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Bulletin

Institute for Employment Research

OCCUPATIONAL ASSESSMENT, 1993-2001

Recovery from Recession

Following a period of considerable uncertainty there are now clear signs that the UK economy is undergoing a sustained recovery from the prolonged recession of the early 1990s. Tight fiscal and monetary policy has meant that the pace of change has remained modest compared to some previous upturns. The Government's aim of phasing in tax increases in order to avoid over-rapid expansion, while not nipping in the bud a sometimes hesitant recovery, appears to be paying off although some concerns about inflation remain.

The international economic environment is also beginning to look more optimistic, with recovery from recession in many other developed economies underway or about to begin. This suggests that the outlook for UK exporters is likely to remain good for some time to come, although it also raises concerns about possible overheating of the world economy over the medium term.

Macroeconomic Outlook for the UK Economy

The growth of GDP in 1994 is now expected to be just under 3 per cent, with some slowing in 1995 as the tax increases first announced in the November 1993 budget take effect. Over the medium term the economy is projected to settle down to a rate of growth of around 2½ per cent per annum.

The recovery is currently being sustained by consumers expenditure which, although not rising especially rapidly compared to previous boom periods, is nevertheless showing clear signs of sustained growth, having risen every quarter since the beginning of 1992. As the effects of deferred spending wear off and as the impact of tax increases bite, this is expected to slow after 1994. The baton will then be taken up by gross fixed capital formation and by export demand, resulting in a fairly balanced pattern of growth in the mid-1990s.

Government expenditure has been sharply curtailed in recent years and this pattern is expected to continue in the immediate future. However, as unemployment falls, tax revenues rise and pressure on the PSBR is reduced, some relaxation is expected and more rapid growth in expenditure is projected in most areas other than defence. For this reason the PSBR remains positive throughout the projection period.

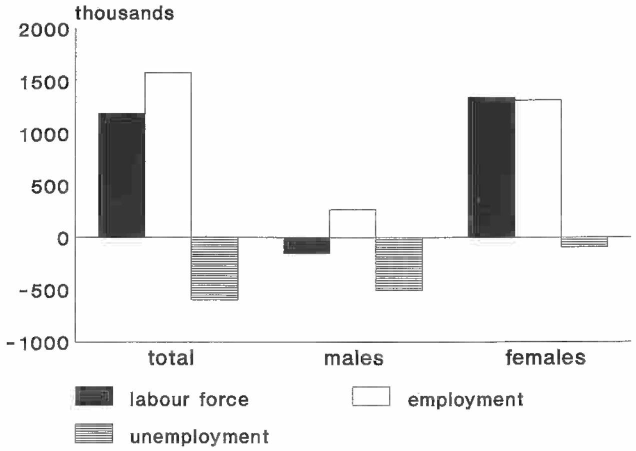
Monetary policy is expected to remain tight as inflationary pressures resurface, both as a consequence of tightening in domestic labour markets and as the world economy grows more rapidly. Some further increases in interest rates seem quite likely in the short to medium term in order to restrain inflationary pressures. Despite this the rate of increase in consumer prices is expected to remain at the upper end of the government's target range of 1-4 per cent per annum.

The balance of payments is expected to show a gradual improvement, from a deficit of almost 2 per cent of GDP in the early 1990s towards zero by the turn of the century. The main source of the improvement is the reduction in the trade deficit for manufactured goods, as a more competitive sector manages to hold its own in world markets.

Employment and Unemployment

Unemployment has fallen quite sharply in recent months but comparison with the employment figures suggests that this is primarily a function of reductions in the workforce, particularly for males. Some further reductions in unemployment are expected as the economy picks up but these are not likely to be dramatic. The labour force is projected to rise steadily, partly due to long-term trend factors related to increasing female participation rates, particularly for those aged 25-50. It also reflects the cyclical recovery of the economy, with some previously discouraged workers (both male and female) returning to the labour market. By 2001 the labour force is projected to reach over 29.2 million compared to 28.0 million in 1993. As a consequence, by the year 2001 unemployment is projected to remain above 2 million despite employment rising by 1½ million between 1993 and 2001. The bulk of this increase represents cyclical recovery rather than long-term growth.

Figure 1
Changes in Labour Force, Employment and Unemployment, 1993-2001



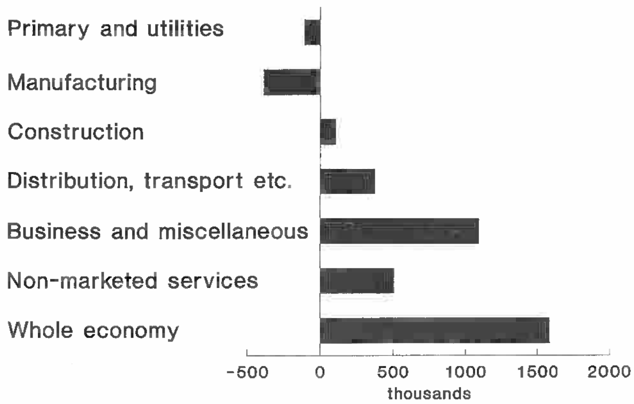
Developments in the Structure of Employment

In other respects the structure of employment is expected to continue to develop over the next 10 years in line with previous Institute assessments. Continued technological and organisational change, shifts in the patterns of demand for goods and services and changes in international comparative advantage 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. Most of the additional jobs are expected to be taken by women and the majority of them are likely to be part-time. Male full-time employment is expected to decline.

Changes in Industrial Employment

The pattern of change as far as industry structure is concerned is likely to be a continuation of the recent shifts from primary and manufacturing industries 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 multi-sectoral macroeconomic model used to develop the projections. Despite the dramatic shakeout of the early 1980s, the manufacturing sector has continued to lose jobs at a rapid rate in the recent recession. Almost 800 thousand jobs were lost over the period 1990-94. The rate of decline has slackened in the last 12 months and a slower decline is expected over the remainder of the forecast period. Nevertheless continuing growth in productivity is expected to more than outweigh the quite buoyant output projections, resulting in a reduction to around 4 million jobs in total by 2001.

Figure 2
Changes in Industrial Employment, 1993-2001



In contrast, employment in the service sector is expected to grow substantially, particularly in hotels and catering, other services, and in health and education. This reflects continued shifts in the pattern of final demands towards such areas but also relatively slow rates of productivity growth These shifts in industrial structure have tended to create jobs that are more typically taken by women and to remove those traditionally done by men. This has been reinforced by a tendency for women to increase their share of employment in most jobs, whatever the industry or occupation.

Further Growth in Part-time Working and Self-employment

For similar reasons most of the additional jobs created are likely to be part-time rather than full-time. Given their concentration in services it is also probable 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.

Figure 3
Changes in Employment Status, 1993-2001

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 play a role and, indeed, to grow in importance over the decade. As a consequence, about 500 thousand additional self-employed persons are projected between 1993 and 2001.

Incorporation of Census of Population Data

The analysis of changes in occupational structure can now be conducted on a firmer foundation given the publication of data from the 1991 Census of Population. The Institute has also taken the opportunity of using revised information linking the latest 1990 standard occupational classification with the old 1980 classification of occupations in order to recompile estimates of occupational employment on a consistent footing. The new data for 1991 and the revised 'convertor' both result in changes compared to the previous estimates of occupational structure. However the general patterns of occupational employment and the main trends over time remain broadly the same as the previous estimates. As usual, the Census information has been complemented by data from the Labour Force Surveys although the Census data have been given precedence in assessing past and possible future trends.

Changing Skill Requirements

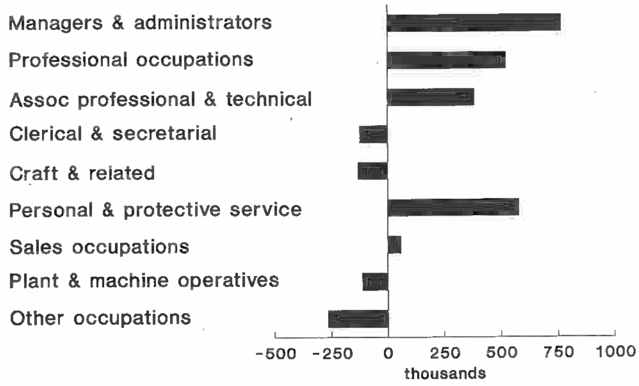
The main features of change are much the same as previously projected, favouring high skills, white collar employment (especially for women) at the expense of low skilled, manual jobs. The recession of the early 1990s led to many redundancies amongst white collar workers in some industries, especially 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.

Turning to the prospects for particular occupational groups, an increase of about 750 thousand jobs is projected for the managers and administrators category between 1993 and 2001. Women 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 almost 400 thousand is expected.

Clerical and secretarial occupations have increased their employment very substantially over the past 30 years. Recently, this growth has slowed dramatically as the effects of new technologies have made themselves felt. Between 1991 and 1993 it is estimated that employment declined by over 250 thousand. There are now signs of falling employment shares in many industries. This trend is expected to accelerate and the prospects for the next decade are, therefore, for a further decrease of around 120 thousand jobs.

Figure 4
Changes in Occupational Employment, 1993-2001



The craft and skilled manual occupations present a mixed picture, with some growth expected for skilled construction trades from currently very depressed levels, once the economy picks up. 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 similar. Together they more than account for the bulk of the projected 130 thousand decline in employment in this group. Employment in these categories has fallen quite sharply over the recession, with some 370 thousand jobs going between 1991 and 1993. 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 projected 600 thousand increase benefits the personal service occupations, many of which will be in part-time jobs. Primarily, these changes reflect the growth expected in various marketed and non-marketed services such as leisure, tourism, health and education.

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 cuts. The projected increase of employment in sales occupations of around 60 thousand by 2001 is therefore quite modest compared to previous periods.

Plant and machine operatives face the same sort of scenario as that for craft and skilled manual workers. Shifts in industry structure reinforce occupational effects, resulting in a projected loss of over 100 thousand jobs between 1993 and 2001. This change follows on from sharp declines which have already taken place since 1991 and represents a continuation of longer-term 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 260 thousand over the 1990s as industrial and occupational effects reinforce one another.

More Detailed Analysis

The complete results from the Institute's latest occupational assessment can be found in the *Review of the Economy and Employment, 1994: Occupational Assessment.* This document 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. The *Review* is available from the Institute's publications office.

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