



Forecasting skill supply and demand in Europe: exploring alternative scenarios and developing better tools

SKILLSNET TECHNICAL WORKSHOP

14-15 June 2010, Thessaloniki, Greece

Workshop summary and conclusions

The workshop was organised and hosted by the European Centre for the Development of Vocational Training (Cedefop), within its network of experts on early identification of skill needs 'Skillsnet'.

Participants: 37 experts from 23 EU Member States attended the workshop.

Background to the workshop

Considerable progress has been made since the Skillsnet/Cedefop workshop held in Cyprus in 2005 first posed the question of whether or not it was possible to develop a system for regular pan-European skill needs forecasts. This is now a reality, but there remains much work to do to build on the foundations established over the past few years and to draw upon the wealth of knowledge and experience at national level.

The ongoing programme of research has been entrusted to a team comprising the IER, CE, ROA and AM, with help from various others. The research being undertaken is building on the foundations established in the period since 2005, beginning to establish a robust system for projecting both skills demand and supply at a pan-European level, as well as exploring the implications of these for skill imbalances and mismatches.

Workshop rationale and objectives

This latest workshop aims to take the process described above a further step forward, focusing on further developments in models and data, and developing new scenarios using the tools established so far. The workshop provided an opportunity for Skillsnet members to comment on the latest results, as well as helping to shape future work priorities.

The workshop:

- presented an overview of the work planned for Year 2 of the Framework Programme, focusing on various technical modelling developments as well as the use of the models and other techniques for scenario development;
- provided opportunities to discuss in detail these methodological developments and the likely scenarios facing Europe over the next few years;
- Increased involvement of national experts in the process, aiming to draw on their general knowledge and expertise, as well as obtaining additional country specific insights.

Workshop structure and working methods

The Year 2 work programme comprises a number of inter-related Tasks. These were briefly outlined giving participants an opportunity to contribute to the methodological development of the project and comment on key issues and topics. Country experts were also involved in smaller Working Groups facilitated by the four Country Group Experts. Some papers and other materials were circulated to participants in advance.

Workshop summary

Day 1

The workshop was opened with an introduction by Manfred Tessaring (Cedefop, Head of RPA). He expressed his delight that work program of last year had been successfully completed and that the work was becoming of greater interest within different stages of policy making, as well as amongst the general public. He expressed the ongoing need to further develop the forecasting tools and methodologies in order to have better instruments for the anticipation of future skill needs and supply.

After this short intervention, other opening remarks and presentation of the participants, Rob Wilson presented the detailed work program for the year 2010. He summarised the aims of particular tasks for this year, and set out the key elements towards the achievement of these goals. He also informed participants about the year's work schedule, procedures and planned outcomes. During the discussion general questions on total factor of productivity and eco-efficiency were raised. Specific questions relating to: replacement demands; problems with LFS data in small countries; the impact of the ESCO classification; as well as interconnections between quantitative and qualitative approaches; were all discussed.

The second morning session was dedicated to a more detailed description of future working plans with respect to modelling, and related development and data and classification issues. In particular, Terry Ward briefly illustrated the advantages and the limits of the main database on which Cedefop's projections are based (LFS data), outlining some possible approaches in order to increase occupational breakdown without jeopardizing the reliability of the estimates. Rob Wilson also raised the possibility of making greater use of Individual Country data in place of European LFS information, where this can provide more robust and detailed information, citing the UK and other countries as examples.

The afternoon sessions began with presentations from Tom Leney and Anthony Barker (CE) who described the proposed approach to the developing qualitative and quantitative scenarios. After these presentations the participants were split into small working groups in the second afternoon session. The rationale for this was to allow better and more detailed discussion about the relevant issues underlying the qualitative and quantitative scenarios, as well as providing a further opportunity to discuss some of the issues raised in the morning sessions. A questionnaire, as well as discussion guidelines, was prepared by the contractor to facilitate the process. At the end of this session the 4 Country Group Experts presented a brief summary of the discussion.

The main outcomes from the discussion were:

- Each working group considered the work program for 2010 as relevant, well organised and expressed the hope that it will be successfully carried out.
- All participants agreed that discussions in the smaller groups were useful and increase the opportunity for country experts to contribute to the project. Increasing country specific awareness can help to improve the accuracy and quality of the outcomes.
- Europe is facing several serious problems which will influence future economic and labour market developments. The most important of these identified in the Workshop were; the speed and range of recovery from recession; the future of the Eurozone (ranging from further expansion, to exclusion of some existing members, and even complete collapse); the ageing of the population (with consequences for increasing the retirement age); climate change (and support of green economy); the significance of the shadow economy and undeclared labour income for many countries; and the significance of different and changing retirement ages across Europe and implications for replacement demands and labour supply.
- The design of both the qualitative and quantitative scenarios should help to throw light on how these issues will impact on the demand for and supply of skills.
- The drive for ever greater disaggregation was discussed with a number of experts cautioning trying to take this too far.
- Regarding the use of individual country data in place of a common source (the Eurostat LFS) there were mixed views; some experts felt that it would be possible to improve matters by using such data while others felt it was not possible for their countries.
- More detailed results of the discussion within each working group, based on the unmoderated drafts of the Country Group Experts, are presented as an annex to these minutes.

Day 2

The first session on Day 2 (Session 4) was dedicated to a presentation of more detailed steps in further development of the modelling instruments and other related issues. The first presentation by Ben Gardiner and Fabio Manca (JRC – IPTS) explained how skills modelling fits into the framework of their independent work on regional models. The importance of structural policy and efficiency of the structural funds with respect to future economic development, as well as its importance for skills was stressed from different aspects.

Returning to work that is part of the Cedefop project, Simonas Gausas (PPMI) presented the proposed approach to the task of improving the treatment of migration in the Cedefop projections. The creation of single European labour market, as well as increased mobility from and to non EU countries, makes migration an important issue with respect to labour market developments. This task will be undertaken over the next two years. In the first year PPMI will investigate migration flows in general and their impact in selected countries (Lithuania, Netherlands, Poland, Spain and

UK). The second year will be focused on validation of the results within other countries and integration of these results into the main projections, providing more reliable projections of both demand and supply.

Martin Lepic (EPC) deputising for Jan Koucký made two presentations. The first focussed on international comparison of forecasting approaches, which gave participants an opportunity to see how Cedefop's work sits in terms of a broader, international perspective. The approaches of Prognos AG and the BLS projections for the USA were compared with Cedefop's. The pros and cons of each approach were set out. The 2nd presentation focussed on EPC's other main task, the implication of the projections for generic skills and disciplines. Martin outlined how a new module was being developed which will add Occupational Skills profiles to the output for the project in 2011. Ben Kriechel continued with a presentation on Skills upgrading.

The session was closed by Rob Wilson's presentation on the issues involved in evaluation of the projections.

The Second Session of Day 2 was again organised in small groups, focussing on the topics presented during Session 4. At the end of this session the 4 Country Group Experts presented a brief summary of the discussion. The main outcomes from this discussion were:

- The five topics presented in the first half of the day were all discussed within the working groups, although some groups focussed on just a selection of these.
- *Links to regional modelling*: implementation of structural funds is rather important issue and even more so in a period of economic recovery. Although some countries (especially the larger ones) are not significantly affected, there are some (especially small post transition countries) where the occupational structure of employment may be seriously impacted. Structural funds also plays an important role in regional labour markets.
- *Migration*: This was generally recognised as a very important topic and various detailed suggestion were made regarding how the work in this area can add value to the project as a whole. It was recommended, that the terms "country of origin" and "country of destination" be used rather than "donor" and "recipient" countries. The most difficult problems are with respect to obtaining relevant data. There are real problems of lack of accuracy and inconsistency. It is important to recognise that some migration assumptions are already built in to Eurostat national demographic forecasts. It is also important to explore how migration can be incorporated into various aspects of the general forecast.
- *International Comparisons*: It was recommended that these comparison should also consider forecasts developed by international bodies (OECD, UN, Asian Development Bank etc.), However few of these include a skills dimension.
- *Skills upgrading*: A number of detailed suggestions were made regarding how this work can add value. The use of EQF in pan European work can be problematic due to heterogeneity across countries. Care needs to be taken in applying additional levels of disaggregation because of the limits of such forecasts.
- *Occupational skill profiles*: Occupational Skill Profiles were considered generally useful but some concerns were also voiced about how these fit into to the main forecasts. It was recognised that generic skills are likely to be of increasing importance as a result of further the structural changes and other impacts of the economic crisis.
- *Evaluation of the forecasting process*: This is considered to be an essential part of the work. The proposed approach was generally endorsed by the experts. It was emphasised that it is necessary to examine both sides of the forecasts (the quality of forecasts in both quantitative and qualitative terms), as well as the use of the forecast by different stakeholders).
- *General feedback*: Various detailed comments and suggestions were made regarding dissemination of the results, as well as the way such feedback is used by the project team to amend the results.
- More detailed results of the discussion within each working group, based on the unmoderated drafts of the Country Group Experts are presented as an annex to these minutes.

The Workshop was closed by Manfred Tessaring. He expressed the hope, that the ambitious objectives of this year's research programme will be successfully achieved. He also stressed the importance of developing more national based forecasts, which could provide a complementary "bottom up" approach to Cedefop "top down" analysis of pan-European skills prospects.