The Long-run Employment Outlook

How will our economy look in 2006? Many sources of uncertainty confound long-run projections like the Bureau of Labor Statistics’ (BLS) estimates of employment patterns. Nonetheless, these prognostications can help employers, students, and even current workers because they are relevant to decisions on hiring, training, and retraining. To be useful, labor market projections should include estimates of both the supply of workers with various skills and firms’ demand for workers in each skill category.

The most reliable elements of the BLS estimates are the demographic patterns, which largely determine how many workers will be available. For example, today’s children turn into tomorrow’s workers, so larger or smaller birth numbers will yield more or less employment growth. Baby boomers alter the workforce’s age distribution by swelling the ranks of middle-aged and older workers and by producing boomer babies, whose numbers will enlarge the youngest categories of workers (16–24).

The other key demographic is the labor force participation rate, broken down by age and sex. Women’s growing participation has brought their share of total employment to almost half (46.2% in 1996). Simultaneously, men’s participation rates have fallen. The BLS expects these trends to continue, but to become more gradual over the 10-year forecast horizon.

For long-term predictions, business cycle patterns of strong or weak labor demand arefar less  
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Relevant than the composition of U.S. industries. Here, the trend toward more service-sector employment and fewer manufacturing jobs is expected to continue. Indeed, all the fastest-growing industries are service producers, while all the fastest-shrinking industries are goods producers. These forecasts are strongly influenced by higher manufacturing productivity, which allows firms to create more goods with fewer workers.

Detailed forecasts by narrow industry are essential for identifying employers’ occupational needs. Current occupational requirements by industry are used as a baseline for future needs. The BLS adjusts these numbers to reflect present and expected trends. For example, in its most recent forecast, the BLS lowered its estimates of employment growth for administrators because corporate restructuring is eliminating many middle-management positions. More highly trained professional specialists are expected to be needed in many industries, but the most urgent demand will arise in education and health services. Overall, the prediction is that employment growth will be strongest in the high-skill occupations, but all broad occupational groups will realize some growth.

Similarly, the fastest growth will continue in jobs requiring advanced degrees. Most occupations now require no specific educational level, although having a degree may help secure a job even in occupations that the BLS considers to require nothing more than on-the-job training. Thus, the rising education requirements of the workplace probably translate into further increases in the general demand for educated workers.