Digital transition and demand for new skills: an analysis of the effectiveness of Vocational and Educational Training systems in Europe

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Recent technological innovations are profoundly changing the labour market. Theories such as skill-biased technological change or routine-biased technological change highlight how some occupations are disappearing while others are increasingly in demand (Autor, 2015; Acemoglu and Restrepo, 2019; Fernandez-Macias and Hurley, 2016). In this context, the required skills to stay in the labour market are shifting from the vertical, technical skills required by the Fordist system to the transversal, soft skills that characterise the knowledge economy (OECD, 2001).

Against this backdrop, initial and continuous vocational and education training (VET) systems are fundamental in providing current and future workers with the skills to ensure their permanence in the labour market. It is therefore crucial to understand which VET systems are best equipped to provide a set of transversal and general competences that can be better spent on the labour market.

In this perspective, the Varieties of Capitalism literature distinguishes between Liberal Market Economies (LME) and Coordinated Market Economies (CME) also on the basis of the functioning of VET systems. More precisely, LME are more likely to provide transversal skills - and thus more suitable to dynamic labour markets - than CME (Hall and Soskice, 2001). However, following Busemeyer (2011) this distinction seems too simplistic to capture the nuances of different vocational training systems. Indeed, Busemeyer distinguishes between (1) liberal, (2) segmentalist, (3) collective and (4) statist, based on the involvement of companies in initial vocational training and the extent of public commitment.

Thus, adopting Busemeyer's taxonomy, this paper aims to provide both a qualitative and quantitative comparative analysis to identify which of these four systems is, in terms of organisational flexibility and updating, best suited to meet the challenges posed by the digital transition to the labour market and workers' skills.

Drawing on both the Eurofound Job Monitor and the Cedefop Skills Forecast dataset, the work tries in a first phase to trace the trends of demand and supply of European workers' skills to try to understand which are the most demanded skills in the labour market. In a second stage, the spotlight is on the VET systems of four countries belonging to the four categories identified by Busemeyer,to determine which one performs best in providing the skills most in demand on the labour market.

The results obtained will help to clarify what form and structure VET systems should take in Europe in order to accommodate the digital transition and ensure that it delivers benefits for many.