

**“The future of the work and its impact on
vulnerable people:
10 years of the Incorpora Program”**

Future Prospects for the Labour Market

Inaugural session of the cycle of seminars in the Palau Macaya
Date: 24th February (09:15 – 12:30)
Palau Macaya, Conference Hall (Passeig de Sant Joan, 108,
08037 Barcelona)

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OVERVIEW

1. **WHY produce employment forecasts?**

The value of skills projections and their limitations
- What skills forecasts can and cannot achieve

2. **HOW do we go about it?**

3. **RESULTS: Key messages** from the Cedefop Projections for the whole of the EU and for Spain

1. WHY FORECAST?

Why Not?

Forecasting is *impossible*
Forecasting is *unnecessary*
Forecasts are *inaccurate* and
based on *invalid assumptions*
(They are *illegal*
(at least in the UK!))



Act Against Conjuration, Witchcraft and Dealing with Evil Spirits

First enacted during the reign of James I, partially repealed in 1736, but nevertheless:

“prediction of the future is illegal as are any pretence to such arts and powers whereby ignorant people are frequently deluded and defrauded”

However, practitioners were no longer condemned to death:

“shall for every such offence suffer imprisonment for the space of one whole year without bail, and once every quarter of the said year shall stand openly in the pillory for the space of one hour”

However.....

Fortunately for UK forecasters at least this was further amended more recently in:
the **Fraudulent Mediums Act, 1951**
in which such activities are excused if:

“done solely for the purposes of entertainment”

Is systematic anticipation possible?

Nobody can **predict** the future with certainty or precision –
“All forecasts are wrong!”

Everybody can prepare or **plan** for the future - Government, employers, educational institutions & individuals

These plans and related decision help to determine actual outcomes – such planning involves some element of forecasting: either implicitly or explicitly

In this sense not only is forecasting **possible** it is **inevitable**

Comprehensive, systematic, consistent projections, based on explicit and transparent assumptions provide useful information for all labour market participants, helping to inform all those making choices & decisions

Is Forecasting Necessary?

Rapid change, uncertainty & evidence of market failure

Long lead times on investment decisions such as education and training choices

Need for a regular and systematic assessment of future prospects to:

- guide & inform policy formation;
- guide & inform individual decision making;
- avoid future imbalances & mismatches;
- need for a counterfactual to assess policy or different choices

The only meaningful questions are therefore **how**, by **whom** and with **what end** in mind?

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So, Forecasts: Who Needs Them?

A Variety of audiences

The State - planners/policy makers

Education and training providers

Companies/Employers

- labour market pressures

- other reasons

Individuals: career choices

Careers advisors

Aims & objectives

Understanding past trends

Future employment prospects:

Numbers employed by sector & occupation -job openings

Education and training requirements - qualifications and skills needed

Supply/demand balances (including terms and conditions of employment (pay))

Caveats:

Implicit assumptions about the labour market

Not mechanistic manpower planning

Focus on the formal economy

The Future is not fixed or predetermined

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2. HOW WE FORECAST

Folk-lore – Crystal balls and other methods!

More systematic approaches:

- Quantitative computer models
- Delphi techniques
- Scenario development



How to Forecast / Anticipate

Formal, quantitative models:

- Extrapolation of past trends
- Time series methods
- Need for behavioural content

Other approaches:

- quantitative & qualitative
- surveys
- scenario development

Key elements:

- Where are we now?
- What happens next?

Advantages of quantitative modelling

Natural desire to quantify, measure and evaluate:

- Benefits of a formal model
- Value of benchmark forecasts

Technological progress and statistical infrastructure

International best practice - Quantitative modelling approaches, based on macroeconomic, multi-sectoral models

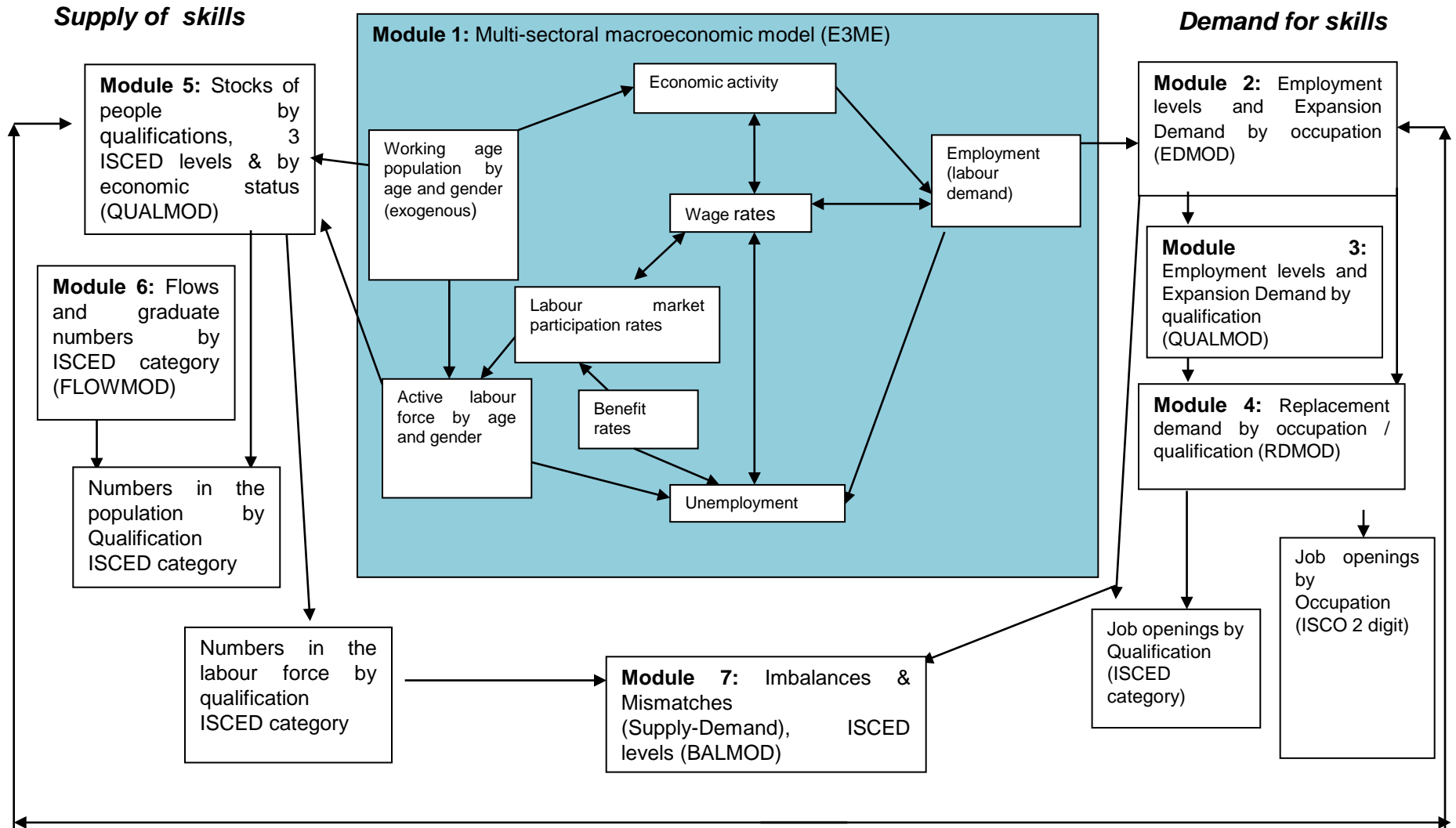
The CEDEFOP framework for skills forecasting in Europe

Developments in the labour market are crucially dependent on what happens to the economy more generally

The typical quantitative modelling approach therefore involves two key elements:

- Multi-sectoral macroeconomic model
- Modules to translate the results into implications for skills demand and supply

Overall approach – modelling framework



Role of the E3ME multi-sectoral macroeconomic model

Model the links between the labour market and the wider economy

Provide a consistent modelling framework for projecting skills demand and supply together
allows analysis of imbalances (unemployment)

Take key drivers into account

e.g. the impacts of the financial crisis and demographic change

Include analyses of key uncertainties

develop alternative scenarios to see how these will impact on skills in the future

3. KEY RESULTS

The future of employment – the rise of the Professionals

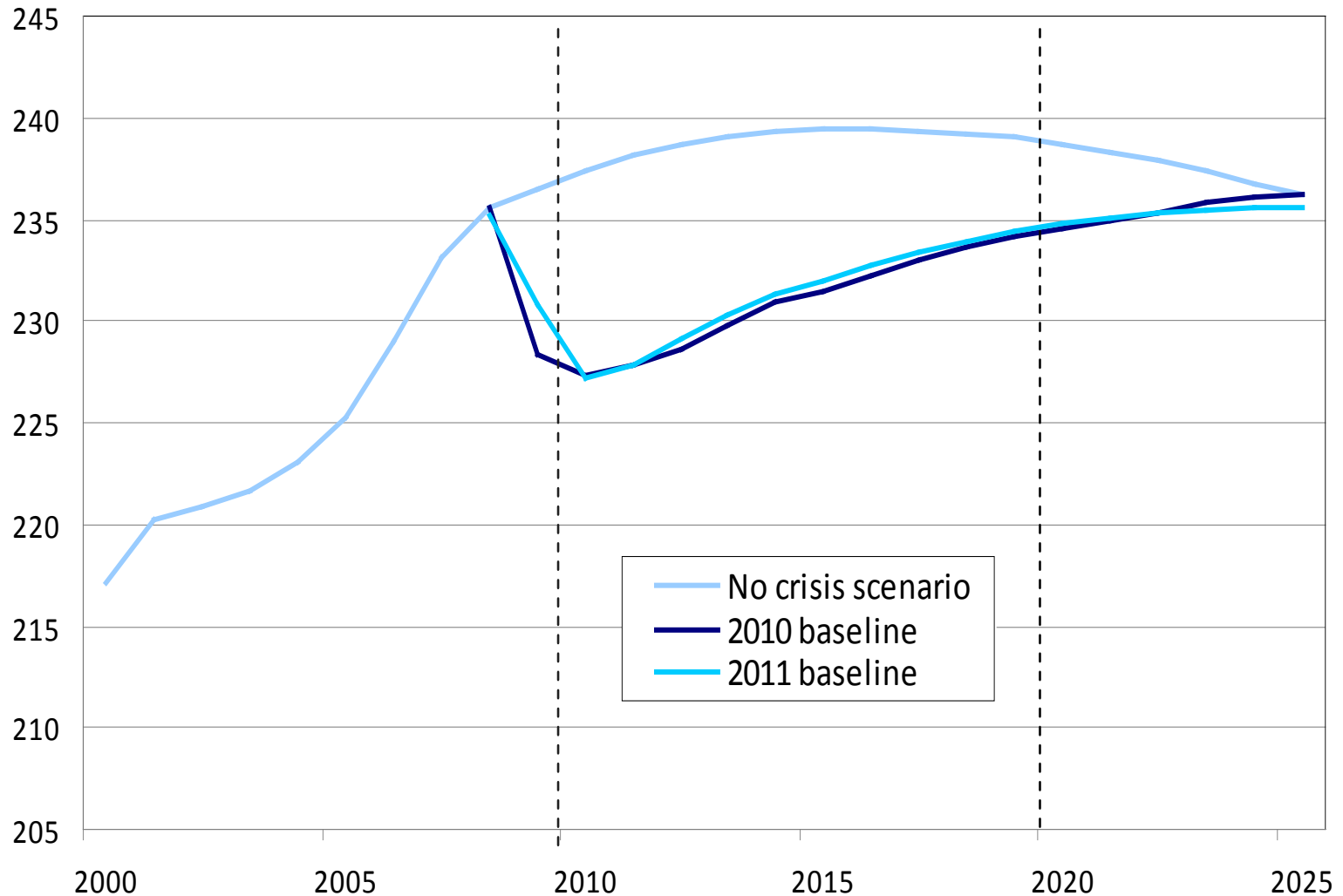


Key issues and drivers

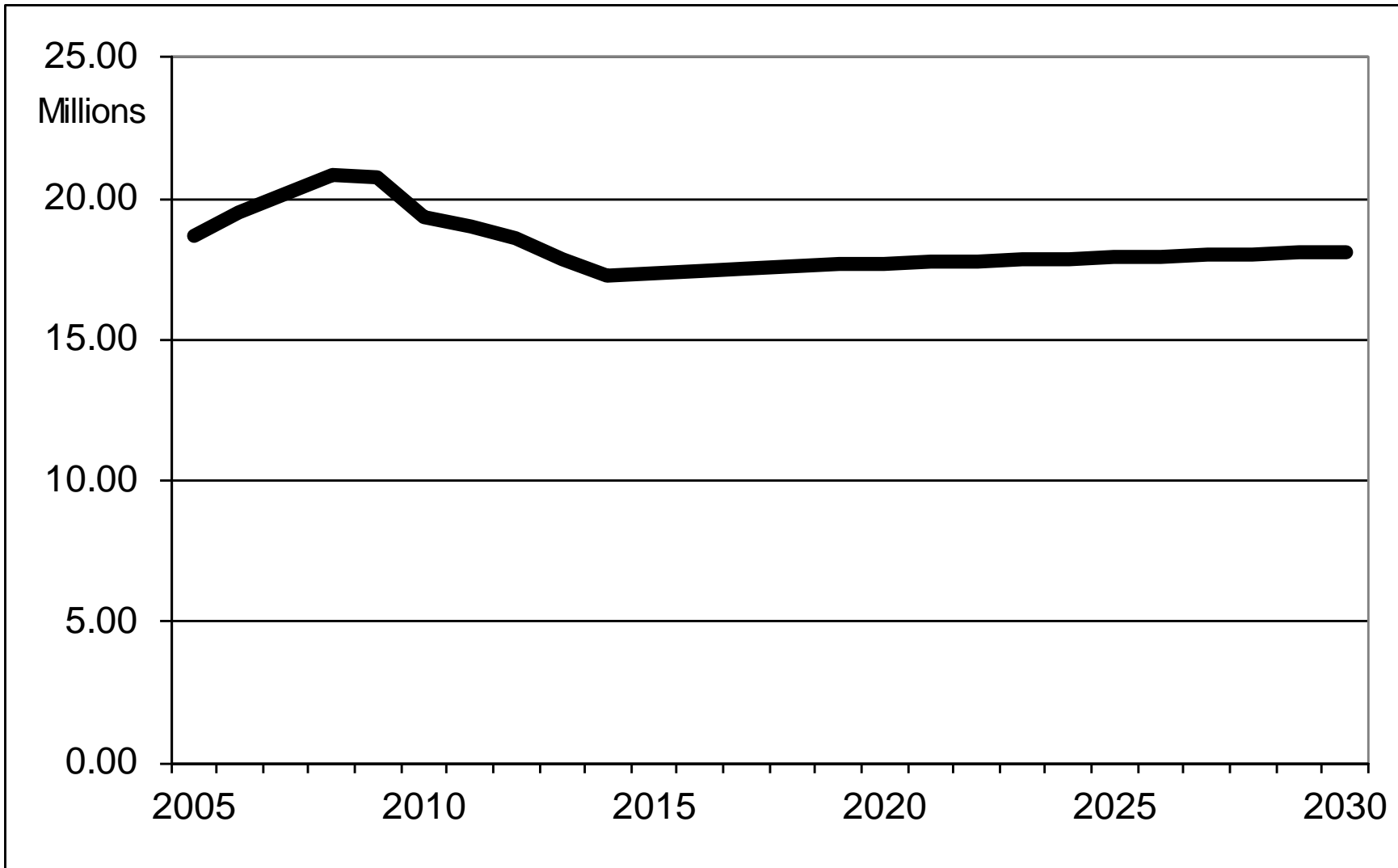
Driver	Demand: employment trends	Supply: labour force trends
Government spending	✓	
GDP forecast	✓	
Competitiveness & trade	✓	
Technology & innovation	✓	
Ageing population	✓	✓
Higher statutory retirement age		✓
Migration		✓
Education policy		✓
Gender equality		✓

Macroeconomic Impact of the 2008 financial crisis (EU)

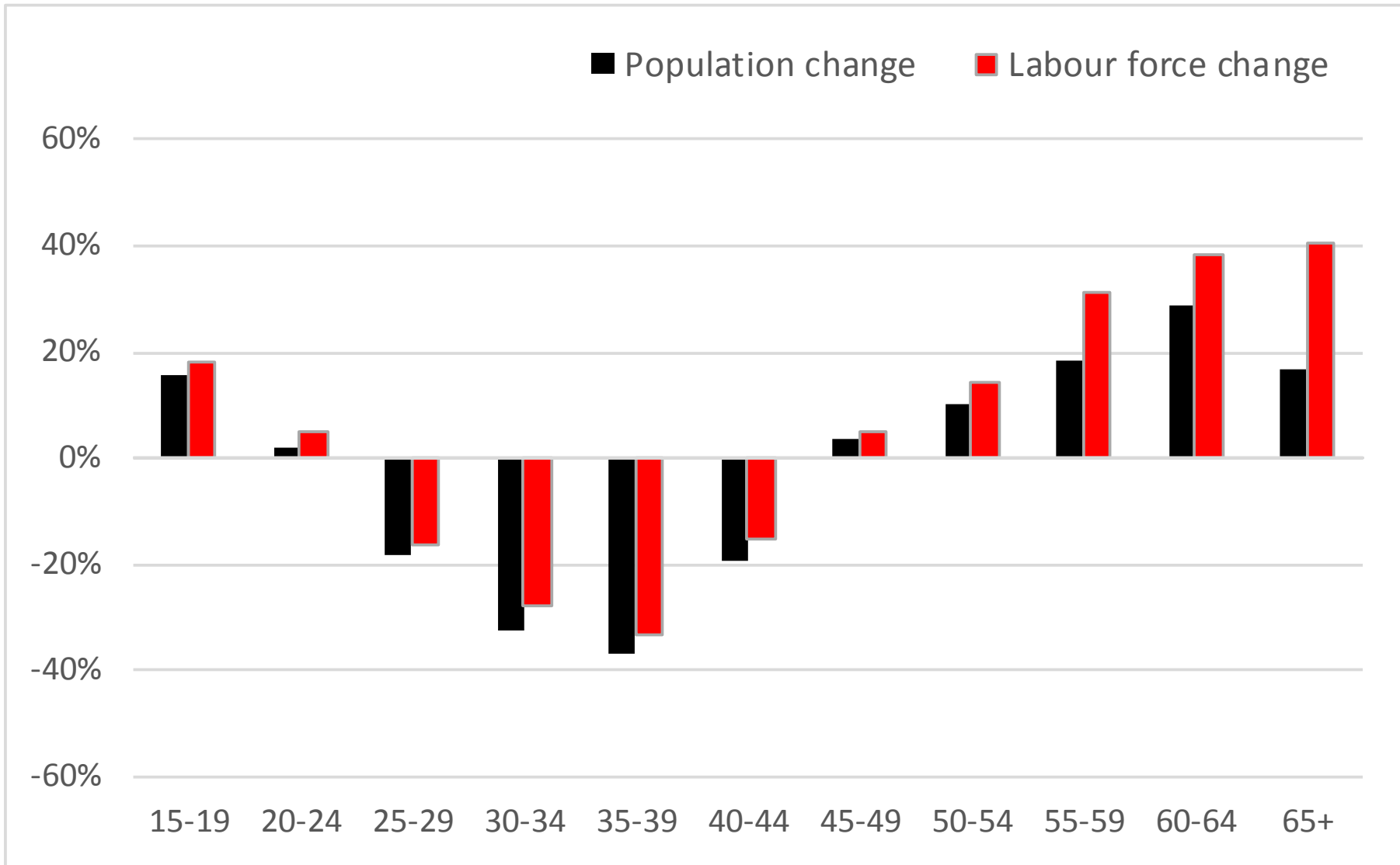
Million jobs



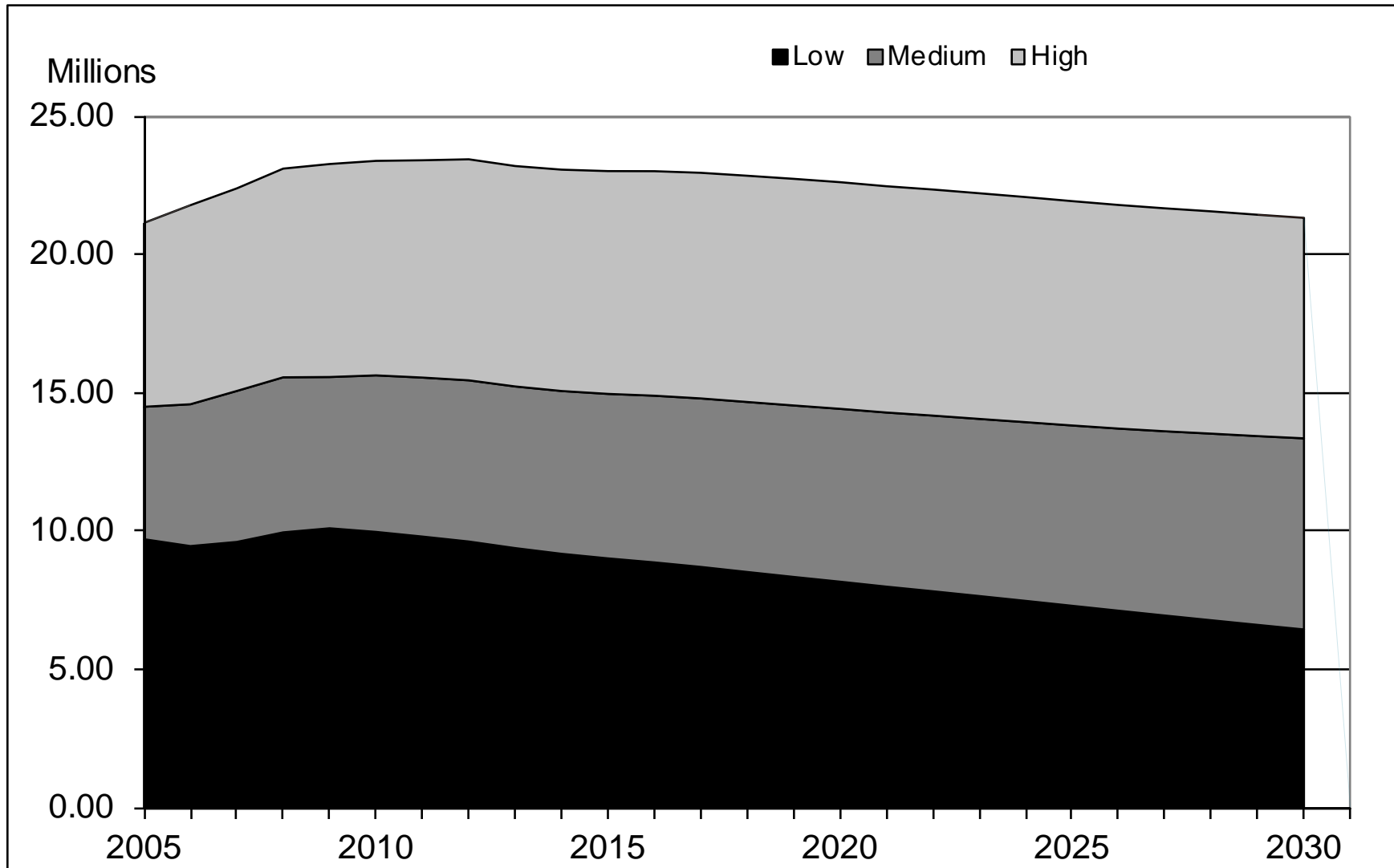
Employment prospects, 2005-2030: Spain (ES)



Demographics, 2015-2025 (ES)

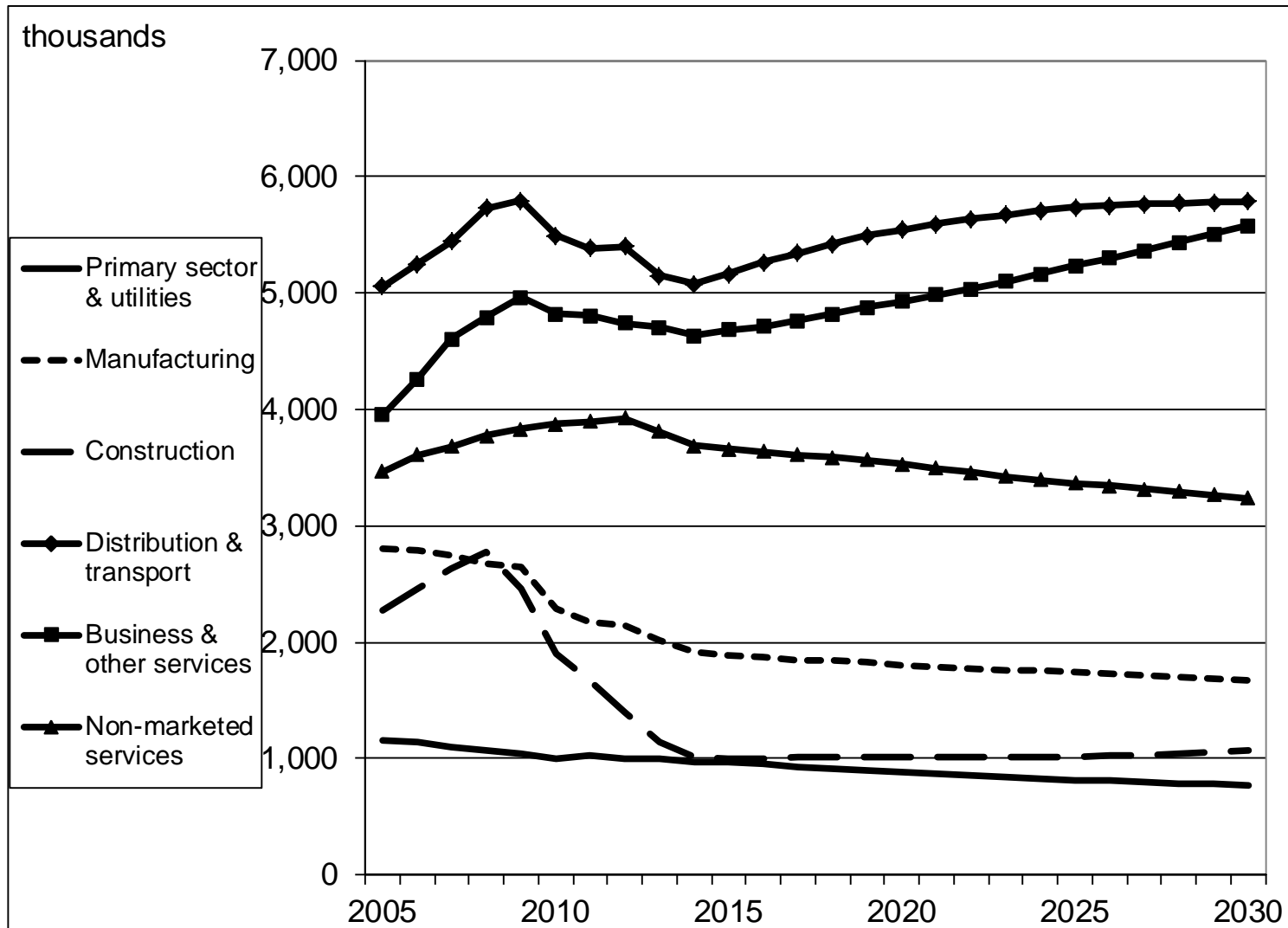


Declining labour force (falling population) but increasingly well qualified (ES)



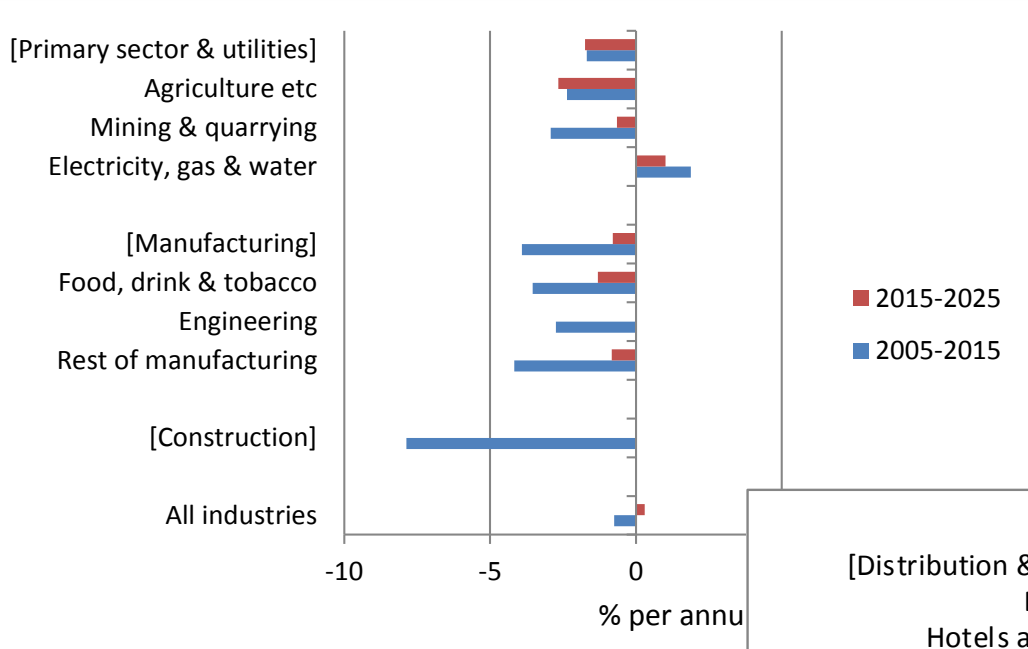
Slow, but significant and inexorable sectoral change (ES)

The Service Sector will continue to provide the main source of job growth

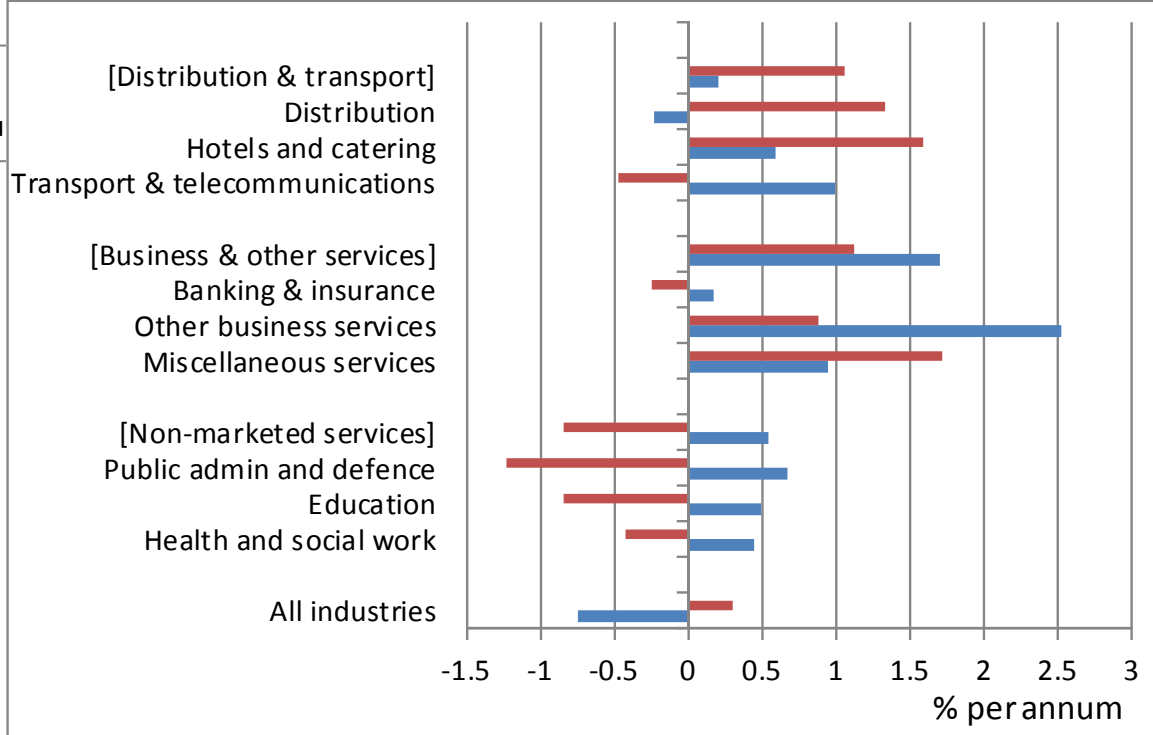


Sectoral details, 2015-25 (ES)

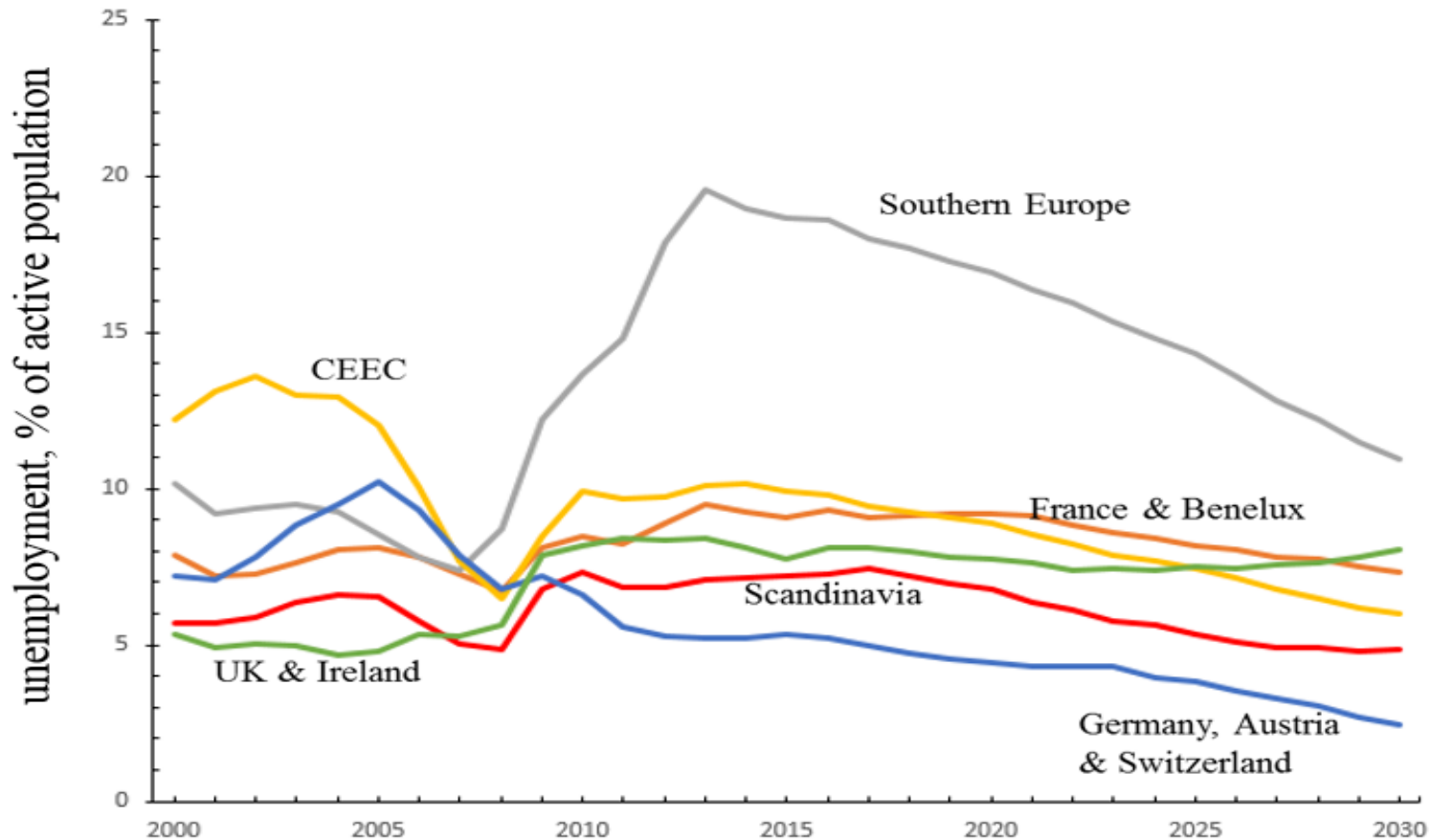
Continuing job losses in Primary and manufacturing sectors



Austerity measures will curb employment growth in the public sector



In many countries unemployment will remain higher than pre-recession rates (EU)

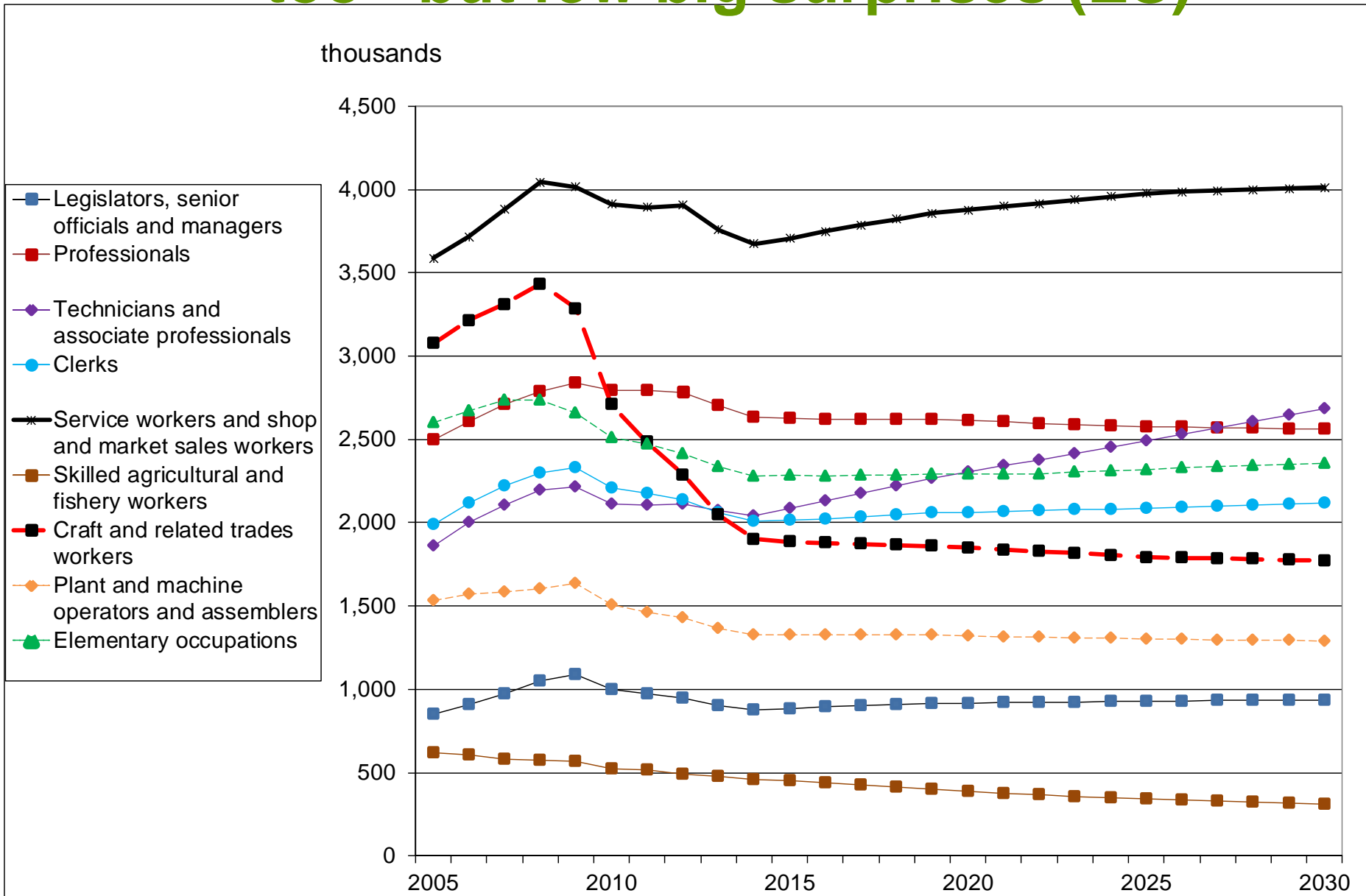


Note(s): Scandinavia is Denmark, Finland, Sweden and Norway; Benelux is Belgium, Luxembourg and the Netherlands; Southern Europe is Spain, Italy, Portugal, Greece, Malta and Cyprus; CEEC is Czech Republic, Slovakia, Poland, Hungary, Latvia, Lithuania, Estonia, Bulgaria, Romania and Slovenia.

Measurement of skills supply and demand

- Skills measured by occupation (ISCO) and qualification (ISCED)
- Demand proxied by employment
- Supply - economically active by highest qualification (HQ, MQ, LQ)

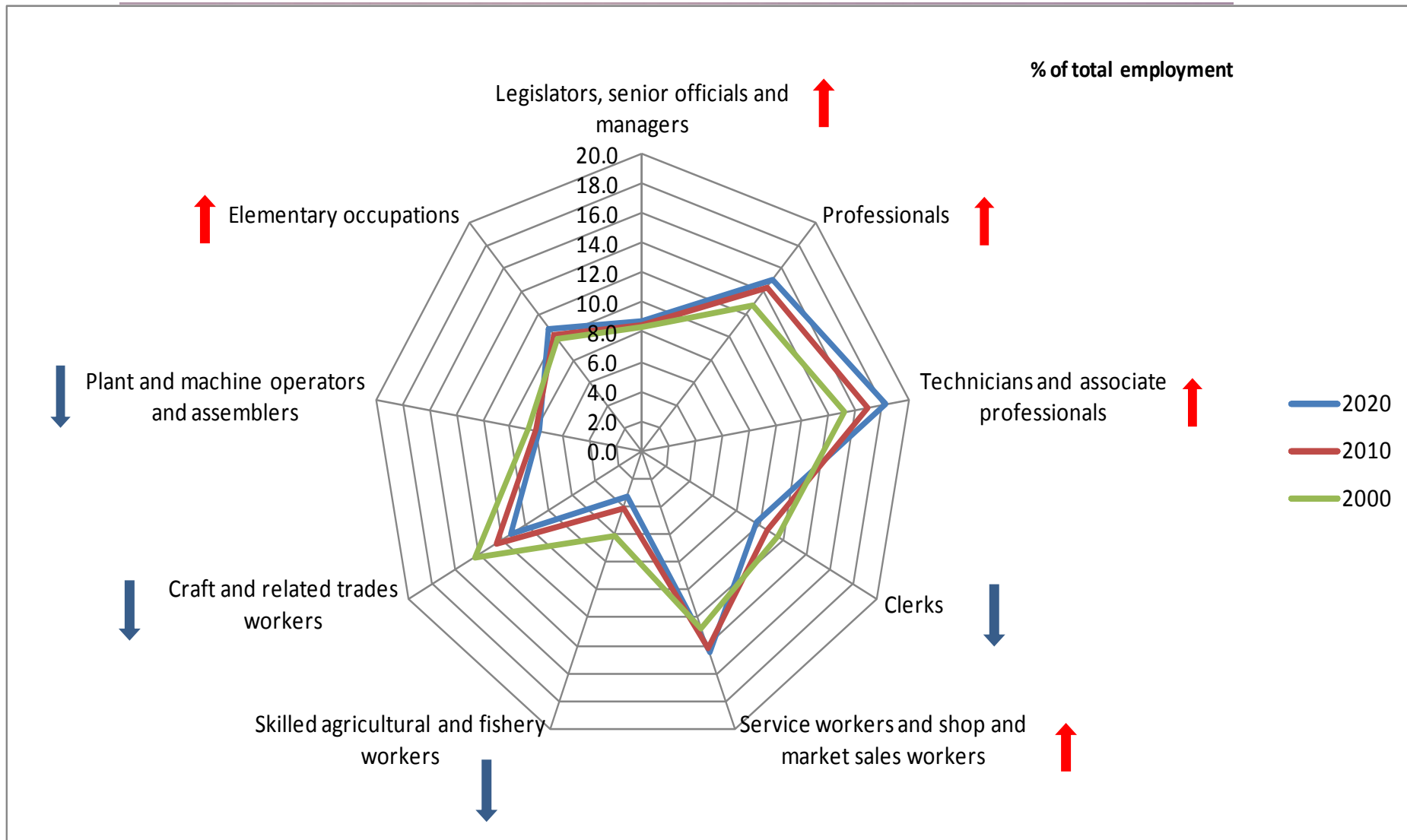
Significant structural change by Occupation too - but few big surprises (ES)



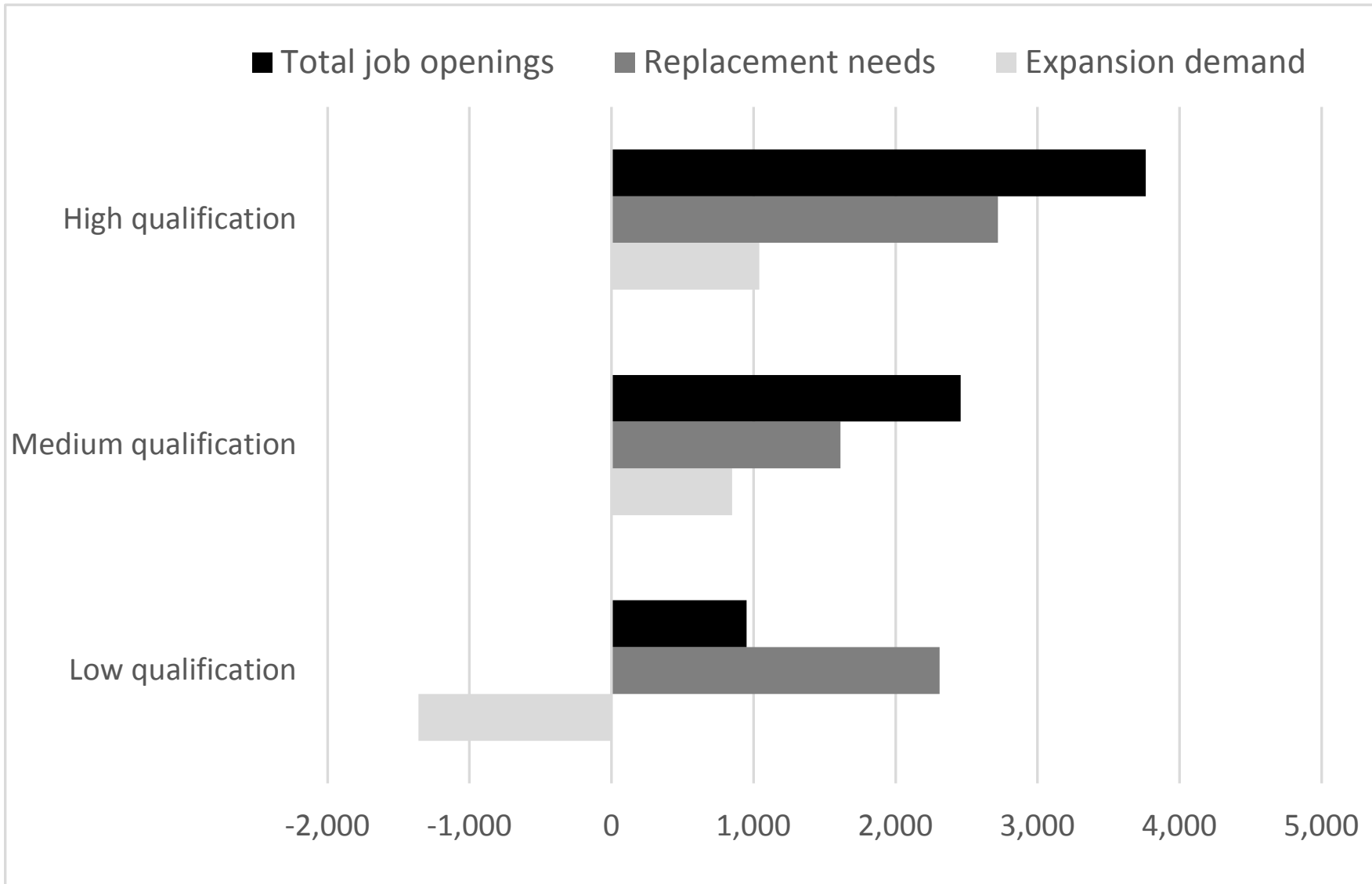
Replacement demands, 2015-25 (ES)



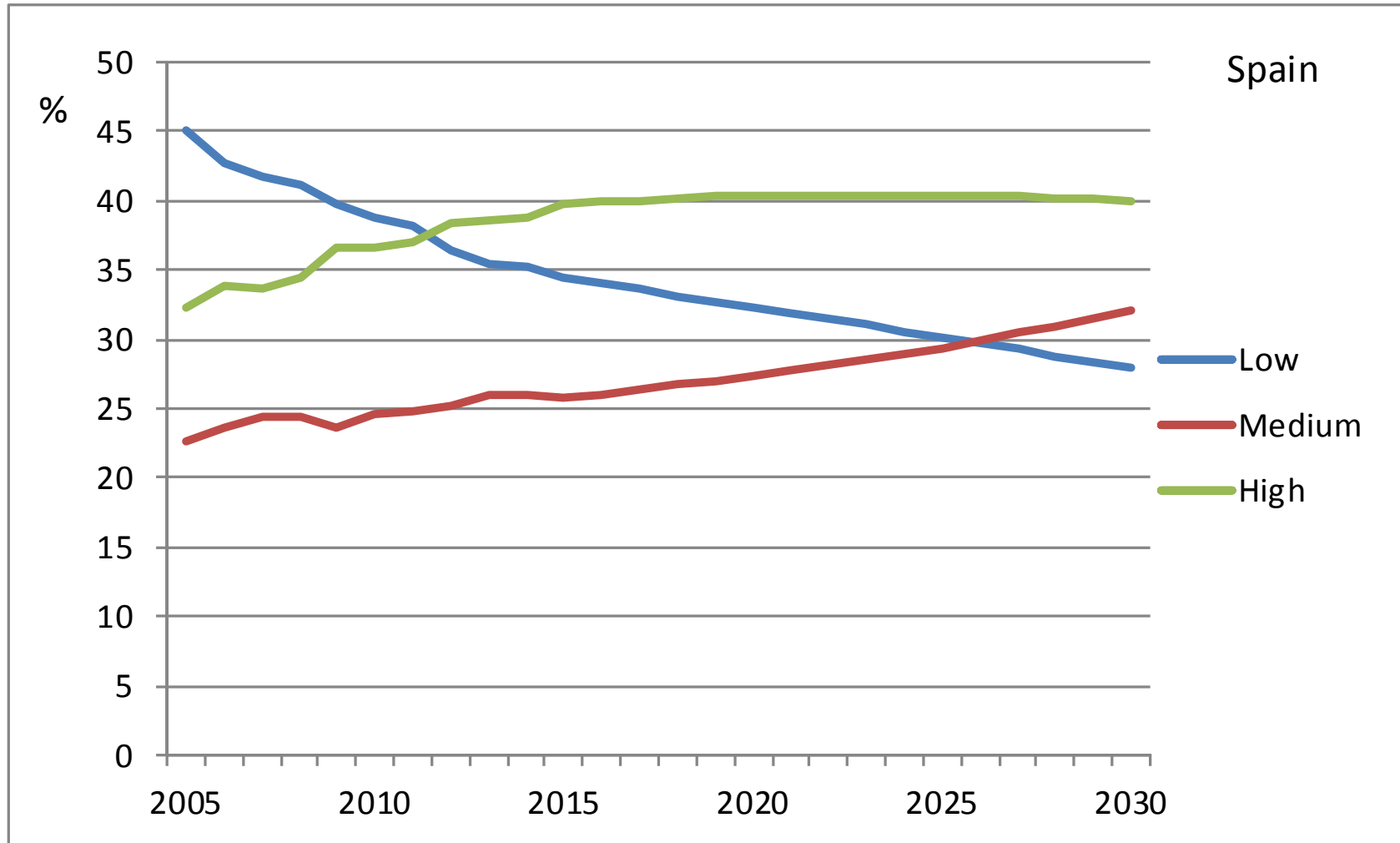
Knowledge- and skills-intensive jobs on the increase (EU28)



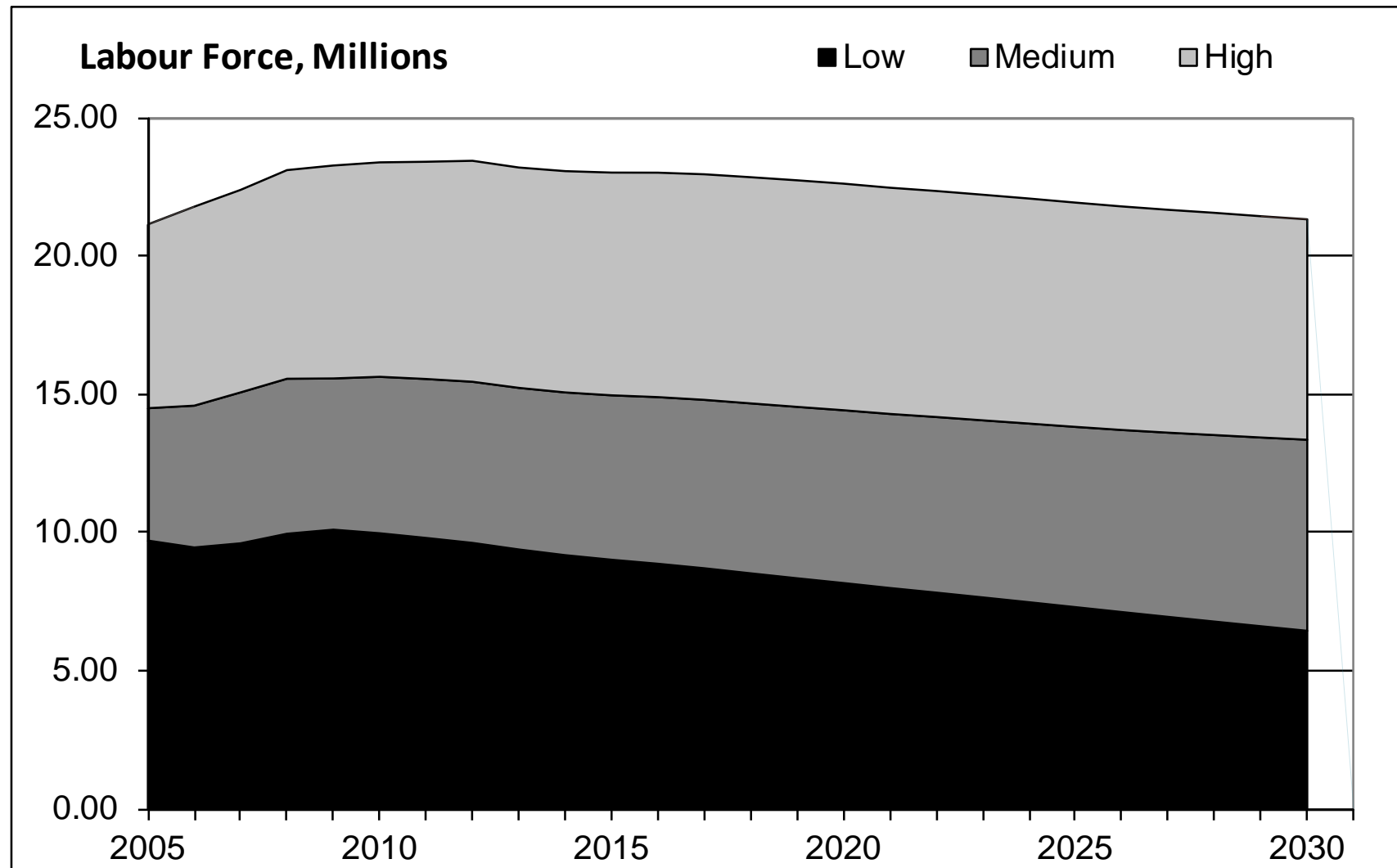
And also by qualifications held, net changes 2015-2025 (ES)



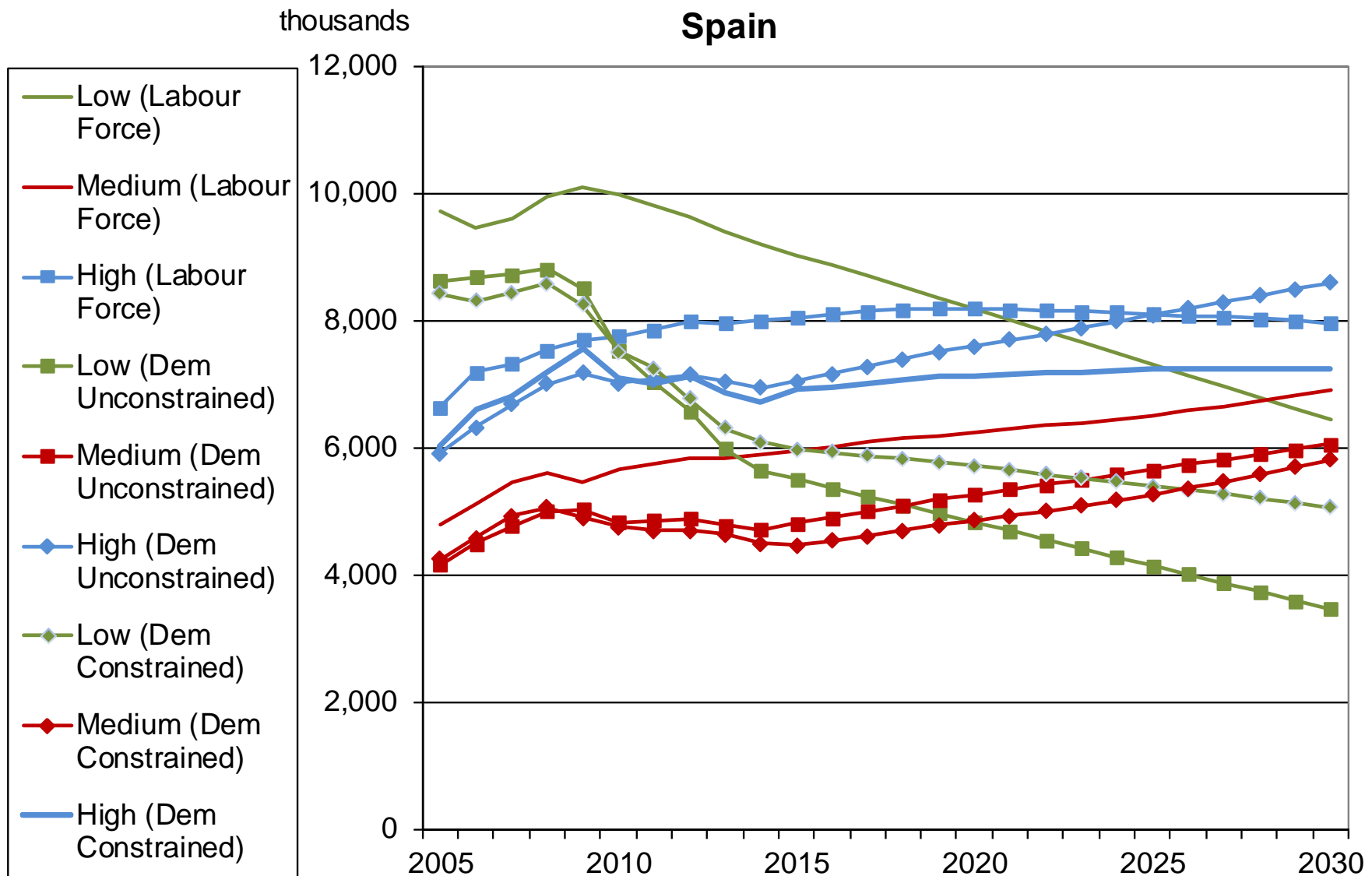
..... a greater % share of jobs for the better qualified (ES)



Driven in no small part by supply side trends (numbers economically active, ES)



Comparison of supply and demand trends - BUT Imbalances not easy to measure



Increasing diversity, imbalances, mismatches & risks of over qualification

Increasing diversity of Higher & Further Education (HE)

HE no longer a “minority sport” (participation rates >>50%)

Demand for skills: crisis has accelerated changes

- Fewer job opportunities for the low-qualified (but some growth)
- Some better qualified may need to accept lower level jobs
- Science, Technology, Engineering & Mathematics is a key area
- But Quality more important than Quantity

Skills mismatches and imbalances are a persistent phenomenon, we need to develop the right skill mix to:

- manage transitions & adjustments in the labour market
- match & anticipate knowledge- & skills-intensive jobs

On the right track ?

Europe is on track to raise its qualifications profile

- more Europeans acquiring better qualifications
- fewer low-qualified Europeans
- younger cohorts the best qualified ever

Rising supply mirrors projected growth in demand

BUT Concerns about over-qualification & mismatch:

- High level qualifications may no longer guarantee success
- Results suggest some polarisation in skills demand - many graduates may need to find jobs in non-traditional areas
- Looking beyond formal qualifications – need “T-shaped” individuals with general as well as specific core technical skills

Conclusions & Key results

Labour supply: expanding but also ageing

Employment: rising slowly, constrained by supply

Unemployment: falling slowly but persistent

Macroeconomic uncertainties: Brexit & Trump

Sectoral change: significant change (relentless shift from primary and manufacturing towards services)

Skill Supply: increasing number formally qualified

Skill demands: rising demand but polarisation

Replacement needs: Even where employment is falling

Imbalances and mismatches: problems remain but markets will adjust if allowed to operate freely

Contact details for further information:

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Cedefop Pan-European projections:

www.cedefop.europa.eu/skillsnet

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