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A nighttime photograph of the Glasgow Science Centre and the Glasgow Shipyard crane, reflected in the River Clyde. The scene is illuminated by city lights, creating a vibrant reflection on the water. The crane is a prominent black silhouette against the dark sky, while the modern buildings of the Science Centre are lit up with warm yellow and green lights.

Fraser of Allander Institute & Scottish Centre for Employment Research **Scottish Labour Market Trends**

Vol 1 No 2



The Fraser of Allander Institute (FAI) is Scotland's leading economic research institute with over 40 years of experience researching, analysing and commentating on the Scottish economy. The FAI undertakes a unique blend of cutting-edge academic research alongside applied commissioned economic consultancy in partnership with business, local and national government and the third sector.

The Scottish Centre for Employment Research (SCER) has an international reputation for high quality research and knowledge exchange on work and employment. SCER works collaboratively with academic, policy and practitioner stakeholders to generate high impact research that delivers shared benefit. The Centre has particular expertise in supporting workplace innovation, job quality and fair work, key priorities for Scotland.

Labour Market Trends is jointly produced by the FAI and SCER and aims to shed light on key developments in Scotland's labour market. Alongside a summary of recent trends and the future outlook, the report also highlights longer trend developments and areas for discussion.

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Need to know

- Overall, the Scottish labour market continues to hold up relatively well with the Scottish employment rate within around a percentage point of its historical high. At the same time, Scottish unemployment at 4.9% is virtually identical to the UK rate of 4.8%.
- However, Scotland's performance has undoubtedly weakened over the last year.
- Since publication of our first Labour Market Trends report last autumn, the emerging data continues to show the Scottish economy growing at a much slower pace than the UK as a whole. Over the year to September 2016, Scotland's growth rate was just 1/3 that of the UK.
- The ongoing slowdown in the North Sea is clearly a factor, but a general sense of fragile demand across the economy is increasingly apparent. Levels of consumer confidence have been negative for around a year.
- The relatively disappointing growth figures have started to feed through to the labour market – albeit not as significantly as might be expected.
- Employment in Scotland is down 20,000 over the year, largely driven by a fall in full-time work.
- Unemployment is also down over the year by 27,000. However, this is not from people securing employment but because of a sharp rise (+59,000) in the level of inactivity– i.e. people not actively seeking work.

Key Headline Labour Market Indicators: Oct – Dec 2016

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
Scotland	73.6	4.9	22.4
England	74.9	4.8	21.2
Wales	72.7	4.4	23.8
N. Ire	70.0	5.3	25.9
UK	74.6	4.8	21.6

Source: ONS, Feb Labour Force Survey

- Over time, Scotland has actually lost some ground on the UK in terms of labour market outcomes. For example, Scotland entered the global financial crisis with a better employment rate than the UK, but the UK has since bounced back more strongly and is now ahead.
- Regional differences within Scotland are also apparent, with over half of Scottish local authorities still with a lower level of employment than they had back in 2007-08.
- With the Scottish Government's budget now increasingly tied to how well Scotland's economy performs relative to the UK, catching up with the UK must be a key priority for government.

Summary

Since our last publication in November, we have continued to see a mixed bag of economic statistics for Scotland.

Over the final 3-months of 2016, employment rose by 8,000. However, there was also a rise in unemployment of 6,000. With a workforce of over 2.6 million, we would caution against reading too much into such small changes.

Greater insight can come from looking at trends over a longer time-period. And here some interesting results emerge.

Overall, Scottish employment and unemployment rates are not too far from their best ever rates. Scotland's employment rate peaked at 74.9% in 2007, whilst unemployment hit a series low of 4.0% in early 2008. The current rates of 73.6% and 4.9% respectively, are not too far away.

But there are now 20,000 fewer people in employment in Scotland than a year ago. And whilst there are also 27,000 fewer people unemployed, this has been driven by an increase of nearly 60,000 in the number of people classified as economically inactive.

As we highlight in the report, there has been a rise in the number of people reporting their reason for not looking for work as being 'long-term sick'.

In addition, it would appear that the UK has bounced back more strongly from the financial crisis than Scotland.

Within Scotland, there is also evidence of significant divergences by region. Under the most recent data, around half of all local authority areas have not made up the jobs lost as a result of the financial crisis.

With £11bn of devolved income tax revenues now dependent upon how well the Scottish labour market performs, just doing enough is not sufficient. The new fiscal framework is

centred upon relative Scot-UK economic performance, which makes closing the gap with the UK crucial.

The longer the fragility in the Scottish economy continues, the more important it is for both governments to set out clear policy actions to boost growth and create jobs. New strategy documents, action plans, agency reviews and ambitions for 'inclusive growth' can only take you so far.

One area where government can make a difference is in the quality of the labour market data for Scotland.

A call for improvements in the quality of economic statistics may (!) sound boring, but the current uncertainties around the numbers – even for headline employment and unemployment – are so large that they must always be taken with a pinch of salt.

For example, the 95% 'confidence interval' for Scotland's unemployment rate – i.e. the range within which we can be 95% certain that the 'true' value lies within – is ± 0.8 percentage points. So in other words, the current unemployment rate in Scotland could lie anywhere between 5.7% and 4.1%! This makes identifying any changes from quarter-to-quarter fraught with difficulty.

If the Scottish (and UK) governments are serious about understanding long-term labour market issues – and devising appropriate policy responses – then it is essential that the quality of the statistics be improved.

Fraser of Allander Institute &
Scottish Centre for Employment Research
17th February 2017

Overview and Analysis

The latest (February 2017) data confirm a slight weakening in Scotland's labour market over the course of 2016. Whilst the Scottish economy has continued to grow, the low levels of economic growth that we have seen have failed to generate sufficient demand to support higher employment. Scotland now lags the UK on all three key indicators.

Table 1: UK labour market, Oct -Dec 2016

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
Scotland	73.6	4.9	22.4
England	74.9	4.8	21.2
Wales	72.7	4.4	23.8
N. Ire	70.0	5.3	25.9
UK	74.6	4.8	21.6

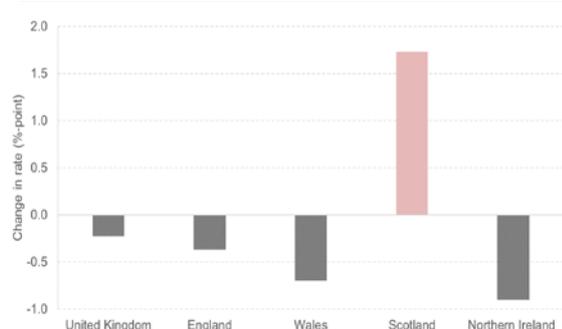
Source: ONS, Labour Force Survey

Chart 1: Scottish employment & unemployment



Source: ONS, Labour Force Survey

Chart 2: Inactivity in the UK – change over year



Source: ONS, Labour Force Survey

Introduction

There is no doubt that the Scottish economy continues to remain fragile. Growth has been around 1/3 that of the UK rate for the past 18 months.

It is therefore no surprise that the Scottish labour market has weakened over the last year.

Employment is down 20,000 over the 12 months to the end of 2016 and the Scottish employment rate of 73.6% is now a full percentage point lower than the UK rate of 74.6%.

But as Chart 1 highlights, employment in Scotland is not far off its pre-financial crisis peak and, on balance, the labour market has held up well given the scale of the growth gap with the UK.

One key feature that continues to come through strongly from the data is that whilst unemployment has fallen sharply over the last 18 months, this continues to be driven – not by people finding work – but by a rise in levels of economic inactivity.

Indeed, Scotland is the only nation of the UK to see a rise in inactivity over the last year.

While some forward looking indicators – such as the RBS Business Monitor – point to a more positive outlook for early 2017, others – including measures of consumer confidence – paint a less positive picture.

Table 2: Annual change in Scot employment Q4 16

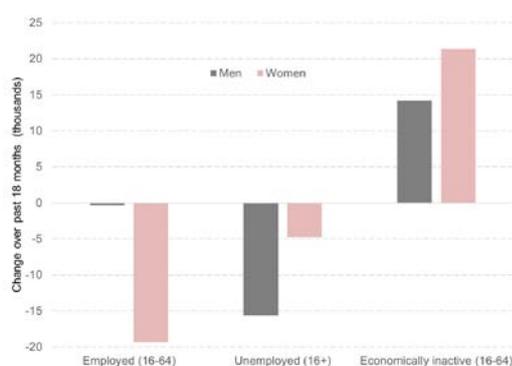
	Full-time	Part-time	With 2nd jobs
Level	-18,600	+3,600	-12,900
Change %	-1.0%	0.5%	-14.0%

Source: ONS, NSA, Labour Force Survey

Table 3: Reasons for temporary working Q4 16

	Total	Could not find permanent job	Did not want permanent job
Change on year	-13,200	-14,800	-400
Change %	-9.8%	-28.8%	-1.1%

Source: ONS, NSA, Labour Force Survey

Chart 3: Changes for men and women

Source: ONS, Labour Force Survey

Table 4: UK regions and nations

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
North East	70.3	7.0	24.3
North West	73.0	5.0	23.0
Yorkshire	73.5	5.0	22.5
E Midlands	75.7	4.7	20.5
W Midlands	72.2	5.9	23.1
East	76.7	4.4	19.6
London	73.7	5.5	21.9
South East	78.6	3.4	18.7
South West	77.5	3.6	19.5
Wales	72.7	4.4	23.8
Scotland	73.6	4.9	22.4
N. Ireland	70.0	5.3	25.9

Source: ONS, Labour Force Survey

Wider Indicators of Labour Market

Of the fall in employment over the year, supplementary data published by the ONS – not seasonally adjusted – appears to suggest that the bulk of the decrease has come from a fall in full-time employment (Table 2).

As we discussed in November, whilst employment has held up relatively well in recent years, the number of hours worked has fallen – with rising underemployment and part-time work. This explains, in part, why productivity in Scotland (as measured by output per hour worked) was reported this month to have risen sharply in 2015.

At the same time, there has been a fall in people with second jobs, although this series can be volatile. There has also been a fall in temporary work (Table 3), the majority of which are seeking permanent positions.

In November, we outlined how much of the sharp increase in inactivity over the past 18 months was driven by rising female inactivity. However more recently, male inactivity has risen whilst male unemployment has fallen (Chart 3). Therefore, the evidence suggests that the recent weakening in the labour market is not restricted to one particular group or sector.

Most economists typically compare Scotland's labour market – and economic performance – to that of the UK. It is also interesting however, to contrast Scotland with other parts of the UK (Table 4). The North East has the highest unemployment rate – at 7% - in the UK. This is almost double the unemployment rate in the South East.

Overall, Scotland currently ranks in the middle of UK regions and nations. In recent years, Scotland had been one of the better performers in the UK. For example in 2007, Scotland was ranked 4th in terms of employment (just behind the S East, S West and East of England).

Chart 4: Employment Rate change Scotland & UK

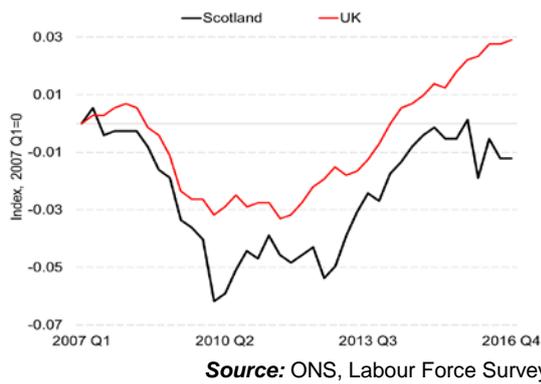


Chart 5: Employment rate Scotland and UK

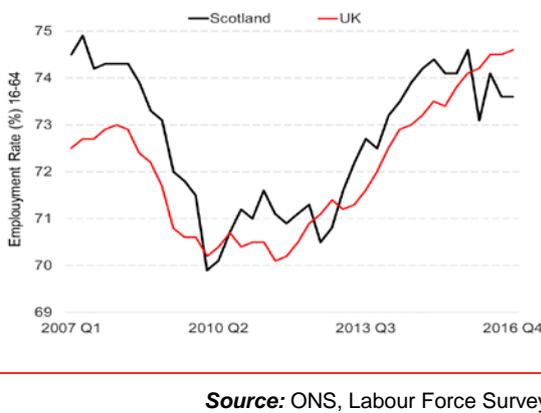


Chart 6: Employment rate change by gender

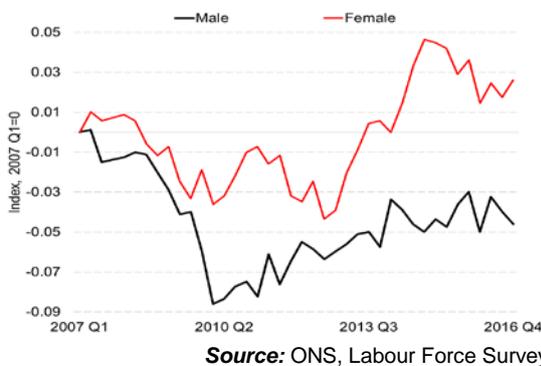
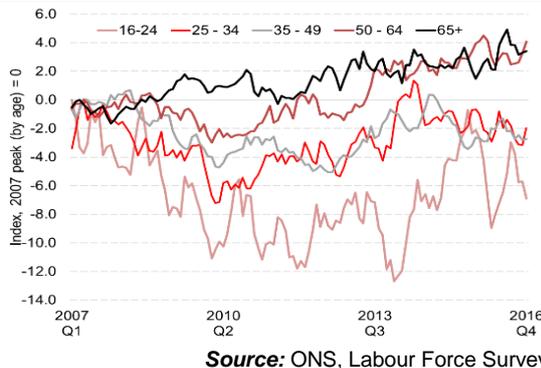


Chart 7: Employment rate change by age band



Performance since the financial crisis

One reason for this slip in rankings is that whilst Scotland entered the financial crisis in a relatively healthier labour market position than the UK as a whole, it has not bounced back to the same extent.

Back in 2007 Q1, Scotland's employment rate was a full 2 percentage points higher than the UK as a whole.

But as Chart 4 shows, relative to that initial starting point, Scotland experienced a greater shedding of jobs during the downturn and is currently below its pre-recession peak. In contrast, the UK is now back above its own pre-financial crisis peak.

This trend still holds when accounting for Scotland's relatively stronger starting position in 2007 (Chart 5) although clearly the gap is smaller. Here we see that the main differences is that, unlike the UK where employment rates have continued to rise recently, in Scotland they have remained relatively flat over the last year to 18 months (and have actually fallen slightly).

One reason why Scottish employment rates have not recovered as much is the relatively weak performance of male employment. Female employment is – despite some volatility – now higher than its pre-financial crisis level.

Of the different age groups, employment rates amongst older workers have increased – both in terms of those aged 50-64 and 65+. This has not been the case for most young workers. This ageing of the workforce is likely to be part of a more sustained trend and raises some important issues about the long-term structure of the labour market, and the potential implications for young people seeking work.

Table 5: Sampling variability (95% Confidence Intervals) of LFS estimates: Oct-Dec 2016

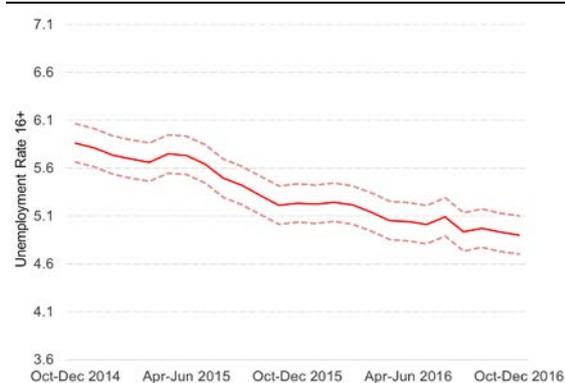
	Employment (16+)	Unemployment (16+)	Inactivity (16-64)
Scot	±53,000	±22,000	±61,000
UK	±175,000	±74,000	±154,000

Source: ONS, Labour Force Survey

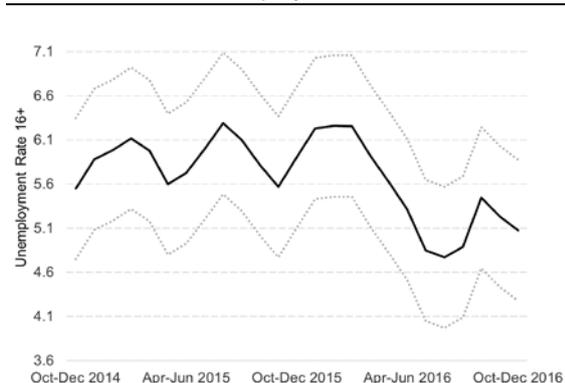
Table 6: Sampling variability (95% Confidence Intervals) of LFS rates: Oct-Dec 2016

	Employment rate (16-64)	Unemployment rate (16+)
Scot	±1.5%	±0.8%
UK	± 0.4%	± 0.2%

Source: ONS, Labour Force Survey LFS

Chart 8: UK unemployment rate with 95% CIs

Source: ONS, Labour Force Survey

Chart 9: Scottish unemployment rate with 95% CIs

Source: ONS, Labour Force Survey

Accuracy of the statistics

The labour market statistics for Scotland and the UK outlined in the preceding pages are based upon surveys of the labour force.

Surveys gather information from a sample rather than the whole population. As a result, the statistics are estimates, not precise figures. This means that they are subject to uncertainty – the key question is how much uncertainty?

Unfortunately, in the case of Scotland the level of uncertainty around the statistics is particularly large.

Tables 5 and 6 highlight the range of uncertainty (also called “sampling variability”) by defining a range around the estimate (known as a “confidence interval”) within which the real value that the survey is trying to measure lies.

Confidence intervals are defined so that we can say we are 95% confident the true value lies within that range.

Scotland’s unemployment rate is currently 4.9%. So the 95% confidence interval of +/- 0.8 percentage points means that we can only be 95% confident that the true unemployment rate is somewhere between 4.1% and 5.7%.

Or to put it another way, with unemployment at 135,000, the confidence intervals suggest that we can only be 95% confident that the true value lies somewhere between 157,000 and 113,000. As a result, changes like this month’s figures of a rise of 6,000 are well within the margin for statistical error.

As Charts 8 and 9 show the width of these confidence intervals – i.e. the size of the uncertainty – is much greater for Scotland than it is for the UK.

Outlook

The outlook for the UK economy is markedly stronger than anticipated six months ago.

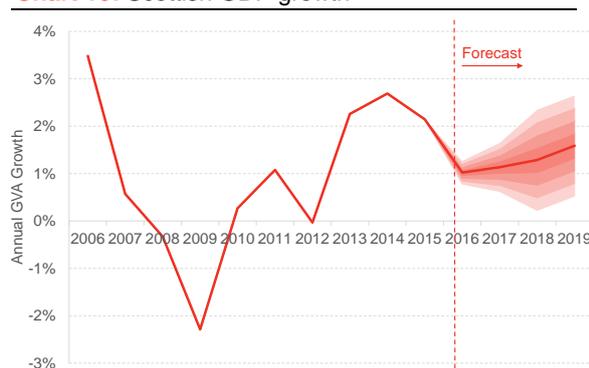
UK quarterly growth, according to the preliminary ONS estimate, was 0.6% in Q4 2016, the same as in Q3. Survey evidence tends to suggest that the UK economy will continue to grow at a healthy – albeit slower – pace at least for the three months of 2016.

Consumption continues to underpin this robust growth, although this is expected to fall back as higher import prices act as a drag on households' purchasing power. UK CPI hit a two and a half year high of 1.8% in January. Housing market activity and business investment, whilst more resilient than expected, continue to remain relatively subdued.

The key unknown remains Brexit, and in particular the potential headwinds that may emerge once the UK Government triggers Article 50 in March.

The outlook for the Scottish economy is less buoyant. Growth is expected to remain below trend up to 2019.

Chart 10: Scottish GDP growth



Source: FAI, Economic Commentary Dec 2016

Our latest nowcasts predict growth of 0.38% in Q4 2016 and 0.40% in Q1 2017. This suggests growth of around 1% in 2016, in line with our post-Brexit forecast.

In the near term, employment growth in the UK is projected to slow. The Bank of England forecasts UK unemployment to rise slightly to just over 5%

The main forward-looking indicator in Scotland is the IHSMarkit Report on Jobs – see [here](#). The most recent edition reported that the end of 2016 and start of 2017 has been relatively weak in terms of new staff placements.

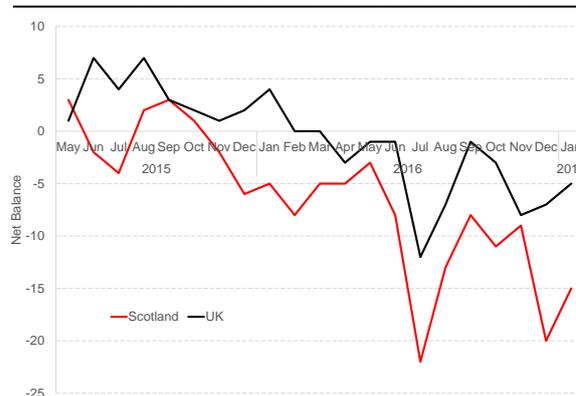
Table 7: Permanent staff placements

50 = 'no change'	Scotland Index	UK Index
2016		
Oct	49.8	54.6
Nov	49.1	55.6
Dec	45.6	55.2
Jan	45.7	54.5

Source: IHS Markit

Consumer confidence levels in Scotland also point to a relatively fragile outlook for employment in Scotland with levels of confidence negative and below the UK.

Chart 11: Consumer confidence Scotland and UK



Source: GfK Research

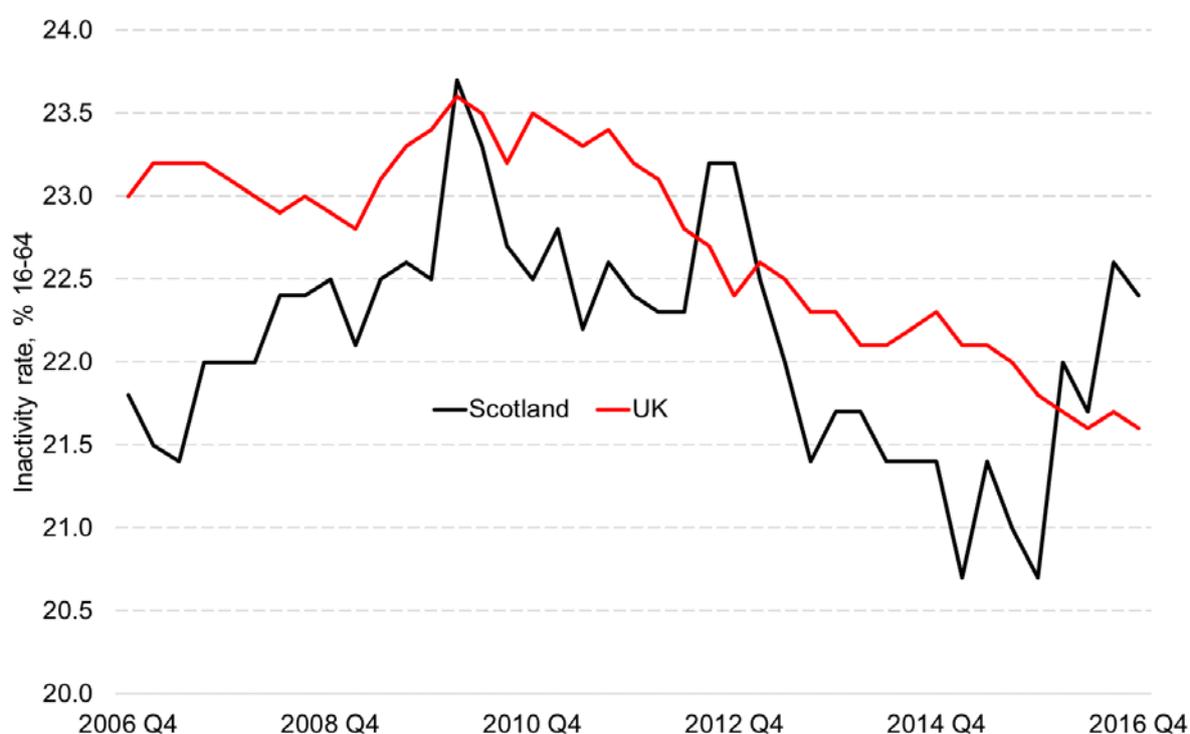
On balance, there is little evidence that there will be a dramatic turnaround in the Scottish labour market – in either direction – in the coming months with employment and unemployment likely to remain relatively flat.

LABOUR MARKET INSIGHTS

Examining recent trends in inactivity in Scotland

One of the most interesting developments in Scotland's labour market figures recently has been the uptick in the rate of inactivity among those aged 16-64 (see Chart 1). Note, in this section when disaggregating the inactivity data we rely upon the LFS microdata, the latest version which is available provides data up to 2016 Q3, one quarter earlier than the aggregate data used in the main outlook section above and used in Chart 1 here.

Chart 1: 16-64 inactivity rate, Scotland and UK



Source: LFS, Q4 2016

Granted, inactivity remains below its peak during the recession, but what is driving these changes?

In a labour market sense, the 'inactive' category is used as a bit of a catch-all term to describe anyone who is neither in work nor actively seeking or immediately available for work.

There are therefore a number of explanations as to why any one person might be inactive. Some of these may be a concern, others less so.

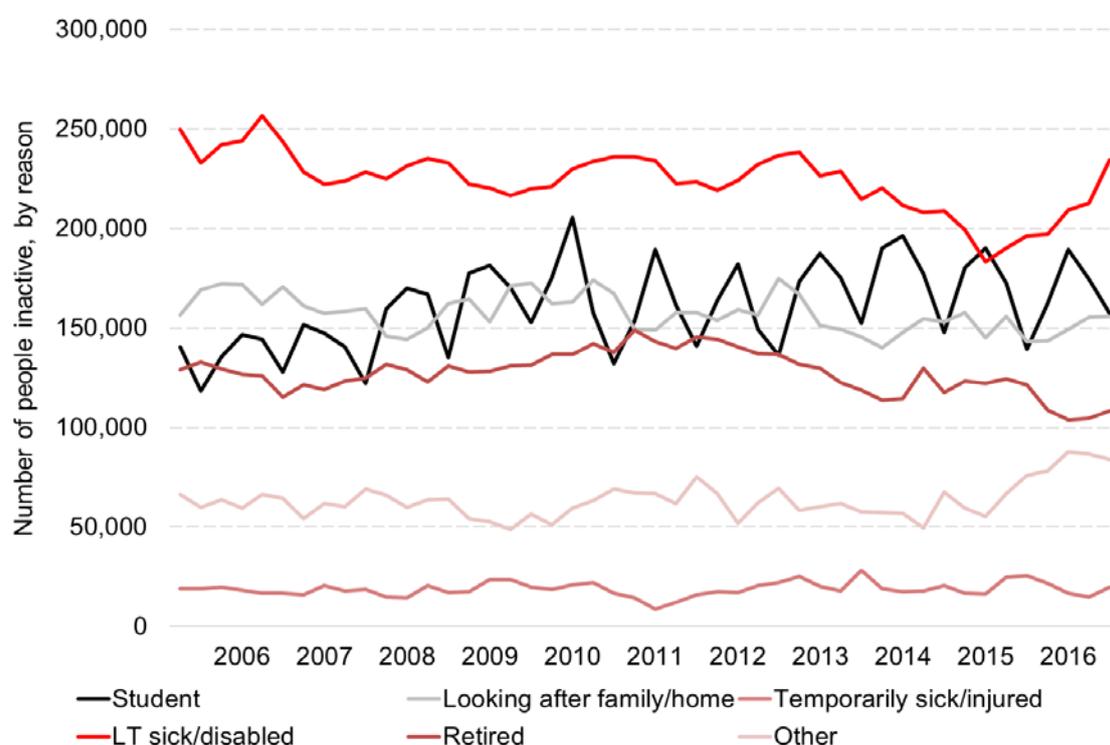
The economically 'inactive' includes people who are not available or seeking work or who are studying; because they are sick or injured, because they have caring responsibilities, because they have retired. The category also includes people who simply do not want to work, or do not want to look for work.

Chart 2 shows how the numbers in each of these categories have evolved in Scotland since 2006.

A few points emerge:

- The number of those aged 16-64 who are retired has been falling in recent years, largely reflecting increases in the State Pension age for women;
- The numbers who are inactive because they are either 'looking after the family home' or 'temporarily sick or injured' has remained broadly unchanged;
- The number of those inactive because they are studying is highly seasonal (demonstrating why statisticians tell us to compare a given month or quarter with the same month or quarter the preceding year, rather than comparing consecutive months/quarters). But the general trend indicates no major change since 2010.

Chart 2: Inactivity by reason - Scotland



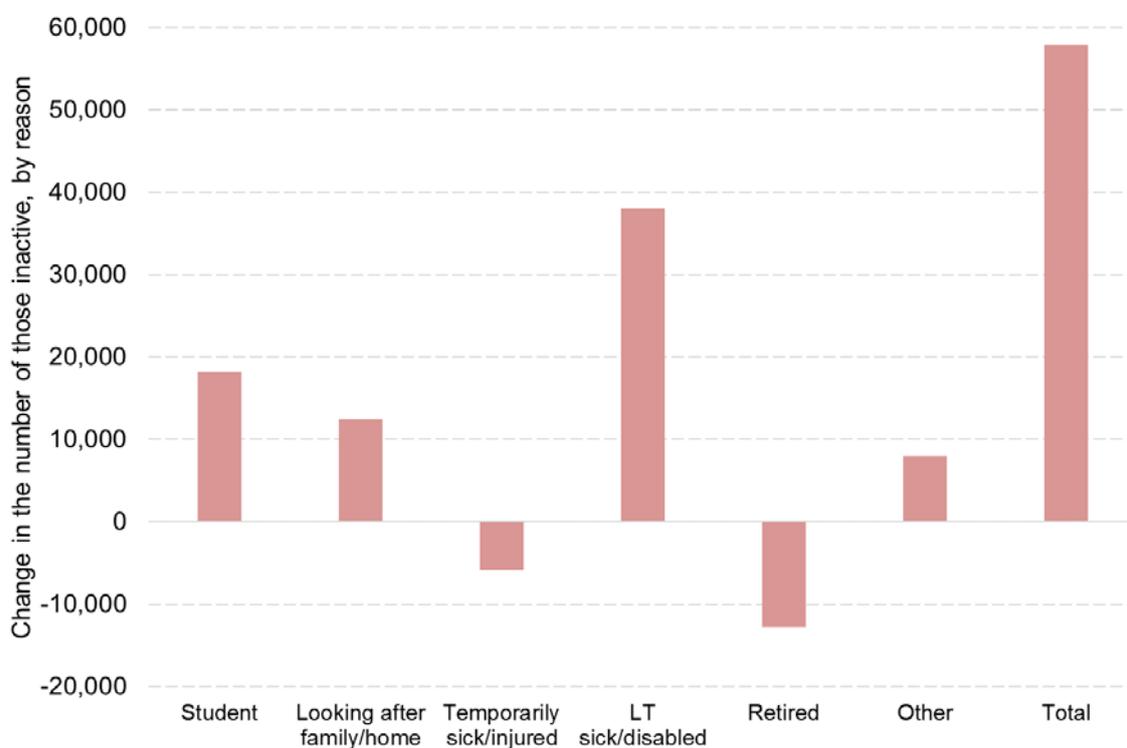
Source: LFS, Q3 2016

In terms of the increase in inactivity, this appears to have been driven by two categories:

- After having reached a historic low in early 2015, the number of those aged 16-64 who are inactive because they are long-term sick or disabled increased gradually throughout 2015, and then increased rapidly during 2016. By the end of 2016 there were 227,000 in this category, compared to 197,000 the same quarter in 2015.
- The number in the 'other' category increased by around 30,000 between Q1 2015 and Q1 2016, and has remained broadly unchanged since then. Unfortunately the data itself does not reveal too much more about why this increase occurred – there is some evidence of an increase in the number who say they do not need or want employment, but there has also been an increase in the number who give no specific reason for their labour market status.

Chart 3 compares the numbers in each category during the past year, specifically Q3 2016 with Q3 in 2015. Falls in the number of retirees and the number who are temporarily sick are small in comparison to a relatively large increase in the number of people who are inactive because they are long-term sick or disabled.

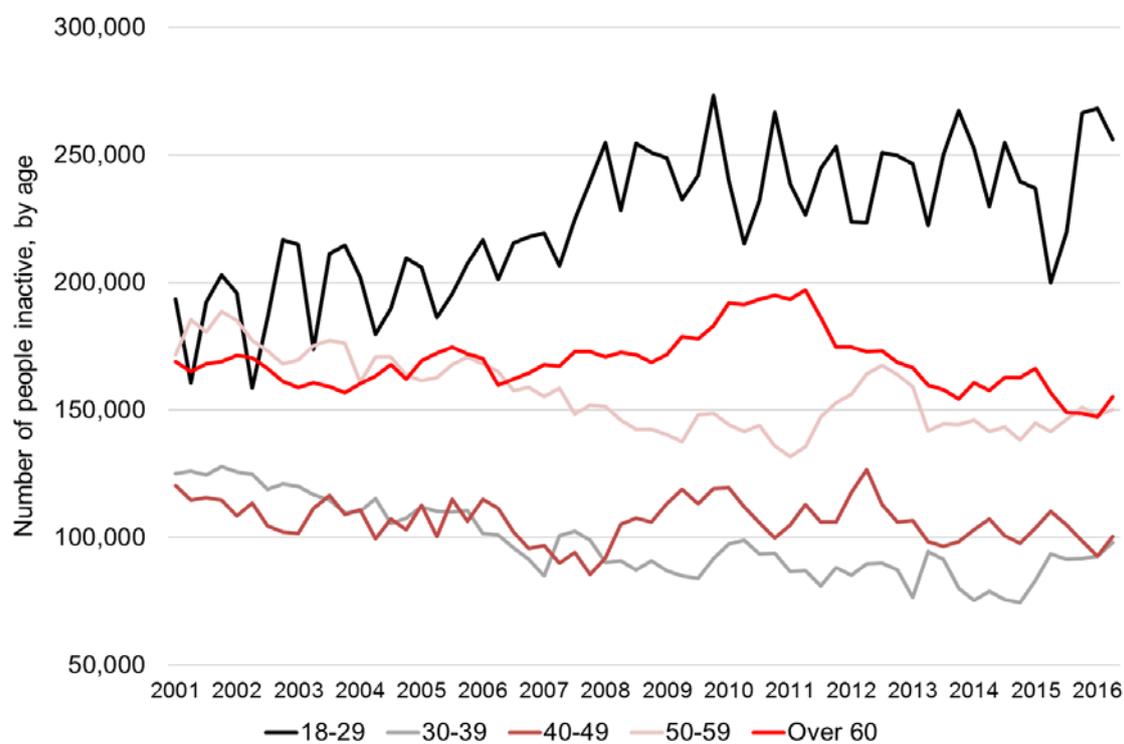
Chart 3: Inactivity change in last year



Source: LFS, Q3 2016

What about changes in activity by age? This is shown in Chart 4. This suggests that most of the increase in inactivity in 2016 has been concentrated among those aged under 40.

Chart 4: Inactivity by age in Scotland



Source: LFS, Q3 2016

For those aged 18-29, inactivity was around 30,000 higher in both Q1 and Q2 2016 than in the same quarter the year previously. Comparing the third quarter of 2016 with the same quarter in 2015 would give the result that inactivity among this group is around 56,000 higher now than a year ago, although the 2015 number does look a bit of an outlier in the context of the recent data.

Why has inactivity increased among those aged 18-29 between 2015 and 2016?

The data suggests that there are a number of explanations. Of perhaps greatest concern is the apparent increase in the number of 18-29 year olds who cite long-term health issues in explaining their labour market status. The number of 18-29 year olds in this category has increased in five consecutive quarters since Q2 2015, peaking at 29,000 by Q3 2016.

It is no consolation, but the rise in the number of young people in Scotland who are long-term sick mirrors a broader trend in the UK as a whole. In its latest Welfare Trends Report, the Office for Budget Responsibility notes that 'the rising prevalence of mental health conditions and learning difficulties, particularly at younger ages, has been an important driver of the rising disability benefits caseload'. See: http://budgetresponsibility.org.uk/docs/dlm_uploads/Welfare-Trends-Report.pdf.

In a few years, the Scottish Government will have responsibility for designing and delivering the system of disability benefits in Scotland. But the broader set of social security benefits for working age people in Scotland – including benefits for those who are temporarily ill such as Employment and Support Allowance (ESA) – and the conditionality and sanctions associated with those benefits, will remain reserved to Westminster.

Recent increases in the number of those aged 16-64 who are economically inactive because they are long-term sick or disabled is clearly a cause for concern. It is not yet known whether it is a trend that will continue, stabilise or reverse in the coming months. But it is an issue that needs to be monitored closely, alongside the standard reporting of headline employment and unemployment statistics.

Examining the differential impacts of the Great Recession and subsequent recovery across Scottish local authority areas

In this short article, we look at how employment data for Scotland as a whole and for each Scottish local authority area has evolved over the key periods of the post financial crisis decline and subsequent recovery. We do so to draw attention to the considerable diversity in the experience of Scotland relative to the rest of the UK and across local authority areas within Scotland.

As explained in our [‘Guide to Scottish Labour Market Statistics’](#) in the first issue of Labour Market Trends, there is a distinction between data from the Office of National Statistic’s Labour Force Survey (LFS), and that from the Annual Population Survey (APS). While the LFS data is the most regularly cited source of employment data, with figures now available up to the final quarter of 2016, the APS data are constructed from a larger survey so are better suited to analysis of more detailed breakdowns. Hence, in what follows we focus on APS data, rather than data from the LFS. The numbers cited here will differ slightly from those in the outlook section above.

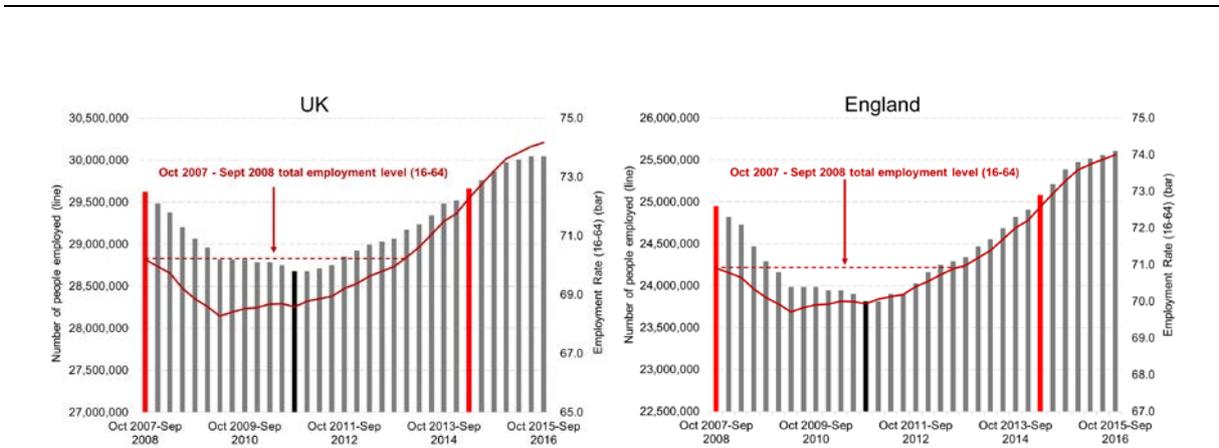
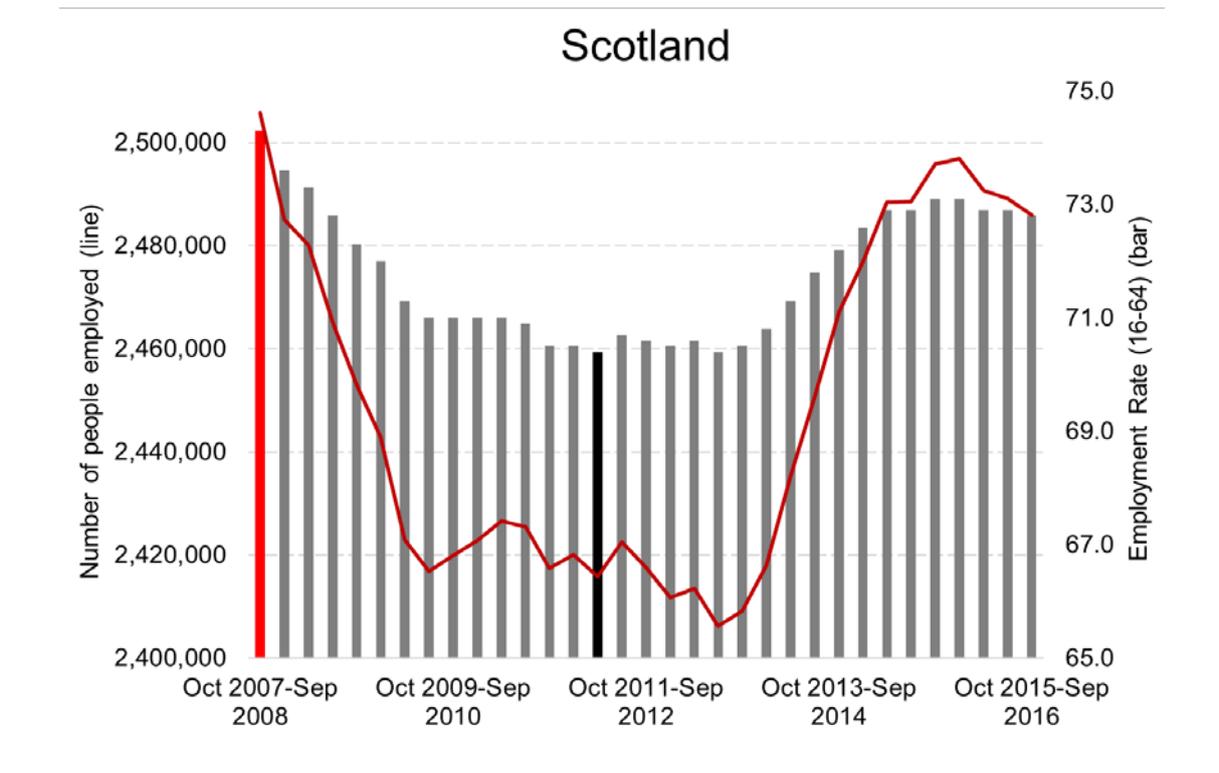
We specifically focus on changes that occurred between i) the 2008 pre-crisis peak in Scotland’s total employment of those aged 16-64 and the subsequent trough, reached in the year to June 2013; and ii) through the subsequent recovery, which we track using the most recent APS data available, up to the latest available data for the year ending September 2016.

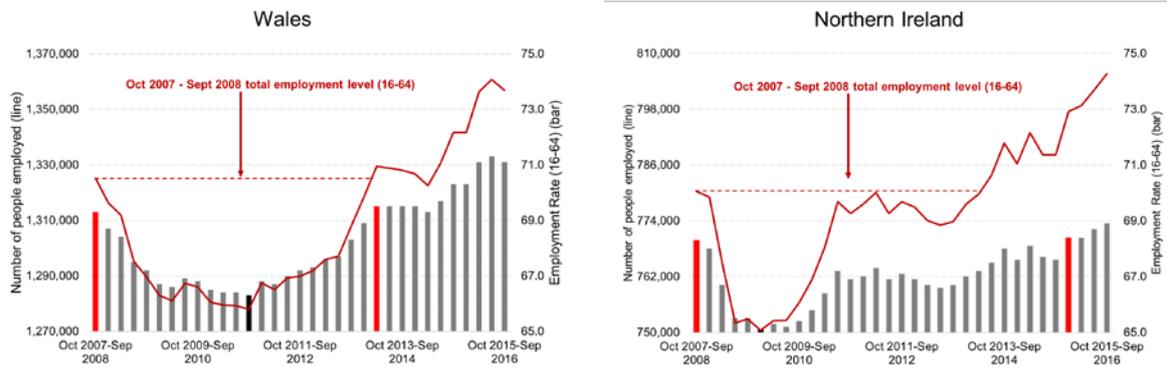
As shown in Chart 1, total employment of those aged 16-64 in Scotland fell from 2,505,700 in the year to September 2008 to 2,406,300, in the year to June 2013. It is important to note that

Scotland's labour market was in a particularly strong position in 2008: Scotland's employment rate of 73.4% exceeded that of the UK as a whole at 72.5%, and of England at 72.6%, Wales at 69.4% and Northern Ireland at 68.9%.

However, both the decline and the subsequent recovery of employment in Scotland have been more protracted when compared to both the UK as a whole; and relative to England, Wales and Northern Ireland. These features are evident in both LFS and APS data. An important distinction however is that while employment in Scotland is shown to have surpassed its 2008Q2 peak level by 2014Q1 in LFS data, the gap has yet to be completely closed in annualised APS data, with a shortfall of 19,800, or 0.8% remaining for the year ending September 2015.

Chart 1: Peaks, troughs and recoveries in Total Employment (line) and Employment Rate (bar), ages 16-64

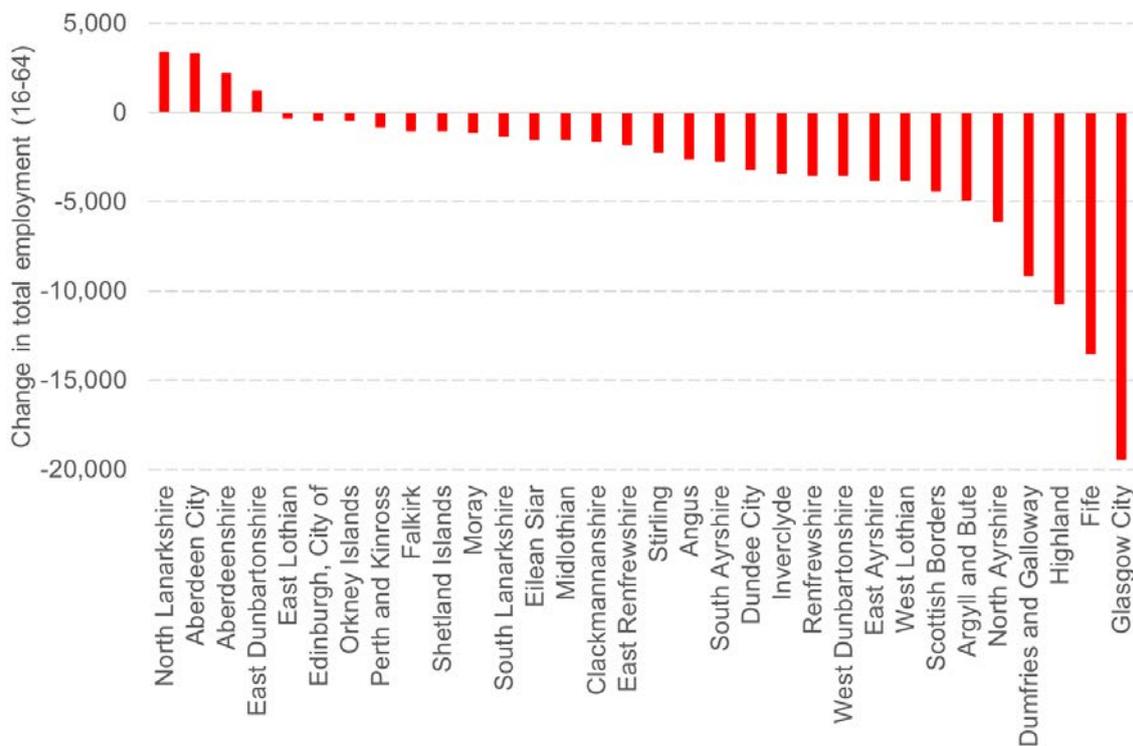




Source: APS, January 2017

These aggregate figures mask a wide range of experiences across Scottish local authority areas. The net losses in total employment (based upon place of residence) of those aged 16-64 within each local authority area, over the period of decline from September 2008 to June 2013, are illustrated in Chart 2. These are absolute falls in numbers in employment, unweighted by the sizes of the local authority areas.

Chart 2: Net change in total employment (aged 16-64) year to June 2013 as compared to the year to September 2008, by Local Authority



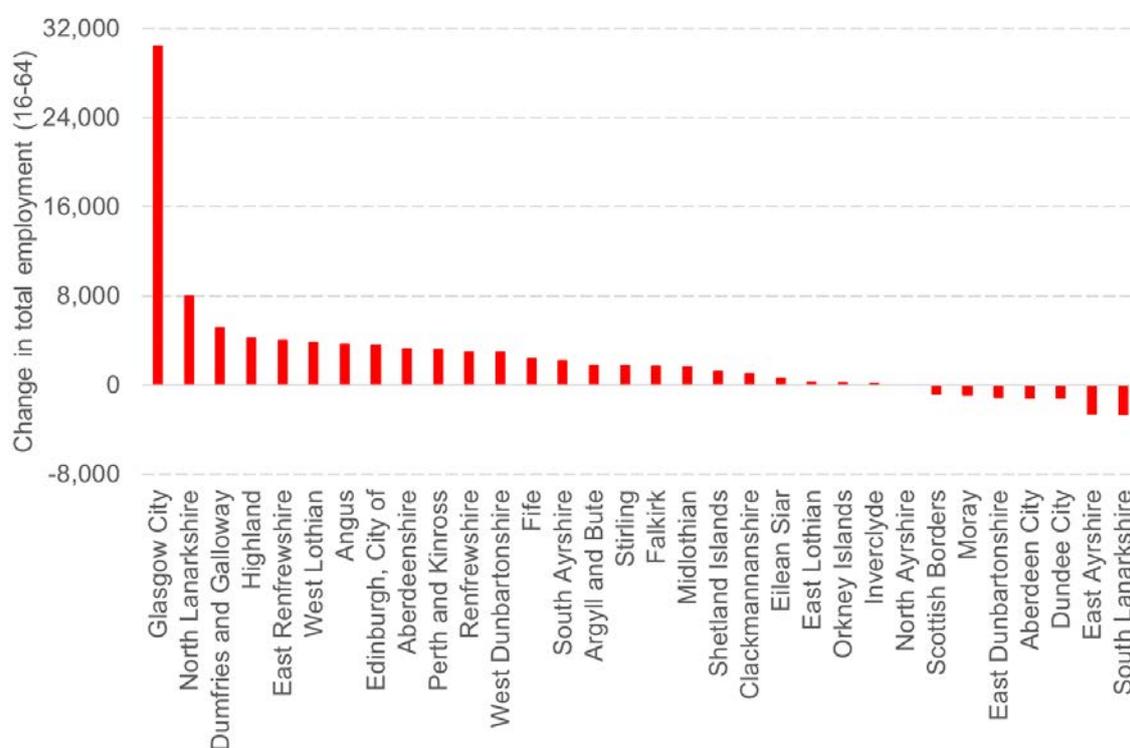
Source: APS, January 2017

It is notable that the declines in total employment experienced in just five local authorities, Glasgow, Fife, Highland, Dumfries & Galloway and North Ayrshire, together account for 60% of the net loss of total employment in Scotland over the period.

In contrast, four local authority areas managed to record small net increases in employment, these were North Lanarkshire, Aberdeen, Aberdeenshire and East Dunbartonshire.

Diversity of experience has also been a feature of the recovery phase, as is indicated in Chart 3.

Chart 3: Net change in total employment (aged 16-64), year to September 2016 as compared to the year to June 2013, by Local Authority



Source: APS, January 2017

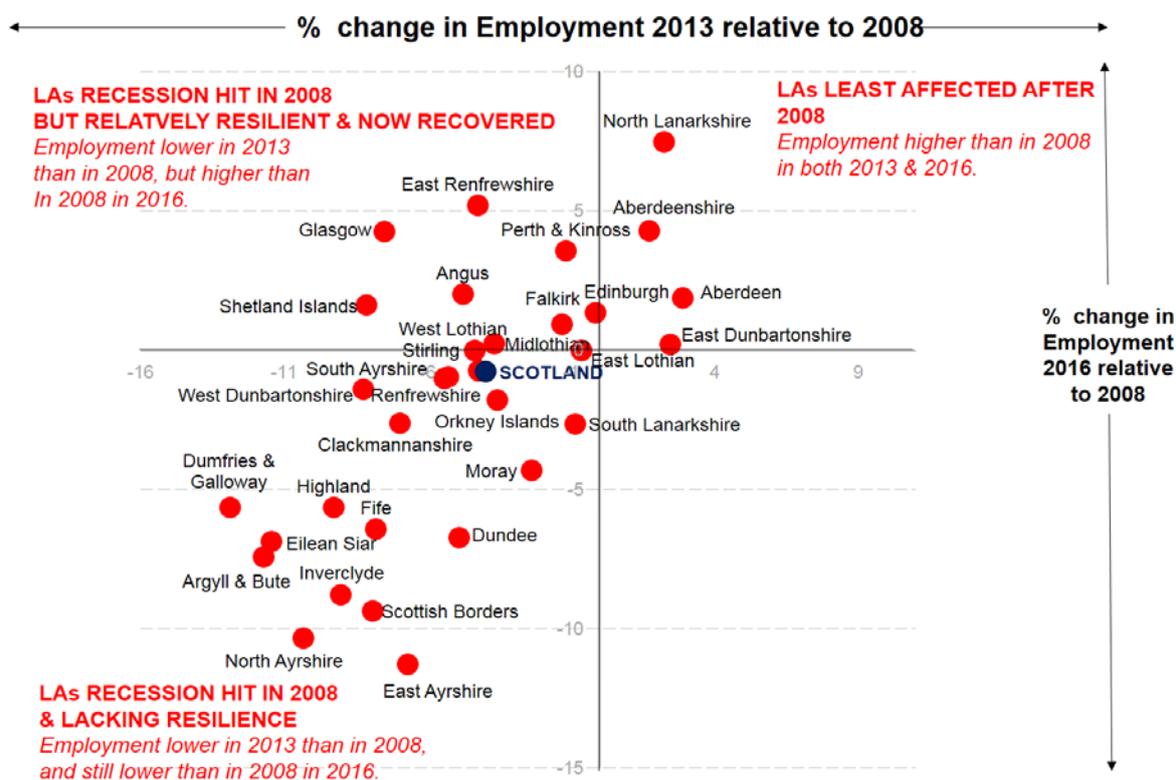
The vast majority, twenty-four of the thirty-two Scottish local authority areas, recorded net gains in employment over the recovery phase from the year ending June 2013 to the latest available data for the year ending September 2016.

Just five of these local authorities, Glasgow, North Lanarkshire, Dumfries & Galloway, Highland and East Renfrewshire, together account for 70% of the net increase in total employment during this phase.

Among the hardest hit were seven local authority areas that recorded even lower employment in the year to September 2016 than in the year of lowest total employment in Scotland (in the year ending June 2013). These, starting with the worst hit, are South Lanarkshire, East Ayrshire, Dundee, Aberdeen, East Dunbartonshire, Moray and the Borders.

An indication of the relative resilience of local authority area labour markets is perhaps best given in a comparison of the percentage change in total employment aged 16-64 during i) the decline phase and ii) the recovery phase. To this end, each dot in Chart 4 represents one local authority and indicates i) the percentage change in total employment in the 16-64 age group in that local authority area over the decline phase on the horizontal axis and ii) the percentage change in total employment over the recovery phase on the vertical axis. The dating of the decline and recovery phases is taken from the aggregate Scottish data i.e. from the years ending September 2008 to June 2013 and June 2013 to September 2016 respectively. Clearly individual local authorities will have their own peaks and troughs but taking Scotland as the benchmark provides a degree of uniformity in comparisons. Overall, the key conclusions hold if looking solely at each individual local authority's peak. The blue dot in the chart shows the comparable figures for Scotland as a whole.

Chart 4: Comparison of the % change in Employment in 2013 vs 2008 and in 2016 vs 2008, by Local Authority



Source: APS, January 2017 release

The chart divides clearly into four quadrants.

Local authorities in the top right quadrant of Chart 4 have labour markets that “bucked the general trend” during the downturn... Local authorities that appear in the top right quadrant are those that had higher employment in the year to June 2013 than in the year to September 2008 and had higher employment in the year to September 2016 than in the year to September 2008. Employment in these local authority areas (North Lanarkshire, Aberdeen, Aberdeenshire and East Dunbartonshire) bucked the trend through the general downturn. These local authorities have also stayed relatively buoyant. (Although it is worth noting that figures for Aberdeen and Aberdeenshire have cooled somewhat relative to their respective local peaks as a result of the recent downturn in the oil and gas sector).

No local authorities appear in the bottom right quadrant of Chart 3; this simply reflects the fact that no local authority both avoided the general downturn and then experienced a decline in employment during the recovery period from 2013 to 2016.

Local authorities in the bottom left quadrant of Chart 4 have labour markets that appear to be somewhat lacking in resilience... The bottom left quadrant includes the local authorities in which total employment is least resilient. Eighteen local authorities, more than half, appear in this quadrant: they both i) experienced a decline in total employment between 2008 and 2013; and ii) do not show a full recovery to their 2008 level of employment in the most recent data. Among these, Dumfries & Galloway experienced the biggest percentage loss in total employment between 2008 and 2013, at almost -13%. Subsequently, total employment in this local authority area rebounded somewhat, but is only just under half way back to its 2008 level in the data for the year to September 2016.

Of the eighteen local authorities in this quadrant, six did at least briefly recover to their 2008 level of total employment at some point during Scotland's recovery phase, but have subsequently slipped back. These include Clackmannanshire, North Ayrshire, the Orkney Islands, Renfrewshire, South Lanarkshire and Stirling. Of these, there is less than a 1% gap remaining for Stirling and Renfrewshire in the latest available data.

North Ayrshire has experienced one of the largest declines, and most volatile behaviour, of employment over the period. During Scotland's decline phase, total employment in North Ayrshire fell by more than 10%.

Subsequently, while rises in employment are recorded in some periods, with employment actually returning to its 2008 level in the year to December 2014, this was short-lived. In the most recent data, North Ayrshire sees no remaining net gain over Scotland's recovery phase, with total employment again more than 10% down on its 2008 level in the year to September 2016.

Also among the least resilient of labour markets are three local authority areas in which total employment fell by at least 4.8% between 2008 and 2013 and which have seen further falls relative to 2008 between June 2013 and September 2016: these are East Ayrshire, Scottish Borders and Dundee.

Local authorities in the top left quadrant include some whose labour markets were among the worst hit in the downturn, but which 'bounced back'...

Finally, the top left quadrant shows local authority areas that experienced declines in total employment between 2008 and 2013 but have subsequently experienced a recovery.

For example, while the city of Glasgow experienced one of the largest declines in total employment, of nearly 8% over Scotland's decline phase, the most recent data record that total employment in Glasgow was more than 4% higher in the year to September 2016 than in the year to September 2008. On this basis, Glasgow's total employment has experienced the strongest rebound of any Scottish local authority area.

Of course, this focus on total employment figures, while casting light on the diverse experiences across Scottish Local Authority labour markets, still masks compositional changes in types of employment (full-time/part-time jobs, temporary/permanent jobs, self-employment, employment by age, gender, industry and so on). We will continue exploring the available data in more detail and will report on our findings in future issues of this Scottish Labour Market Trends report.

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