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ECONOMICS

# Forecasting Future Skill Needs in NI

Overview of Final Report

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Lunchtime Seminar

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OXFORD ECONOMICS

# Outline

- Scope of research – what we did
- Skills forecasting methodology
- Overview of qualitative research
- The changing economic picture – raising the bar
- Policy remarks
- Summary – tougher times, tighter times, time for training?

# Scope of research - what we did

# Scope of research

- Empirical assessment of future skill needs (by NQF and NVQ level) and degree subject demand of NI economy, including for priority sectors
- Baseline (EDF Sept 08) and aspirational scenario
  - Considered Leitch restructuring and catch up scenarios – Stakeholder Conference endorsed a mixture of both plus some tailoring to NI – developed an aspirational scenario that achieves PSA 1
- Demand focus but some supply-side elements
- Model developed provides a consistent methodology for evaluating the quantum of future skill needs
  - Can be easily revisited with a weakened economic outlook, in calmer times or with a different aspirational scenario (e.g. emergence of ‘green jobs’, reshaping of financial & business services etc)
  - Compliments more qualitative, ‘sector by sector’ expertise in SSC Sector Skill Agreements (and importantly sector forecasts are independent)

# What we did

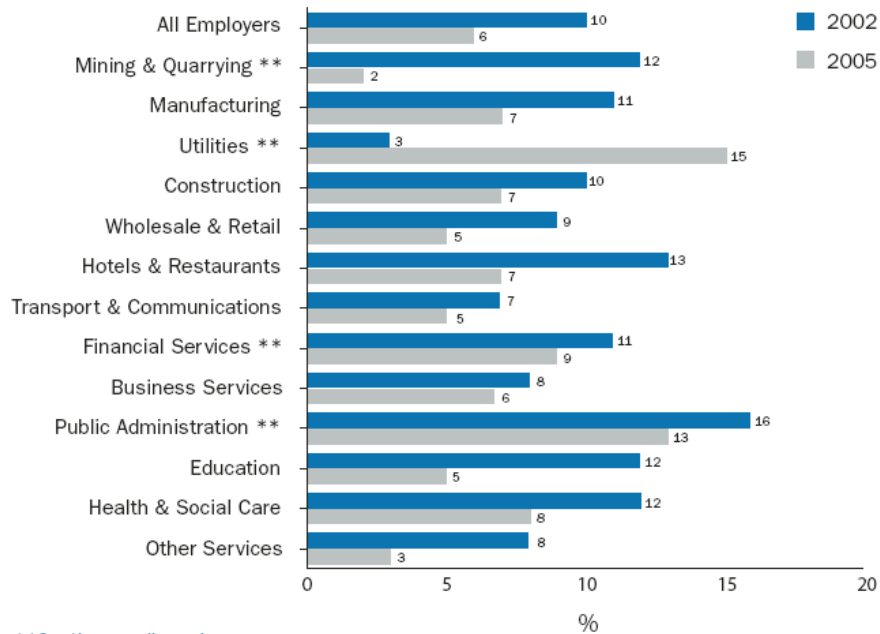
- Consultations and desk-based research
- Extensive regional skills, occupation and subject analysis to place NI's current skills position in context
- Enhanced our original skills forecasting methodology
- Developed the first 'roadmap' for a NI aspirational economic scenario
- 200 page report (although 100+ pages in annex!)

# Result caveats

- LFS small sample size NI, subject to considerable margins of error (though use 3-year averages to minimise errors)
- LFS flows data complex
- LFS flows data only available during period of economic growth – no way of knowing how applicable historic leaving and joining rates are to current recession period (potential significant implications for net requirement from education and migration)
- Formal measures such as NQF do not cover all aspects of skill requirement
- How well do past trends for skill levels and subjects of new entrants reflect true demand or what the market could get?
- HESA data survey-based, 75 per cent coverage
- Detailed subject analysis would ideally involve more detailed sectoral forecasts

# Evidence of market not getting what it wants

**Figure 3: Incidence of at least one difficult to fill vacancy by industry, 2002 and 2005 comparison**



**Table 17: Reported skill gaps among the workforce by industry**

Industrial Sector	Existing skills gap %	No skills gap %	Base = 100%
All Employers	9	91	4115
Mining & Quarrying**	3	97	17
Manufacturing	8	92	695
Utilities**	12	88	18
Construction	8	92	229
Wholesale & Retail	7	93	782
Hotels & Restaurants	12	88	181
Transport & Communications	8	92	324
Financial Services	14	86	134
Business Services	7	93	454
Public Administration**	22	78	74
Education	12	88	339
Health & Social Care	14	86	455
Other Services	14	86	413

\*\* Caution small numbers

Source: NI Skills Monitoring Survey

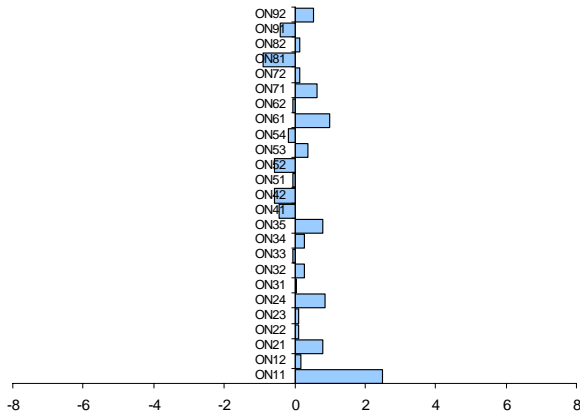
# Skills forecasting methodology

# Skills forecasting methodology

- Skills requirement combination of expansion demand and replacement demand
- Replacement demand is requirement to fill vacancies created by people leaving employment for a variety of reasons. Our model includes:
  - Leavers to unemployment & training schemes
  - Leavers to inactivity excluding retirement
  - Leavers to retirement
  - Leavers to death
  - Leavers to other occupations
  - Leavers to out migration
- 'Replacement' category much larger than 'expansion' category
- Explains why declining occupations and sectors still require new staff

# Replacement greater than expansion

NI occupations: Expansion demand (2010-2020)



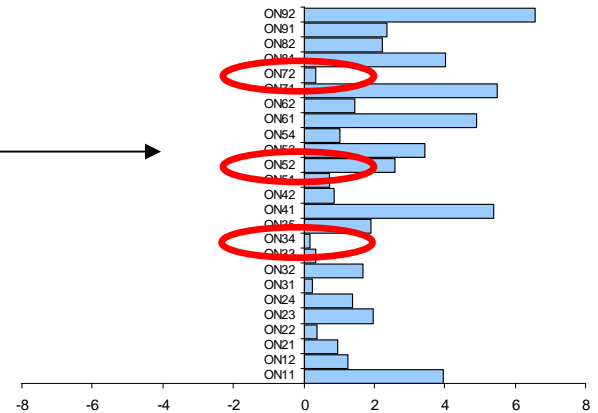
Expansion demand (annual average flow 2010-2020)

Source: Oxford Economics

Lower turnover of:

- Culture, media & sports occs
- Science & tech assoc prof
- Skilled agriculture trades
- Health profs
- Secretarial & related occs

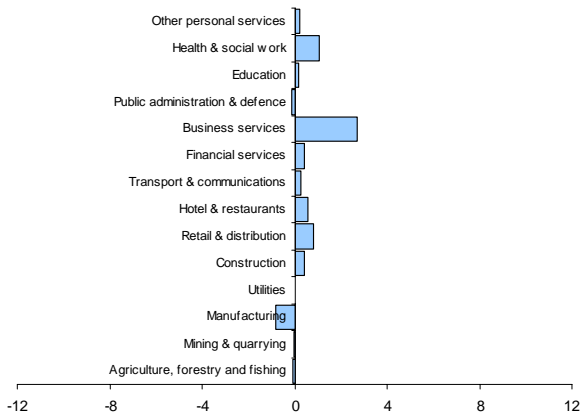
NI occupations: Total leavers (2010-2020)



Total leavers (annual average flow 2010-2020)

Source: Oxford Economics

NI sectors: Expansion demand (2010-2020)



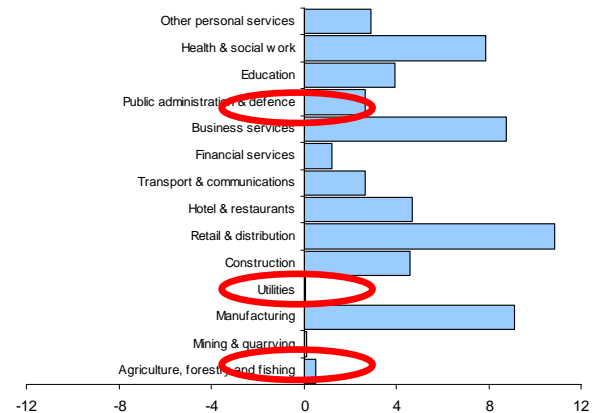
Expansion demand (annual average flow 2010-2020)

Source: Oxford Economics

Lower turnover of (in relative terms):

- Agriculture, forestry & fishing
- Utilities
- Public admin

NI sectors: Total leavers (2010-2020)



Total leavers (annual average flow 2010-2020)

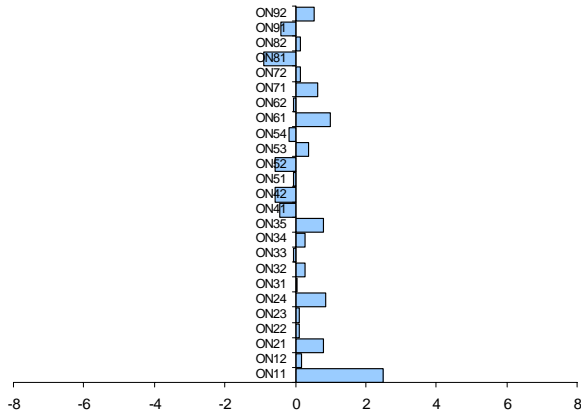
Source: Oxford Economics

# Skills forecasting methodology

- Looking at the supply of labour filling demand is complex
  - Joiners from unemployment & training schemes
  - Joiners from inactivity excluding students
  - Joiners from other occupations
- While this study is demand focused it was important to consider net replacement demand
- Though common for other organisations to assume net zero leaving to and joining from various flows, we do not
- May be true for whole economy but not within occupations
- We use full flows matrix
- Residual net requirement from education system (not persons already in employment studying part-time) and in migration

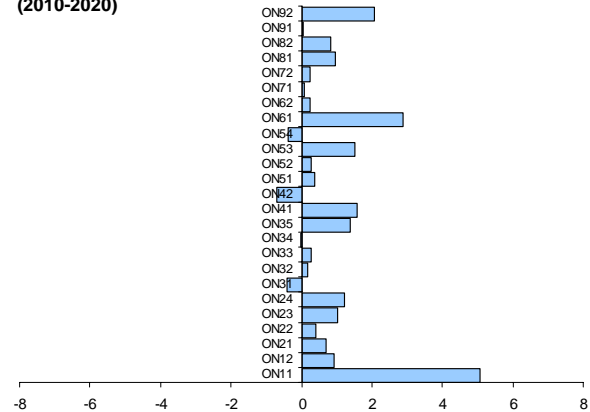
# Net 'residual' requirement

NI occupations: Expansion demand (2010-2020)



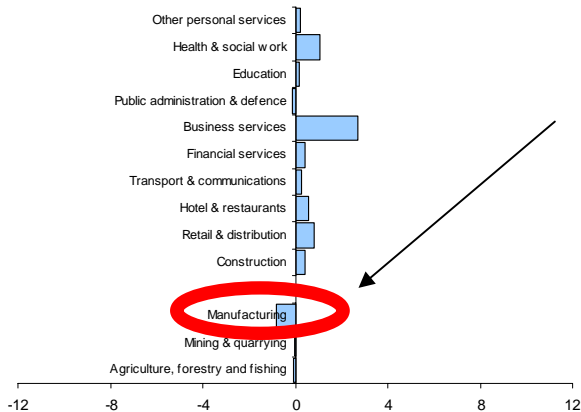
Expansion demand (annual average flow 2010-2020)  
Source: Oxford Economics

NI occupations: Net requirement from education and migration (2010-2020)



Net requirement education and migration (annual average flow 2010-2020)  
Source: Oxford Economics

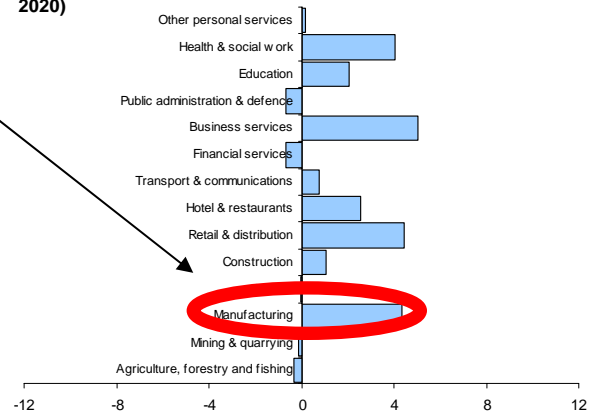
NI sectors: Expansion demand (2010-2020)



Expansion demand (annual average flow 2010-2020)  
Source: Oxford Economics

Manufacturing  
a declining  
sector but  
large positive  
net  
requirement

NI sectors: Net requirement from education and migration (2010-2020)



Net requirement education and migration (annual average flow 2010-2020)  
Source: Oxford Economics

# Overview of qualitative research

# Qualitative stages

- Conducted between October and December 2008
- Four different stages:
  - Face-to-face and telephone interviews
  - Presentation to the Sector Skills Councils and selected Invest NI representatives
  - Survey of SSCs and selected Invest NI sector representatives
  - Stakeholder conference

# Face-to-face and telephone interviews

- Interviews focused on:
  - A review of Oxford Economics' baseline forecasts
  - Qualifications and occupations today and tomorrow
  - Skills demand issues
  - Graduate and subject demand
  - Transferable and generic skills
- Looking back less informative than hoped for
- Many consultees directed us to Sector Skills Agreements

# Presentation to SSCs and Invest NI

- Main objectives were to:
  - Develop an understanding of the role of SSCs in NI and the progress of the SSA reports
  - Receive guidance from SSC managers on how a more aspirational scenario for NI may be achieved in terms of sectors and the role that they will play
  - Receive guidance from SSC managers on specific skill demand issues and future skill and occupation trends for each sector including subject demand
  - Consult with Invest NI on how a more aspirational scenario could be achieved in terms of sectors for growth and skill demand and future sectoral occupation trends

# Survey of SSCs and Invest NI

- Aim was to give greater opportunity to respond to the issues guidance was sought on
- Two components:
  - Qualitative survey
  - Quantitative survey

# Stakeholder Conference

- Opportunity for Oxford Economics to present preliminary research findings to a wider group of stakeholders
- The day incorporated a focus group to debate issues such as:
  - Sectors for aspirational growth
  - Appropriateness of the Leitch restructuring and catch up scenarios for the NI economy

# How to achieve a better NI

- **Upskilling** most important factor for achieving a better NI
- 2/3 of respondents also felt that **expansion of indigenous business** was important
- Need to **grow something unique for NI** rather than focussing specifically on sectors such as business and financial services
- But lower productivity jobs such as those in retail, will remain essential for the economy in terms of social inclusion and upskilling

# Skill and occupation requirements

- Skills demand can **change so rapidly** making it difficult to predict future requirements
- **Literacy, numeracy and IT skills** will be essential for delivering a capable workforce
- In sectors such as tourism, skill requirements are **across the board** and not just focussed on graduates
- **Foreign language skills** will become increasingly important over the next decade for occupations within health, social care, tourism and law and justice

# High level skills needs

- Financial / business services, ICT, life sciences and software sectors all suggested that the demand for graduates was crucial
- High demand for IT graduates not only within the IT sector but within other sectors with IT-related occupations
- The **quality of degrees is becoming a weakness**, with sectors such as the manufacturing being less impressed with today's graduates, many of which it terms as '**broad brush**' graduates
- **Under-supply** of graduates in some sectors exists due to the **lack of awareness of career opportunities**

# Graduate subject demand

- **STEM graduates** are and will continue to be in high demand
- Though concern that the **number and quality of graduates** within science and engineering has been **dropping** at an alarming rate
- Subject studied at university is **more important for some sectors than for others**, e.g. financial services are willing to take graduates from all disciplines with emphasis placed on competencies rather than subject

# Generic skills

*“The quality of personnel over the last decade in NI has been reducing. Lower entry requirements at universities is one of the major factors contributing to this trend”*

- Changing attitudes, increasing training and growing **more well rounded individuals capable of problem solving and good communication skills** should be a target of government policy

*“The NI workforce has the capability to achieve a lot more however we have to instil a sense of confidence. One way to do this is through training and development within all levels of education and continuing through employment”*

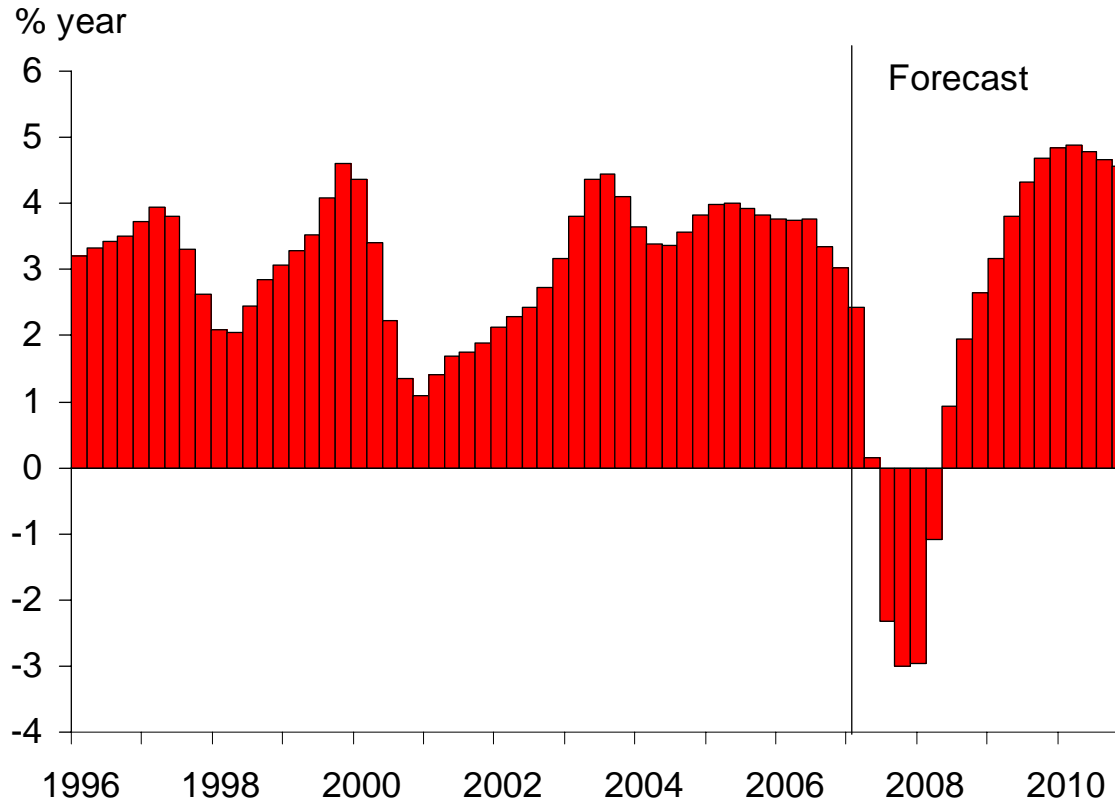
# Summary consultation key issues

- **Upskilling** essential
- Grow something **unique**
- **Difficultly** in predicting skills requirements
- **Essential skills**
- **Career awareness**
- Importance of **subject of study**
- Develop **generic skills**
- Need for a **forecasting system**

# The changing economic picture

# A global recession – first since the war...

## World: GDP growth



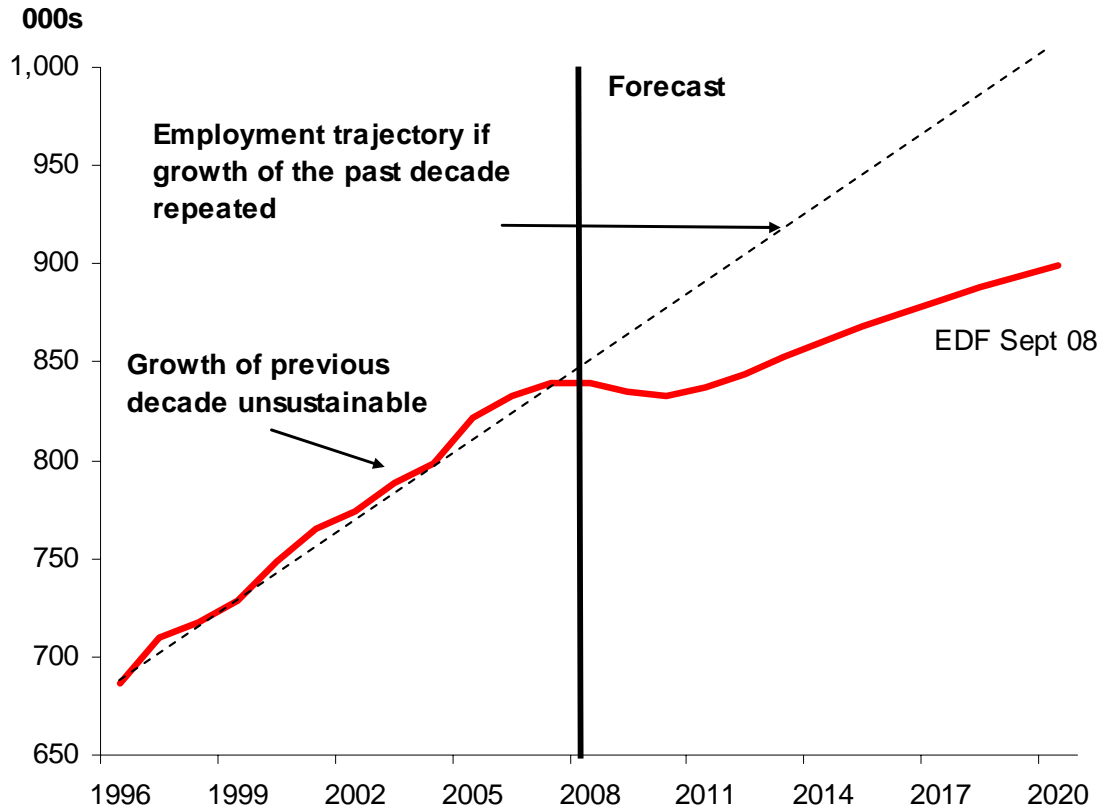
Source: Oxford Economics

# Should we have seen it coming?

- In some areas yes – house prices, construction, house building, retailing
- In others no – as ‘hidden’ and lacking data
- Sentiment and attitudes hard to gauge and predict
- Some lessons learnt – monitor debt, shout louder about warnings and keep balanced growth at the forefront of thinking
- The scale and interlinkages of the global conditions probably should have been tested as a scenario
  
- Complacency - things can always be both better and worse! Scenario analysis tended to focus on the upsides
- At least QUB launching an MSc course in Risk Management!

# End of 'golden era'

## NI: Total employment



Source: DETI, LFS, Oxford Economics

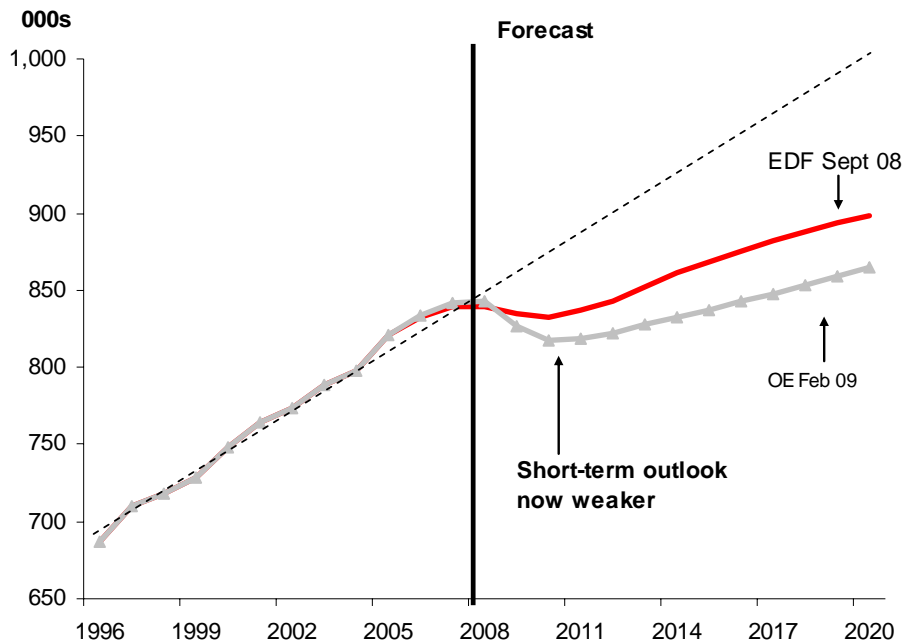
- Last 12 years: 13,000 net new jobs pa

### EDF September 2008

- Next 12 years (baseline): 5,000 net new jobs pa

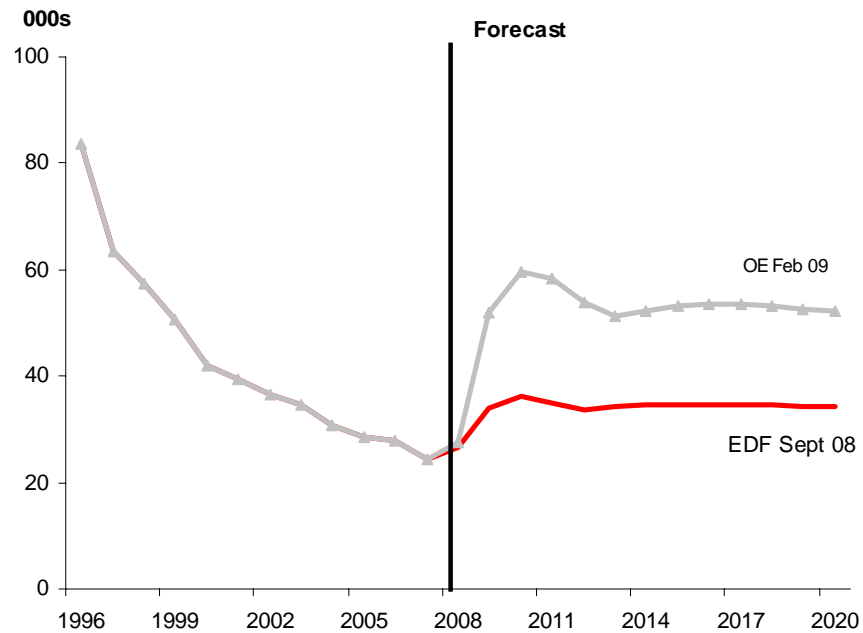
# Weakening outlook

## NI: Total employment



Source: DETI, LFS, Oxford Economics

## NI: Claimant unemployment



Source: NOMIS, Oxford Economics

# Weakening outlook

## Real GVA

	EDF September 2008	February 2009
2008	1.3%	1.2%
2009	0.5%	-2.3%
2010	2.1%	0.4%
2011	3.2%	2.2%
2012	3.1%	2.7%

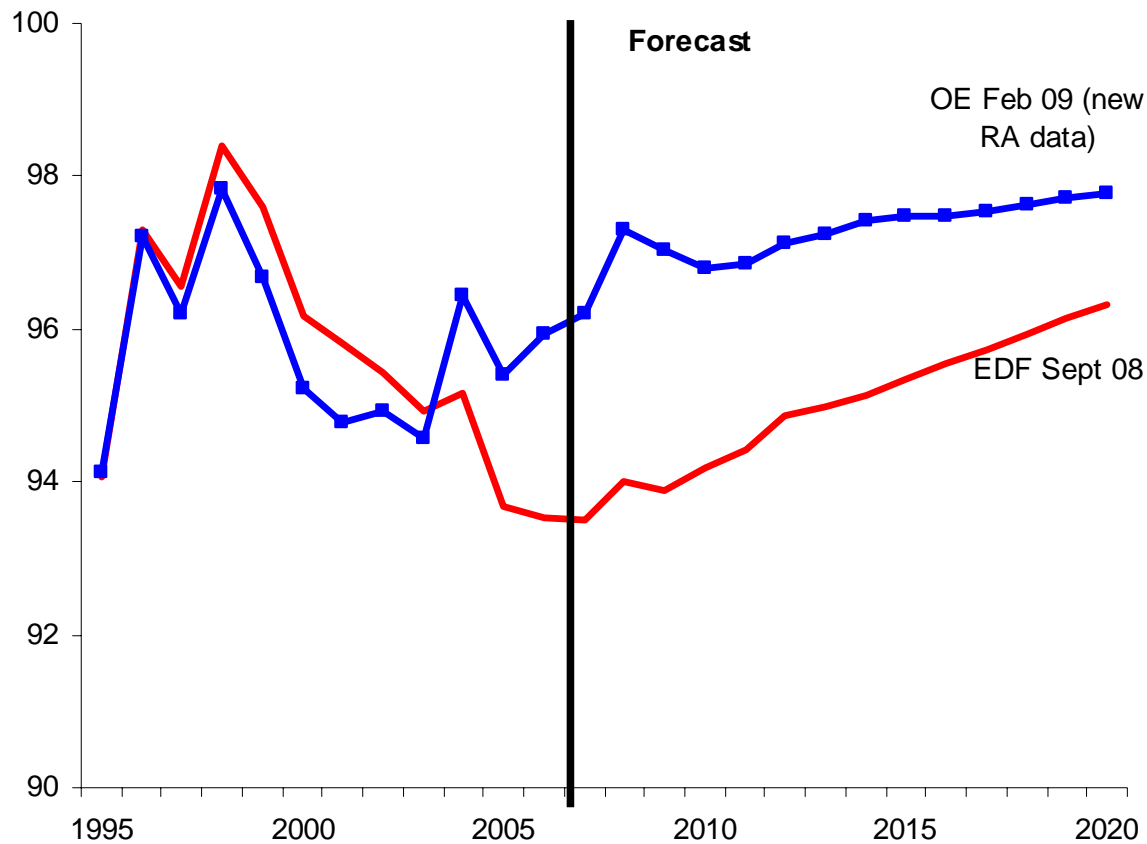
*Source: Oxford Economics*

*Note: Annual average growth*

# ... and data revisions / updates!!!

## NI PSA 1: Private sector productivity

UK excl  
GSE=100



Source: Oxford Economics

# Facing a new world

- The end of a debt era
- The global problems have taken the problem beyond the painful (but necessary) housing correction
- Who can spend (not business, not consumer, not government?)
- Not 100% true – there are opportunities to spend and some are doing
- Also – blaming banks not 100% fair either – a collective problem (including forecasters!)
- Tomorrow will have to be export-led not debt-led
- There is such a thing as too fast growth! (a dimension of sustainability)
- The environment will be ever more global - skills will therefore be even more crucial
- Leading not following matters (e.g. MATRIX)

# Policy remarks

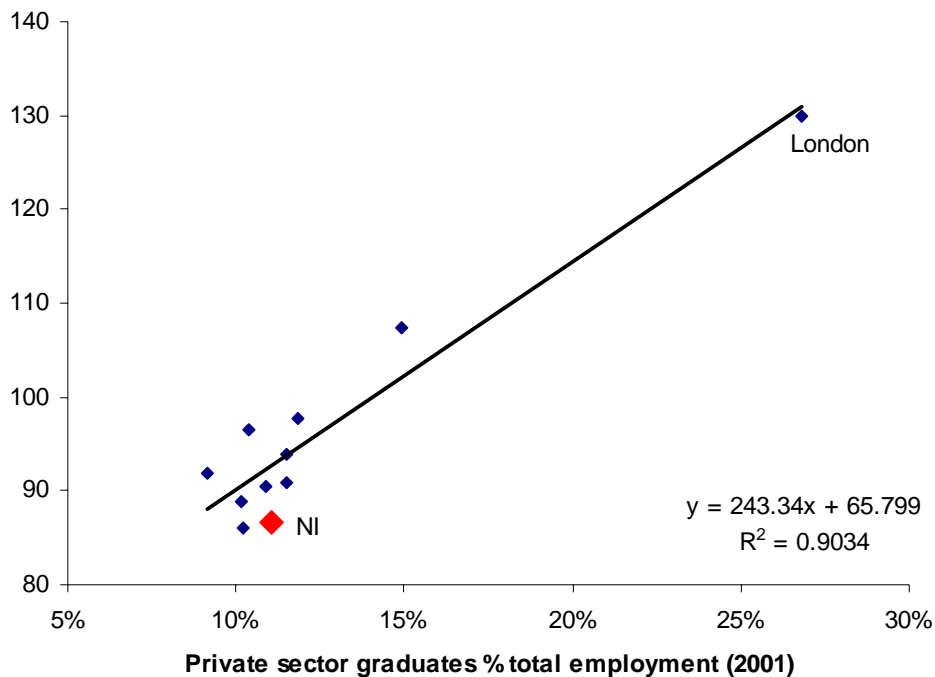
# Policy remarks

- Skills matter for PfG economic goals
- NI upper tier workforce skills position 'on a par' with other regions
- Graduate under-representation in some sectors
- Managerial and professional weakness
- Narrow 'unspecialised' subject focus
- **End of 'golden era'**
- Recession impact – over-supply in short run
- Recovery - still a significant demand for labour
- Rising gradient of future skill needs
- Still a need for a balanced supply
- Aspirational growth will require a step up
- Upskilling the workforce matters
- Increasing demand for STEM and commercially orientated creative subjects
- Shortfalls could occur
- Retain and return
- Changing dynamics of supply
- Need for policy to be adaptable and flexible

# Skills matter for PfG economic goals

## UK regions: Private sector graduates and productivity

Productivity  
(UK=100, 2007)



Source: Census, Regional Accounts, DETI, ONS, Oxford Economics

## NI

	Average weekly wage (2007)
Postgraduate	£565
NVQ Level 4 + (excluding postgrad)	£455
NVQ Level 3	£329
NVQ Level 2	£275
NVQ Below Level 2	£242
None	£204

Source: LFS

	Employed	Unemployed	Inactive excluding students and early retirees
NVQ 5	93%	1%	5%
NVQ 4	91%	1%	8%
NVQ 3	84%	3%	14%
NVQ 2	81%	4%	15%
NVQ 1	68%	7%	25%
NVQ 0	54%	5%	41%

Source: LFS (3-year average 2005-2007)

# Upper tier skills 'on a par' with other regions

	Sub-degree, degree and postgrad % employed persons (2007, 3-year moving average)	UK=100
Canada (adult graduate pop 2005) *	46%	145
London	44%	137
US (adult grad pop 2005) *	39%	123
Scotland	36%	113
Finland (adult graduate pop 2005) *	35%	109
ROI (graduate) *	34%	106
South East	33%	104
UK	32%	100
South West	30%	96
North West	30%	94
<b>UK excluding Greater South East</b>	<b>30%</b>	<b>93</b>
NI	29%	92
Eastern	29%	91
Wales	28%	90
East Midlands	28%	88
West Midlands	28%	88
North East	28%	87
Yorkshire & Humber	26%	83
France (adult graduate pop 2005) *	25%	78
Germany (adult graduate pop 2005) *	25%	77

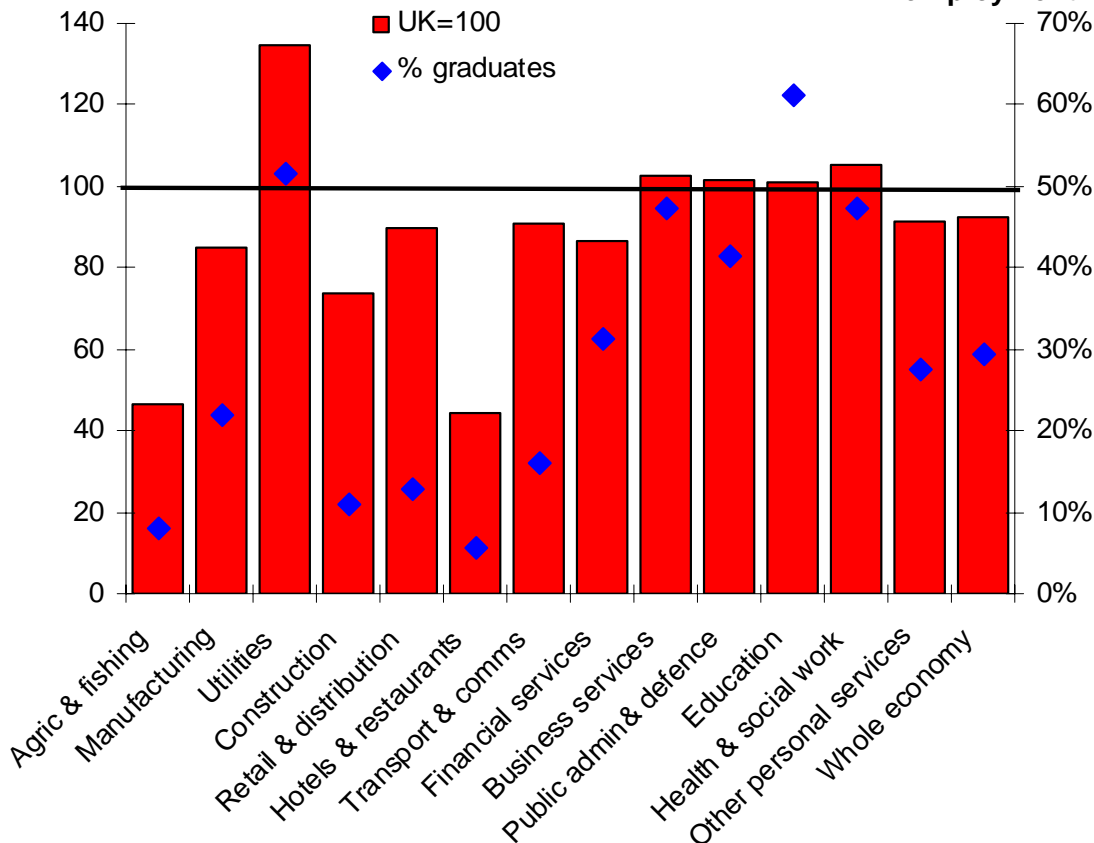
Source: LFS, OECD, CSO QNHS (ROI), Oxford Economics

\* See report for international skills definition caveats

# Graduate under-representation in some sectors

## NI: Workforce NQF 4-8 relativities

UK=100 (3 yr ma)



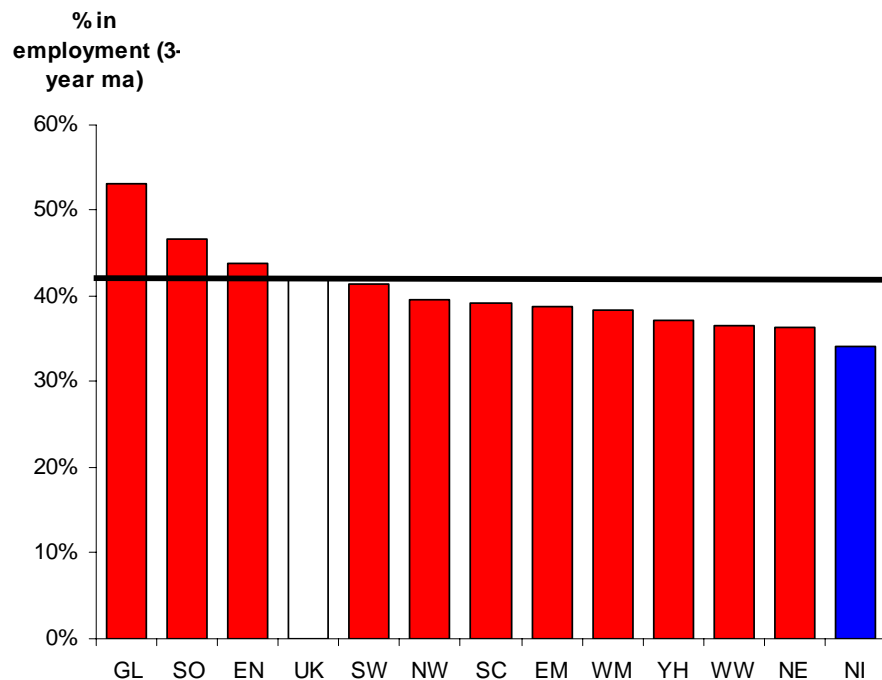
- Agriculture
- Manufacturing
- Construction
- Retail & distribution
- Hotel & restaurants

Source: LFS, Oxford Economics

Mining & quarrying not included due to the small LFS sample

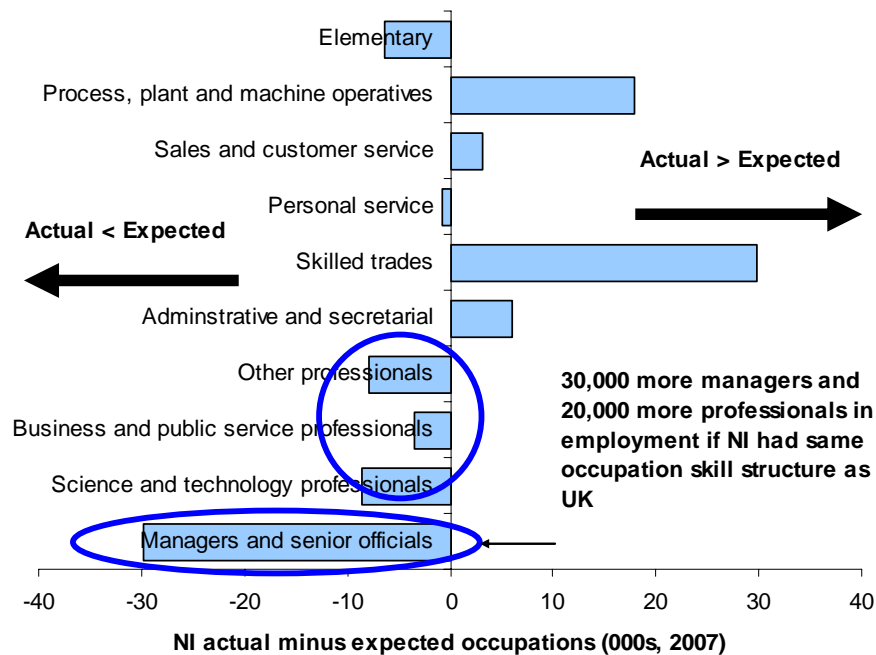
# Managerial and professional weaknesses

UK regions: Managers and professionals (2007)



Source: LFS, Oxford Economics

NI: Actual minus expected occupations (2007)



Source: LFS, Oxford Economics

# Narrow 'unspecialised' subject focus

	NI % total degree qualified employed persons (UK=100)	NI % total degree qualified employed persons	NI subject degree employed persons per 10,000 working age population (UK=100)
Medicine and Dentistry	197	5%	171
Business and Administration	138	15%	109
Subjects Allied to Medicine	126	14%	63
Vetinary Science, Agriculture and Related Subjects	124	1%	107
Combined degree	111	21%	56
Education	107	7%	71
Social Studies	98	6%	69
Architecture, Building and Planning	92	2%	77
Technologies	88	1%	79
Mathematical and Computer Sciences	82	5%	85
Engineering	80	5%	60
History and Philosophical Studies	76	3%	119
Biological Sciences	73	4%	42
Law	69	2%	27
Creative Arts and Design	66	3%	54
Physical Sciences	65	3%	0
European Language, Literature and Related Subjects	62	1%	66
Mass Communication and Documentation	48	1%	57
Linguistics, Classics and Related	31	1%	93
East Asiatic, African, American and Australian Languages and Literature	0	0%	96

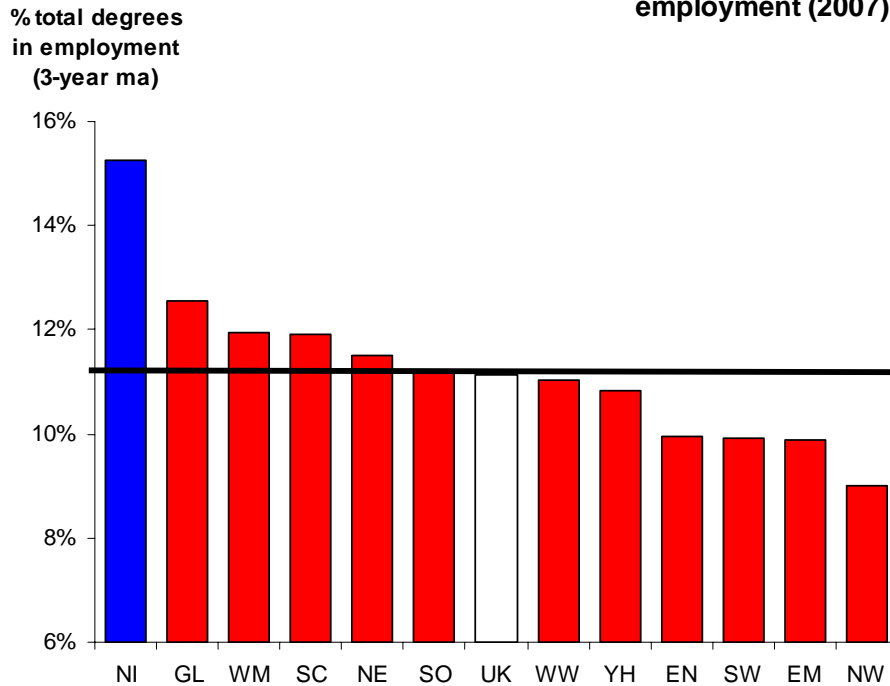
Source: LFS, Oxford Economics

Note: Cells shaded purple indicate NI's employed degree subject share is 10 per cent less than the UK average. Cells shaded blue indicate NI's employed degree subject share is 10 per cent greater than the UK average

# Narrow 'unspecialised' subject focus

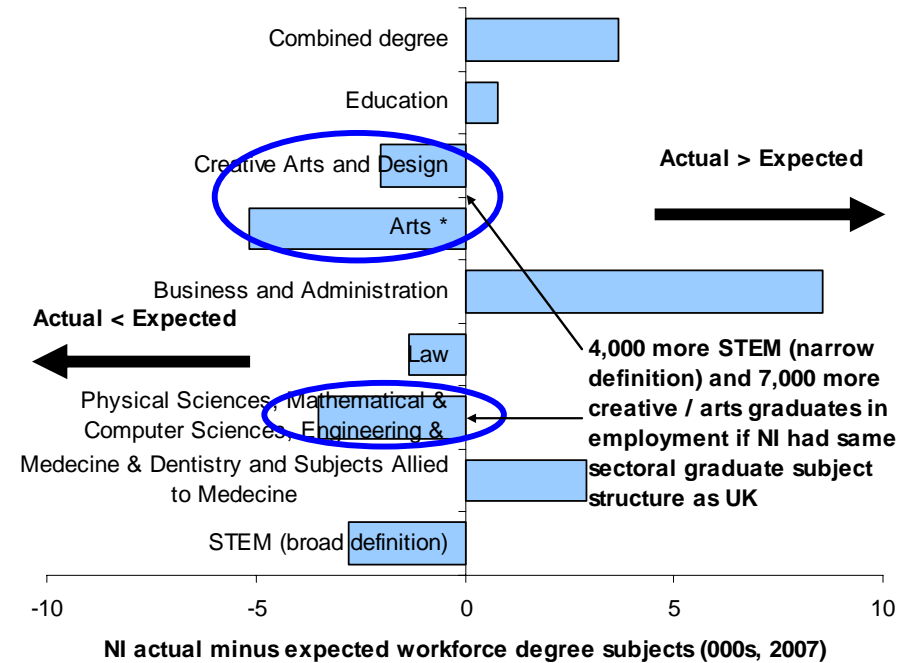
## Is this a demand or supply question?

UK regions: Business and Administration degrees in employment (2007)



Source: LFS, Oxford Economics

NI: Actual minus expected workforce degree subjects (2007)



Source: LFS, Oxford Economics

\* Linguistics, Languages, Literature, History & Philosophy

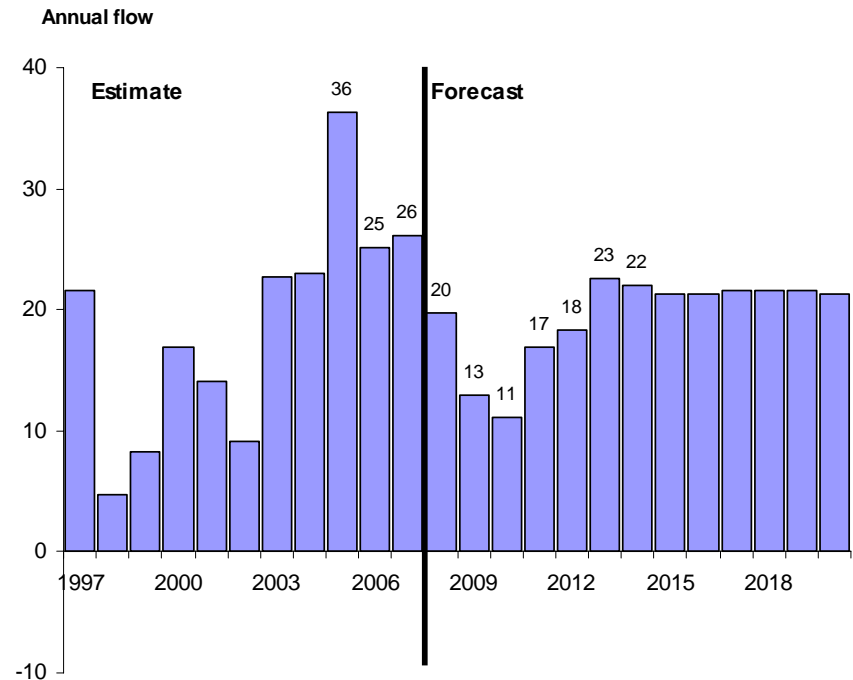
# Recession impact – over-supply in short-run

## Baseline

	2008-2010 annual average (000s)
Expansion demand	-4
Net replacement demand	16
Leavers (including out-migration)	55
Joiners	39
Net requirement from education and in-migration	12
Entrants from education to employment	17-20
In-migration	?

Source: Oxford Economics

NI: Net requirement from education system and in-migration



Source: Oxford Economics

# Recovery – still a significant demand for labour

## Baseline

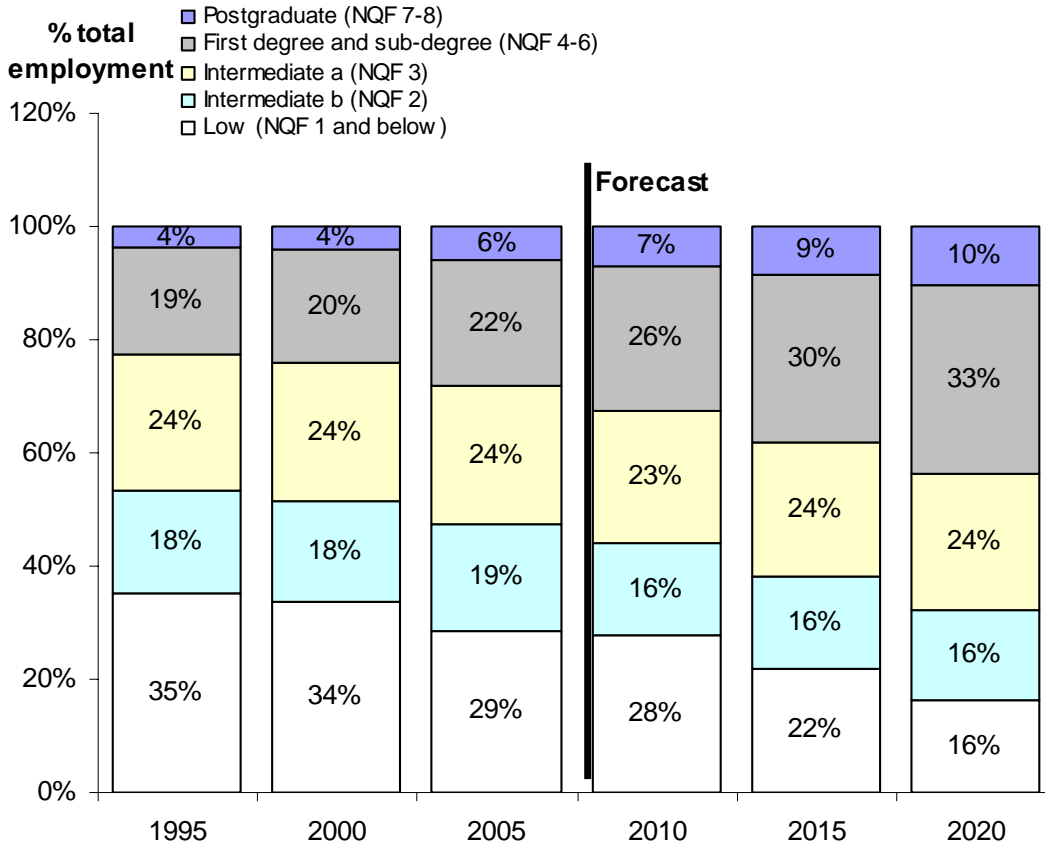
	2010-2020 annual average (000s)
Expansion demand	6
Net replacement demand	15
Leavers (including out-migration)	56
Joiners	40
Net requirement from education and in-migration	21
Entrants from education to employment	17-20
In-migration	1-4

- Even without a return to growth of the past decade still a significant demand for labour
- On average 15,000 jobs available pa without any net increase in total jobs
- Growth of 5,000-6,000 net new jobs pa is more sustainable for NI – consistent with education outturn and moderate in-migration

Source: Oxford Economics

# Rising gradient of future skill needs

## NI: NQF qualifications persons in employment (baseline)



Source: LFS, Oxford Economics

## 2007

- NQF 4-8: 29%
- NQF 1 and below: 31%

## 2020

- NQF 4-8: 44%
- NQF 1 and below: 16%

# Still a need for a balanced supply

	Net requirement from education and migrants (annual average)	
	Historical (2003-2007)	Baseline (2010-2020)
Postgraduate (NQF 7-8)	2.0	1.8
First degree and sub-degree (NQF 4-6)	7.2	7.8
Intermediate a (NQF 3)	6.4	4.8
Intermediate b (NQF 2)	4.7	2.8
Low (NQF 1 and below)	6.4	3.6
<b>Total</b>	<b>26.6</b>	<b>20.8</b>
Postgraduate (NQF 7-8)	7%	9%
First degree and sub-degree (NQF 4-6)	27%	38%
Intermediate a (NQF 3)	24%	23%
Intermediate b (NQF 2)	18%	13%
Low (NQF 1 and below)	24%	17%

Source: Oxford Economics

- Just under half of net requirement for NQF 4 and above
- Still 1 in 6 available positions will require NQF 1 and below
- **Flows not to be confused with falling stock position**

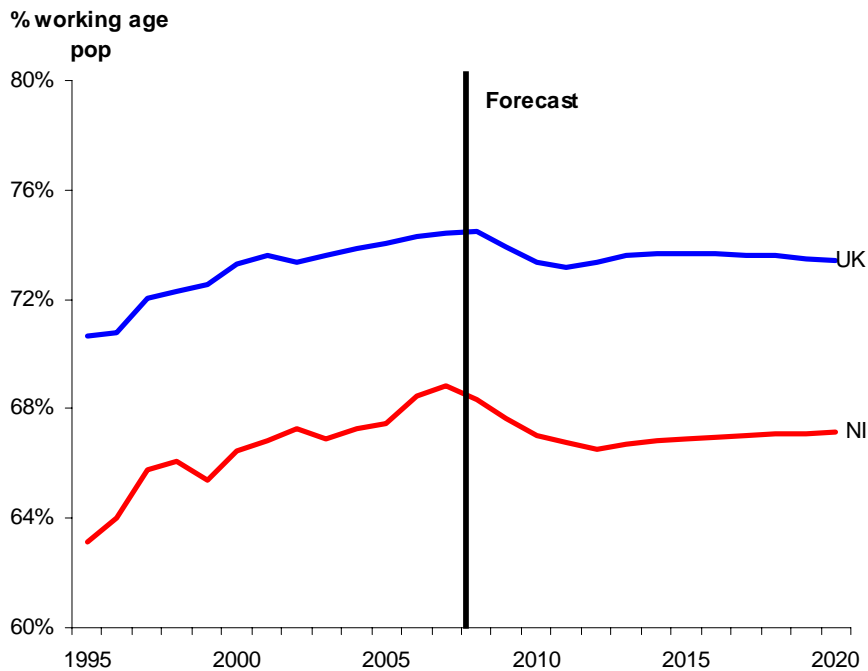
# Aspirational scenario

- Published goals for the economy
- But no defined path on 'how to get there'
- Consultees found it difficult to articulate a path in terms of sectors, steered us towards SSCs
- SSAs outdated and more detailed than worth replicating in this more macro-orientated study
- Mimicked Leitch scenarios with 'top up' to achieve PSA 1
- Conference endorsed a mixture of both catch up and restructuring relevant to NI economy
  - PSA 1 / productivity focused
  - Consistent with MATRIX, DETI's priority sectors
  - Faster employment growth in export sectors with secondary multiplier effects on retail, construction etc
  - Overall broadly in line with the ethos and direction of policy
  - Though still not a consensus scenario

# Employment rate aspiration

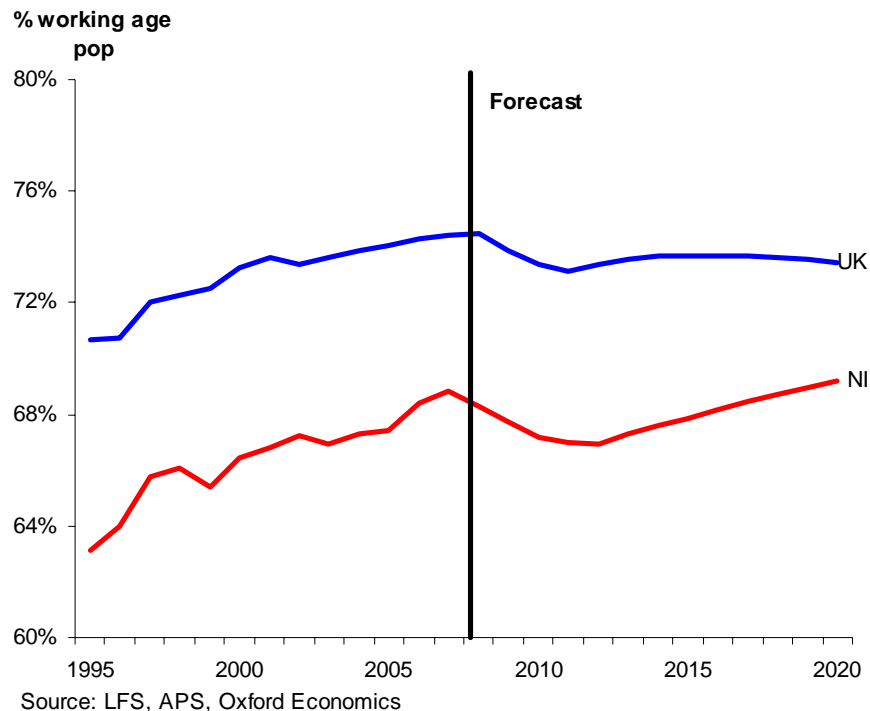
## Baseline

NI and UK: Employment rate



## Aspiration

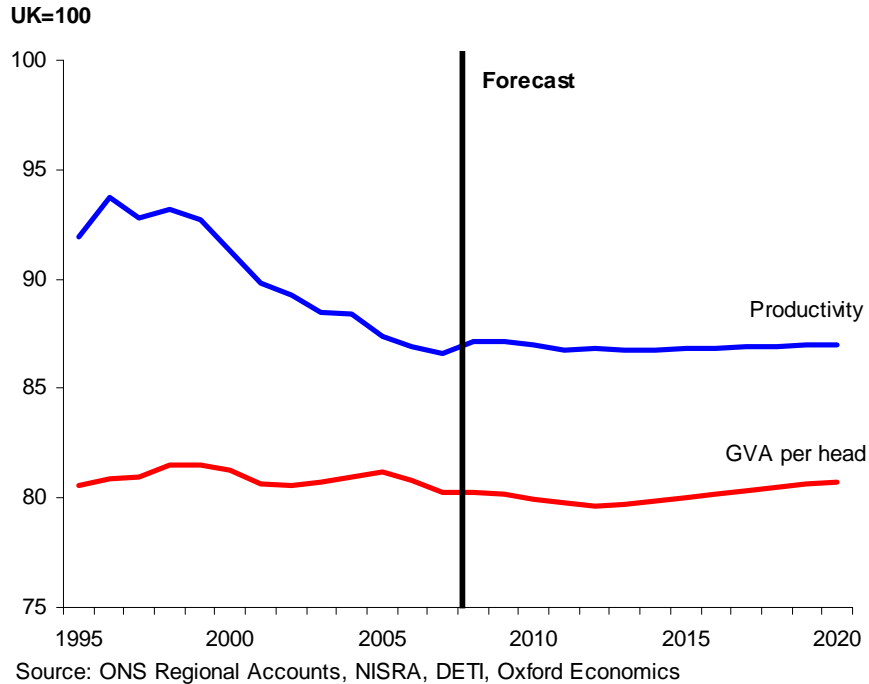
NI and UK: Employment rate



# GVA per capita aspiration

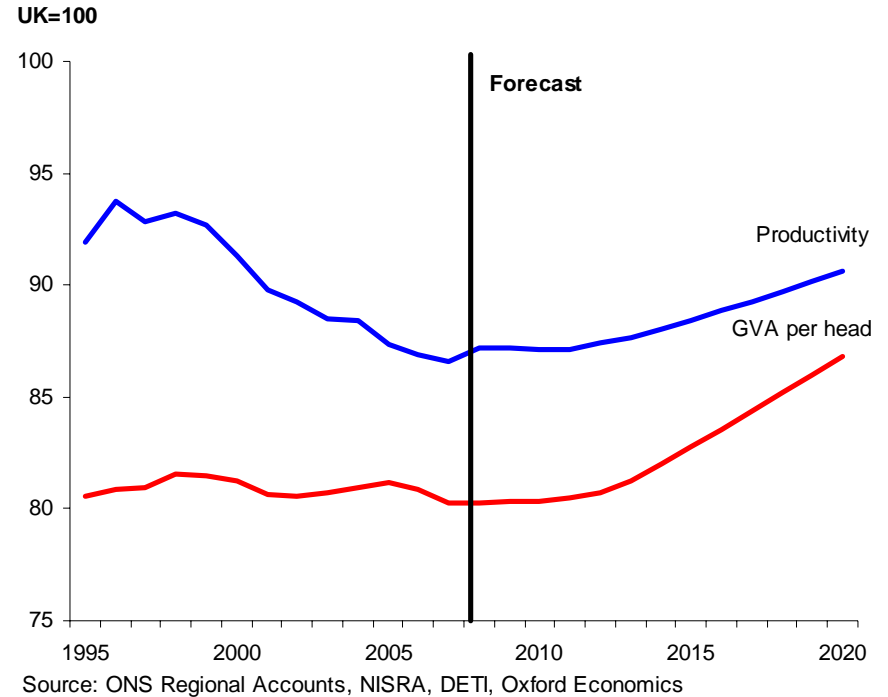
## Baseline

NI: GVA per capita and productivity



## Aspiration

NI: GVA per capita and productivity

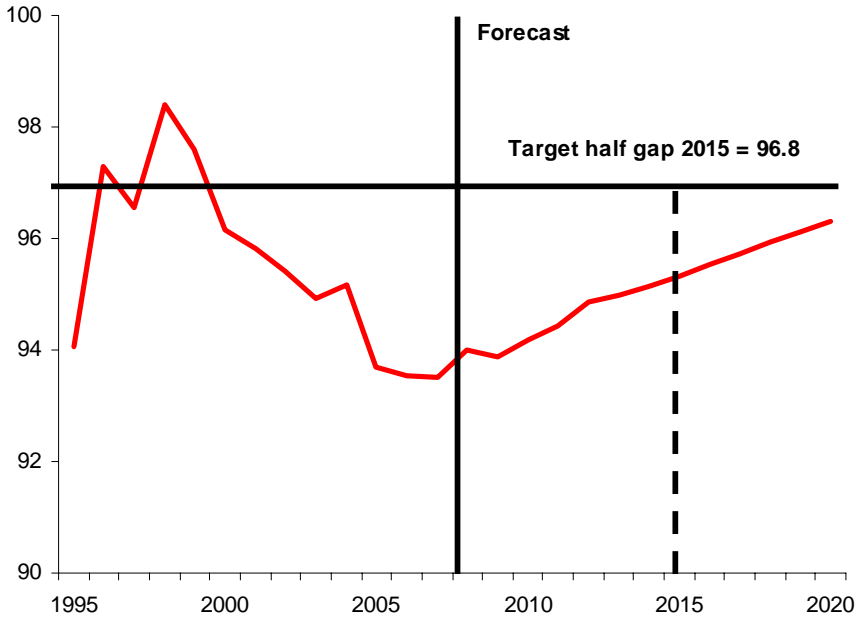


# Private sector productivity aspiration

## Baseline

NI PSA 1: Private sector productivity

UK excl  
GSE=100

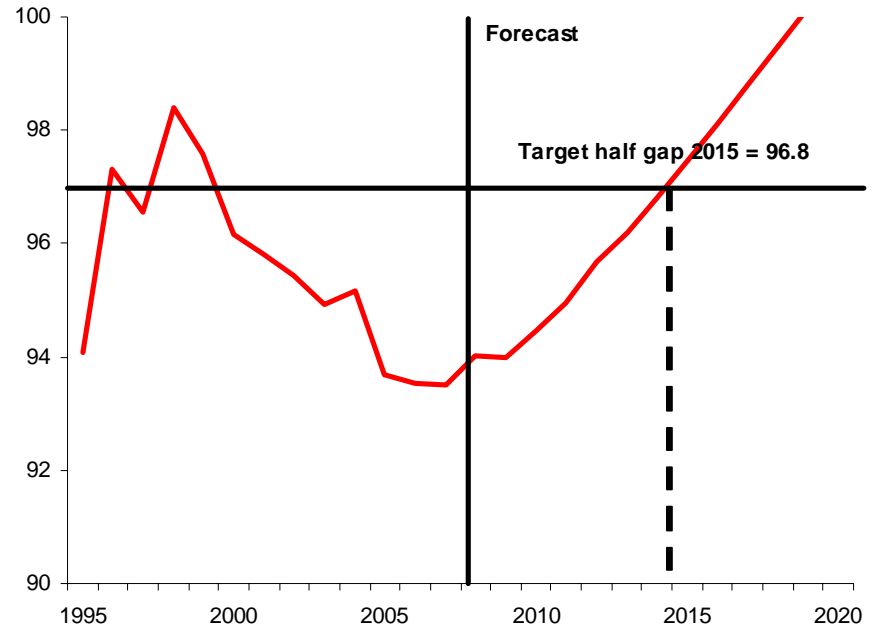


Source: Oxford Economics

## Aspiration

NI PSA 1: Private sector productivity

UK excl  
GSE=100



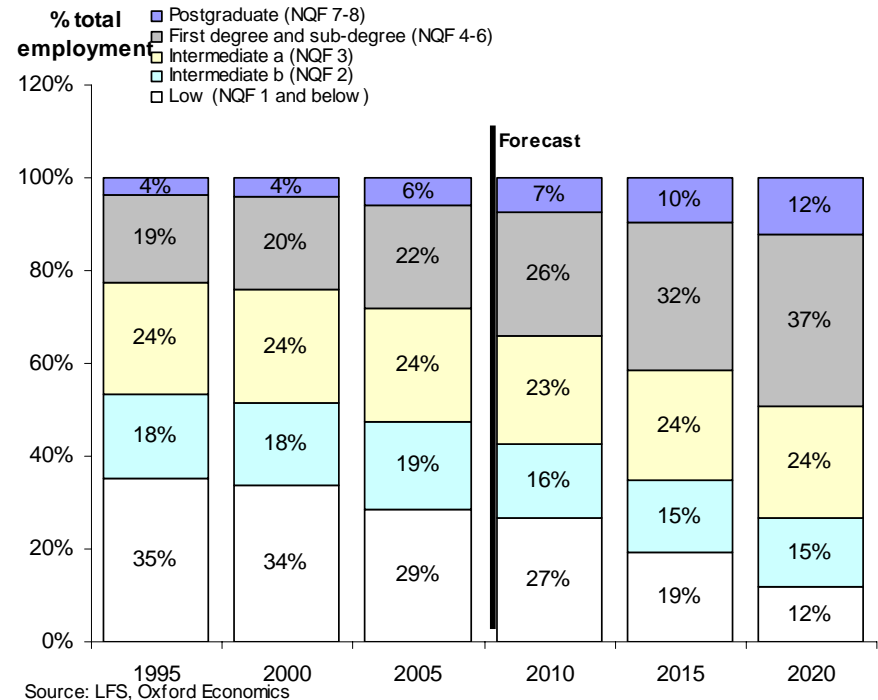
Source: Oxford Economics

# Aspirational growth will require a step up

	Net requirement from education and migrants (annual average)	
	Baseline (2010-2020)	Aspirational (2010-2020)
Postgraduate (NQF 7-8)	1.8	2.0
First degree and sub-degree (NQF 4-6)	7.8	8.7
Intermediate a (NQF 3)	4.8	5.5
Intermediate b (NQF 2)	2.8	3.9
Low (NQF 1 and below)	3.6	3.8
<b>Total</b>	<b>20.8</b>	<b>23.7</b>
Postgraduate (NQF 7-8)	9%	8%
First degree and sub-degree (NQF 4-6)	38%	36%
Intermediate a (NQF 3)	23%	23%
Intermediate b (NQF 2)	13%	16%
Low (NQF 1 and below)	17%	16%

Source: Oxford Economics

NI: NQF qualifications persons in employment (aspiration)



## 2020

- NQF 4-8: 49% (44% baseline)
- NQF 1 and below: 12% (16% baseline)

# Upskilling the workforce matters

## 2010-2020 annual average (000s)

	Baseline		Aspiration	
	Net requirement from education and migrants	Upskilling	Net requirement from education and migrants	Upskilling
Postgraduate (NQF 7-8)	1.8	2.6	2.0	3.7
First degree and sub-degree (NQF 4-6)	7.8	6.0	8.7	8.5
Intermediate a (NQF 3)	4.8	0.3	5.5	0.3
Intermediate b (NQF 2)	2.8	0.0	3.9	-0.9
Low (NQF 1 and below)	3.6	-8.9	3.8	-11.7
<b>Total</b>	<b>20.8</b>	<b>0.0</b>	<b>23.7</b>	<b>0.0</b>
Postgraduate (NQF 7-8)	9%	-	8%	-
First degree and sub-degree (NQF 4-6)	38%	-	36%	-
Intermediate a (NQF 3)	23%	-	23%	-
Intermediate b (NQF 2)	13%	-	16%	-
Low (NQF 1 and below)	17%	-	16%	-

Source: Oxford Economics

# Increasing demand for STEM and creative

## 2010-2020 annual average (000s)

	Baseline	Aspiration	Baseline % total	Aspiration % total	HESA NI domiciled graduates from UK HEIs entering employment in NI % total (2003-2007 annual average)
STEM	3.5	3.9	48.0%	49.0%	43.0%
Medicine & dentistry	0.2	0.2	3.2%	2.9%	3.3%
Subjects allied to medicine	1.1	1.2	15.6%	14.7%	17.3%
Biological sciences	0.4	0.4	5.3%	5.1%	5.2%
Veterinary science	0.0	0.0	0.1%	0.0%	0.1%
Agriculture & related subjects	0.0	0.0	0.1%	0.0%	0.7%
Physical sciences	0.2	0.2	2.4%	2.8%	2.2%
Mathematical sciences	0.0	0.1	0.6%	0.9%	0.5%
Computer science	0.6	0.8	9.0%	9.5%	6.5%
Engineering & technology	0.5	0.6	7.3%	8.1%	4.0%
Architecture, building & planning	0.3	0.4	4.6%	4.9%	3.1%
Law	0.3	0.5	4.8%	5.7%	2.8%
Business and Administration	1.1	1.2	15.5%	14.7%	15.6%
Languages	0.2	0.2	3.0%	2.7%	3.0%
Creative Arts and Design	0.3	0.4	4.3%	5.0%	3.4%
Education	0.9	0.9	11.9%	10.7%	18.0%
Combined degree	0.1	0.1	1.6%	1.7%	0.6%
Other *	0.8	0.8	10.9%	10.5%	13.6%
<b>Total</b>	<b>7.2</b>	<b>8.0</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Oxford Economics

Note: NQF 4-8 requirement from education and migration adjusted for LFS subject degree % NQF 4-8

\* Social studies; mass communication and documentation; philosophical studies

# Shortfalls could occur

## 2010-2020 annual average (000s)

	Demand		Supply
	Baseline	Aspiration	HESA NI domiciled graduates from UK HEIs entering employment in NI (2003-2007 annual average grossed up)
STEM	3.5	3.9	3.6
Medicine & dentistry	0.2	0.2	0.3
Subjects allied to medicine	1.1	1.2	1.4
Biological sciences	0.4	0.4	0.4
Veterinary science	0.0	0.0	0.0
Agriculture & related subjects	0.0	0.0	0.1
Physical sciences	0.2	0.2	0.2
Mathematical sciences	0.0	0.1	0.0
Computer science	0.6	0.8	0.5
Engineering & technology	0.5	0.6	0.3
Architecture, building & planning	0.3	0.4	0.3
Law	0.3	0.5	0.2
Business and Administration	1.1	1.2	1.3
Languages	0.2	0.2	0.2
Creative Arts and Design	0.3	0.4	0.3
Education	0.9	0.9	1.5
Combined degree	0.1	0.1	0.1
Other *	0.8	0.8	1.1
<b>Total</b>	<b>7.2</b>	<b>8.0</b>	<b>8.4</b>

Source: Oxford Economics

Note: NQF 4-8 requirement from education and migration adjusted for LFS subject degree % NQF 4-8

\* Social studies; mass communication and documentation; philosophical studies

Potential shortfall under aspirational scenario (pa):

- Mathematics: 30
- Computer Science: 200
- Engineering & Technology: 300
- Law: 200
- Creative Arts & Design: 100 (more likely in graphic design, film production than performing arts)

# Retain and return

- Challenge to maintain and improve the skills base suggests a need to attract back into the labour market well-qualified persons. This could be from:
  - Outside the labour market (parents looking after children or the early retired etc) – 1 in 3 leavers to inactivity qualified to NQF 4 and above
  - Outside NI (perhaps school leavers who previously left the region to study and remained working outside NI) – approx. 3,500 FT first year HE enrolments outside NI
- Such a flow of skilled labour could help to address managerial and diversity of graduate subject weaknesses

**Summary – tougher times,  
tighter times, time for  
training?**

# Changing dynamics of supply

- What if ...
  - Older staff stay in employment for longer or the early retired return to work due to weakening personal wealth circumstances (housing equity, pensions, water charges etc)
  - Migrants are first choice for employers
- Implications for the net labour requirement from education system and adult learning environment
- Last recession in NI pre-dates available labour market flows data from LFS – we actually know little about employer, employee and student recruitment patterns in a downturn
- Best we can do is rely on assumptions from recent trends

# Impacts of recession

- **The loss of jobs**
  - Job loss will leave many outside of work
  - Many of these will have been in secondary and support (or 'luxury') sectors which are unlikely to return
  - Re-skilling and re-training will remain a longer term issue
  - Geographical pattern will not be uniform
  - Many of those losing their job will not leave NI (even if migrants) as not the worst place to be out of work and where else to go?
- **The labour market**
  - Wages could be bid down – power back to employers
  - This will boost competitiveness
  - With tax rises potentially the benefit trap will increase
  - Potentially growing use of temporary / contract staff
  - Hardship the mother of invention!! Opportunities will arise to grab market share – role for HE and FE here. Innovation policy key – as is start up support.
  - Reduction in migrant workers (though not as much as some people expect)

# Impacts of recession

## ▪ **Educational leavers / joiners**

- Current leavers from education will have nowhere to go (stay in education or drift to benefits?)
- Disillusionment with the returns to education could set in for a generation
- Demand for places likely to go up in short term
- But potential for medium term supply gaps

## ▪ **Training / apprenticeships**

- Employers will find time on their hands – but training may not appear a good choice for many as cash-flow tight (firms can be surprisingly short-termist – like governments!)
- Disillusionment may lead to more drop-outs as might cost pressures
- But equally recognition of the challenges (thanks press!) mean that people may become more pro-active to retrain and up-skill

## ▪ **Psychology**

- Disillusionment with policy / government
- Shift of expectations on wages (just like house prices) - hard for people to come to terms with
- A painful experience – longer term implications for front line staff to deal with
- Migrant resentment likely to rise

# Need for policy to be flexible and adaptable

- Uncertain economic environment (under-statement!)
- Right now in uncharted waters for many (ministers, policymakers, business, economists!)
  - The recession how deep and how long?
  - What impact the unprecedented fiscal and monetary actions?
  - Is the financial & business service growth model still valid?
  - Will industrial production return as production and shipping costs rise for the mergers?
  - Rise of the 'green' economy?
- Limitation of data and a forecast approach

# Need for policy to be flexible and adaptable

- Evidence provides support for many of the existing skills programmes already in place
- Perhaps also a need for a twin strategy focus on (1) managing during the downturn; and (2) preparing to capitalise when recovery occurs (more akin to existing long-term strategies)
- What should short-term emergency measures be focused on?
  - What to do with the recently made unemployed – expand FE and HE capacity (applications are rising for next year) – once in a lifetime upskilling opportunity? But budget constraints, MASN caps and benefit eligibility?
  - What to do with education leavers?
  - Not to forget the significant inactivity problem!!!
- **Short-term impact ... long-term legacy**

# Appreciate the challenge

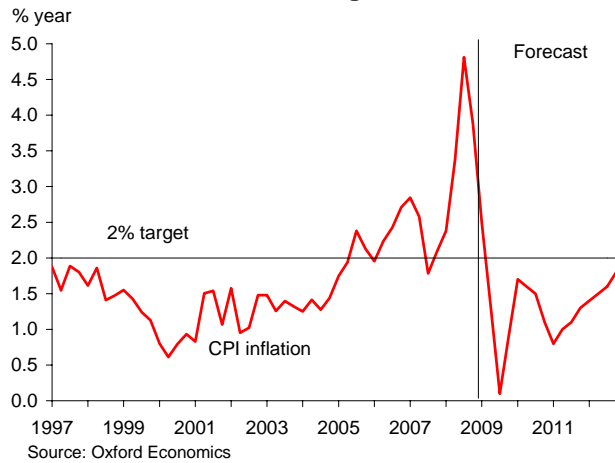
- These are the toughest global economic conditions since the second world war
- Changing perceptions is painful (how rich are / were we really?)
- Creating wealth means someone must spend – who?
- Exports will matter even more
- Need to be clear just how bad this might be and how to help companies and individuals gear for recovery
- Niche is expensive – if it can be trained at all – but necessary
- Skills still do offer the best return – skills around the world are improving
- Not all doom – skills are a relatively strength in NI (especially top end) and are platform to build on – am remember we are relatively well-funded

# Don't believe everything

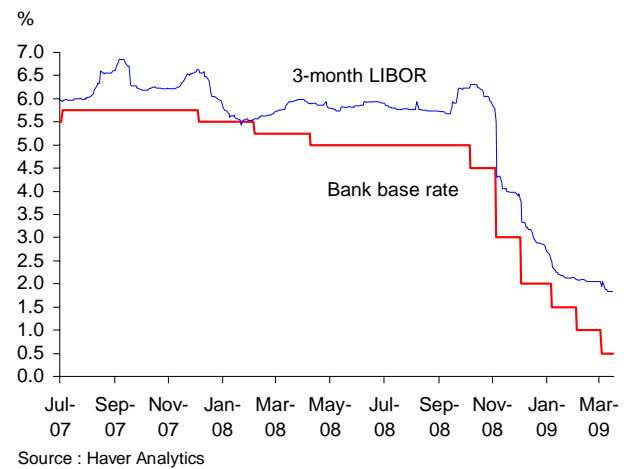
- Even a 10% contraction leaves 90% of the economy!
- Some sectors were over bloated
- Excuse to clear some deadwood
- Good time in recession to re-appraise spend and investment / staffing and re-prioritise (and a good time to recruit!)
- Also good time to innovate and develop new products and services
- Quietist firms often the best
- Press bias (see the job gains in supermarkets – and Oxford Economics!!)
- Debt is not bad per se – but reckless debt is
- Many people can afford debt – many are better off – this must not turn the world to complete saving – that costs jobs!

# Some fundamentals positive...

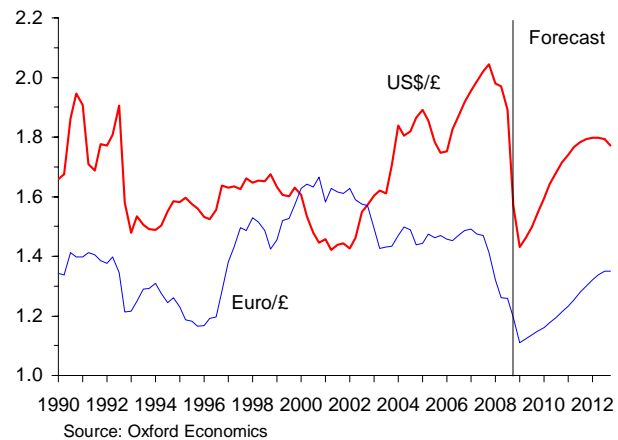
## UK: Inflation relative to target



## UK: LIBOR spread



## UK: Exchange rates



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