

Bulletin

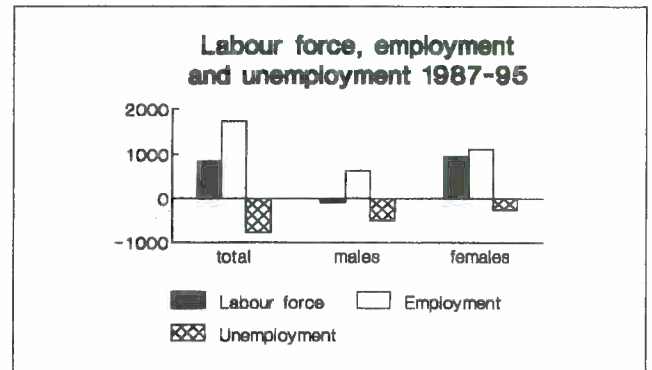
No 2, 1989

Institute for
IER Employment
Research

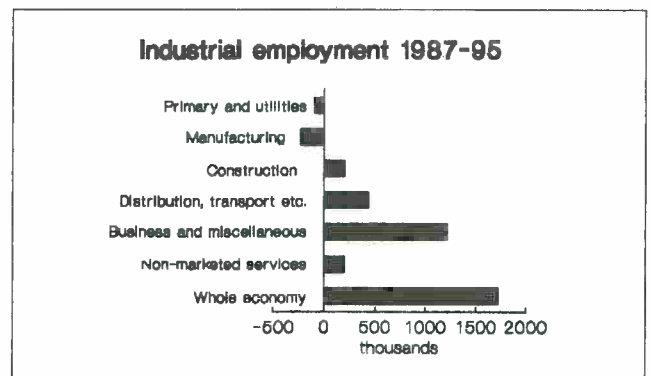
Medium Term Assessment 1988/89

The results of the Institute's main labour market assessment for 1988/89 are contained in the latest **Review of the Economy and Employment 1988/89 - Volume 1**. This provides a detailed assessment of the changing occupational structure of employment in the UK economy, with projections up to 1995. In contrast to the **Occupational Update 1988**, published to update the 1987 Review, the present report uses a radically new system of classifying occupations. A revised set of Warwick Occupational Categories has been constructed based upon the new Standard Occupational Classification. The latter has been developed for the DE Group and Government Statistical Service by the Institute. It will be used for all the major sources of occupational information in the 1990s.

The central macroeconomic and industrial scenario underlying the projections is the same as that used for the **Occupational Update 1988** although some analysis of the sensitivity of the results to alternative scenarios is given. In the central scenario the UK economy is projected to continue to grow relatively strongly over the medium-term although the balance of payments is expected to deteriorate in the immediate future. Aggregate employment is projected to increase by 1¾ million between 1987 and 1995. This in-



crease is concentrated mainly in business and miscellaneous services, although some growth is projected for construction, distribution and hotels and catering. Employment in primary and manufacturing industries is forecast to decline. Despite the overall growth of employment, further increases in female labour supply mean that unemployment is expected to fall only moderately, levelling out at about 2 million.



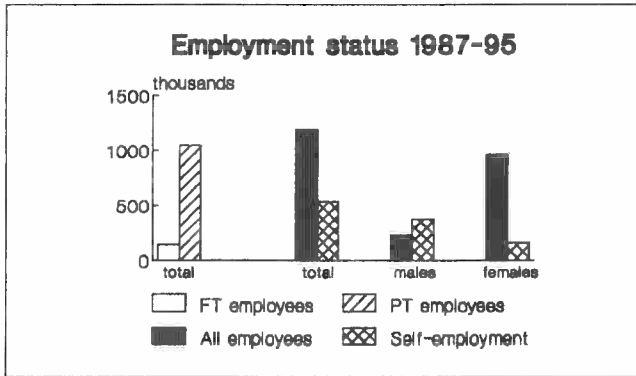
The structure of employment is expected to continue to change quite significantly over the next few years. Part-time employment will account for over two-thirds of the 1.7

**Review of the Economy and Employment
1988/89**

Volume 1: Occupational Assessment

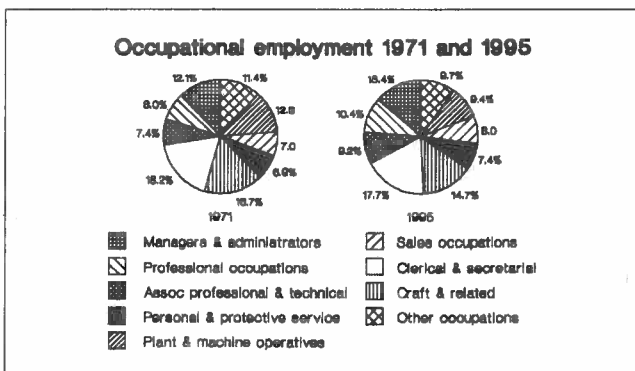
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million additional jobs in 1995, while self-employment is projected to increase from 2.9 to 3.4 million. By 1995 females will have increased their share of total employment to more than two-fifths.

Despite the change in occupational classification the key features in the projected occupational structure of employment remain the same as identified in previous **Reviews**. The main beneficiaries of the recent growth of employment have been professional and managerial groups. Changes in industrial structure, together with technological and organisational changes within individual industries, are projected to result in further substantial increases in employment for managers, professional groups and associate professionals. Sales and personal service occupations have also experienced increased employment in recent years. In contrast most blue collar occupations, especially those requiring little skill, have experienced major job losses. These patterns are, in broad terms, expected to continue into the 1990s. However, with employment expected to grow overall by, on average, 3/4 per cent per annum, it is only the least skilled, blue collar, occupations which are expected to experience further employment decline.

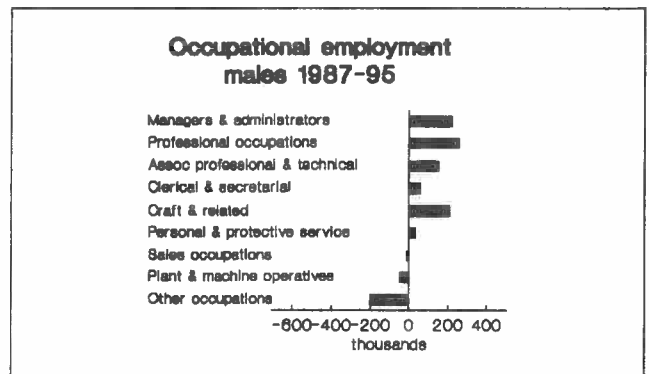


The sensitivity of these results to alternative assumptions regarding the macroeconomic and industrial employment scenario is also examined. Six simulations, based on variations to the assumptions about such matters as the level of world demand, the standard rate of income tax and the

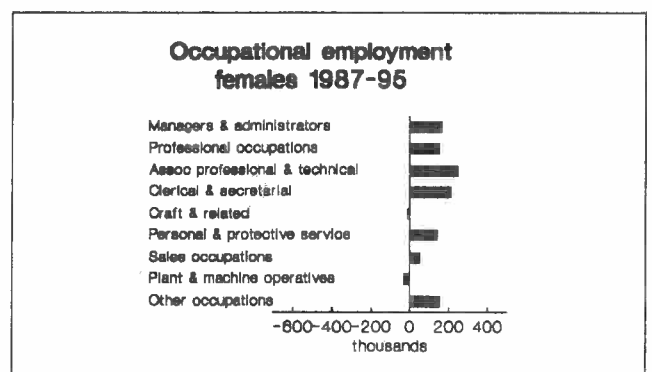
exchange rate are presented. The results show that certain occupations, concentrated in those industries which are most vulnerable to international competition (such as manufacturing), are sensitive to such variations. The results suggest that the overall structure of occupational employment is insensitive to quite large variations in some of the key exogenous assumptions underlying the central macroeconomic and industrial employment scenario.

Recent Developments in Occupational Labour Markets

To accompany the projections the report provides an analysis of recent developments in occupational labour markets. It addresses some of the important issues likely to face those involved in the labour market during the 1990s. These include the demographic developments which will result in a dramatic reduction in the number of young people entering the labour market as well as the completion of the internal market in 1992. The report concentrates on key trends such as the changing pattern of employment status by occupation, the growth in the numbers of persons holding formal qualifications and changing patterns of relative pay and hours of work.

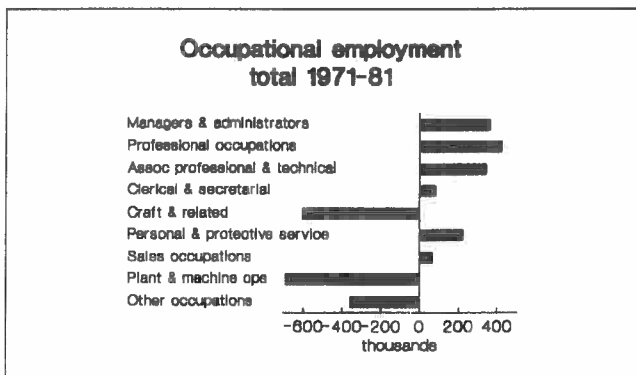


Using information from the Labour Force Survey the changing patterns of employment status by occupation have been highlighted for the first time. The concentration of self-employment amongst males in two very different occupational



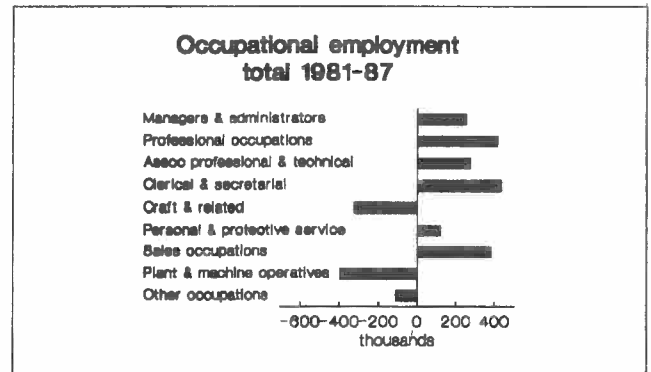
categories (managers and administrators and craft and related occupations), comes across very clearly. Equally clear is the concentration of part-time jobs amongst females in clerical, personal services and sales related occupations. Traditional patterns have however been changing. In almost all occupations the main growth areas have been for part-timers and for those who are self employed. The contrast with the falling number of full-time jobs available in the 1980s has been quite dramatic.

The other major change that is highlighted is the very rapid growth in the proportion of those holding qualifications. Between 1979 and 1986 the numbers holding no formal qualifications fell in every occupational group, while the numbers with some form of qualification (ranging from CSEs to higher degrees) rose substantially in every case. The reasons for these changes are discussed. In many cases it is argued that it reflects changing demand patterns which are leading to increasingly complex jobs, which require considerable amounts of formal education and training. It is also argued however that in many areas this phenomenon may represent "qualifications inflation" as an over supply has resulted in people competing for jobs by bidding up entry requirements. This trend seems likely to be reversed as labour markets for young new entrants tighten as we go into the 1990s.



Some evidence in support of the latter interpretation is found in the information on movements in pay differentials that is again reported for the first time. An attempt has been made to construct a wages and hours database corresponding to the Institute's employment statistics using material published by the Department of Employment in the New Earnings Survey. Although there are numerous technical problems in achieving this objective, the resulting set of data provide some interesting new insights into the way in which the labour markets for each of the main occupational categories have been developing.

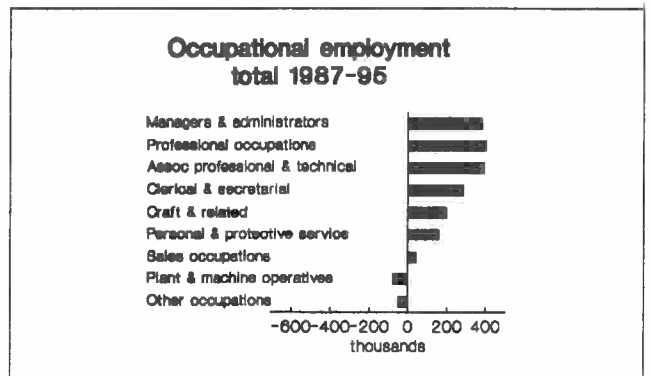
The results suggest that while professional and other more highly qualified occupations have benefited from increasing demand, reversing the previous long-term decline in relative



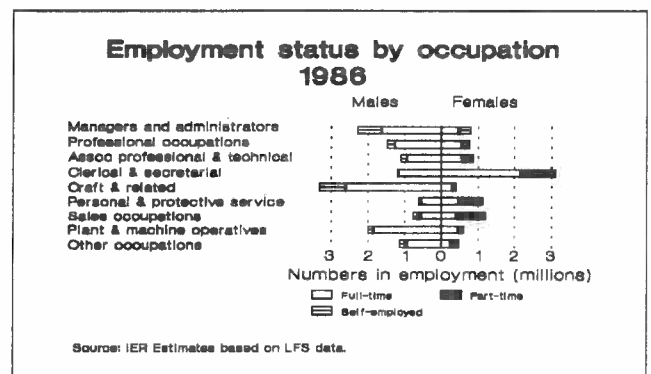
pay, groups at the opposite end of the occupational spectrum have lost ground relative to the all worker average in recent years.

Gender distinctions

There are some notable differences in the way in which occupational structure is expected to develop for males and females. Females are expected to increase their share of all employment by 1¼ percentage points between 1987 and 1995. Their share is however projected to decline amongst craft and skilled manual occupations and plant and machine



operatives. Elsewhere female shares are expected to rise. The largest net increase in share is for the category "other occupations". This includes mainly unskilled jobs such as cleaning. The greatest rates of increase are however recorded



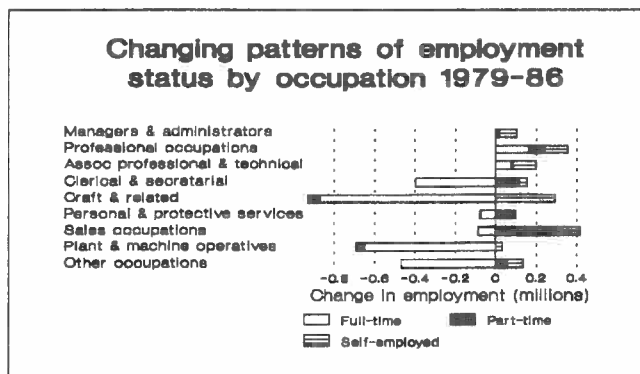
Source: IER Estimates based on LFS data.

amongst managerial, professional and associate professional occupations. In the first and last of these categories the rate of employment increase for females is twice that for males. Almost all of the increases in employment projected for clerical and secretarial, personal service and sales occupations will be for females. Many of these jobs will be part-time. The rates of growth in the latter two categories are however projected to be much slower than during the early 1980s.

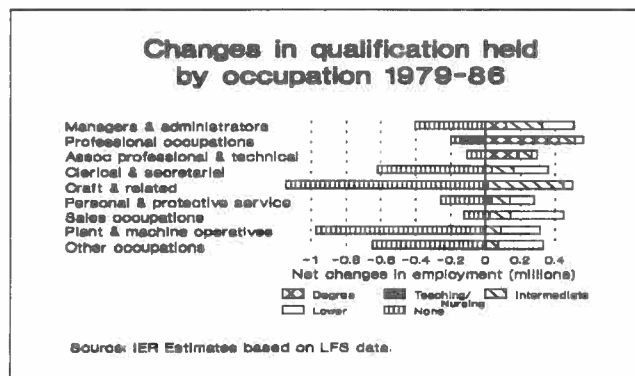
Skill shortages

The forecasts outlined are based upon applying projections of occupational employment shares within industries to projected industrial employment levels produced using a detailed multisectoral macroeconomic model. Past values of these coefficients are obviously the outcome of both supply and demand influences on employment structure. However, assuming employers have not been unduly constrained from the supply side, (and this does not seem an unreasonable assumption given the generally high levels of unemployment in 1971, 1981 and 1987) these coefficients can probably be regarded as primarily reflecting changing demand patterns.

currently available, which has been used to develop the occupational case studies. The key points identified for each of the main occupational groups are summarised in the remaining discussion.

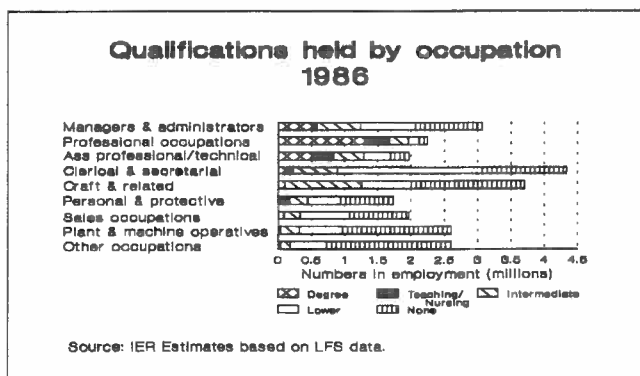


There is regrettably no corresponding information which can currently be drawn upon to reflect the supply side of the picture, although the Institute is currently attempting to remedy this situation using data from sources such as the **Labour Force Survey**. However some tentative conclusions can still be drawn on the basis of the *ad hoc* information that is



In the case of **managers and administrators**, it seems likely that the demand for "high fliers" will continue to grow and that some shortages may arise, especially for corporate managers and administrators. The declining numbers of graduates caused by demographic changes, coupled with the general growth in demand for such personnel, seems likely to cause a number of recruitment problems. For managers and proprietors of small businesses in services and agriculture, some increase in demand is also anticipated but this is itself largely dependent on supply side factors (ie. whether individuals continue to be willing to undertake the risks of setting up small businesses).

Amongst the **professional occupations**, demand is also expected to grow substantially. All groups other than education professionals are expected to see employment grow by more than 2 per cent per annum. This is in contrast to the supply side, where again the prospective decline in the flow of new graduates promises a sharp tightening of the labour market in many cases. The most likely areas where shortages will be a problem are those such as electronic engineering, business studies and economics and computing which are already facing severe difficulties. Because of the general tightening of the labour market for graduates, even those areas where smaller increases in demand are anticipated may experience problems, especially if relative pay levels are such that young entrants are not attracted into the profession. This could, for example, cause acute difficulties in some teaching professions. There are already problems in finding secondary teachers in subjects such as languages, mathematics, etc., while universities are finding it increasingly difficult to recruit and retain top quality personnel for many scientific and business related disciplines.



The situation for **associate professional and technical occupations** is in many ways similar to that for professionals.

Demand is projected to rise while the number of new entrants is likely to fall sharply. In this context it is likely that recruitment and retention problems will increase, especially in those areas where employers have failed to properly address problems of declining relative pay and conditions of employment. At the present time there are high rates of turnover in some occupations, notably nursing, particularly in the more buoyant local labour markets. With the onset of a demographic downturn in numbers of young people, more attention will have to be devoted to considering new recruitment channels. The situation for nurses will at least in the short term be exacerbated by "Project 2000" which involves radical reorganisation of the way training is organised "on the job". Greater emphasis on computing skills is likely to be a feature across a wide range of occupations, and particularly in the more specialist occupations there may be growing pressures to concede professional status.

Skill shortages seem unlikely to be very important amongst **clerical and secretarial occupations**. The overall numbers are expected to grow slightly but it seems likely that increasing supply of labour, particularly by women wanting part-time work, will at least keep pace with demand.

Amongst **craft and skilled manual occupations** employment has been in decline for many years, yet apparently shortages still persist. This seems to reflect the failure to train sufficient numbers of new entrants into such occupations, together with the loss of skilled persons as they have been attracted to other jobs as a result of falling relative pay. It is likely that recruitment problems and skill shortages encountered currently will increase. In the immediate future, the most severe difficulties will probably be for construction craftsmen, particularly in certain parts of the country such as the south east.

Demand for **personal and protective service occupations** is expected to continue to rise during the 1990s especially for females in personal service occupations. In total, employment is projected to increase by 170 thousand. Given the anticipated growth in female labour supply, employers are not however expected to face serious problems in meeting their labour requirements, indeed there may well be further downward pressure on the relative pay of those in personal service occupations. The main caveat to this relates to the impact of the declining numbers of young people aged 16-19 entering the labour market. This may pose particular problems for employers trying to maintain, or even raise, entry standards (as measured by the possession of formal qualifications). This seems more likely to be a problem for protective service occupations than for personal service occupations.

Sales occupations as a whole seem unlikely to face significant shortages. This group is mainly comprised of relatively

low skill jobs such as sales assistants and checkout operators. Demand is only expected to grow slightly and will mainly affect part-time females. There are however some more skilled categories also included in this group for which the situation may be different. However the latter also include such occupations as brokers who are currently still suffering from the aftermath of the 1987 stock market crash.

The overall demand for **plant and machine operatives** is projected to decline during the 1990s although the rate of job loss is expected to diminish compared with the 1970s and early 1980s. In total, about 80 thousand jobs are expected to be lost, a decline of around 7 per cent. Changes in the industrial structure of employment and further technological developments, such as the application of information technologies on fixed plant and increases in vehicle capacities, will both result in fewer persons being required than in the past. Some further increase in the proportions of self-employment and those holding formal qualifications is expected. Given the overall state of the labour market significant skill shortages seem unlikely and indeed some further deterioration in relative pay seems in prospect.

A similar picture is expected for **other occupations**. This group comprises "other occupations in agriculture" (mainly farm workers) and "other occupations excluding agriculture" (which includes labourers and cleaners working in all other industries). For the former demand has been in steady decline for many years reflecting the reduction of total employment in agriculture, as a result of mechanisation, technological innovation and reorganisation of the industry. These trends are expected to continue into the future. Job losses in the agricultural sector will impinge heavily on this category with a further loss of 24 thousand jobs. In this light, general problems of skill shortage seem unlikely and as for the previous group relative pay levels are also likely to continue to decline.

The non-agricultural category has experienced steady job losses in recent years, particularly for males. This has been partly a consequence of the decline of employment in certain industries such as manufacturing and construction, but more importantly due to declining proportions employed in labouring jobs in most sectors, as a result of a continuous process of mechanisation and technological improvements. This decline for male labourers has however been offset to a considerable degree by the growth of females working part-time in cleaning jobs. Further job losses are expected in the 1990s. These are likely to affect males rather than females however, for whom some further growth in part-time employment opportunities is expected. Given the prospective growth in female participation in economic activity and the general state of the labour market it is however unlikely that employers will face recruitment problems.

Individual Occupational Studies

The overall review of the economic and occupational developments in Volume 1 of the Review is complemented by a number of separate occupational studies contained in Volume 2. These provide a more detailed analysis of developments within individual occupational groups. Together they provide a detailed assessment of the way in which the labour market for each occupational group has been operating and

what future developments are in store. The issues which are important vary from one occupational group to another, but they include such things as: the fragmentation of tasks and growth of part-time working; sub-contracting and the increase in self-employment; credentialism, screening, "filtering down" and the rise in the proportion of those in the workforce holding formal qualifications; and changing patterns of pay and hours of work.

Review of the Economy and Employment 1988/89

Volume 2: OCCUPATIONAL STUDIES

- | | |
|---|--|
| 1. Managers and administrators | 6. Personal and protective service occupations |
| 2. Professional occupations | 7. Sales occupations |
| 3. Associate professional occupations | 8. Plant and machine operatives |
| 4. Clerical and secretarial occupations | 9. Other occupations |
| 5. Craft and skilled manual occupations | 10. Construction occupations |

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THE INSTITUTE

The Institute for Employment Research was established by the University of Warwick in 1981. The fields in which the Institute aims to promote advanced study and research include

- the macroeconomic, industrial and spatial factors affecting employment
- the relationship between the labour market and the rest of the economy
- labour market behaviour and policy
- developments in population, education, training and household behaviour affecting the labour market
- comparative international research in relevant areas.

The Institute has grown out of the former Manpower Research Group which was created in 1975 with a major programme grant from the Manpower Services Commission. This followed previous research in the general field of labour economics and employment forecasting. Since 1978, assessments of the economy and employment at a highly disaggregated level have been prepared each year. This work gave rise to the publication of *Britain's Medium-Term Employment Prospects* (1978) and *Economic Change and Employment Policy* (1980). The *Review of the Economy and Employment* was first published in 1981 in order to make the findings of the assessment available more widely on a regular basis and to stimulate discussion about the changing structure of employment and its implications for policy.

The Institute, directed by Professor Robert Lindley, has a staff of 30 of whom 17 are full-time academic researchers, including economists, geographers and sociologists. While the majority of the Institute's work is rooted in applied economics, the range of research is diverse and includes quantitative economic analysis using time series and large scale cross-sectional survey data; survey-based sociological research; and studies of labour market behaviour based on in-depth interviews.