



UNDERSTANDING THE LABOUR MARKET

A basic guide for teachers in secondary schools
in England

March 2007

CONTENTS

Introduction	page 1
What is a labour market?	page 2
What is labour market information (LMI)?	page 2
The current UK labour market	page 4
What skills and qualities do employers need?	page 7
So why is understanding LMI important?	page 7
Summary – key messages emerging from LMI	page 9
Helping young people to make sense of LMI	page 10
References and more information	page 11

INTRODUCTION

This is a basic guide to understanding the labour market for teachers in secondary schools in England. It will be of interest to others involved in supporting young people's progression and achievement, including personal advisers and learning mentors.

Why do teachers need to know about the labour market and labour market information?

Careers education is part of the statutory curriculum throughout key stages 3 and 4. Work-related Learning (WRL) is now statutory for all key stage 4 students. Teachers in secondary schools are increasingly involved in helping students to learn for, about, and through work and to make plans for their futures in the world of work.

Those awarded Qualified Teacher Status must demonstrate that for "key stage 4 and post-16, they are aware of the pathways for progression through the 14-19 phase in school, college and work-based settings. They are familiar with the key skills as specified by QCA and the national qualifications framework, and they know the progression within and from their own subjects and the range of qualifications to which their subject contributes. They understand how courses are combined in students' curricula."

Qualifying to Teach, TDA, 2006

"The professional duties of teachers include...providing guidance and advice to pupils on educational and social matters and on their further education and future careers, including information about sources of more expert advice on specific questions; making relevant records and reports."

School Teachers' Pay and Conditions 2006

Careers education and WRL are essential to preparing young people for adult life, helping them to see the relevance of education to their future lives and developing their employability. Many of the skills valued in both higher education and future employment can be developed through career planning and work-related activities. Improved knowledge of the labour market and employers' needs will help young people to make informed decisions about choices in learning and work.

Whatever a school's approach to meeting its statutory duties for careers education and WRL, it is likely that all its teachers and some of its non-teaching staff will be involved in planning and delivering that provision at some time in each school year.

Rapid changes are taking place in the labour market in the UK and abroad, driven by technological change, global economic activity and other factors. 11-19 year olds do not need to know about changing employment patterns in detail, but they do need to understand general labour market trends and how to access sources of labour market information.

Young people need to appreciate employers' ever-increasing demands in terms of skills as well as the likelihood that they will have to adapt and retrain for new jobs throughout their working lives.

The only certainty is that change is constant and that individuals will need to update their skills and knowledge regularly. Teachers need a basic knowledge of the labour market and the key resources and activities that support relevant learning if they are to help prepare young people for the working world of the twenty-first century.

WHAT IS A LABOUR MARKET?

A labour market is a mechanism that matches potential employers of people (the demand for labour) with people who are available for work (the labour supply). Labour markets operate at local, regional, national and, increasingly, at international levels, reflecting how economies operate.

Forces that affect a labour market

Labour markets are affected by a wide range of factors including:

- Changes in the external business environment, such as increases in consumer demand for the goods or services provided by an industry, or cheaper competition from abroad leading to job losses
- Changes in the internal business environment, such as changes in production processes, new technologies or business structures resulting in job losses, or changes in the level of occupations available (for example, more technical jobs, fewer unskilled jobs)
- Government interventions, such as regeneration programmes supporting education, training and investment in particular skills or geographical areas.
- New laws which affect jobs (for example, banning hunting, or restricting the number of hours a lorry driver can drive)
- National and international policies like the introduction of National Minimum Wages, or free movement of labour within the European Union
- Legislation affecting employment rights – Equal Pay Act, Sex Discrimination Act, Race Relations Act, Asylum and Immigration Act, and the Disability Discrimination Act – placing restrictions on how employers recruit.

Clearly the supply of, and demand for, labour is constantly changing. Labour market information is compiled to track and record those changes, and to predict changes that might lie ahead.

WHAT IS LABOUR MARKET INFORMATION?

Labour market information (LMI) is information about what is happening in a labour market. Information about a labour market tends to focus on:

- who is buying labour - which industries are growing and declining (labour demand)
- what kind of labour they are buying - types and levels of jobs (labour demand)
- what sort of labour is available - numbers, skill and qualification levels (labour supply).

What makes up the 'demand' side of LMI?

The labour demand side of LMI provides information about where jobs are, for example:

- Those industries which are taking on staff and those which are shedding staff. In LMI, industries are classified using a system called the Standard Industry Classification system (SICs)

- The type and level of occupations which are in demand. In LMI, occupations are classified using a system called the Standard Occupational Classification system (SOCs)
- The sort of work, in terms of work patterns, which is in demand: full time, part-time, temporary work, self employment, etc
- The levels of skills and qualifications needed to do the jobs available.

What makes up the ‘supply’ side of LMI?

The labour supply side of LMI provides information about the people who make up the labour force:

- The numbers of people available to work – the potential labour force
- The gender profile, ethnic mix, age and disability profile of the labour force
- The skills and qualification levels of the labour force
- The numbers of unemployed people
- The travel-to-work patterns of the labour force.

Where does LMI come from?

Labour market information is gathered from a wide variety of sources including:

- Government departments – e.g. unemployment figures, levels of imports and exports
- The National Census – e.g. people’s ages, occupations, etc
- Learning and Skills Councils (LSCs) – e.g. levels and types of training in demand, skills shortages, etc
- Sector Skills Councils representing particular industrial sectors
- Chambers of Commerce – e.g. wages surveys, business activity surveys.
- Business Link – e.g. new business start-ups
- Educational performance data – e.g. achievement and attainment tables, exam entries and results, progression data
- Local government – e.g. inward investments – success rates for attracting new or relocating business to the area
- External IAG providers such as Connexions – e.g. employment activity surveys, education leavers’ destinations and tracking information.

How is LMI used?

Labour market information is interpreted by many organisations to produce reports and forecasts on a wide range of topics, for example:

- National Government Departments – e.g. statistics on skills shortages and training needs; predicted staffing shortfalls in occupations like medicine and teaching
- External IAG providers such as Connexions – e.g. reports on destinations of school leavers

- Commission for Racial Equality, Disability Rights Commission and the Equal Opportunities Commission (brought together in one organisation, the Commission for Equality and Human Rights, in October 2007) – e.g. analysis of the position of men, women or minority ethnic groups in the labour market.

LMI is not much use on its own; it has to be interpreted. Once interpreted it is sometimes called Labour Market INTELLIGENCE. Labour market intelligence is important because it can be used to forecast what jobs will probably be available in the future and also which people will be available to do those jobs. By matching the predicted supply to the projected demand it is possible to identify education, training and skills needs and look at arrangements for meeting those needs. Mismatches between the supply of and the demand for labour have implications not only for businesses and economies but also for societies and individuals.

Only by 'supplying' the skills, qualifications and experience which are in demand will individuals survive and thrive in the labour market they wish to join.

THE CURRENT UK LABOUR MARKET

The population of the United Kingdom has been growing in recent years.

- The latest mid-year population estimates (2005) show that the total population in the UK was 60.2 million people and their average age was 38.8 years
- The UK population has grown by 7.7% since 1971. Growth has been much faster in recent years. Between mid 1991 and mid 2004 the population grew at an annual rate of 0.3%.
- In 2001 a very high percentage of the UK population was white (92%), with 4% belonging to All Asian or British Asian groups, 2% to All Black or Black British groups and 2% belonging to other ethnic groups. There are however strong regional variations in the make up of the community.

Two definitions are helpful in understanding which groups of people are involved in the labour market:

The population of working age: all males aged 16-64; all females aged 16-59. This will gradually become 16-64 for everyone and may effectively become 18-69 as more people continue in education and training after age 16 and retire later in life.

The UK workforce: those people of working age who are working or are registered as unemployed.

- The actual UK workforce is smaller than the population of working age as some people are in full-time education, some cannot work, and some do not need or want to work
- The working age population in the UK in 2005 was 37,368,000, 51.9% of whom were male, and 48.1% female
- The UK's employment level stood at 29,036,000 (74.5% of the population of working age) for the period Oct – Dec 2006, a new record since comparable records began in 1971. The gender breakdown was: male – 54%; female - 46%

- The latest unemployment rate for the UK stands at 5.5% of the workforce, 5.1% of whom are female and 5.8% male.

Where do people work in the UK labour market?

LMI looks at both the industries in which people work and the occupations they have. Some jobs are mostly available in only one industry, e.g. nurses work mainly in the health and social care industry. Some jobs are available across a wide range of industries, e.g. accountant. However, a large company making computers will employ one or two nurses and several accountants, as well as many computer design engineers. Many jobs are available in all industries to some extent, particularly in large organisations with many employees. When students make their career choices they should take into account where they would like to work as well as what they would like to do.

The box below shows how the UK working population is employed by standard industrial category (SIC).

% of UK workforce employed in each industry sector (Source: ABI/ NOMIS)	
• Wholesale and retail trade	17.4%
• Real estate, renting/business activities	16.8%
• Manufacturing	11.1%
• Health and social work	12.1%
• Education	9.4%
• Hotels and restaurants	6.7%
• Transport, storage and communication	6.0%
• Public Administration and defence	5.4%
• Construction	4.6%
• Finance	4.0%
• Agriculture	0.9%
• Electricity, gas and water supply	0.4%
• Mining and Quarrying	0.2%
• Fishing	0.0%
• Other	5.2%

How is the UK labour market changing?

Labour Market Intelligence predicts that:

- Fewer people will be working in agriculture and manufacturing
- The largest rise in employment opportunities will be in the service sector: hotels and restaurants, retailing, health and social work, and financial services
- Jobs in childcare and health care will increase because more women are entering the workforce and need childcare, and an ageing population is leading to a demand for more health care.

Another way of looking at change is by occupational categories (SOCs). The box below shows the proportions of the UK workforce in each occupational category.

% of UK workforce employed in each category (Source: NOMIS)	
• Managers and administrators	14.9%
• Associate professionals and technicians	14.3%
• Clerical and secretarial	12.5%
• Craft and related jobs	10.9%
• Professionals	12.7%
• Transport and machine operatives	7.5%
• Sales jobs	7.7%
• Personal and protective services	7.9%
• Other	11.3%

Labour Market Intelligence predicts that in the future there will be **fewer** jobs in:

- Craft and related occupations
- Clerical and secretarial occupations
- Transport and machine operatives' jobs.

There will be **more** jobs in:

- Management and administration
- Professional occupations
- Associate professional and technical occupations
- Personal and protective services
- Sales.

It is also predicted that nearly all jobs will require high skill levels because of:

- The increased use of new technology: computers; telecommunications; scientific and technical equipment; etc
- More demands from legislation: health and safety; qualification requirements for jobs etc.
- Multi-skilling: where employers need staff who can undertake a wide range of tasks rather than focus on a single trade or skill area
- Increased emphasis on quality and customer care and a rise in customer expectations. Competition is fierce and to gain and keep customers many companies now place more emphasis on innovation, quality and customer care.

A key message for young people: it pays to acquire skills and qualifications as the number of jobs with higher skill levels is increasing and the number of unskilled jobs is declining.

WHAT SKILLS AND QUALITIES DO EMPLOYERS NEED?

The specific and transferable skills being sought by employers are:

Personal qualities

- **Intelligence** - the ability to analyse situations and solve problems, think things through and use common sense
- **Knowledge** - an understanding of 'basic principles' rather than a lot of specialist knowledge
- **Willingness to learn** – the ability and desire to learn, and to keep learning new things and new ways of doing things
- **Flexibility and adaptability** – the ability to respond to change, to try new things, and to manage change
- **Self-regulatory skills** – the ability to be self disciplined about time-keeping, appearance and managing yourself and your work
- **Self-motivation** – being a 'self-starter', resilient, tenacious and determined
- **Self-assurance** – being confident and self directed
- **Commercial awareness** - an appreciation of the business environment and what individuals need to do to survive and thrive.

Skills

- **Communication skills** – the ability to communicate, formally and informally, verbally and in writing, using ICT and other media, with a wide range of people both inside and outside the organisation
- **Interpersonal skills** – the ability to relate to and feel comfortable with people at all levels and to be able to make and maintain relationships as circumstances change
- **Team working** – the ability to work effectively in teams, often more than one team at once, and to switch roles from one project's situation to another in an ever-changing work situation.

SO WHY IS UNDERSTANDING LMI IMPORTANT?

It has implications for people making career decisions

Employers will not employ people to do jobs that do not need doing. There is no point in choosing an occupation that no longer exists, is in severe decline, or is not available in the chosen geographical area. In view of the cost to individuals of further and higher education, and training, accurate and up-to-date information about labour market changes and predictions should inform people's decisions about:

- 14 to 19 choices
- work experience placements
- education and training routes 14 to 19 and beyond
- career choice

- returning to work or study at any age
- upskilling within the current job.

Knowledge of labour market trends and knowing how to access LMI is important at whatever stage young people plan to enter the labour market – when leaving school, further and/or higher education.

It reinforces the need for lifelong learning

All current LMI points towards continuous and faster change in the workplace.

- Individuals need to understand the importance of employability in terms of qualifications, transferable skills and flexible attitudes to new kinds of work and employment patterns
- Employees have to accept the concept of more frequent career changes both within jobs and between jobs.
- Young people are more likely to make realistic personal plans to maximise their employment opportunities if they accept these changes, understand the labour market and can see its relevance to their own future.

It aids longer term career planning

The acceptance of new ways of working enables people to build provision for periods of change, retraining, or unemployment into financial and other personal plans.

It affects how people search for and apply for work

Appreciating general trends and understanding the outlook for a particular industry can help job hunters to understand issues such as:

- Where jobs will be located
- When jobs might become available
- The hours and wages which can realistically be expected
- The likely future prospects for the length of employment, promotion prospects and career structures
- Opportunities for self-employment or new business development
- The new skills or qualifications which might be needed, or would greatly improve their prospects in that industry, if they acquired them before or during their employment.

Additionally, being aware of new developments in the labour market can open up opportunities for job hunters by enabling them to apply for jobs that other people may not have heard about, or have not considered because they were not aware that such jobs had been created or even existed.

SUMMARY: the key messages emerging from labour market information

The collection and analysis of labour market information highlights the following key messages about the UK labour market:

- Rapid technological advances have improved communications and work processes. Workers have to train and retrain to keep up with the pace of change.
- Low skilled jobs are being automated, phased out or moved overseas where labour is cheaper.
- Industry is constantly changing, as are working practices. There are very few jobs for life and many people will have to consider re-training, learning new skills and gaining higher qualifications to compete in the labour market.
- Companies have to compete in a worldwide market. Technology has revolutionised how they work with each other: e-mail, Internet, video-conferencing. Globalisation also means global working – international companies may expect some employees to work anywhere in the world. Individuals could apply and compete for jobs on a local, national or international basis.
- The structures of industries and the occupations within them are changing. Many are becoming leaner, less hierarchical or organised around more freelance and contract work. These changes affect job opportunities and the working conditions and work/lifestyles that go with them.
- Busy lives mean that people are looking for more flexible work patterns. There is continued growth in the UK of part-time working, self-employment and temporary work, contract work and home working. Working hours are also changing, particularly with the growth of retail outlets that open throughout the night.
- In the three months to December 2006, 7.49 million people were in part-time employment. Of these, 1.72 million were men and 5.77 million were women. The number of part-time jobs is expected to continue to grow, with a significant increase in the number of part-time jobs for men.
- By 2014, around 1.3 million new jobs are expected to be created in the UK.
- Unemployment levels are expected to remain stable.
- The number of jobs demanding high skill levels continues to rise and the number of jobs demanding low skill levels continues to fall. This trend will continue for the foreseeable future.
- The key skills that employers look for in their workforce are:
 - Communication skills
 - Application of number
 - Information technology
 - Team working
 - Problem solving
 - Practical skills
 - Flexibility
 - Willingness to learn
 - Self presentation

HELPING YOUNG PEOPLE TO MAKE SENSE OF LMI

Clearly, if young people are to make well informed and realistic decisions about their future career choices they need access to information about the jobs and courses that they are considering.

In addition to knowing about the duties involved, the personal qualities and qualifications required and the entry routes into those opportunities they also need to know about job forecasts, possible working conditions and arrangements, and their longer term prospects. Otherwise they could invest a lot of time and money in pursuing an option that ultimately will not be available to them.

Students preparing for work experience will need to use relevant LMI to inform their choice of placement. Students working towards an accredited work-related qualification, such as a 14-19 Diploma, need an understanding of the labour market and LMI.

Tackling LMI in the school curriculum is not always easy because of its changing nature and the fact that it needs researching, interpreting and tailoring to suit local circumstances. However, help is available.

- External IAG providers (e.g. Connexions) can provide local labour market information and advise on and support the development of provision and practice in careers education and IAG.
- Subject specialists, particularly those teaching work-related and vocational courses, frequently use labour market information. You might also find that staff teaching subjects such as Geography, History, Maths and Business Studies already use LMI or would be willing to incorporate discussions about labour market information into their programmes.
- There are many resources that offer classroom materials to introduce young people to LMI and that help them to make sense of emerging trends.

REFERENCES AND MORE INFORMATION

LMI Matters

This publication was developed for the Department for Education and Skills and the Learning and Skills Council by Cambridge Training and Development Ltd. Copies can be downloaded from www.advice-resources.co.uk. Free copies can be obtained from: Advice Resources Distribution, PO Box 8221, Nottingham, NG18 4WZ. Tel. 08700 667626; Email: adviceresources@linneydirect.com

Real Game Series

The Real Game series is an interactive careers education and citizenship programme which originated in Canada. It is a series of classroom-based programmes that help students to learn more about themselves and the opportunities and responsibilities of adult and working life. *The Make it Real Game* is aimed at pupils in Years 6 and 7, *The Real Game* is aimed at students in years 8 and 9, and *The Be Real Game* is intended for those in Years 10 and 11. Available from Prospects Distribution at www.prospects.co.uk

Go Wild with LMI, Work the Experience, The World of Work

These are published by Highflyers Publishing Ltd, www.highflyerspublishing.co.uk

Useful website addresses for LMI

- **British Chamber of Commerce:** www.chamberonline.co.uk
- **Confederation of British Industry:** www.cbi.org.uk
- **Connexions Direct – Careers Database:** www.connexions-direct.com/jobs4u
- **Department for Education and Skills:** www.dfes.gov.uk/trends
- **Disability Statistics:** www.disability.gov.uk
- **Graduate employment information:** www.prospects.ac.uk
- **Higher Education Funding Council for England:** www.hefce.ac.uk
- **Learning & Skills Council:** www.lsc.gov.uk
- **National Guidance Research Forum:** www.guidance-research.org/future-trends
- **National Statistics Office:** www.statistics.gov.uk
- **Online statistics database:** www.nomisweb.co.uk
- **Sector Skills Councils** provide useful LMI and careers information on their websites. These can be reached via: The Sector Skills Development Agency: www.ssda.org.uk
- **Trades Union Congress:** www.tuc.co.uk
- **Warwick University Institute of Employment Research:** www2.warwick.ac.uk/fac/soc/ier/