

Overview of the labour market

The latest figures on the labour market¹ in Scotland are summarised in Table 1. Labour Force Survey (LFS) data show that in the three months to August 2005 the level of employment rose by 7 thousand, to 2,462 thousand. Over the year to August 2005, employment increased by 18 thousand. The employment rate – as a percentage of the working age population – rose to 75.5 per cent, up 0.3 percentage points on the previous quarter. Over the year to August 2005, the employment rate was up by 0.5 per cent. Figure 1 provides an account of quarterly LFS employment over a four-year period to August 2005.

The preferred International Labour Organisation (ILO) measure of unemployment fell by 18 thousand to 131 thousand during the period June to August 2005². The ILO unemployment rate in the three months to August 2005 fell to 5.1 per cent. This represents a fall of 0.6 per cent relative to the same period a year earlier (5.7 per cent).

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 10 thousand over the last quarter to August 2005. There were 2,594 thousand economically active people in Scotland during June to August 2005. This comprised 2,462 thousand in employment and 131 thousand ILO unemployed. Taking account of the decrease in ILO unemployment (of 18 thousand) and the rise in the number in employment (of 7 thousand), the total number of economically active people in Scotland fell by 10 thousand between June and August 2005. The corresponding level for those of working age economically inactive rose to 647 thousand, up 10 thousand on the previous quarter, and up 6 thousand on the same period a year earlier.

Scottish claimant count unemployment – a count of claimants on unemployment related benefits – is detailed in Table 2³. The most recent (seasonally adjusted) claimant count figure for November 2005 stood at 85.7 thousand, down 0.2 thousand from the previous month. The claimant count rate in November 2005 remained at 3.2 per cent, down from 88.9 thousand (3.4 per cent) compared in November 2004.

Figure 2 plots ILO and claimant count unemployment for three-month periods as an index for the period March-May 2000 to June-August 2005. Claimant count unemployment has been generally falling since March-May 2000, and continued that fall throughout 2005. By comparison, ILO unemployment has fluctuated more 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.

The Office for National Statistics (ONS) had deferred releasing figures for vacancies due to distortions in the data since May 2001, resulting mainly from the introduction of Employer Direct⁴. ONS have very recently made available a wide range of Jobcentre Plus vacancy data, which should form the basis of vacancy data in the future. At the moment, ONS have such concerns over the appropriateness of these data as a labour market indicator that they are not due to be included in the labour market statistics First Release. Our intention is to monitor these data to see if they can be used for future reports on the labour market in Scotland.

Due to discovery of an error in the Annual Population Survey (APS), release of the updated data from the Labour Force Survey has been delayed while ONS investigate possible solutions. Thus, the data in Table 3 and Table 5, and Figure 3, cannot be updated this quarter. Labour Force Survey (LFS) data provide the industrial composition of the total number of individuals in employment within Scotland. Data released through NOMIS has taken a rolling four-quarter average on this measure. Table 3 shows that for September 2002-August 2003 to March-May 2005, the percentage share of employment within manufacturing fell 0.1 per cent to 11.7 per cent. This is down from 12.2 per cent from the four quarter average beginning one year previously. The share of employment within services fell marginally to 75.2 per cent from the previous four-quarter average to the most recent one, which represents a small reduction (0.2 per cent) from the rolling four-quarter average beginning one year previously. The percentage share of employment within the Banking and Finance sector remains steady at 13.5 per cent.

The most recent figures for the number of employee jobs by industrial activity are detailed in Table 4. Employee job figures are a measure of jobs rather than people. Total seasonally adjusted employee jobs for the quarter ending June 2005 stood at 2,279 thousand, down 6 thousand from the previous quarter, and 16 thousand higher than the same period a year earlier. The number of jobs in the manufacturing industry remained constant at 235 thousand over the last quarter, down 3 thousand when compared against the same quarter one year earlier. The number of jobs in the service industry rose significantly over the last quarter to 1,071 thousand, 15 thousand higher than the same period ending a year earlier.

Table 5 and Figure 3 show the proportion and numbers of workers employed as managers and senior officials, professionals, associated professionals, and technical

occupations. These professions can be grouped together under the classification 'highly skilled jobs'⁵. The most recent data available (shown in Table 5) indicate that during for the most recent four-quarter average, the share of highly skilled employment within Scotland and Great Britain stood at 38.6 per cent and 41.2 per cent respectively. This is slightly higher than the previous quarter for Scotland (38.3 per cent) and higher than the previous quarter for Great Britain (41.1). Figure 3 illustrates that the proportion of employment in Scotland in highly skilled jobs has been rising steadily over recent years but continues to lag slightly behind Great Britain.

Outlook

Scotland's labour market continues to perform strongly in light of global uncertainty. Overall UK unemployment fell slightly over the last quarter, down to 4.7 per cent, while Scotland's unemployment rate fell by 0.6 per cent over the same period to 5.1 per cent. Scotland's employment performance continues to improve, and the employment level and rate in Scotland remains close to its highest level since 1992 (before which consistent records are unavailable). The employment rate in Scotland remained close to historically high levels at 75.5 per cent in the three months to August 2005. The claimant count rate remained at 3.2 per cent in November 2005 while the number unemployed and claiming benefit remains low at 85.7 thousand. The outlook for the labour market remains healthy when compared to historical standards for Scotland, with labour market sentiments expecting relatively low unemployment and high employment to continue over the next few years.

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, October 2004 and are consistent with the updated LFS data available on NOMIS from Summer 2004. This information has been release for rolling four-quarters averages, making it impossible to identify individual quarters over time. 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.

³All the seasonally adjusted claimant count series have been revised back three years (to January 2000), following

the latest ONS annual review. The denominators used to estimate the workplace-based regional and national claimant count rates have been updated and revised back to 1996. These workplace-based denominators, which are no longer used to calculate rates for sub-regional areas, relate to the sum of claimants and workforce jobs for the corresponding mid-year (National Statistics).

⁴Employer Direct involves transferring the vacancy-taking process from local Jobcentres, to regional Customer Service Centres (National Statistics).

⁵Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC). Figure 4 illustrates the trend in the number of workers in highly skilled jobs between Q1 1993 and Q1 2003, as an index (1993=100). However, pre-2001 data relates to SOC 1990, and post-2001 data relates to SOC 2000, therefore, the absolute levels of highly skilled jobs over this period should be interpreted with slight caution.

Grant Allan
17th January 2006

Table 1 Recent developments in the Scottish labour market

		Level (000s)	Rate (%)
Employment*	Jun-Aug 2004	2,444	75.0
	Sep-Nov 2004	2,454	75.2
	Dec-Feb 2005	2,457	75.3
	Mar-May 2005	2,455	75.2
	Jun-Aug 2005	2,462	75.5
ILO unemployment**	Jun-Aug 2004	148	5.7
	Sep-Nov 2004	143	5.5
	Dec-Feb 2005	145	5.6
	Mar-May 2005	149	5.7
	Jun-Aug 2005	131	5.1
Economically active*	Jun-Aug 2004	2,592	79.7
	Sep-Nov 2004	2,597	79.7
	Dec-Feb 2005	2,602	79.8
	Mar-May 2005	2,604	79.8
	Jun-Aug 2005	2,594	79.5
Economically inactive***	Jun-Aug 2004	641	20.3
	Sep-Nov 2004	640	20.3
	Dec-Feb 2005	638	20.2
	Mar-May 2005	637	20.2
	Jun-Aug 2005	647	20.5

Source: Labour Market Statistics (First Release), National Statistics.

Notes:

(1) Data available as of 13th January 2006.

(2) Data taken from Table 1 of Labour Market Statistics for October 2005, ONS, and are not directly comparable with previous series taken from NOMIS.

* Levels are those aged 16 and over, rates are for those of working age (16-59/64)

** Levels and rates are for those aged 16 and over. Rate is a proportion of economically active

*** Levels and rates are for those of working age



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Table 2 Claimant count unemployment*

(000s)		Claimant count (Seasonally adjusted)		Claimant flows (seasonally adjusted)	
		Level	Rate	Off-flow	On-flow
2004	January	96,300	3.6	23,200	23,800
	February	96,000	3.6	24,500	23,700
	March	95,500	3.6	24,400	23,400
	April	94,400	3.6	24,100	22,700
	May	92,700	3.5	24,100	22,700
	June	91,800	3.5	24,400	23,200
	July	89,900	3.4	23,000	21,900
	August	90,000	3.4	22,400	22,200
	September	90,900	3.4	22,600	22,200
	October	90,100	3.4	22,700	22,100
	November	88,900	3.4	22,900	22,000
	December	87,700	3.3	23,400	22,200
2005	January	86,300	3.3	23,400	21,700
	February	85,900	3.3	22,600	21,900
	March	86,100	3.3	22,200	21,600
	April	86,500	3.3	21,300	21,400
	May	86,700	3.3	21,300	21,200
	June	86,000	3.3	21,500	20,800
	July	84,900	3.2	21,500	20,600
	August	85,200	3.2	21,300	21,600
	September	85,800	3.3	21,100	20,900
	October	85,900	3.3	20,800	20,800
	November	85,700	3.2	21,000	20,900

Source: National Statistics, Nomis (Benefits Agency Administrative system)

(1) Data available as of 13th January 2006

* Levels are those claiming unemployment benefits, rates are those claiming benefit divided by workforce jobs plus claimants.

Table 3 Industrial composition of total in employment (LFS), percentage share

	Manufacturing	Banking and Finance	All services
Dec 2002-Nov 2003	12.6	13.6	75.3
Mar 2003-Feb 2004	12.3	13.5	75.3
Jun 2003-May 2004	12.2	13.4	75.4
Sep 2003-Aug 2004	12.0	13.3	75.4
Dec 2003-Nov 2004	11.9	13.5	75.4
Mar 2004-Feb 2005	11.8	13.5	75.3
Jun 2004-May 2005	11.7	13.5	75.2

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

(1) Where manufacturing covers SIC section D, banking and finance covers section J and K and all services covers sections G-Q (including Banking and Finance)

(2) LFS data taken from Nomis are rolling averages of four quarters, and are consistent with the population estimates published in February and March 2003

Table 4 Employee jobs by industry, 000s

	<i>All jobs (seasonally adjusted)</i>	<i>All jobs</i>	<i>Agriculture, Forestry and Fishing</i>	<i>Mining, Energy and Water Supplies Industries</i>	<i>Manufacturing Industries</i>	<i>Construction</i>	<i>Service Industries</i>	<i>Public administration and other services</i>
<i>SIC 1992 section</i>		<i>A-O</i>	<i>A,B</i>	<i>C,E</i>	<i>D</i>	<i>F</i>	<i>G-K</i>	<i>L-Q</i>
Jun 02	2,242	2,241	35	43	273	119	1,038	733
Jun 03	2,240	2,239	32	40	251	136	1,040	741
Jun 04	2,263	2,262	28	37	238	145	1,056	758
Sep 04	2,263	2,263	30	37	237	146	1,056	758
Dec 04	2,274	2,285	31	37	237	154	1,072	754
Mar 04	2,285	2,277	30	37	235	154	1,059	761
Jun 05	2,279	2,277	29	38	235	143	1,071	760

Source: National Statistics: Labour Market Statistics, Scotland (First Release, Table 5: Employee jobs by industry, October 2005)

Table 5 Proportion of employment in highly skilled jobs

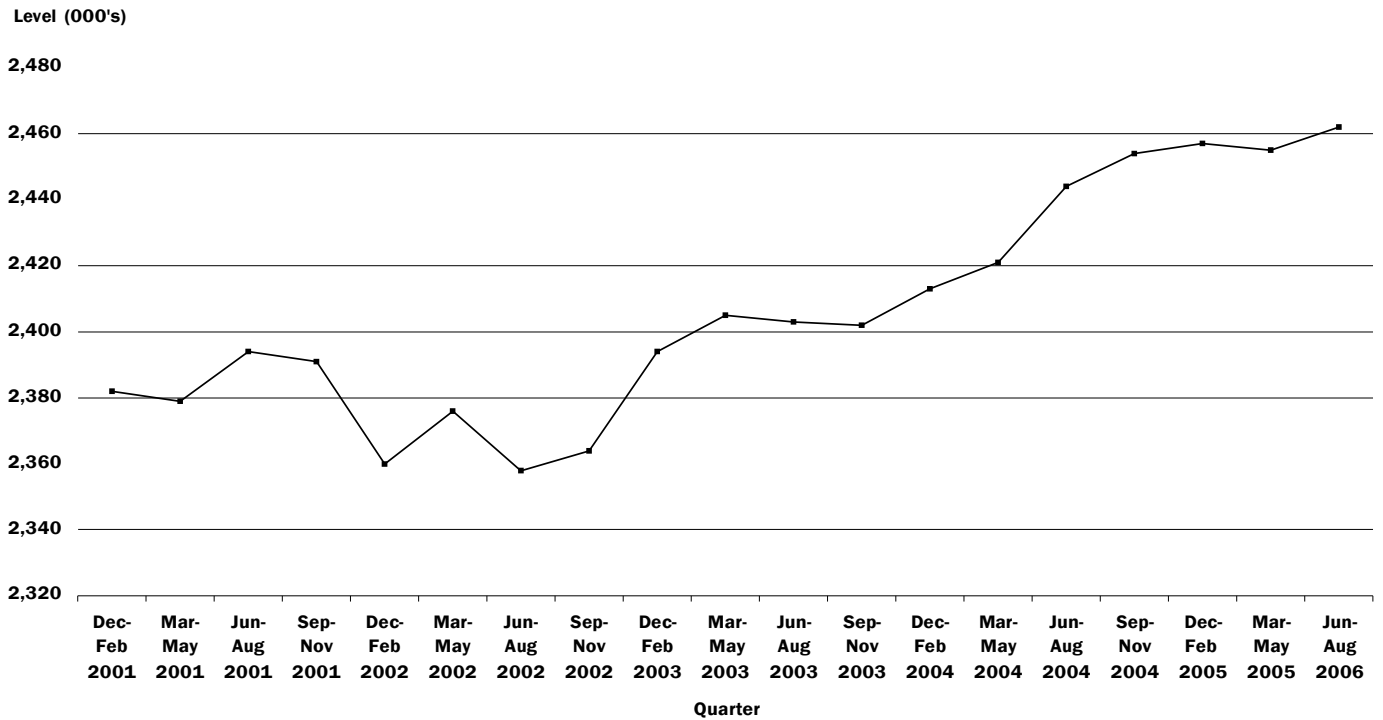
	<i>Level</i>	<i>Scotland Rate (%)</i>	<i>Level</i>	<i>Great Britain Rate (%)</i>
Sep 2002-Aug 2003	887,000	37.1	10,861,000	40.1
Dec 2002-Nov 2003	897,000	37.4	10,931,000	40.2
Mar 2003-Feb 2004	906,000	37.8	11,023,000	40.5
Jun 2003-May 2004	911,000	38.0	11,089,000	40.6
Sep 2003-Aug 2004	920,000	38.2	11,148,000	40.8
Dec 2003-Nov 2004	925,000	38.4	11,220,000	41.0
Mar 2004-Feb 2005	927,000	38.3	11,274,000	41.1
Jun 2004-May 2005	934,000	38.6	11,316,000	41.2

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

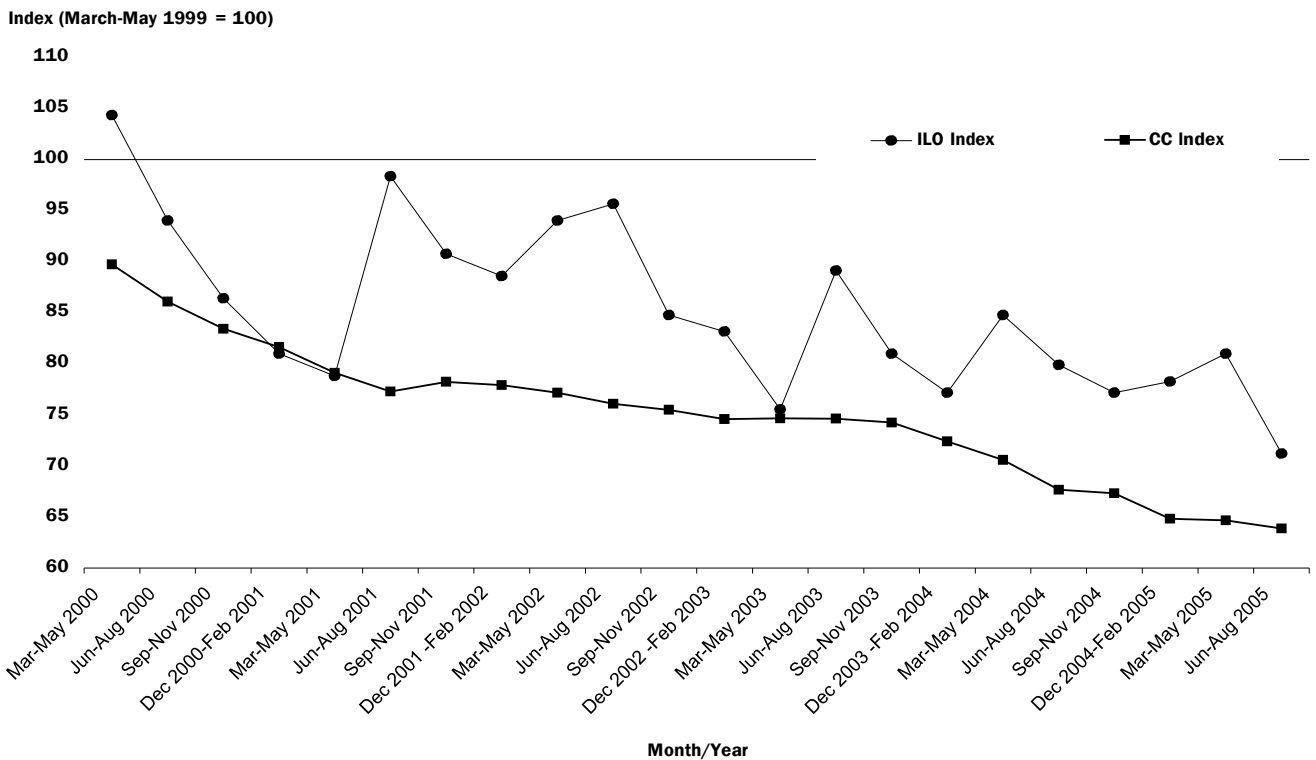
Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC 2000)

Figure 1 LFS employment in Scotland for those aged 16 and over, Dec-Feb 2001 to Jun-Aug 2005



Source: National Statistics (NOMIS)

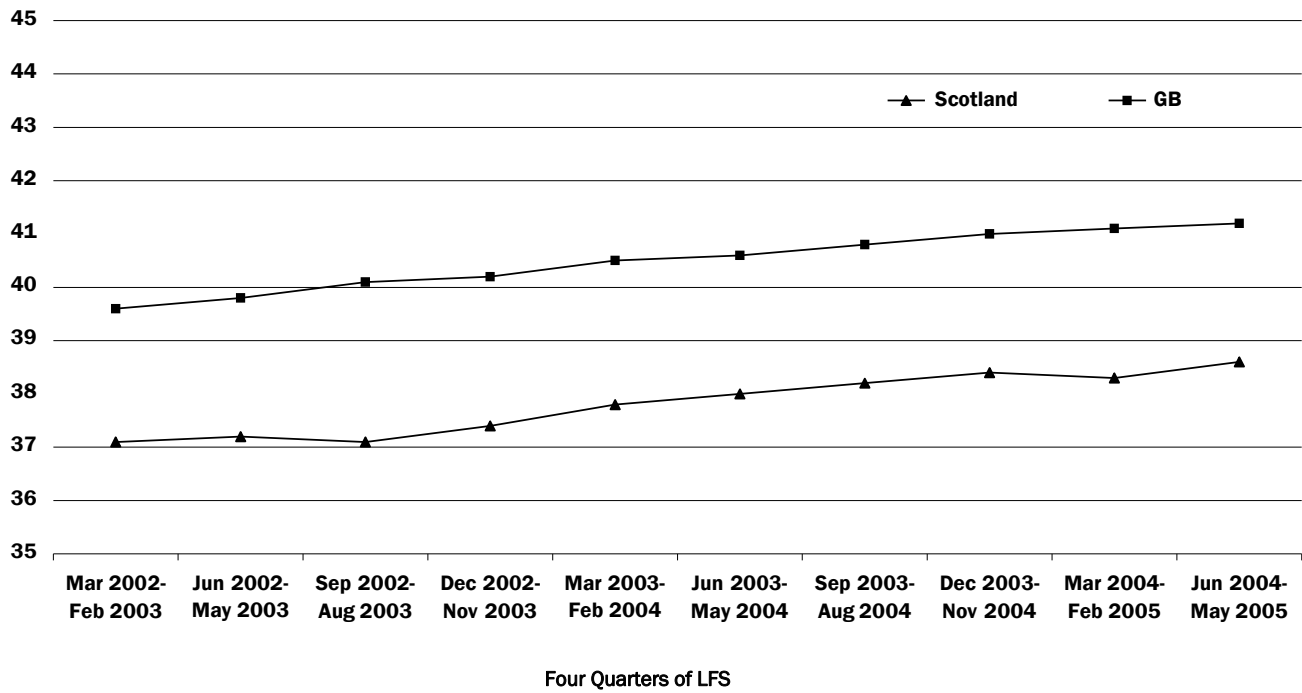
Figure 2 Claimant Count and ILO Unemployment in Scotland, Mar-May 2000 to Jun-Aug 2005



Source: National Statistics (Nomis)

Figure 3 Employment in highly skilled jobs, Scotland and

% of employment in highly skilled industries



Great Britain, March 2002-February 2003 to June 2004-May 2005

Source: National Statistics: Labour Force Survey (Nomis)

Notes:

* Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC).

