

Developing Alternative Scenarios

Presentation to Skillsnet workshop, Thessaloniki

Anthony Barker, Cambridge Econometrics

Overview

- **Update of baseline projections**
- **Scenario development**
- **Points for discussion**

Update of Baseline Projections

- **Incorporate latest data into E3ME**
- **We are not expecting detailed national inputs this time around**
- **A full forecasting exercise will be carried out in 2011**

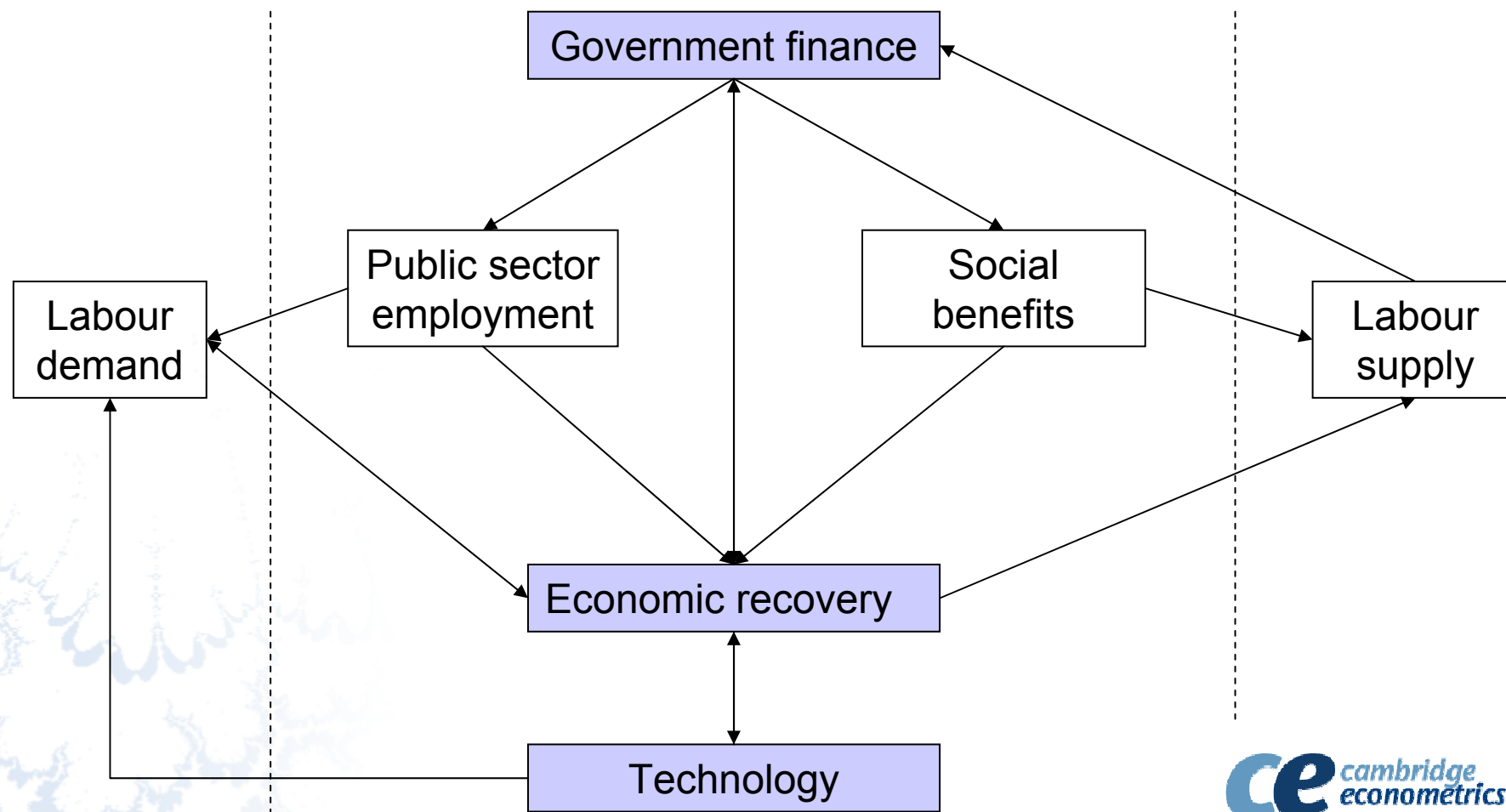
Alternative Scenarios: Introduction

- The aim of this exercise is to identify the key uncertainties in the baseline trends and sensitivities to future developments
- We are focusing on six key themes that could influence future development:
 - economic growth and the recovery
 - innovation and technology
 - government finance (debts)
 - European structural and cohesion policies
 - environmental 'green jobs'
 - occupations and qualities of work and qualifications

Alternative Scenarios (cont)

- The questionnaire will help to design the scenarios
- For each theme we aim to construct an alternative scenario based on the key uncertainties
- The main (but not only) dimensions are:
 - differences between member states
 - possible sectoral, occupational differences
 - developments over time
- The focus of the results will be on labour demand and supply

Links between the first 3 themes



Economic Growth and the Recovery

- **Closely linked to innovation and government finance themes**
- **Differences between countries important and linkages between countries**
- **Sectoral differences also still important, particularly in relation to investment**
- **Are employment patterns moving as expected?**

Innovation and Technology

- **Predicting technological development is always a key area of uncertainty – but even more so after the crisis**
 - eg R&D cuts, innovative companies closing
- **Can we make any predictions on labour market effects?**

Government Finances

- This is also an area of uncertainty, not the scale of debts (which have little direct effect on jobs) but the market responses...
- ... and the policy responses
 - eg spending reductions or higher labour taxes could reduce labour demand, but higher income taxes could reduce supply

European Structural & Cohesion Policy

- **Previous projections have implicitly included assumptions about the direction of future policy – can we be more explicit about this?**
- **Are there particular effects on labour market indicators?**

The Environment and Green Jobs

- This is likely to be a key area of policy development at European and national level
- For example, targets have been set for 2020, but not the means with which they will be achieved
- This could be viewed as part of a wider topic of restructuring

Occupations, Quality of Work

- This topic is more directly related to the labour market
- It covers issues of skills polarisation and the wider effects of this

Implementation

- **The basic methodology is:**
 - develop scenario narrative
 - outline the main drivers and link to model inputs
 - quantify changes
 - carry out the model runs
 - compare results to qualitative assessment and baseline
 - summarise key trends
 - note any assumptions, simplifications or shortcomings that may impact on results

To start the discussion

- **Should other themes be considered?**
 - we have outlined six main themes as important to determining future patterns of development
- **What are the main drivers within the themes?**
 - what is the background in each case?
 - can these drivers be measured and quantified?
- **What about the interactions between drivers and between themes?**