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Lockyer, Cliff (2012) *Overview of the labour market [November 2012]*. Fraser of Allander Economic Commentary, 36 (2). pp. 35-42. ISSN 2046-5378

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# Overview of the labour market

Inevitably interest in the Scottish labour market continues to focus on the levels and trends in employment and unemployment and again we return to these themes. In addition the UK Government proposals to reform public sector terms and conditions of employment have emerged (see the Public Sector employment section of this Commentary). The employment law proposals emanating from in the Beecroft Report continued to surface at the recent Conservative Party conference (see the February and June issues of the Commentary).

## Employment law issues

As we noted in the June Commentary the Beecroft Report contained recommendations to change/simplify employment legislation in a number of areas. In September the Government announced it was considering introducing 'settlement agreements', where staff would leave voluntarily and not seek unfair dismissal or other compensation, and would consult on streamlining unfair dismissals procedures and on the suggestion of a cap on unfair dismissals (although latest data suggests that only 1 – 2% are awarded compensation in excess of £50,000).

In October plans for employees to accept reduced employment rights in exchange for shares were announced. In return for shares valued between £2 – 50,000 employees would give up rights to unfair dismissals, statutory redundancy payments and the right to request flexible working or time off for training. This was generally seen as essentially a niche idea, relevant to high value business start-ups, but of little relevance elsewhere. Recognition that the value of shares could rise or fall coupled with the diminished attractiveness of such conditions to potential employees and the potentially adverse impact on employee engagement and motivation meant the scheme seems set to fade into obscurity. However, proposals to reform and change the terms and conditions of civil servants (see the Public Sector section) may well influence employment policies in the private sector in the longer term.

The existence of blacklists of employees, a feature of the 1960s and 1970s, re-emerged following action by the Information Commissioner's Office which exposed a blacklist used by a number of construction firms. The ICO invited those who were concerned that their names might be on the list to contact the ICO. This has currently led to action in the High Court by some 84 claimants (Financial Times 19<sup>th</sup> October 2012).

## Recent trends and statistics

The latest figures Comparable figures on the labour market between Scotland and the United Kingdom in the quarter to August 2012 are summarised in Table 1. Labour Force Survey (LFS) data show that in the quarter to August the level of employment in Scotland fell by 1 thousand, to 2,490 thousand. Over the year to August 2012, employment in Scotland rose by 16 thousand. For the same period, UK employment rose by 510 thousand. The Scottish employment rate (16 – 64) – those in employment as a percentage of the working age population – was 71.2 per cent, unchanged compared to one year earlier. For the same period the UK employment rate was 71.3 per cent, up 0.9 per cent compared to one year earlier. Scottish unemployment, in the quarter to August, rose by 7 thousand to 222 thousand, a rise of 10 thousand over the year.

In considering employment, activity and unemployment rates it is important to remember the bases and relationships of these figures. LFS data (estimated) 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. Figures derived from the Labour Force Survey differ slightly from those derived from the Annual Population Survey.

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 a continuing pattern, they are categorised as economically inactive, as such the unemployment rate remains unchanged whilst the activity and inactivity rates change. Equally the changing pattern between full and part time employment is of interest and we return to this issue later in this section. This is clearly shown in table 1. Over the year to August 2012, the numbers employed rose by 16 thousand, whilst unemployment rose by 10 thousand – and the numbers of those aged 16-59/64 who are economically inactive fell by 11 thousand and the numbers economically active rose by 1 thousand.

Table 1 shows that for Scotland the preferred International Labour Organisation (ILO) measure of unemployment rose to 222 thousand, between June – August 2012, a rise of 10 thousand over the year. The ILO unemployment rate rose in the three months to August 2012 and now stands at 8.3 per cent. This represents a 0.2 per cent rise over the last quarter and a 0.3 per cent rise relative to the same period a year earlier. The comparable ILO unemployment rate for the UK stands at 7.9 per cent, and is down 0.2 per cent over the most recent quarter and also down 0.3 per cent over the year.

**Figure 1: Trend in Scottish unemployment 1992 – August 2012 (thousands)**



Source: Labour Market Statistics (First Release), Scotland and UK, September 2012

Figure 1 illustrates the trend in unemployment in Scotland since 1992. Unemployment peaked in October – December 1992 at 268,000, it took almost five years - to August - October 1997 - to be consistently below 200,000 and a further five and a half years - to February – April 2003 - to be below 150,000 and reached the lowest number (111,000) in May – June 2008. If the same pattern is repeated, and unemployment

does not rise in future months, then it may take approximately three years for unemployment to fall below 200,000.

**Table 1: Headline indicators of Scottish and UK labour market, June – August 2012 (thousands)**

Jun – Aug 2012		Scotland	Change on quarter	Change on year	United Kingdom	Change on quarter	Change on year
Employment*	Level (000s)	2,490	-1	16	29,590	212	510
	Rate (%)	71.2	-0.1	0.0	70.3	0.5	0.9
Unemployment**	Level (000s)	222	7	10	2,528	-50	-50
	Rate (%)	8.2	0.2	0.3	7.9	-0.2	-0.3
Inactivity***	Level (000s)	758	-2	-11	9,024	-138	-314
	Rate (%)	22.3	0.0	-0.3	22.5	-0.3	-0.8

**Source:** Labour Market Statistics (First Release), Scotland and UK, September 2012

\* 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)

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). Between June – August 2012 the numbers economically active (16+) rose by 5 thousand and the activity rate rose by 0.1 to 63.4%. There were 2,712 thousand economically active people in Scotland during June – August 2012. This comprised 2,490 thousand in employment (2,418 thousand aged 16 – 64) and 222 thousand ILO unemployed. The level for those of working age but economically inactive fell by 2 thousand in the latest quarter, and fell by 11 over the year thousand to 758 thousand people; this indicates a fall of 1.4 per cent in the number of people of working age economically inactive over the last year.

**Table 2: Employment rates thousands (%) People by age for July 2004 – June 2012**

	All aged 16+	16 - 64	16 - 17	18 - 24	16-24	25 - 34	35 - 49	50 - 64	65+
Jul 04 - Jun 05	59.4	72.6	43.4	69.1	63.4	79.3	82.0	62.1	5.1
Jul 05 - Jun 06	59.7	73.0	43.1	68.1	62.7	79.5	82.9	63.0	5.0
Jul 06 - Jun 07	60.6	73.9	43.1	68.7	63.2	81.1	83.7	64.2	5.6
Jul 07 - Jun 08	60.8	74.2	39.4	68.5	62.2	81.6	83.9	65.5	5.7
Jul 08 - Jun 09	59.8	72.8	38.0	65.9	60.0	80.3	82.3	64.8	6.6
Jul 09 - Jun 10	58.3	71.0	30.4	62.2	55.6	78.3	81.0	64.4	6.5
Jul 10 - Jun 11	58.2	70.9	33.6	61.2	55.6	79.0	81.5	63.3	6.7
Jul 11 - Jun 12	58.0	70.9	29.0	59.9	53.7	79.6	81.3	64.2	7.1

**Source:** Labour Market Statistics (First Release), Scotland and UK, September 2012

Data on employment by age, derived from the Annual Population Survey, is available up to June 2012. In the year to June 2012 employment rates fell for all age groups except those aged 25 – 34 and those aged over 65, with the employment rate for those aged 16 – 64 remaining unchanged, and with the largest percentage point falls being recorded for those aged 16 -24. Employment rates for women (16 – 64) again fell more than those for men. Table 2 illustrates the changing employment rates by age group for July – June 2004 onwards.

**Table 3: Employment, unemployment and inactivity rates by Local Authority Area 2007, 2008 and July 2011 – June 2012 (%)**

Geography (Residence Based)	Employment rates			Unemployment rates 16+*			Economic inactivity rates		
	2007	2008	July 2011/ June 2012	2007	2008	July 2011/ June 2012	2007	2008	July 2011/ June 2012
Scotland	76.0	75.6	70.9	4.7	4.9	7.9	20.1	20.3	22.9
Local Authority Area									
Aberdeen City	79.1	79.4	77.9	3.7	3.6	5.2	17.3	17.6	17.0
Aberdeenshire	82.6	82.2	79.3	2.5	2.6	3.7	15.6	15.5	17.4
Angus	79.1	80.0	73.4	4.5	4.6	6.2	16.2	15.6	22.0
Argyll & Bute	80.0	77.6	71.5	4.0	4.3	6.5	16.3	18.4	23.3
Clackmannanshire	69.4	70.9	66.4	5.5	5.4	10.0	25.3	25.4	25.2
Dumfries and Galloway	77.4	76.2	69.4	4.2	4.5	7.7	19.1	19.5	23.2
Dundee City	72.1	71.5	66.2	6.6	6.3	9.9	22.4	23.9	26.8
East Ayrshire	73.1	74.6	66.5	6.3	6.1	11.0	21.5	20.4	25.2
East Dunbartonshire	78.9	77.6	73.8	3.1	3.9	6.2	19.0	18.7	20.9
East Lothian	79.2	77.9	74.0	3.5	3.5	6.9	18.0	19.4	20.8
East Renfrewshire	77.2	76.5	73.8	3.4	3.6	5.7	19.1	20.5	21.7
Edinburgh, City of	77.4	76.6	71.5	4.3	4.5	6.5	19.5	19.8	24.0
Eilean Siar	79.4	78.7	67.5	4.2	4.6	7.1	17.7	16.3	24.6
Falkirk	78.1	78.9	70.4	4.6	4.4	8.9	18.5	18.3	22.4
Fife	75.9	76.5	70.8	5.6	5.8	8.8	18.8	17.7	22.2
Glasgow City	66.9	66.6	63.2	6.8	6.9	10.8	28.2	28.8	28.7
Highland	82.0	81.7	80.0	3.2	3.5	4.7	16.0	16.3	17.5
Inverclyde	68.4	72.5	65.5	7.1	6.4	12.2	24.8	23.0	22.6
Midlothian	80.7	79.9	77.2	4.2	4.2	7.0	15.1	16.2	17.7
Moray	80.4	81.8	77.1	3.5	3.8	5.1	17.2	15.0	19.4
North Ayrshire	71.5	71.8	60.1	6.4	7.4	12.9	23.5	22.0	30.0
North Lanarkshire	73.2	71.0	68.2	5.4	5.9	11.1	22.6	23.8	22.5
Orkney Islands	86.4	83.9	80.2	2.7	2.9	4.2	11.2	14.2	17.2
Perth and Kinross	78.1	78.7	74.3	3.5	3.7	6.1	18.8	17.9	19.2
Renfrewshire	75.0	76.0	69.4	5.1	5.5	9.3	20.9	18.9	23.8
Scottish Borders	81.4	80.6	71.7	3.1	3.6	6.0	16.2	15.8	23.8
Shetland Islands	88.1	88.0	81.3	2.6	2.8	3.3	10.4	10.8	16.8
South Ayrshire	77.2	75.4	69.3	5.0	5.4	8.9	18.9	20.5	22.8
South Lanarkshire	78.9	76.7	73.0	4.2	4.4	8.0	18.5	20.6	21.4
Stirling	76.8	75.2	70.8	3.9	4.5	7.1	19.2	20.2	24.3
West Dunbartonshire	73.9	71.2	66.7	6.3	6.9	11.2	20.8	23.3	24.9
West Lothian	77.8	79.1	74.3	4.8	4.6	6.9	17.7	17.4	21.9

**Source:** 2007 and 2008 data from Annual Population Survey (Jan to Dec); July 2011 – June 2012 data from Labour Market Statistics (First Release), Scotland and UK, September 2012 (Source Annual Population survey, Job Centre Plus administrative system and Annual Business Inquiry)

**Note:** See sources for definitions and original sources

Inactivity for men aged 16 – 64 fell by 20 thousand over the year. Inactivity for women rose by 9 thousand over the year. In the year to June 2012 the changes in the reasons for inactivity were: student up 10 thousand, looking after family/home down 10 thousand, retired down 1 thousand and long term sick down

8 thousand. The numbers temporarily sick fell by 1 thousand. The majority 589 thousand did not want a job – but 188 thousand were inactive but wanted employment.

The most recent (seasonally adjusted) figure for Jobseekers allowance claimants (16+) in Scotland stood at 139.9 thousand in September 2012, down 4.1 thousand or 2.8% over the year (these figures are taken from table 7 in the Labour Market Statistics [First Release] September 2012. The claimant count rate at September 2012 stood at 5.1 per cent, or 6.6% for men and 3.4% for women (note these figures are taken from table 7 in the Labour Market Statistics and measure the number of claimants on the second Thursday of each month). The latest unemployment data at the Scottish constituency level is available in a SPICE Briefing.

Table 3 indicates the continuing significant differences in employment, unemployment and inactivity rates at the local authority level. In the year July 2011 – June 2012 employment rates varied from over 80% in Shetland, Orkney and Highland to between 65 - 70% in nine local authority areas and below 65% in two local authority areas. Likewise unemployment rates were again lowest in Aberdeenshire, Orkney and Shetland and highest, in East and North Ayrshire, Inverclyde, and North Lanarkshire.

**Table 4: Total workforce jobs\* by industry, Scotland, June 2005–2012 (thousands)**

Industry	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	June 2012
A : Agriculture, forestry and fishing	51	54	60	60	59	66	50	50
B : Mining and quarrying	25	28	30	30	29	31	30	35
C : Manufacturing	233	226	228	212	201	187	189	196
D: Electricity, gas, steam and air conditioning supply	10	10	13	16	19	21	18	19
E: Water supply; sewerage, waste management etc	16	18	17	16	14	113	19	19
F: Construction	181	194	203	199	185	173	179	172
G: Wholesale & retail trade; repair of motor vehicles etc	382	384	380	396	398	380	388	374
H: Transportation and storage	125	118	123	123	111	112	112	118
I: Accommodation and food service activities	189	190	188	191	186	179	190	199
J : Information and communication	72	73	79	69	68	69	74	81
K : Financial and insurance activities	114	107	91	98	100	91	92	89
L: Real estate activities	25	29	30	32	32	27	31	31
M: Professional, scientific and technical activities	145	154	161	176	174	171	183	219
N: Administrative and support service activities	174	180	192	200	185	197	191	201
O : Public administration & defence; social security	180	177	181	177	146	162	154	155
P : Education	199	200	192	208	208	197	200	196
Q: Human health and social work activities	384	399	383	398	401	381	372	371
R : Arts, entertainment and recreation	75	81	75	84	71	78	76	80
S : Other service activities	63	65	63	58	59	68	74	64

**Source:** Labour Market Statistics (First Release), Scotland, September 2012; \* Workforce jobs are a measure of jobs rather than people

**Note:** There are revisions from previous figures and as of September 2011 ONS are highlighting figures with a coefficient of variation greater than 25%

Total workforce job figures are a measure of jobs rather than people. Total seasonally adjusted jobs for the quarter ending June 2012 (the latest available figures) stood at 2,668 thousand 2,309 thousand employee jobs, 343 thousand self employed jobs, HM forces and supported trainees 15 thousand). Table 4 indicates

the sectoral breakdown and provides some indication of both the impact of the recession and the recovery on sectors, although the trends need to be considered with some caution.

Table 5 outlines the changing patterns of full time and part time employment, and highlights the growth in the numbers of part time workers in Scotland, the latest data (July 2011 – June 2012), over the past year the number of employees has fallen by 25 thousand whereas the numbers of self-employed have risen by 25 thousand.

**Table 5: Trends in total, full, part time, temporary and part time who could not find a full time job.**

	All in employment			Workers				
	Total	Employees	Self employed	Full-time workers	Part-time workers	Workers with second jobs	Temporary employees	Could not find full-time job
Apr 2007 - Mar 2008	2,533	2,248	267	1,900	630	96	126	60
Jul 2007 - Jun 2008	2,544	2,254	271	1,912	629	98	125	61
Oct 2007 - Sep 2008	2,550	2,262	269	1,916	631	98	119	61
Jan 2008 - Dec 2008	2,529	2,243	268	1,900	626	99	116	64
Apr 2008 - Mar 2009	2,527	2,245	267	1,899	624	101	117	65
Jul 2008 - Jun 2009	2,515	2,235	264	1,880	632	103	123	73
Oct 2008 - Sep 2009	2,502	2,219	265	1,855	644	101	127	81
Jan 2009 - Dec 2009	2,492	2,210	265	1,844	645	102	133	84
Apr 2009 - Mar 2010	2,471	2,186	267	1,816	652	101	132	90
Jul 2009 - Jun 2010	2,464	2,181	265	1,804	657	99	126	96
Oct 2009 - Sep 2010	2,469	2,187	264	1,801	664	98	127	99
Jan 2010 - Dec 2010	2,472	2,185	268	1,796	672	97	125	107
Apr 2010 - Mar 2011	2,474	2,185	270	1,799	671	98	126	110
Jul 2010 - Jun 2011	2,471	2,181	274	1,796	672	95	131	114
Oct 2010 - Sep 2011	2,464	2,167	283	1,789	672	96	126	114
Jan 2011 - Dec 2011	2,464	2,167	283	1,785	676	96	121	114
Apr 2011 - Mar 2012	2,464	2,156	293	1,776	684	97	125	118
Jul 2011 - Jun 2012	2,473	2,156	299	1,779	687	100	118	115

**Source:** Labour Market Statistics (First Release), Scotland, September 2012

Note:

1. Includes people who did not state whether they worked part time or full time
2. The split between full time and part time employment is based on respondents' self classification

Table 5 indicates the numbers of full time workers in Scotland since the peak in employment have declined by 135 thousand whilst part time employment numbers recovered very quickly and are now 56 thousand higher and self-employed 28 thousand higher. The changing trends in full and part time employment since October 2007 – September 2008 are shown in figure 2. The rising number of self-employed indicates some substitution of self-employment for employment. The number of those working part time because they could not find a full time job is 55 thousand higher than the peak in employment, suggesting that increasing numbers of workers were taking part time employment in the absence of full time work.

Figure 2 illustrates how the employment 'recovery' has been driven more by an increase in part time and self-employment. This changing pattern of employment may help to explain why the link between employment and GDP seems different to previous recessions. Table 6 (2) of the first release indicates that the usual hours of work of self-employed are both lower than for full time employees and have declined. The service sector has not regained the level of productivity that was reached before the crisis, and staff may well be working as hard, although the volume of business had declined, or that the costs of closure of the business outweigh the losses of continuing to trade. Alternatively companies may well continue to 'hoard' labour due either to perceptions of skill shortages and recruitment difficulties, or due to the costs of

redundancy. Alternatively structural changes in energy and extraction may be contributory factors, as might the belief that the economy is moving to a less skilled and to a period of lower productivity.

Tables 6 and 7 of the Labour Market statistics [First Release] provide information of the claimant count. The figure for September indicates a total of 135,700 thousand claimants, down 4.3 thousand for the year. Of interest are the differing trends in the claimant count for men and women. The claimant count for men, 92 thousand was down 4 thousand over the year, whereas the comparable figure for women, 43.8 thousand, was 0.3 thousand lower than a year ago.

**Figure 2: Trends in full, part time and self-employment since Jan 2004 (Oct 2007 – Sept 2008 = 100)**



Table 6 provides some limited indications of the experience of unemployment in terms of claimant count by age and duration. The latest figures suggest that 38.5 thousand have been claiming benefit for more than a year, up 14,900 over the year and 12.3 thousand have been claiming for more than 2 years, up 6.6 thousand over the year.

**Table 6: Total claimant count and computerised claims by age and duration (Numbers and percentage change over year to September 2012)**

	All computerised claims	All computerised claims Up to 6 months	All computerised claims Over 6 and up to 12 months	All computerised claims All over 12 months
All 16+ numbers	135,400	73,200	23,700	38,500
All 16+ % change over year	-2.9%	-13.4%	-24.4	63.0%
All 18 – 24	37,900	24,300	6,400	7,200
All 25- 49	75,000	38,400	13,400	23,200
All 50 and above	21,700	9,800	3,800	8,200

**Source:** Labour Market Statistics (First Release), Scotland, September 2012

Concerns as to the rates of pay increases amongst senior executives reflect wider concerns as to the increasing gap between the low and high paid. Wilkinson's and Pickett's analysis of the social consequences of inequality (2009) offers a wide ranging analysis of the impact of inequality. Data from the OECD (2011) indicates that income inequality amongst working age persons has risen faster in the UK



than in any other OECD country since 1975 as is now well above the OECD average. The share of the top 1% of income earners increased from 7.1% in 1970 to 14.3% in 2005; in 2012 this has increased to 15% of all income.

Trends in public sector employment are now considered in more detail a separate section in the Commentary. As the section indicates public sector employment in Scotland continues to decline, although at a slower rate than previously. The latest data at the time of writing this section (Q2 2012) indicates that there were 580,100 (548,100 excluding public sector financial institutions) employed in the public sector in Scotland, a decrease of 16,700 (2.8%) over the year. Employment in the devolved public sector declined by 11,400 (2.3%) to 487,600, due mainly to declines in health (1,900), further education (1,900) and local government employment (7,000).

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October 2012