Annex to tender call for short- to medium-term sectoral employment forecasts

This document aims at providing an overview of the structural changes and policy developments in whose impact the ETUI is most interested in having reflected in the models that will produce the sectoral employment forecasts over different time horizons. The list is non-exhaustive and the bidders may also propose other factors, which they should justify. For each structural change and policy domain, possible developments will be outlined below.

Policy developments

COVID-19 pandemic and public health policy measures to it:

At the moment of the tender, the evolution of the pandemic is still uncertain. The original optimism that restrictions on social and economic life could be lifted thanks to the deployment of vaccines has been mitigated. Difficulties in supplying the vaccines in sufficient numbers not just in Europe but also other advanced and less advanced countries and the emergence and fast spreading of mutations which are proving resistant to some of the new vaccines but also far more contagious and capable of causing severe disease have raised concerns that the virus may become endemic, further delaying the return to normality. At the same time, societal opposition to the prolonged measures of social distancing and the responses of governments to appease social tensions have been making difficult the pursuit of an effective suppression of the virus, a strategy which has allowed countries such as Australia and New Zealand to allow more normal levels of economic and social activity.

The crucial questions, therefore, are how fast effective vaccines can be developed, produced and rolled out in a sufficient global scale compared to the speed of emergence and spreading of new mutations of the virus and what that will mean for economic recovery.

EU economic governance and policies in Europe:

The pandemic hit Europe at a moment when, in addition to the slow ongoing process of deepening the EMU, a process of reviewing the arrangements of EU economic governance with a view to reforming them, had began. Following the onset of the pandemic in Europe, a series of important steps were taken. First, the application of the EU fiscal rules was suspended until at least the end of 2021. Secondly, several instruments to financially support member states in their efforts to support households, firms and their recovery were adopted, involving borrowing by the European Commission on behalf of the EU to offer grants and preferential loans to member states in need. In contrast to the response to the public debt/banking crisis of the 2010s, the decision framework for these instruments remained within the EU legal order.

Looking forward, there are two important questions that will shape economic and employment developments. First, what will happen with the EU’s fiscal rules and the economic governance framework more generally. While the current Keynesian response has not been completely out of line with the original EU response to the Global Financial Crisis of 2008–9, public debt/GDP ratios have exploded across the EU, raising concerns that harsh austerity waves are likely to return as soon as the pandemic is over. Secondly, it is not clear whether this de facto creation of a temporary fiscal capacity in the EU will be the first step towards a more permanent capacity, thus making the adjustment of especially the
Eurozone member states to economic shocks less onerous and allowing space for public investment to power a just, dual, digital and green transition.

**Structural developments**

- **The prevalence and conditions of remote work**

  The public policy responses to the pandemic have forced significant parts of the workforce to shift to tele- or remote work. The technologies which have been developed and widely adopted to facilitate this switch have revealed its feasibility to an extent which was not considered previously, even though extensive, long-haul teleworking has not been without problems concerning work organization and mental health. There are expectations that teleworking is likely to become endemic even after the public health restrictions are fully lifted. While this could help enhance work-life balance for some employees and reduce operational costs for companies, the eventual cost-benefit balance will depend on how far such arrangements will be allowed to reach and how they will be regulated. Will there be restrictions in how remotely employees will be allowed to work from (another region? Another country)? What would be the implications of such restrictions (or lack thereof) for the development of local and national economies and consequently for employment? What would such developments mean for local and national taxation, including social security contributions? Would such teleworking arrangements be allowed even from countries outside the EU and what would be the implications of this for employment?

- **The dual transition to a digital and net-zero carbon economy**

  While the process of transition to the digital economy had been well under way even before, the pandemic has sped up several developments, in addition to the ones mentioned under teleworking. The provision of a range of services has moved to digital mode and it is unclear whether and if so, how fast and how far, this trend will be reversed once there is no longer need for social distancing, possibly resulting in both employment losses and changes in the content of work. Moreover, and given predictions that pandemics are likely to become more prevalent in the not so distant future, it is possible that to secure continuity of activity in the face of future social distancing measures, companies invest wherever possible to automated technology to replace human labour.

  The increase in unemployment and the financial difficulties that many individuals and households have been facing is likely to push them towards digitally mediated employment opportunities through platforms. In addition, this speeding up in the digitalization of the mode of provision of several services is likely to deepen any pre-existing digital divides between those who are digitally literate or capable of benefiting from the new opportunities that digitalization may offer in terms of services and jobs and those who are not.

  The extent and impact of these developments will be mediated by policy developments. Technological advances do not inevitably have to result in replacing human labour. Industrial and innovation policies can impact developments in that direction. That will of course depend on pressures on other public policies as well. For example, pressures on public budgets to consolidate the accumulated public debt once a return to normality is possible might lead governments to privilege digital modes of service provision, including in healthcare if the costs are lower. Similarly, some fears have been voiced that, especially under pressures to reduce public debts fast, the urge of governments to strengthen public healthcare systems to be prepared for a future pandemic may come at the expense of public spending on education and skills which could help bridge to some extent the aforementioned digital divide. On the other hand, the quality of digitally mediated, especially platform employment will depend on whether and how well regulated it could become.
A crucial assumption of the European Green Deal is that meeting the carbon emission targets of the EU by 2050 can be achieved through innovative technologies which could support the decoupling of emissions and use of planetary resources from economic growth. The success in developing these solutions will shape how far output growth and consumption (and very likely jobs) will have to be sacrificed to achieve the environmental objectives. The pandemic has forced some reduction in carbon emissions through for example the restrictions on international air travel and the reduced work commuting. While some of these patterns of consumption will be reversed to some extent (e.g. air travel for leisure), others are likely to persist (e.g. the curb in business air travel). On the other hand, the increase in unemployment experienced in many member states could weaken the leverage or willingness of governments to push ahead with decisive measures to green their economies if these measures were to put additional pressure on jobs in certain sectors.

The Recovery Plans of the EU have placed emphasis and explicit conditionality for the receipt of available funds on their use to promote a just transition towards a digital and net-zero carbon economy with the aim of directing the recovery towards transforming European economies into digitalized, net zero-carbon economies through just transition processes. It is not clear, however, as important as it may be whether they will succeed in engineering this transformation.

**Some indispensable scenarios to look into**

The above non-exhaustive list of policies and structural changes and the different ways in which they may play out could be combined in several different ways to build different scenarios under which sectoral employment forecasts could be produced for the time horizons mentioned in the call for tender (up to 5 years). While the bidders can propose scenarios they find worth considering, what we are especially interested in is the scenario which could result in the most adverse consequences for employment. Such a scenario would be one in which the consolidation of public debt is rigorous once the pandemic is over, leading to fiscal austerity even when output growth returns but is weak; public policies do not manage to steer technological advancements towards complementing rather than replacing in large scale human labour; and output growth and carbon emissions/use of planetary resources do not decouple sufficiently to avert the need for actively cutting down on growth/consumption in order to save the planet. We would like to have sectoral employment forecasts at least under such a baseline scenario.