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4 Scottish labour market

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This section provides an overview of key labour market data in Scotland and contrasts these with both UK performance and changes over time. These data are from a range of the latest labour market data for Scotland and the UK, to December 2015. The Scottish unemployment rate stands at 5.8%, above the UK rate of 5.1%. The employment rate in Scotland is 74.8%, with the UK figure 74.1%. Growth in employment is still being sustained by increases in part-time working and self-employment. The question of whether this shift away from fulltime job creation is the 'new normal' prevails.

Recent trends and statistics

The latest comparable figures on the labour market for Scotland and the United Kingdom are summarised in Table 1. Labour Force Survey (LFS) data show that in the quarter to December 2015 the level of employment in Scotland increased by 22 thousand, to 2,636 thousand and increased over the year by 11 thousand. For the same period, UK employment rose by 205 thousand and 521 thousand respectively. The Scottish employment rate (16-64) – i.e. those in employment as a percentage of the working age population – was 74.8%, up by 0.4% from one year earlier. For the same period, the UK employment rate was 74.1%, up 0.9% compared to a year earlier. Scottish unemployment decreased by 5 thousand to 162 thousand in the quarter to December 2015, a 13 thousand increase over the year. The unemployment rate increased in the months to August 2015 and now stands at 5.8%. The comparable unemployment rate for the UK is 5.1%.

Table 1: Headline indicators of the Scottish and UK labour markets, October – December 2015

		Scotland	Change on quarter	Change on year	United Kingdom	Change on quarter	Change on year
Employment*	Level (000s)	2,636	22	11	31,417	205	521
	Rate (%)	74.8	0.7	0.4	74.1	0.4	0.9
Unemployment**	Level (000s)	162	-5	13	1,690	-60	-172
	Rate (%)	5.8	-0.2	0.4	5.1	-0.2	-0.6
Inactivity***	Level (000s)	701	-19	-27	8,880	-88	-27
	Rate (%)	20.5	-0.6	-0.8	21.8	-0.2	-0.5

Source: ONS Labour Market Statistics, Scotland and UK, February 2016.

Notes: * 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).

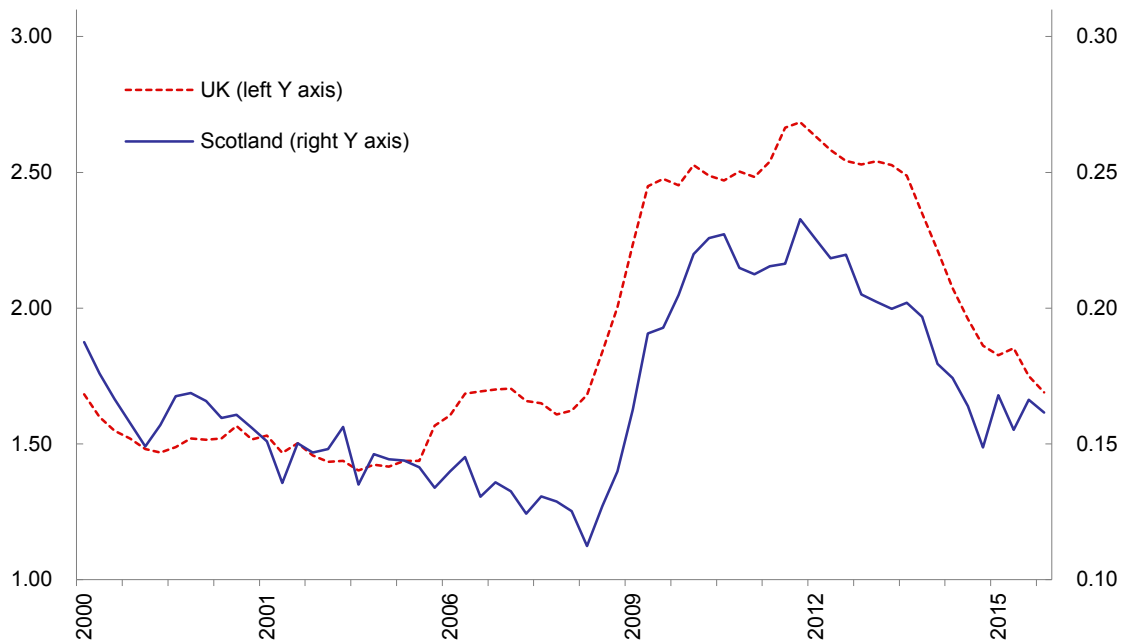
Note: In considering employment, activity and unemployment rates it is important to remember the bases and relationships of these figures. LFS data (estimated) is provided for: (1) all aged 16 and over and (2) for all aged 59/64. The first measure (all aged 16 and over) leads to higher numbers in employment, economically active and economically inactive – and reduces the economic activity rate and unemployment rate, while at the same time increasing the economically inactive rate. Conversely the second measure (all aged 16 to 59/64) leads to lower numbers who are economically active, in employment and economically inactive – and leads to a higher rates of those who are economically active, in employment and unemployed and to a lower rate of those who are economically inactive. See Scottish Parliament Information Centre briefing on Scottish labour market statistics: <https://www.scottish.parliament.uk/parliamentarybusiness/70894.aspx>

The relationships between employment, unemployment, total economically active and inactive are important in discerning the response of the labour market to overall economic conditions. It is important to appreciate that changing levels of employment and unemployment, and changes in employment rates should be seen in conjunction with changes in activity rates. For example, if people leave employment and become unemployed (i.e. are actively seeking work) they remain economically active and the unemployment rate will increase, but the rate of those economically active will remain unchanged. However, if people leave employment and do not seek further employment, as seems to be a continuing pattern, they are then categorised as economically inactive, and as such the unemployment rate will remain unchanged, whilst the activity and inactivity rates will change. Equally, the changing pattern between full and part time employment is of interest as we uncover how the labour market is responding to overall economic conditions. We return to this issue later in this section.

Figure 1 illustrates the trend in unemployment in Scotland and the UK since 2000. Between 2000 and 2015, unemployment in Scotland was at its lowest (106 thousand) in March – May 2008, immediately preceding the global financial crash and subsequent Great Recession. In contrast, unemployment was at its lowest (1,396 thousand) in the UK between August – October 2004. The highest number of unemployed in Scotland was in the period May – July 2010 (237 thousand) and in the UK in the period from September – November 2011 (2,708 thousand). Unlike the pattern of previous recessions, unemployment has fallen in Scotland (and the UK) more rapidly than expected to just above 160 thousand. This reflects in part the rapid rise in part time and self-employment (see Figure 2 and Table 5) and the development of a more flexible labour market with increases in the number of temporary, zero-hours and part-time employment contracts.

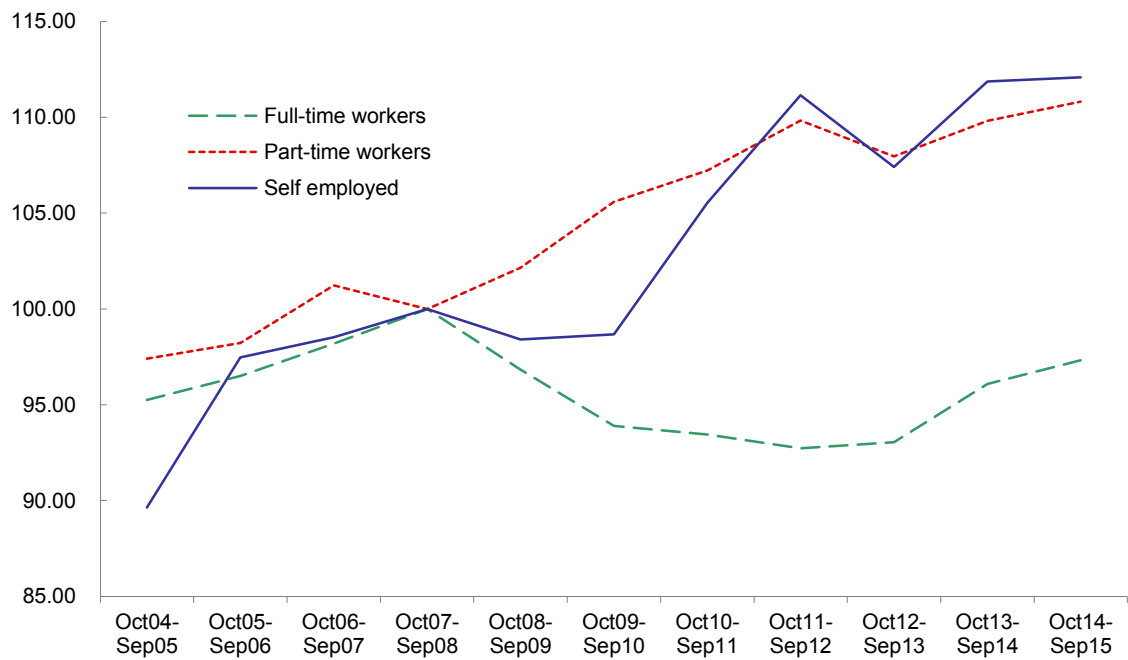
Figure 2 illustrates how the employment 'recovery' continues to be driven by an increase in part-time work and self-employment. Growth in full-time employment remains subdued but it has started to gain some momentum since 2014. In this time-series, self-employment peaked between October 2014 and September 2015 at 301 thousand. Full-time employment peaked in October 2007 – September 2008 at 1,919 thousand, and part-time work peaked in October 2014 – September 2015 at 701. A balanced recovery would require full-time work to gain significant momentum. The question is whether this shift away from full-time job creation is now the 'new normal' for the Scottish and UK labour markets. This shift towards self-employment and part-time jobs also emphasises the importance of measuring and monitoring the 'quality of work' and its contribution to labour productivity to identify underlying structural issues in the labour market.

Figure 1: Unemployment (in millions) in Scotland and the UK January 2000 – December 2015



Source: ONS Labour Market Statistics, Scotland and UK, February 2016.

Figure 2: Index of full, part time and self-employment in Scotland, October 2004 – September 2015



Source: ONS Labour Market Statistics, Scotland, February 2016.

Notes: Index - October 2007 – September 2008 = 100.

The economically active workforce includes all individuals actively seeking employment and those currently in employment (i.e. self-employed, private sector and government employed, unpaid family workers and those in training programmes). Between October / December 2015 the number of economically active (16+) in Scotland increased by 17 thousand, and the rate of the economic active increased by 0.3% to 63.7%. There were 2,797 thousand economically active in Scotland during the period. This comprised 2,636 thousand in employment (2,552 thousand aged 16–64) and 160 thousand ILO unemployed (all aged 16-64). The number of those of working age but economically inactive decreased by 13 thousand over the latest quarter to 1,594 thousand and decreased by 6 thousand over the year.

The economic inactivity rate for men aged 16–64 decreased by 1.4% over the year to 16.6%, and decreased by 0.2% for women over the year to 24.3% from October – December 2015. In the year from October 2014 to September 2015, the key components of change in inactivity were; an increase in the number of students, up by 5 thousand; more people looking after family, up by 5 thousand; more people who were temporarily sick, up by 2 thousand; fewer long-term sick, down by 14 thousand; fewer people who are retired, down by 5 thousand; and 'other' up by 2 thousand. Although the majority of the inactive (581 thousand) did not want a job, 176 thousand – or 30% - did.

The latest data on employment by age, derived from the Annual Population Survey, is available up to October 2014 to September 2015. Table 2 illustrates the changing employment rates by age group from October 2006 onwards. In the year to June 2015, employment rates increased for all age groups, other than for those 65+ which decreased by 0.4% over the year, and the 35-49 group which decreased by 0.2% over the year. The largest increase in the employment rate was in the age group 16-17 (+3.3%), followed by the age group 16-24 (+2.6%), and 18-24 (+2.3%). The employment rate for all workers aged 16 and over increased by 0.4 % over the year to September 2015 to 58.8%.

Table 2: Employment rates (%) by age, Scotland October 2006 – September 2015

(In %) Jul-Jun.	Sep-07	Sep-08	Sep-09	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14	Sep-15
All 16+	59.6	59.9	60.6	60.8	59.2	58.0	57.5	57.4	57.1
16 - 64	72.7	73.1	74.1	74.3	72.3	71.0	70.5	70.6	70.5
16 - 17	44.5	43.5	40.8	40.3	37.4	31.1	31.0	29.2	29.4
18 - 24	68.2	68.4	68.6	67.7	64.2	62.5	60.5	58.2	59.4
16-24	63.1	63.1	62.7	61.9	58.4	56.0	54.6	52.5	53.5
25 - 34	79.6	79.9	81.5	81.6	80.1	78.1	79.3	79.5	78.6
35 - 49	82.3	83.0	83.8	83.8	82.1	81.2	80.6	81.6	81.5
50 - 64	62.4	62.9	64.5	66.0	64.6	64.2	63.5	64.0	63.9
65+	5.1	5.2	5.4	5.9	6.6	6.4	6.5	7.3	7.8

Source: ONS Labour Market Statistics, Scotland, February 2016. **Note:** Denominator = all persons in the relevant age group.

Total workforce job figures are a measure of jobs rather than people. Total seasonally adjusted workforce jobs in Scotland for September 2015 (the latest available figures) stood at 2,688 thousand, (i.e. 2,386 thousand employee jobs, 288 thousand self-employed jobs, HM forces and supported trainees 14 thousand). Table 3 indicates the sectoral breakdown and provides some indication of both the impact of the recession and the differential recovery in jobs across sectors. As noted above, these trends need to be considered with some caution as workforce jobs measure jobs rather than people in employment i.e. the estimates of self-employment jobs and government supported trainee jobs differ from the estimates of people in self-employment and in government supported training and employment programmes.

Table 3: Total workforce jobs by industry, Scotland, September 2010 – September 2015

Industry (in thousands, SIC07)	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14	Sep-15
All jobs	2,581	2,625	2,601	2,638	2,721	2,688
Agriculture, forestry & fishing	59	50	53	58	60	51
Mining & quarrying	33	30	37	35	37	39
Manufacturing	182	189	192	190	204	200
Electricity & gas	19	19	16	17	19	17
Water supply, sewerage, waste	14	16	17	16	17	17
Construction	173	171	170	183	181	186
Wholesale & retail trade	377	376	372	369	393	402
Transport & storage	108	115	114	111	120	120
Accommodation & food service	183	182	175	196	187	192
Information & communication	72	65	71	75	67	66
Financial & insurance activities	91	89	89	92	94	89
Real estate activities	29	33	37	39	31	33
Professional scientific & technical	160	209	179	186	191	182
Administrative & support service	190	192	221	195	212	206
Public admin & defense	159	153	153	153	150	154
Education	212	207	196	197	210	209
Human health & social work	376	385	370	376	402	385
Arts, entertainment & recreation	73	81	79	84	83	84
Other service activities	64	60	59	63	59	54
People employed by households	5	3	2	3	3	4

Source: ONS Labour Market Statistics, Scotland, February 2016.

Notes: * Workforce jobs are a measure of jobs rather than people. There are extensive revisions from previous figures.

The data in Table 3 suggest that the Human health and social work sector has seen a significant contraction of workforce jobs over the year. This sector has seen a decrease of 17 thousand (-4.3% change) workforce jobs over the year. Similarly, the Manufacturing sector has seen a decrease of 7 thousand (-3.4%) over the quarter to September 2015 and a decrease of 4 thousand (-1.8%) workforce jobs over the year. The Accommodation & food service activities sector has seen an increase of 7 thousand (3.7%) workforce jobs over the quarter, and 4 thousand (2.4%) over the year.

Table 4 outlines the changing patterns of full time and part time employment. The latest data indicates that from October 2014 to September 2015, the number of employees increased by 33 thousand (1.5%), and the numbers of self-employed increased by 4 thousand (1.2%). The number of part-time workers increased by 1 thousand (0.2%) over the year, and the number of temporary employees decreased by 3 thousand (-2.3%).

Table 4 also indicates that the numbers of full-time workers in Scotland increased by 24 thousand (1.3%) over the year from October 2014 to September 2015. Part-time employment numbers have grown significantly through the recession and have increased by 6 thousand (0.9%) over the year to September 2015.

Table 4: Trends in Scottish employment statuses, October 2009 – September 2015

All in employment (in thousands)	Sep -10	Sep-11	Sep-12	Sep-13	Sep-14	Sep-15
Employees *	2,190	2,176	2,166	2,169	2,224	2,257
Self-employed *	266	284	299	289	301	302
Full-time workers **	1,802	1,793	1,779	1,786	1,844	1,868
Part-time workers **	668	679	695	683	695	702
Workers with 2nd job	100	96	99	100	99	99
Temporary employees	126	129	120	134	138	135
Total *	2,475	2,475	2,483	2,482	2,548	2,575

Source: ONS Labour Market Statistics, Scotland, February 2016.

Notes: * Includes people who did not state whether they worked part time or full time

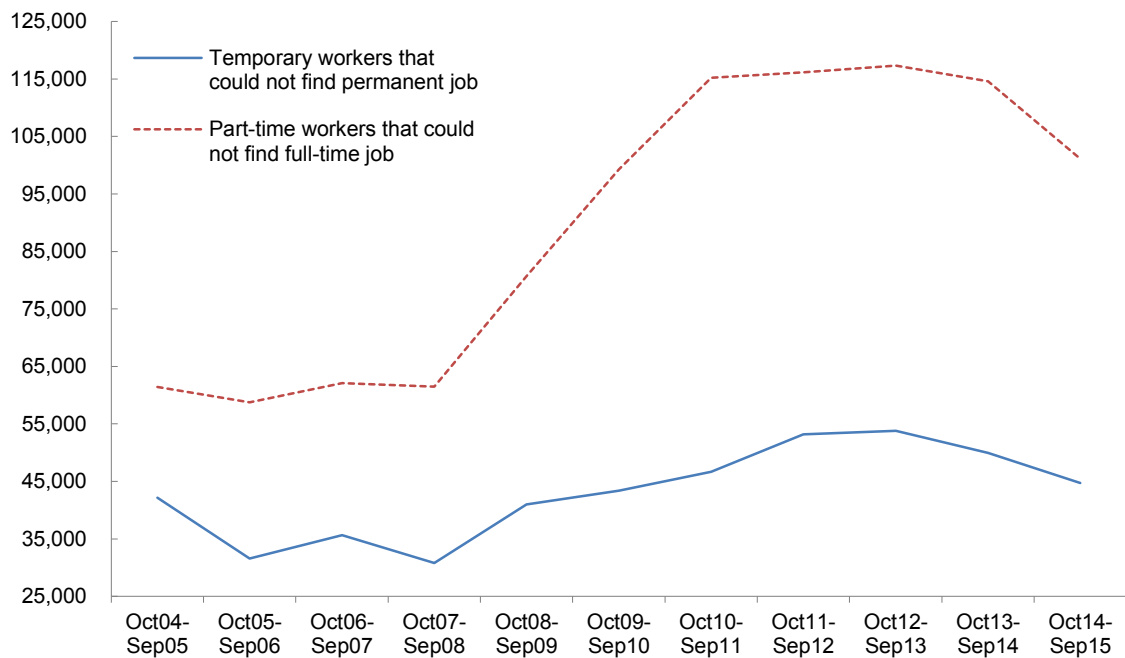
** The split between full time and part time employment is based on respondents' self-classification

The number of those working part-time because they could not find a full time job is 101 thousand, a decrease of 13 thousand (-11.8%) over the year to September 2015. The number of people who cannot find a full-time job is still almost double that of pre-recession numbers. This reflects continuing issues in the wider economy and whether these numbers will see significant reductions in near future is questionable.

Figure 3 shows the number of part-time workers that could not find a full-time job and temporary workers that could not find a permanent job from October 2004 – September 2015. Given that recent growth in employment has largely been fuelled by part-time workers and self-employment (see Figure 2) it is positive to see that the number of part-time workers that could not find full-time jobs are decreasing, from 115 thousand to 101 thousand, a drop of 11.8% over the year to September 2015.

However, the remaining high number of involuntary part-time workers shows that there is still significant slack in the labour market. The same, even though to a lesser extent, holds true for temporary workers that could not find a permanent job.

Figure 3: Trends in full, part time and self-employment October 2004 – September 2015



Source: ONS Labour Market Statistics, Scotland, February 2016