

Overview of the labour market

Current interest in the Scottish labour market inevitably focuses on the unemployment figures, and in this issue, in addition to noting recent changes in Scottish labour market trends, we take a wider view of Scottish labour market issues.

The Scottish labour market enters the recession following a prolonged period of rising numbers in employment and declining levels of unemployment, the latter down from 157,000 in 2001 to 113,000 in 2008 (Scottish Economic Statistics, 2008), falling from 6.2% in 2001 to 4.2% in 2008 (Scottish Economic Statistics, 2008). Over the same period activity rates have consistently risen.

Trends in the Scottish claimant count (1977-2008)

Inevitably the current climate invites comparisons with the patterns and unemployment levels in previous recessions. A consistent trend of the claimant count can be used to give some indications, although differences between the claimant count and the higher numbers generated using the ILO definition of unemployment, together with changing levels in activity rates and the impact of job creation measures need to be borne in mind (see figure 1).

In the recession of 1974 – 1975 the claimant count fluctuated through 1974, rose consistently through 1975, 1976 and 1977 and only began to decline in January 1978. In April 1974 Scottish it stood at 69,500, rising to 73,000 in September, but falling back to 69,000 in December 1974. The claimant count rose consistently through 1975 reaching 104,500 in December 1975, and 131,200 by December 1976 and peaked at 147,300 in December 1977, easing by some 11,800 through 1978 to 135,500 by December 1978.

In the recession of 1980 – 1981 the claimant count had already begun to increase from September 1979 (137,800), and rose consistently through 1981 (reaching 262,200 by December 1981), 1982 (297,900 December 1982) and 1983 (298,200 December 1983), and a general upward trend continued through to January 1987 when unemployment peaked at 334,700.

The rise in the claimant count in the 1991 recession was much more modest, although the difference between the claimant count and ILO based measure of unemployment was increasing. The claimant count eased through 1987 to October 1990 (197,300) but rose month on month to December 1992 peaking at 248,100 before beginning to decline. By May 1995 it had fallen to under 200,000 and

from December 2002 – July 2003 fluctuating around 100,000, falling to under 90,000 by October 2004, to under 80,000 by April 2007 and bottomed at 68,500 by January 2008.

A flexible labour market

Patterns of work have changed significantly over the past thirty years as a more flexible labour market and flexible working arrangements have emerged. Within the EU the UK is recognised as having one of the most flexible and lightly regulated labour markets in the EU and this has been regarded as contributing to increasing numbers in employment.

The deregulation of the labour market coupled with the rise in non standard hours, part time employment, shift work, annualised hours, flexible hours, temporary, sub contracting and self employment have arguably changed the employment landscape and are likely to impact on both the trends and patterns of unemployment. Annualised hours offer companies the ability to vary hours worked over the year to meet short term fluctuations in demand, and for the major retailers, with large numbers of part time staffs working a variety of shift patterns, automated labour scheduling programmes afford the ability to significantly vary the total numbers of hours worked without changing the numbers employed. Scottish data for 2008 indicates that there were 628,000 part time workers, 284,000 self employed and some 10,000 unpaid family workers. Detailed Scottish data on shift patterns, temporary, agency and sub contract is less readily available. Nevertheless, the Review of Scottish Business Surveys indicates the use of temporary and sub contracting employment terms have enabled companies in a number of sectors to re-adjust total employment, to meet declining demand, and at the same time to endeavour to retain core skills.

The promotion of flexible working arrangements and the general deregulation of the labour market has prompted considerable debate as to their desirability and usage in practice. As unemployment increases concern has re-emerged as to the extent to which flexibility is equated with insecure employment. Flexible labour and non standard employment have been variously termed 'precarious employment', 'contingent work', as forming part of the 'peripheral' or 'insecure' workforce, and as such are amongst the first groups to experience unemployment in a recession. Within the EU there is the concern with 'flexicurity' the balance of flexibility and security in the labour market, of meeting the employers' need for flexibility and employees' need for security in employment (Flexicurity and Industrial Relations, European Foundation for the Improvement of Living and Working Conditions, 2008).

Before the onset of the current recession Futureskills Scotland noted (The Scottish Labour Market 2006) that whilst employment growth is expected to be modest over

Table 1: Headline indicators of Scottish and UK labour market, Q4 2008

			Change on quarter (%)	Change on year (%)	United Kingdom	Change on quarter (%)	Change on year (%)
October to December 2008		Scotland					
Employment*	Level (000s)	2,532	-0.8	-0.2	29,361	-0.2	-0.1
	Rate (%)	75.4	-0.9	-1.1	74.1	-0.3	-0.7
Unemployment**	Level (000s)	137	9.2	5.9	1971	8.0	23
	Rate (%)	5.1	0.4	0.3	6.3	0.4	1.1
Activity*	Level (000s)	2,669	-0.3	0.1	31,333	0.4	1.2
	Rate (%)	79.7	-0.5	-0.9	79.2	0.1	0.2
Inactivity***	Level (000s)	653	2.6	4.8	7,858	-0.4	-0.6
	Rate (%)	20.3	0.5	0.9	20.8	0.5	-0.2

Source: Labour Market Statistics (First Release), Scotland and UK, Feb 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 2008

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
Sep 06	2,361	2,360	33	38	224	138	1,085	841
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	2,388	35	41	216	138	1,105	852

Source: Labour Market Statistics (First Release), Scotland, February 2009

The next ten years ‘this moderate growth masks significant opportunities (demand), as existing workers leave the Scottish labour market through migration, ill health and early retirement’. There will be a need to replace these workers and to meet the ‘middle ranking challenge’ of attracting the necessary numbers of skilled staff. Retaining the skills base, the balance of skills and experience necessary to grow after the recession, will be a significant issue for some sectors, especially those with shortages in key skills and with an aging workforce.

The move towards more flexible labour markets has also reflected a move towards financial flexibility, or variable payment systems, with pay less linked to collective bargaining and national rates, as in the 1970s, and increasingly linked to combinations of individual and company performance. The Workplace Employment Relations Survey (2004) found performance related payment arrangements in 40% of UK workplaces, ‘37% of private sector workplaces gave profit related payments or bonuses, whilst 21% operated employee share schemes’ (Inside the Workplace: First Findings from the 2004 Workplace Employment Relations Survey). More recent data suggests that bonus schemes are more widespread. The CIPD Annual Reward Survey (2009), a more limited survey, reported that 70% of respondents used a cash based bonus or incentive plan to reward employees, this ranged from 33% in the Public services to 89% in the private services sector, where over 80% of executive board members and over 70% of senior managers, middle management and clerical/technical were covered by bonus scheme, where over 80% of executive board members and over 70% of senior managers, middle management and clerical/technical were covered by bonus schemes. The survey data suggests not only a wide range in the potential and maximum possible bonuses as a percentage of base salary. The CIPD survey found that 43% of private sector respondents offered some form of employee share ownership scheme.

Recent trends and statistics

Comparable figures on the labour market¹ between Scotland and the United Kingdom in the fourth quarter of 2008 are summarised in Table 1. Labour Force Survey (LFS) data show that in the final three months of 2008 the level of employment in Scotland fell by 0.8 per cent, to 2,532 thousand. Over the year to December 2008, employment in Scotland fell by 6 thousand, approximately 0.2 per cent. For the same period, UK employment fell by 0.3%. The Scottish employment rate – those in employment as a percentage of the working age population – was 75.4 per cent, down 1.1 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 remain close to historical highs, reached in Q2 2007.

Table 1 shows that for Scotland the preferred International Labour Organisation (ILO) measure of unemployment rose by 9.2 per cent to 137 thousand, between the third and fourth quarters of 2008. This equates to a 5.9 per cent annual increase in the number unemployed under this measure². The ILO unemployment rate rose in the three months to December 2008 and now stands at 5.1 per cent. This represents a rise of 0.4 percentage points over the last quarter and a rise of 0.3 percentage points relative to the same period a year earlier. The comparable ILO unemployment rate for the UK stands at 6.3 per cent, and is up 0.4 per cent over the most recent quarter, and up 1.1 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 fell by 0.3 per cent between Q3 2008 and Q4 2008. There were 2,669 thousand economically active people in Scotland during Q4 2008. This comprised 2,532 thousand in employment and 137 thousand ILO unemployed. The level for those of working age economically inactive rose in the last quarter, up 2.6 per cent on the previous quarter to 653 thousand people. This indicates an increase of 4.8 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 101.1 thousand in January 2009, up 3.4 thousand from the previous month. The claimant count rate in January 2009 stood at 3.7 per cent. This is up 0.1 percentage point from the previous month, but up 1.2 percentage points over the year. In April 2008, the Scottish claimant count rate was identical to the UK claimant count rate at 2.5 per cent, but both have risen in the last five months. The UK claimant count rate in January 2009 was 3.8 per cent. Figure 5 shows the claimant count rates for Scotland and the UK since comparable records began in April 1974.

Figure 3 shows net flows to Jobseekers Allowance in Scotland between November 1988 and the most recent data (January 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 recent sharp increase in claimant count levels can be seen by the increase in the scale of inflows to Jobseekers allowance since March 2008.

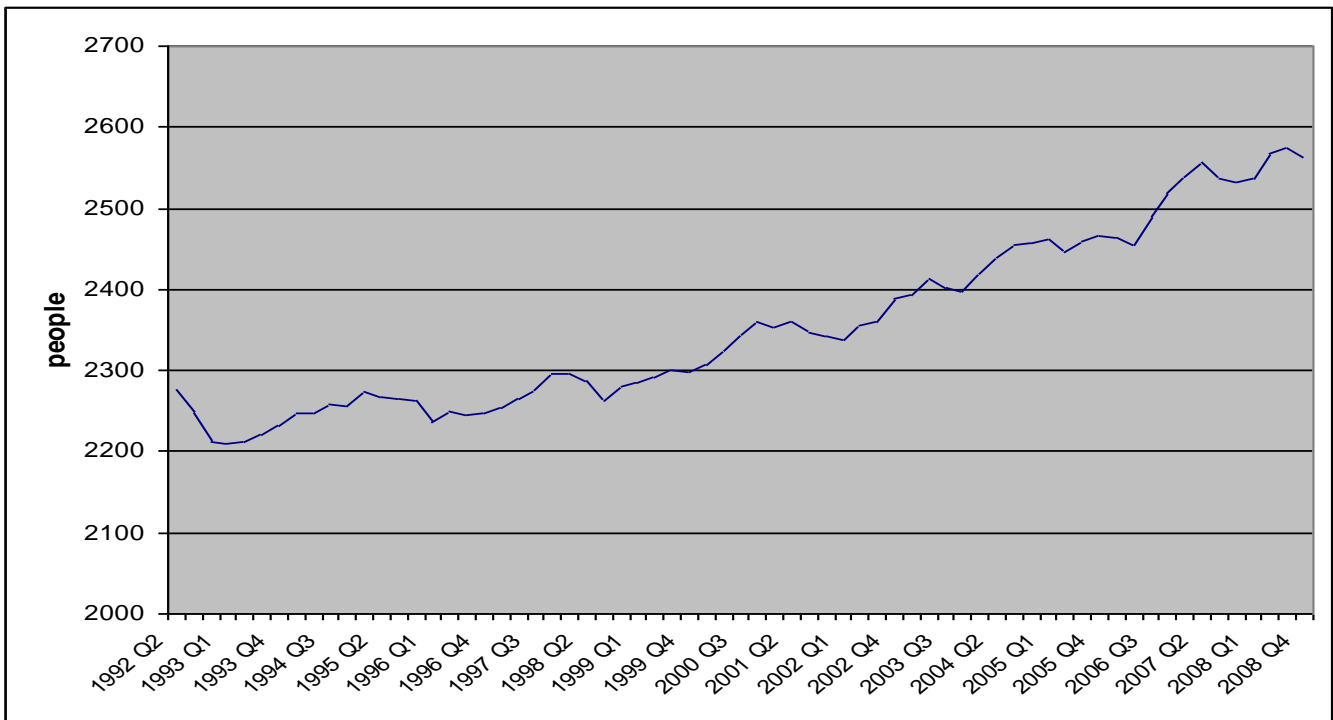
The most recent figures for the number of employee jobs by industrial activity are detailed in Table 2. Employee job figures are a measure of jobs rather than people. Total seasonally adjusted employee jobs for the quarter ending September 2008 stood at 2,387 thousand. The number of jobs in the manufacturing industry continues to fall, and now stands at 216 thousand, the same as the previous quarter, and down 6 thousand against the same quarter

Figure1: Claimant count 1974 – 2009, Unemployment 1992 – 2009



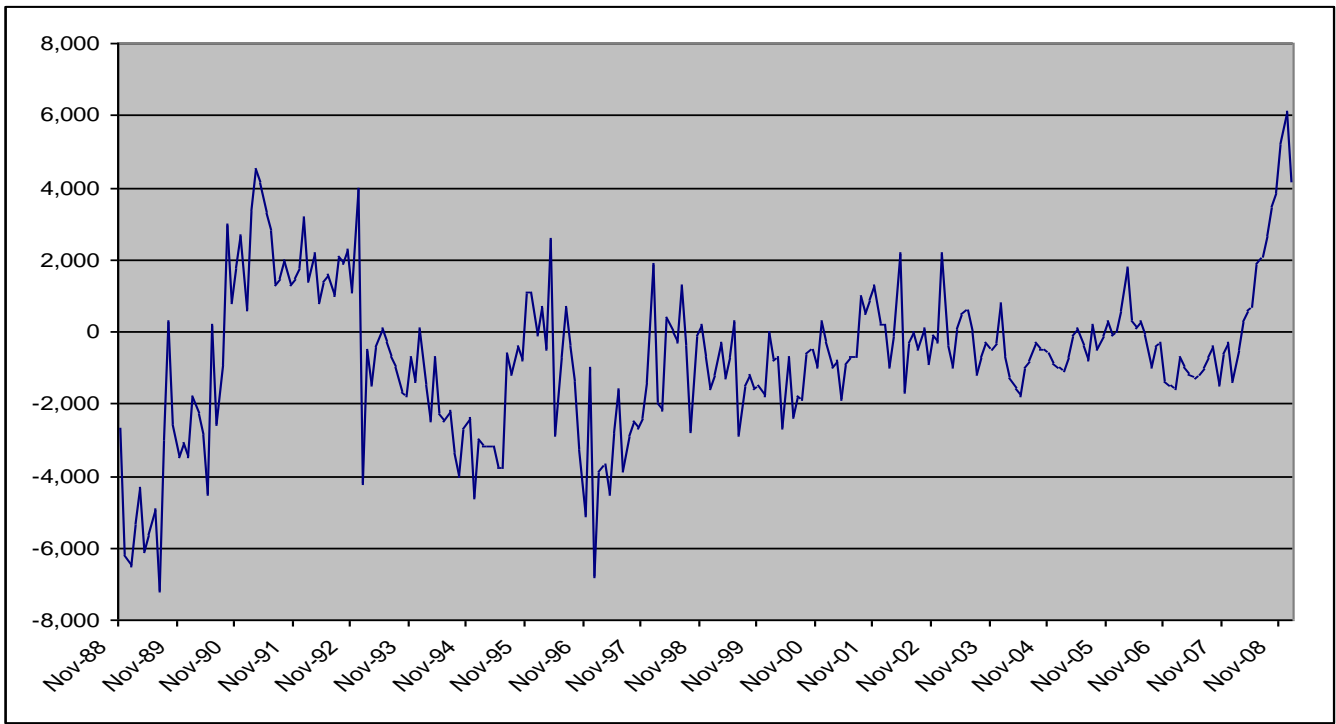
Source: Nomisweb

Figure 2: Total (16+) employment in Scotland, Q2 1992 to Q2 2008, seasonally adjusted



Source: Labour Force Survey, National Statistics

Figure 3: Net flows of claimants to Jobseekers allowance, November 1988 to January 2009



Source: National Statistics (accessed through Nomisweb)

one year earlier. The number of jobs in the service industry fell by 9 thousand over the last quarter to 1,105 thousand, and there are now 2 thousand fewer jobs in the service industry than the same period ending a year earlier.

Outlook

Scotland's labour market continues to perform reasonably well; the trend in unemployment is increasing, but as yet not at much higher rates. However there are signs that the unemployment rate will increase more strongly through 2009. As yet it is unclear as to how the more flexible and deregulated labour market that has emerged over the past 25 years will impact on the pattern and level of unemployment; there are stronger signs that it may affect more adversely those employed on more flexible employment terms. At the company level policies to ensure the retention of key skills and expertise will be a challenge, especially where these are distributed towards the older age groups.

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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