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# The future of employment supply and demand in social Europe

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## ABSTRACT

The assessment of employment prospects during the period up to 2020 needs to take into account the effects of the 2008/2009 downturn. We propose two scenarios that capture distinctive trajectories in order to elucidate some of the potential strategic demands for future employment policy. We forecast the average level of education of the working-age population will increase significantly during this decade and therefore the mismatch between the needs and supply of skills is likely to be significantly reduced. Furthermore, the inherent mobility of the working population will increase together with higher levels of education.

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## 1. Introduction

The labour market is subject to various long-run shaping factors that affect demand for labour, supply of labour and the organisation of economic activity. Some of these offer prospects of progress towards social objectives consistent with a modernised European social model, while others constitute threats or obstacles that may result in sub-optimal outcomes. But all of them pose challenges to policy-makers. This paper will address some of them.

The main trends that employment policy has to face over the coming decade include demographic and social changes affecting the supply of labour; changing gender roles; globalisation as a source of intensified competitive pressures; innovation and the adoption of new technologies that have the potential of altering patterns of working; accelerated structural change in the specialisations of economies and in the organisation of economic activity, in particular, the consequences of the transition to a knowledge economy and climate change and the future of energy supply and use [7].

Further, the 2008/9 recession will have a profound impact on the labour market for several years to come and its direct effects on unemployment have not been fully felt yet. Once unemployment (always a lagging variable) reaches its peak, net job creation will also return and many of the longer-term structural factors that were already affecting the labour market will then re-assert themselves. As a result, future employment strategies will have to strike a balance between short-term responses to the crisis and its immediate aftermath and medium- to longer-term effects.

## 2. Setting the scene

### 2.1. Long-term employment trends

We describe here the main long term drivers that will have a prominent impact in the labour-market.

Demographic change, especially ageing, will result in a substantial decline in the ratio of active to dependent populations, and, in the absence of major shifts resulting from changes in working life-times, will impose a growing burden on a declining

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active population. Also, a fitter elderly population will seek employment opportunities – possibly on ‘atypical’ terms – that will need to be managed, while a redistribution of wealth towards the elderly will affect housing markets.

The tertiarisation of the economy will continue in forthcoming years, and projections on both sides of the Atlantic (BLS, 2008 [1,4]) agree that health and long-term care will be key growth areas.

Changes will also occur in the demand for a number of occupations. A steady increase is expected in demand for professional, technical and managerial staff, complemented by increased demand for personal service-related occupations, sales and other distributive occupations. On the other hand, we will see declining workforces in manual labour, administrative and clerical jobs as well as certain crafts. Some have referred to this trend as an “hourglass model”, with growth happening in occupations with high and low skills [2]. Furthermore, it is also important to take into account the need for replacement due to retirement patterns. For some skilled trades and for clerical jobs, for example, the need to replace retiring workers may well offset the overall decline in demand.

The feminisation of the labour market will continue. In many EU Member States there is still substantial scope for increasing the employment rate of women, with a pronounced potential effect on the aggregate employment rate. Here, we find diverse experiences across the EU, which highlight some of the barriers and how they are affected by national models. The lack of childcare is an obvious obstacle, but there are also socio-cultural phenomena that affect immigrant women and women from certain social groups.

Across Europe overall, family structures have clearly moved away from the traditional male breadwinner model and continue to change in the direction of increasing part-time work and lowering of job tenure. While it remains uncertain which model will prevail in the future, there are possible repercussions for income inequality and for gender objectives. There is also a need for a fresh look at access to part-time work both as an additional aspect of quality of work (insofar as it is a form of flexibility that workers may choose, rather than imposed on them), and as a source of higher employment that can potentially ease the burden on social protection budgets.

There is also a much broader debate about the future of work organisation, which raises new questions for employment policy. The management of human capital is increasingly a core element in corporate performance and companies have to devote substantial resources to skills development. Furthermore, as companies are increasingly judged on their corporate social responsibility and image in relation to social and environmental goals, the boundaries between the state and the corporate sector become more blurred and networking is accentuated.

Finally, there is a possibility that workers in some emerging sectors of activity within the knowledge economy will become more detached from individual employers and will organise themselves in new ‘guilds’ defined by specific skills or labour market functions representing their members. In this model, flexibility will be strengthened, driven by workers as much (if not more) than by businesses, and the onus will be much more on individuals to invest in their skills development.

There is wide consensus that the development of the European labour market and the contours of employment in 2020 will be determined, in addition to the basic demographic trends and the prospective evolution of educational attainment, by the continued operation of some other basic drivers, such as technological change, which, in turn, tends to boost demand for high-skilled workers, organisational change in response to it and the continuing process of globalisation. The latter involves a relative decline in the demand for unskilled labour as the developed world imports low-skill intensive goods from developing and emerging economies and exports skill-intensive goods and services to those countries. Further, climate changes and pollution control not only prompt growth of new “green” sectors and jobs but also require development of new competences and skills in more traditional sectors, such as agriculture, transport and buildings.

Consequently, between now and 2020, the share of jobs requiring higher skills is projected to increase significantly alongside the changes determined by demographic developments.

## 2.2. *The recovery from recession*

There is evidence that the recession is causing a disproportionate rise in unemployment in selected groups. Youths, unskilled workers, immigrants and those in precarious jobs have been identified as the most affected [6].

The pace of job losses has, in addition, been very different from one Member State to another with construction badly hit in countries such as Spain.

Another related phenomenon is that recession could result in under-using the stock of human capital, as those with higher skills compete for jobs that, in better times, would be filled by the less skilled, and the result is that the latter are displaced. This has the adverse effect of accentuating the weaker employability of the less qualified and ‘wasting’ the human capital of the more skilled. In this context, dynamic effects may also arise if this ‘decanting downwards’ inhibits life-long learning and thereby undermines commitments to enhance human capital.

The recession could also induce a “hysteresis” phenomenon, a widespread decline in the employability of those losing their jobs. It is generally agreed that long-term unemployment accentuates hysteresis through the erosion of skills, the pernicious effects of detachment from working life and the loss of contacts that would facilitate job search. It follows that measures to prevent a surge in long-term unemployment are highly desirable, and may warrant specific guidelines in employment strategies.

Also, the tension between flexibility and job security is an issue that should be tackled. Before the crisis deepened, there was already criticism of the EU’s flexicurity model as being too much about the “flexibility” and not enough about the “security”. During recessions, the protective role of the system becomes more prominent, raising questions about whether

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