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A nighttime photograph of the Glasgow Science Centre and the Glasgow Shipyard Crane. The crane is a large, dark, lattice-structured tower with a horizontal beam extending to the right. The Science Centre is a modern building with a glass facade, illuminated from within. The scene is reflected in the water in the foreground. The sky is dark with some light clouds.

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

Vol 1 No 4



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 outlook, the report also highlights longer trend developments and areas for discussion.

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Summary

Scotland's headline labour market indicators show high levels of employment and low unemployment. The employment rate in Scotland now stands at 75.2% up 1.1 percentage points on a year ago. Meanwhile the unemployment rate has fallen to 3.9% down 1.2 percentage points since last year.

In another welcome development, two recent concerns in the labour market data, youth unemployment and economic inactivity, appear to have receded somewhat.

The youth (16-24 year old) unemployment rate is at a record low rate of 8.4%. This is also the lowest rate of any part of the UK.

The rate of economic inactivity increased to 23% at the end of 2016, but at 21.8% has now fallen back closer to the UK average of 21.3%.

Key labour market indicators: Apr-Jun 2017

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
Scotland	75.2%	3.9%	21.8%
England	75.5%	4.4%	20.9%
Wales	72.7%	4.5%	23.8%
N. Ire	69.2%	5.3%	26.9%
UK	75.1%	4.4%	21.3%

Source: ONS, Labour Force Survey

These statistics are undoubtedly positive. But as we highlighted in our last report, the headline figures do hide some challenges.

Firstly, there is an ongoing concern about the nature and type of work being undertaken by those in employment. For example, where the work is less secure, where people are working fewer hours than they would like, or where they may have access to fewer employment protections.

Since the financial crisis for example there has been a rise in part-time employment (up around

10% over the past 10 years, but stable over the past year).

While the number of people working part-time because they cannot find a full-time job has fallen over the past year, and now sits at around same level as 7 years ago, this is still up nearly 60% on the last decade.

Secondly, while employment has grown over the past year, this has almost all been driven by increases in self-employment.

The changing nature of the UK labour market – and the increases in self-employment – are not yet fully understood. To the extent that the rise in self-employment is a positive decision by people to, perhaps, be more flexible in the working patterns, then this is a good thing. But if it reflects less secure working then clearly it will be of more concern.

Finally, the Scottish economy returned to welcome growth during the first three months of 2017 – with growth of 0.7%. This was much faster than the UK and was driven by strong growth in three key sectors. The revised figures show that the economy actually contracted very slightly in 2016 and over the year growth has remained weak by historical standards.

How this wider economic performance translates into labour market outcomes is uncertain. In recent years, employment has held up well but the downside has been very weak growth – if any – in earnings.

With inflation continuing to sit at 2.6%, the outlook for people in work is likely to remain challenging. It is no surprise that pay growth has returned to the policy agenda in recent months.

Fraser of Allander Institute &
Scottish Centre for Employment Research

September 2017

Overview and Analysis

Scotland's labour market remains strong, unemployment is low and employment is at a record high of 75.2%. Scotland has a slightly lower unemployment (and higher employment) rate than the UK as a whole. Scotland now has the best employment rate outside of the South East, the South West and the East of England.

Table 1: UK labour market, Apr-Jun 2017

	Employment (16-64)	Unemployment (16+)	Inactivity (16-64)
Scotland	75.2%	3.9%	21.8%
Quarterly Change	+1.1	-0.5	-0.7
Annual Change	+1.1	-1.2	+0.0
UK	75.1%	4.4%	21.3%
Quarterly Change	+0.3	-0.2	-0.2
Annual Change	+0.7	-0.5	-0.3

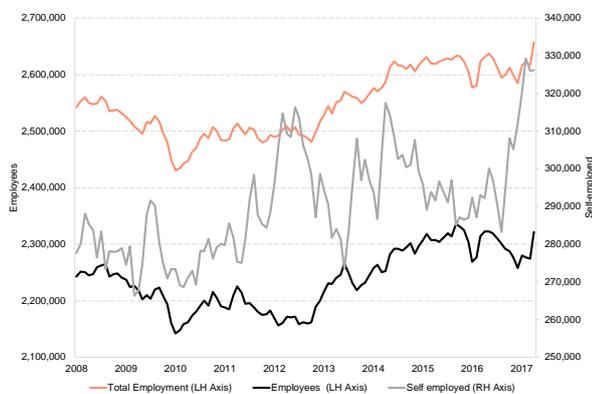
Source: ONS, Labour Force Survey (LFS)

Chart 1: Scottish employment and unemployment rate



Source: ONS, LFS

Chart 2: Scottish employment and self-employment



Source: ONS, LFS

Introduction

The number of people employed in Scotland is now at a record high, while the unemployment rate is close to a record low (compared to when the LFS started to be collected on a consistent basis in 1992). These two indicators suggest that the Scottish labour market is in good health.

Compared to the UK, Scotland now has a higher employment rate and a lower unemployment rate. That said, it does retain slightly a higher rate of economic inactivity (i.e. those neither in work nor seeking work) than the UK as a whole.

The unemployment rate in Scotland has fallen over the past 12 months; however, as we will shortly see (Chart 6), this has not been reflected in the claimant count data which has actually increased slightly over the same period.

The increase in employment in the past year has been substantial. The employment rate is now at 75.2%. As Chart 3 shows, this has mostly been driven by an increase in self-employment. While the self-employment series can fluctuate substantially, we are clearly seeing a trend of increasing self-employment in Scotland.

Self-employment can be associated with better labour market outcomes, more flexibility in work patterns, and higher wages. However, self-employment is a very diverse category of employment.

It can encompass a wide range of activities from driving a taxi or being a courier driver, through to being an accountant or lawyer. Knowing that there has been a substantial increase in self-employment doesn't tell us what this means for other labour market outcomes like wages and underemployment.

Chart 3: Scottish and UK inactivity rates since 2008

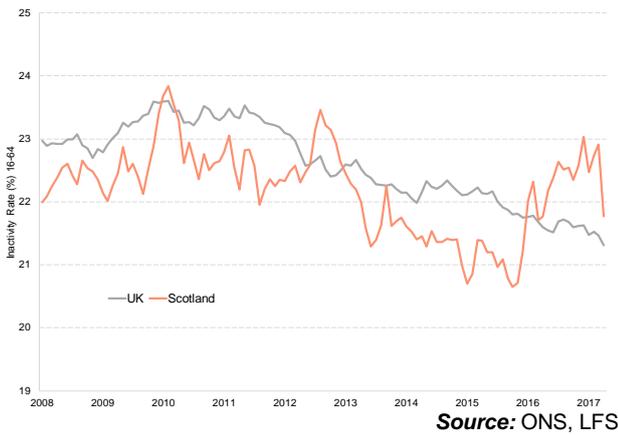
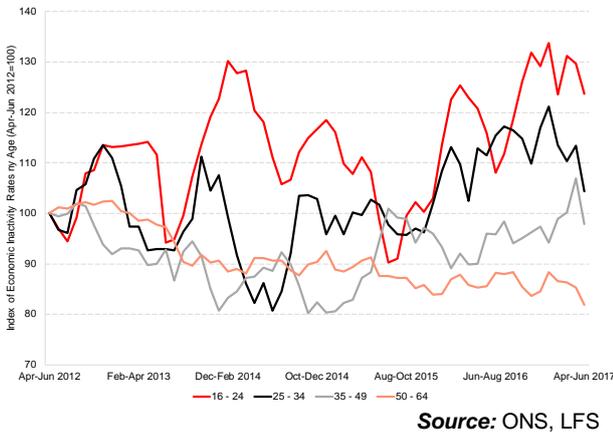


Chart 3 shows the rate of economic inactivity in the UK and Scotland since 2008. Concern mounted through 2016 about the rapid increases in Scottish economic inactivity. This was a break from Scotland tracking the fall in inactivity rates witnessed across the UK up to 2016.

However, over the past few months we have seen substantial falls in economic inactivity, with Scotland now converging back to the rate of economic inactivity of the UK as a whole. This is welcome news.

Looking at economic inactivity in Scotland on two additional dimensions provides further insight into this trend. Chart 4 shows economic inactivity by broad age group, while Chart 5 shows economic inactivity by reason.

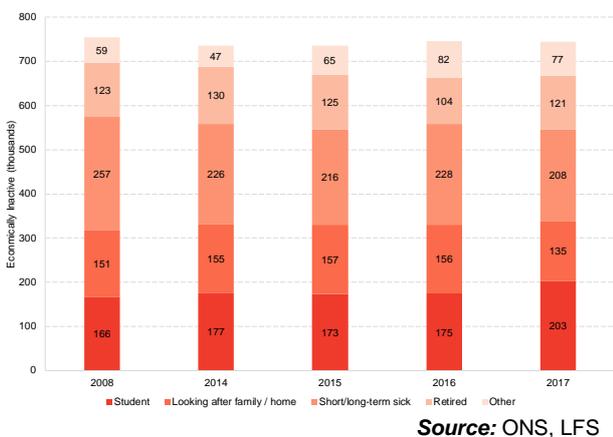
Chart 4: Index of Scottish inactivity rates by age group since 2012



Economic inactivity encompasses a range of activities, some more concerning than others. Where we are seeing increasing numbers of people economically inactive because they are fulltime students, this is obviously something that can be thought of as a more positive reason for economic inactivity.

However, within economic inactivity there are also those who are not working because they are sick. Any increase among this group is a concern and which policymakers will want to try to address. Similarly, increases in the number of people economically inactive because of family caring responsibilities may generate calls for interventions to support more flexible working patterns, or greater government support for those needing care.

Chart 5: Scottish inactivity by reason for inactivity



It is clear from Chart 4 that economic inactivity among those aged 16-24 and 25-34 contributed much to the trend of increasing economic inactivity through 2016.

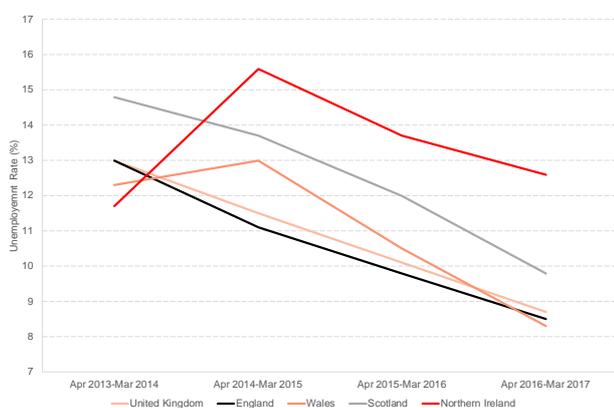
Similarly, from Chart 5 much of the increase in economic inactivity in 2016 was down to increase in the number of those who were sick and inactive for 'other' reasons. More recently there has been an increase in economic inactivity due to being in education or being retired, with reductions in the number of those inactive due to illness or because of family caring responsibilities.

Chart 6: Scottish claimant count rate since 2008



Source: ONS, Experimental statistics, Claimant Count

Chart 7: Unemployment rate (16-64) - EA core or work limiting disabled



Source: ONS, APS

Chart 8: % who received job related training in last 4 weeks



Source: ONS, APS

Wider indicators of the labour market

Associated with the low rate of unemployment being experienced in Scotland at the moment is a low claimant count rate. However, unlike the unemployment rate, the claimant count rate has been less volatile, and now shows a very slight upward trend through 2016-17. Nevertheless, the claimant count rate is back around the rate last witnessed in 2009.

Another important dimension which links together both the unemployment data and the inactivity data is information on those who are disabled or work limiting disabled.

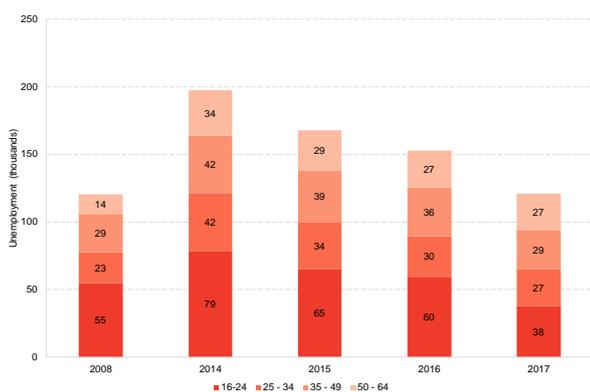
EA (Equality Act) Core disabled includes those who have a long-term disability which substantially limits their day-to-day activities, while work-limiting disabled includes those who have a long-term disability which affects the kind or amount of work they might do.

Chart 7 illustrates the unemployment rate among this group over the past few years. Here again we can see that the trend in the wider labour market of decreasing unemployment is observed. Nevertheless the unemployment rate among this group is substantially higher than among the general population, suggesting there is still some way to go in supporting people with disabilities into work.

Another interesting dimension to the strong headline indicators currently observed in the Scottish labour market are data on training of employees. While headline employment rates are strong, are firms investing in training their workers? Chart 8 shows that since 2004 there has been a clear trend of fewer workers receiving job-related training.

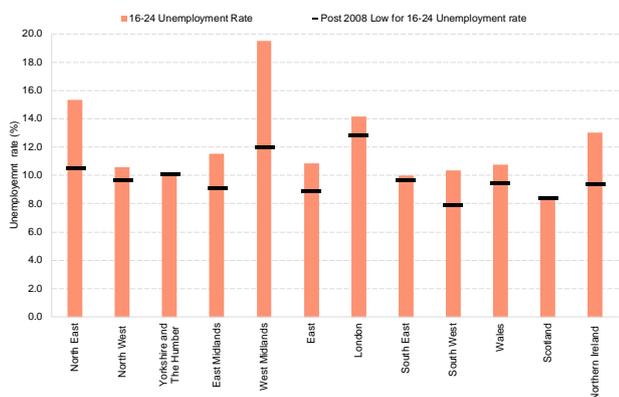
This downward trend has been sharper in Scotland in the past couple of years for both full time and part time workers than it has been in the UK as a whole. Scottish FT workers once had a higher rate of job-related training than workers in the UK as a whole, but this is no longer the case.

Chart 9: Unemployment by age group – Jan-Mar 2017



Source: ONS, LFS

Chart 10: Youth unemployment across the UK – Jan-Mar 2017



Source: ONS, LFS

Table 4: Labour market outcomes by gender – Apr-Jun 2017

		Scotland		UK	
		Rate (%)	Q change (%pts)	Rate (%)	Q change (%pts)
Employment	M	79.2	1.7	79.8	0.3
	F	71.3	0.6	73.0	0.4
Unemployment	M	4.2	-0.3	4.6	-0.2
	F	3.6	-0.6	4.2	-0.2
Inactivity	M	17.4	-1.4	16.3	-0.1
	F	26.0	0.0	23.7	-0.3

Source: ONS, LFS

Labour market outcomes by age and gender

Chart 5 shows the stock of unemployed people in Scotland by age. We can see that the largest age group is those aged 16-24, the so-called youth unemployed, with the other three age groups having similar levels of unemployment.

We can also see how the age of the unemployed has changed over time. Relative to the height of the financial crisis in 2008 we now have far more people aged 50-64 who are unemployed.

Similarly, we see lower levels of youth unemployment now than in previous years.

Indeed, Scotland’s rate of youth unemployment is at a record low of 8.4%. This is also the lowest rate of youth unemployment of any region or nation of the UK (see Chart 10).

Two other regions, the South East and Yorkshire and the Humber, are close to their post 2008 low for youth unemployment (indicated by the black bar).

Meanwhile three parts of the UK, the North East, the West Midlands and Northern Ireland have youth unemployment rates that are substantially greater than their post 2008 low.

Chart 10 also serves to illustrate the variation in youth unemployment rates currently being experienced across the UK. It is interesting to note that with two exceptions (London and the West Midlands) the post 2008 low for youth unemployment across all parts of the UK are not that dissimilar.

While the youth unemployment rate is still high compared to the unemployment rate of the general population (3.9%), unemployment rates tend to be higher for young people for a variety of reasons, not all of which are concerning. However, where younger workers are detached from the labour market or education for long periods of time this can have a damaging impact on their future labour market experience

Labour Market Insights

In this quarter’s edition, we include an article produced by Mhairi Love, a research intern undertaking a Carnegie Foundation Vacation Scholarship at the Fraser of Allander Institute over the summer. She provides her research and analysis on the gender differences in the Scottish labour market.

Introduction

There are reasons to be cautiously optimistic with regard to female labour market outcomes in Scotland.

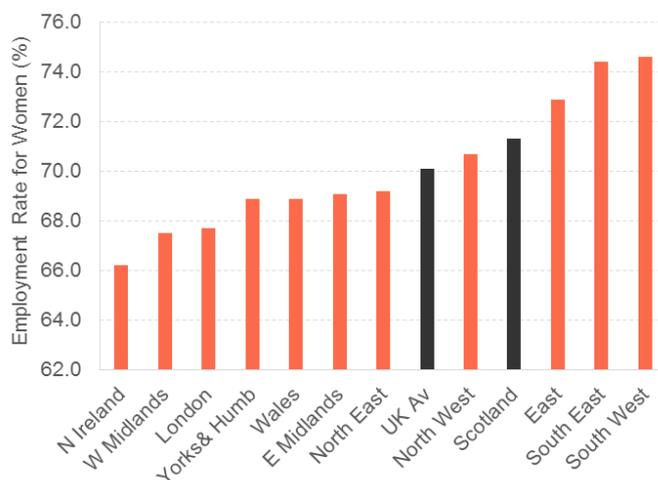
Table 1: Employment rates age 16-64 women (men)

	Economically Active	Employment	Unemployment
UK	83.7 (73.7)	79.8 (70.5)	4.7 (4.3)
England	84.2 (74.0)	80.3 (70.7)	4.6 (4.4)
Wales	80.6 (71.8)	76.5 (68.9)	5.1 (4.0)
Scotland	82.6 (74.0)	79.2 (71.3)	4.2 (3.6)
Northern Ireland	77.9 (68.4)	72.2 (66.2)	7.3 (3.3)

Source: LFS Aug 2017

While the different nations of the UK are similar on a number of key indicators, Scotland is performing slightly above the UK average for the female employment and participation rates, and has the second lowest female unemployment rate.

Chart 1: Employment rates 16-64 across the UK



Source: LFS Aug 2017

The female employment rate in Scotland is also above the OECD average (see Chart 4). Breaking down total employment in Scotland, over time women have consistently had lower employment rates than men, perhaps unsurprisingly.

Chart 2: Employment rates (%) for women and men



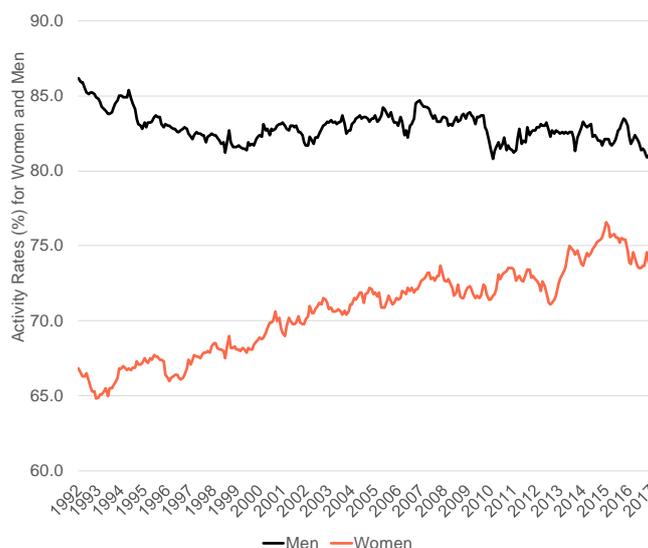
Source: LFS Aug 2017

However, it's interesting to note from the data that the employment rate for women showed greater resilience to the 2007-08 recession than the rate for men.

The male employment and female employment rates showed signs of convergence until 2015, at which point the female rate started to decline.

This corresponds with a fall in economic activity, bucking the trend of the last twenty years or so, where female participation has been rising. Back in 1992, the gap in activity rates for 16-64 year olds between men and women was 20%. It is now 7%.

Chart 3: Activity rates (%) for women and men

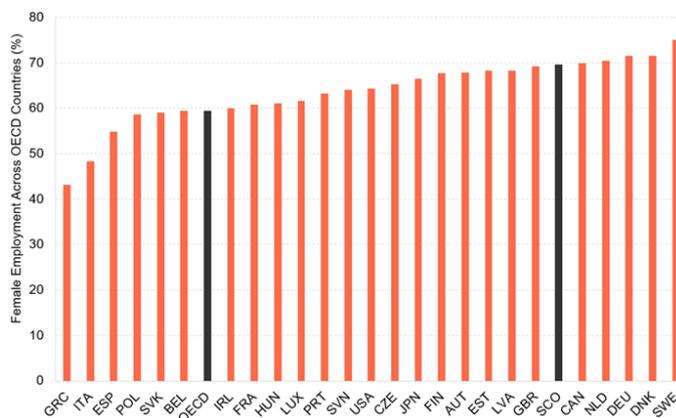


Source: LFS Aug 2017

The recent fall in economic activity among women appears to have been driven in part by a rise in respondents citing 'looking after family and home' as the reason they're economically inactive.

A trend of decreasing female participation is concerning with regard to the successful delivery of inclusive growth, and economic performance overall. It's difficult to see how inclusive growth can be achieved without reversing this trend.

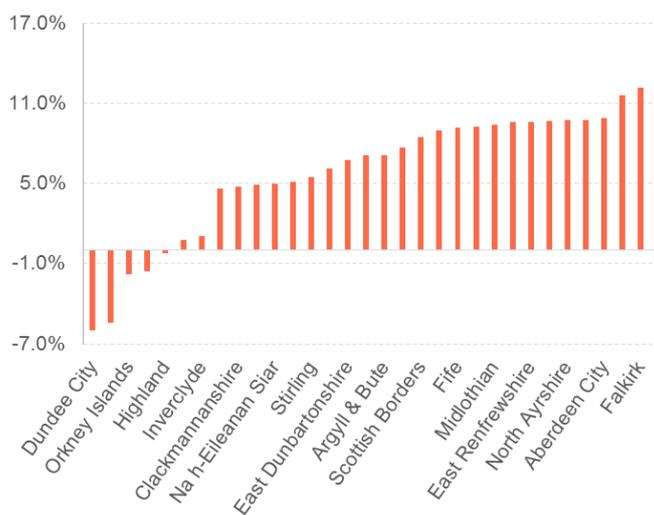
Chart 4: Female employment rate by OECD country



Source: OECD

Looking across different local authorities in Scotland, there are four regions where female employment is higher than male employment: Dundee, Renfrewshire, the Highlands, and the Orkney and Shetland Islands.

Chart 5: Gender employment gap by local authority



Source: APS 2016-17

Dundee's construction and manufacturing industries were hit hard by the 2008 recession, and while the city's economy has recovered somewhat, this recovery has partly been through job creation in the Business Administration and support sector, where female workers represent the majority of the workforce.

This change in industrial composition of the economy of Dundee, with jobs in traditionally male-dominated

industries being replaced by jobs in industries that tends to employ more women, helps explain the high rates of female employment and –in part– the increase in male unemployment. Male inactivity in Dundee has also risen in the past year, while female inactivity has dropped.

Chart 6: Female/male employment where female employment is rising



Source: APS 2016-17

There’s a similar pattern of rising male inactivity in Renfrewshire which may go some way to explain higher instances of female employment, along with an increase in jobs in sectors which are more likely to employ women.

In regions where female employment has been rising, this has broadly corresponded to male employment decreasing.

In areas where there has been slow recovery from the 2008 recession, some of the increase in female participation may reverse itself somewhat once the local economy has recovered.

Structural changes or changes in demand need to occur before there is a permanent increase in female participation.

Where the demand for female labour has increased in Scotland, female participation is more likely to endure over time. However, where the increase in participation has been driven by low male employment, and women working to meet household income needs, it is possible that we will see a drop-off in female participation when the employment prospects improve for men.

Employment by Age

Youth employment (16-24 year old) is much higher among women than men, however this quickly reverses as women start to have families.

The gap between male and female employment is highest between the ages of 25-34, the age group where women are most likely to have children.

If we look at the changes in employment across age groups, the largest changes have been increased participation of women aged 50-64 and 65+.

Table 2: Male/female employment by age

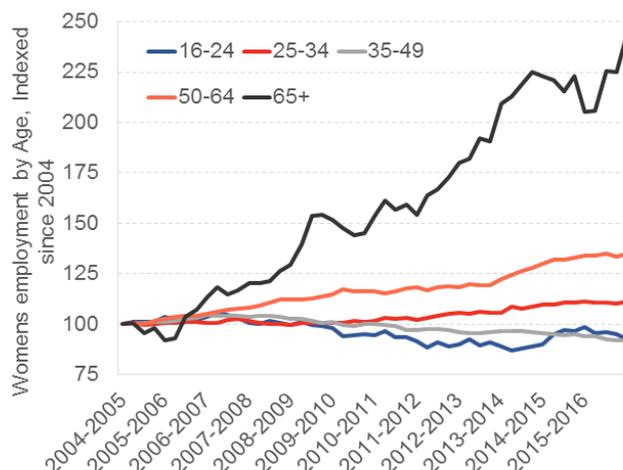
	16-24	25-34	35-49	50-64	65+
Men	55.0	87.0	85.6	74.4	12.1
Women	56.4	74.8	78.4	63.6	6.7
<i>Difference</i>	<i>-1.4</i>	<i>12.2</i>	<i>7.2</i>	<i>10.8</i>	<i>5.4</i>

Source: LFS Aug 2017

This is likely to be as a result of increased pension age, which has risen twice in this time period, from 60 to 65 in 2010 and again to 67, which will be phased in before 2028.

This has led to a greater increase in female employment versus male employment in these age groups.

Chart 7: Changes in female employment by age



Source: APS 2016-17

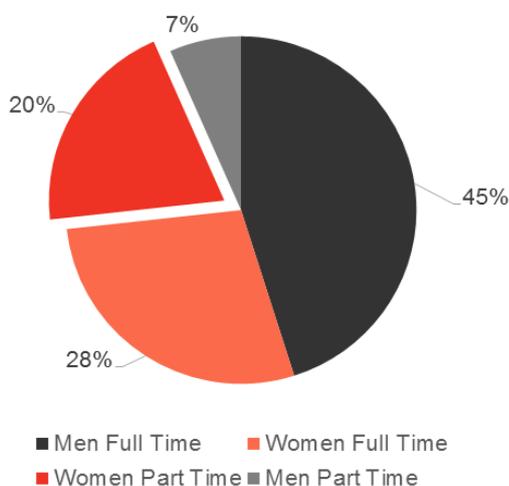
Underemployment

Women are much more likely to work part time than men. According to the OECD, preferences for part-time work for women are higher in the United Kingdom than in other OECD countries.

This suggest that part-time working is out of necessity rather than choice: women are substantially more likely to have unpaid caring responsibilities, and are subsequently more likely to seek part-time employment to facilitate this.

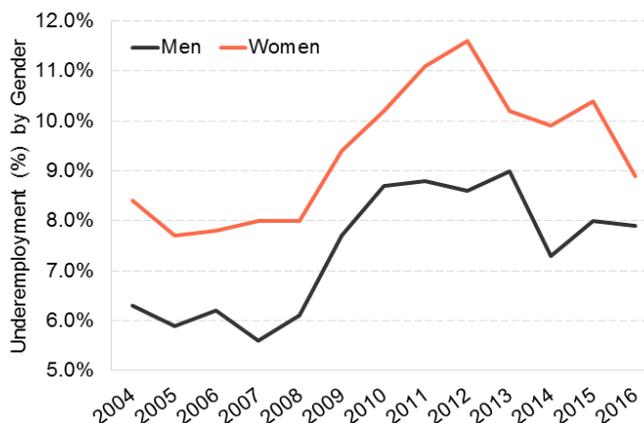
Childcare provision is likely to be a factor in the decision to work part-time for women. Being restricted to working within certain time frames can lead to underemployment, as well as being more vulnerable to employers who use flexible work contracts in an exploitative way.

Chart 8: Men and women by full and part-time work



Source: LFS, Aug 2017

Chart 9: Underemployment by gender



Source: APS 2016-17

Women in the UK are more likely than men to be employed on a zero-hour contract, and more likely to be on temporary contracts than men, for both full and part-time workers.

Underemployment between men and women has been showing signs of convergence in recent years, but as this corresponds with a drop-off in female economic activity overall, it is unlikely to be because of an increase in hours worked by women. Instead it reflects the number of women dropping out of the labour market altogether.

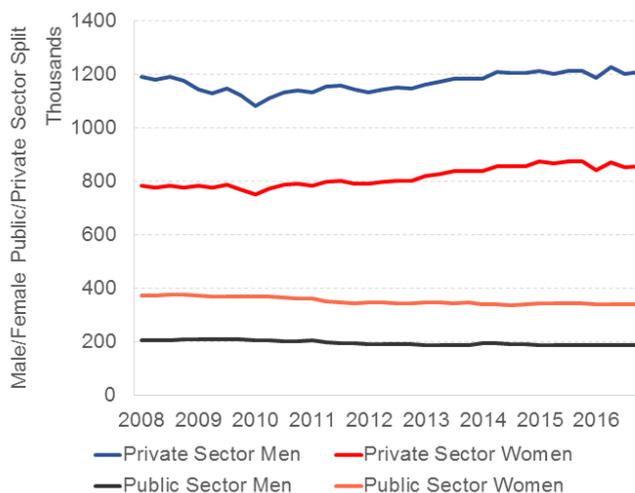
Occupational Segregation

Segregation between genders is often cited as a factor in the gender pay gap. This often starts at school age, with take-up of different subjects often being concentrated by gender.

This is continued into the workplace, where there remains a gender split by sector.

Women are substantially more likely to work in public sector employment such as public administration, education and health. 70% of public services jobs are held by women, but only 13% of jobs in the typically 'male' orientated sector of construction are held by women.

Chart 10: Male/female public/private sector split

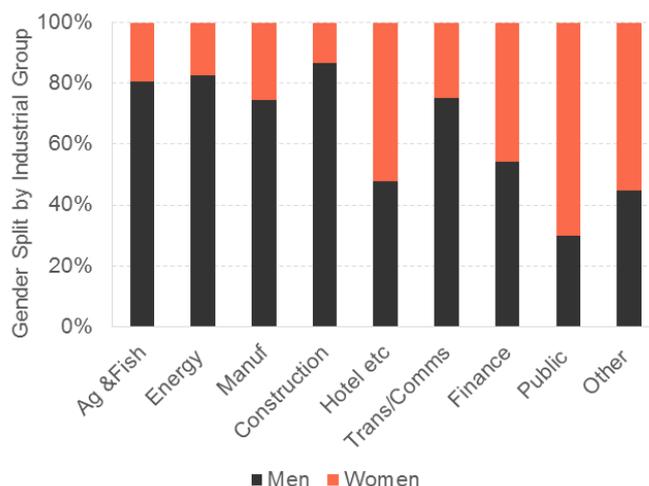


Source: APS 2016-17

These figures show the extent of segregation by gender in Scotland. While preferences may be high for men and women to work in those particular jobs, a concentration of one gender in a sector suggests that there may be structural or cultural barriers to the other gender entering those types of employment.

13% of jobs taken by women in a particular sector may not necessarily be a bad thing, if this is as a result of a choice made free from unequal disincentives.

Chart 11: Employment by industrial group

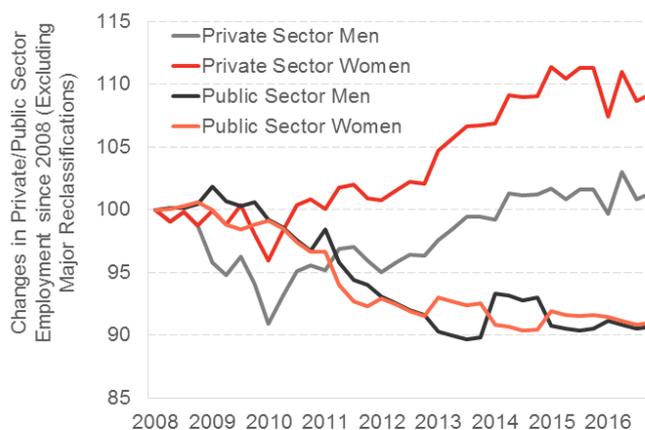


Source: APS 2016-17

What is of concern to policymakers is the breaking down of formal and informal barriers and the subsequent outcomes for women if those barriers are removed. Given equality of opportunity to participate in a particular sector, would women’s pay and opportunities be the same as those for men?

The types of work that women tend to undertake is changing in Scotland.

Chart 12: Changes in public/private sector employment



Source: APS 2016-17

If we consider changes in public sector employment since 2008, there has been a reduction of 19,415 public sector jobs held by men and 33,871 public sector jobs held by women.

Although this has been offset by changes in private sector employment, it suggests women's employment may be more adversely affected by cuts to public services.

The Gender Pay Gap

Women are still more likely to earn less than men, 24.3% of women earned less than the Living Wage of £8.25 an hour, compared to 15.4% of men.

The pay gap in Scotland is currently slightly more favourable for women compared to other nations of the UK, but the data shows a more volatile trend.

On the whole though, it has been consistently lower than the UK average for the last 15 years.

The gender pay gap is a complex phenomenon and there exists some debate about how best to measure it.

Using the median gender pay gap is the standard way of measuring it, but campaigners have called for different approaches to be used.

The median is intended to more accurately reflect typical pay, but can still disguise the true extent of some inequalities by discounting outliers.

Comparing full-time salaries for men and women when most part-time jobs are performed by women does not accurately reflect the extent of the situation either.

Using the mean gender pay gap, or comparing men's full-time work with women's part-time work can produce some substantial discrepancies from the headline gender pay gap figures, which may reflect the

true size of the pay gap for some women.

Table 3: Median FT hourly earnings (Ex. Overtime)

	UK	England	Wales	Scotland	N.Ire
2011	10.5	11.1	9.2	6.6	-1.0
2012	9.5	10.1	9.5	8.4	0.0
2013	10.0	10.8	8.3	7.7	-1.5
2014	9.6	10.0	8.4	9.1	-1.1
2015	9.6	10.2	7.4	7.7	-1.5
2016	9.4	10.2	7.5	6.2	-3.2

Source: ASHE

Outlook

Gender inequality is a huge and complicated issue and won't be solved by any one policy or solution. However, the benefits to be gained from improving outcomes for women are vast.

Scotland maintains a strong position within the UK and the OECD across headline labour market indicators for women. Like in all countries, there is still some way to go in tackling inequality. Women are increasingly more likely to be economically inactive than before.

Of the women who are in employment, there's higher part-time employment and underemployment, with higher instances of temporary work compared to men. Occupational segregation is evident in Scotland's labour force. Women are more likely to be employed in the public sector and have seen a greater decrease in this kind of employment as a result of public sector cuts.

With a higher rate of underemployment, women are more likely to be subject to irregular working patterns and may benefit more than men from increased regulation in the labour market.

Childcare

High costs of childcare have been cited as the biggest barrier for getting women into work.

According to Save the Children, 58% of parents in extreme poverty in Scotland said that they would be no better off from working and paying for childcare.

The Scottish Government's commitment to double childcare provision may provide assistance in alleviating this issue. With many women citing childcare responsibilities as a reason for not working, this has the potential to incentivise work for many women.

Universal Credit

The prevalence of female part-time workers means that women are more likely to be affected by upcoming changes in the UK's benefits provisions. The roll out is not yet at the stage where these workers are affected.

Under the new rules, if part-time or full-time workers have their earnings ‘topped up’ by the equivalent to Tax Credits, workers will be subject to the same constraints and conditionality as jobseekers, including sanctions for not taking up work which offers more hours. It is not clear at this stage whether this will have the effect of incentivising part-time working or not.

While many women who work part-time would like to work more hours, data does not exist on whether this is reasonably practicable or not, so it may be the case for some women that part-time working is a necessity and not a choice. This policy is likely to disproportionately affect women with childcare or caring responsibilities.

Taylor Review

Published in July, the Taylor review addresses issues around atypical work, and called for workers on zero-hours contracts to be given the right to request fixed hours contracts which reflect the work that they do. This could help to provide more stability and more of an incentive for women to work.

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