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Overview of the labour market

Current interest in the Scottish labour market continues to focus on the trends and patterns in the unemployment figures, in this issue, in addition to noting recent changes in Scottish labour market trends, we explore a number of the underlying issues in employment, unemployment and activity rates. It is important to remember, as the ONS indicates, that we are exploring and seeking to measure changes generated by sample surveys and the results should be seen in terms of the relevant confidence levels.

Initially, however, the recent tragedies involving North Sea oil and fish farm employees prompt a concern to examine the trends in accidents and fatalities amongst the Scottish workforce.

Data from the Health and Safety Executive (www.hse.gov.uk/statistics/regions/scotland) indicates that there were 32 fatal injuries to workers and 5 fatal injuries to members of the public in Scotland in 2007/8. In addition there were 2,721 major injuries and 8,994 over three day injuries to employees in Scotland in the same period. Fatal injuries to workers in Scotland have averaged around 30 – 35 per year since 2004, although in 2004/5 the higher figures reflected nine fatalities from a single incident. It is worth noting that the UK has consistently one of the lowest fatal injury rates (0.75 per 100,000 workers) in the EU, and this should caution those who argue for a general reduction in 'state regulation'.

Nationally agriculture, construction, extractive and utility supply have the highest rate of fatal and major injuries per 100,000 employees, and thus regional figures are influenced by the pattern of industries and occupations. The HSE estimate that the 3.3 million working days were lost in 2007/8 in Scotland due to workplace injury and work related ill health, broadly the same patterns as for 2004 – 2007.

The HSE and a number of sectors, most notably offshore work and utility supply, have long recognised that monitoring accidents and injuries represents a failure of safety procedures, and attention should be paid developing a safety culture and monitoring breaches of safe working procedures or 'dangerous occurrences'. The reinforcement of safe working procedures and a safety culture are equally critical to the service industries, given that they account for more than half of fatal and major injuries to employees in Scotland, and that the construction sector has the highest rate of fatal and major industries per 100,000 employees.

In February 2009 the Association of Graduate Recruiters predicted a decline of some 5.4% in the total number of

graduate positions available in the UK, the first drop since 2003. In Scotland, since the early 1990s, the increasing number of higher skilled jobs and the rising demand for skills has been matched by a rising number of graduates. In 2007/08 there were 30,155 first degree graduates and 21,400 postgraduates in Scotland. The figures understate the numbers in higher education in Scotland. Data for 2005 – 6 indicates that 74,515 students successfully completed a higher education course in Scotland, of whom '40% obtained a first degree, 37% a sub degree and 23% obtained postgraduate qualifications' (Scottish Government data). In recent years the graduate labour market has been fuelled by rising numbers employment in finance, business services and health, social and community work sectors. In recent months anecdotal evidence suggests increasing competition amongst graduates for employment, and signs of increasing difficulty in finding employment, especially in those professions where a qualifying period is required before achieving chartered, or equivalent, status. Given the increasing likelihood of a reduction in the number of jobs in the public sector, and the relative slowness of recovery in the business services sector the graduate market may be entering a period of more competition for a more limited number of job opportunities.

Recent trends and statistics

Comparable figures on the labour market¹ between Scotland and the United Kingdom in the quarter February – April 2009 are summarised in Table 1. Labour Force Survey (LFS) data show that in the quarter to April 2009 the level of employment in Scotland fell by 25 thousand, to 2,510 thousand. Over the year to April 2009, employment in Scotland fell by 40 thousand. For the same period, UK employment fell by 399 thousand. The Scottish employment rate – those in employment as a percentage of the working age population – was 74.6 per cent, down 1.1 per cent compared to one year earlier. For the same period the UK employment rate was 73.3 per cent, down 1.5 per cent compared to one year earlier.

Figure 2 provides an account of Scottish quarterly LFS employment over a sixteen-year period to the most recent quarter. Employment levels still remain close to historical highs, reached in Q2 2007.

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

Table 1: Headline indicators of Scottish and UK labour market, February – April 2009

February – June 2009		Scotland	Change on quarter (%)	Change on year (%)	United Kingdom	Change on quarter (%)	Change on year (%)
Employment*	Level (000s)	2,510	-1.0	-1.6	29,108	-0.9	-1.4
	Rate (%)	74.6	-1.0	-1.1	73.3	-0.8	-1.5
Unemployment**	Level (000s)	176	30.3	52.9	2,261	11.4	36.6
	Rate (%)	6.6	1.5	2.2	7.2	0.7	1.9
Activity*	Level (000s)	2,686	0.3	0.1	31,369	-0.1	0.7
	Rate (%)	80.0	0.2	-0.3	79.2	-0.2	0.0
Inactivity***	Level (000s)	643	-1.2	1.6	7,889	1.2	0.4
	Rate (%)	20.0	-0.2	0.3	20.8	0.2	0.0

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

SIC 2003 Section	All jobs (not seasonally adjusted)	All jobs	Agriculture, Forestry and Fishing	Mining Energy and Water Supplies Industries	Manufacturing Industries	Construction	Distribution etc, transport etc, finance and business services	Education, health, public admin and other services
	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	2,387	2,387	35	41	216	138	1,105	852
Dec 08	2,374	2,385	33	41	212	140	1,103	856
Mar 09	2,363	2,352	37	40	206	139	1,074	858

Figure 1 Total (16+ employment in Scotland Q2 1992 to Q1 2009, seasonally adjusted

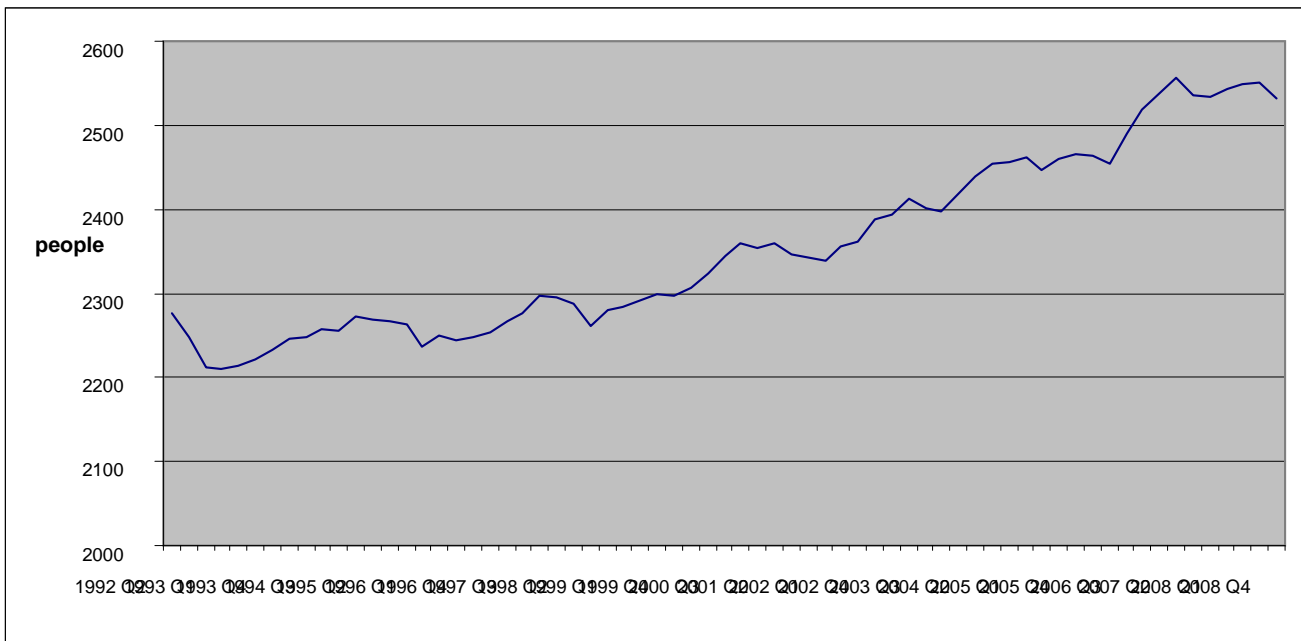
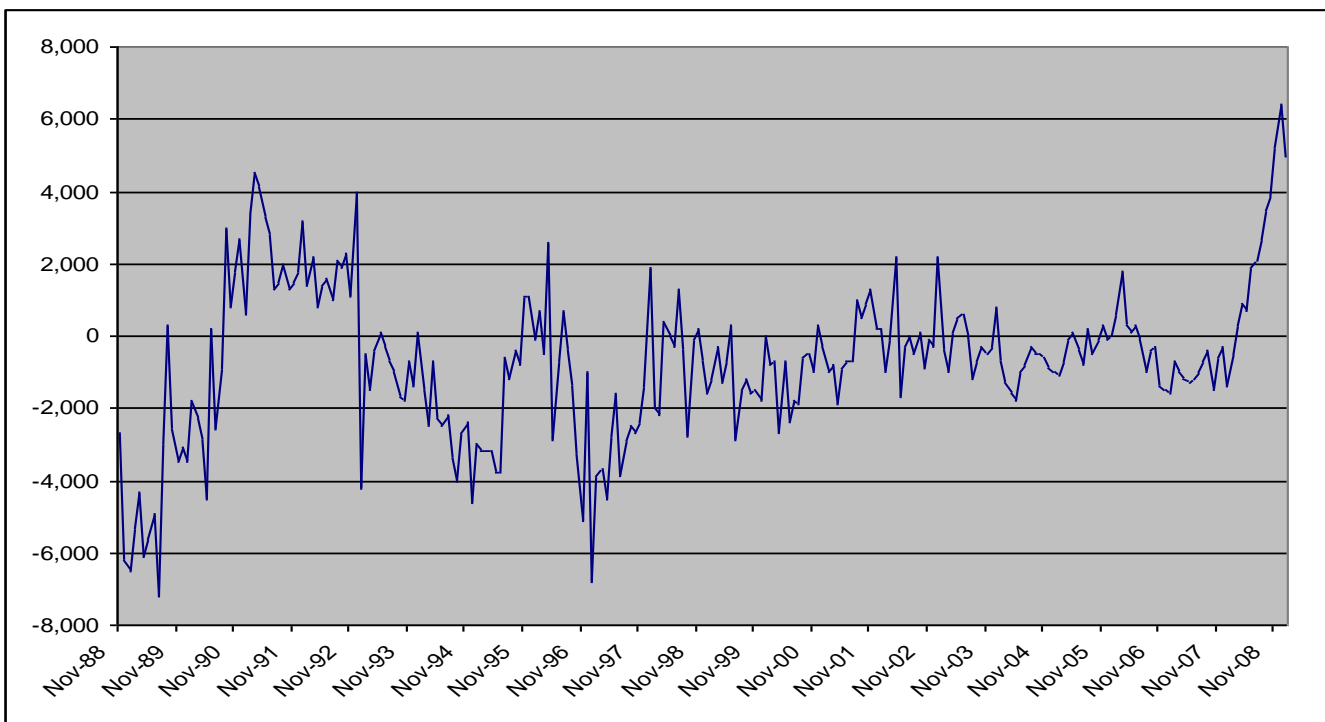


Figure 2: Net flows of claimants to Job seekers allowance, November 1998 to April 2009



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 176 thousand, between February and April 2009. This equates to a 52.9 per cent annual increase in the number unemployed under this measure². The ILO unemployment rate rose in the three months April 2009 and now stands at 6.6 per cent. This represents a 1.5 per cent rise over the last quarter and a 2.2 per cent rise relative to the same period a year earlier. The comparable ILO unemployment rate for the UK stands at 7.2 per cent, and is up 0.7 per cent over the most recent quarter, and up 1.9 per cent over the year.

As was noted in the February 2009 issue the patterns of work have changed significantly over the past thirty years as a more flexible labour market and flexible working arrangements have emerged, and there is now a wider consensus that this has contributed to slowing down the rate of increase in unemployment as the economy moves further into recession.

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 0.3 per cent between February and April 2009. There were 2,669 thousand economically active people in Scotland during Q4 2008. This comprised 2,686 thousand in employment and 176 thousand ILO unemployed. The level for those of working age economically inactive fell in the last quarter, down 1.2 per cent on the previous quarter to 643 thousand people. This indicates an increase of 1.6 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 125.3 thousand in May 2009, up 3.5 thousand from the previous month. The claimant count rate in May 2009 stood at 4.5 per cent. This is up 0.1 per cent from the previous month, but up 1.9 per cent over the year. The UK claimant count rate in May 2009 was 4.8 per cent, up 0.1% from the previous month and up 2.2 per cent over the year.

Figure 3 shows net flows to Jobseekers Allowance in Scotland between November 1988 and the most recent data (May 2009). The reduction in the claimant count unemployment over recent years can be seen by the greater outflows than inflows over much of this time period. The claimant count in Scotland was 3.9% in May, this was the same as in the previous month (which may reflect a combination of seasonal factors and/or a lessening in the rate of the recession), but 1.7 percentage points higher than in the previous year.

Unemployment data at the Scottish constituency level for May 2009 is available in a SPICe Briefing <http://www.scottish.parliament.uk/business/research/briefings-09/SB09-45.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 March 2009 stood at 2,363 thousand. The number of jobs in the manufacturing industry continues to fall, and now stands at 206 thousand, down 6,000 on the previous quarter, and down 12 thousand against the same quarter one year earlier. The number of jobs in the service industry fell by 29 thousand over the last quarter to 1,074 thousand, and there are now 35 thousand fewer jobs in the service industry than the same period ending a year earlier.

Outlook

In the year to May 2009 the total in employment fell by 65,000 and unemployment rose by 60,000 to 174,000 and the numbers economically inactive rose by 10,000 over the year. Scotland's labour market continues to perform reasonably well; but trend in unemployment is increasing and there are signs that the unemployment rate will increase more strongly through the second half 2009.

Over the year to March 2009 the sectors suffering the most losses of employee jobs were distribution, transport, finance and business services (35,000 jobs a drop of 3.2 per cent over the year), manufacturing (12,000 jobs, a drop of 5.7 per cent) and mining, energy and water supplies (2,000 jobs a drop of 4.2 percent). In contrast in the public sector the

numbers of jobs rose, but this is unlikely to continue. Job losses are likely to continue in those sectors which grew rapidly in recent years as a result of the property and financial boom. In the recession of 1980 – 1981 the claimant count rose consistently through 1981 (reaching 262,200 by December 1981), and a general upward trend continued through to January 1987 when unemployment peaked at 334,700 reflecting the declining numbers in mining and manufacturing, in this decade it may well be that unemployment will continue to rise as jobs are lost in the public sector. In the private sector policies to bring in new professional staffs and ensure the retention of key skills and expertise continue to be a challenge.

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.

Cliff Lockyer
June 2009