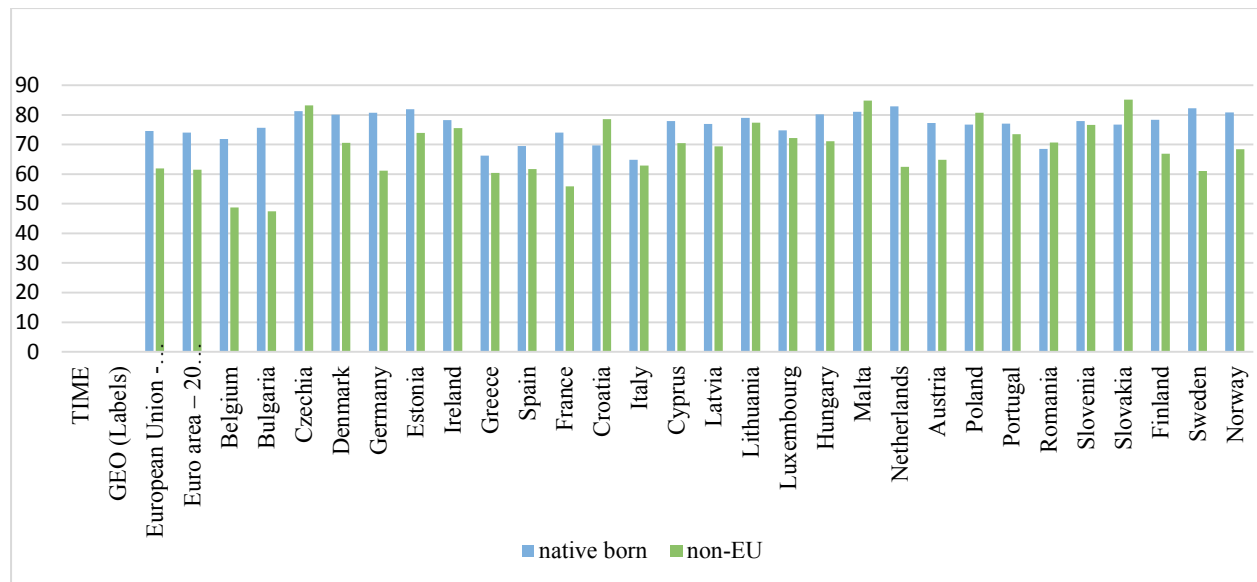


Figure 2. Employment rate across European Union

Source: Authors' own research based on Eurostat data base.

From Figure 2, we can see trends divided by country categories. The first example are the Nordic countries (Denmark, Finland, Sweden, Norway): they are at the forefront of immigrants' preferences because of their high standards of living and social protection systems. Here the differences of employment rates between non-EU citizens and natives are higher and this is happening because of two reasons: the language and the local demographic difficulties. A positive employment rate for immigrants can be find in Easter European countries: Slovakia, Poland, Czechia, Romania, Croatia and Malta. Germany and France, here is the largest proportion of immigrants, face difficulties with the hiring process of them. In Germany, the employment rate for non-EU immigrants was 61.2%, and in France the rate was just 55.9%.

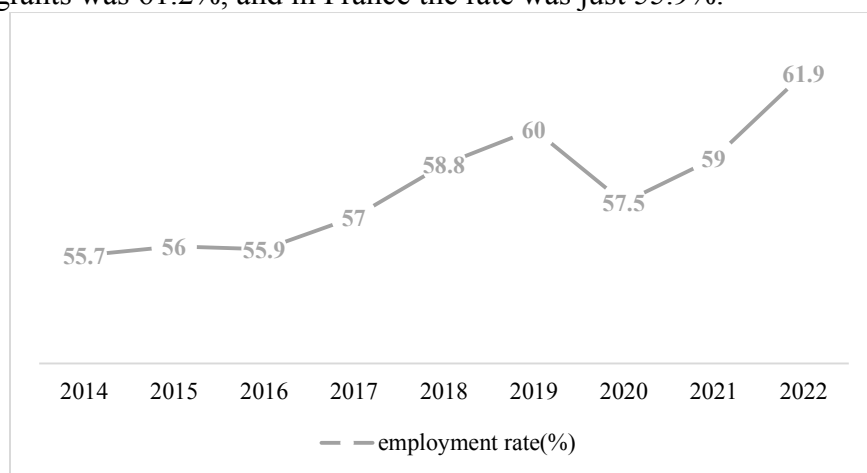


Figure 3. Evolution of immigrants' employment rate

Source: Authors' own research based on Eurostat data base.

Figure 3 illustrates the evolution of immigrants' employment rates between 2009 and 2022. The collapse of employment rate in 2019 and 2020 is understandable because of COVID-19 pandemic crisis. This sharp decline marks the seriousness of the problems faced by European countries. At the moment, the evolution of the European average indicates an upward trend of the employment rates of non-EU immigrants.

Another important element of increasing the employment rate among immigrants is their orientation towards urban living. Living in a big city is a must for the newest and highly educated immigrants. The only exception of this distribution trend is the Nordic part of Europe, where the new citizens are allocated across the country.

Education, social inclusion and work conditions

Finding a job and keeping a job is the goal of any migrant who has chosen Europe as a destination for a better life. Entering the labor market is a guarantee that a foreign citizen has integrated or is in the process of becoming an active part of the host-country. Talking about hiring these people, the job is important, but we have to consider many other implications like: the quality of the job, the education level, the targeted jobs, the skill level of the jobs.

Figure 4 presents the spreading of the most educated migrants (university graduates) across European Union.

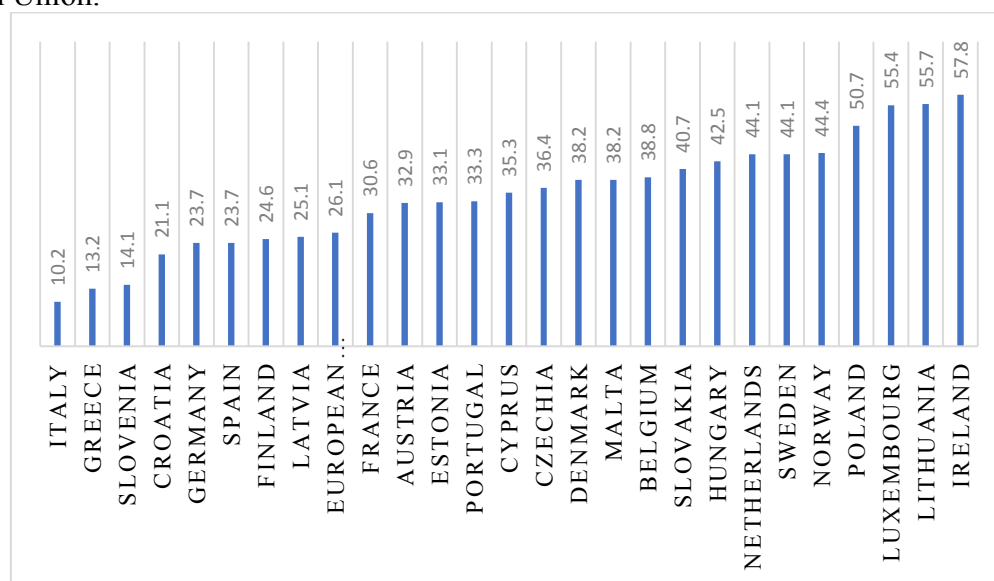


Figure 4. %immigrants with tertiary education level (2022)

Source: Authors' own research based on Eurostat data base.

It should be noted that the latest waves of migration have brought in more educated citizens. From the previous chart, it can be seen that Ireland attracts the most educated immigrants, 57.8% of them are university graduates and they are better educated than the local population (48.1% of them hold an university degrees). At the opposite pole, we have Italy and Greece with less than 15% of them have achieved this standard of education. This is happening because both countries have access to the Mediterranean Sea: the main access zone to the European Union of immigrant flows. Citizens with the fewest financial possibilities remain here, on the first stop after a long sea road. The richest and most educated people are focused to go on countries with a high standard of living or on countries when the immigrants employment rate is higher. The lowest educated

foreigners are a special challenges for the host countries because they need financial support for a longer time, more training and more social help.

The way immigrants are treated by the European authorities and the locals has created unhealthy habits in some parts of the continent. For example, the involuntary inactivity is a common practice in the Southern European countries and in the Baltic countries.

The fear of job loss is natural for all of us, the immigrants are more likely to be a long term unemployed. In the absence of alternatives, they choose to become entrepreneurs or self-employees (30% of them). This is a good choice because the immigrants are avoiding the social marginalization and they are spreading their culture opening small businesses like food-trackers with their local food. Also, becoming their self-employer, they reduce the gap between their qualification and the job description.

34 million EU people were born outside the European Union borders. Declaratively, they are essential work force in many parts of our economy. The statistical data shows other perspective where the immigrants are more oriented to do the basic jobs. Using Figure 5, there are some sectors where non-Eu citizens are over-represented: accommodation and food service activities, support activities, domestic work and constructions. 11.4% of foreign people are cleaners and helpers, but just 2.9% of native-born people are doing this job. 7.30% of personal service workers are immigrants and just 4.10% are locals. Also, in the construction sector, immigrants are again over-represented (6.10%) compared with the locals (3.7%).

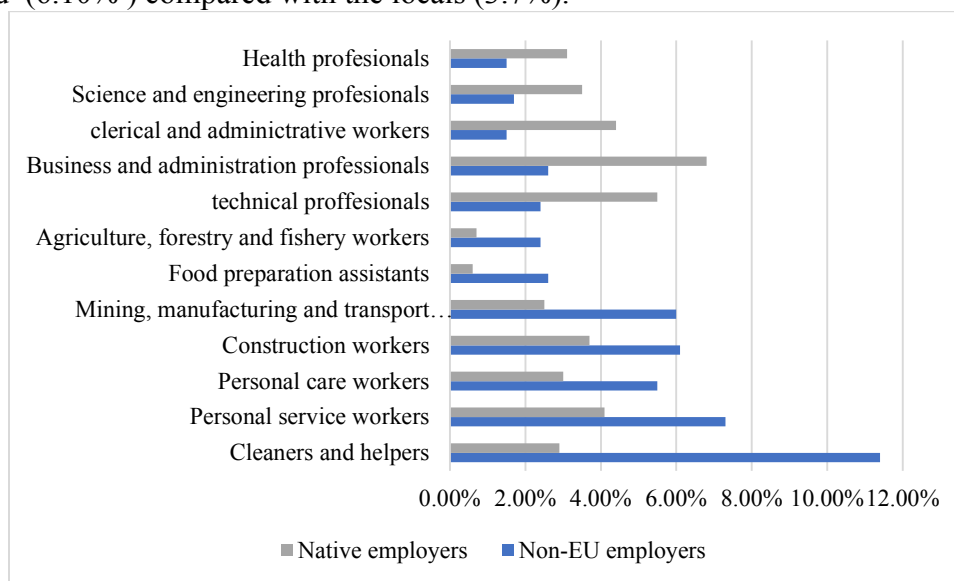


Figure 5. Under and over representation by occupation

Source: Authors' own research based on European Commission website and Eurostat.

The same Figure 5 presents the sectors where the non-EU immigrants are under-represented. 1.5% of the business and administration professionals are outside the EU, compared with 6.8% professionals with European origin. The non-EU citizens are under-represented on science, health and law professions.

On the short-time, this jobs' allocation of immigrants is not a problem, but we need to look at it over a longer period of time. There is a significant gap between the jobs to which immigrants are oriented and the current job offer. Figure 6 presents an analyze of growing roles by job title between 2018 and 2022.

Figure 6 is the perfect image of how the Fourth Industrial Revolution is impacting us. widespread adoption of technology has reversed the ratio of humans to machines. This shift has changed the way we live, think and work. On the labor market, the technological advances dictate the types of jobs that survive and those that must disappear. The two top positions, sales and customer engagement and talent acquisitions, are indicating the future trajectory: more human oriented jobs, based on sustainability and digitalization. The future jobs encourage the development of emotional and interpersonal skills of the human resources. The future jobs are not manual or routine jobs.

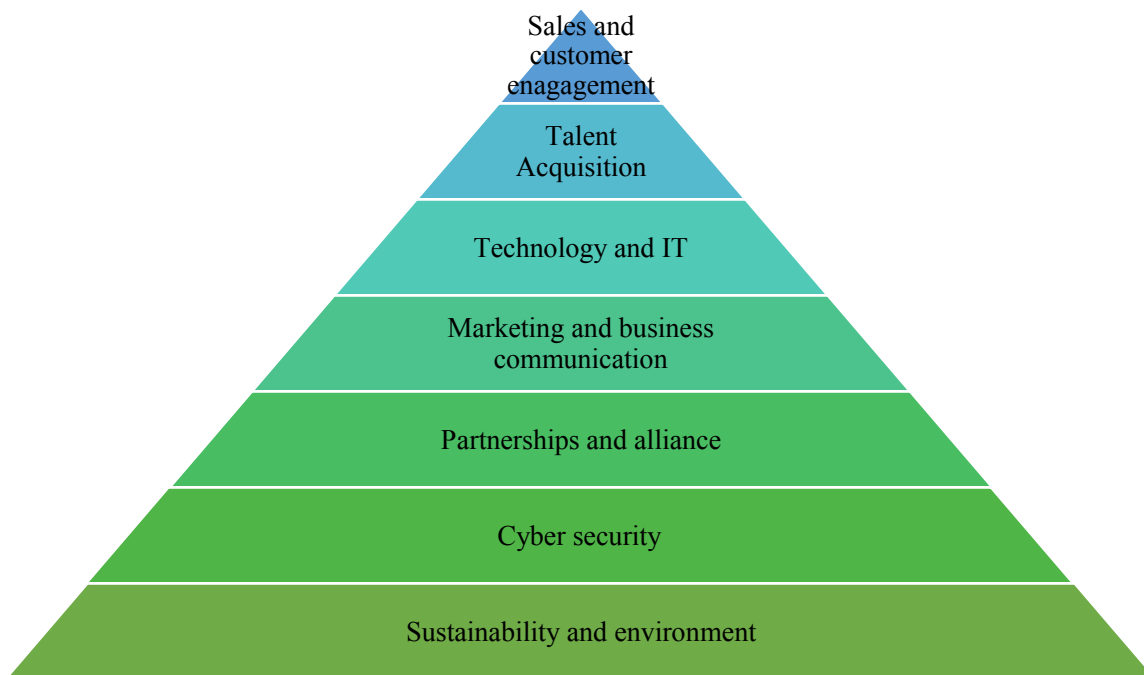


Figure SEQ Figure * ARABIC 6. Growing roles by job type, 2018-2022

Source: Authors' own research based on LinkedIn website.

Macrotrends and world-wide digitalization process remove certain categories of jobs from the grid of employers. Manual jobs will be optimized by applications, for example: the cashiers, bank tellers, data entry clerks, bookkeepers.

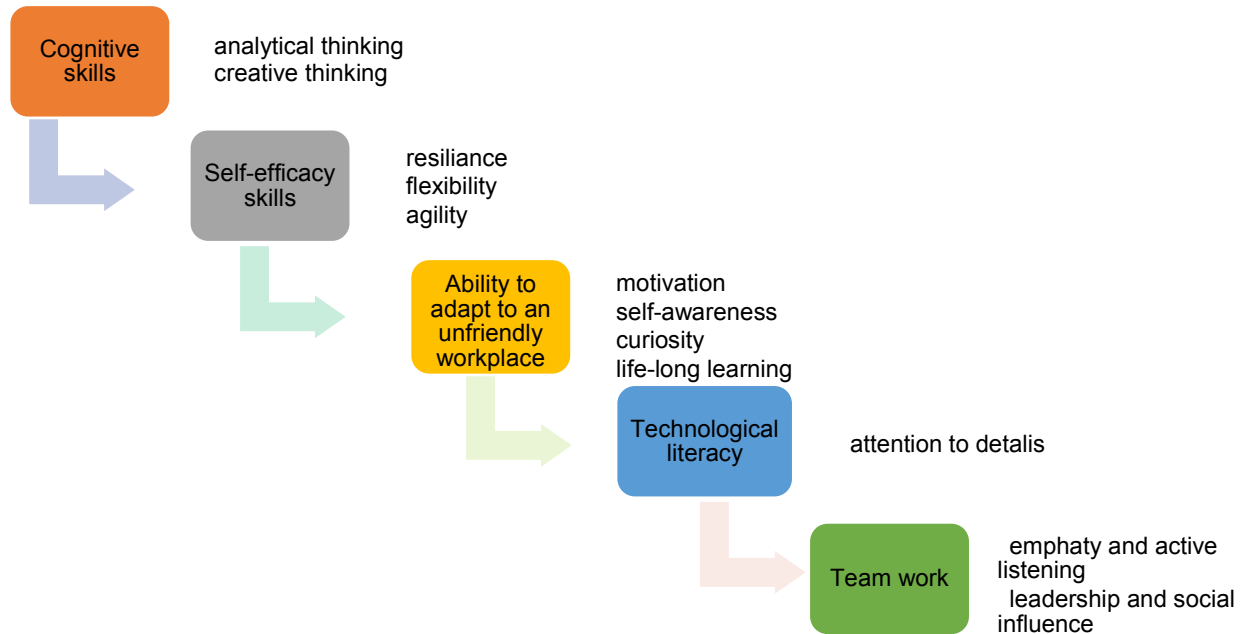


Figure 7. Top 10 work skills for future jobs

Source: Authors' own research based on World Economic Forum website.

The World Economic Forum estimates that in the next 5 years we will see a 44% in the workers' skill. Figure 7 is a representation of the future skills that the human resource needs in order to stay relevant for the employers. Cognitive skills (analytical thinking and critical thinking) are encouraged to be improved: working on new jobs are creating new problems and the creative thinking is supposed to be helpful on providing creative solving ways.

As it can be seen, we are heading towards a future of work completely different from the last 30 years and the adaptation process must encompass all social categories. The European Union must find effective ways to keep integrated the non-EU citizens, in order to be relevant resources on the long term. It is no longer cost efficient to keep all of these people cleaners and helpers, they need to shift the skills profile.

Conclusion

The latest statistics indicate that 5% from the entire population of European zone are people with non-European origins. Even if the number does not look like a significant one, the migration trend to Europe has been steadily increasing since 2015, the moment of "*Refugee crisis*". As time passes, Europeans have become accustomed to the presence of other minorities, and the immigrants are treated with more consideration and respect.

The effectiveness of policies for immigrants integration and their level of integration to living conditions from host countries are demonstrated over time. As a general trend, it is observed that the discrepancies between immigrants and natives tend to flatten the longer newcomers stay in those countries. For a moment, the guest citizens still have more economical and social difficulties.

Because we are discussing about the human resources in a period of drastic changes, we can identify complementary areas that can be investigated and exploited for the benefit of the entire European community: we can improve our medical knowledge regarding particularities of different

races to adapt to local climate conditions, we can establish correlations that need to be tracked on a long-term basis, such as: migration and violence, migration and natality or migration and cultural trends.

Each research assumption has its own limitations. For this paper, we can consider two type of limitations:

- there is no universal model that could be applied to all geographic zones and we are not able to create perfect clusters for all immigrants typologies. Countries like Romania, Bulgaria or Hungary is not the first choice of immigrants. These countries should build strong strategies to attract foreign workers, in certain sectors, such as agriculture, constructions, manufacturing, in order to cover the gap of labor market.

- the quantity and quality of statistical data: not all European countries are able to provide statistical data about social and economic trends (employment rate of immigrants, schooling rate, productivity rate). In this category are found: Slovakia, Bulgaria, Romania, Latvia, Lithuania and Croatia.

This research demonstrates its relevance precisely by the need to manage, in a correct way, the two phenomena: migration and labor crisis. With a broad and precise mapping of the situation, the Europeans governments can action, through specific policies and strategies, to encourage the integration of immigrants and guide them to use their skills for jobs that offer them more than a salary, for jobs that offer them a decent and respectable lifestyle. The Europeans need to understand once again: non-EU immigrants are here so stay.

Acknowledgements and funding

This paper was co-financed by The Bucharest University of Economic Studies during the PhD program.

References

- Albert, C., (2021), ‘The labor market impact of immigration: Job creation versus job competition’, *American Economic Journal: Macroeconomics* 13 (1), 35–78.
- Blume, K., Ejrnæs, M., Nielsen, H., Würtz, A., (2009), "Labor market transitions of immigrants with emphasis on marginalization and self-employment," *Journal of Population Economics*. Springer; European Society for Population Economics, vol. 22(4), pages 881-908, October.
- Botrić, V., (2018), “Labour market transition differences between natives and immigrants in EU economies”, *Journal of Economic and Social Studies* 7 (2), 22.
- Bratsberg, B., Raaum, O., Røed, K., (2014), “Immigrants, labour market performance and social insurance”, *The Economic Journal*, 124 (580), F644–F683.
- Dustmann, C., Glitz, A., Vogel, T., (2010), “Employment, wages, and the economic cycle: Differences between immigrants and natives”, *European Economic Review* 54 (1), 1–17.
- Silva, J.I., Vázquez-Grenno, J., (2011), “The ins and outs of unemployment and the assimilation of recent immigrants in Spain”, *Journal of Population Economics* 24 (4), 1309–1330.
- European Commission, EU Skills Profile Tool for Third Country Nationals, available at: <https://ec.europa.eu/social/main.jsp?catId=1412&langId=en> [access 20 February 2024]
- CEDEFOP, Skills forecast: trends and challenges to 2030, available at: <https://www.cedefop.europa.eu/en/news/skills-forecast-trends-and-challenges-2030> [access 10 January 2024]

- World Economic Forum, The Future of Jobs Report 2023, available at: <https://www.weforum.org/publications/the-future-of-jobs-report-2023/in-full/1-introduction-the-global-labour-market-landscape-in-2023/> [access 23 February 2024]
- OECD, Indicators of Immigrant Integration 2023, available at: <https://www.oecd-ilibrary.org/docserver/1d5020a6-en.pdf?expires=1708608088&id=id&accname=guest&checksum=F82E7AB062B34B41910DC6E788309FFA>, [access 23 January 2024]
- International Labour Office, Skills mismatch of natives and immigrants in Europe, available at: https://www.ilo.org/global/topics/labour-migration/publications/WCMS_548911/lang--en/index.htm. [access 30 December 2023]
- International Labour Office, World Employment and Social Outlook. Trends 2024, available at: https://www.ilo.org/global/research/global-reports/weso/WCMS_908142/lang--en/index.htm [access 4 January 2024]
- International Labour Organization, The migrant pay gap: Understanding wage differences between migrants and nationals, available at: https://www.ilo.org/global/topics/labour-migration/publications/WCMS_763803/lang--en/index.htm [access 21 November 2023]