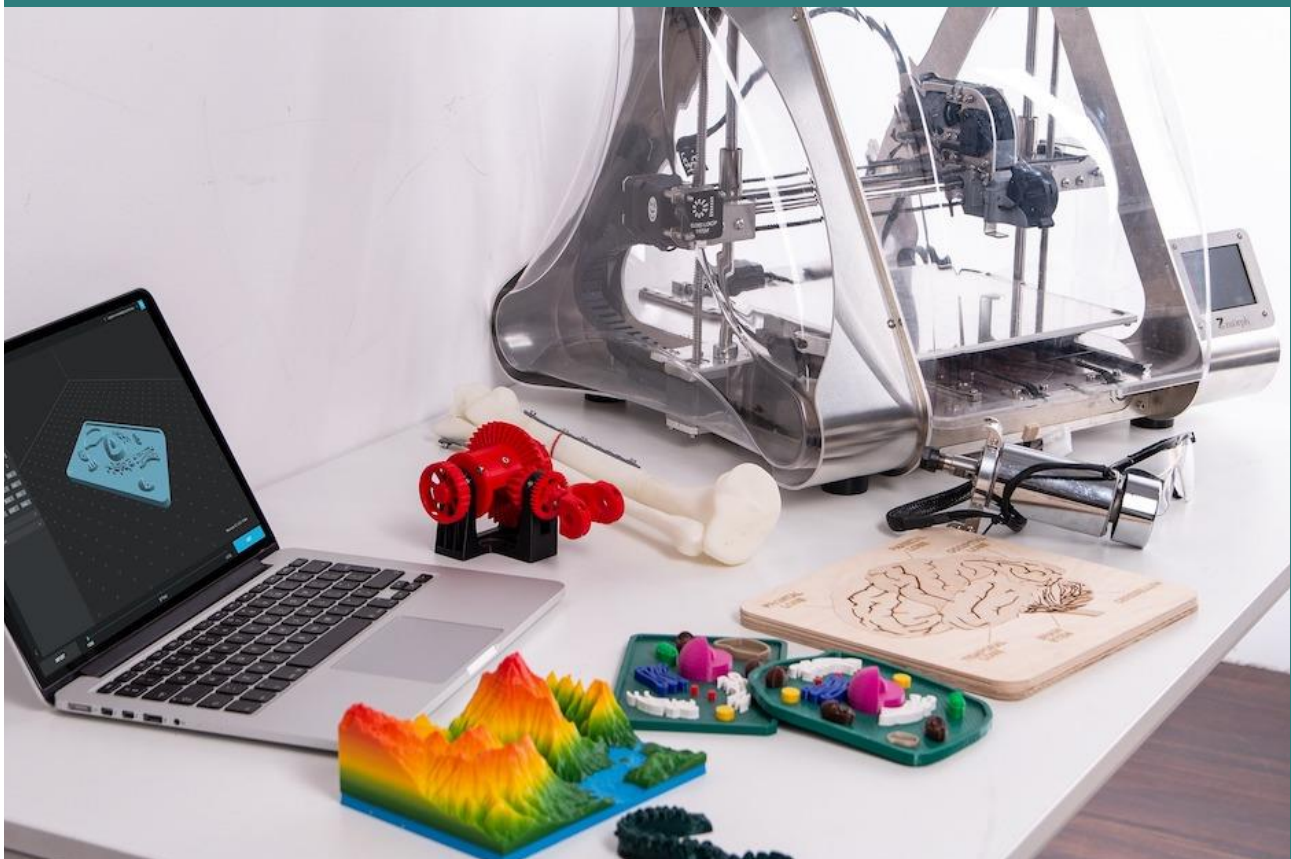


Changing value chains: Opportunities and challenges for the European workforce



Social Situation Monitor
Research Seminar

Tuesday 17 December 2019
14:00 – 18:00

Crowne Plaza Hotel
'Innovation' Room, 1st floor
Rue Gineste 3
1210 Brussels
Belgium

Table of Contents

About the seminar	3
Seminar agenda	4
Speakers & abstracts	5
The venue	9
Travel information	10
On-site services	11
Contact and registration	11

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About the seminar

The Social Situation Monitor

Each year the Social Situation Monitor (SSM):

- Carries out policy-relevant analysis and research on the current socio-economic situation in the EU on the basis of the most recent available data;
- Examines major issues which are features of the situation or affect it with the aim of providing evidence on which to base policy-making across the EU.

This initiative is directed by the London School of Economics (LSE), in consortium with ICF, on behalf of the European Commission. The team is led by the Academic Director, Dr. Bob Hancké from LSE, and the Project Director, Dr. Simona Milio from ICF. The team is composed of renowned academics and researchers from the consortium organisations reflecting a wide range of expertise.

More information can be found at:

<http://ec.europa.eu/social/main.jsp?catId=1049&>

The SSM seminar series

SSM seminars are research seminars. Their aim is to provide a forum to discuss the theoretical, methodological and policy implications of the latest economic and social research. More specifically, SSM seminars aim to inform:

- The economic and social analysis of the European Commission in general, and the Commission's *Employment and Social Developments in Europe* review in particular*.
- The economic and social analysis of the European Commission's stakeholders.
- The economic and social policies of the European Commission and its stakeholders.

SSM seminars are primarily intended to:

- Economists and analysts working in policy-making organisations;
- Academic researchers;
- Policy officers with an interest in economic and social analysis.

(*) The *Employment and Social Developments in Europe* reviews can be found in the European Commission's publications catalogue:

<http://ec.europa.eu/social/main.jsp?catId=1285&langId=en>

Seminar agenda

13:30 – 14:00 **Registration**

14:00 – 14:10 Welcome words
By Frank Siebern-Thomas (European Commission)

14:10 – 14:20 Introduction
By Ralitsa Donkova (ICF International)

14:20 – 14:55 *Robots, Reshoring, and the Lot of Low-Skilled Workers*
Astrid Krenz (University of Goettingen)

14:55 – 15:30 *Repatriation or Reshoring of Manufacturing to the U.S. and UK: Dynamics and Global Production Networks or from Here to There and Back Again*
John Bryson (University of Birmingham)

15:30 – 15:50 **Coffee break**

15:50 – 16:25 *Integration in Global Value Chains and Employment in Europe*
Filippo Bontadini (OFCE)

16:25 – 17:00 *EU's Key Strategic Value Chains into Global Value Chains (GVC) and the impact on employment: a critical approach*
Theodora Stathoulia (Independent Expert)

17:00 – 17:35 *Economic upgrading through global value chain participation: which policies increase the value added gains?*
Victor Stolzenburg (World Trade Organization)

17:35 – 17:45 Concluding remarks
By Frank Siebern-Thomas (European Commission)

Abstracts

Robots, Reshoring, and the Lot of Low-Skilled Workers

Astrid Krenz
Assistant Professor
University of Goettingen

We propose a theoretical framework to analyze the offshoring and reshoring decisions of firms in the age of automation. Our theory suggests that increasing productivity in automation leads to a relocation of previously offshored production back to the home economy but without improving low-skilled wages and without creating jobs for low-skilled workers. Since it leads also to increasing wages for high-skilled workers, automation-induced reshoring is associated with an increasing skill premium and increasing inequality. We develop a measure for reshoring activity at the macro-level and, using data from the world input output table, we provide evidence for automation-driven reshoring. On average, within manufacturing sectors, an increase by one robot per 1000 workers is associated with a 3.5% increase of reshoring activity. We also provide the first cross-country evidence that reshoring is positively associated with wages and employment for high-skilled labor but not for low-skilled labor and that increasing tariffs increase the degree of reshoring.

Repatriation or Reshoring of Manufacturing to the U.S. and UK: Dynamics and Global Production Networks or from Here to There and Back Again

John Bryson
Professor
University of Birmingham

There are three contrasting approaches to understanding the geography of production. The first approach emphasizes the importance of local agglomerations, the second intrafirm mechanisms, while the third highlights global relationships or global production networks (GPN) or global value chains. These explanations are partial, but complementary. This paper explores the restructuring of global production with a focus on the reshoring or repatriation of manufacturing production to the U.S. and UK. Our intention is to identify the drivers behind reshoring as the first stage toward developing a dynamic conceptual framework for understanding the global organization of production.

Reshoring needs to be conceptualized by drawing on and combining approaches developed in GPN with micro-approaches to understanding firms including the development of a geography of production tasks. The study is based on a theoretical mapping to inform an empirical analysis of reshoring in both countries to identify and conceptualize the quantitative and qualitative causal drivers behind this process. The evidence suggests that reshoring is sector-dependent and is mainly driven by manufacturers' cost-management and quality strategies combined with the importance of manufacturing products close to market. This involves a "total manufacturing cost analysis" in which access to a set of tangible and intangible inputs are key drivers behind dynamics of GPN.

Integration in Global Value Chains and Employment in Europe

Filippo Bontadini
Research Fellow
OFCE-Sciences Po, Sophia Antipolis

This paper aims at revisiting the empirical evidence on the recent trends of countries' integration in global value chains in Europe. It investigates two potential sources of unbalances that these processes might relate to: (i) the sectoral specialization of the patterns of international fragmentation, whether high technology manufacturing or knowledge intensive services (KIBS); (ii) the occupational categories that have benefited or been penalized by these trends. A rich empirical mapping of these trends in the European countries is provided, based on WIOD and EU ISCO data. The results on the overall and sectoral-specific trends of integration in GVCs and the associated changes in the shares of managers and manual workers show a dual-speed and qualitatively different integration patterns in Europe, with Eastern European (EE) countries rapidly integrating in high tech manufacturing, and the core of western countries strengthening their mutual integration in the KIBS area. Despite the relatively "good quality" integration of EE countries, the evidence does not seem to reveal a mirroring upgrading of employment structures. While this empirical contribution does not attempt to identify causal relationships, the picture provided in the chapter shows that, overall, integration in GVC seems to reproduce and perhaps exacerbate the initial asymmetries in the sectoral and employment structure, with manual workers occupation reducing overall and knowledge intensive occupations concentrating in western Europe.

EU's Key Strategic Value Chains into Global Value Chains (GVC) and the impact on employment: a critical approach

Theodora Stathoulia
Independent expert

The Commission unveiled recommendations of the expert group on Strategic Value Chains in EU Industry Days (2019), to prepare coordinated action and investment in 6 key strategic value chains. Applying them in the way of complementing already ongoing initiatives to strengthen the Value Chain for batteries, microelectronics, and high-performance computing, Europe's industries will stay global leaders in innovation.

We argue that policymakers and industrialists should now start to prepare the Strategic Value Chains 2, a new political assessment to be embedded in the wider framework of industrial policies, the global trade trends, and their societal impact.

Considering that European research (JRC, 2016) highlights that interconnected industry capabilities at a global scale and Global Value Chain analysis is based on the use of operational data of multinational enterprises (MNEs) and having regard to the fact that MNE affiliates create directly large volumes of output, value-added, and international trade and jobs, the combination of value chain players and societal issues should be considered as factors of sustainability and inclusiveness (OECD, 2019).

Furthermore, given the fact that MNE groups in the context of the EU are usually present in a few countries (81.9 % in one or two EU and EFTA countries, Eurostat, 2017) and, in addition, the studies which describe the employment in EU MNE groups tend to show that most of their workforce is employed in neighboring countries, then the market structure should be considered as a critical factor in the examination of the labor market in relation to the integration of the European value chains in the Global Value Chain.

On this basis, the study proposes to examine the changing value chain players in the context of the current composition of trade policies of OECD countries and EU's Key Strategic Value Chains with a focus on MNE Groups in the EU. The impacts on labor structures and the disparities at a national and at a regional level in the light of the data provided by the European Digital Economy and Society Index on Human Capital and the EU ICT sector will be evaluated.

Economic upgrading through global value chain participation: which policies increase the value added gains?

Victor Stolzenburg
Research Economist
World Trade Organization

The emergence of global value chains has opened up new ways to achieve development and industrialization. However, new evidence shows that not all countries have gained from participating in global value chains, and that country-specific characteristics matter for economic upgrading in global value chains. This paper uses two panel data sets of developing and industrialized countries at the sectoral level to relate global value chain participation as a buyer and seller to domestic value added. These are combined with a wide range of policy measures at the country level that can play a role in economic upgrading through global value chains, by targeting global value chain integration or the quality and conditions of input and output factors. First, the study finds that global value chain integration increases domestic value added, especially on the selling side, which holds across all income levels. Second, the results highlight the importance of policy for economic upgrading through global value chain integration. Although the study cannot claim causal evidence, all the assessed policy areas are consistently shown to mediate the effects of global value chains and magnify the gains for domestic value added. Third, a detailed analysis shows that several policy areas mediate the gains from global value chains more through integration as a seller. Finally, the study observes that many of the results are driven by high- and upper-middle-income countries.

The venue

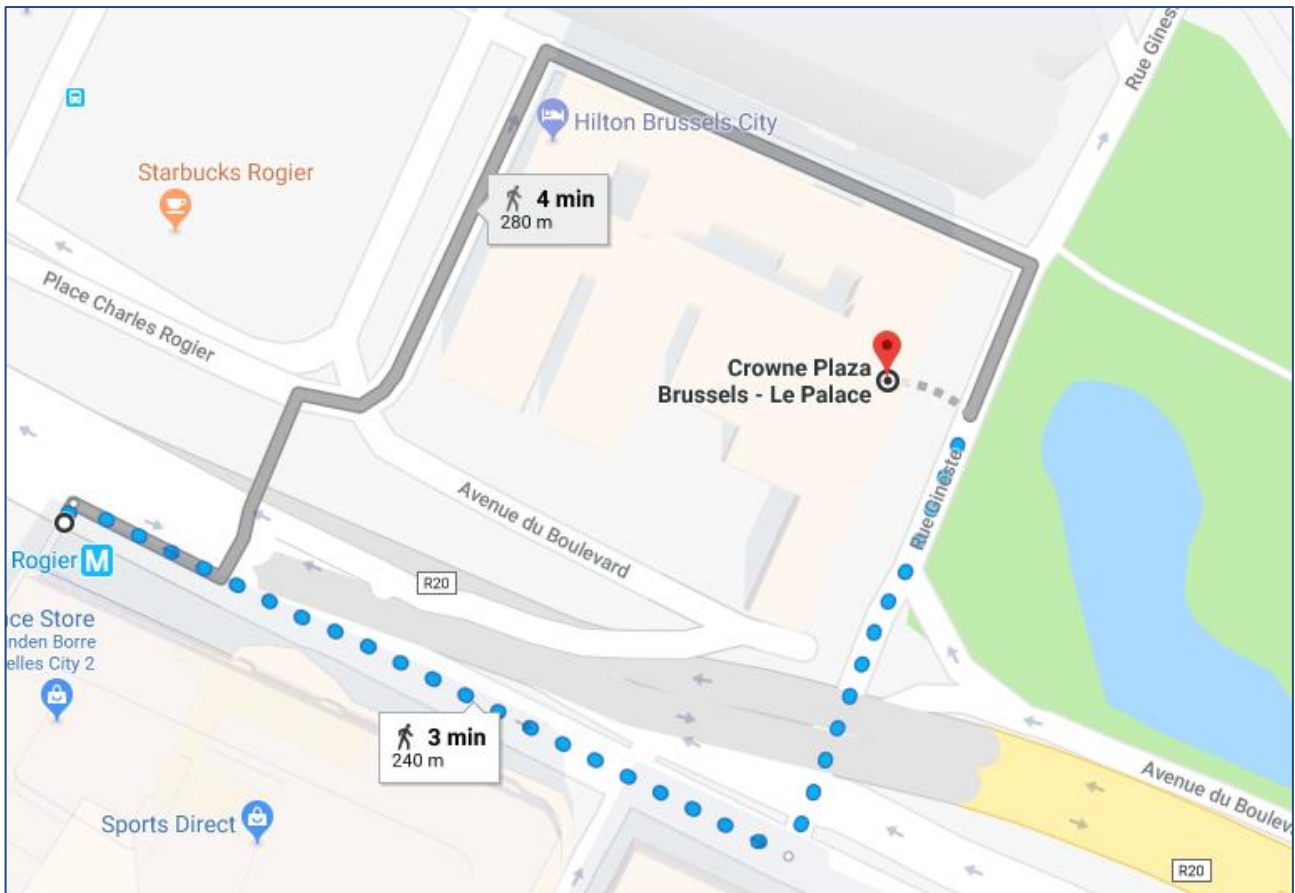


Crowne Plaza Brussels
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Rue Gineste 3,
1210 Brussels, Belgium

Metro: Rogier

Travel information



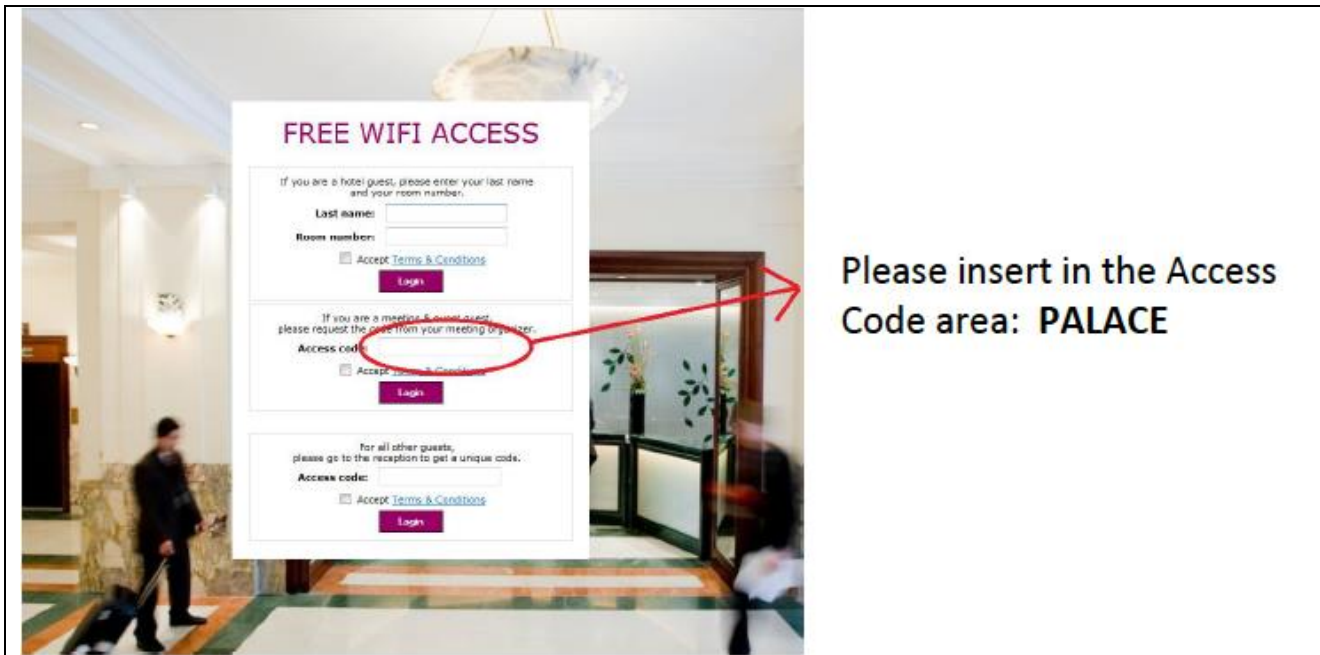
Starting point	Time to Crowne Plaza	How
Metro Rogier	3 min	Walk
Brussels North Station	6 min	Walk
Brussels Midi Station	18 min	Tram 3 or 4
DG Employment	14 min	Metro 2 or 6

On-site services

Wifi

Network Name: Crowne-Plaza-Free-Internet

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Contact and registration

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