Today we released a new report – to be published on a quarterly basis – which aims to provide an accessible summary of trends in the Scottish labour market.

Each quarter the report will provide a short summary of recent developments before discussing two or three issues – e.g. changes in self-employment, the fall in youth unemployment, etc – in greater depth.

It will complement our new-look Fraser Economic Commentary which will also now be published on a quarterly basis, with the next edition published next month.

This blog post provides a quick summary of the key bits of analysis in today’s publication in 6 charts! The full report can be accessed here.

On key indicators, Scotland’s labour market continues to hold up relatively well despite a challenging economic environment.

Employment remains close to record highs – albeit employment fell slightly this quarter (by 12,000), and Scotland’s employment rate remains lower than for the UK as a whole. Over the last year, unemployment fell by 38,000 to 4.7% (for all those aged 16-64) – and is now back to rates close to those witnessed pre-2008.

Employment & Unemployment: Jul-Sep 2016
But the recent fall in unemployment appears to stem, not from people finding work, but from a fall in the number of people actively looking for work and becoming economically inactive.

Remember economic inactivity is the number of people who are out of work but not currently actively looking for work. It includes a broad spectrum of individuals, including students, those in short and long-term ill-health and discouraged workers.

Source: ONS, LFS

This somewhat undermines comments by those (including politicians!) who measure success solely by changes in unemployment and not the overall health of the labour market. We estimate that – compared to the time when we made our last economic forecast in July – had the same number of people who have become inactive moved into unemployment instead, Scotland’s unemployment would be around 6.3% (and not its current rate of 4.7%).

The proportion of people working full-time and the number of hours worked on average has fallen since 2008, while much of the growth in overall employment is driven by increasing numbers of part-time workers. Indeed, 2/3 of the growth in total employment over the last decade has been in part-time employment.

Hours worked & full-time share pre-recession average: 07-08 to 15-16
Scotland’s Labour Market Trends in 6 Charts

Source: ONS, APS

Full & Part-Time Employment: 07-08 to 15-16
So in effect, whilst close to record numbers of people are in work, people on average are working fewer hours. We see similar trends in underemployment with more people tending to report that they would like to work longer hours.

*Underemployment (hrs) rate: 07-08 - 15-16*
Most forward indicators – at least at the UK level – suggest that the outlook for 2017 and 2018 is weaker than it was just 6 months ago.

Arguably, the most significant development over the next few months is likely to be rising inflation. The Bank of England forecast that prices will rise sharply in the months ahead reducing real incomes. With sluggish demand in the near term, this could translate into weak real earnings for those already in work and fewer opportunities for those seeking to gain work.

\textit{CPI based on market interest rate expectations}
Scotland’s Labour Market Trends in 6 Charts

Percentage increase in prices on a year earlier