

# Overview of the Scottish labour market

Comparable figures on the labour market<sup>1</sup> between Scotland and the United Kingdom in the second quarter of 2008 are summarised in Table 1. Labour Force Survey (LFS) data show that in the second three months of 2008 the level of employment in Scotland rose by 0.2 per cent, to 2,543 thousand. Over the year to June 2008, however, employment in Scotland fell by 13 thousand, approximately 0.5 per cent. For the same period, UK employment rose by 1.3 per cent. The Scottish employment rate – those in employment as a percentage of the working age population – was 76.4 per cent, unchanged on the previous quarter but down 0.7 per cent compared to one year earlier.

Figure 1 provides an account of Scottish quarterly LFS employment over a sixteen-year period to the most recent quarter – the earliest for which comparable figures are available. Employment levels remain close to historical highs, reached in Q2 2007. A comparison of the residence-based employment rates for the regions of the UK in Q2 2008 is provided in Figure 2. Scotland's employment rate gives it the fourth highest employment rate of all regions in the UK, behind the South East, South West and East of England. Figure 3 shows that as well as in Scotland, five other regions of the UK have seen a fall in the employment rate in the last twelve months, with greatest fall (-1.1 per cent) seen in the North East.

Table 1 shows that for Scotland the preferred International Labour Organisation (ILO) measure of unemployment fell by 9.3 per cent to 113 thousand, between the first and second quarters of 2008. This equates to a 7.5 per cent annual decline in the number unemployed under this measure<sup>2</sup>. The ILO unemployment rate fell in the three months to June 2008 and now stands at 4.2 per cent. This represents a 0.5 per cent fall over the last quarter and a 0.3 per cent fall relative to the same period a year earlier (4.5 per cent). The comparable ILO unemployment rate for the UK stands at 5.4 per cent, and is up 0.2 per cent over the most recent quarter, and unchanged relative to the same period a year earlier. Figure 4 shows the ILO unemployment rate for Scotland and the UK from Q2 1992 to Q2 2008. This shows that Scotland's ILO unemployment rate has been below that of the UK since the start of 2006, and was previously only below that of the UK when both rates were significantly higher in the period to the mid-1990s.

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 0.2 per cent between Q1 2008 and Q2 2008. There were 2,655 thousand economically active people in Scotland during Q2 2008. This comprised 2,543 thousand in employment and 113 thousand ILO unemployed. The level for those of working age economically inactive rose in the last quarter, up 2.3 per cent on the previous quarter to 644 thousand people. This indicates an increase of 5.2 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 81.8 thousand in September 2008, up 3.1 thousand from the previous month. The claimant count rate in September 2008 stood at 3.0 per cent. This is up 0.1 per cent from the previous month, but up 0.5 per cent since the start of 2008. 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 September was slightly lower than the Scottish rate at 2.9 per cent. Figure 5 shows the claimant count rates for Scotland and the UK since comparable records began in April 1974. Over this period, the Scottish claimant count rate has historically been greater than the UK claimant count rate.

Figure 6 shows the inflows, outflow, and net flows onto Jobseekers Allowance in Scotland between November 1988 and the most recent data (July 2008). 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, while the number of outflows from Jobseekers allowance have remained approximately constant. Since June 2008, more than 2000 additional people a month in Scotland have begun receiving Jobseekers Allowance than have stopped receiving Jobseekers Allowance.

Figure 7 plots ILO and claimant count unemployment in Scotland for three-month periods as an index for the period Q1 1999 to Q2 2008 (where on both series Q1 1999 = 100). Claimant count unemployment has generally fallen over this period, and, after a slight rise during 2006, has recently begun declining again. The largest increases seen in the claimant count measure of unemployment in the most recent months is not seen in this diagram since it ends at Q2 2008. By comparison, ILO unemployment has fluctuated widely, but still generally on a downward trend and most likely reflects movements between the level of employment and the number of people economically active at any one time. Hence, the difference between the ILO and claimant count definitions mirrors the distinction

between those actively seeking work (but are jobless) and those who are eligible for unemployment benefit payments.

Due to changes in the way in which these data are collected, consistent data on the level of unfilled vacancies in the Scottish and Great Britain labour market are only available from May 2006. We report standard live unfilled vacancies, which are vacancies for an employee (rather than self-employed) person and are notified through a Jobcentre. The proportion of total vacancies which this measure represents will therefore change over time as the industrial sector and region of the vacancies changes. Such measures are useful however for a snapshot of vacancies in the Scottish economy. In April 2008 there were a total of 31,592 live unfilled vacancies, with 4,457 “skilled” vacancies across Scotland. Figure 8 shows the spread by local authority of the “skilled” vacancies<sup>3</sup> across Scotland in April 2008 and then in September 2008. While the largest number of such posts in September 2008 are in Edinburgh and Glasgow, as in April 2008, the number of “skilled” vacancies in Edinburgh is slightly over half of those available in Glasgow.

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 June 2008 stood at 2,387 thousand, unchanged from the previous quarter, and 7 thousand higher than the same period a year earlier. The number of jobs in the manufacturing industry continues to fall, and now stands at 218 thousand, down 2 thousand from the previous quarter, and down 6 thousand against the same quarter one year earlier. The number of jobs in the service industry rose by 5 thousand over the last quarter to 1,112 thousand, and there are now 12 thousand more jobs in the service industry than the same period ending a year earlier.

## Outlook

Scotland’s labour market continues to perform strongly in light of extreme global uncertainty. The level of employment has risen in the second quarter of 2008, while over the last year the employment rate has fallen slightly. Overall Scottish employment growth has been stronger than in UK over the last quarter, while the opposite is true for the last year. Scotland’s unemployment levels and rates, on both ILO and claimant count measures continue to be close to historical lows – although data for performance since quarter two confirms that both these measures of unemployment are increasing.

While the employment level has fallen from the high seen in Q2 2007, it remains relatively close to its highest level since 1992 (before which consistent records are unavailable). The employment rate in Scotland remains above that of the UK (76.4 per cent compared to 74.8 per cent). Since the start of 2008, there has been an increase in the level and rate for unemployment on both ILO and claimant count measures. The Scottish claimant count rate

rose to 3.0 per cent in September 2008, slightly above the UK claimant count rate. The outlook for the Scottish labour market in the medium-term remains robust, however we are uncertain as to the impact of continued, and deepened, economic uncertainty on labour market indicators. The service sector, particularly in financial services and ancillary business services, has been the engine of the recent growth in Scottish employment and any changes in these sectors may have damaging short-term consequences for the Scottish labour market.

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## Endnotes:

<sup>1</sup>The 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.

<sup>2</sup>The 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.

<sup>3</sup>Highly skilled jobs include sections 1-3 of the Standard Occupational Classification (SOC), covering “Managers and senior officials”, “Professional Occupations” and “Associate Professional and Technical Occupations”.

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24 October 2008

**Table 1: Headline indicators for Scottish and UK labour market, Q2 2008**

			Change on quarter	Change on year	United Kingdom	Change on quarter	Change on year
April to June 2008		Scotland	(%)	(%)		(%)	(%)
Employment*	Level (000s)	2,543	0.2	-0.5	29,558	-0.1	0.3
	Rate (%)	76.4	0.0	-0.7	74.8	-0.1	-0.3
Unemployment**	Level (000s)	113	-9.3	-7.5	1,672	3.7	0.9
	Rate (%)	4.2	-0.5	-0.3	5.4	0.2	0.0
Activity*	Level (000s)	2,655	-0.2	-0.8	31,151	0.4	1.2
	Rate (%)	79.9	-0.4	-0.9	79.1	0.0	0.3
Inactivity***	Level (000s)	644	2.3	5.2	7,876	0.0	-1.1
	Rate (%)	20.1	0.4	0.9	20.9	0.0	-0.3

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

\* 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.

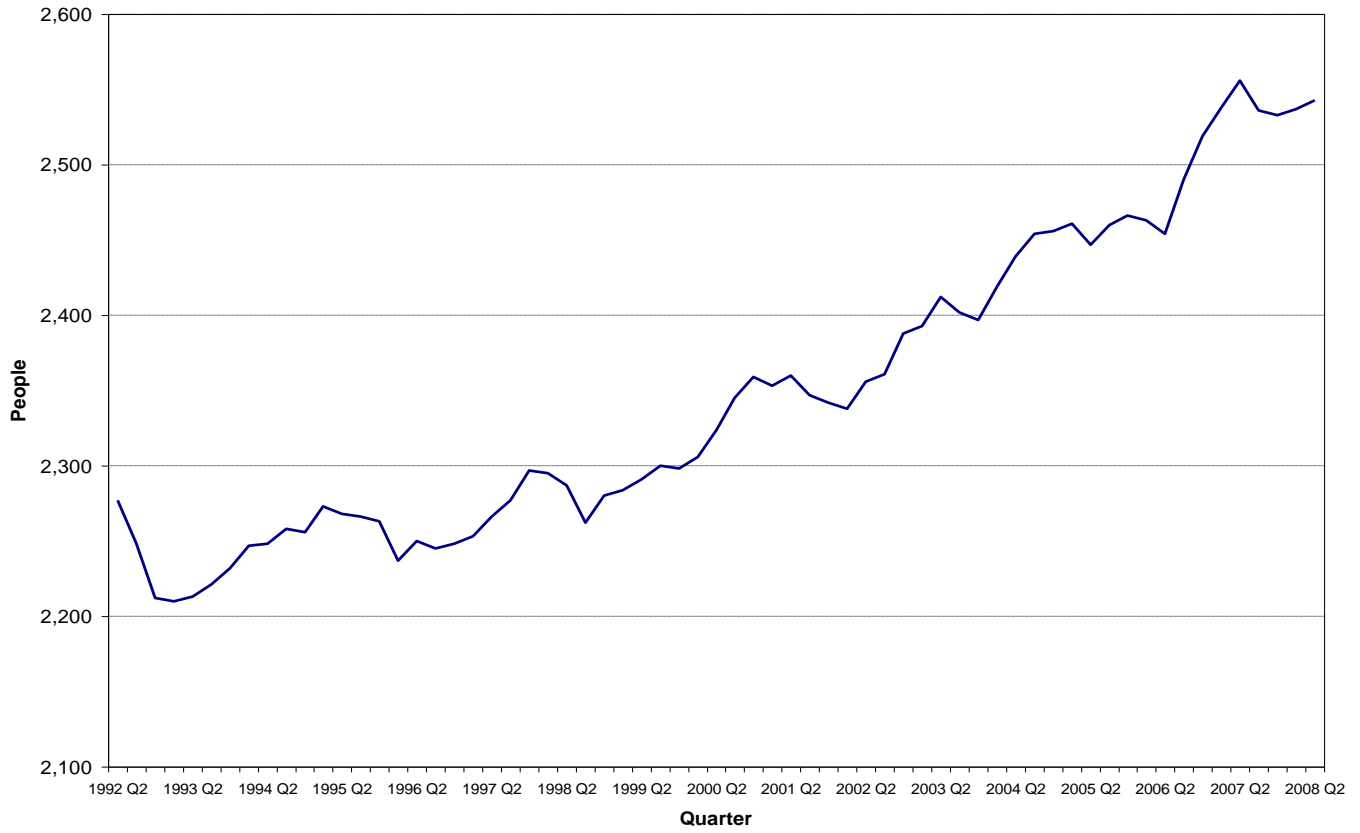
\*\*\* Levels and rates for those of working age (16-59/64)

**Table 2: Employee jobs by industry, Scotland, June 2008**

SIC 2003 Section	All jobs (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
Jun 05	2,361	2,358	31	37	234	119	1,096	840
Jun 06	2,382	2,379	30	37	225	139	1,097	851
Jun 07	2,380	2,377	32	39	224	140	1,100	842
Sep 07	2,383	2,380	32	40	223	136	1,106	843
Dec 07	2,387	2,399	31	39	221	136	1,125	847
Mar 08	2,387	2,378	32	39	220	133	1,107	847
Jun 08	2,387	2,385	33	39	218	131	1,112	851

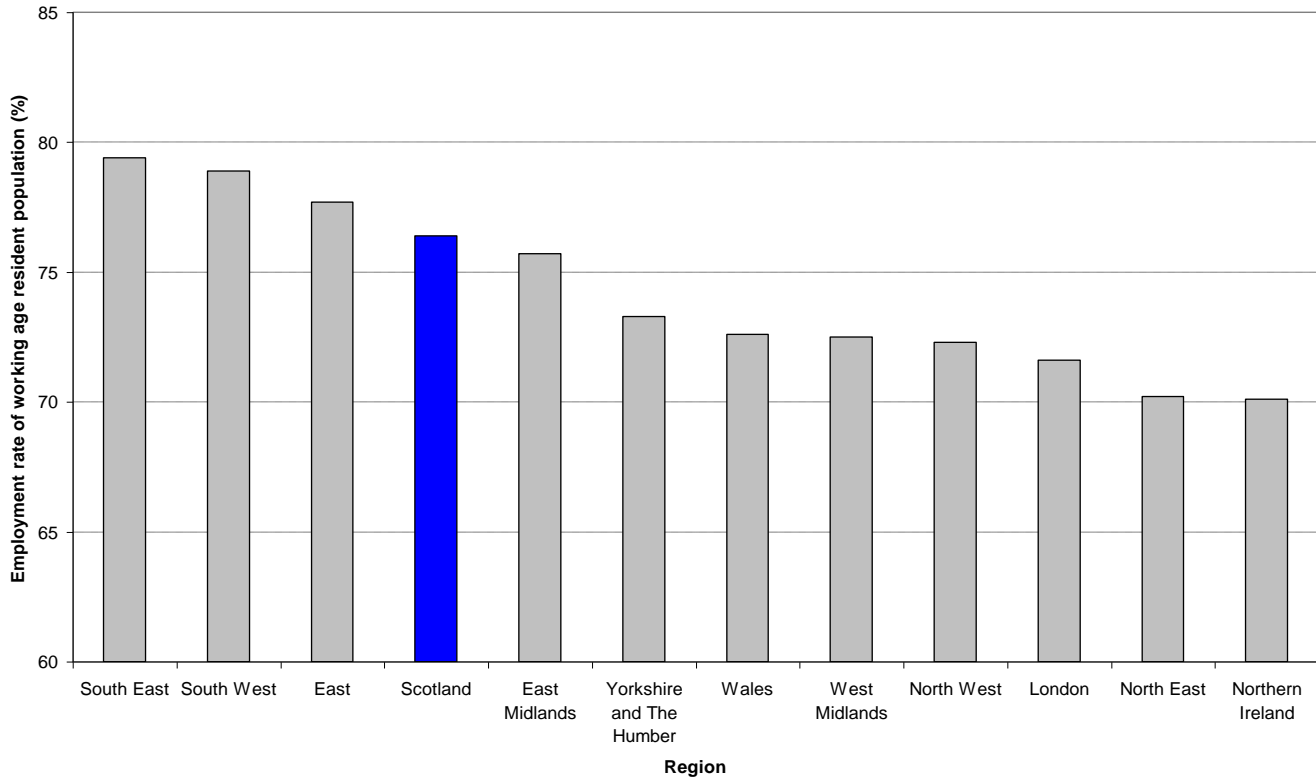
**Source:** Labour Market Statistics (First Release), Scotland, October 2008

**Figure 1: Total (16+) employment in Scotland, Q2 1992 to Q2 2008, seasonally adjusted**



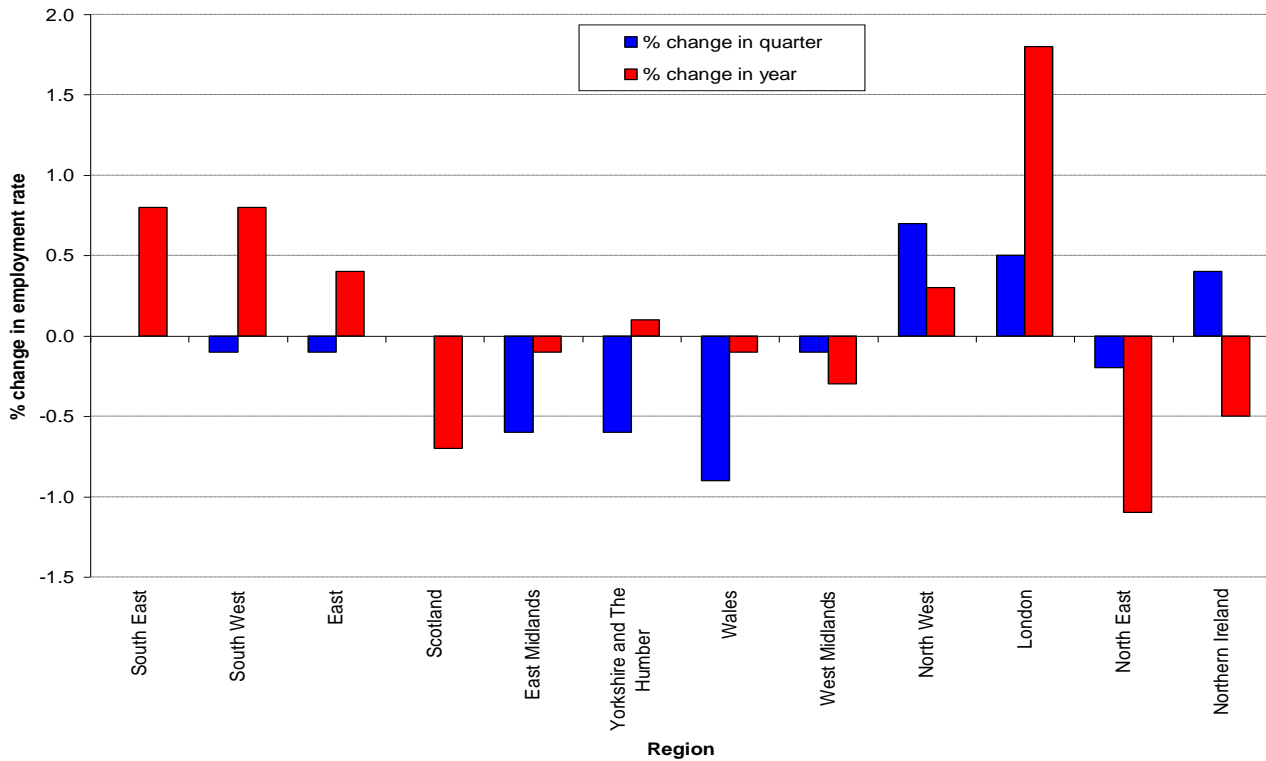
Source: Labour Force Survey, National Statistics

**Figure 2: Residence based employment rates for Scotland and other regions of UK, Q2 2008**



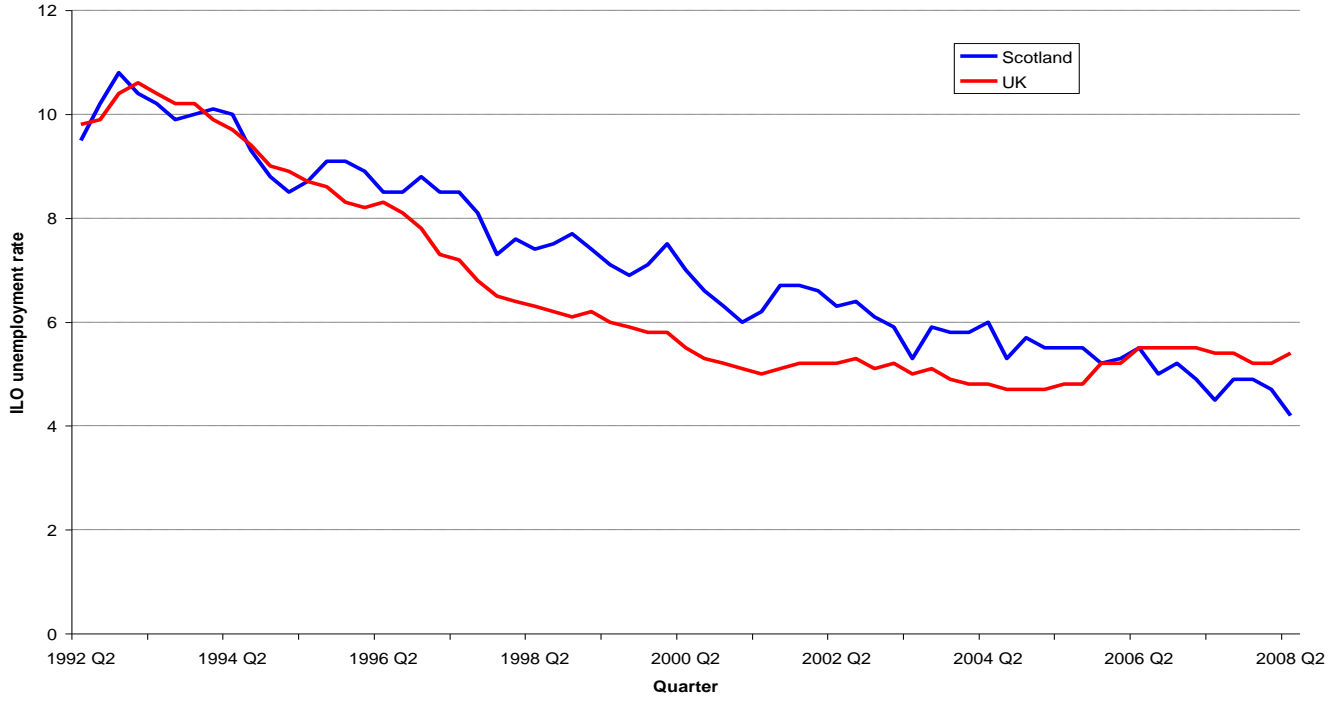
Source: Labour Force Survey, National Statistics

Figure 3: Change in residence based employment rate for Scotland and other regions of the UK to Q2 2008



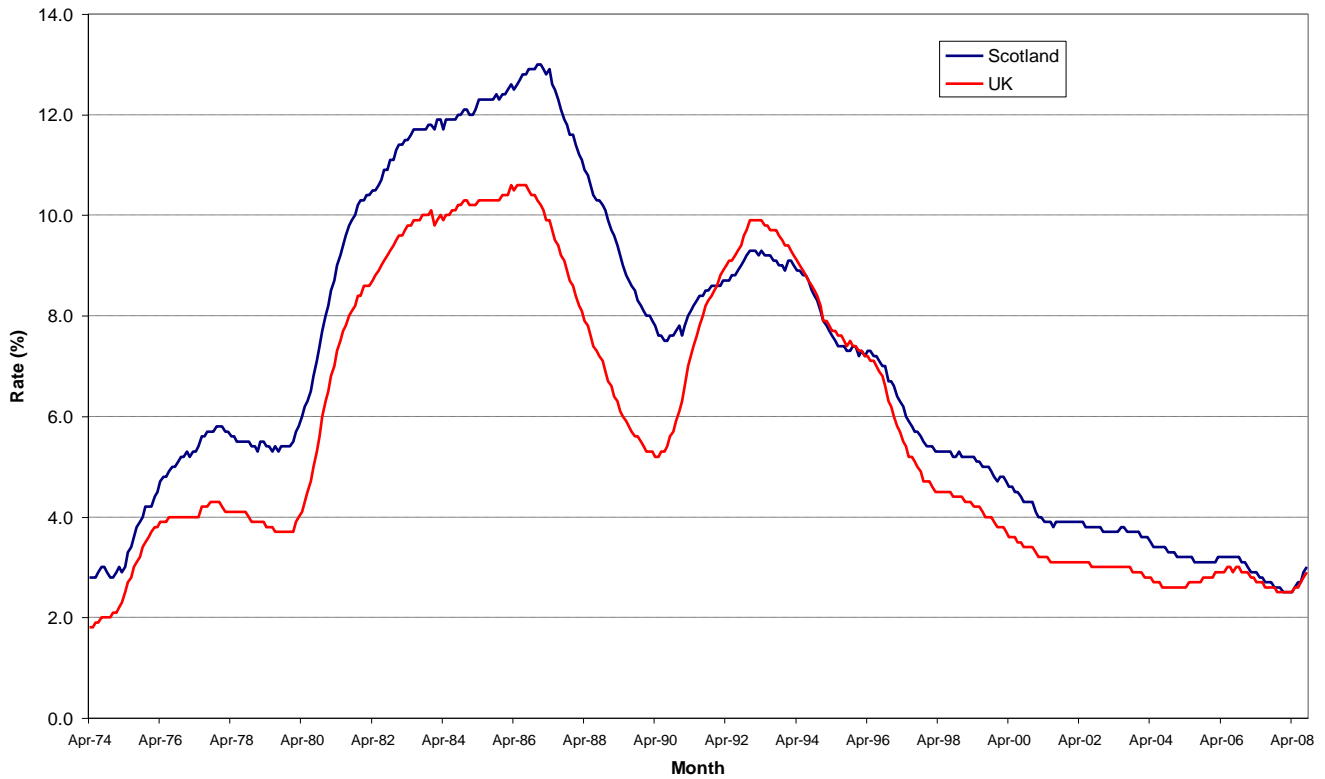
Source: Labour Force Survey, National Statistics

**Figure 4: Scotland and UK ILO unemployment rate, Q2 1992 to Q2 2008**



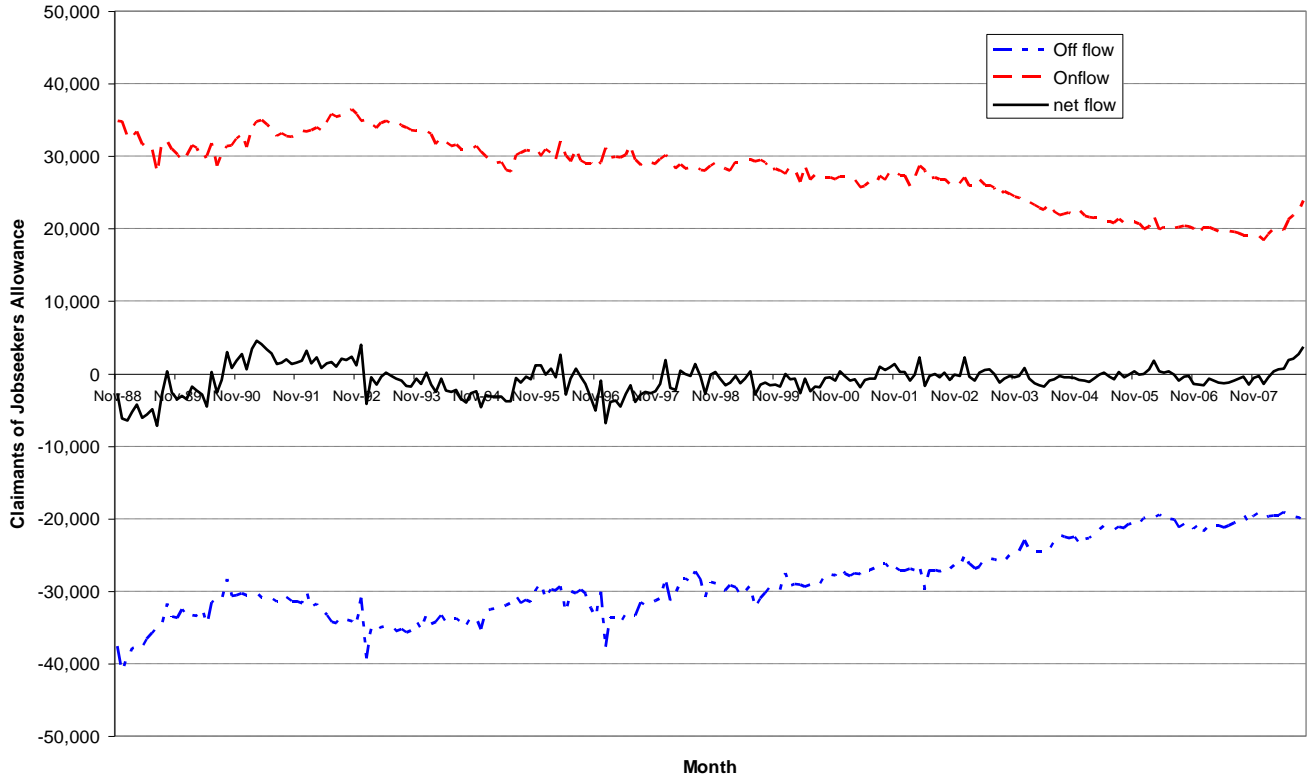
Source: Labour Force Survey, National Statistics

**Figure 5: Scotland and UK monthly Claimant Count rate, April 1974 to September 2008**



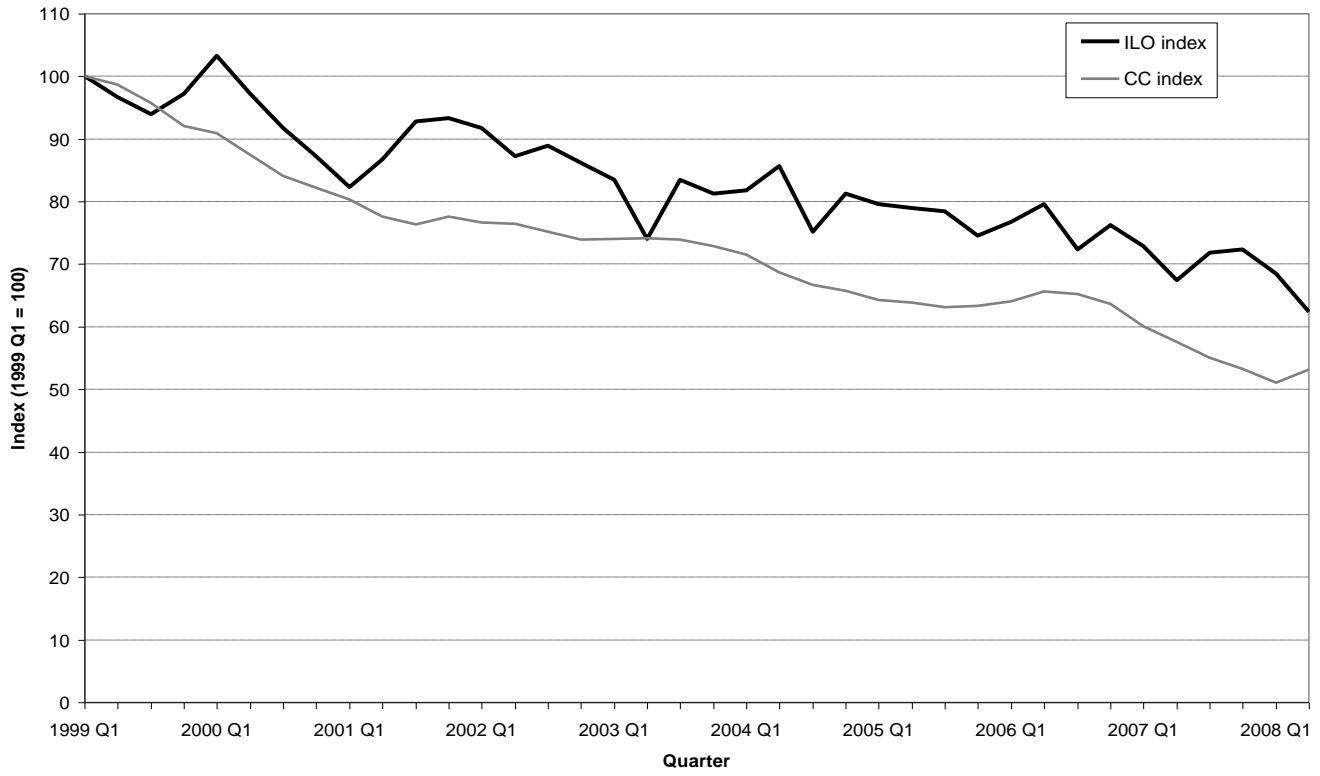
Source: National Statistics (accessed through Nomisweb)

**Figure 6: Scotland inflows, outflows and net flows to Jobseekers allowance, November 1988 to September 2008**



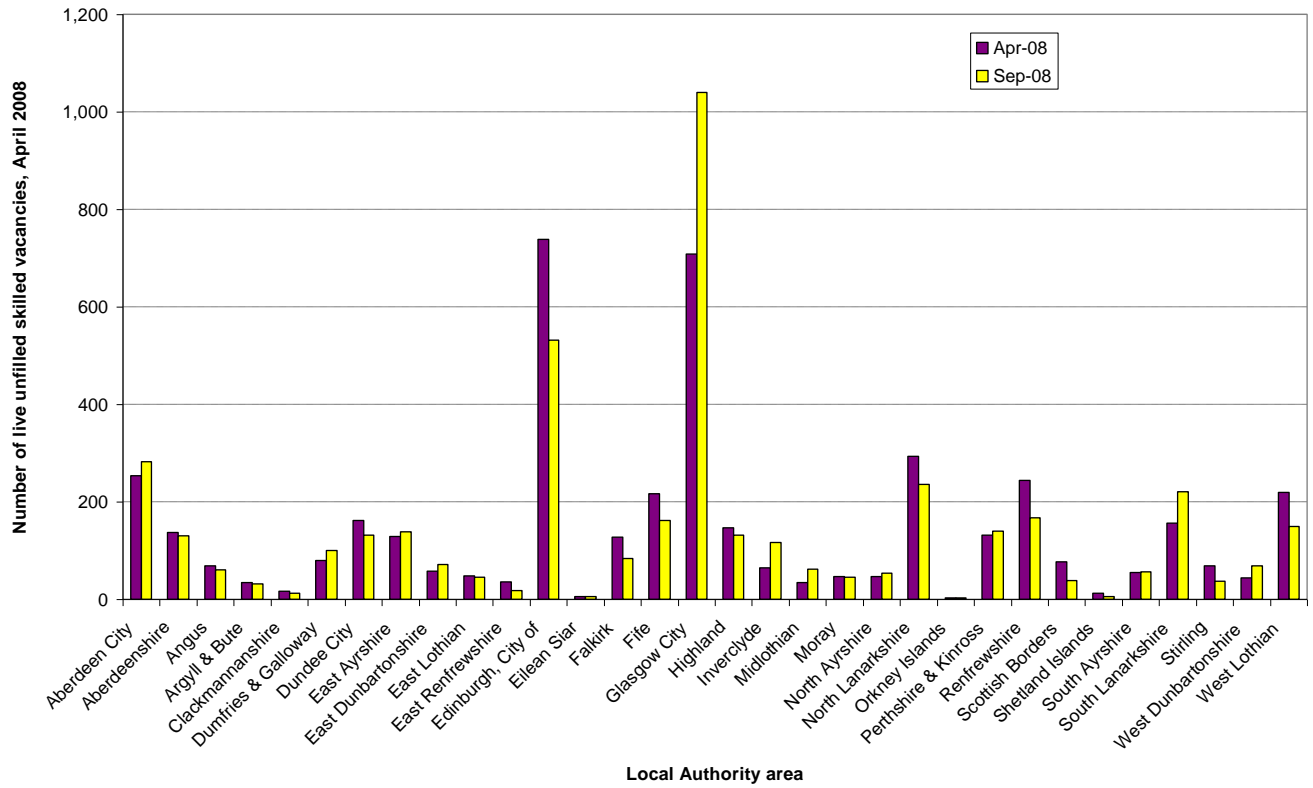
Source: National Statistics (accessed through Nomisweb)

Figure 7: ILO and claimant count unemployment in Scotland, Q1 1999 to Q2 2008, index Q1 1999 = 100



Source: National Statistics (accessed through Nomisweb)

**Figure 8: Live unfilled vacancies for “skilled”<sup>3</sup> occupations in Scotland by local authority area, April 2008 and September 2008**



Source: National Statistics (accessed through Nomisweb)