

# Overview of the labour market

The latest figures on the labour market<sup>1</sup> in Scotland are summarised in Table 1. Over the last quarter, Labour Force Survey (LFS) data show that the level of employment rose in the three months to August 2003, to 2,444 thousand. Over the year to August 2003, employment increased by 38 thousand. The employment rate – as a percentage of the working age population – rose to 74.8 per cent, up 0.5 percentage points on the previous quarter. Figure 1 provides an account of quarterly LFS employment over a four-year period to August 2003.

The preferred measure of unemployment by the International Labour Organisation (ILO) rose by 25 thousand to 164 thousand during the period June to August 2003<sup>2</sup>. The ILO unemployment rate in the three months to August 2003 rose to 6.3 per cent. This represents a fall of 0.5 percentage points on the same period a year earlier (6.8 per cent).

The economically active workforce includes those individuals actively seeking employment and 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 increased over the last quarter. There were 2,608 thousand economically active people in Scotland during June to August 2003. This comprised 2,444 thousand in employment and 164 thousand ILO unemployed. Taking account of the increase in ILO unemployment (of 25 thousand) and an increase in the number of employed (of 17 thousand), the total number of economically active people in Scotland increased by 42 thousand between June and August 2003. The corresponding level for those economically inactive fell to 638 thousand, down 40 thousand on the previous quarter.

Scottish claimant count unemployment – a count of claimants on unemployment related benefits – is detailed in Table 2<sup>3</sup>. The most recent (seasonally adjusted) claimant count figure for October 2003 stood at 99.7 thousand, which is the same figure as the previous month, reflecting similar flows onto and off unemployment related benefits. The claimant count rate in October 2003 remained unchanged at 3.8 per cent for the tenth consecutive month. This represents a marginal fall of 0.1 per cent on the October figure for 2002.

Figure 2 plots ILO and claimant count unemployment for three-month periods as an index for the period January-March 1999 to July-September 2003. Claimant count unemployment has been generally falling since January 1999, though remaining relatively steady over the year so far. 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 large change in ILO unemployment in the last three months reflects the 25 thousand increase in ILO unemployment over the last three months.

Figure 3 illustrates the gap between Scottish claimant count unemployment against the level of unfilled vacancies, using data up to June 2001. By multiplying the number of vacancies by three – to account for under-reporting by job centres – it is evident that the level of unfilled vacancies against claimant count unemployment increased steadily between July 2000 and January 2001. This suggests a continued tightening of the labour market between this period, with some easing between January and June 2001 where the gap appears to narrow slightly.

The release of job centre vacancy statistics is still unfortunately delayed. National Statistics have deferred their release of updated figures due to distortions in the data since May 2001, resulting mainly from the introduction of Employer Direct<sup>4</sup>. A limited set of figures on the inflows of newly notified Jobcentre Plus vacancies are available from ONS through NOMIS, but these do not permit the stock of unfilled vacancies to be calculated, and are also not yet confirmed as National Statistics.

Labour Force Survey (LFS) data provide the industrial composition of the total number of individuals in employment within Scotland. Table 3 shows that between June to August 2003, the percentage share of employment within manufacturing has fallen to 12.3 per cent. This represents a fall of 0.1 per cent on the previous quarter – down from 13.7 per cent from the same quarter one year ago. The share of employment within services fell to 75.2 per cent between June to August 2003, which represents an increase of 0.7 per cent over the year so far. The percentage share of employment within the Banking and Finance sector fell to 13.7 per cent between June and August 2003.

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 employee jobs for the quarter ending June 2003 rose to 2,251 thousand, up 11 thousand on the previous quarter, and 11 thousand lower than the same period a year earlier. The number of jobs in the manufacturing industry fell to 270 thousand over the last quarter, losing 2 thousand jobs on the previous period, and 16 thousand over the year. The number of jobs in the service industry remained steady over the last quarter at 1,031 thousand, 18 thousand lower than the same period a year earlier.

Table 5 and Figure 4 show the proportion 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'<sup>5</sup>. The most recent data (shown in Table 5) show that during June to August 2003 the share of highly skilled employment within Scotland and Great Britain stood at 37 per cent and 41 per cent respectively. Figure 4 illustrates that the share of Scottish employment within highly skilled jobs has been rising steadily over recent years but continues to lag slightly behind Great Britain. The number of highly skilled jobs in Scotland increased by 0.3 per cent between June to August 2003 on the same period a year earlier, while the number of highly skilled jobs in Great Britain increase by 3.5 per cent.

#### Outlook

Scotland's labour market continues to remain relatively steady in light of recent global uncertainty. Overall, Scotland's employment performance continues to improve, and the unemployment rate in Scotland is at its lowest level since the 1970s. The employment rate remains close to historically high levels at 74.8 per cent in the three months to August 2003. The claimant count rate remains unchanged at 3.8 per cent in October 2003. ILO unemployment increased in the three months to August 2003, with the unemployment rate rising to 6.3 per cent from its record low over the same period. There is some short-term deterioration in the unemployment rate, but this is still down from the same period a year ago. While there are signs of some weakening in the Scottish labour market over the last year, the outlook remains relatively healthy when compared to historical standards. Overall, labour market sentiments are optimistic, with expectations for relatively low unemployment over the next few years.

#### Endnotes

1. 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 covers the periods

up to mid-2001. The data presented here are taken mainly from NOMIS and are consistent with the national LFS data currently being published in the Labour Market Integrated First Release (National Statistics).

2. All 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).
3. 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.
4. Employer Direct involves transferring the vacancy-taking process from local Jobcentres, to regional Customer Service Centres (National Statistics).
5. Highly 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  
25 November 2003

**Table 1: Recent developments in the Scottish labour market**

		Level (000s)	Rate (%)
Employment*	Mar-May 2002	2,376	73.1
	Jun-Aug 2002	2,406	74.1
	Sep-Nov 2002	2,415	74.5
	Dec 2002-Feb 2003	2,415	74.2
	Mar-May 2003	2,427	74.3
	Jun-Aug 2003	2,444	74.8
ILO Unemployment**	Mar-May 2002	173	6.8
	Jun-Aug 2002	176	6.8
	Sep-Nov 2002	156	6.1
	Dec 2002-Feb 2003	153	6.0
	Mar-May 2003	139	5.4
	Jun-Aug 2003	164	6.3
Economically active*	Mar-May 2002	2,549	78.5
	Jun-Aug 2002	2,582	79.6
	Sep-Nov 2002	2,571	79.4
	Dec 2002-Feb 2003	2,568	79.0
	Mar-May 2003	2,566	78.6
	Jun-Aug 2003	2,608	79.9
Economically inactive***	Mar-May 2002	682	21.5
	Jun-Aug 2002	646	20.4
	Sep-Nov 2002	654	20.6
	Dec 2002-Feb 2003	665	21.0
	Mar-May 2003	678	21.4
	Jun-Aug 2003	638	20.1

Source: National Statistics, Nomis (Labour Force Survey)

**Notes:**

(1) Interim LFS data taken from Nomis are in line with Census 2001-consistent population estimates at local authority level, and are comparable with the data in ONS UK Labour Market First Release.

(2) Data available up until 26 November 2003

\* 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

**Table 2: Claimant count unemployment\***

(000's)		Claimant count		Claimant flows		Claimant count	
		(seasonally adjusted)		(seasonally adjusted)		(unadjusted)	
		Level	Rate	Off-flow	On-flow	Level	Rate
<b>2000</b>	January	123.2	5.0	27.5	27.5	134.0	5.2
	February	122.6	5.0	29.3	28.5	133.5	5.2
	March	122.4	4.9	29.0	28.3	130.6	5.1
	April	119.0	4.8	29.1	26.4	123.6	4.8
	May	118.4	4.8	29.4	28.7	120.6	4.7
	June	116.5	4.8	29.1	26.7	117.3	4.6
	July	115.1	4.8	29.2	27.4	121.9	4.8
	August	113.5	4.8	29.1	27.2	120.8	4.7
	September	112.1	4.7	27.7	27.1	109.7	4.3
	October	111.7	4.6	27.6	27.1	106.5	4.2
	November	110.7	4.6	27.8	26.8	106.4	4.2
	December	110.4	4.5	26.9	27.2	108.0	4.2
<b>2001</b>	January	108.8	4.4	27.1	27.1	119.3	4.5
	February	108.1	4.4	27.9	27.1	118.9	4.5
	March	107.6	4.4	27.6	26.7	115.8	4.4
	April	104.9	4.3	27.9	25.4	109.7	4.1
	May	104.7	4.3	26.4	25.7	106.7	4.0
	June	104.2	4.1	27.0	26.6	104.7	4.0
	July	102.4	4.1	26.7	26.0	108.2	4.1
	August	103.2	4.1	26.4	27.2	109.4	4.1
	September	103.5	4.0	26.3	26.8	100.5	3.8
	October	104.6	4.0	26.9	28.1	99.2	3.7
	November	105.6	3.9	26.7	28.0	101.2	3.8
	December	105.3	3.9	27.3	27.3	102.5	3.9
<b>2002</b>	January	104.0	3.9	27.2	27.2	113.6	4.3
	February	103.1	3.9	26.9	26.3	113.1	4.3
	March	102.6	4.0	27.3	27.1	110.2	4.2
	April	104.1	4.0	26.8	28.1	108.4	4.1
	May	102.7	4.0	29.4	27.8	104.7	4.0
	June	102.4	3.9	27.2	27.3	102.9	3.9
	July	101.5	3.9	26.8	26.6	106.8	4.1
	August	101.1	3.9	27.0	26.7	106.9	4.1
	September	101.3	4.0	26.6	27.0	98.1	3.7
	October	100.8	3.9	26.8	26.3	95.5	3.6
	November	100.6	3.9	26.4	26.3	96.6	3.7
	December	99.7	3.9	26.8	26.6	97.5	3.7
<b>2003</b>	January	99.6	3.8	25.0	26.7	109.8	4.2
	February	99.7	3.8	26.4	26.5	110.7	4.2
	March	99.1	3.8	27.0	26.2	107.2	4.1
	April	98.8	3.8	26.5	26.3	103.4	3.9
	May	100.5	3.8	25.5	26.1	102.4	3.9
	June	100.7	3.8	25.6	26.2	101.7	3.9
	July	99.6	3.8	25.6	25.2	105.0	4.0
	August	98.9	3.8	25.6	24.8	104.2	4.0
	September	99.7	3.8	25.5	25.2	97.0	3.7
	October	99.7	3.8	25.0	24.9	95.0	3.6

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

**Note:**

(1) Data available up until October 2003

\* 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 & Finance	All services
Dec 2001-Feb 2002	14.1	13.8	73.9
Mar-May 2002	13.3	14.6	75
Jun-Aug 2002	13.7	14.5	74.5
Sep-Nov 2002	13.9	14.1	74.3
Dec 2002-Feb 2003	12.9	13.9	74.9
Mar-May 2003	12.4	14.1	75.7
Jun-Aug 2003	12.3	13.7	75.2

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

- (1) Where manufacturing covers SIC section D, banking and finance covers sections J and K and all services covers section G-Q
- (2) LFS data taken from Nomis are currently not consistent with the 2001 Census population data and are therefore not comparable with the data in ONS UK

**Table 4: Employee jobs by industry, 000s**

SIC92	All jobs (seasonally adjusted)	Agriculture A-Q	Forestry & Fishing A,B	Mining Energy & Water		Manufacturing Industries D	Construction F	Service Industries G-K	Public Admin & Other Services L-Q
				Supplies Industries C,E					
Jun-00 r	2,188	2,188	42	40	307	139	967	692	
Jun-01 r	2,268	2,270	36	41	300	124	1,030	739	
Jun-02 r	2,260	2,262	35	44	286	113	1,049	735	
Sep-02 r	2,253	2,260	34	44	282	115	1,051	735	
Dec-02 r	2,257	2,260	31	43	275	114	1,058	739	
Mar-03 r	2,253	2,240	33	44	272	120	1,031	740	
Jun-03	2,248	2,251	33	44	270	125	1,031	748	

Source: National Statistics: Labour Market Statistics, Scotland (First Release, Table 5: Employee jobs by industry, November 2003)

Note: These data have been revised by the ONS from previous releases.

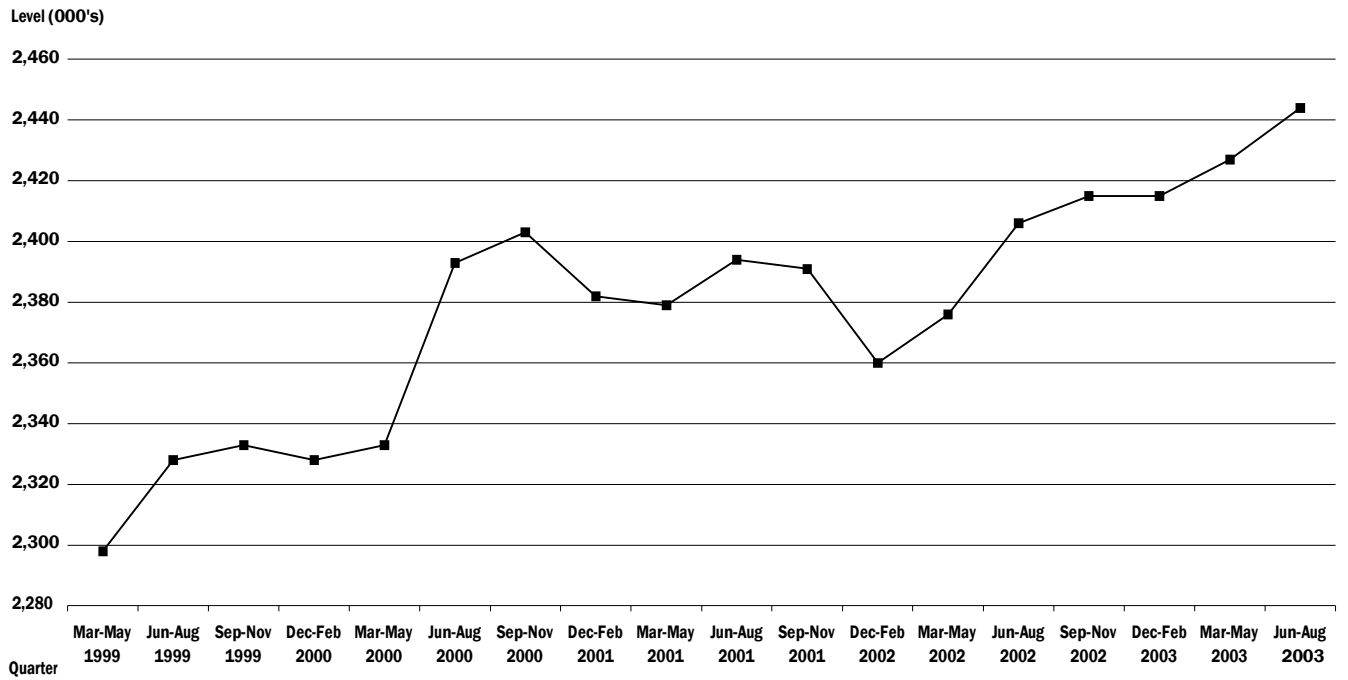
**Table 5: Proportion of employment in highly skilled jobs**

	Level	Scotland Rate (%)	Level	Great Britain Rate (%)
Dec 2001-Feb 2002	855,000	36	10,861,000	39
Mar-May 2002	887,000	37	10,995,000	40
Jun-Aug 2002	898,000	37	11,041,000	40
Sep-Nov 2002	896,000	37	11,182,000	40
Dec 2002-Feb 2003	907,000	38	11,239,000	40
Mar-May 2003	912,000	38	11,383,000	41
Jun-Aug 2003	901,000	37	11,432,000	41

Source: National Statistics, Nomis (Labour Force Survey)

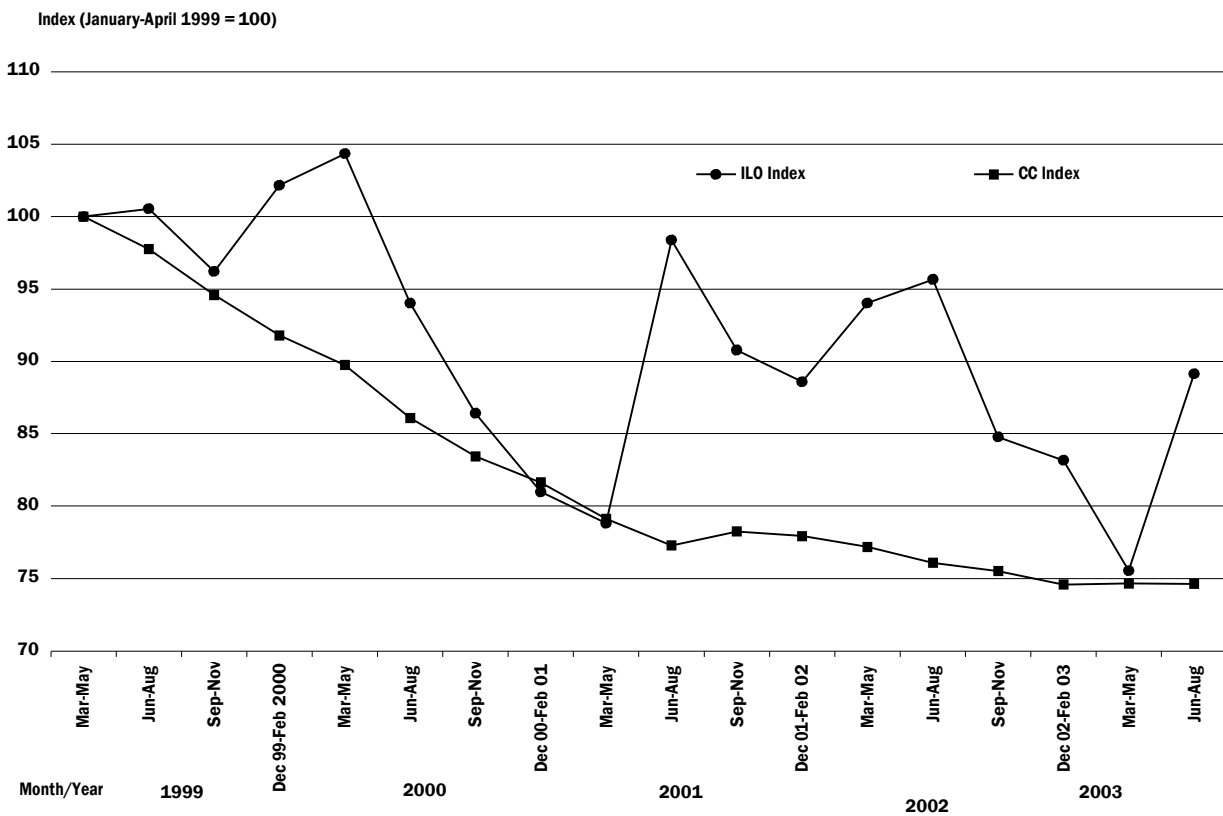
Note: Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC 2000)

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



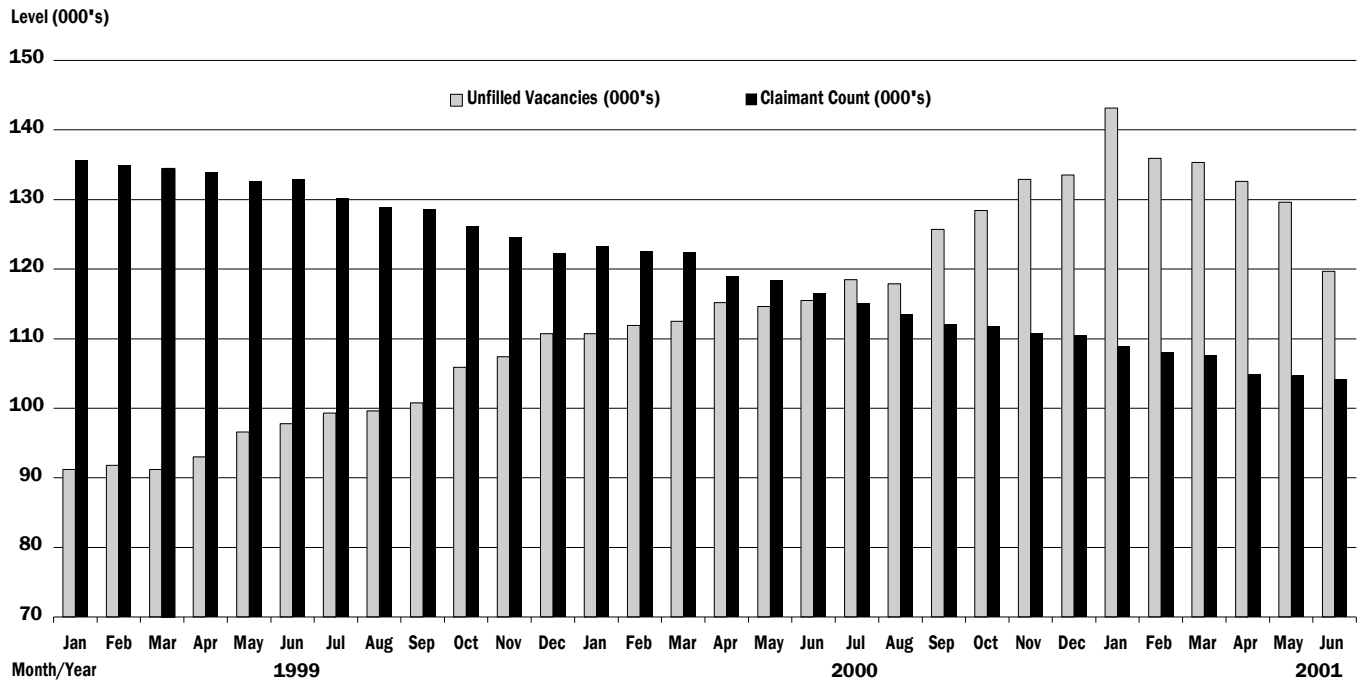
Source: National Statistics (Nomis)

**Figure 2: Claimant Count and ILO unemployment in Scotland, January 1999-June 2003**



Source: National Statistics (Nomis)

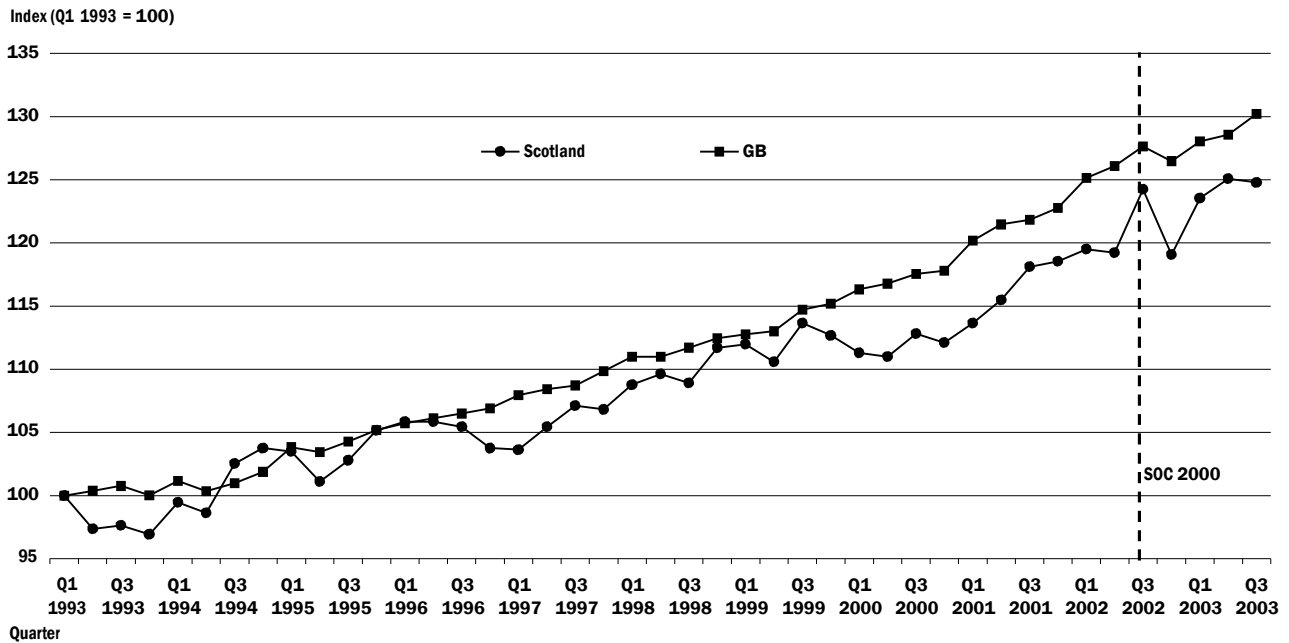
Figure 3: Scottish unemployment (claimant count) against the level of Scottish vacancies\*



Source: National Statistics (Nomis)

\*Vacancies notified to job centres multiplied by three (latest figures available)

Figure 4: Employment in highly skilled jobs\*, Scotland and Great Britain



\*Highly skilled Jobs includes sections 1-3 of the Standard Occupational Classification (SOC). Pre-2001 data relates to SOC 1990. Post-2001 data relates to SOC 2000.

Source: National Statistics (Nomis)

