

**Committee:** The Group of Twenty (G20)

**Topic:** Addressing Labour Market Tightening In The European Union (EU)

**Student Officer:** Angelos Talpa

**Position:** Deputy President

### Topic Introduction

Since 1776, the biggest part of the economy depends on the Law of “Supply and Demand”, a theory firstly introduced by the Scottish economist Adam Smith<sup>1</sup>. When talking about the labour market, this law applies here as well, where employees act as the supply and employers provide the demand for jobs. The labour market is considered “tight” when more job vacancies are open than the people willing to fill them<sup>2</sup>, as opposed to the normal market when these two aspects are balanced.

The phenomenon of tight labour markets throughout Europe has risen after the COVID-19 pandemic during the recovery phase of many states. Currently, the European Union’s (EU) labour market is considered tight with countries like France, Ireland and Spain leading the way. The rapid recovery of the economy after the healthcare crisis of COVID-19<sup>3</sup>, certain demographic changes such as the decrease in a country’s birth rate, shifts in people’s preferences considering work, immigration and a wide skills gap are some of the main causes of this phenomenon.

While a tight market may seem like an opportunity for unemployment to be reduced, it can actually lead to certain damages like inflation or further unemployment. It is crucial to understand the main factors causing the issue and the disadvantages of it for an efficient solution to be given. Our main goal is to bring balance to the labour market while maintaining a variety of job opportunities.

---

<sup>1</sup> “Introduction to Supply and Demand - Economics.” *Investopedia*, <https://www.investopedia.com/articles/economics/11/intro-supply-demand.asp#:>.

<sup>2</sup> “Labour markets: what explains the resilience?” *Bank for International Settlements*, 4 December 2023, [https://www.bis.org/publ/qtrpdf/r\\_qt2312f.htm](https://www.bis.org/publ/qtrpdf/r_qt2312f.htm).

<sup>3</sup> “Labour market and wage developments in Europe 2023: General labour market conditions in the EU and its Member States.” *Publications Office of the EU*, <https://op.europa.eu/webpub/empl/lmwd-annual-review-report-2023/chapter1/general-labour-market-in-eu.html>.



## Definition of key concepts

### Labour Market

The availability of job vacancies in terms of supply and demand. The employees supply their skills and knowledge while employers provide the demand for new workers.

### Tight Market

We consider the labour market to be tight when there are more open job opportunities than people willing or available to take advantage of them.

### Inflation

Inflation is the gradual decrease of the monetary purchasing value often reflected in a broad rise in products and services.

### Hybrid Occupation

“A hybrid job blends remote work and in-office work, allowing employees the flexibility to work some days from home and other days from an office.”<sup>4</sup> Hybrid occupation can be an attractive element for people who want a flexible program.

### Temporary Contracts

The hiring contract that with it an employer hires a person for a certain amount of time. It is usually used by businesses in the field of tourism that have high demand during peak seasons like summer.

## Background Information

### The COVID-19 aftermath

After the COVID-19 crisis, a sudden reopening of job vacancies characterized the global labour market. The unemployment rate fell below the pre-pandemic in 15 Member State growing their

---

<sup>4</sup> Rumage, Jeff, and Brennan Whitfield. “What Is a Hybrid Job?” *Built In*, <https://builtin.com/articles/what-is-hybrid-job>.



economy<sup>5</sup>. During the pandemic, the public faced a period in which many jobs and workspaces were closed due to the restrictive measures leading people to unemployment or hybrid occupation. In addition, this unfortunate health crisis led to many casualties, especially in Europe<sup>6</sup>, that affected the availability of jobs negatively. Thus, during the recovery period, the labour market was found with more job opportunities and fewer people available to fill them, causing a “tight” market by definition.

### The impact from demographic changes

Apart from that, severe changes in the population of a state might also affect the labour market. The scientific and technological advances such as development in the field of medicine in the 21st century, have led to longer life span raising the number of retired people not able to work. Moreover, the economic status of many families concerning their annual income has led to lower birth rate causing demographic problems in many countries.

Currently, Europe is facing severe demographic changes such as the decrease in birth rate from 2.1 to 1.5 children per family and the gradual increase in life expectancy reaching 88.2 years for women and 77.2 years for men in 2021<sup>7</sup>. As a result, the EU’s Member States currently have more people who are retired or close to retirement than people at ideal ages to fill the new job vacancies<sup>8</sup>, especially in the technological field. This can also be a result of the flexibility a job in the technological field may provide and the field’s continuous development. Young people tend to prefer this type of occupation as it is shown by several studies.<sup>9</sup>

---

<sup>5</sup> “Labour market and wage developments in Europe 2023: General labour market conditions in the EU and its Member States.” *Publications Office*, <https://op.europa.eu/webpub/empl/lmwd-annual-review-report-2023/chapter1/general-labour-market-in-eu.html>.

<sup>6</sup> Gagliardi, Juliette. “Coronavirus deaths in Europe 2023.” *Statista*, <https://www.statista.com/statistics/1102288/coronavirus-deaths-development-europe/>.

<sup>7</sup> “The impact of demographic change in Europe.” *European Commission*, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/new-push-european-democracy/impact-demographic-change-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/new-push-european-democracy/impact-demographic-change-europe_en).

<sup>8</sup> “Ageing Europe - Statistics on Working and Moving into Retirement - Statistics Explained.” *Language Selection | European Commission*, [ec.europa.eu/eurostat/statistics-explained/index.php?oldid=449635#:~](https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=449635#:~).

<sup>9</sup> “Why young people are choosing to work in tech instead of finance.” *CNBC*, 18 May 2017, <https://www.cnbc.com/2017/05/18/why-young-people-are-choosing-to-work-in-tech-instead-of-finance.html>.



### The technological skill gap

Furthermore, EU countries have met great technological and scientific advancements such as the development of new vaccines, actions taken towards sustainability, and the development of Artificial Intelligence technology<sup>10</sup>. Even though this may seem like an opportunity for many states, many people do not acquire the skills or the knowledge to work in technological and innovative fields as they are enterprising. According to Eurofound: “skills are the passport to employment; the better skilled an individual, the more employable they are.”<sup>11</sup>. Thus, expertise in these fields is directly linked to the tight market. Technology is advancing rapidly creating more and more workplaces every day in the field, while some people lack technological education. This skill mismatch is also an important factor in a tight labour market which causes the phenomenon to be extended.

### Major countries/ organizations and alliances

#### European Union

As previously mentioned the European Union currently has a tight labour market. While the European Union consists of many organs and Member States, it is difficult to reduce the issue effectively. One of the EU’s main organs, the European Commission, has conducted research and has drafted reports concerning the issue while proposing ways in which it can be solved. Moreover, Eurofound, which is a body within the EU fighting for social stability and people’s rights, has also addressed the issue by establishing the European Social Fund (ESF) which invests in people’s high-quality education and by researching people’s working conditions to try to improve them.

#### France

Despite its economic stability after COVID-19, France currently faces serious problems with its labour market with a high demand for workers throughout businesses and industries. To minimize the issue,

---

<sup>10</sup> “Major breakthrough on nuclear fusion energy.” *BBC*, 9 February 2022, <https://www.bbc.com/news/science-environment-60312633>.

<sup>11</sup> van Houten, Gijs. “Skills and training | European Foundation for the Improvement of Living and Working Conditions.” *Eurofound*, <https://www.eurofound.europa.eu/en/topic/skills-and-training>.



France's President Emmanuel Macron proposed the legalization of undocumented immigrants<sup>12</sup> hoping for a larger employment rate that has caused political instability within the country and its political parties. Moreover, France has established retraining programs that have helped people working in the technological field, while others found them unhelpful<sup>13</sup>.

### Spain

The tight labour market has caused unemployment in Spain to rise by 2.2% in January, and it is expected to rise further<sup>14</sup>. This situation is explained by Spain's numerous temporary contracts that aim for the temporary employment of people during periods of high tourism. Also, Spain is considered to have poor working conditions as its workers work longer hours than the rest of Europe<sup>15</sup>. Currently, Spain addresses the issue by having moderate migration policies with the Spanish labour market highly depending on migrant workers who are willing to work in these working conditions.

### Greece

Greece currently faces a period of reforming its labour policies. These policies<sup>16</sup> apply to the private sector and call for the legalization and fair payment of a six-day working week. Greece's economy is considered weak, and the labour market is unstable with a high unemployment rate. Moreover, many people work an underpaid sixth day, discouraging others of claiming an open job position. In response to that, Greece recently legalised the sixth day and outlined the way in which the workers

---

<sup>12</sup> Alderman, Liz. "France Desperately Needs Workers, but the Fixes Could Anger Left and Right (Published 2022)." *The New York Times*, 23 December 2022, <https://www.nytimes.com/2022/12/23/business/france-jobs.html>.

<sup>13</sup> Alderman, Liz. "France Desperately Needs Workers, but the Fixes Could Anger Left and Right (Published 2022)." *The New York Times*, 23 December 2022, <https://www.nytimes.com/2022/12/23/business/france-jobs.html>.

<sup>14</sup> Thierie, Wouter. "Spanish Labour Market Still Very Tight, but a Turnaround is in the Making." *ING Think*, 27 Oct. 2022, [think.ing.com/snaps/spanish-labour-market-still-very-tight-but-turnaround-in-the-making/](https://think.ing.com/snaps/spanish-labour-market-still-very-tight-but-turnaround-in-the-making/).

<sup>15</sup> Lahiri, Indrabati, et al. "Why is Spain struggling with increasing unemployment?" *Euronews.com*, 2 February 2024, <https://www.euronews.com/business/2024/02/02/why-is-spain-struggling-with-increasing-unemployment>.

<sup>16</sup> Nierenberg, Amelia. "Greece's Six-Day Workweek: What to Know." *The New York Times*, 7 July 2024, <https://www.nytimes.com/2024/07/04/world/europe/greece-six-day-workweek.html>.



should be paid. As a result, the labour market could come to a balance with employees taking over open vacancies.

### Previous attempts to solve the issue

#### Establishment of the ESF Plus (European Social Fund)

The European Social Fund, the EU's main fund for investing in people and supporting their social rights<sup>17</sup>, has affected the availability of employees by investing in high-quality early education and by aiding the youth in their research for job opportunities. The EU Commission's report in 2023 shows an increase in the availability of workers to fill the open vacancies. EU's economy has grown by 3.5% while employment rates have reached 74.6%<sup>18</sup>.

#### Eurofound's research on working conditions

Eurofound researches the working conditions throughout EU Member States. Its main goal is to improve working conditions and promote sustainable work to urge more people to take advantage of new job opportunities. The research is still ongoing and seems like a feasible way of understanding people's needs. In this way, the possibilities of solving the issue of the tight labour market are higher since more people are willing to take a job.

### Possible solutions

#### Establishment of digital literacy programs

As previously mentioned, digital literacy is highly involved in the topic. To battle the skills mismatch between digitally illiterate people and jobs that require basic knowledge in the technological field, educational programs could be established either within the school curriculum or outside of it. In this way, people, especially elderly ones, will also have the skills needed to fill a job vacancy that requires this type of knowledge, reducing the issue of the tight market.

---

<sup>17</sup>“What is ESF+? | European Social Fund Plus.” *European Social Fund Plus*, <https://european-social-fund-plus.ec.europa.eu/en/what-esf>.

<sup>18</sup> “Commission report finds labour and skills shortages persist and looks at possible ways to tackle them.” *European Commission*, 6 July 2023, <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=10619&furtherNews=yes>.



### Reforming migration policies within the EU

Currently, in the Schengen area migration policies are loose and people can easily migrate to other countries aiming at better work or living conditions. Thus, by reforming the migration policies within the European Union, capable citizens from a variety of countries can have access to a EU's Member States' labour market. The issue could be solved as new working forces coming within the Union will possibly fill the available job offers. This will lead to economic growth and a reduction of open vacancies. These policies should be evaluated under high consideration to not cause problems concerning uncontrolled or even illegal migration threatening the states' national security.

### Tax cuts and wage increases

Wage increases and tax cuts can be a great motivation for people to accept an open job offer minimizing the issue of the tight market. While we can not intervene in a country's or private corporation's policy, encouraging Member States to lower their tax rates and giving them trade perks in exchange of increasing their basic wage may seem a feasible solution. In that way, working conditions will be better, urging more people to take a job.

## Bibliography

"Ageing Europe - Statistics on Working and Moving into Retirement - Statistics Explained." *Language Selection* / *European Commission*, [ec.europa.eu/eurostat/statistics-explained/index.php?oldid=449635#:~](https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=449635#:~).

Alderman, Liz. "France Desperately Needs Workers, but the Fixes Could Anger Left and Right (Published 2022)." *The New York Times*, 23 December 2022, <https://www.nytimes.com/2022/12/23/business/france-jobs.html>.

"Commission report finds labour and skills shortages persist and looks at possible ways to tackle them." *European Commission*, 6 July 2023, <https://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=10619&furtherNews=yes>.



"Commission Report Shows Social Funding Effective at Addressing Persistent Labour Shortages."

*Language Selection | European Social Fund Plus,*  
[european-social-fund-plus.ec.europa.eu/en/news/social-funding-addresses-labour-shortages#:](https://ec.europa.eu/en/news/social-funding-addresses-labour-shortages#:)

"European Economic Forecast. Autumn 2023." *European Commission,*  
[https://ec.europa.eu/economy\\_finance/forecasts/2023/autumn/labour\\_market\\_tightness\\_en.pdf](https://ec.europa.eu/economy_finance/forecasts/2023/autumn/labour_market_tightness_en.pdf).

Gagliardi, Juliette. "Coronavirus deaths in Europe 2023." *Statista,*  
<https://www.statista.com/statistics/1102288/coronavirus-deaths-development-europe/>.

*Home | European Foundation for the Improvement of Living and Working Conditions,*  
<https://www.eurofound.europa.eu/en/home>.

"Introduction to Supply and Demand - Economics." *Investopedia,*  
<https://www.investopedia.com/articles/economics/11/intro-supply-demand.asp#:>

"Labour market and wage developments in Europe 2023: General labour market conditions in the EU and its Member States." *Publications Office,*  
<https://op.europa.eu/webpub/empl/lmwd-annual-review-report-2023/chapter1/general-labour-market-in-eu.html>.

"Labour markets: what explains the resilience?" *Bank for International Settlements,* 4 December 2023, [https://www.bis.org/publ/qtrpdf/r\\_qt2312f.htm](https://www.bis.org/publ/qtrpdf/r_qt2312f.htm).

"Labour market information: Greece - European Union." *EURES,*  
[https://eures.europa.eu/living-and-working/labour-market-information/labour-market-information-greece\\_en#national-level](https://eures.europa.eu/living-and-working/labour-market-information/labour-market-information-greece_en#national-level).

Lahiri, Indrabati. "Why unemployment in Spain is rising and what's being done to cap it?" *Euronews.com,* 26 April 2024,  
<https://www.euronews.com/business/2024/04/26/why-is-spains-unemployment-rate-rising-and-whats-being-done-to-cap-it>.

Lahiri, Indrabati, et al. "Why is Spain struggling with increasing unemployment?" *Euronews.com,* 2 February 2024,  
<https://www.euronews.com/business/2024/02/02/why-is-spain-struggling-with-increasing-unemployment>.





## 12<sup>th</sup> Champion School Model United Nations | 12<sup>th</sup> – 13<sup>th</sup> October 2024

“Major breakthrough on nuclear fusion energy.” *BBC*, 9 February 2022, <https://www.bbc.com/news/science-environment-60312633>.

Rumage, Jeff, and Brennan Whitfield. “What Is a Hybrid Job?” *Built In*, <https://builtin.com/articles/what-is-hybrid-job>.

Nierenberg, Amelia. “Greece’s Six-Day Workweek: What to Know.” *The New York Times*, 7 July 2024, <https://www.nytimes.com/2024/07/04/world/europe/greece-six-day-workweek.html>.

“The impact of demographic change in Europe.” *European Commission*, [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/new-push-european-democracy/impact-demographic-change-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/new-push-european-democracy/impact-demographic-change-europe_en).

Thierie, Wouter. “Spanish Labour Market Still Very Tight, but a Turnaround is in the Making.” *ING Think*, 27 Oct. 2022, [think.ing.com/snaps/spanish-labour-market-still-very-tight-but-turnaround-in-the-making/](https://think.ing.com/snaps/spanish-labour-market-still-very-tight-but-turnaround-in-the-making/).

van Houten, Gijs. “Skills and training | European Foundation for the Improvement of Living and Working Conditions.” *Eurofound*, <https://www.eurofound.europa.eu/en/topic/skills-and-training>.

“What is ESF+? | European Social Fund Plus.” *European Social Fund Plus*, <https://european-social-fund-plus.ec.europa.eu/en/what-esf>.

“Why young people are choosing to work in tech instead of finance.” *CNBC*, 18 May 2017, <https://www.cnbc.com/2017/05/18/why-young-people-are-choosing-to-work-in-tech-instead-of-finance.html>.

“Working Conditions and Sustainable Work.” *European Foundation for the Improvement of Living and Working Conditions*, [www.eurofound.europa.eu/en/topic/working-conditions-and-sustainable-work](https://www.eurofound.europa.eu/en/topic/working-conditions-and-sustainable-work).

Yanatma, Servet. “EU jobs crisis as employers say applicants don't have the right skills.” *Euronews*, 8 April 2024, <https://www.euronews.com/business/2024/04/08/eu-jobs-crisis-as-employers-say-applicants-dont-have-the-right-skills>.

