Working for the future

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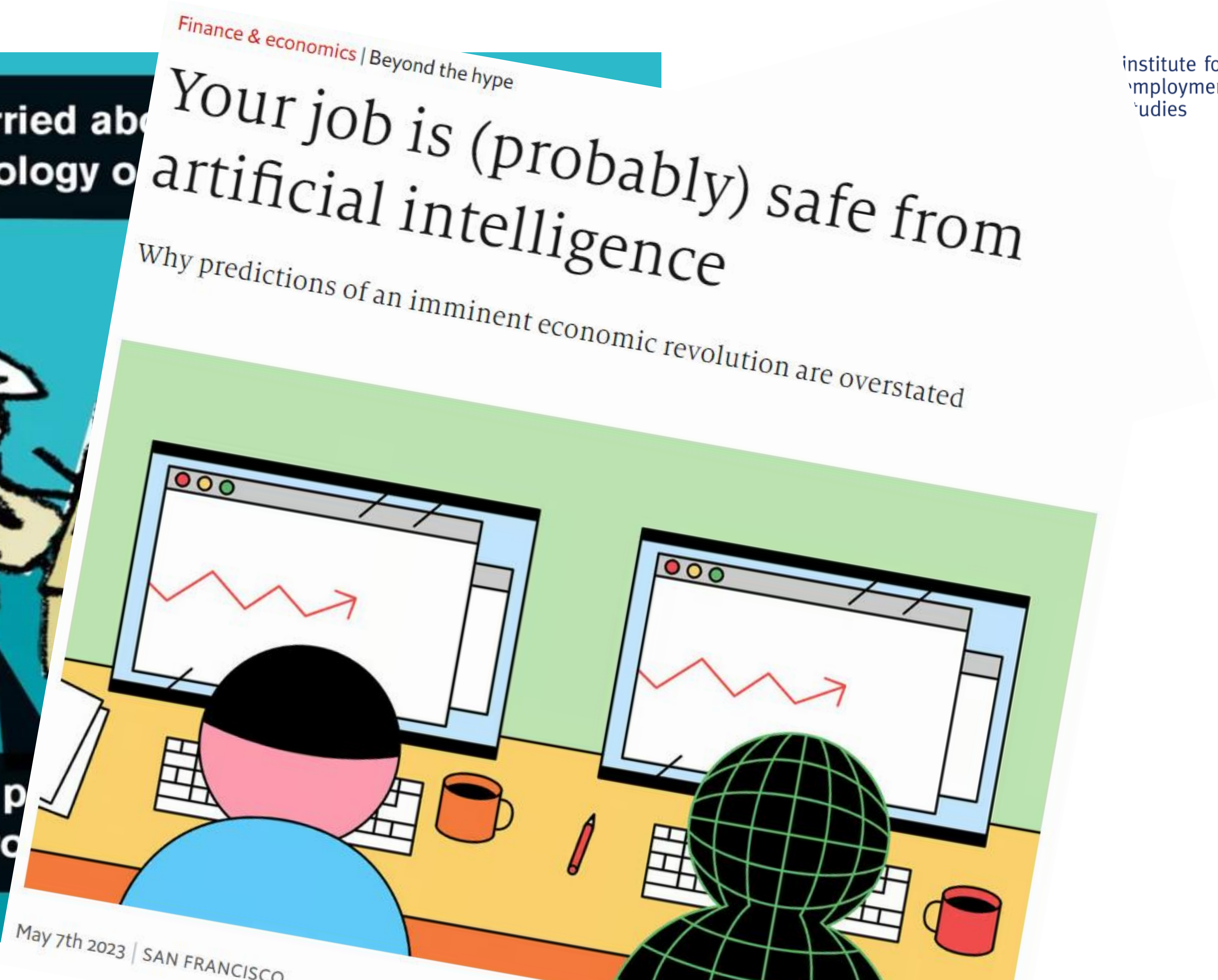

Finance & economics | Beyond the hype

Your job is (probably) safe from artificial intelligence

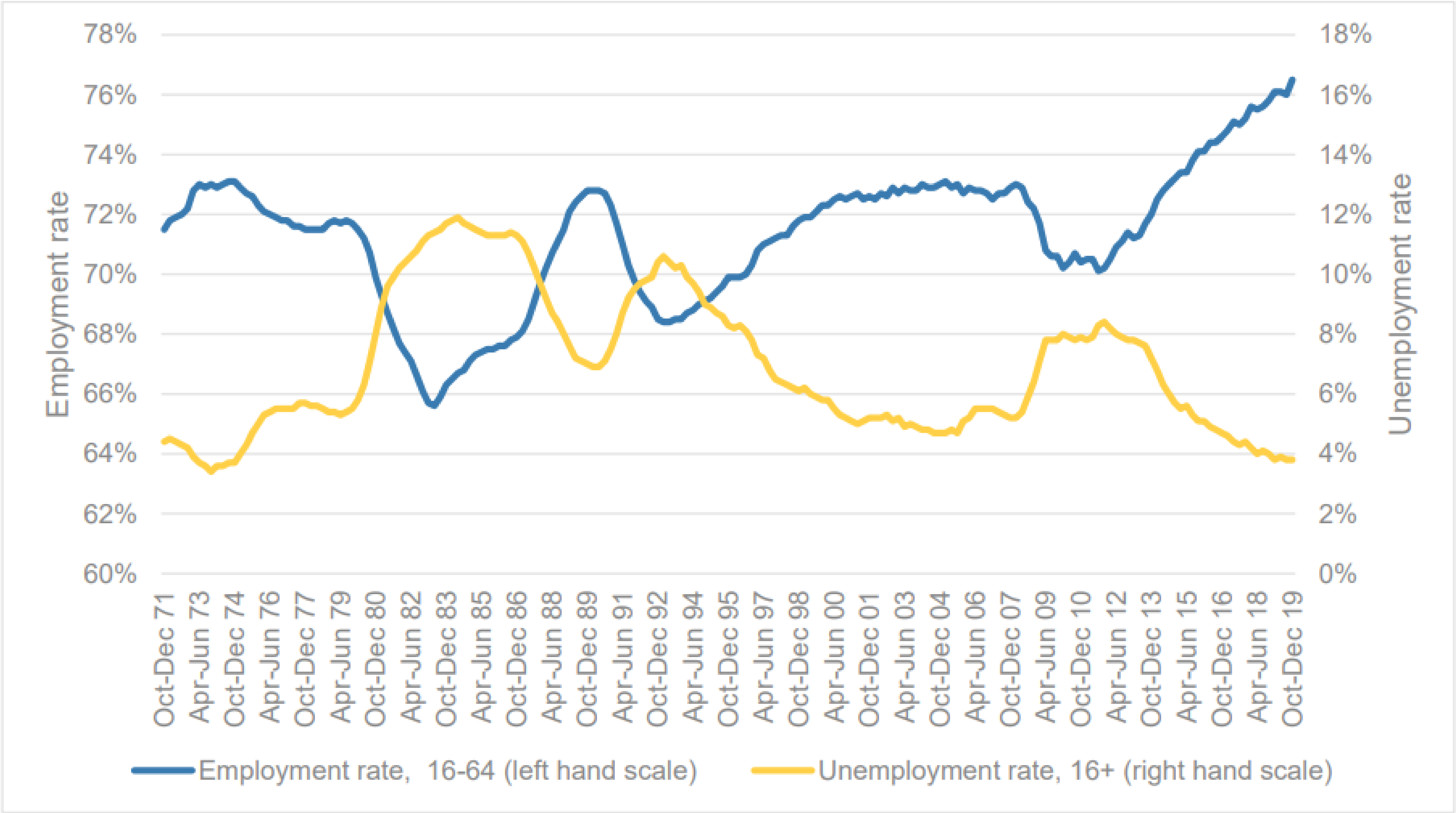
Why predictions of an imminent economic revolution are overstated

May 7th 2023 | SAN FRANCISCO

The past is another country

The UK jobs and unemployment miracle

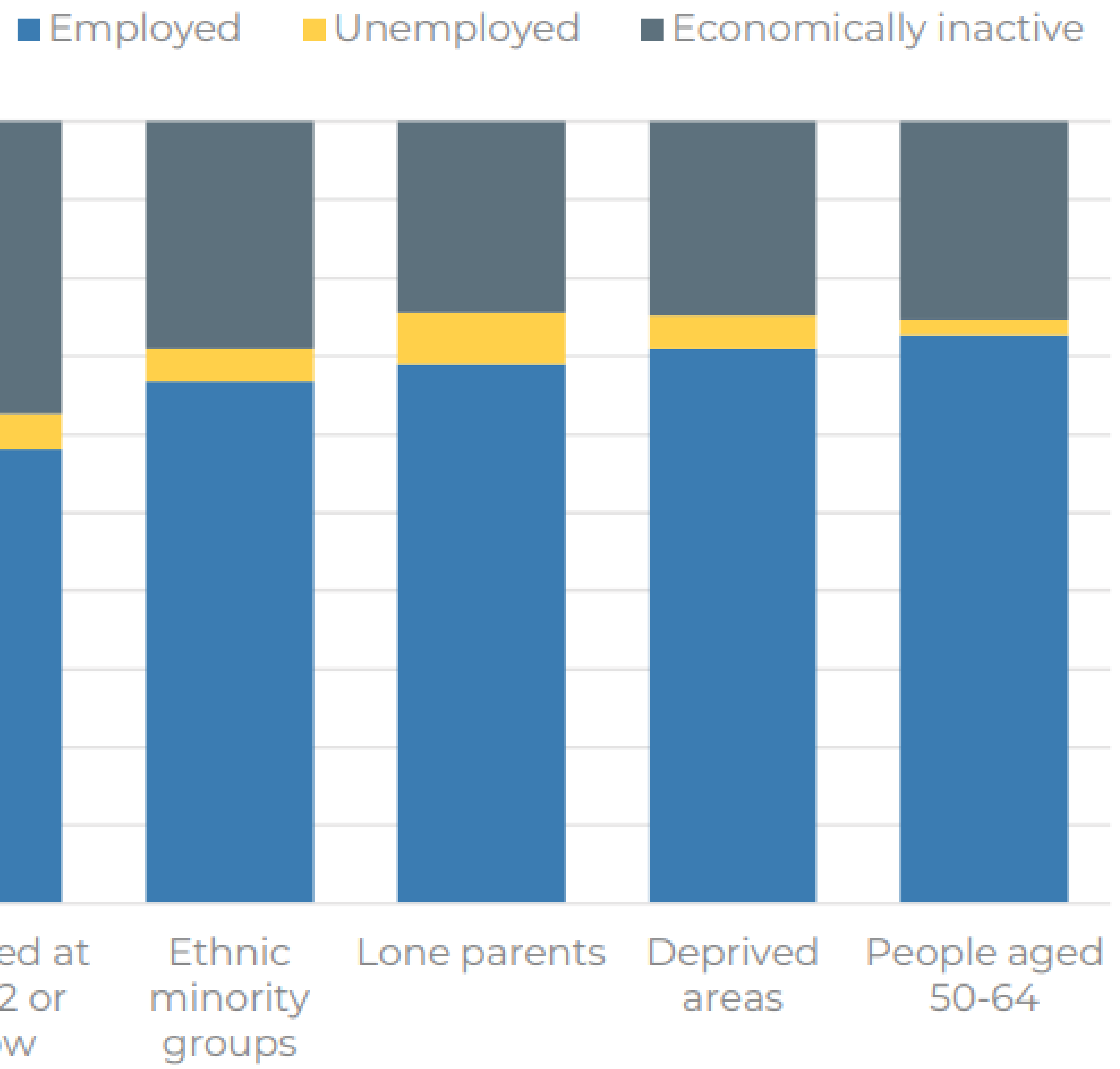
Figure 2.1 Employment and unemployment, 1971-



Source: Labour Force Survey (LFS)

But it was an unequal country

Figure 2.1: Employment, unemployment and economic inactivity for selected disadvantaged groups (2019)

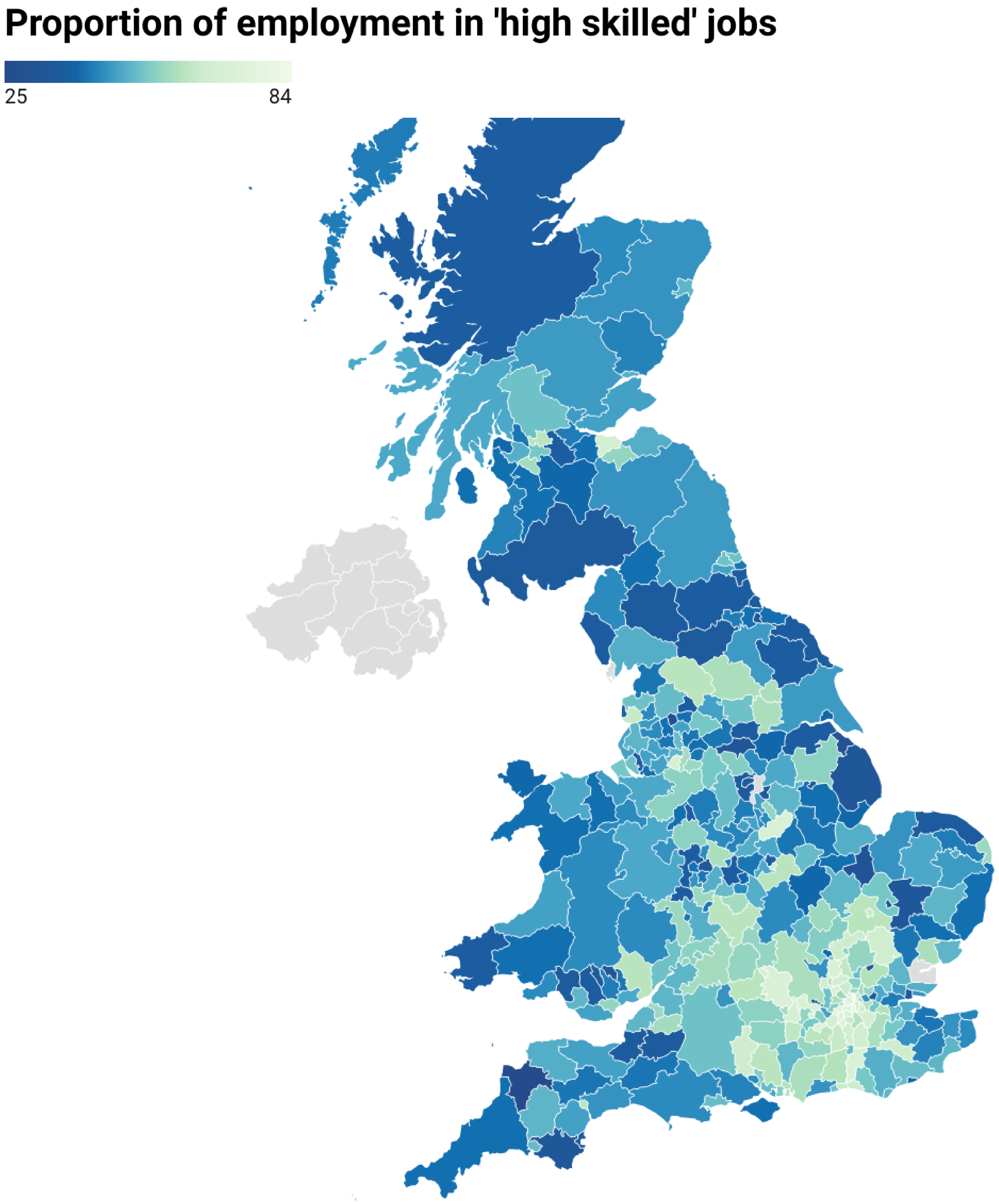


Source: IES analysis of LFS, Annual Population Survey (APS) and Index of Multiple Deprivation (IMD). All gaps use LFS Oct-Dec 2019, except for 'most deprived areas' which uses APS data for Jan-Dec 2019. Deprived areas are defined as the bottom quintile of local authorities on IMD income deprivation measure

abrdn Financial Fairness Trust

With wide disparities between places

- Roughly three fifths of all employment in London and the South East is in ‘high skilled’ occupations
- Below two fifths in many coastal, ex industrial and urban areas (outside of London)
- One third of all ‘high skilled’ employment is in London and the South East



Map data: © Crown copyright and database right 2021 • Created with Datawrapper

The last few years have not been kind

Weak jobs recovery, ‘economic inactivity’ up, unemployment rising

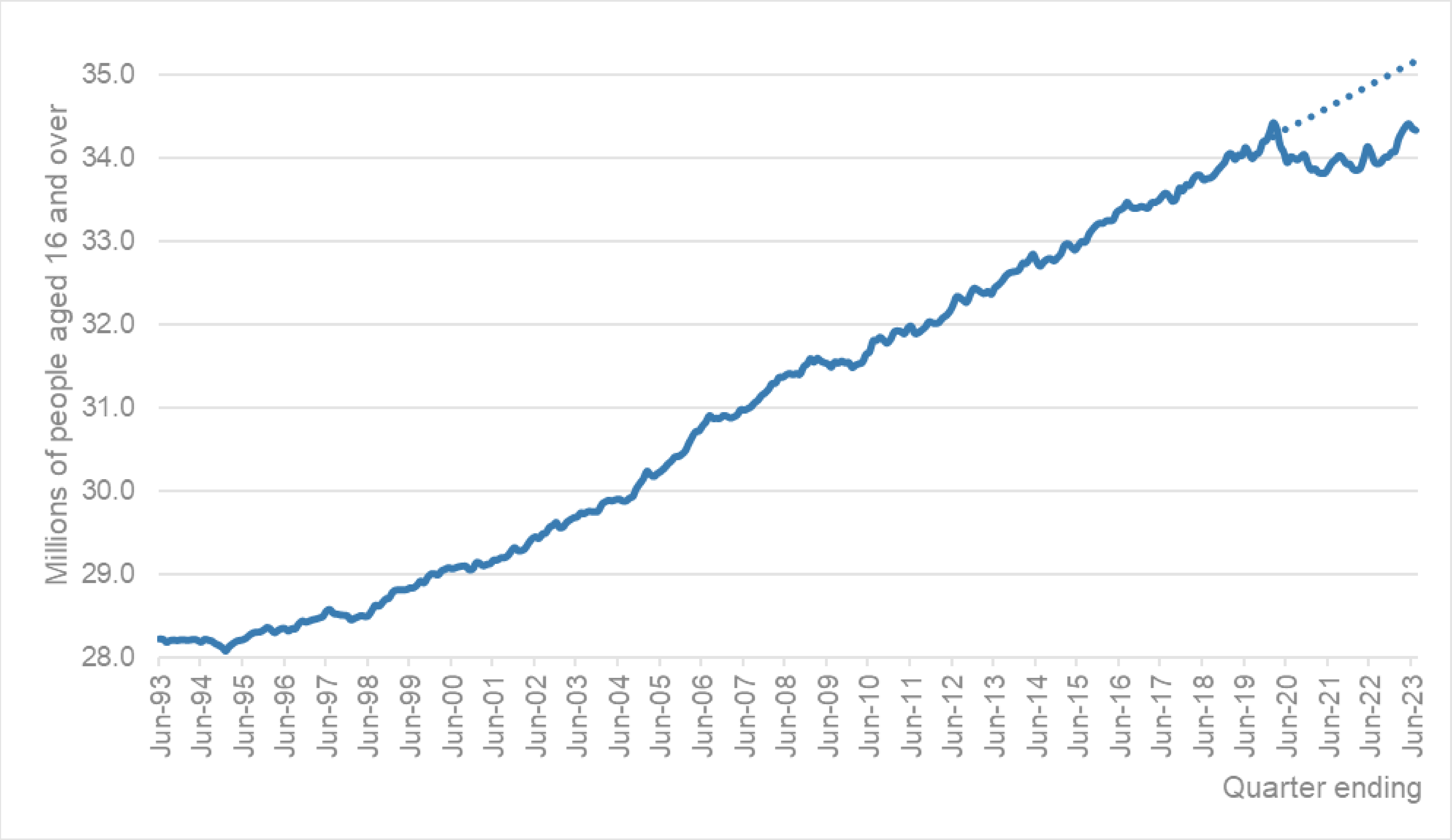
Employment, unemployment and economic inactivity rates (16-64) – quarterly average with single-month estimates

Source: Labour Force Survey

With labour force participation stagnant

Nearly a million fewer than if the trend of the last thirty years had continued

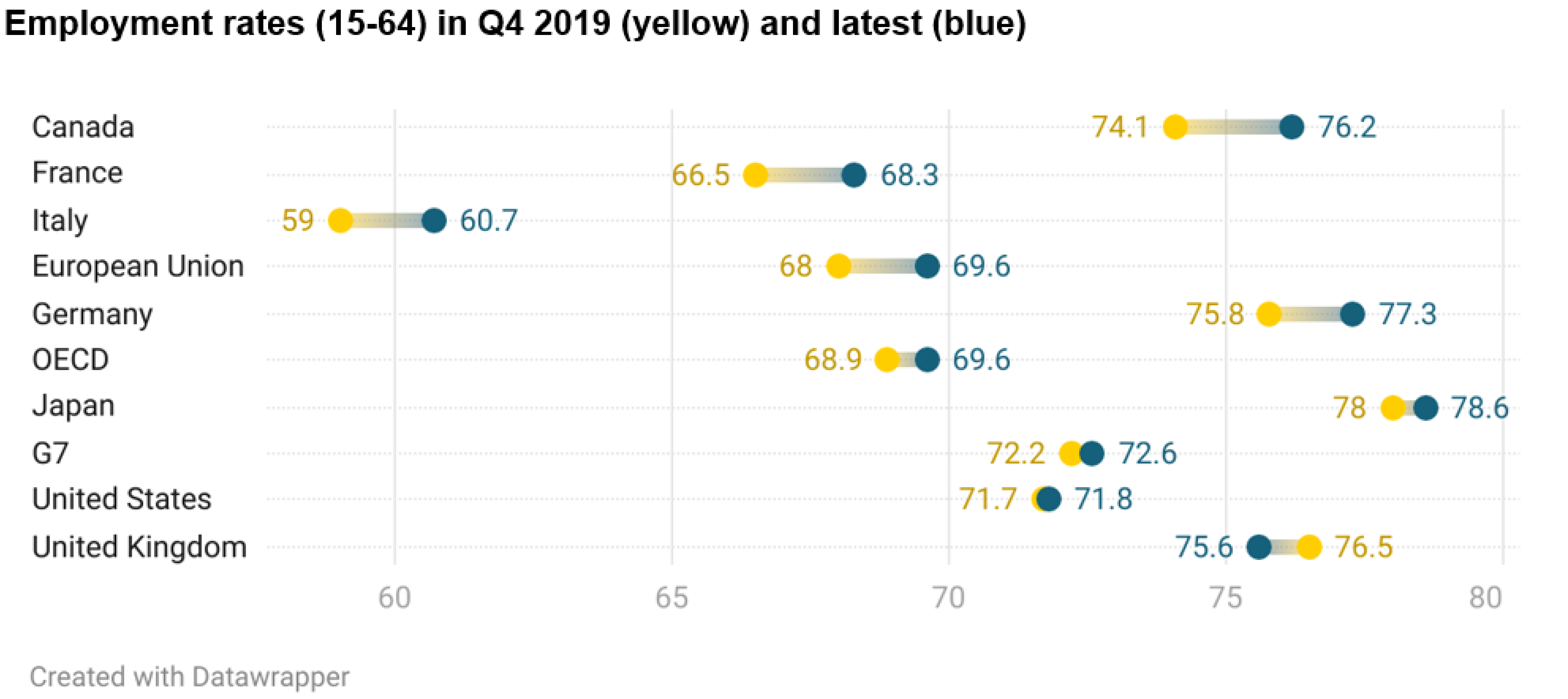
Size of labour force (employed plus unemployed): pre-crisis trend and outturn



Source: Labour Force Survey and IES estimates

This just isn't happening in other countries

Only major economy with lower employment than pre-pandemic



Source: OECD Stat. Data for Canada and United States is Q1 2023; all other data is Q4 2022

But what will the future bring?

Twin challenges

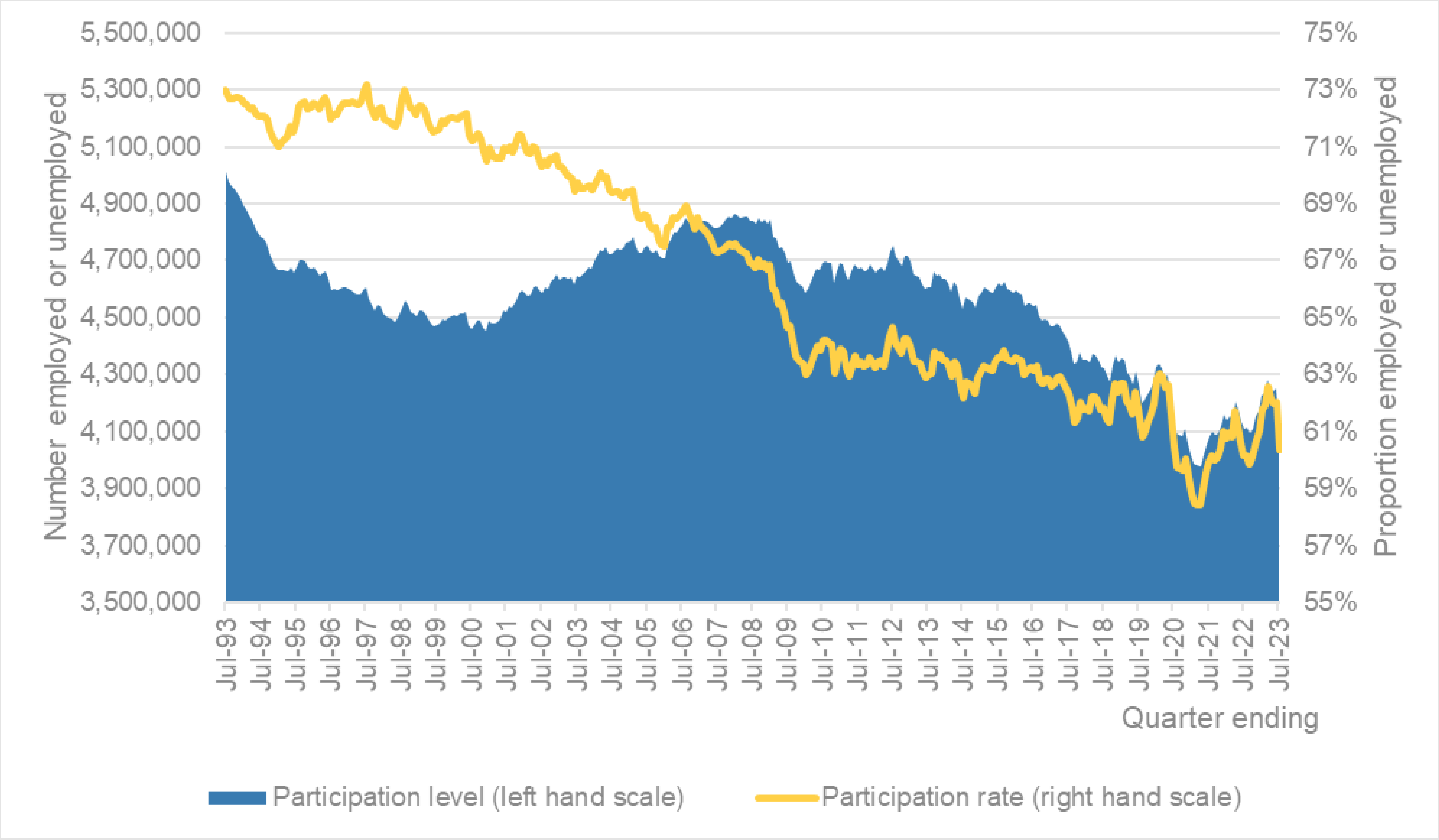
First, changing labour *force…*

- Four key trends that will continue:
  - Fewer young people – smaller population plus more students means the youth labour force has fallen from 4.7m to 4.2m in just ten years
  - Lower migration – added 220k/ year for the decade before Brexit, adding just 130k/ year since 2016
  - Ageing population – thirty years ago there were **four** people aged 20-64 for every person aged 65 and over; in thirty years' time this will have halved to just **two** people
  - More people with long-term health conditions, many staying out of work longer
- All are permanent, structural changes – and all affect the number of people *entering* the labour force more than the numbers *leaving* it

1. Lower youth participation

Half a million fewer in the labour force than a decade ago

The size of the youth labour force: the number (blue) and percentage (yellow) of young people either employed or unemployed

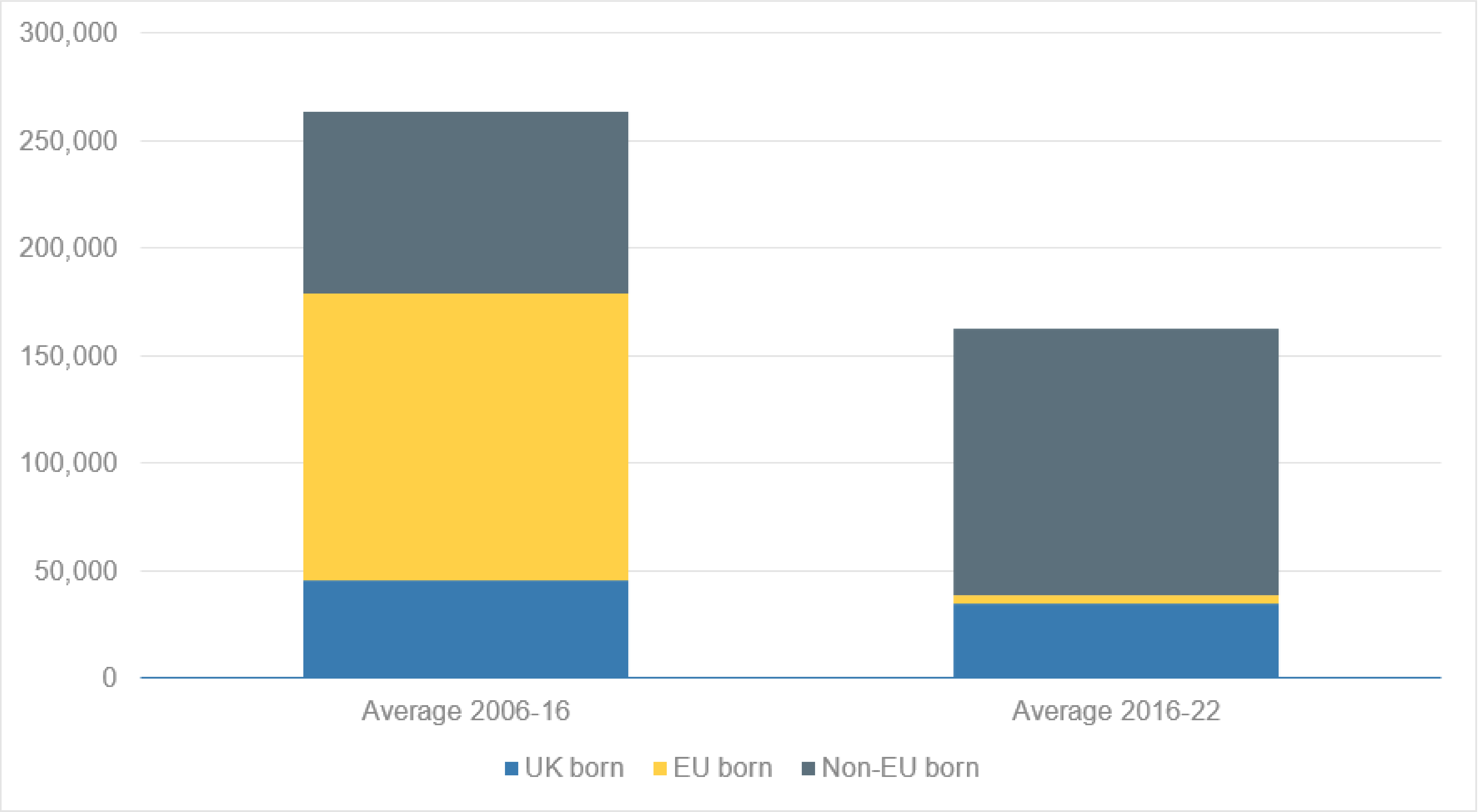


Source: Labour Force Survey

2. Fewer workers from outside the UK

Driven by EU exit, equivalent to a half-million shortfall since 2016

Average annual growth in employment by place of birth – 2006-2016 and 2016-22

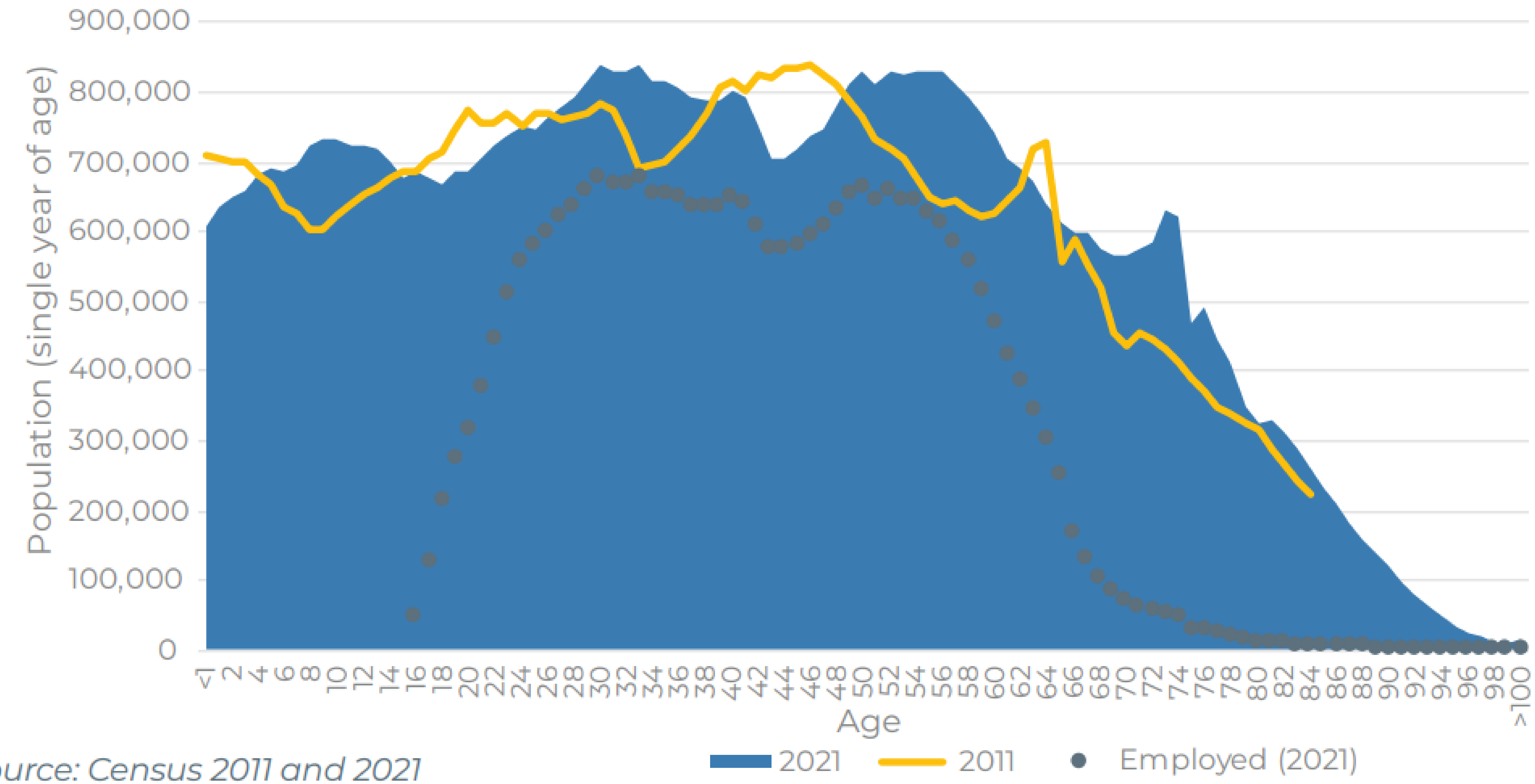


Source: Labour Force Survey

3. An ageing population

Gen X are in their 50s, Gen Y boosted by migration, fewer people behind

Figure 2.1: Population by single year of age in 2011 and 2021, with employment by age in 2021

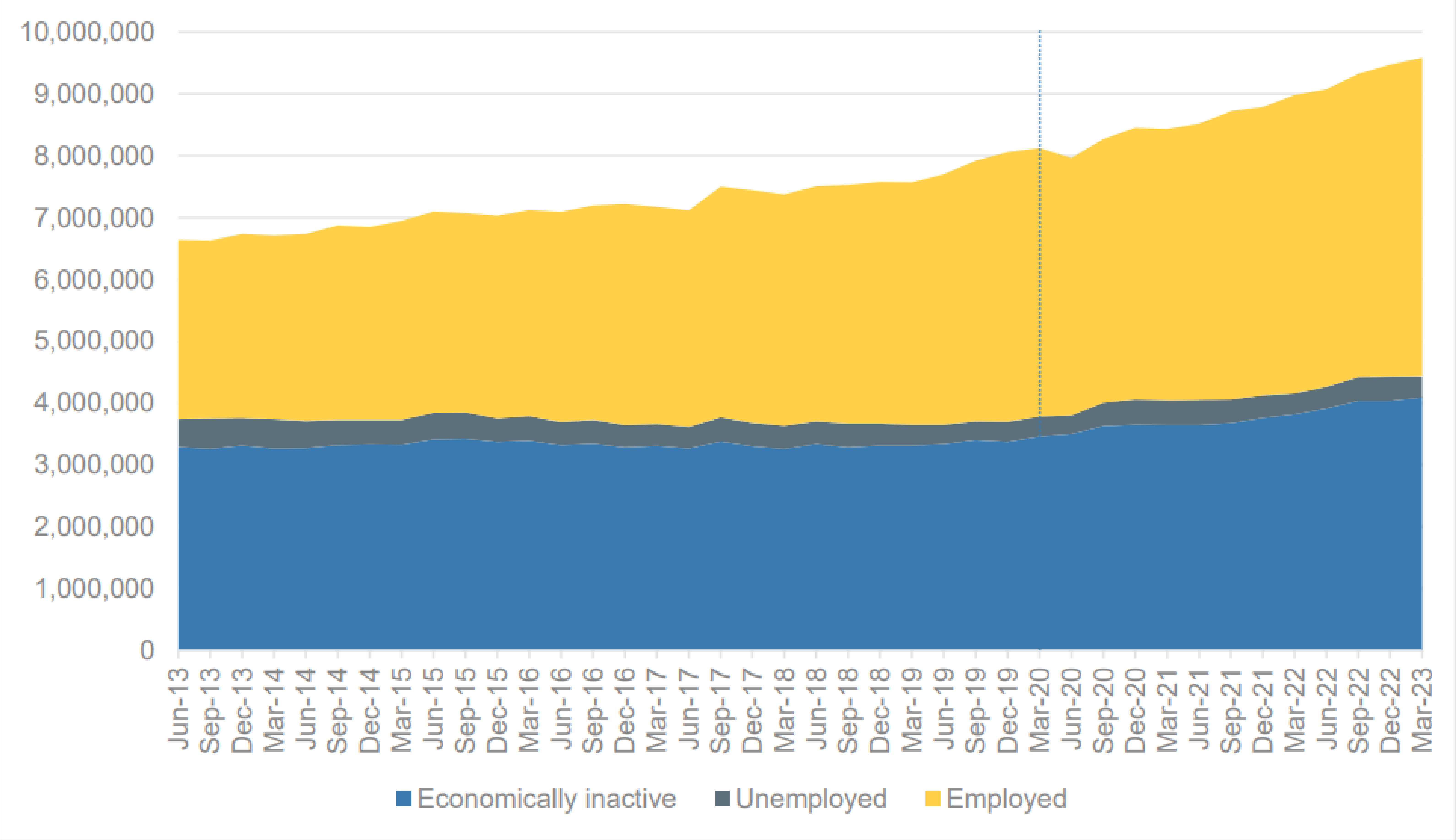


Source: Census 2011 and 2021

4. More people with work-limiting conditions

Long-run trend, but with economic inactivity rising faster post-pandemic

Figure 5: Employment, unemployment and economic inactivity levels for disabled people

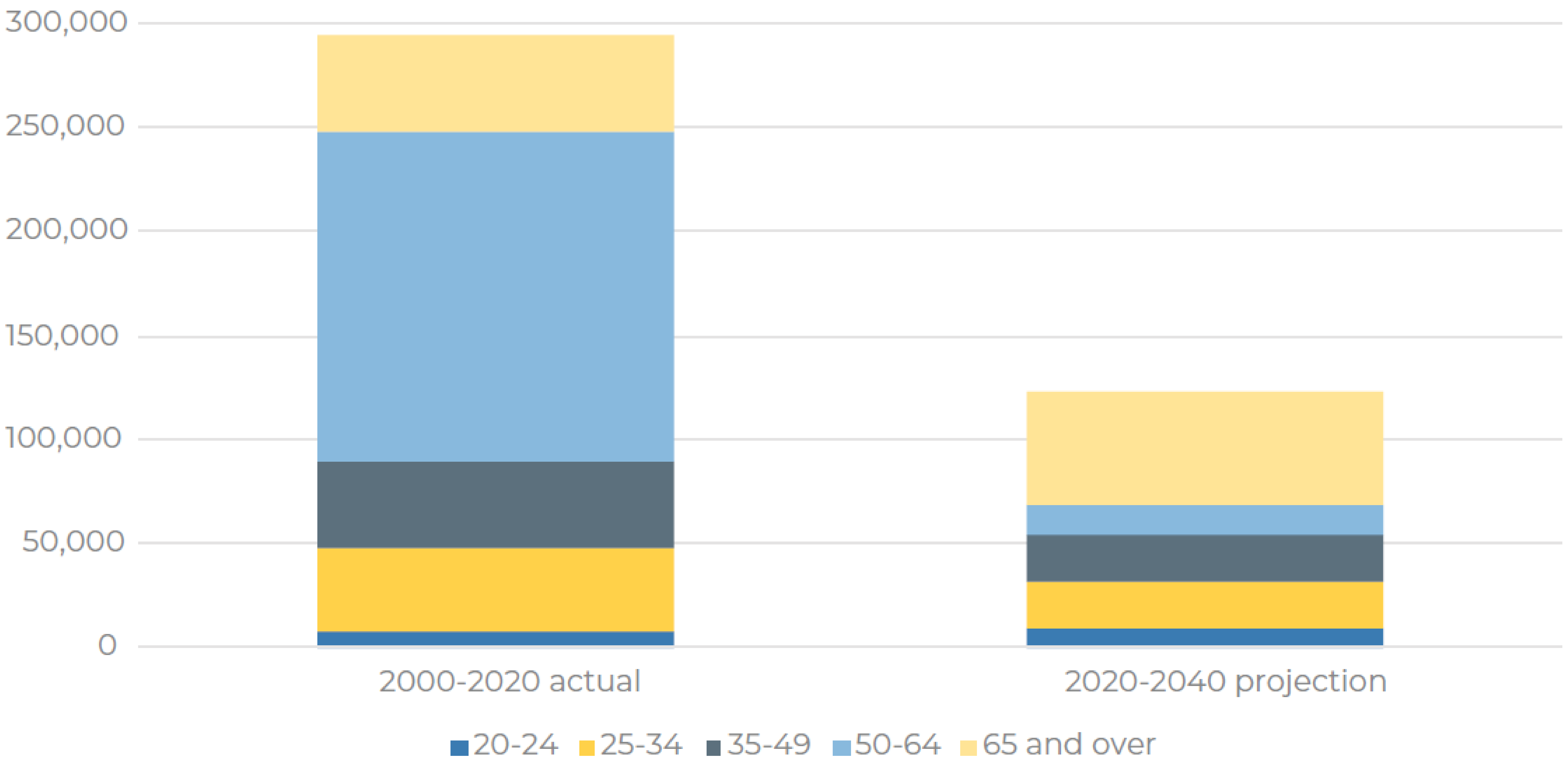


Source: Labour Force Survey

Employment growth will slow dramatically

Equivalent to 3.4 million fewer people in work by 2040

Figure 2.3: Average annual employment growth – 2000 to 2020, forecast for 2020 to 2040



Source: Annual Population Survey; and IES projections

The second challenge (or opportunity)

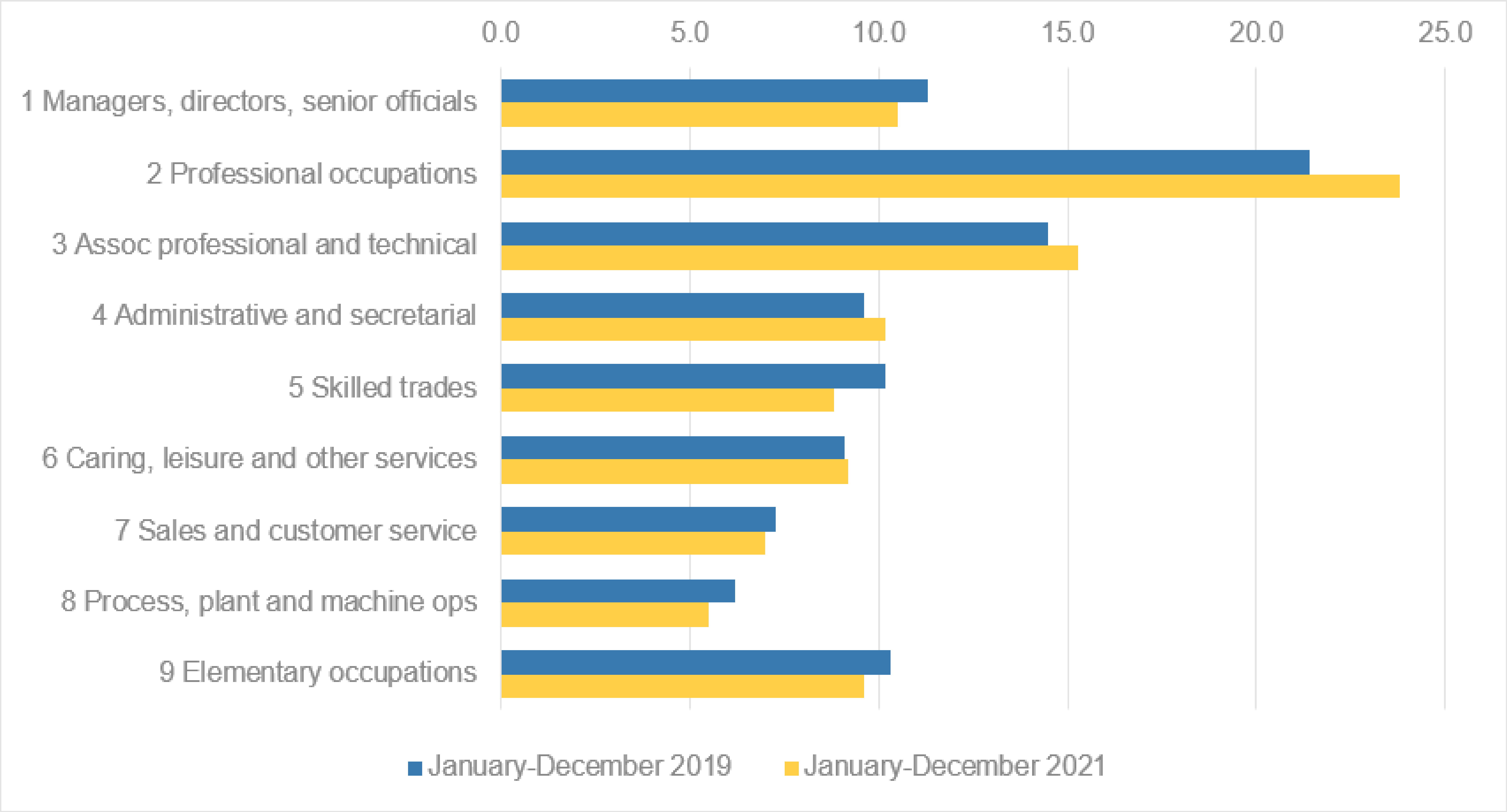
A changing labour *market*

- **Skills**:
  - More high-skilled work, but not enough highly qualified workers – estimated shortfall of 2.5 million by 2030
  - Less low-skilled work but too many low qualified workers – estimated surplus of around three million by 2030
  - Significant spatial inequalities in access to good jobs and the right workforce
- **Technology** – transformational changes in economy and society, and a risk for the UK if we cannot harness the benefits
- **How we live and work** – growth of hybrid and flexible working
- The transition to a **net zero** economy

Half of all jobs are now high skilled

And this polarisation has accelerated post-pandemic

Proportion of all those in work employed by broad occupation group, 2019 and 2021

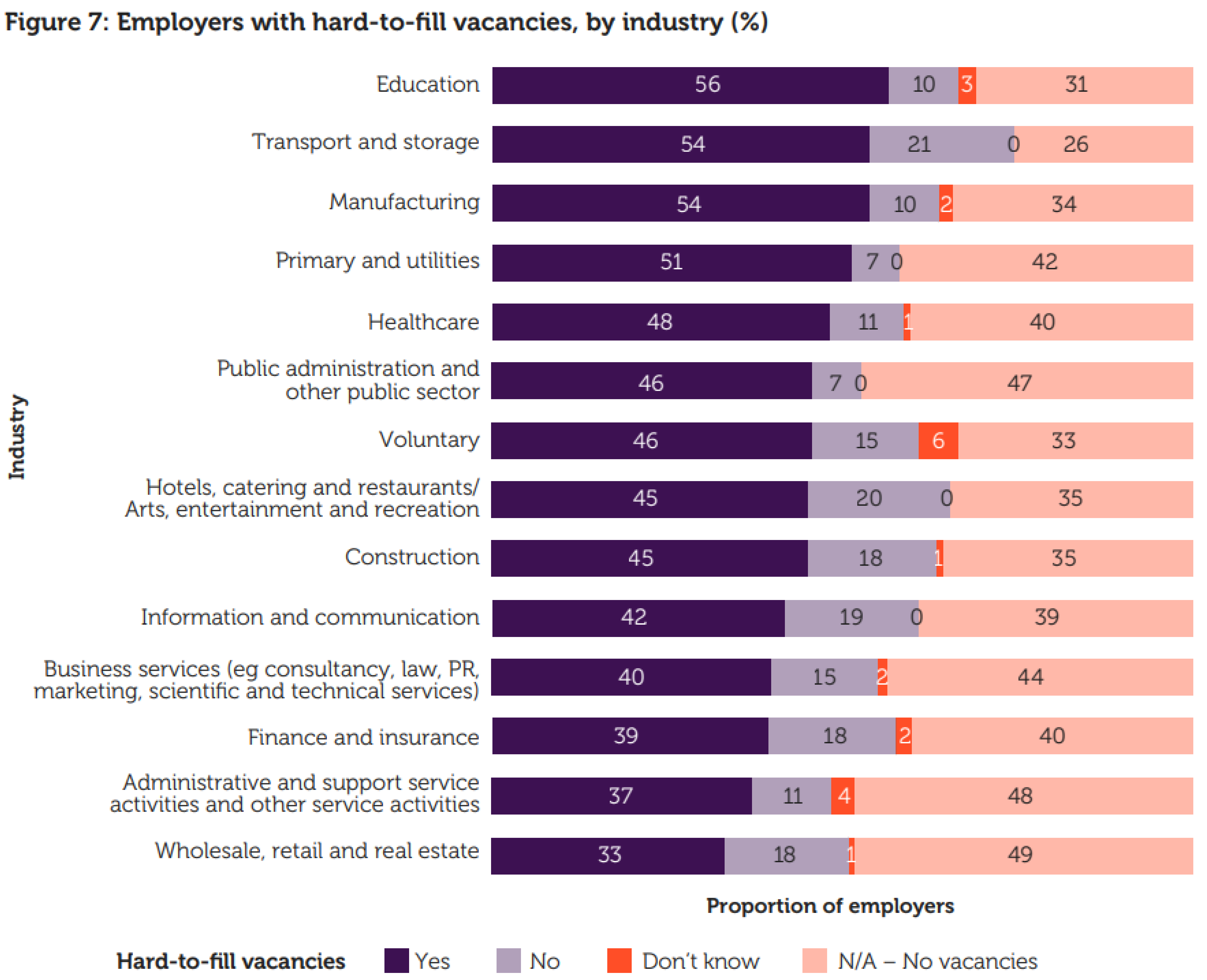


Source: Annual Population Survey

Fuelling shortages that are likely to persist

CIPD Labour Market Outlook (August 2023) finds issues across economy

- Nearly half (44%) of firms have ‘hard to fill’ vacancies
- A quarter (27%) anticipate significant problems filling jobs
- Firms mainly responding by raising wages or increasing workloads…
- … Some signs that shifting focus to wider recruitment and job design/ quality



The robots are coming – and they're bearing gifts…

Should we welcome our new overlords?

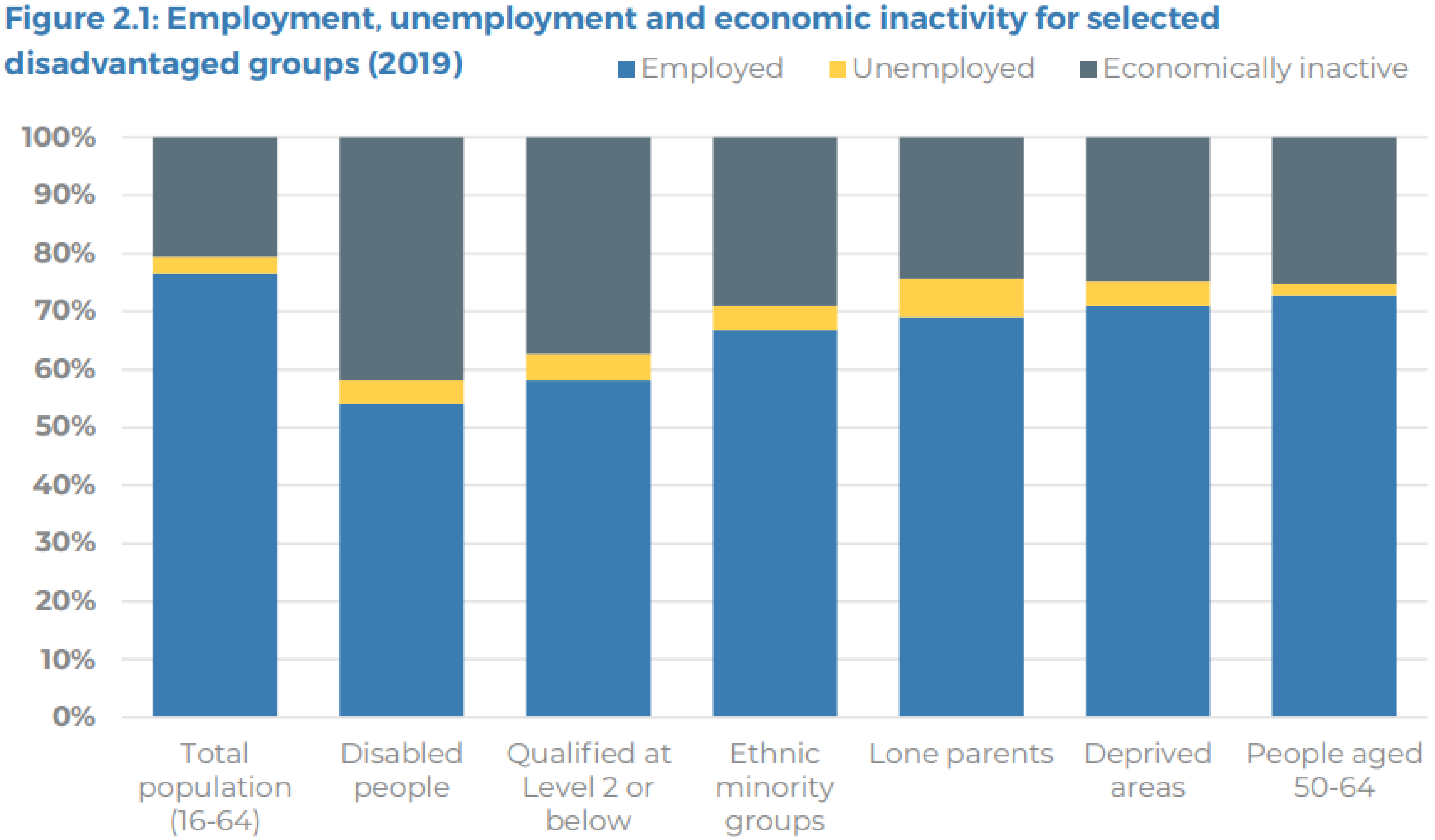
Five key points on technology and employment

- Successive waves of technological advance have moved up the skills ladder
- They have also all supported creation of more (and better) jobs than those destroyed
- Negative impacts most pronounced when there are specific barriers to adjusting – in particular spatial concentrations impacting on local economies and household incomes, access to jobs (rust belt, ex-mining communities)
- New technology requires new regulation – whether a textile mill, mass production line or Amazon warehouse (or even a home office…)
- The biggest risk on technology is that we don't adopt rather than we do

So what do we do about it

We need to think differently about talent pools

Many of those out of work are further from work

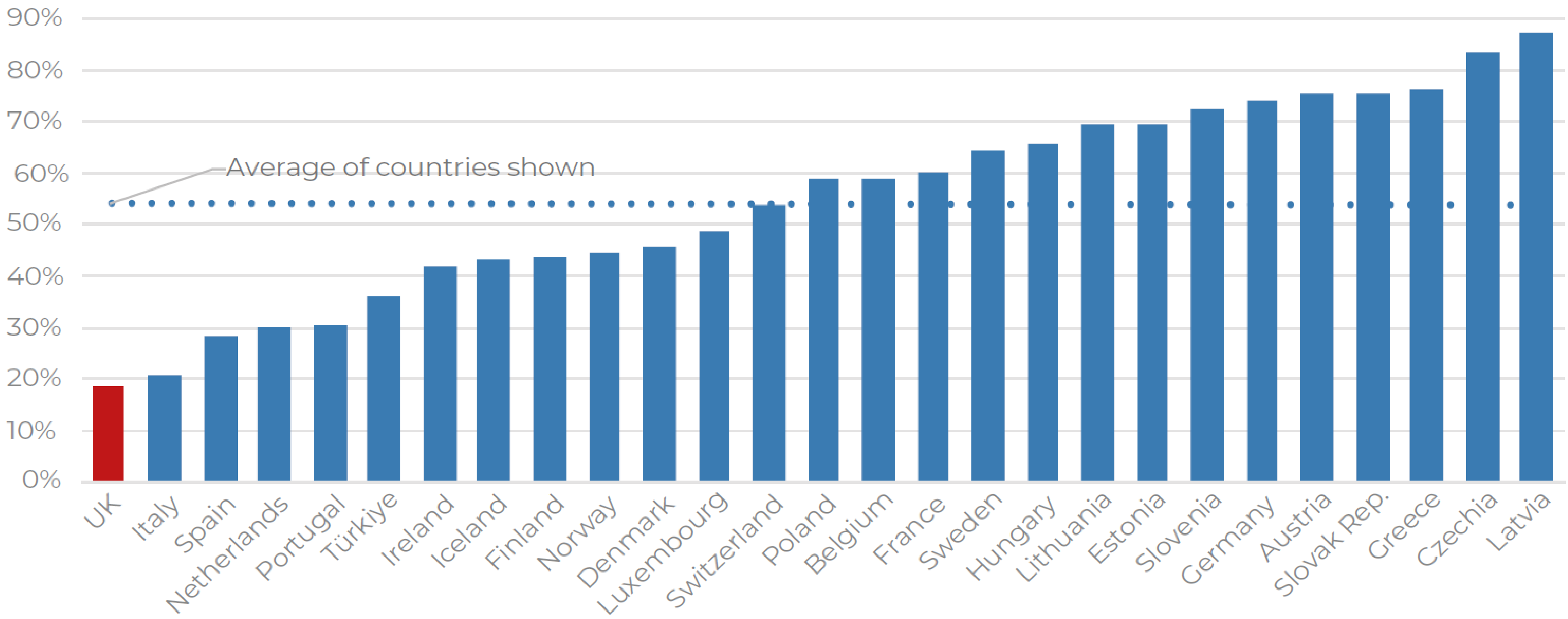


Source: IES analysis of LFS, Annual Population Survey (APS) and Index of Multiple Deprivation (IMD). All gaps use LFS Oct-Dec 2019, except for 'most deprived areas' which uses APS data for Jan-Dec 2019. Deprived areas are defined as the bottom quintile of local authorities on IMD income deprivation measure

And we need to broaden access to support

Lowest engagement with employment services in Europe

Figure 3.1: Share of jobseekers (aged 15-64) who have contacted the public employment service to seek employment, 2020



Source: OECD analysis of EU-LFS, published in OECD (2023) Evaluation of Active Labour Market Policies in Finland, February 2023

We know how to make work better

But we need to offer it to everyone, and try to do this 'by default'

The progression readiness model:
The eight dimensions

01 **HR philosophy** – this dimension represents the extent to which an organisation seeks to promote staff from within, operates an open and fair internal labour market, and views the skills and capabilities of its staff as a differentiator in the marketplace.

02 **Pay and financial well-being** – this aspect of the model describes the extent to which an organisation pays a decent living wage, is aware of the potential impact of unpredictable hours on staff (financial) well-being, and the interaction with welfare benefits. The dimension also includes the availability of ways in which 'employees' can increase their pay and which are open to all.

03 **Fair contract and predictable work hours** – this dimension recognises employees' desire for security and stability in their employment contract and working hours.

04 **Pathways to progression** – employers concerned with progression make efforts to articulate and communicate clearly the different career pathways that are available to staff, how they may move from one role to another and the type of skills, qualifications and experiences required. They also take steps to ensure that progression opportunities are open to everyone, regardless of gender, age, ethnicity or disability.
(See page 13: HR Practice in focus: career development).

05 **Opportunities to develop** – employers supportive of progression provide both formal and informal development opportunities. They also enable progression through the provision of wider support such as mentoring, and are effective at identifying and developing staff with potential to progress. They also ensure that development opportunities are available to all.
(See page 17: HR practice in focus: common ways of developing staff; and page 15: HR practice in focus: acting-up as a platform for progression, and page 18: HR practice in focus: working in partnership)

06 **Designing jobs for meaning and purpose** – this dimension reflects the extent to which work and jobs are designed in such a way as to enhance the quality of work, enabling employees to do the best work they can and to use valued skills and abilities.
(See page 16: HR practice in focus: job re-design and learning new skills)

07 **Supportive line management** – employers who are supportive of progression recognise the critical role played by line managers and invest in their capability to engage in regular conversations with those they manage about their careers and development opportunities. They also support line managers in their ability to conduct effective conversations with staff about their performance and manage their expectations around career development.
(See page 14: HR practice in focus: features of effective performance and development conversations, See page 19: HR practice in focus: what makes for effective line management).

08 **Flexibility as a default** – this dimension reflects the extent to which organisations take steps to ensure part-time and flexible working is not a barrier to progression.
(See page 20: HR practice in focus: flexible working that meets both employee and employer needs.

NEW SKILLS AT WORK
J.P.Morgan

Final thoughts – an uncertain future…

… But one where there's practical things that we can all try to do

- **Know our workforces**
  - Job satisfaction, flexibility are golden threads for keeping people in work and helping those out of work
  - Changing attitudes and expectations – identity, relationships, proximity, fairness
  - Eradicate biases – e.g. on progression for part-time, disabled, older and lower paid staff
- **Audit and address the drivers of decent work**
  - Security, relationships, control, fit with skills, workplace support
- **Inclusive recruitment**
  - Making work accessible – costs, flex, induction and training, health support
  - The processes – clear language, simple processes, pace, diversity, unconscious as well as conscious biases
- **Use data better and differently**
  - To do all of the above – where are the issues now, who is leaving, why, what jobs are hard to fill
  - What is going well, not just badly – why do people stay, who progresses

Leadership matters – this is a business imperative, not just a social one

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