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Attracting and retaining talents in the EU

What role can the EU play in ensuring a sustainable and competitive ecosystem for labour migration?

Marcel Muraille

When the European Commission unveiled its New Pact on Migration and Asylum in September 2020, one of its most decried shortcomings was the lack of specific initiative to develop legal avenues of arrival in the EU, especially in the area of labour migration. On 27 April 2022, the Commission presented a new package of initiatives which aims at both reducing irregular immigration and addressing labour shortages by simplifying aspects of the legal routes and stays into the EU, and proposed a number of steps to operationalise the Talent Partnerships, a unique framework to stimulate mutually beneficial international mobility and to match labour market demands and skills needs between Member States and third countries.

The EU Talent Partnerships will build on previous experiences and lessons learnt from a handful of EU-funded pilot projects on labour mobility that were launched following the adoption of the Joint Valletta Action Plan in 2015.[1] While these pilot projects have offered an opportunity to experiment with different options on how to meet labour market demands in the EU, they have only achieved relative success due to the difficulty of mobilising the private sector and, more generally, the competitiveness of EU labour markets. Despite its fragmented competences on labour migration, the EU still has room to play to increase the attractiveness of its Member States' labour markets and to facilitate the involvement of the private sector in recruiting candidates internationally. This policy brief seeks to provide insights into the role of the EU to improve private sector engagement and develop a sustainable and competitive ecosystem for future labour mobility schemes.

UNDERSTANDING EUROPE'S FUTURE SKILLS NEEDS

The European continent is in dire need of skilled talents. In recent years, the EU's labour force has been shrinking. The EU's working age population is expected to fall by around 13.5 million people, or 4% of the total working age population, by the end of the decade after more than half a century of declining birth-rates, and particularly in the Mediterranean and newer EU Member States.[2] In addition, 3.1% of jobs in the EU were vacant in the second quarter of 2022, which is the highest job vacancy rate the EU has experienced in more than a decade.[3] The most affected EU Member States were Czech Republic (5.3%), the Netherlands (4.9%) and Belgium (4.8%), all countries with respectively low unemployment rates. The EU's declining labour workforce poses a challenge to employers that declining inactivity and lower unemployment rates, combined with increased intra-European mobility, will not fully mitigate.[4]

Findings reveal that automation of work, the green transition and the ageing of the European population will generate a boom in the demand for mid-level vocational qualifications, from nurses to engineering craft workers and software professionals.[5] Yet, the admission of medium-skilled workers have remained largely ignored at the bloc's level due to a fragmented and limited EU legal migration acquis. Member States have stood firm on their exclusive competence to determine volumes of admission of third-country nationals entering their territories to seek work, both to preserve their respective comparative advantages and to accommodate diverse political sensitivities on migration. However, the rapid emergence of acute labour shortages in various sectors, coupled

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with a growing awareness of the contribution of migrant workers to the core functions of the European economy during the COVID-19 pandemic, provide opportunities to intensify the recruitment of non-European labour beyond the traditional group of high-skilled workers.

BOOSTING EU ATTRACTIVENESS IN THE GLOBAL RACE FOR TALENT

In the global race for talent, many EU Member States have aspired to become more competitive destinations, but their efforts have been timid and persistent challenges have hampered their capacity to attract these talents. The most significant obstacles to labour mobility include administrative and legal procedures, linguistic requirements, portability of rights and the lack of information about job vacancies. Even within the European neighbourhood, there is a growing gap between mid- to highly skilled migrants, the vast majority of whom seek employment in North America or Asia, and low-skilled migrants, most of whom come to the EU as seasonal workers or through family reunification.

The European Union is willing to support its Member States in the attraction and retention of international talents through the Talent Partnerships. To do so, policymakers must look beyond job opportunities and legal pathways to engage in a broader discussion on factors like integration, quality of labour market opportunities and labour mobility (see for instance the OECD indicators of talent attractiveness[6]). Against this background, the European Commission aims at reforming two pieces of existing legislation, namely the single permit and the long-term resident permit, in view of rationalizing legal migration in a way that it could ultimately benefit the EU's economy.[7]

The single permit directive (2011/98/EU) facilitates third-country nationals' administrative procedures by covering both the right of residence and the right to work into a single application. Besides its limited scope and the cumbersomeness of its procedure, one of the main pitfalls of the single permit has been the situation of dependence on the employer that a migrant worker experiences. For instance, renewing or modifying a permit requires the approval of the employer. As a result, the process of changing employers puts the worker at risk of not being able to renew his or her single permit. This situation is highly restrictive for migrants' career developments as it increases the risk of labour exploitation and hinders a fair mobility of third-country workers between different employers. The new proposal shortens the procedure, as delays can deter employers from investing into international recruitment. More importantly, the European Commission wants to improve migrants' opportunities to leave their job while retaining their residence rights. Under article 11 of the revamped single permit directive, third-country nationals would be given the right to change employer during the single permit period of validity. In case of a loss of employment, workers would be allowed to remain in the Member State territory for at least three months during the validity of the permit.[8] Although this constitutes a significant improvement for third-country workers' rights, this **period should be increased to at least 6 months to ensure fairer opportunities for job mobility** as the issuance of a single permit takes three to four months, on average, in some Member States.

In addition, **the EU could increase the autonomy of third-country workers by extending the scope of a single permit to any employer in the same professional sector** within the same country. This would save employers time by preventing a new labour market verification process, which can sometimes take several weeks. For employees, it would reduce their dependence on the employer and the associated risks. By engaging with sectors rather than with single employers, mobility schemes would benefit from a larger set of potential employers, notably those for whom international recruitment is too costly, while ensuring career continuity for talents.

The second reform concerns the long-term resident directive (LTRD) (2003/109/EC)[9], enabling third-country nationals to be granted a long-term resident status, associated with a more generous set of rights. Securing a long-term resident status requires to have lived legally in an EU country for five years with a maximum of six consecutive months living abroad and ten months in the entire period. The LTRD has performed poorly compared to national schemes: only 3 out of 10 million of long-term residents hold an EU long-term residence permit.

Article 4 of the new LTRD proposal gives third-country nationals the opportunity to cumulate periods of residence in different Member States, which would increase intra-EU labour mobility and ultimately improve labour market effectiveness. **Reducing the number of required years of residence to acquire EU long-term resident status from five to three years**, as proposed by the European Parliament, could alleviate the under-utilisation of the LTRD while **enhancing labour mobility and labour market efficiency**.[10] Another important revision is the amendment of article 9§3 which extends the possibility of leaving the EU territory from 12 to 24 months without prejudice of losing long-term resident status. This would facilitate the voluntary circularity of migration trajectories, "making it easier for long-term residents to return to their country of origin without losing their rights".[11]

INCREASING THE POTENTIAL FOR EMPLOYERS TO RECRUIT ABROAD: SOME CONCRETE PROPOSALS

Developing government-led mobility projects rather than leaving these pathways solely to the private sector presents various benefits from a societal and economic standpoint: encouraging a human development approach in the country of origin, responding to market failures by prioritizing long-term perspectives or meeting foreign policy goals. From a (small) business perspective, a government-run labour mobility framework could help employers overcome some of the obstacles they might face if they undertook the whole process on their own; from covering substantial up-front costs, to recognising skills and qualifications. However, one of the main lessons learned from the EU-funded pilot projects is that the involvement of the private sector should not be taken for granted.

Insufficient knowledge about the potential of third-country workers, as well as lack of experience with recruitment from abroad, may explain the low levels of recruitment observed in various pilot projects. Moreover, many companies do not have the capacity or experience to access rapidly changing labour market information in countries of origin. Similarly, mobility projects centralised by public authorities are not always able to cope with the ever-evolving world of recruitment. To facilitate the matching between talents and labour market needs, labour mobility schemes must allow a certain degree of flexibility in projects to reflect shifting priorities from the private sector throughout the whole project.

There are, however, ways to address these weaknesses. The EU could, for instance, **support the capacity of the European Chambers of Commerce and Industry within countries previously identified as partner countries for skill mobility**. By doing so, the private sector could capitalize on the attractiveness of a single point of contact which would be an interlocutor representing private actors from 27 Member States in the countries of origin, hence providing avenues for employers to build their networks in partner countries. As skills identification and matching often incur substantial up-front costs, this would also bring in small- to medium-sized businesses for whom mobility schemes can be prohibitively expensive. In parallel to the representation of the private sector through the EuroChams, EU delegations in future partner countries should play a more proactive role in the attraction of talents. For instance, by acting as **EU labour information points** where all the information about labour opportunities in the EU could be centralized (e.g., job vacancies, social protection, employees' rights).

Several countries, such as Canada, have been holding regular job fairs abroad for decades. Similarly, **European labour market information fairs in partner countries** could seriously contribute to making labour opportunities in Member States known to a wide audience of potential skilled talents. While the COVID-19 outbreak has accelerated remote and digital recruitment almost overnight, many employers remain committed to in-person interactions, especially in countries where differences in work culture and soft skills may exist. In addition, online tools do not allow for testing the wide range of skills required in certain technical professions. Participation in such fairs should be open to any private or public employer with job opportunities in the EU.

STRENGTHENING MIGRANTS' RETENTION RATE BY AVOIDING DEVELOPMENT TRAPS AND BUILDING ON PEOPLE'S ASPIRATIONS

To be efficient and future-proof, mobility schemes should not only aim to attract foreign workers, but also to retain them. Worker retention raises the question of the attractiveness of our labour markets and the supporting ecosystem to meet businesses' needs with people's aspirations. In its communication on attracting skills and talent to the EU, the European Commission intends to continue exploring different types of mobility schemes in its Talent Partnerships, including circular or temporary labour migration programmes (TLMPs).[12] Nevertheless, past and present mobility projects, in Europe and elsewhere, have highlighted the inadequacy of TLMPs in providing a sustainable and attractive mobility framework.

In the early to mid-2000s, circular or temporary labour migration programmes were at the forefront of EU migration policy, hailed as a "triple win" migration solution. Migrants would be offered work opportunities, lasting from six months to two years, after which participants were required to return to their country of origin. These temporary arrangements were intended to address labour shortages and manage migration without adding permanent immigrants to the population, a recurrent source of social tensions in Europe. Some Member States are still operating circular schemes but, overall, the model has faded somewhat at the onset of the 2008-2009 great recession as it did not meet the expectations of most companies or of the migrants themselves. While mobility schemes that are limited in time allow for flexibility and remain in tune with political priorities of the destination country, they did not sufficiently take into consideration both the flexibility of companies and the expectations of migrants, generating the risk of a "triple lose scenario".

First and foremost, a mobility scheme that sets a predetermined duration may be too restrictive for some employers. International recruitment generally means high investments, especially for mid- to highly qualified workers. According to a study conducted by the Center for Global Development, international job placements cost on average between €10,000 to €20,000 per participant, depending on fluctuating costs, such as travel and operational costs, training and the project's potential evaluations.[13] The return on training investment on a six-month or one-year contract may be too low while, in the meantime, a pre-determined employment of two years can be a risky investment for a company not knowing about the migrant's actual skills (see for instance the case of the Blue Birds project in the Netherlands[14]). As evidenced in employer's surveys conducted by the ILO, TLMPs might work better in lower-skilled sectors which incur lower up-front costs and where demand is more seasonal, such as in the agriculture or the hospitality sector.[15]

For migrants themselves mobility must be a path, rather than a trap, for development. There is an American adage inspired by the studies of population movements on the US-Mexico border saying: "there is nothing more permanent than temporary migration". In practice, guestworkers tend to transform their short-term residence into long-term or permanent ones, either legally or in an irregular manner. If return is non-negotiable, as in the case of TLMPs, it increases the risk of exploitation and diminishes workers' rights. TLMPs are often unsuccessful because they do not fully incorporate migrant's aspirations. Human mobility can hardly be perceived as a linear but rather as a continuous process where return can often be a step into longer-term individual mobility projects.

The temporary nature of the migrants' permit deprives them of a chance to remain in the country of destination, it deprives the employers of a stable workforce, and the society a chance for integration. The EU should promote innovative, but simple, policy designs in upcoming mobility schemes that intend to help avoid past policy mistakes related to TLMPs. **Talent Partnerships should**

open the door to more permanent general visa schemes that would significantly increase the attractiveness of the EU as a destination for skilled talents. Talent Partnerships can be incentives for circularity, but longer-term integration or reintegration must be opened up. A mobility scheme centred around employers' needs is a scheme that incorporates migrants' aspirations.

Marcel Muraille is a Research Fellow in the European Affairs programme at the Egmont Institute, with a key interest in Labour Mobility, Employment and Social Inclusion. ***He is grateful to the many insightful comments received on earlier versions of this text from Peter Bosch, Maria Gargano, Anna Brys and Jean Louis De Brouwer.***

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