



CEDEFOP

European Centre for the Development
of Vocational Training



ce *cambridge*
econometrics

connecting you to the future

Qualitative Scenarios for policy makers: Four scenarios developed Please refer to the accompanying paper

Tom Leney

Danish Technological Institute

TomLeney@btinternet.com

Emilio Colombo

Universita degli Studi di Milano-Bicocca

emilio.colombo@unimib.it

Cedefop with University of Warwick in Venice
May 2012



Researchcentrum voor Onderwijs
en Arbeidsmarkt

Research Centre for Education
and the Labour Market

Reminding you – Tasks for 2012

- In 2011 we aligned the normative scenario more closely with the skills demand forecasts
- We left the optimistic scenario as one that relates to the Europe 2020 aspirations: a scenario of reference
- For 2012 we committed to developing a 'fiscal constraint scenario' and a 'declining global demand scenario'
- CEDEFOP hopes for these to be ready by end May

On-going development

- We have developed and used tools to deepen our understanding of the scenarios and to improve the link with the qualitative analysis
- We have worked up approaches that can help to integrate quantitative and qualitative scenarios
- We have tried to take the unpredictability of European developments into account
- We have worked up the 4 scenarios: maybe these still need refining

We are presenting 4 qualitative scenarios, as a proposition

Scenario 1 Strong economic recovery and growth: lessons learnt?

Scenario 2 Gradual recovery: All to play for?

Scenario 3 Fiscal constraint: making do with little or no expansion in education and training?

Scenario 4 Shifting global trends in demand and production: Europe 'draws the short straw'?

Summaries:

(1) the scenario of reference

- draws out what could be likely to occur in the case of annual growth at around 3 per cent across Europe over the decade.
- The scenario anticipates some highly positive changes by 2015 and in the half decade that follows.
- Scenario 1 or something like it could be attained by some EU member states with high growth and competitiveness.

(2) Gradual recovery: All to play for?

- This is 'normative' scenario. It is built around the econometric results of the Cedefop/Warwick project
- The summary follows

Normative scenario summarised

The scenario of gradual recovery is underpinned by a trend over the decade 2010 to 2020 of **fairly steady if rather slow growth** after the turbulence in the first years of the decade. This means that previously identified growth rates had to be **revised downward**. This scenario reflects the **impact** of gradual and sometimes unsteady growth **on occupations and sectors**. For governments, budgetary caution makes the question 'who pays?' prominent, and **priorities for education and training and reforms are debated hotly within each member state within a context of limited public funding** for expansion and strong **calls for efficiency**

(3) Fiscal constraint - making do with little or no expansion

- This is a rather grim scenario for education and training policy makers
- This scenario anticipates that economic growth was at best very sluggish across the EU up to 2020
- Development was curtailed through budgetary constraint, with consequent impacts on employment and skills demands.

(3) Fiscal constraint - making do with little or no expansion

- The forecasting model defines this scenario by assuming a 1% reduction in government spending and in employment in government sectors.
- Overall the level of GDP in 2020 is lower by 12% with respect to the baseline. Employment lower by 8.4%, domestic consumption by 11.4% and domestic investment by 4.6.

(3) Fiscal constraint - making do with little or no expansion

- **Sectors**
- In terms of output pharmaceuticals, health, education and public administration.
- Food and tourist sector are affected by the income effect
- In terms of employment education public administration, defence and health pharmaceutical.
- **Countries.**
- The strongest impact in terms of employment occurs in countries traditionally characterised by high government employment (Sweden, Italy, Portugal) but also in countries like the UK where the public sector is small but the fiscal policy has a strong impact on public sector jobs.

(3) Fiscal constraint - making do with little or no expansion

- **Occupations and skills**
- Sectors most affected are generally skill intensive
- **Risk of a strong skill mismatch?**
- Distribution of employment changes induced by fiscal contraction is polarized: employment losses are concentrated among the young (lower hirings) and elderly (pension scheme).
- This pattern makes the issue of the correct match between demand and supply even more compelling.

(4) Shifting global trends: Europe 'draws the short straw'?

- A dour situation will continue to face education and training policy makers.
- Negative economic growth across the EU as a whole up to 2020, although different countries are facing different situations.
- The situation in the labour market reflects the precariousness of economic expansion: while some sectors and niches do expand, the contraction in demand in others is quite dramatic.

(4) Shifting global trends: Europe 'draws the short straw'?

- 1% drop in growth of the rest of the world, keeping the assumption on the exchange rate of the Euro fixed at the one adopted for the baseline.
- GDP in 2020 8.22% lower than the baseline, employment -1.79%, investment -5% and a exports -23%

(4) Shifting global trends: Europe 'draws the short straw'?

- **Country analysis**
- Most affected small open economies such as Sweden, Finland Iceland and the Netherlands which were more diversified away from Europe
- **Sectors**
- Strong impact on the manufacturing sector a minor effect on services.
- Pharmaceuticals, chemicals, electronics and motor vehicles

(4) Shifting global trends: Europe 'draws the short straw'?

- **Skills**
- Sectors most affected are intensive in medium and low skills.
- Thus strengthening in the polarization pattern forecasted in the baseline scenario with stronger pressure on low skill jobs.

Common template

- *Preamble*
- Economic recovery from the recession of the late 2000s.
- Employment trends.
- Trends in skills supply in the labour market
- The pressures on the education and training policy stakeholders in this scenario
- *Summing up*

Questions

1. Do these scenarios take account of the trends and uncertainties relating to EU skills demand and supply trends?
2. Can we link the quantitative and qualitative aspects better still?
3. Are the scenarios coherent and challenging?
4. Can we present shortly a product that Cedefop can engage with and keep under review?