The unemployment rate among the working age population in Scotland fell to 3.9% in the three months from March to May, the lowest unemployment rate since comparable records began.

In headline terms, the Scottish labour market today looks broadly similar to the same quarter in 2008, as the UK was entering recession (although in 2008 the employment rate was slightly higher and inactivity rate slightly lower than it is today).

The proportion of the employed who work part-time is almost back at pre-recession levels (the part-time employed accounted for 25% of total employment in 2008, rising to 28% during the recession, but now back to 26%).

<table>
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<tr>
<th>Working age labour market statistics, Scotland</th>
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<tbody>
<tr>
<td><strong>Employment rate</strong></td>
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<td>March – May 2008</td>
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<td>March – May 2017</td>
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But underneath these headline figures, substantial changes in the composition of the Scottish labour market are observed.

The employed are more likely to be older now than eight years ago, reflecting demographic change but more particularly changes in employment rates by age group. Since 2008 the employment rate of 18-24s has fallen from 66.6% to 64.5% (reflecting in part greater participation in further and higher education), whilst it has increased from 65.0% to 68.4% among those aged 50-64 (reflecting the increasing State Pension age for women, but also a general trend towards longer lifetime working).

Labour market outcomes have improved for women but deteriorated among men. Male employment has fallen from 79.5% to 77.7%, whilst inactivity has increased (from 17.0%-18.8%) and unemployment has increased marginally (from 4.2% to 4.3%). Female employment has increased (from 70.0%-70.6%) whilst both unemployment and inactivity falling.

The number of people classified as self-employed is now at 326,000, close to a record high. Much media attention has rightly focussed on the recent growth in self-employment, and the
implications for employment rights and tax treatment of the self-employed. But it is worth remembering that self-employment still only accounts for around 12.5% of total employment in Scotland. We should also avoid thinking that the increase in self-employment can be completely accounted for by the rise of new technological platforms in the ‘gig economy’ (Uber, Deliveroo, etc.). In fact, the rise in self-employment is fairly ubiquitous across sectors, and often reflects the decisions of employees in professional occupations to become self-employed in order to achieve greater flexibility in the way they work, often as a way of managing the transition from employment to retirement. And a large proportion of self-employment is still accounted for by agriculture, construction, and trades.

We don’t yet have comprehensive wage data for Scotland in 2017, but by 2016, wages in Scotland remained 3% in real terms lower than they were in 2008.

The continuing weakness of wage growth, despite the low and falling unemployment rate, has been a source of puzzlement to economists in recent years. Low inflation is one contributory factor, and it is also clear that the unemployment rate itself doesn’t tell the whole story in terms of labour-market slack (the economically inactive include individuals who would like to work, but who do not count as technically unemployed because they are not actively seeking work or available for work at a given point in time). More general explanations include technological change, a weakening of labour market regulation and trade union coverage, and a less generous welfare system, which combine to increase labour supply and weaken workers’ bargaining power relative to employers, keeping wage growth in check for a given level of unemployment. It is in this context that yesterday’s Taylor Review into employment practices is important (although whether the review goes far enough is another question).

So although the Scottish labour market on one level looks similar now to it did on the eve of the recession, the nature of work and how it is distributed has been changing. Rising inflation, the uncertain implications of the Brexit negotiations, and real terms increases in the National Living Wage will undoubtedly influence future trends in unemployment and wage growth, but in precisely what way remains unclear.

In a future FAI blog, we will consider how employment has changed by occupation and industry since the recession.