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Overview of the labour market

Inevitably current interest in the Scottish labour market continues to focus on the trends and patterns in the unemployment figures and again in this issue we note recent changes in Scottish labour market trends. Initially, however, the increasing recognition of the likelihood of widespread job losses in public sector and recent disputes involving postal services and threats of industrial action by British Airways cabin crew prompt a consideration of both the trends in public sector employment and of trade union membership.

In quarter 2 2009 there were 572,200 employed in the Scottish public sector (excluding the 6.9% or 42,500 employed by RBS and Lloyds who have been reclassified as public corporations), of which 44.6% were employed in local government (excluding police and fire services) and 26.3% in the NHS. Recent changes in the numbers employed within local government have been affected by the transfers of local government departments to arms length external organisations, most recently being the transfer of Glasgow City's Direct and Care Services department to an ALEO, one of a number of such developments affecting culture and sport, community and safety services.

The numbers employed (full time equivalents) in Scottish local authorities are as follows: 56,800 teachers, 40,000 other education staff; 43,600 in social work; 29,300 in police and related services; 5,700 in fire services and 85,500 other staff. The numbers employed by local authority (excluding police and fire service staff) range from over 23,700 in Glasgow City; between 15,000 and 19,300 in Edinburgh City; North and South Lanarkshire to under 5000 in East Lothian, East Renfrewshire, Inverclyde, Midlothian, Orkney and Shetland. Initial proposals by a number of councils indicate that these numbers are likely to reduce quite significantly over the next few years.

Concerns that recent industrial disputes and the onset of public sector cuts will herald a period of more substantial industrial unrest and a new 'winter of discontent' paralleling the disputes in 1978 – 79, by mainly local authority employees, need to balance the changed landscape of employment patterns, legislation and trade union membership levels with the distribution of union membership. Nationally in 1979 trade union membership was some 13 million, or 55.4% of the workforce. In 2008 union membership was 6.9 million and union density had fallen to 27.4% of all employees (or 25.3% of all employed). In Scotland union density was 32.9% in 2008, this ranged from 65.6% of public sector and 17.5% of

private sector employees. However, union membership remains highest in public administration and defence, education, electricity, gas and water supply and in health and social work, and given the nature of the sector and historical bargaining arrangements the public sector has been a major contributor to the number of days lost in recent years (in 2002 two disputes in public administration accounted for some 60% of days lost).

Recent trends and statistics

Comparable figures on the labour market¹ between Scotland and the United Kingdom in the quarter July – September 2009 are summarised in Table 1. Labour Force Survey (LFS) data show that in the quarter to September 2009 the level of employment in Scotland fell by 3 thousand, to 2,500 thousand. Over the year to September 2009, employment in Scotland fell by 56 thousand. For the same period, UK employment fell by 490 thousand. The Scottish employment rate – those in employment as a percentage of the working age population – was 73.9 per cent, down 2.4 per cent compared to one year earlier. For the same period the UK employment rate was 72.5 per cent, down 1.9 per cent compared to one year earlier.

In considering employment, activity and unemployment rates it is important to remember the bases and relationships of these figures. LFS data is provided for: (1) all aged 16 and over and (2) for all aged 59/64. The first measure (all aged 16 and over) leads to higher numbers in employment, in the total economically active and economically inactive – but reduces the economic activity rates and unemployment rates, but at the same time increases the economically inactive rate. Conversely the second measure (all aged 16 to 59/64) leads to lower numbers economically active, in employment and economically inactive – but leads to a higher economically active, employment and unemployment rates but lower economically inactive rates.

The relationships between employment, unemployment totally economically active and inactive are important in appreciating changing levels of employment and unemployment, and changes in the employment rates should be seen in conjunction with changes in the activity rates. If people leave employment and become unemployed (but are still economically active) the unemployment rate increases, but the economically active rate remains unchanged. However, if people leave employment and do not seek employment, as seems to be an emerging pattern, they are categorised as economically inactive, as such the unemployment rate remains unchanged whilst the activity and inactivity rates change.

Table 1 shows that for Scotland the preferred International Labour Organisation (ILO) measure of unemployment rose significantly to 194 thousand, between July - September 2009, or by 67 thousand over the year². The ILO unemployment rate rose in the three months September 2009 and now stands at 7.2 per cent. This represents a 0.2

Table 1: Headline indicators of Scottish and UK labour market, July - September 2009

July - September 2009		Scotland	Change on quarter	Change on year	United Kingdom	Change on quarter	Change on year
Employment*	Level (000s)	2,500	-3	-56	28,927	6	-490
	Rate (%)	73.9	-0.1	-2.4	72.5	-0.1	-1.9
Unemployment**	Level (000s)	194	4	67	2,461	30	629
	Rate (%)	7.2	0.2	2.5	7.8	0.1	2
Activity*	Level (000s)	2,694	2	11	31,389	35	140
	Rate (%)	79.8	0.1	-0.3	78.9	-0.1	-0.2
Inactivity***	Level (000s)	653	-2	13	7,997	41	132
	Rate (%)	20.2	-0.1	0.3	21.1	0.1	0.2

Source: Labour Market Statistics (First Release), Scotland and UK, November 2009

* Levels are for those aged 16+, while rates are for those of working age (16-59/64)

** Levels and rates are for those aged 16+, rates are proportion of economically active.

*** Levels and rates for those of working age (16-59/64)

Table 2: Employee jobs by industry, Scotland, June 2009

SIC 2003	All jobs (seasonally adjusted)	All jobs	Agriculture, Forestry and Fishing	Mining Energy and Water Supplies Industries	Man- ufacturing Industries	Construction	Distribution etc, transport etc, finance and business services	Education, health, public admin and other services
Section		A-O	A,B	C,E	D	F	H-K	L-O
Sep 05	2,373	2,373	32	37	232	129	1,102	842
Mar 06	2,376	2,368	31	36	224	135	1,094	848
Sep 06	2,361	2,360	33	38	224	138	1,085	841
Mar 07	2,380	2,371	34	41	222	145	1,082	847
Sep 07	2,389	2,389	33	43	222	139	1,108	844
Dec 07	2,391	2,400	25	42	220	139	1,127	847
Mar 08	2,392	2,382	28	42	218	137	1,109	849
Jun 08	2,396	2,396	35	42	216	136	1,114	853
Sep 08	2,389	2,387	35	41	216	138	1,104	852
Dec 08	2,374	2,385	33	41	212	140	1,103	856
Mar 09	2,362	2,354	37	40	206	139	1,075	858
Jun 09	2,339	2,339	29	41	203	130	1,074	861

Table 3: Claimant count by age and duration (computerised claims only) percentage change over year to October 2009

	All computerised claims	Up to 6 months	Over 6 and up to 12 months	All over 12 months
All 16+ numbers	128,900	87,900	26,400	14,700
All 16+ % change over year	55	39	115.1	89.6
All 18 – 24 change over year	52.6	39.3	160.7	147.9
All 25- 49 change over year	55.5	38.3	105.2	86.7
All 50 and over change over year	60.4	42.4	104.1	88.5

per cent rise over the last quarter and a 2.4 per cent rise relative to the same period a year earlier. The comparable ILO unemployment rate for the UK stands at 7.8 per cent, and is up 0.1 per cent over the most recent quarter, and up 2 per cent over the year.

The economically active workforce includes those individuals actively seeking employment and those currently in employment (i.e. self-employed, government employed, unpaid family workers and those on training programmes). Table 1 shows that the level of the economically active rose by 0.1 per cent between July and September 2009. There were 2,694 thousand economically active people in Scotland during Q3 2009. This comprised 2,500 thousand in employment and 194 thousand ILO unemployed. The level for those of working age economically inactive fell in the last quarter, down 0.1 per cent on the previous quarter to 653 thousand people. This indicates an increase of 0.3 per cent in the number of people of working age economically inactive over the last year.

The most recent (seasonally adjusted) figure for Jobseekers allowance claimants in Scotland stood at 134.8 thousand in October 2009, up 46.9 thousand or 55.3% over the year. The claimant count rate in October 2009 stood at 4.8 per cent. This is up 1.7 per cent over the year. The UK claimant count rate in October 2009 was 5.1 per cent, unchanged from the previous month and up 1.9 per cent over the year.

Unemployment data at the Scottish constituency level for July 2009 is available in a SPICe Briefing, with more recent figures available in November.
<http://www.scottish.parliament.uk/business/research/briefings-09/SB09-56.pdf>

The most recent figures for the number of employee jobs by industrial activity are detailed in Table 2. Employee job figures are a measure of jobs rather than people. Total seasonally

adjusted employee jobs for the quarter ending June 2009 (the latest available figures) stood at 2,339 thousand. The number of jobs in the manufacturing industry continues to fall, and now stands at 203 thousand, down 3,000 on the previous quarter, and down 13 thousand against the same quarter one year earlier. The number of jobs in the service industry fell by 1,000 over the last quarter to 1,074 thousand, and there are now 30 thousand fewer jobs in the service industry than the same period ending a year earlier.

Table 3 provides some limited indications of the experience of unemployment in terms of claimant count by age and duration. The pattern over the year suggests a higher percentage rise in claimants over 50, but significantly it is the age group 18 – 24 that has witnessed the largest percentage increase in unemployment over 6 months, although the numbers are low. Over the past years the numbers of 18 – 24 who have been claiming Job Seekers allowance over 6 and up to 12 months has increased by 3,800 and for those over 12 months by has risen by 500.

Outlook

In the year to September 2009 the total in employment fell by 56,000 and unemployment rose by 67,000 to 194,000 and the numbers economically inactive rose by 13,000 over the year. The trend in unemployment is increasing and the latest rate is significantly higher than a year ago. In the year to March 2009 (the latest available data) the percentage declines in part-time and temporary workers were higher than that for full time workers. Over the next quarters the scale of job losses in finance and the public sector may be clearer. For both part-time and temporary workers the inability to find either a full time or a permanent job was more evident than a year ago. The 'flexible workforce' has been cited as one reason for unemployment rates to be lower than had been feared, but the limits to flexibility may be approaching.

Rationalisation in both the private and public sectors will contribute to unemployment in the short and medium term. Within the private sector the initiatives by British Airways, Diageo and the banks are likely to be followed by other companies seeking to rationalise production/services and reduce costs. Within local government the flow of announcements of actual and planned job reductions is increasing and is set to increase more substantially in 2010.

Endnotes:

¹The Census 2001-consistent population figures at local authority level were released in February 2003. This has allowed the production of interim regional LFS estimates. The population data only cover the periods up to mid-2001. The data presented here are

taken mainly from Labour Market Statistics, May 2008 and are consistent with the updated LFS data available on NOMIS from Summer 2004. Labour Market Statistics continue to report data for Scotland at the quarterly level, so this will continue to form the basis of our analysis of movements in the labour market between quarters.

²The Labour Force Survey definition of ILO unemployment takes precedence over the claimant count measure. ILO unemployment is much less sensitive to changes in the regulations governing unemployment benefit, and conforms to a widely accepted standard to allow for more meaningful cross-country comparisons.

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