The role of forecasting models in skills and labour market policies

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BoE forecasts 2% growth.

If economic circumstances identical to today were to prevail on 100 occasions, the MPC’s best collective judgment is that the mature estimate of GDP growth would lie above 2% on 50 occasions and below 2% on 50 occasions.

MINOUCHE SHAFIK: “Restoring Trust in Expertise”
Skills anticipation methods in the EU

- General LM analysis: 22
- Quantitative forecasting models: 14
- Qualitative methods: 13
- Employer surveys: 13
- Sector studies: 12
- Surveys of workers/graduates: 12
A NEW SKILLS AGENDA for Europe

Future skill needs in Europe: critical labour force trends
Datasets

Find below an alphabetical list of all the different datasets currently included in the Skills Panorama with links to their corresponding indicators.

- Cedefop Skills Forecast
- European Skills and Jobs Survey
- Labour Force Survey
- Making Skills Work Data
- National Accounts
- PIAAC
- PISA
Every country has a model or is developing one
Mostly recurring activity
Two countries use Cedefop forecasting model
New EU Member States mostly rely on ESF funding
What influences the role and impact of forecasting models?

That uneasy intersection ...

Level of detail
Resources
User needs

Is there anything inside?
How detailed can we be?

Number of forecasted occupations

- Sweden
- United Kingdom
- The Netherlands
- USA
- Germany
- France
- Austria
- EU

ISCO 2-digit; Exploring use of 3-digit data for LM analyses on mismatch and bottlenecks
Short-term vs. long-term
What can models say?

- Expansion demand and replacement demand =
- Estimates of net requirements
- Top growing jobs & industries
- School leavers outlook
- Skills mismatch outlook or labour market imbalances
- Regional forecasts
- Scenarios
Potential users

- Strategic Responsibility
- Policy Making Mandate
- Social Partners
- Learning Providers
- Labour Market Intermediaries
- Individuals & Employers
How can be outcomes used?

TO SUPPORT LABOUR MARKET INTELLIGENCE

- Provision of information to actors / users
- Limited interpretation or involvement in decision making
- “Helping users to make better choices”

TO LEAD DIRECTLY TO DECISIONS IN EDUCATION / LABOUR MARKET POLICIES

- Directly feeding into discussions on curriculum content, capacity of VET courses etc.
- Directing people towards development of identified priority skills

EXTENT OF THIS INFLUENCE MOSTLY UNCLEAR THOUGH!
Role of forecasting in anticipation systems

Decentralised system
Mostly at trade, sector or local level
BE, DK, EL, ES, HR, HU, LT, LU, PT, SI, SK

Coordinated holistic system
Efficient systems, applying findings
AT, DE, FR, NL, SE, UK

Coordinated non-holistic system
Around quantitative forecasting
BG, CY, FI, IE, MT, PL, RO

Building a coordinated holistic system
Towards a systematic approach
CZ, EE, IT, LV

Disclaimer: Only rough indication of mainstream types of systems based on available information.
We simulated a Nov. 8 election 10 million times using our state-by-state averages. In 9.8 million simulations, Hillary Clinton ended up with at least 270 electoral votes. Therefore, we say Clinton has a 98.0 percent chance of becoming president.

“Overconfidence of forecasters”

A need to pass a simple message dwarfs uncertainties of modelling
Identified challenges

Involvement of stakeholders in development and validation of forecasts (low stakeholders’ buy-in)

Weak assessment of needs of potential users – why and how should they use forecasts?

Mistrust in forecasts in the light of prediction failures (2008 crisis, Brexit, Trump)

Assessment of forecast impact on users’ actions mostly not carried out
Identified challenges

Role of skills intelligence in career guidance often limited

“Current prospects of local jobs more valuable than future prospects of national occupations”

Training providers refuse to change their offer on the basis of forecast because of costs associated with the change

Assessment of forecast accuracy not possible – economy forecasters “makers of the future”
How are models misunderstood?

- Forecasted employment growth is not equal to great job opportunities ...
- ... and vice versa. How users understand replacement demand?
- Forecast is not a tool of manpower planning
- Net requirements difficult to assess on the basis of stock model
- Education – occupation linkage may be quite weak
What influences the role and impact of forecasting models?

- Target groups
- Skills anticipation governance
- Funding and resources
- Role of stakeholders
- Skills anticipation aims
- Quality of the data
How to improve impact of forecasts?

- Deep understanding of users and their needs
- Involvement of stakeholders in development and validation
- Managing of expectations and educating of users
- Using forecasts in combination with other tools
- Proper delivery of the message
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