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Overview of the labour market

Note: The publication of this issue of the Commentary coincides with the publication of the latest data on employment; as such it has not been possible to update all the tables in this section. Figure 1 and Table 1 have been updated, the headings for other tables and figures indicate whether the May or June first release figures have been used.

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 has announced proposals to regionalise public sector pay and a number of public sector trade unions continue to take action of proposed changes to pensions and work arrangements (both discussed in the Public Sector employment section of this Commentary). Attention again focussed on senior executive remuneration with a number of well publicised shareholder reactions to remuneration proposals, as yet not Government proposals have been forthcoming. However, the employment law proposals contained in the Beecroft Report attracted the most critical comment, both within the cabinet with Vince Cable particularly critical of proposals for 'no fault' dismissals, and with criticism from employment lawyers and trade unions and more generally in the wider community. The Beecroft report had been commissioned by the Department for Business, Innovation and Skills (BIS) as part of a wider programme to simplify bureaucracy and to identify areas of employment law that could be improved or simplified as part of a series of measures to stimulate employment, especially in the private sector. A number of these recommendations have already emerged as proposed reforms (see the February issue of the Commentary).

Modernising and simplifying employment law or a Dickensian Charter?

The Beecroft Report contained recommendations on sixteen areas, the Government has indicated it will either not consider at this stage or take no action in four areas. Most comment has focussed on the proposals for amending unfair dismissals – allowing employers “to dismiss anyone without giving a reason provided they make an enhanced leaving payment” with the payment based on redundancy payment principles up to a maximum of £12,000. A compensated no fault dismissal. In addition to compensated no-fault dismissals, Beecroft proposed the extension of the unfair dismissal qualifying period, which rose from one to two years in April.

A second area of proposals related to simplifying and reducing the regulations in the current Transfer of

Undertakings (Protection of Employment) Regulations (TUPE), the regulations applying when public sector employees are transferred to the private sector.

Further proposals included the reduction of the consultation period for collective redundancies be reduced from 90 to 30 days and to lower levels in certain circumstances; the repeal of the third party harassment sections of the current Equality legislation; reforms to industrial tribunals (including simplifying the procedure and charging fees to those who apply to an employment tribunal).

In the comment following the publication of the Report there appeared to be less than convincing evidence as to the demand from businesses for such reforms, that a number of such reforms would breach current EU regulations, concerns were voiced as to whether the new proposals were workable, or would lead to claims being progressed through other legal routes.

Recent trends and statistics

The latest Comparable figures on the labour market between Scotland and the United Kingdom in the quarter February to April 2012 are summarised in Table 1. Labour Force Survey (LFS) data show that in the quarter to April the level of employment in Scotland rose by 18 thousand, to 2,481 thousand. Over the year employment in Scotland rose by 4 thousand. for the same period, UK employment rose by 42 thousand. The Scottish employment rate (16 – 64) – those in employment as a percentage of the working age population – was 71.1 per cent, up 0.2 per cent compared to one year earlier. For the same period the UK employment rate was 70.6 per cent, unchanged compared to one year earlier. Scottish unemployment, in the quarter to April, fell by 13 thousand to 220 thousand, a rise of 13 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 April 2012, the numbers employed rose by 7 thousand, whilst unemployment rose by 14 thousand – and the numbers of those aged 16-59/64 who are economically inactive fell by 23 thousand and the numbers economically active rose by 18 thousand.

Table 1 shows that for Scotland the preferred International Labour Organisation (ILO) measure of unemployment rose

to 220 thousand, between February to April 2012, a rise of 14 thousand over the year. The ILO unemployment rate rose in the three months to April 2012 and now stands at 8.3 per cent. This represents no change over the last quarter and no change over the year. The comparable ILO unemployment rate for the UK stands at 8.4 per cent, and is down 0.2 per cent over the most recent quarter.

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.

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



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

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 February – April 2012 the numbers economically active (16+) rose by 4 thousand and the activity rate was unchanged at 63.1%. There were 2,701 thousand economically active people in Scotland during February – April 2012. This comprised 2,481 thousand in employment (2,417 thousand aged 16 – 64) and 220

thousand ILO unemployed. The level for those of working age but economically inactive rose by 2 thousand in the latest quarter, and fell by 23 thousand over the year to 762 thousand people; this indicates a fall of 2.9 per cent in the number of people of working age economically inactive over the last year.

Table 1: Headline indicators of Scottish and UK labour market, Feb – April 2012 (thousands)

Feb – April 2012		Scotland	Change on quarter	Change on year	United Kingdom	Change on quarter	Change on year
Employment*	Level (000s)	2,481	16	7	29,281	166	42
	Rate (%)	71.1	0.3	0	70.6	0.3	0
Unemployment**	Level (000s)	220	-14	14	2,587	-55	175
	Rate (%)	8.3	-0.5	0.5	8.4	-0.2	0.5
Inactivity***	Level (000s)	762	2	-23	9,229	-69	-139
	Rate (%)	22.4	0	0	23.0	-0.2	-0.4

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

Data on employment by age, derived from the Annual Population Survey, is available up to September 2011. In the year to September 2011 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 falling by 0.4 percentage points and with the largest

percentage point falls being recorded for those aged 18 - 24 (down 1.6%). Employment rates for women again fell more than those for men. Table 2 illustrates the changing employment rates by age group for the four years October - September 2008 – 2011 and illustrates consistent declines across all age groups, except 65+.

Table 2: Employment rates thousands (%) People by age for the four years October 2007 – Sept 2008 to October 2010 – Sept 2011 (based on May 2012 first release)

	All 16+	16 - 64	16 - 17	18 - 24	25 - 34	35 - 49	50 - 64	65+
Oct 2007 - Sep 2008	60.9	74.2	40.1	67.9	81.6	83.7	66.0	6.0
Oct 2008 - Sep 2009	59.4	72.3	37.1	64.4	80.1	82.1	64.6	6.7
Oct 2009 - Sep 2010	58.2	71.0	31.1	62.7	78.0	81.1	64.2	6.5
Oct 2010 - Sep 2011	57.8	70.7	31.0	61.0	79.3	80.7	63.6	6.6

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

In the year to September 2011 (based on the May First Release) inactivity amongst 16 – 64 rose by 3 thousand, a 0.3% increase over the year and the inactivity rate (16 – 64) stood at 23.1%. Inactivity for men aged 16 – 64 rose by 3 thousand over the last quarter and remained level over the year. Inactivity for women rose by 2 thousand over the year.

In the year to September 2011 inactivity (16 – 64) rose by 3 thousand to 787 thousand. The main increases reported for the reasons for inactivity over the year were: looking after family/home up 3 thousand, retired up 3 thousand and long term sick up 8 thousand. The numbers temporarily sick fell by 1 thousand. The majority, 593 thousand did not want a

job – but 194 thousand were inactive but wanted employment.

The most recent (seasonally adjusted) figure for Jobseekers allowance claimants (16+) in Scotland stood at 141.8 thousand in May 2012, up 1.7 thousand or 1.2% over the year (these figures are taken from table 8 in the Labour Market Statistics [First Release] June 2012. The claimant count rate at June 2012 stood at 5.2 per cent, or 6.9% for men and 3.3% for women (note these figures are taken from table 7 in the Labour Market Statistics [First Release] June 2012 figures and measures 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: Employment, unemployment and inactivity rates by Local Authority Area 2007, 2008 and October 2010 – September 2011 (%) (based on May data)

Geography (Residence Based)	Employment rates			Unemployment rates 16+*			Economic inactivity rates		
	2007	2008	Oct 2010/ Sep 2011	2007	2008	Oct 2010/ Sep 2011	2007	2008	Oct 2010/ Sep 2011
Scotland	76.0	75.6	70.7	4.7	4.9	7.9	20.1	20.3	23.1
Local Authority Area									
Aberdeen City	79.1	79.4	75.8	3.7	3.6	5.4	17.3	17.6	18.9
Aberdeenshire	82.6	82.2	79.6	2.5	2.6	3.9	15.6	15.5	16.9
Angus	79.1	80.0	72.2	4.5	4.6	6.8	16.2	15.6	21.6
Argyll & Bute	80.0	77.6	73.1	4.0	4.3	6.3	16.3	18.4	21.9
Clackmannanshire	69.4	70.9	68.2	5.5	5.4	9.7	25.3	25.4	25.1
Dumfries and Galloway	77.4	76.2	69.7	4.2	4.5	7.2	19.1	19.5	23.6
Dundee City	72.1	71.5	69.4	6.6	6.3	9.2	22.4	23.9	23.9
East Ayrshire	73.1	74.6	67.5	6.3	6.1	10.5	21.5	20.4	24.6
East Dunbartonshire	78.9	77.6	71.8	3.1	3.9	6.0	19.0	18.7	23.2
East Lothian	79.2	77.9	72.6	3.5	3.5	7.0	18.0	19.4	21.6
East Renfrewshire	77.2	76.5	74.7	3.4	3.6	5.2	19.1	20.5	21.4
Edinburgh, City of	77.4	76.6	72.7	4.3	4.5	6.4	19.5	19.8	22.5
Eilean Siar	79.4	78.7	65.2	4.2	4.6	7.0	17.7	16.3	31.0
Falkirk	78.1	78.9	71.5	4.6	4.4	8.5	18.5	18.3	22.2
Fife	75.9	76.5	70.6	5.6	5.8	9.1	18.8	17.7	21.9
Glasgow City	66.9	66.6	63.0	6.8	6.9	11.2	28.2	28.8	28.4
Highland	82.0	81.7	77.7	3.2	3.5	5.1	16.0	16.3	18.9
Inverclyde	68.4	72.5	68.2	7.1	6.4	10.0	24.8	23.0	23.1
Midlothian	80.7	79.9	73.6	4.2	4.2	7.8	15.1	16.2	20.0
Moray	80.4	81.8	78.4	3.5	3.8	5.1	17.2	15.0	18.4
North Ayrshire	71.5	71.8	61.9	6.4	7.4	12.2	23.5	22.0	28.8
North Lanarkshire	73.2	71.0	68.4	5.4	5.9	10.4	22.6	23.8	23.6
Orkney Islands	86.4	83.9	78.5	2.7	2.9	4.0	11.2	14.2	17.6
Perth and Kinross	78.1	78.7	74.1	3.5	3.7	5.3	18.8	17.9	21.4
Renfrewshire	75.0	76.0	66.4	5.1	5.5	9.6	20.9	18.9	26.7
Scottish Borders	81.4	80.6	73.0	3.1	3.6	5.9	16.2	15.8	22.4
Shetland Islands	88.1	88.0	82.3	2.6	2.8	3.4	10.4	10.8	17.1
South Ayrshire	77.2	75.4	67.1	5.0	5.4	9.3	18.9	20.5	25.1
South Lanarkshire	78.9	76.7	70.5	4.2	4.4	8.0	18.5	20.6	24.8
Stirling	76.8	75.2	70.0	3.9	4.5	6.9	19.2	20.2	25.0
West Dunbartonshire	73.9	71.2	67.6	6.3	6.9	11.1	20.8	23.3	23.5
West Lothian	77.8	79.1	73.0	4.8	4.6	7.8	17.7	17.4	21.3

Source: 2007 and 2008 data from Annual Population Survey (Jan to Dec)

July 2010 – June 2011 data from Labour Market Statistics (First Release), Scotland and UK, May 2012 (Source Annual Population survey, Job Centre Plus administrative system and Annual Business Inquiry)

Notes: See sources for definitions and original sources

Table 3 indicates the continuing significant differences in employment, unemployment and inactivity rates at the local authority level. However, between 2008 and 2009 the gap between the areas with the highest and lowest employment rates widened by 5.8 percentage points. In the year October 2010 – September 2011 employment rates varied from over 80% in Shetland to between 65 - 70% in ten 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 North Ayrshire, Glasgow and West Dunbartonshire, and inactivity rates were highest in Eilean Siar, Glasgow City and North Ayrshire.

Table 4: Total workforce jobs* by industry, Scotland, June 2005–2011 and Dec 2011 (thousands) (May data)

Industry	June 2005	June 2006	June 2007	June 2008	June 2009	June 2010	June 2011	Dec 2011
A : Agriculture, forestry and fishing	51	54	60	60	59	66	50	50
B : Mining and quarrying	25	28	30	30	29	31	30	31
C : Manufacturing	233	226	228	212	201	187	189	190
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	17
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	370
H : Transportation and storage	125	118	123	123	111	112	112	130
I : Accommodation and food service activities	189	190	188	191	186	179	180	187
J : Information and communication	72	73	79	69	68	69	67	73
K : Financial and insurance activities	114	107	91	98	100	91	96	90
L : Real estate activities	25	29	30	32	32	27	29	27
M : Professional, scientific and technical activities	145	154	161	176	174	171	183	190
N : Administrative and support service activities	174	180	192	200	185	197	191	197
O : Public administration & defence; social security	180	177	181	177	146	162	154	149
P : Education	199	200	192	208	208	197	200	197
Q : Human health and social work activities	384	399	383	398	401	381	372	358
R : Arts, entertainment and recreation	75	81	75	84	71	78	76	71
S : Other service activities	63	65	63	58	59	68	74	79
Column Total	2,644	2,685	2,690	2,740	2,651	2,571	2600	2589

Source: Labour Market Statistics (First Release), Scotland, May 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%

The most recent figures for the number of workforce jobs by industrial activity are detailed in Table 4. Total workforce job figures are a measure of jobs rather than people. Total seasonally adjusted jobs for the quarter ending December 2011 (the latest available figures) stood at 2,611 thousand (2,262 thousand employee jobs, 311 thousand self employed jobs, HM forces and supported trainees 16 thousand) although it is necessary to note significant recent revisions to the figures noted in the November 2011 Commentary. Table 4 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 available latest data (Oct 2010 – Sept 2011), indicates that since the peak in employment (October 2007 – September 2008) total employment (employees, self employed, unpaid family workers and those on government supported training and employment programmes) has fallen by 3 thousand. Table 6 indicates the numbers of full time workers in Scotland since the peak in employment have declined by 122 thousand whilst part time employment numbers recovered very

quickly and are now 40 thousand higher. The changing trends in full and part time employment since October 2007 – September 2008 are shown in figure 2. The number of self employed is now 3 thousand above that reported in October 2007 – September 2008, suggesting some substitution of self employment for employment. The number of those working part time because they could not find a full time job is 51 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 (the same argument applies to temporary work).

Figure 2 (May data) illustrates that full time employment is still 3.66 percentage points below the level before the recession, whilst part time employment is 6.44 percentage points higher than that recorded before the recession. It clearly shows how the employment 'recovery' has been driven more by an increase in part time employment.

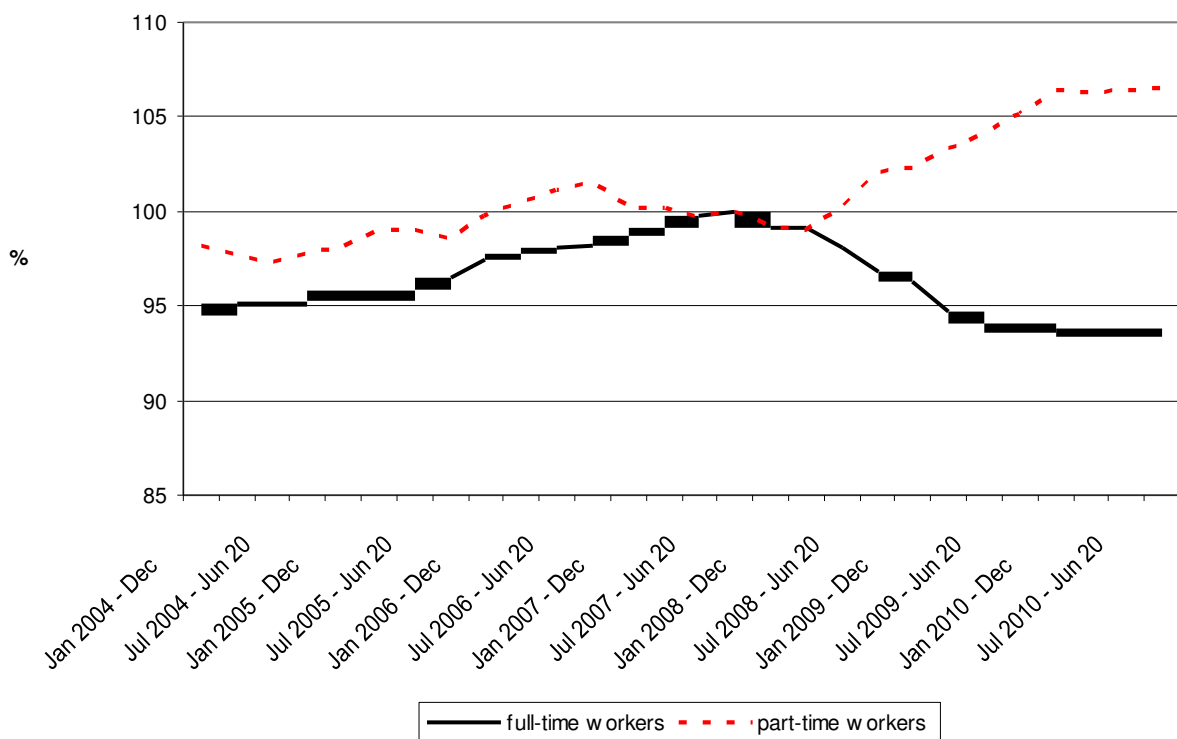
Tables 6 and 7 of the Labour Market statistics (first release) provide information of the claimant count. The figure for May indicates a total of 142.6 thousand claimants, up 0.4 thousand for the year. Of interest are the differing trends in

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

	All in employment							Could not find full-time job
	Total	Employees	Self employed	Full-time workers	Part-time workers	Workers with second jobs	Temporary employees	
Jan 2007 - Dec 2007	2,525	2,244	263	1,892	631	93	128	60
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	2,503	2,220	265	1,856	644	102	127	81
Jan 2009 - Dec 2009	2,492	2,211	265	1,844	645	102	133	84
Apr 2009 - Mar 2010	2,470	2,185	267	1,815	652	101	132	90
Jul 2009 - Jun 2010	2,462	2,179	265	1,802	656	99	126	96
Oct 2009 - Sep 2010	2,466	2,183	264	1,798	663	98	127	99
Jan 2010 - Dec 2010	2,469	2,181	268	1,793	671	97	124	106
Apr 2010 - Mar 2011	2,471	2,182	270	1,796	670	97	125	110
Jul 2010 - Jun 2011	2,469	2,179	274	1,794	671	95	131	113
Oct 2010 - Sep 2011	2,463	2,165	283	1,788	672	96	126	114

Source: Labour Market Statistics (First Release), Scotland, May 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

Figure 2: Trends in full time and part time employment since Jan 2004 – December 2008 (October 2007 – September 2008 = 100)

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. The latest data at the time of writing this section (Q4 2011) indicates that there were 586,600 (553,000 excluding public sector financial institutions) employed in the public sector in Scotland, a decrease of 23,800 (3.9%) over the year. Employment in the devolved public sector declined by 19,100 (3.7%) to 490,400, due mainly to a decline in local government employment (down 12,000 over the year).

rationalisation, mergers, transfers and reductions in jobs in the private sector.

Outlook

As we have noted in previous Commentaries any recovery in employment is likely to be slow and limited. The ILO has recently suggested that internationally youth unemployment will remain high to 2016 and has called for 'job rich policies'. There is continuing evidence of

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