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Bulletin
Institute for Employment Research

OCCUPATIONAL ASSESSMENT, 1994-2001

Improved Macroeconomic Prospects

• Modest recovery

The UK economy is undergoing a sustained recovery from the prolonged recession of the early 1990s. The pace of change has generally remained modest compared to previous upturns, although it accelerated rapidly in mid-1994. The Government's aim of phasing in tax increases in order to avoid over-rapid expansion appears to be paying off but some concerns about inflation remain.

• Export prospects remain good

The international environment remains relatively good, with recovery from recession in many other developed economies well underway. This suggests that the longer-term outlook for UK exporters is likely to remain positive in the years ahead, although the impact of import growth will increase after 1995 as domestic spending is expected to take on a more significant role.

• Return to long-term rates of growth

The growth of GDP in 1995 is forecast to be just under 3 per cent, considerably slower than the 4 per cent growth rate during 1994. Thereafter, there is expected to be some slowing as the tax increases announced in the 1993 budget, together with the relatively neutral budget of 1994, take effect. Over the longer term, the economy is projected to grow annually at a rate of around $2^1/_2$ per cent.

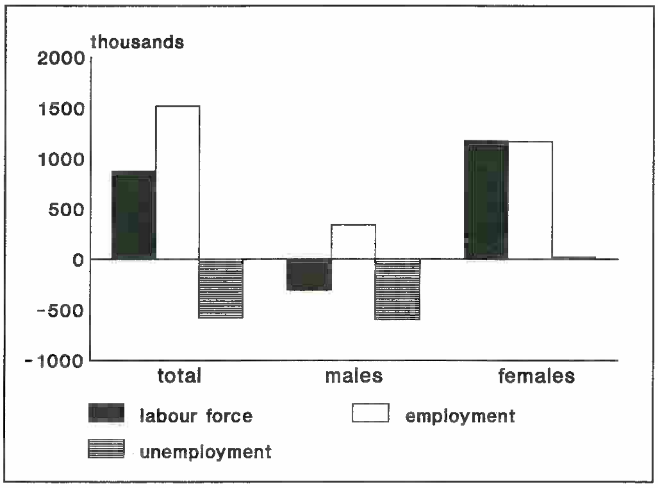
The balance of payments is expected to show a gradual improvement from a deficit of almost 2 per cent of GDP in the early 1990s to a surplus by the end of 1995. The main source of the improvement is an increase in exports for manufactured goods as a more competitive sector manages to hold its own in world markets. However, as export growth eases, the current account is projected to worsen again by the turn of the century.

Employment and Unemployment

• Modest reduction in unemployment

Unemployment continued to fall through 1994. Employment figures suggest that this reflects, for the most part, a reduction in the workforce particularly for males. Further reductions in unemployment are expected as the economy picks up but these are not likely to be dramatic.

Figure 1
Changes in Labour Force, Employment and Unemployment, 1994-2001



- ## Growing labour force

The labour force is projected to rise steadily over the forecast period. This is mainly accounted for by long-term trends related to increasing female participation rates, particularly for those aged 25-50, but 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 28.8 million and unemployment to remain above 2 million. This is despite employment rising moderately over the forecast period, with the bulk of the increase representing cyclical recovery rather than long-term growth. Most of the additional jobs are expected to be taken by women and to be part-time. Male full-time employment is expected to decline.

Continuing Structural Change

The structure of employment is expected to remain in line with previous assessments by the Institute. Industrial employment prospects will continue to be influenced by technological change, specialisation and productivity gains, changing patterns of demand for goods and services and shifts in international competitiveness. The way in which work is organised, including the occupational structure of employment, will also be influenced by these determinants. The relative importance of each factor will vary from industry to industry and from occupation to occupation. Sometimes, the impact of the changing patterns of industrial structure on employment will reinforce the organisational effects but it may also be the case that they work in opposite directions.

- ## Continuing decline in manufacturing employment

The recent shifts from primary and manufacturing industries to the service sector is likely to continue, reflecting differential productivity performance, reorganisation of work (sub-contracting, etc.), changing patterns of final demands and many other influences. For example, despite the projected increases in employment in the manufacturing sector over the short term, this sector is expected to continue to lose jobs over the remainder of the decade albeit at a slower rate of decline than during the early 1990s. Strong growth in productivity is expected to outweigh the buoyant output projections, resulting in a reduction of around 200 thousand jobs between 1994 and 2001.

- ## Further expansion for services

On the other hand, employment in the service sector is expected to grow substantially, particularly in distribution, hotels etc., other services and in health and education. This is consistent with shifts in the pattern for goods and services provided by this sector but also reflects relatively slow rates of productivity growth.

- ## More jobs for women

The growth of the service sector has benefited female employment prospects but the decline in the primary and manufacturing industries has led to the loss of full-time jobs for many male employees. This has been reinforced by a tendency for women to increase their share of employment in most jobs, whatever the industry or occupation.

Figure 2
Changes in Industrial Employment, 1994-2001

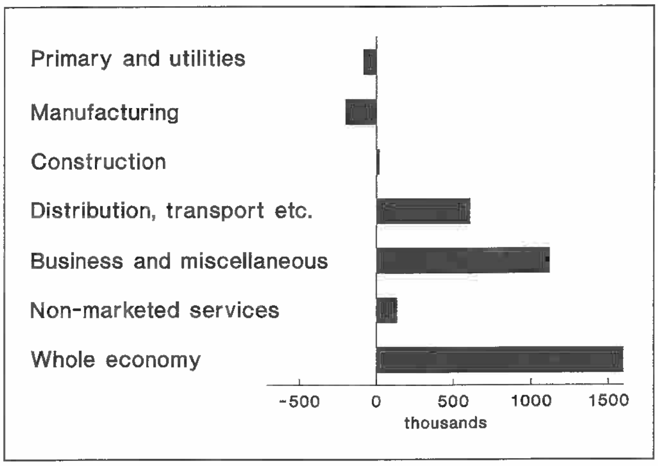


Figure 3
Changes in Employment Status, 1994-2001

- **And for part-time workers**

This shift in industrial structure is also likely to lead to a disproportionate number of the additional jobs being in part-time working. In addition, it is probable that a considerable number of jobs with low pay and status will be created, although long-term trends in the occupational structure identified in previous *Reviews* - growth of managerial and professional occupations, an increasing proportion of women taking higher level jobs, the decline of traditional blue collar jobs especially at the lower end of the spectrum - suggest that not all of these part-time posts will be low status ones.

- **Self employment growing too**

Self employment increased steadily during the 1980s. This upward trend is expected to continue over the medium term, despite evidence which points to a decline in the early 1990s. Many factors encouraging self employment are anticipated to play a role in the next few years, with the result that over 400 thousand additional self-employed persons are projected between 1994 and 2001.

Changing Skill Requirements

The general patterns of occupational employment and the main trends over time remain broadly the same as described in previous *Reviews*. The most noticeable amongst these are the growth in high skill, white collar employment (especially for women) and the decline of low skilled, manual jobs. A substantial increase in the numbers in managerial, professional and associate professional jobs is expected while the outlook for those with craft skills, plant and machine operatives and unskilled labourers is much less optimistic.

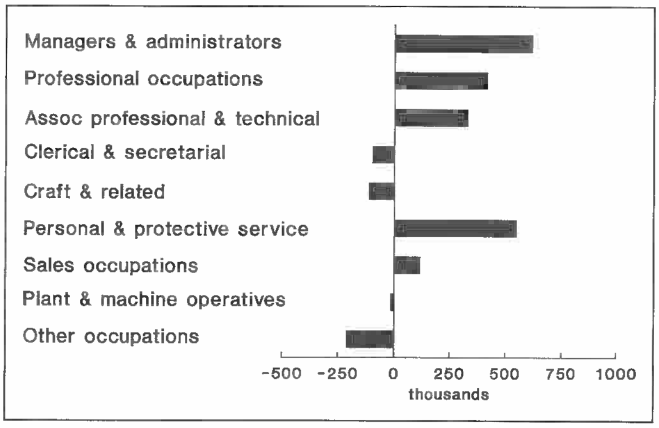
- **More jobs for managers despite delayering**

An increase of over 600 thousand managerial jobs is projected between 1994 and 2001, with especially large increases for women. Organisational and technological changes, encouraging an increasing share of these occupations in most industries (occupational effects), are more important than changes in industrial structure (industrial effects) in explaining these developments.

- **Good prospects for professionals**

The number of jobs for professional occupations is projected to increase by over 400 thousand by 2001. Both occupational and industrial effects are important but the former plays a more significant role than the latter. For those employed in health and education services, government policy and its implications for public expenditure in those sectors is the driving factor. The associate professional occupations are also expected to grow substantially over the forecast period.

Figure 4
Changes in Occupational Employment, 1994-2001



- **Job losses amongst secretarial and clerical workers**

During the recession, employment levels plummeted in clerical and secretarial occupations as the effects of new technologies made themselves felt. This trend is expected to proceed and the prospects for the next decade are for a further decline of over 90 thousand jobs. Replacement demand to meet gaps caused by retirement etc. will mean that there will be plenty of opportunities for new entrants, however.

- **Mixed fortunes for skilled crafts**

In the craft and skilled manual occupations, some growth is forecast for skilled construction trades. In contrast, a substantial decline is projected for skilled engineering trades despite rising output levels. Other skilled trades will also suffer job losses, although the rate of decline in this category will be less than the former. Industrial effects together with technological and other changes are removing the need for such skills so that a continuation of past patterns of a steady decline may be anticipated. Somewhat paradoxically, skill shortages may emerge if the flow of new entrants, put off by poor longer-term prospects, fails to match losses due to retirement etc.

- **Expansion amongst personal service occupations**

In contrast, considerable growth is projected for personal and protective services, with the former category benefiting the most. Many of the additional jobs will be taken by women and in the personal service category will be part-time. This reflects the growth expected in various marketed and non-marketed services such as leisure, tourism, health and education.

- **Cyclical recovery for sales occupations**

Employment in sales occupations fell during the recession but it is expected to pick up as the economy strengthens, although the increases are likely to be modest compared to those of the 1980s. However, most of the additional jobs will be concentrated in the less skilled sales category and are likely to be part-time.

- **Decline for operatives and unskilled groups**

Employment in the plant and machine operatives group decreased sharply during the 1980s and the early 1990s. This is a similar picture to that for craft and skilled manual occupations. However, with the economy strengthening, employment is expected to remain relatively constant over the forecast period. Finally, the 'other occupations' group, comprising unskilled labourers, cleaners, etc. is projected to experience further job losses, with occupational effects as the key factor driving this process.

More Detailed Analysis

The complete results from the Institute's latest occupational assessment can be found in the *Review of the Economy and Employment 1995: 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. More detailed analysis for particular occupations will be available in a series of *Occupational Studies* to be published later this year.

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