

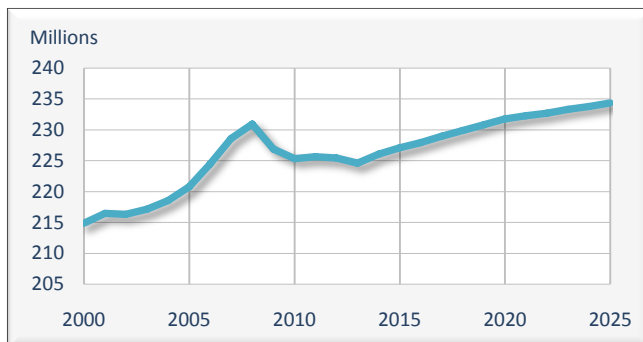
BRIEFING NOTE

Europe's uneven return to job growth

Forecasts up to 2025 point to major differences in skills supply and demand across Member States

Good news. Employment in the European Union (EU) is forecast to pass its 2008 pre-crisis level in 2020 and, according to Cedefop's skills supply and demand forecasts (Box), will continue to rise up to 2025 (Figure 1). Meanwhile, the EU's workforce is forecast to become a little smaller and older, but better qualified, with the younger generation being the most highly qualified in Europe's history.

Figure 1. Past and forecast employment, EU (millions)



Source: Cedefop skills forecasts, 2015.

Skills supply and demand over the next decade seem strongly influenced by future economic (GDP) growth rates, effects of the economic crisis that began in 2008 and demographic change. Variations are sometimes considerable between Member States. Consequently, there are major differences in forecast levels of job growth across countries, between sectors and in the occupation skills required.

Employment outlook

Following the economic crisis in 2008, EU GDP started to recover in 2010. The European Commission forecasts GDP growth for the EU of around 1.7 % in 2015 and 2.1 % in 2016. Unemployment in the EU remains high at around 11%, in 2013, compared to 8% in 2007. But EU averages also mask wide

differences. For example, in 2013 unemployment was 4.9% in Austria and 5.5% in Germany, but 26.4% in Spain and 27.5% in Greece.

Divergent employment growth is found across the EU. For example, in Belgium, Germany, France, Austria, Finland, Sweden and the UK, employment is already higher than before the crisis struck in 2008. In countries such as Italy, the Netherlands and Slovakia employment is expected to return to its pre-crisis level by 2020. But in countries such as the Czech Republic, Greece, Spain, Hungary, Portugal, Romania and Slovenia, employment is not forecast to return to its pre-crisis levels before 2025.

Over the next two years, countries such as Poland, Slovakia, Sweden and the UK are forecast to see GDP growth of around 2.5% or more. But employment trends are not only influenced by GDP growth. For example, despite annual growth of at least 3% up to 2016, employment in Estonia, Latvia and Lithuania will remain below its pre-crisis levels because of expected constraints in labour supply. Employment in Germany is also forecast to fall from its current peak for the same reason, despite projected economic growth in Germany of between 1% and 2%. Economic growth of around 3% is forecast to bring little job growth to Malta, which withstood the economic crisis relatively well, as employment rose after 2008 and remained high. In Poland too, healthy GDP growth is forecast to have only a limited effect on job growth.

Sector trends

Most job growth between now and 2025 in the EU as a whole will be in business and other services, distribution and transport, and non-marketed (mainly public sector) services (Figure 2). Job losses will continue in the primary sector. Employment in construction, which saw most job losses between 2008 and 2013, is forecast to be broadly stable up to 2025.

Box Cedefop skills supply and demand forecasts scenario

Cedefop skills supply and demand forecasts take account of global economic developments up to October 2014. Despite significant differences between countries, the forecasts generally assume that a modest economic recovery will slowly increase confidence in the EU, leading to higher investment, consumer spending and exports. Inflation stays in target range and interest rates low, while higher tax revenues help governments reduce debt.

The assumptions reflect the latest Eurostat population forecast (Europop 2013, published in spring 2014) and the short-term macroeconomic forecast produced by the European Commission in November 2014.

Cedefop's latest skills demand and supply forecasts up to 2025 cover 28 EU Member States plus Iceland, Norway and Switzerland. Results are regularly updated and together with key assumptions and methodological developments are reviewed by national experts.

Cedefop's forecasts use harmonised data and methodology for all countries covered to allow cross-country comparisons. They do not substitute national forecasts. Total employment data correspond to those reported in national accounts. Skills are defined as the highest qualification level held by an individual according to three broad categories: low-level qualifications (ISCED 97 levels 1 and 2), medium-level qualifications (ISCED 97 levels 3 and 4) and high-level qualifications (ISCED 97 levels 5 and 6).

Forecasts for each Member State and access to the forecasts database are available at:
<http://www.cedefop.europa.eu/en/events-and-projects/projects/forecasting-skill-demand-and-supply/skills-forecasts-main-results>

Cedefop provides regular forecasts of skills supply and demand as part of the European Commission's new skills for new jobs initiative, in line with the Council conclusions in June 2010.
http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/lisa/114962.pdf

Employment trends vary within sectors. In the primary sector, jobs in agriculture should continue to fall, but may increase in energy production and distribution. Manufacturing is expected to see job losses overall, but employment producing optical and electronic equipment and motor vehicles is forecast to rise. In non-marketed services the trend is fewer jobs in public administration, but higher employment in education, health and social services.

Business and other services will drive job growth in most countries. Exceptions are Spain, Cyprus, the Netherlands, Poland and Romania, where the distribution and transport sector is forecast to see the highest increases in employment, and Greece and Ireland, where construction should see most job growth. Jobs in non-marketed services are expected to increase or remain broadly stable, in all EU countries except Spain and Portugal.

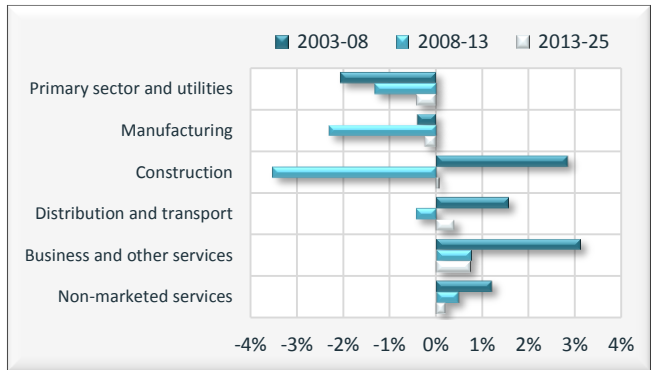
Employment in construction should rise in Denmark, Ireland, France, Croatia, the Netherlands, Portugal, Finland and Sweden. Countries, such as Belgium, Germany and Austria that saw construction jobs increase between 2008 and 2013, should see them fall over the next decade. Small increases in jobs are forecast in manufacturing, for example in Ireland, Cyprus, Latvia, Poland, Slovakia and Finland and in the primary sector in France, Lithuania, Malta and the Netherlands.

Occupations and qualifications prospects

Cedefop's forecasts give insights on job opportunities between now and 2025. Total job opportunities are a sum of newly-created jobs (expansion demand) and job opportunities arising because of the need to replace people who either go on to other jobs or leave the labour market, for example due to retirement (replacement demand). Often, replacement demand provides more job opportunities than expansion demand, which means there will still be job opportunities even if overall levels of employment fall. Overall in the EU, up to 2025, replacement demand is forecast to provide nine times more job opportunities than expansion demand.

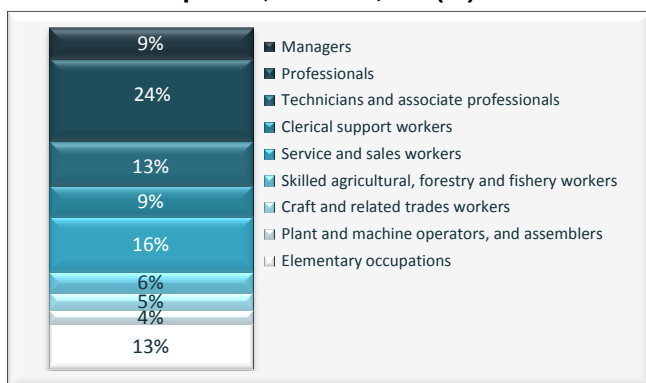
Up to 2025, most job opportunities, around 24%, in the EU are forecast for professionals (high-level jobs in science, engineering, healthcare, business and

Figure 2. Employment trends by sector, average annual growth rate 2003-25, EU (%)



Source: Cedefop skills forecasts, 2015.

Figure 3. **Distribution of total job opportunities by occupation, 2013-25, EU (%)**



Source: Cedefop skills forecasts, 2015.

education) (Figure 3). This is followed by around 16% for service and sales workers and around 13% for both technicians and associate professionals (occupations applying concepts, operations and regulations in engineering, healthcare, business and the public sector) and elementary occupations (jobs traditionally requiring low-level or no qualifications).

Jobs on offer vary considerably across countries. Between now and 2025 more than 44% of job opportunities in Luxembourg and 34% in Denmark and Poland are forecast to be for professionals. In Spain and Sweden around 26% of job opportunities will be for clerical support workers.

In Malta and Austria around a fifth of job opportunities will be for service and sales workers. Similar proportions of job opportunities are forecast for elementary occupations in Bulgaria and Cyprus; for technicians and associate professionals in the Czech Republic and Slovakia; for professionals in Ireland; and for managers (including chief executives, senior officials and legislators) in the UK.

Although in the EU the primary sector is expected to employ fewer people, owing to high replacement demand, 47% of job opportunities in Romania, 26% in Portugal and 19% in Greece are forecast to be for skilled agriculture and fisheries workers. Over the next decade, around 10% of job opportunities are forecast for plant and machine operators in Poland, 9% in Estonia and 8% in Hungary, compared to 4% for the EU. Shares of job opportunities forecast for craft and related workers in Estonia, Latvia and Lithuania are around 12% compared to the 5% forecast for the EU.

Between now and 2025, most job opportunities in the EU are forecast to require high-level qualifications (Figure 4). High replacement demand will lead to a

significant proportion of job opportunities requiring medium-level qualifications and most people in the EU will continue to be employed at this level.

At least half all job opportunities up to 2025 are forecast to require high-level qualifications in countries such as Belgium, Denmark, the Czech Republic, France, Latvia, Luxembourg, Malta, the Netherlands, Poland, Slovenia, Slovakia and Sweden. In countries with high replacement demand, such as Bulgaria, Germany, Estonia, Latvia and Hungary, around half the job opportunities are expected to require medium-level qualifications.

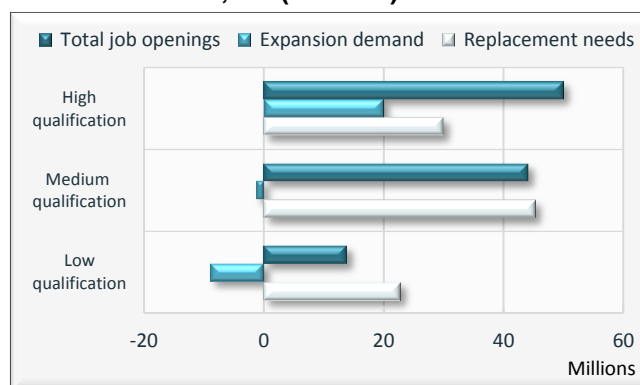
In Greece and Spain most job opportunities will require high-level qualifications, but both Greece with around 30% and Spain with around 25% will have a significant share of job opportunities requiring low-level qualifications. Due to high replacement demand, most job opportunities, around 40% in Portugal and Romania will require low-level qualifications.

Labour force trends

Future labour supply trends depend mainly on demographics and size of the working age population (defined in the forecasts as people aged 15 and older), participation in the labour force (people in the working age population either in or actively seeking work) and how quickly people acquire formal qualifications.

Eurostat's latest population projection (Europop 2013) foresees labour market participation in the EU falling from 56.9% in 2013 to 55.5% by 2025. Only in Denmark, Croatia, Latvia and Romania is participation forecast to rise. Participation should remain at or above the EU average in the Czech Republic, Denmark, Germany, Estonia, Lithuania, Latvia, the

Figure 4. **Total job opportunities by qualification, 2013-25, EU (millions)**



Source: Cedefop skills forecasts, 2015.

Netherlands, Austria, Portugal, Romania, Slovakia, Finland and Sweden.

The EU's working age population is getting older (Figure 5). Increases are concentrated among people over 55 years' old and are particularly marked, for example, in Germany, Estonia, Greece, Spain, Latvia, Lithuania, Portugal and Slovenia.

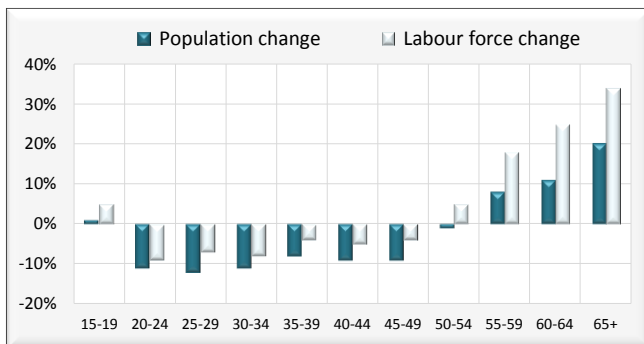
Although older and a little smaller, the EU's labour force is becoming more highly qualified (Figure 6).

The share of labour force with high-level qualifications should rise from 31.2% in 2013 to around 38% in 2025. People with medium-level qualifications will also increase slightly from 47.3% in 2013 to around 48% in 2025. The share of those with low-level qualifications will fall from 21.5% in 2013, to below 14 % by 2025.

The share of the labour force with high-level qualifications will rise in all Member States, except Finland, where it is forecast to fall from 39.2% in 2013 to around 37% in 2025 and in Germany and the UK, where it is forecast to remain broadly stable at around 27% and 49% respectively. The share of the labour force with low-level qualifications is also forecast to fall in all Member States, except in Estonia where it is foreseen to increase from 10.9% in 2013, to around 13% in 2025 and, possibly, Romania where it may rise slightly from 22% in 2013 to around 23% in 2025.

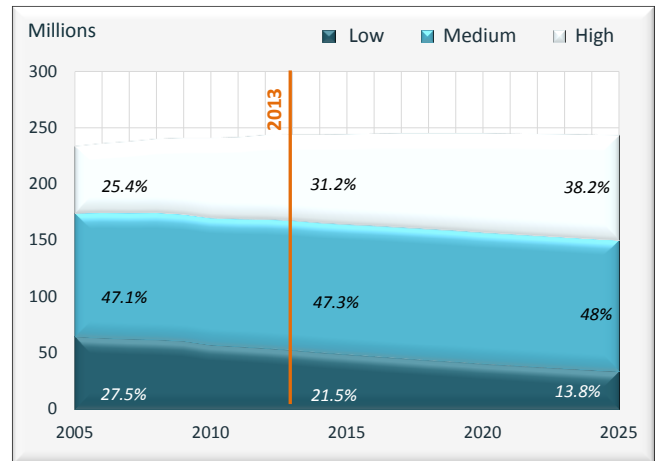
According to Cedefop's forecasts, by 2020, in the EU around 46% of 30 to 34 year-olds will have high-level qualifications, exceeding its benchmark of 40% by 2020. All Member States should reach, or be close to this benchmark. In 2013, in the EU 11.9% of young people left the education and training system with low-level qualifications, above its benchmark of reducing this to below 10% by 2020. Some 18 Member States have already reached this target.

Figure 5. Changes in working age population and labour force by age, 2013-25 EU (%)



Source: Cedefop skills forecasts, 2015.

Figure 6. Labour force trends by qualification, 2005-25, EU (millions)



Source: Cedefop skills forecasts, 2015.

The different skills supply and demand trends highlight the varied challenges for vocational education and training (VET) across countries and sectors. The forecasts aim to inform the debate on how VET at European and national levels can and should adapt to ensure that Europe's labour forces have the skills to seize the opportunities that a return to economic growth may bring.

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<http://www.cedefop.europa.eu/user/register>