

On Friday, we published the latest edition of our new quarterly publication – Labour Market Trends – with our colleagues in the Scottish Centre for Employment Research.

The aim of the report is to highlight recent developments in the Scottish labour market and to bring to the fore some of the structural issues that underpin long-term trends in employment, unemployment and activity levels in Scotland.

This quarter we highlight a number of important issues, including the recent rise in inactivity and the uncertainty surrounding interpreting changes in the key headline employment and unemployment data for Scotland.

One area we examined in detail was how each local authority area in Scotland has performed since the start of the Great Recession. What is striking is the degree of variation across the country. Whilst Scotland has yet to recover fully all the jobs lost since its pre-financial crisis peak in 2007-08, some local authority areas have been able to bounce back relatively strongly. But others – most notably those local authority areas outside of Scotland’s major cities – have been unable to make up the ground lost.

Scotland since the Great Recession

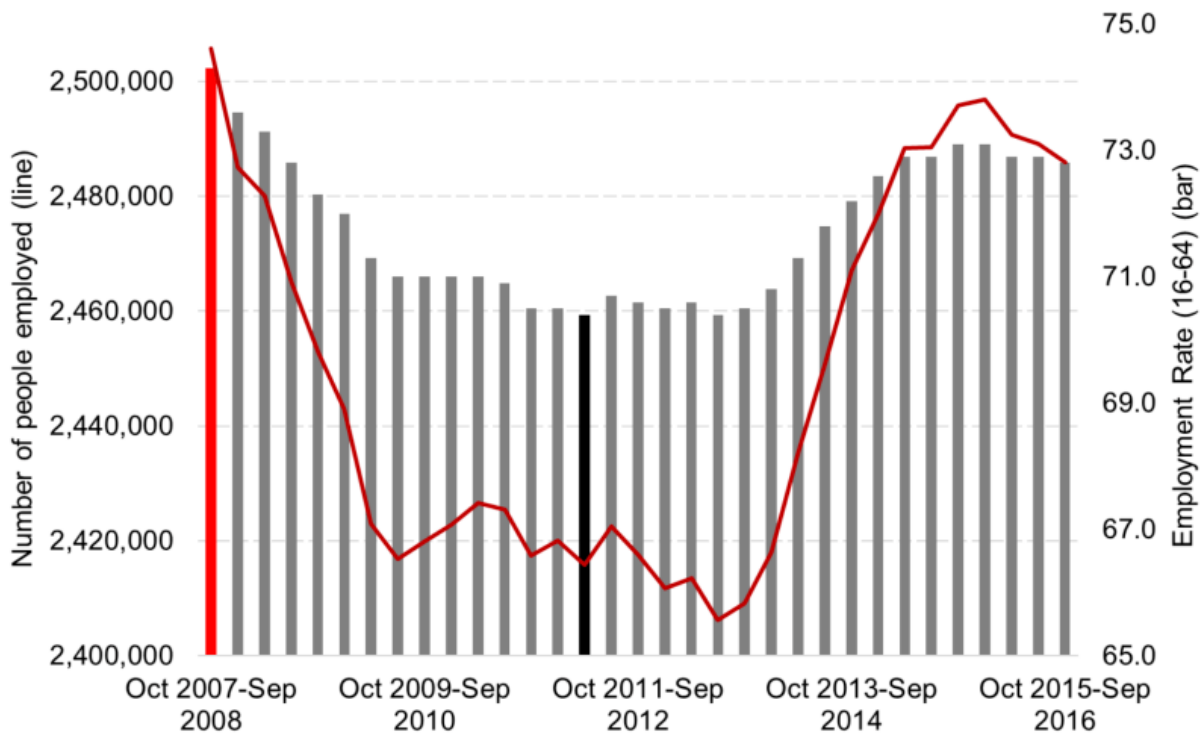
Total employment (amongst those aged 16-64) in Scotland peaked at 2,505,700 in the year to September 2008. It then fell to 2,406,300, in the year to June 2013 – a loss of around 100,000 from employment.

Since then, there has been a gradual recovery.

However as the chart below highlights, both the employment rate (as measured by the bars and the right-hand axis) and the level of employment (as measured by the line and the LHS axis) in Scotland have yet to fully surpass their pre-recession highs.

Peaks, troughs and recoveries in Total Employment (line) and Employment Rate (bar), ages 16-64

Scotland



Source: APS, January 2017

Differences across local authorities

This national picture hides a great deal of variation by local authority area. N.B. This analysis uses residence based employment data.

Some areas have coped relatively well with the recession, either by being relatively resilient to the downturn itself or bouncing back strongly once demand returned.

For example, between 2007-08 and 2012-13, Glasgow is estimated to have lost around 20,000 jobs (around 1/5 of the jobs lost in Scotland as a whole). But since then, and using the latest data which covers the year to September 2016, it has regained nearly 30,000 jobs. Therefore, in 'net' terms it lies ahead of its pre-recession peak.

But other local authority areas have not been so fortunate.

The following chart requires a bit of explaining!

Each dot represents one of Scotland's 32 local authority areas.

The horizontal axis measures the percentage change in total employment in the 16-64 age group between when Scotland's employment peaked prior to the Great Recession (the year to September 2008) and when it hits its lowest point (the year to June 2013).

So if a country lies to the left of the vertical axis it means that jobs were lost; if it lies to the right then it gained jobs.

The vertical axis can be interpreted in exactly the same way, but this time it measures the percentage change in total employment between when Scotland's employment peaked prior to the Great recession (the year to September 2008) relative to today (the year to September 2016). So a local authority that lies above the horizontal axis has more people in employment now than in 2008; if it lies below then it has lost jobs.

Comparison of the % change in Employment in 2013 vs 2008 and in 2016 vs 2008, by Local Authority

But the chart also shows that a number of local authority areas have not made it back to the levels they had when Scotland was at its pre-recession peak. Eighteen local authorities, more than half, experienced i) a decline in total employment between 2008 and 2013; and ii) have yet to show a full recovery in the most recent data. Of the eighteen local authorities, six have at least briefly recovered to their 2008 level of employment at some point during Scotland's recovery phase, but have subsequently slipped back.

Again what is quite interesting is that - with the exception of Dundee - most of these local authority areas are in more rural communities.

Clearly individual local authorities will have their own peaks and troughs - and this will change the individual rankings - but taking Scotland as the benchmark provides a degree of uniformity in comparisons. Overall, the key conclusion that there has been a significant variation in local area outcomes since the recession still holds.

What explains this relative performance difference? Some of the variations will be explained by how the recession affected the types of jobs and sectors that people in particular areas work in. It will also be driven by the extent to which a particularly large employer in a local area was impacted.

But some of it is undoubtedly likely to reflect a general resilience of local economies more generally. It is perhaps not too surprising that some of the more fragile economies in areas such as East Ayrshire, North Ayrshire, Argyll & Bute and other more sparsely populated communities have been impacted more severely.

We also know that local authorities also engaged in different policy responses to the recession, although we are not aware of how much evaluation and comparison has been undertaken of these measures.

If the government wishes to deliver sustainable inclusive growth across all of Scotland then a better understanding of which policies work and which don't is needed