

Overview of the labour market

The latest figures on the labour market in Scotland are summarised in Table 1. Over the last quarter, Labour Force Survey (LFS) data showed that employment increased by 16 thousand in the three months to May 2002, to 2,376 thousand - up 0.7 per cent on the previous quarter level. Over the year to May 2002, employment fell by 3 thousand. The employment rate - as a percentage of the working age population in employment - increased to 73.1 per cent, up 0.5 percentage points on the previous quarter. Figure 1 provides an account of quarterly LFS employment over a two-year period to May 2002.

The preferred measure of unemployment by the International Labour Organisation (ILO) increased to 173 thousand during the period March to May 2002¹. The ILO unemployment rate - as a proportion of those engaged in economic activity - increased to 6.8 per cent in the three months to May 2002. This represented a rise of 0.3 percentage points on the previous quarter rate (6.5 per cent), and up 1.1 percentage points on the same period a year earlier (5.7 per cent).

Economic activity 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 those engaged in economic activity increased slightly over the last quarter. There were 2,549 thousand economically active people in Scotland during March to May 2002. This was comprised of 2,376 thousand in employment and 173 thousand ILO unemployed. Hence, taking account of the increase in employment (of 16 thousand) and the rise in ILO unemployment (of 10 thousand), the total number of economically active people in Scotland increased by 26 thousand in the period March to May 2002. The corresponding level for those economically inactive fell to 682 thousand, down 24 thousand on the previous quarter.

Overall, the latest figures on the labour market suggest that the increase in ILO unemployment may be partly attributed to a movement between economic inactivity and unemployment, where previously inactive individuals may now be actively looking for work, or available for work.

The traditional measure of Scottish claimant count unemployment - a count of claimants on unemployment related benefits - is detailed in Table 2. The most recent (seasonally adjusted) claimant count figure for August 2002 stood at 101.1 thousand, which represents a slight fall of 800 on the previous month. The claimant count rate fell by 0.1 percentage points - from 4.1 per cent the previous month - to 4.0 per cent in August 2002. Although this represents

only a marginal fall, this is the first time the claimant count rate has fallen since April where it remained unchanged at 4.1 per cent between May and July of this year.

Figure 2 plots ILO and claimant count unemployment as an index for the period January 1999 to June 2002. Overall claimant count unemployment has been generally falling since January 1999, though remaining relatively steady over the past year. By comparison, ILO unemployment has fluctuated more widely, but still 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 of unemployment mirror the distinction between those actively seeking work (but are jobless) and those who are eligible for unemployment benefit payments.

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

The release of job centre vacancy statistics is still unfortunately delayed. The 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 Direct².

Labour Force Survey (LFS) data provides the industrial composition of the total number of individuals in employment within Scotland. Table 3 shows that over the year so far, the percentage share of employment within manufacturing declined to just 13.1 per cent, down 1.2 percentage points on the same period a year earlier. The share of employment within service industries fell slightly to 71.8 per cent between March and May 2002, but has remained relatively stable over the past year or so³. However, the percentage share of employment within the Banking and Finance sector has steadily increased over recent months, increasing to 14.6 per cent in March to May 2002, from 12.6 per cent the same period a year earlier. These figures suggest that the share of employment is gradually shifting from manufacturing to services, and Banking and Finance.

The most recent figures for the number of employee jobs by industrial activity are detailed in Table 4. Employee jobs figures are a measure of jobs rather than people. Total employee jobs for the period ending March 2002 increased to 2,206 thousand, up 12 thousand on the previous quarter, but 10 thousand lower on the same period a year earlier. The number of jobs in the manufacturing industry

fell slightly over the latest quarter, losing 8 thousand jobs places on the previous period, and 25 thousand over the year. Over the same period, the service industry lost 17 thousand job fills on the previous quarter, but over the year as a whole this accounted to a total loss of 4 thousand employees.

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 to be classified as highly skilled jobs. The most recent data (refer to table 5) show that during March to May 2002 the share of highly skilled employment within Scotland and Great Britain stood at 37 per cent and 40 per cent respectively. Figure 4 illustrates that the share of Scottish employment within highly skilled jobs has been rising since the early nineties, but on the whole, continuing to lag slightly behind Great Britain. However, more recently, the number of highly skilled jobs in Scotland increased by 3.4 per cent between March to May 2002 on the same period a year earlier and by 2.3 per cent in Great Britain respectively.

Outlook

Scotland's labour market has responded well in light of last year's global uncertainty. The employment rate has remained close to historically high levels, increasing slightly to 73.1 per cent in the three months to May 2002. The claimant count rate increased to 4.2 per cent in April 2002 - up 0.1 percentage points on the previous month - yet current levels of claimant count unemployment remain low relative to those for the same period one year earlier. ILO unemployment increased slightly over recent months, with the rate of unemployment remaining relatively stable at 6.8 per cent up to May 2002. While there have been signs of some weakening in the Scottish labour market over the second half of 2001, continuing into 2002, the outlook remains healthy relative to historical standards.

Overall, labour market sentiments are mixed, but mainly optimistic. Unemployment is likely to remain low over the next few years. There has been continued growth in Scottish services sector demand - but remaining weak in manufacturing - with continued employment growth in the financial services and banking sector, helping to offset recent job losses in manufacturing.

Endnotes

1. 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.
2. Employer Direct involves transferring the vacancy-taking process from local Jobcentres, to regional Customer Service Centres (National Statistics).
3. Highly skilled jobs include sections 1-3 of the Standard Occupational Classification (SOC). Figure 4 illustrates the trend in the number of workers in highly skilled jobs between 1999 and 2002, 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.

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Table 1: Recent developments in the Scottish labour market (1)

		<i>Level (000s)</i>	<i>Rate (%)</i>
Employment*	Dec 2000-Feb 2001	2,382	73.6
	Mar-May 2001	2,379	73.4
	Jun-Aug 2001	2,394	73.7
	Sep-Nov 2001	2,391	73.7
	Dec 2001-Feb 2002	2,360	72.6
	Mar-May 2002	2,376	73.1
ILO Unemployment**	Dec 2000-Feb 2001	149	5.9
	Mar-May 2001	145	5.7
	Jun-Aug 2001	181	7.0
	Sep-Nov 2001	167	6.5
	Dec 2001-Feb 2002	163	6.5
	Mar-May 2002	173	6.8
Economically active*	Dec 2000-Feb 2001	2,531	78.3
	Mar-May 2001	2,524	78.0
	Jun-Aug 2001	2,574	79.4
	Sep-Nov 2001	2,558	78.9
	Dec 2001-Feb 2002	2,523	77.7
	Mar-May 2002	2,549	78.5
Economically inactive***	Mar-May 2001	698	22.0
	Jun-Aug 2001	651	20.6
	Sep-Nov 2001	667	21.1
	Dec 2001-Feb 2002	706	22.3
	Mar-May 2002	682	21.5

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

(1) Data available up until 20 September 2002

* 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 (seasonally adjusted)		Claimant flows (seasonally adjusted)		Claimant count (unadjusted)	
		Level	Rate	Off-flow	On-flow	Level	Rate
1999	January	135.6	5.3	29.9	28.3	146.5	5.8
	February	134.9	5.3	29.2	28.0	145.4	5.7
	March	134.4	5.3	29.5	29.2	142.8	5.6
	April	133.9	5.3	30.5	29.2	139.0	5.5
	May	132.6	5.2	30.1	29.4	134.7	5.3
	June	132.9	5.2	29.3	29.6	133.7	5.3
	July	130.2	5.1	32.2	29.3	138.7	5.4
	August	128.8	5.1	31.0	29.5	137.3	5.4
	September	128.5	5.0	30.3	29.1	126.4	5.0
	October	126.1	5.0	29.5	27.9	121.1	4.8
	November	124.6	4.9	29.8	28.3	120.0	4.7
	December	122.2	4.8	29.8	28.0	119.8	4.7
2000	January	123.1	4.9	27.6	27.3	134.0	5.3
	February	122.4	4.9	29.3	28.4	133.5	5.3
	March	121.5	4.8	29.1	28.2	130.6	5.2
	April	119.5	4.8	29.0	27.1	123.6	4.9
	May	118.6	4.7	29.6	29.1	120.6	4.8
	June	116.8	4.7	29.0	26.7	117.3	4.7
	July	115.0	4.6	29.2	27.2	121.9	4.9
	August	113.7	4.5	28.9	27.1	120.8	4.8
	September	112.6	4.5	27.6	27.2	109.7	4.4
	October	111.9	4.5	27.7	26.8	106.5	4.3
	November	110.7	4.4	27.8	26.6	106.4	4.2
	December	110.0	4.4	27.0	27.0	108.0	4.3
2001	January	108.6	4.3	27.3	27.0	119.3	4.8
	February	107.7	4.3	27.8	27.3	118.9	4.7
	March	106.5	4.3	27.7	26.6	115.8	4.6
	April	105.4	4.2	27.8	26.5	109.7	4.4
	May	105.1	4.2	26.6	26.5	106.7	4.3
	June	104.6	4.2	27.0	26.7	104.7	4.2
	July	102.3	4.1	26.8	25.7	108.2	4.3
	August	103.4	4.1	26.4	27.0	109.4	4.4
	September	104.1	4.2	26.3	27.0	100.5	4.0
	October	104.7	4.2	27.0	27.6	99.2	4.0
	November	105.4	4.2	26.6	27.5	101.2	4.0
	December	104.6	4.2	27.4	27.0	102.5	4.1
2002	January	103.5	4.1	27.4	26.9	113.6	4.5
	February	102.2	4.1	26.8	26.3	113.1	4.5
	March	103.1	4.1	27.0	26.9	110.2	4.4
	April	104.1	4.2	26.8	28.1	108.4	4.3
	May	103.0	4.1	29.7	28.2	104.7	4.2
	June	102.7	4.1	27.3	27.5	102.9	4.1
	July	101.9	4.1	26.8	26.8	106.8	4.3
	August	101.1	4.0	27.2	26.8	106.9	4.3

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

Note:

(1) Data available up until 20 September 2002

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

	<i>Manufacturing (%)</i>	<i>Banking & Finance (%)</i>	<i>All services (%)</i>
Dec 2000-Feb 2001	15.3	12.5	72.4
Mar-May 2001	14.5	12.6	73
Jun-Aug 2001	14.3	12.9	72.4
Sep-Nov 2001	14.1	13.5	72.2
Dec 2001 - Feb 2002	14.1	13.8	72.2
Mar-May 2002	13.3	14.6	71.8

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

Where manufacturing covers SIC section D, banking and finance covers sections J and K and all services covers section G-Q

Table 4: Employee jobs by industry

	<i>All jobs (seasonally adjusted)</i>	<i>All jobs</i>	<i>Agriculture Forestry & Fishing</i>	<i>Mining Energy & Water Supplies Industries</i>	<i>Manufacturing Industries</i>	<i>Construction</i>	<i>Service Industries</i>	<i>Other Industries</i>
<i>SIC92</i>		<i>A-Q</i>	<i>A,B</i>	<i>C,E</i>	<i>D</i>	<i>F</i>	<i>G-K</i>	<i>L-Q</i>
Mar-99	2,140	2,123	40	43	316	131	922	670
Mar-00	2,147	2,131	40	39	307	132	933	680
Mar-01	2,216	2,198	34	36	296	131	982	718
Jun-01	2,208	2,210	36	37	293	129	994	723
Sep-01	2,189	2,191	35	38	287	121	988	722
Dec-01	2,194	2,206	33	38	279	119	995	742
Mar-02	2,206	2,190	34	37	271	122	978	748

Source: National Statistics: Labour Market Statistics, Scotland (First Release, September 2002)

Table 5: Proportion of employment in highly skilled jobs

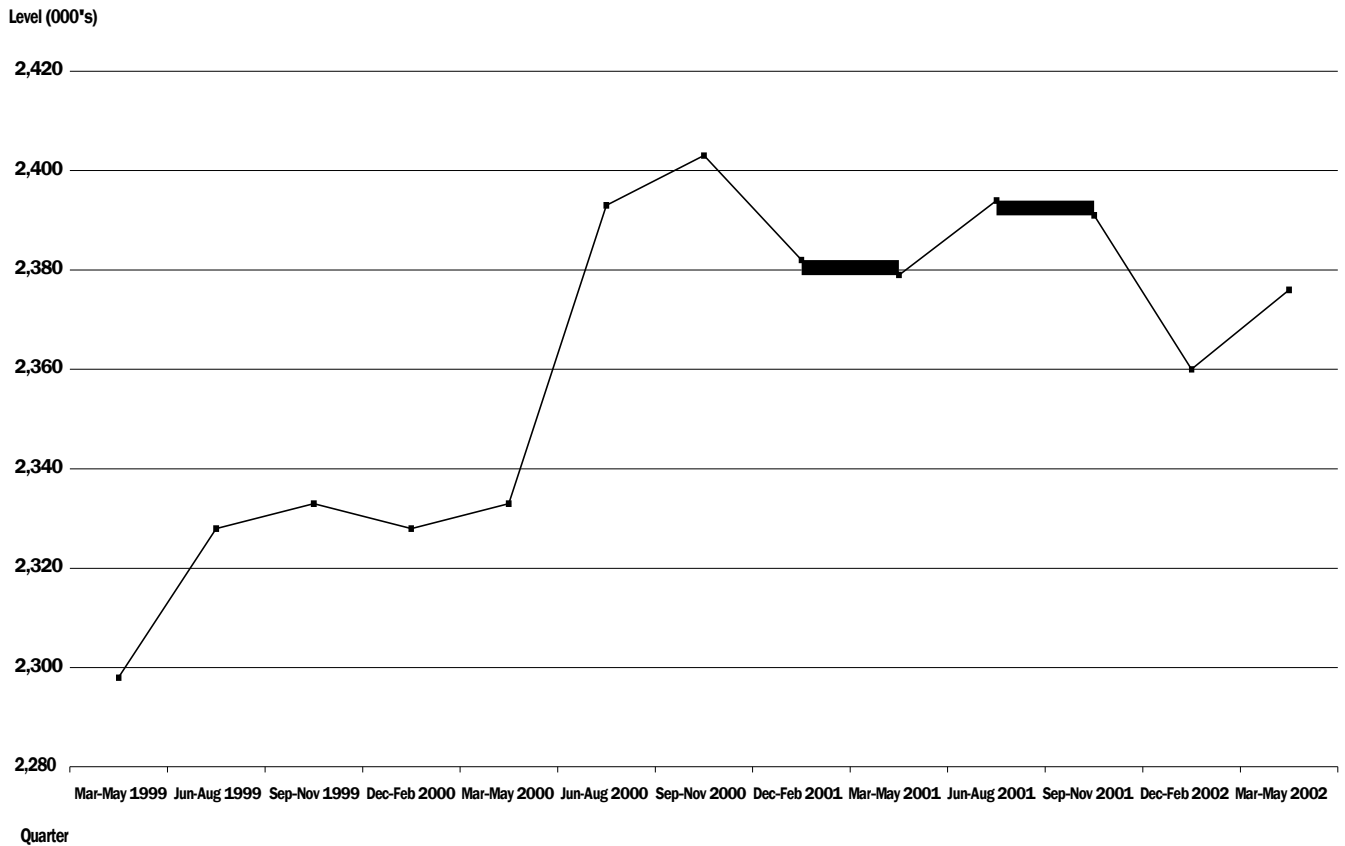
	<i>Level (000's)</i>	<i>Scotland Rate (%)</i>	<i>Level (000's)</i>	<i>Great Britain Rate (%)</i>
Mar-May 2001	858	36	10,747	39
Jun-Aug 2001	856	36	10,826	39
Sep-Nov 2001	892	37	10,960	40
Dec 2001-Feb 2002	855	36	10,861	39
Mar-May 2002	887	37	10,995	40

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

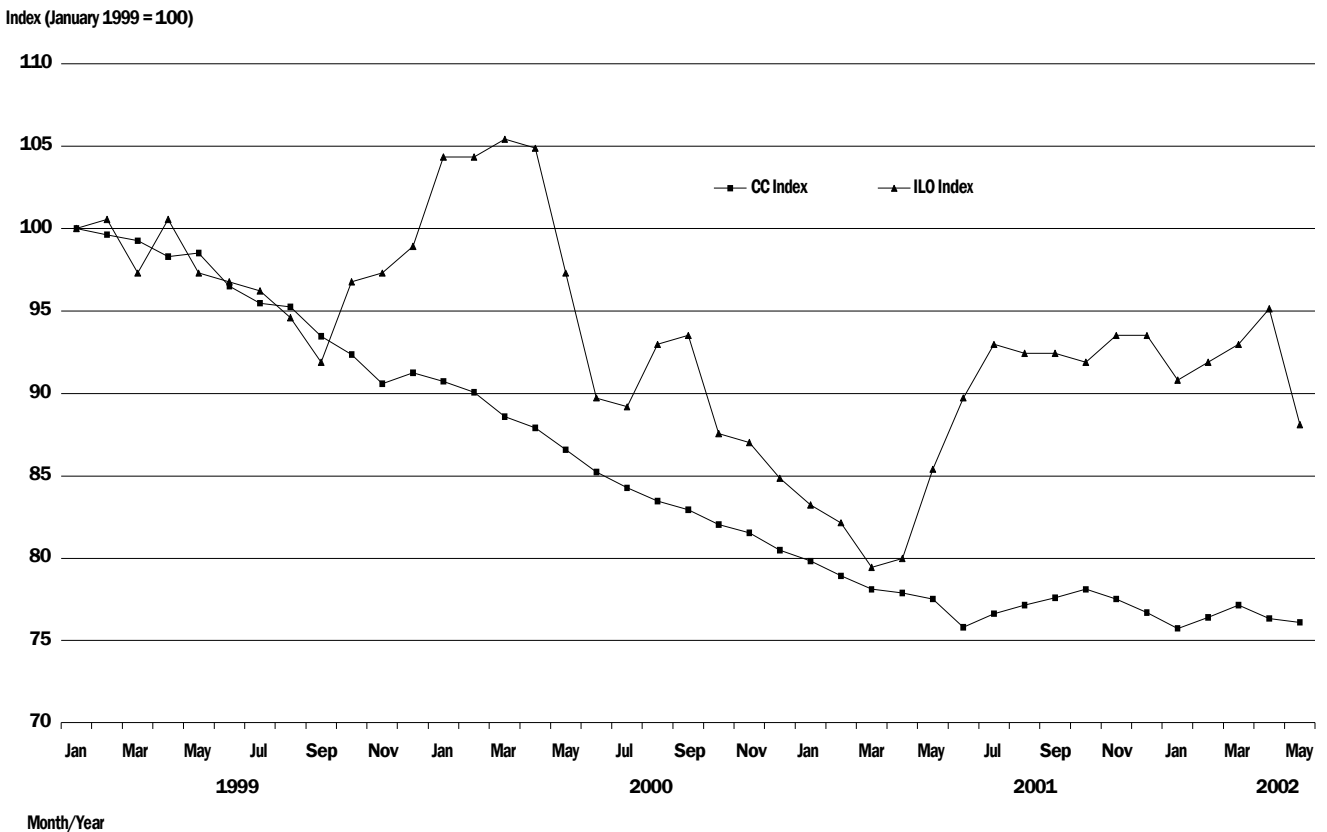
Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC 2000)

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



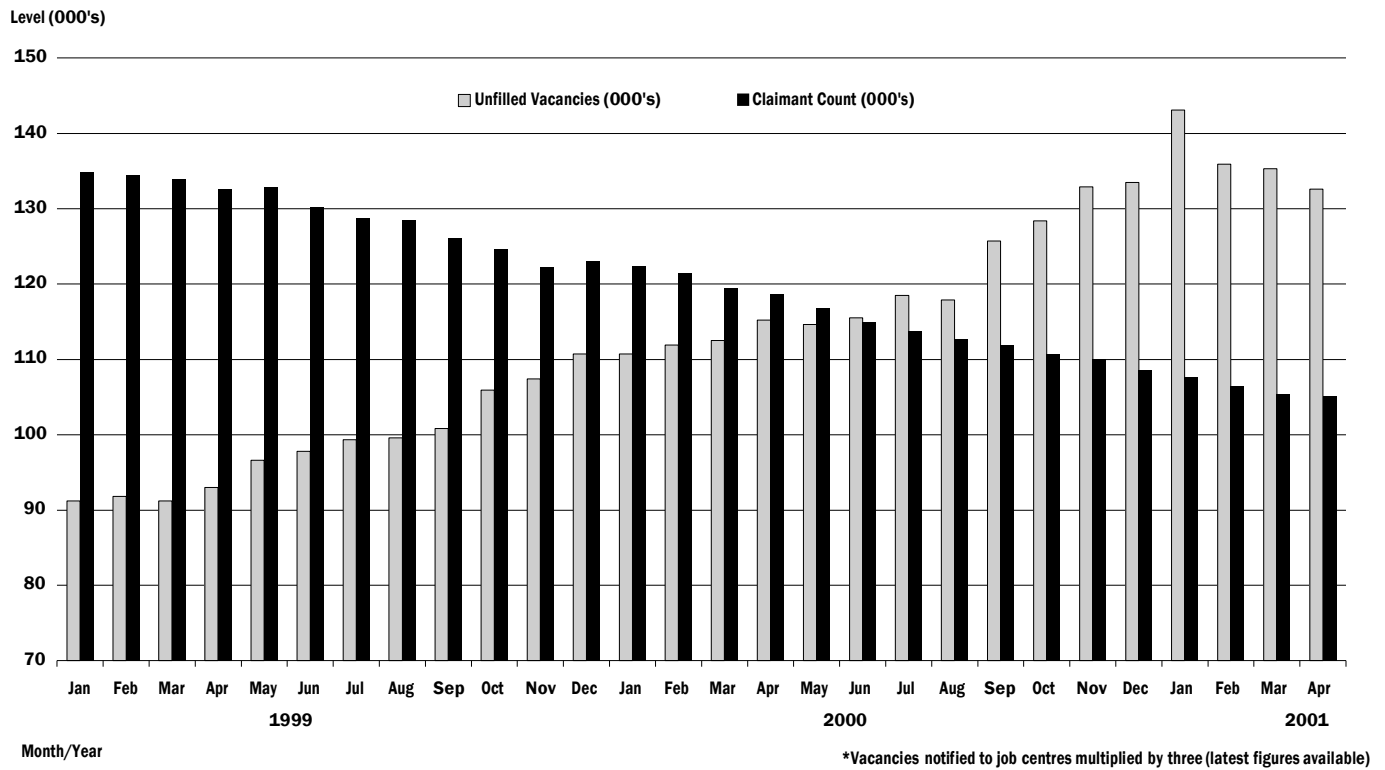
Source: National Statistics (Nomis)

Figure 2: Claimant count and ILO unemployment in Scotland, January 1999 - June 2002



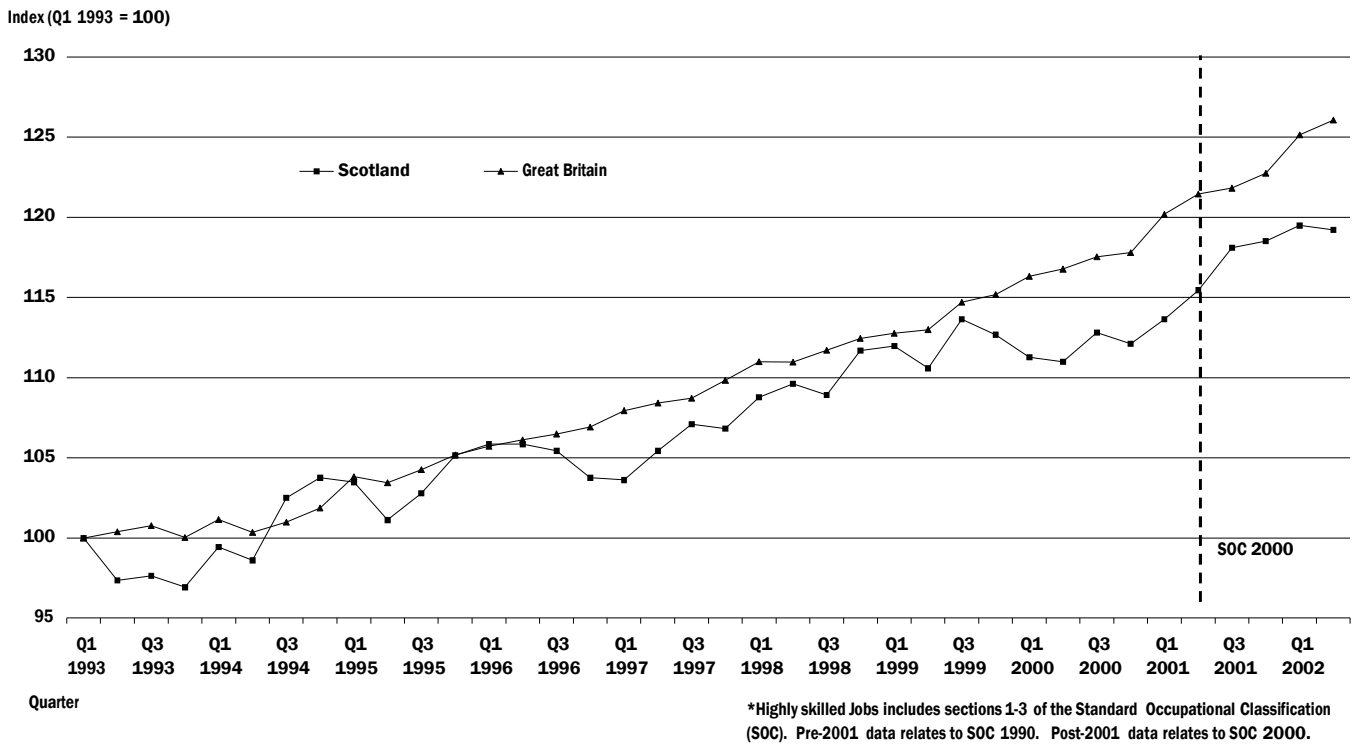
Source: National Statistics (Nomis)

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



Source: National Statistics (Nomis)

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



Source: National Statistics (Nomis)

