

# **Assessing the Reliability of Labour Market Forecasts**

Tony Meagher

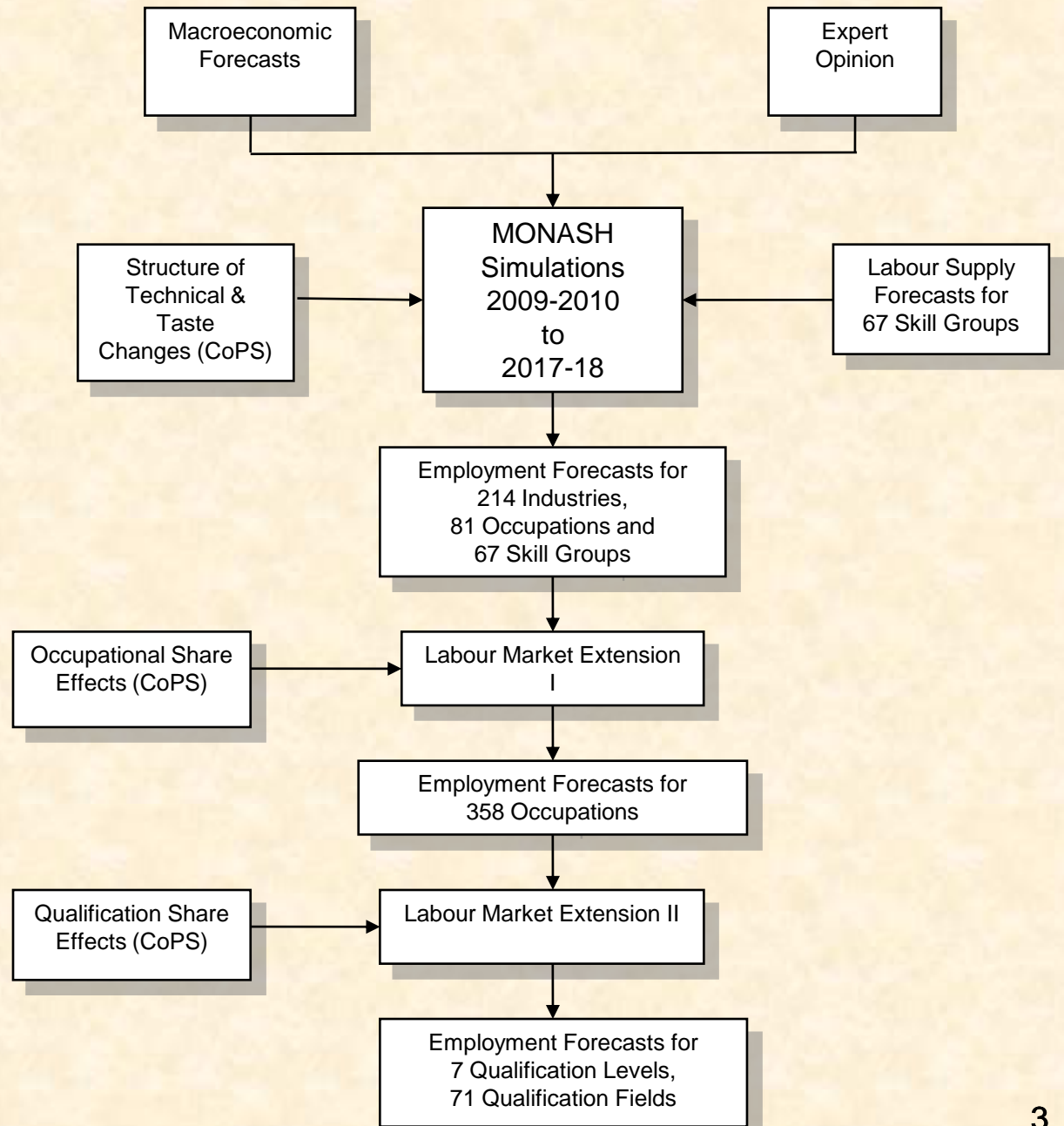
Centre of Policy Studies, Monash University

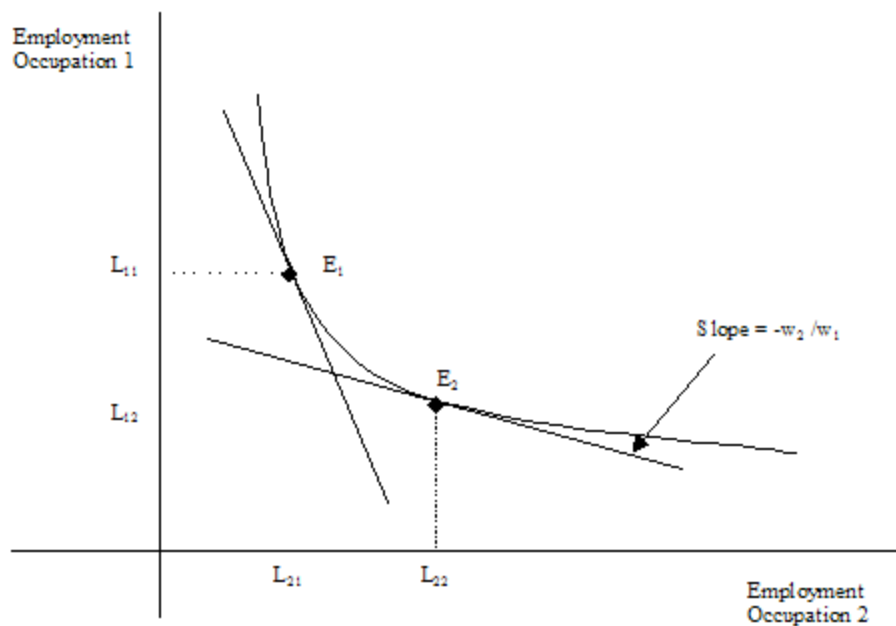
International Symposium on Employment and Skills Forecasting,  
University of Warwick, September 29, 2011

# Plan of presentation

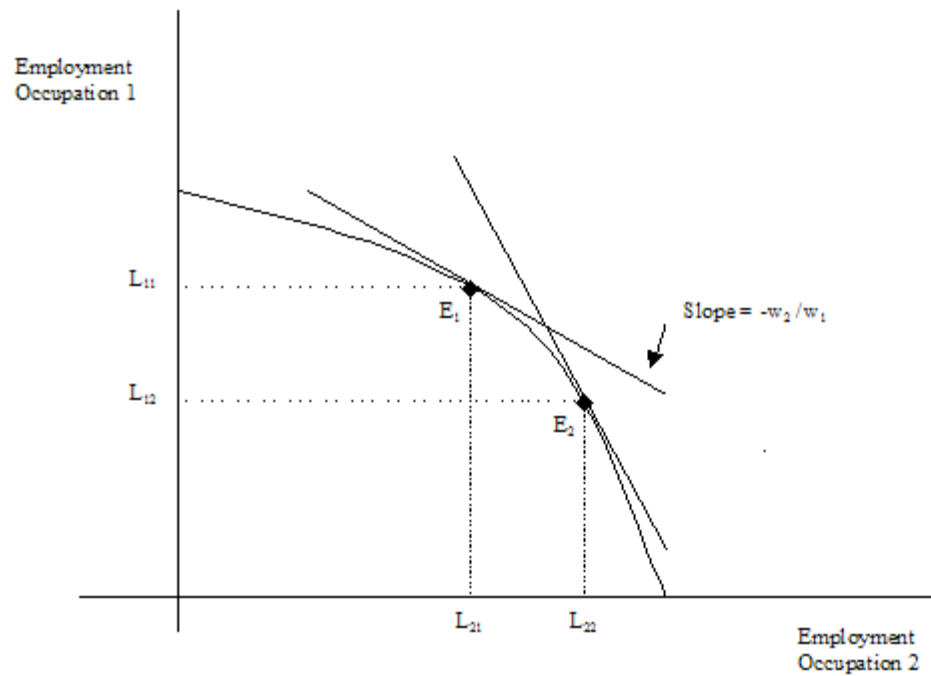
- Structure of the MONASH forecasting system
- Reliability of the MONASH forecasts: track record
- Reliability and the context of labour market forecasting

**Figure 4.  
The MONASH  
Forecasting  
System for  
Tight Labour  
Markets**





***Industry substitution between occupations:  
106 industries and 81 occupations***



***Skill transformation between occupations:  
64 skills and 81 occupations***

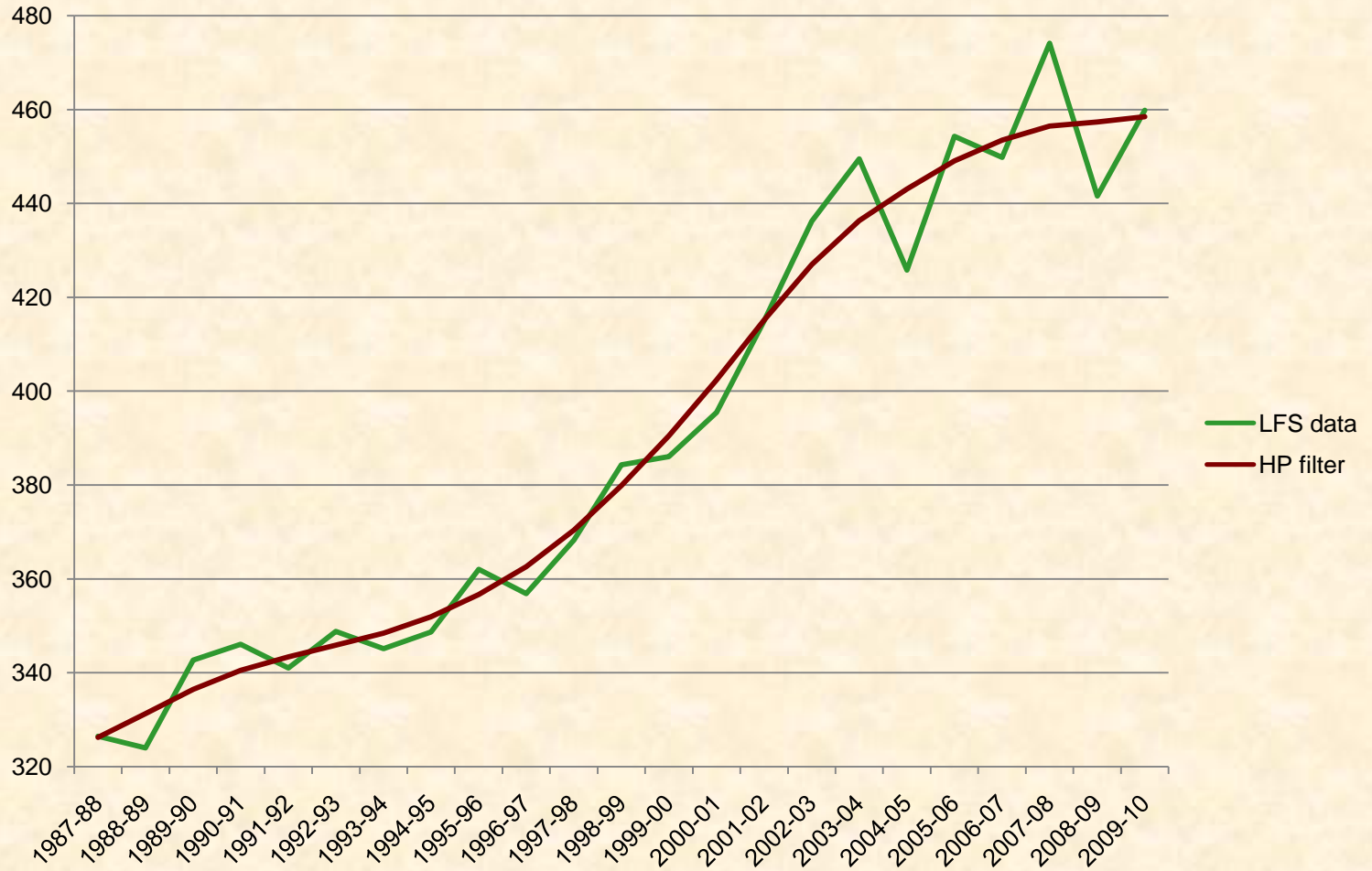
# The MONASH track record

- Industries and occupations (Table 1)
- States and Territories (Table 2)
- Historical comparison (Table 4)

# Comparative performance of MONASH forecasts

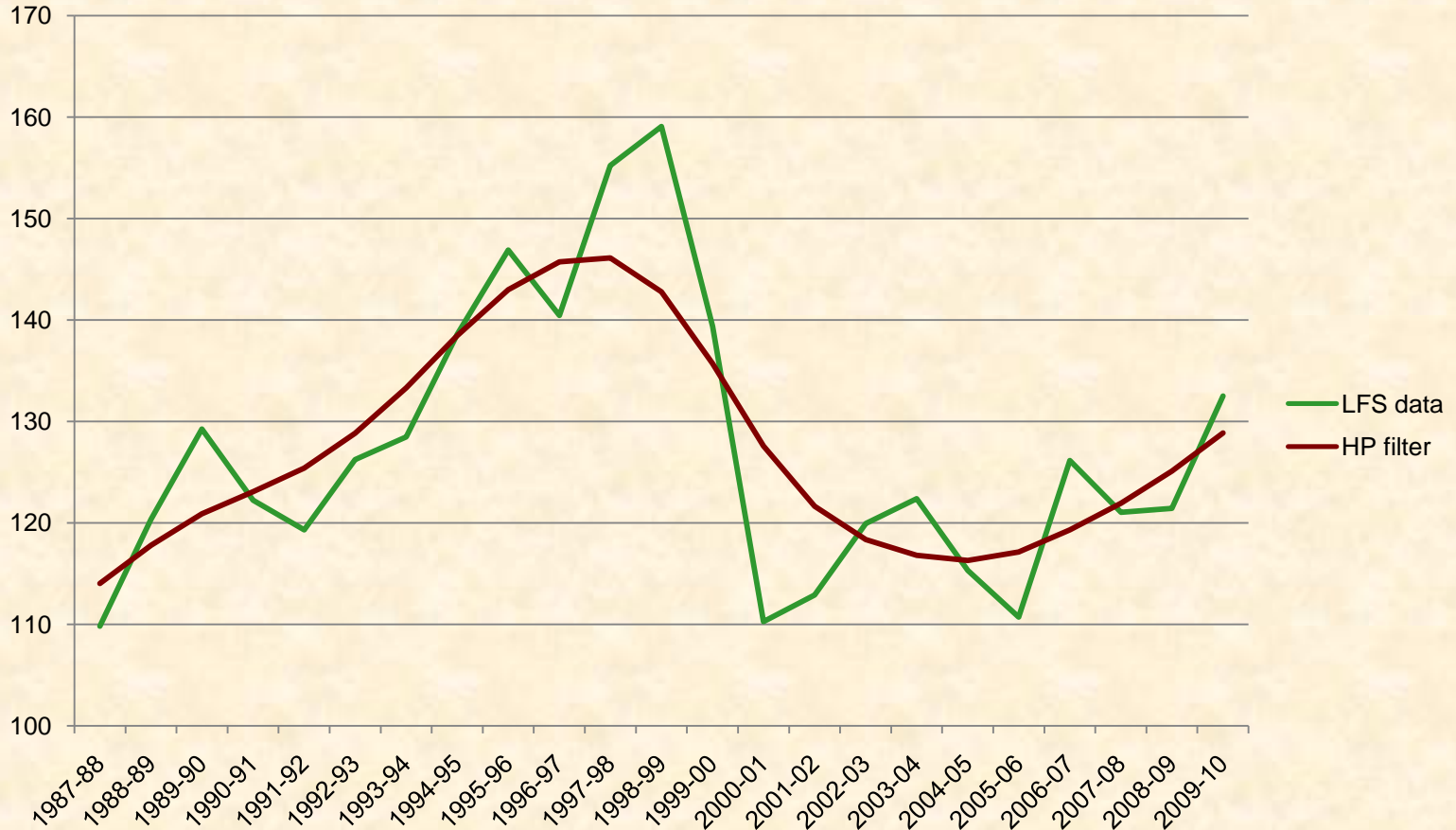
- Trend extrapolation (Table 3)
- Alternative LFS sample (Table 1)
- Hodrick-Prescott filter (Table 3)
- Historical comparison revisited (Table 4)

## School Education, Australia, Thousands

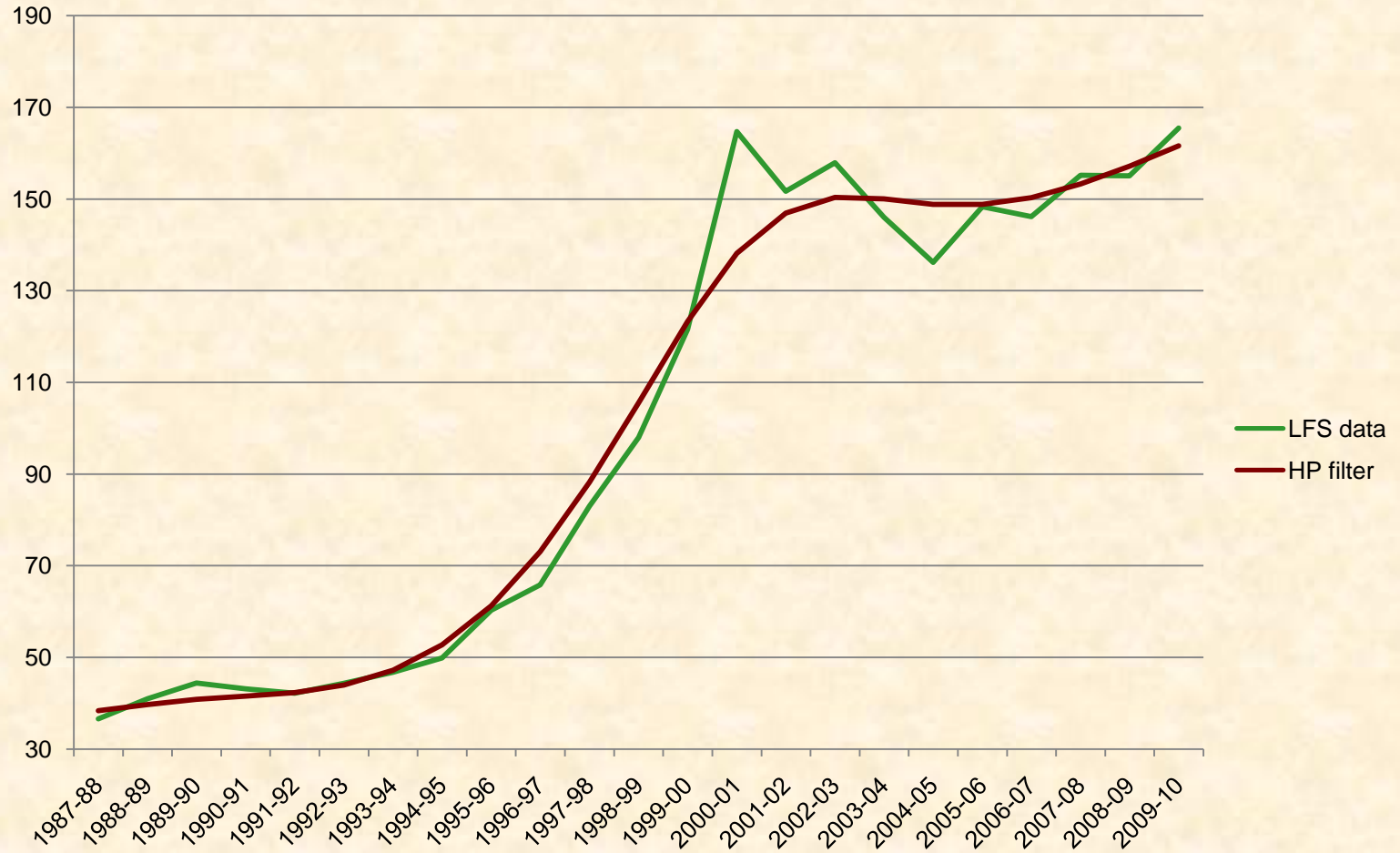




## Machinery and Equipment Wholesaling, Australia, Thousands



## Computer Services, Australia, Thousands



# Reliability in context I

Proposition 1. In choosing between different forecasting methodologies, all alternatives should be subject to the same criteria regarding reliability.

Proposition 2. If a workforce development strategy is to equip the workforce with the skills it will need to meet the future needs of industry, the strategy must identify what the future needs of industry are going to be.

Proposition 3. In determining what skills are required to meet the future needs of industry, structural linkages are important.

# Reliability in context II

Proposition 4. To the extent that the distribution of training resources is left to market forces, labour market forecasting has a valuable role to play in providing the economic agents involved with information on which to base their decisions.

Proposition 5. Whether or not a particular occupation (or skill) constitutes a bottleneck to economic growth is a property of the state of the economy and not a property of the occupation.