

Bulletin

Institute for
Employment
Research

REVISED OCCUPATIONAL ASSESSMENT, 1991-2000

An Uncertain and Unstable Economic Environment

Since the publication of the Institute's last full assessment the UK economy has been buffeted by a series of shocks. After a period of some political uncertainty following the change of prime minister in 1990, the domestic scene appeared to be set for a period of relative stability. The result of the General Election apparently confirmed that a continuation of existing economic policies would form the backdrop for decision makers over the next 4-5 years. However, the pound's withdrawal from the ERM in September 1992 represented one of the most dramatic reversals of government economic policy in the post-war period. The subsequent uncertainties about the direction of government policy have reinforced earlier lack of confidence and have made the recovery from recession even more problematic.

The international environment is equally unstable. Domestic concerns have been magnified by doubts about the ratification of the Maastricht Treaty and the protracted negotiation over GATT. Events in Eastern Europe continue to cause grave concern, as do the financial problems in Japan. Despite these concerns the general consensus appears to be for a slow recovery of the world economy during 1993, which, in combination with a devalued pound, will boost the demand for UK exports.

This Bulletin summarises the results from the Institute's latest labour market assessment which attempts to take on board the impact of all these factors on developments in employment structure. It updates the results presented in Bulletin 15.

General Prospects for the UK Economy

The general lack of confidence and the problems of debt overhang are expected to result in only a very gradual

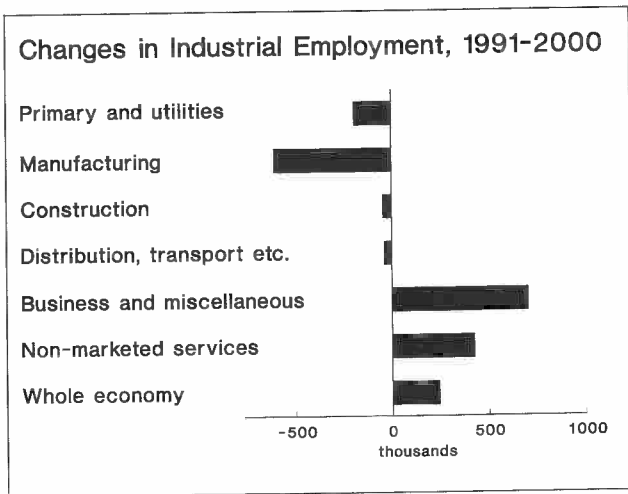
recovery for the UK economy during 1993. Over the medium term a more modest growth rate of GDP of about 2 per cent per annum is expected than was anticipated in the Institute's previous projections. The recovery is expected to be led, initially, by export demand, subsequently reinforced by growth in gross fixed capital formation. Consumer expenditure is projected to grow by less than 1 per cent in 1993, accelerating in 1994 and then settling down to a rate of increase of around 2½ per cent per annum. Government current expenditure on goods and services is expected to be kept under quite tight control. Social security payments, resulting from continued high unemployment levels, mean that the public sector finances will remain in deficit for some years to come. This will limit the scope for further tax cuts, additional spending in the public services and spending on public infrastructure.

Tight monetary policy, initially outside the ERM, combined with this strict control of public expenditure, is expected to restrain price inflation, which is projected to average around 4 per cent per annum over the rest of the decade.

The balance of payments, after worsening during the immediate recovery phase, is expected to improve over the medium term, reflecting continuing gains in competitiveness, both within manufacturing and elsewhere. Nevertheless, it is not expected that the current account will move out of deficit before the year 2000.

Employment and Unemployment

Following a strong rise in the late 1980s, employment has plummeted in the last year or two, with consequent effects on unemployment. The latter is projected to continue to rise during 1993, despite the pick up in the economy, as some companies take up slack while other businesses continue to struggle or fail. Unemployment is expected to peak at around 3.1 million before gradually declining as the total



shifts from primary and manufacturing to the service sector. This has reflected differential productivity performance, reorganisation of work (sub-contracting, etc.) changing patterns of final demands and many other influences. These are encapsulated, either explicitly or implicitly, in the macroeconomic model used to develop the projections. As a result of all these influences, manufacturing is expected to lose a further 600 thousand jobs over the next decade, taking employment to below 4½ million by the year 2000. The devaluation of the pound moderates this trend to some degree but is not sufficient to reverse it. In contrast, the service sector is expected to grow substantially, particularly in hotels and catering, miscellaneous services and in health and education.

level of employment begins to rise once again. About ½ a million additional jobs are expected by the year 2000 compared with 1991. Much of this increase represents a cyclical recovery. This represents a significant reduction compared with the Institute's 1991 Review, reflecting the slower growth rate of GDP and the reluctance of many employers to take on labour in the short to medium term.

Brighter Prospects for Women

Females are expected to continue to do much better than males in terms of employment growth. This reflects both demand and supply side factors. On the demand side, shifts in industrial structure have tended to create jobs that are more typically taken by women. This has been reinforced by a tendency for women to increase their share of employment in most jobs, whatever the industry or occupation.

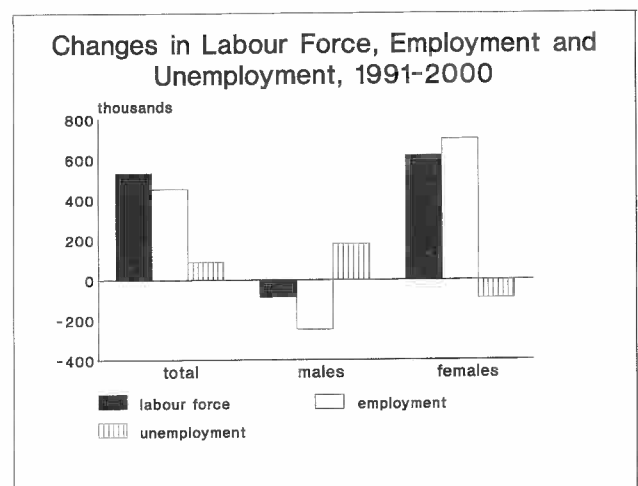
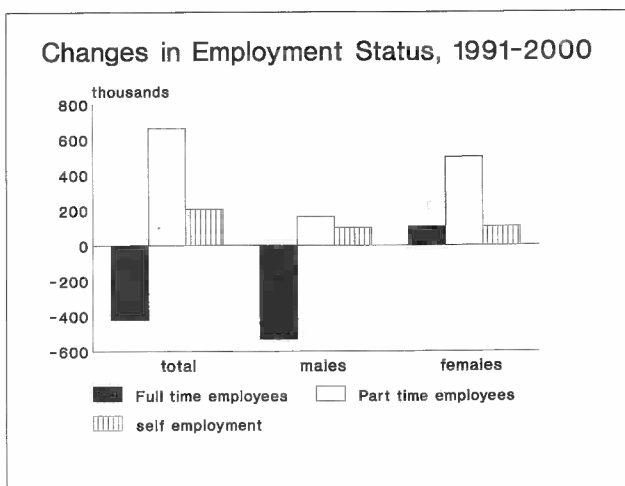
Developments in the Structure of Employment

Nevertheless, the structure of employment is expected to continue to develop over the next 10 years in line with previous Institute assessments. As technological and organisational changes, shifts in patterns of demand for goods and services and changes in international comparative advantage make themselves felt, this will influence both the industrial and occupational structure of employment, as well as other aspects such as employee versus self-employed status, full-time versus part-time employment, etc.

On the supply side, the increase in female activity rates amongst those aged 25-55 has been the main source of growth in the labour force, as increasingly more women have returned to work having had children. The female labour force is expected to grow by ½ a million by the year 2000.

The pattern of change as far as industry structure is concerned is likely to represent a continuation of the recent

Most of the additional jobs created will be part-time rather than full-time. Given their concentration in miscellaneous services it is also likely that a significant number will be relatively low paid and low status jobs. However, the trends in occupational structure in favour of the higher skilled groups, coupled with the tendency to increase the use of part-time contracts amongst such personnel, suggest that not all these part-time posts will be low status ones.



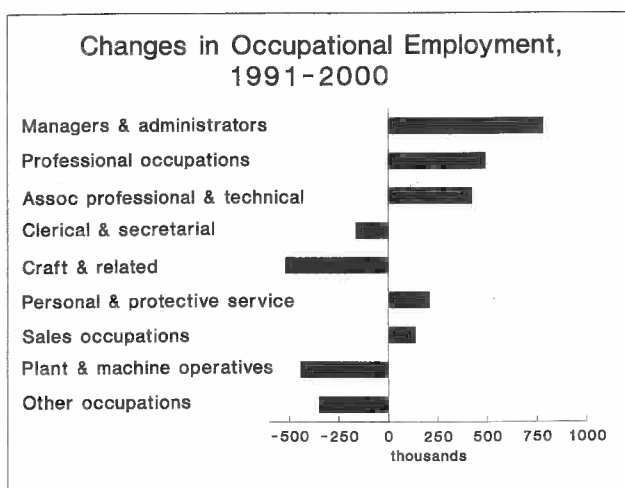
Self-employment is expected to continue to increase over the medium term, despite the fact that there was a decline in their numbers in 1991 and 1992. The latter represented the first break in a steady upward rise for more than a decade. However, many of the factors encouraging self-employment are expected to continue to be important and indeed, to grow in importance over the decade. As a consequence, about 200 thousand additional self-employed persons are projected between 1991 and 2000.

Changing Skill requirements

The occupational structure of employment is also expected to experience further change. New data from the Labour Force Survey have been used to recalibrate the occupational model over the last few years and to reassess future trends. This has tended to reinforce the changes previously projected, favouring high skills, white collar employment (especially for women) at the expense of low skilled, manual jobs.

The recession of the early 1990s has led to many redundancies amongst white collar workers in some industries, especially in the South East. Despite this, the underlying trends for such workers remain favourable and a substantial increase in the numbers in managerial, professional and associate professional jobs is expected. The outlook for those with craft skills, plant and machine operatives and unskilled labourers is much less optimistic.

The gloomier macroeconomic prospects have implications for all occupational groups. However, the depth and duration of the recession may serve to accelerate some existing trends. The effects of the devaluation of the pound, on the other hand, will tend to offset some of these effects. The boost the lower pound gives to the traded goods and services sectors will result in higher employment for some skills than might otherwise have been the case. However, the general prospects remain much less optimistic than when the Institute's last assessment was produced in the summer of 1991.



Prospects for Individual Occupations

An increase of about 750 thousand jobs is projected for the managers and administrators category between 1991 and 2000. Females are expected to see an especially large increase. Organisational and technological changes, encouraging an increasing share of these occupations in most industries (occupational effects), are more important than changes in industrial structure (industry effects) in explaining these developments.

The number of jobs for professional occupations, especially those employed in the market economy is expected to grow very rapidly. Again this primarily reflects occupational rather than industry effects. For those employed in health and education services (especially teachers) the rate of growth of public expenditure is the key factor. In total, employment in professional occupations is projected to increase by about 500 thousand. A similar story applies in associate professional occupations, where an overall increase of 300 thousand is expected.

Clerical and secretarial occupations have increased their employment very substantially over the past 30 years. This growth appears to have slowed dramatically as the effects of new technologies have made themselves felt. Indeed, there are now signs of a falling share in many industries. This trend is expected to accelerate and the prospects for the next decade are therefore for a marginal decrease of around 150 thousand jobs.

The craft and skilled manual occupations present a mixed picture, with some growth expected for skilled construction trades, once the economy picks up. In contrast, a modest decline is projected for skilled engineering trades as employment in engineering continues to fall despite rising output levels. The position for other skilled trades is much less promising however, and they account for the bulk of the 500 thousand decline in employment in this group. Sharply falling employment in the industries employing such occupations (such as textiles), coupled with technological and other changes which are removing the need for such skills, combine to produce a continuation of past patterns of steady decline.

In contrast, the protective and personal service occupations provide a relatively bright picture. Modest growth is projected for the former category as the demand for privately provided protective services continues to rise. The main part of the 200 thousand increase projected benefits the personal service occupations however. Primarily, this reflects the growth expected in miscellaneous services.

Sales occupations are expected to experience only modest increases in employment over the next decade. As for the clerical and secretarial group, new technology and new methods of service delivery are resulting in substantial job savings. The projected increase of around 130 thousand by 2000 is therefore quite modest compared to previous periods.

Plant and machine operatives face the same sort of scenario as craft and skilled manual workers except, if anything, their prospects are worse. Shifts in industry structure reinforce occupational effects, resulting in a projected loss of over 400 thousand jobs between 1991 and 2000. Again this represents a continuation of past patterns of decline. Finally, the other occupations group, comprising unskilled labourers, cleaners, etc. is also projected to experience further job losses of the order of 350 thousand over the 1990s as industrial and occupational effects reinforce one another.

More complete details of the Institute's Projections may be found in the Review of the Economy and Employment, Occupational Assessment 1992/3. This report is divided into 3 main parts. Section 1 presents the macro-economic scenario underlying the forecast. It also details the assumptions and results relating to the labour force. Section 2 presents the detailed prospects for industries, with particular emphasis on the structure of employment, including a discussion of the changing patterns of employment by gender and status. Section 3 presents the prospects for occupational employment.

Review of the Economy and Employment: Occupational Assessment 1992/93

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