

Overview of the labour market

The latest figures on the labour market¹ in Scotland are summarised in Table 1. Labour Force Survey (LFS) data show that in the three months to May 2006 the level of employment fell by 3 thousand, to 2,464 thousand. Over the year to May 2006, employment increased by 7 thousand. The employment rate – as a percentage of the working age population – fell to 75.3 per cent, down 0.1 percentage points on the previous quarter. Over the year to May 2006, the employment rate was up by 0.1 per cent. Figure 1 provides an account of quarterly LFS employment over a four-year period from March to May 2006.

The preferred International Labour Organisation (ILO) measure of unemployment rose by 5 thousand to 147 thousand during the period March to May 2006². The ILO unemployment rate in the three months to May 2006 rose by 0.3 per cent to 5.8 per cent. This represents no change relative to the same period a year earlier (5.8 per cent).

The economically active workforce includes those individuals actively seeking employment and those currently in employment (i.e. self-employed, government employed, unpaid family workers and those on training programmes). Table 1 shows that the level of the economically active rose by 4 thousand over the last quarter to May 2006. There were 2,612 thousand economically active people in Scotland during March to May 2006. This comprised 2,464 thousand in employment and 147 thousand ILO unemployed. Taking account of the rise in ILO unemployment (of 5 thousand) and the fall in the number in employment (of 3 thousand), the total number of economically active people in Scotland rose by 4 thousand between March and May 2006. The corresponding level for those of working age economically inactive fell to 639 thousand, down 4 thousand on the previous quarter, and up 1 thousand on the same period a year earlier.

Scottish claimant count unemployment – a count of claimants on unemployment related benefits – is detailed in Table 2³. The most recent (seasonally adjusted) claimant count figure for August 2006 stood at 88.2 thousand, up 0.4 thousand from the previous month. The claimant count rate in August 2006 remained at 3.3 per cent, up from 85.5 thousand (3.2 per cent) compared to August 2005.

Figure 2 plots ILO and claimant count unemployment for three-month periods as an index for the period March-May 2000 to March-May 2006. Claimant count unemployment has been generally falling since March-May 2000, and continued that fall throughout 2005 before rising slightly during the start of 2006. By comparison, ILO

unemployment has fluctuated more widely, but still generally on a downward trend and most likely reflects movements between the level of employment and the number of people economically active at any one time. Hence, the difference between the ILO and claimant count definitions mirrors the distinction between those actively seeking work (but are jobless) and those who are eligible for unemployment benefit payments.

The Office for National Statistics (ONS) had deferred releasing figures for vacancies due to distortions in the data since May 2001, resulting mainly from the introduction of Employer Direct⁴. ONS have very recently made available a wide range of Jobcentre Plus vacancy data, which will form the basis of vacancy data in the future. At the moment, ONS have such concerns over the appropriateness of these data as a time-series labour market indicator that they are not due to be included in the labour market statistics First Release. Our current intention is to monitor these data to see if they can be used for future reports on the labour market in Scotland.

Due to the discovery of an error in the Annual Population Survey (APS), release of the updated data from the Labour Force Survey has been delayed while ONS investigate possible solutions. Thus, the data in Table 3 and Table 5, and Figure 3, cannot be updated this quarter. Labour Force Survey (LFS) data provide the industrial composition of the total number of individuals in employment within Scotland. Data released through NOMIS has taken a rolling four-quarter average on this measure. Table 3 shows that for September 2002-August 2003 to March-May 2005, the percentage share of employment within manufacturing fell 0.1 per cent to 11.7 per cent. This is down from 12.2 per cent from the four quarter average beginning one year previously. The share of employment within services fell marginally to 75.2 per cent from the previous four-quarter average to the most recent one, which represents a small reduction (0.2 per cent) from the rolling four-quarter average beginning one year previously. The percentage share of employment within the Banking and Finance sector remains steady at 13.5 per cent.

The most recent figures for the number of employee jobs by industrial activity are detailed in Table 4. Employee job figures are a measure of jobs rather than people. Total seasonally adjusted employee jobs for the quarter ending March 2006 stood at 2,339 thousand, up 10 thousand from the previous quarter, and 15 thousand higher than the same period a year earlier. The number of jobs in the manufacturing industry fell to 227 thousand over the last quarter, down 3 thousand when compared against the previous quarter, and down six thousand when compared against the same quarter one year earlier. The number of jobs in the service industry fell significantly over the last quarter to 1,076 thousand, 17 thousand higher than the same period ending a year earlier.

Table 5 and Figure 3 show the proportion and numbers of workers employed as managers and senior officials, professionals, associated professionals, and technical occupations. These professions can be grouped together under the classification 'highly skilled jobs'⁵. The most recent data available (shown in Table 5) indicate that during the most recent four-quarter average, the share of highly skilled employment within Scotland and Great Britain stood at 38.6 per cent and 41.2 per cent respectively. This is slightly higher than the previous quarter for Scotland (38.3 per cent) and higher than the previous quarter for Great Britain (41.1 per cent). Figure 3 illustrates that the proportion of employment in Scotland in highly skilled jobs has been rising steadily over recent years but continues to lag slightly behind Great Britain.

Outlook

Scotland's labour market continues to perform strongly in light of global uncertainty. Overall UK unemployment (as a portion of the total economically active) rose 0.3 per cent over the quarter to May 2006, up to 5.4 per cent, while the same Scotland's comparable unemployment rate rose by 0.2 per cent over the same period to 5.6 per cent. Scotland's employment performance remain robust, and the employment level and rate in Scotland remains close to its highest level since 1992 (before which consistent records are unavailable). The employment rate in Scotland remained close to historically high levels at 75.3 per cent in the three months to May 2006. The claimant count rate remained at 3.3 per cent in August 2006 while the number unemployed and claiming benefit remains relatively low, despite rising to 88.2 thousand (down in each of the last two months). The outlook for the labour market remains healthy when compared to historical standards for Scotland, with labour market sentiments expecting relatively low unemployment and high employment to continue over the next few years.

Endnotes:

¹The Census 2001-consistent population figures at local authority level were released in February 2003. This has allowed the production of interim regional LFS estimates. The population data only cover the periods up to mid-2001. The data presented here are taken mainly from Labour Market Statistics, October 2004 and are consistent with the updated LFS data available on NOMIS from Summer 2004. This information has been release for rolling four-quarters averages, making it impossible to identify individual quarters over time. Labour Market Statistics continue to report data for Scotland at the quarterly level, so this will continue to form the basis of our analysis of movements in the labour market between quarters.

²The Labour Force Survey definition of ILO unemployment takes precedence over the claimant count measure. ILO unemployment is much less sensitive to changes in the regulations governing unemployment benefit, and conforms to a widely accepted standard to allow for more meaningful cross-country comparisons.

³All the seasonally adjusted claimant count series have been revised back three years (to January 2000), following the latest ONS annual review. The denominators used to estimate the workplace-based regional and national claimant count rates have been updated and revised back to 1996. These workplace-based denominators, which are no longer used to calculate rates for sub-regional areas, relate to the sum of claimants and workforce jobs for the corresponding mid-year (National Statistics).

⁴Employer Direct involves transferring the vacancy-taking process from local Jobcentres, to regional Customer Service Centres (National Statistics).

⁵Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC). Figure 4 illustrates the trend in the number of workers in highly skilled jobs between Q1 1993 and Q1 2003, as an index (1993=100). However, pre-2001 data relates to SOC 1990, and post-2001 data relates to SOC 2000, therefore, the absolute levels of highly skilled jobs over this period should be interpreted with slight caution.

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18 September 2006

Table 1: Recent developments in the Scottish labour market

		Level (000s)	Rate (%)
Employment*	Mar-May 2005	2,457	75.2
	Jun-Aug 2005	2,465	75.5
	Sep-Nov 2005	2,469	75.5
	Dec-Feb 2006	2,467	75.4
	Mar-May 2006	2,464	75.3
ILO unemployment**	Mar-May 2005	149	5.8
	Jun-Aug 2005	132	5.1
	Sep-Nov 2005	138	5.4
	Dec-Feb 2006	142	5.5
	Mar-May 2006	147	5.8
Economically active*	Mar-May 2005	2,607	79.8
	Jun-Aug 2005	2,597	79.6
	Sep-Nov 2005	2,607	79.8
	Dec-Feb 2006	2,608	79.8
	Mar-May 2006	2,612	79.9
Economically inactive***	Mar-May 2005	638	20.2
	Jun-Aug 2005	648	20.4
	Sep-Nov 2005	640	20.2
	Dec-Feb 2006	643	20.2
	Mar-May 2006	639	20.1

Source: Labour Market Statistics (First Release), National Statistics.

Notes:

(1) Data available as of 18th September 2006.

(2) Data taken from Table 1 of Labour Market Statistics for July 2006, ONS, and are not directly comparable with previous series taken from NOMIS.

* Levels are those aged 16 and over, rates are for those of working age (16-59/64)

** Levels and rates are for those aged 16 and over. Rate is a proportion of economically active

*** Levels and rates are for those of working age

Table 2: Claimant count unemployment*

(000s)		Claimant count (Seasonally adjusted)		Claimant flows (seasonally adjusted)	
		Level	Rate	Off-flow	On-flow
2004	January	96,700	3.6	23,200	23,800
	February	96,200	3.6	24,500	23,700
	March	95,500	3.6	24,400	23,400
	April	94,400	3.5	24,100	22,700
	May	92,400	3.5	24,100	22,700
	June	91,600	3.4	24,400	23,200
	July	90,200	3.4	23,000	21,900
	August	90,200	3.4	22,400	22,200
	September	90,600	3.4	22,600	22,200
	October	89,800	3.4	22,700	22,100
	November	88,800	3.3	22,900	22,000
	December	87,800	3.3	23,400	22,200
2005	January	86,800	3.2	23,400	21,700
	February	85,900	3.2	22,600	21,900
	March	86,100	3.2	22,200	21,600
	April	86,100	3.2	21,300	21,400
	May	86,600	3.2	21,300	21,200
	June	86,300	3.2	21,500	20,800
	July	84,900	3.2	21,500	20,600
	August	85,500	3.2	21,300	21,600
	September	86,000	3.2	21,100	20,900
	October	85,800	3.2	20,800	20,800
	November	85,700	3.2	21,000	20,900
	December	85,400	3.2	20,600	20,300
2006	January	84,100	3.1	20,200	19,900
	February	86,000	3.2	19,600	20,700
	March	87,500	3.3	19,700	21,400
	April	88,000	3.3	19,400	19,700
	May	88,600	3.3	19,800	20,300
	June	88,900	3.3	20,000	20,200
	July	88,600	3.3	20,100	20,000
	August	88,200	3.3	20,900	20,200

Source: National Statistics, Nomis (Benefits Agency Administrative system)

(1) Data available as of 18th September 2006

* Levels are those claiming unemployment benefits, rates are those claiming benefit divided by workforce jobs plus claimants.

Table 3: Industrial composition of total in employment (LFS), percentage share

	<i>Manufacturing</i>	<i>Banking and Finance</i>	<i>All services</i>
Dec 2002-Nov 2003	12.6	13.6	75.3
Mar 2003-Feb 2004	12.3	13.5	75.3
Jun 2003-May 2004	12.2	13.4	75.4
Sep 2003-Aug 2004	12.0	13.3	75.4
Dec 2003-Nov 2004	11.9	13.5	75.4
Mar 2004-Feb 2005	11.8	13.5	75.3
Jun 2004-May 2005	11.7	13.5	75.2

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

- (1) Where manufacturing covers SIC section D, banking and finance covers section J and K and all services covers sections G-Q (including Banking and Finance)
- (2) LFS data taken from Nomis are rolling averages of four quarters, and are consistent with the population estimates published in February and March 2003

Table 4: Employee jobs by industry, 000s

	All jobs (seasonally adjusted)	All jobs A-0	Agriculture, Forestry and Fishing A,B	Mining, Energy and Water Supplies Industries C,E	Manufacturing Industries D	Construction F	Service Industries G-K	Public administration and other services L-0
SIC 1992 section		A-0	A,B	C,E	D	F	G-K	L-0
Mar 03	2,274	2,265	32	41	258	126	1,032	776
Mar 04	2,286	2,277	28	37	238	122	1,047	805
Mar 05	2,324	2,315	32	37	233	126	1,069	818
Jun 05	2,325	2,320	31	38	234	118	1,081	819
Sep 05	2,335	2,334	30	39	233	129	1,083	821
Dec 05	2,329	2,342	30	39	230	125	1,089	828
Mar 06	2,339	2,330	30	39	227	130	1,076	829

Source: National Statistics: Labour Market Statistics, Scotland (First Release, Table 5: Employee jobs by industry, July 2006)

Table 5: Proportion of employment in highly skilled jobs

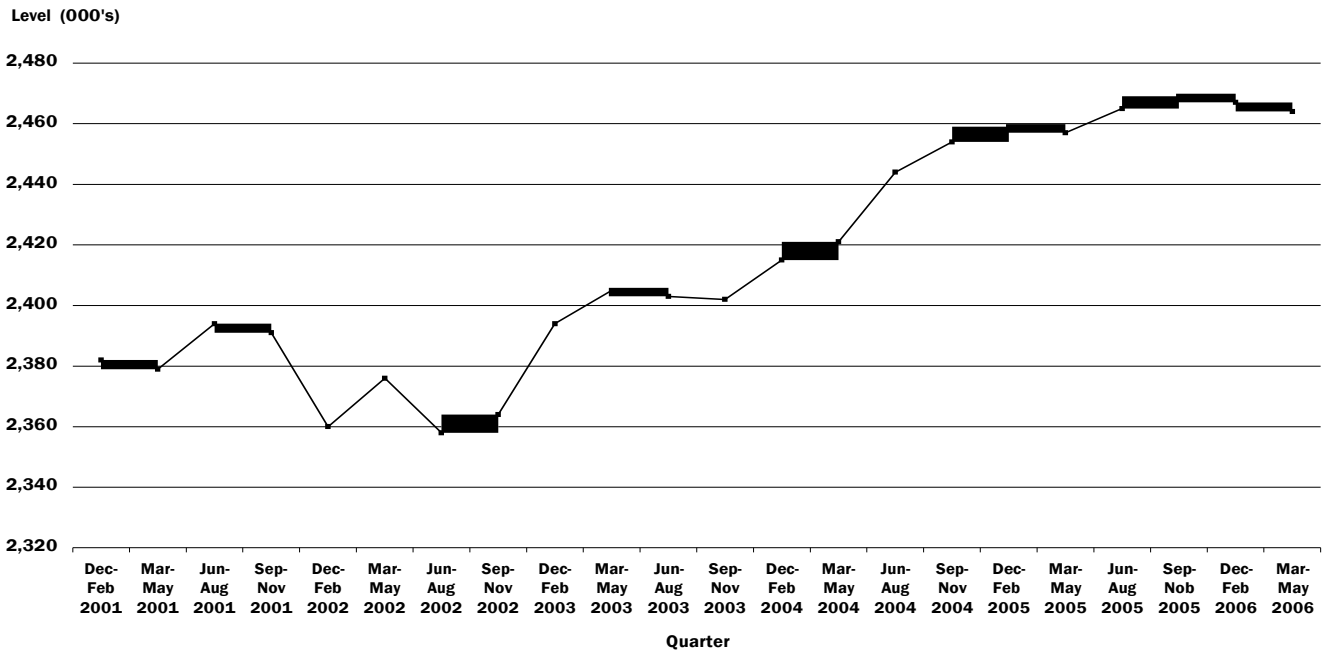
	Level	Scotland Rate (%)	Level	Great Britain Rate (%)
Sep 2002-Aug 2003	887,000	37.1	10,861,000	40.1
Dec 2002-Nov 2003	897,000	37.4	10,931,000	40.2
Mar 2003-Feb 2004	906,000	37.8	11,023,000	40.5
Jun 2003-May 2004	911,000	38.0	11,089,000	40.6
Sep 2003-Aug 2004	920,000	38.2	11,148,000	40.8
Dec 2003-Nov 2004	925,000	38.4	11,220,000	41.0
Mar 2004-Feb 2005	927,000	38.3	11,274,000	41.1
Jun 2004-May 2005	934,000	38.6	11,316,000	41.2

Source: National Statistics, Nomis (Labour Force Survey)

Notes:

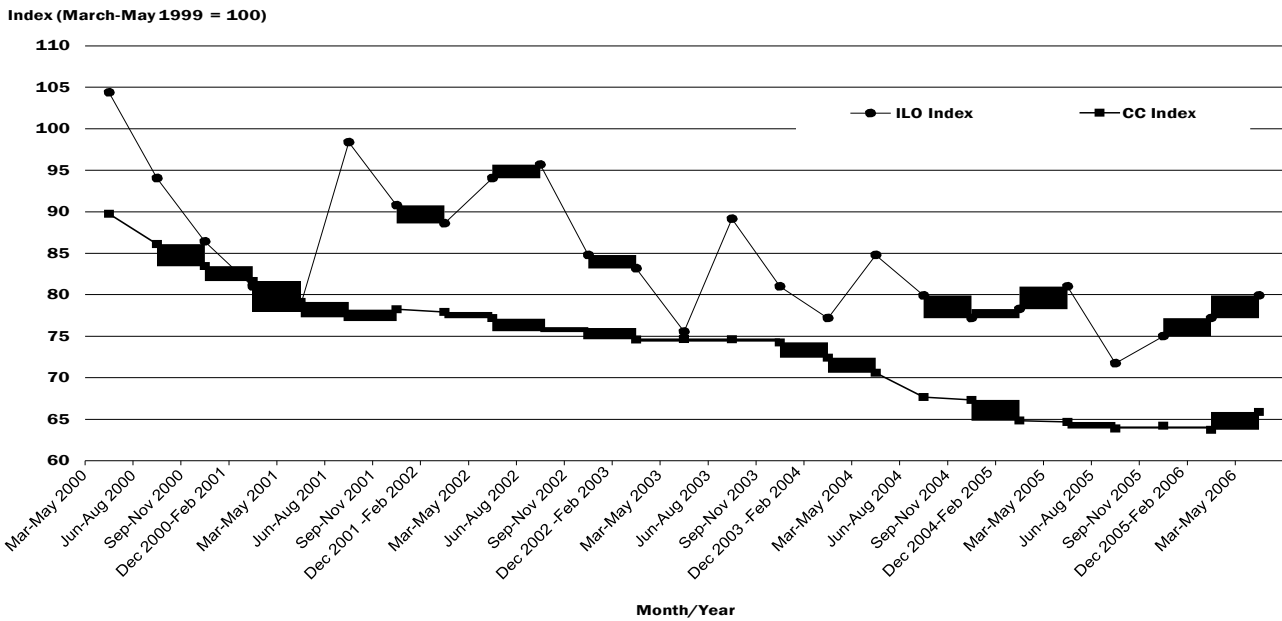
Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC 2000)

Figure 1: LFS employment in Scotland for those aged 16 and over, Dec-Feb 2001 to Mar-May 2006



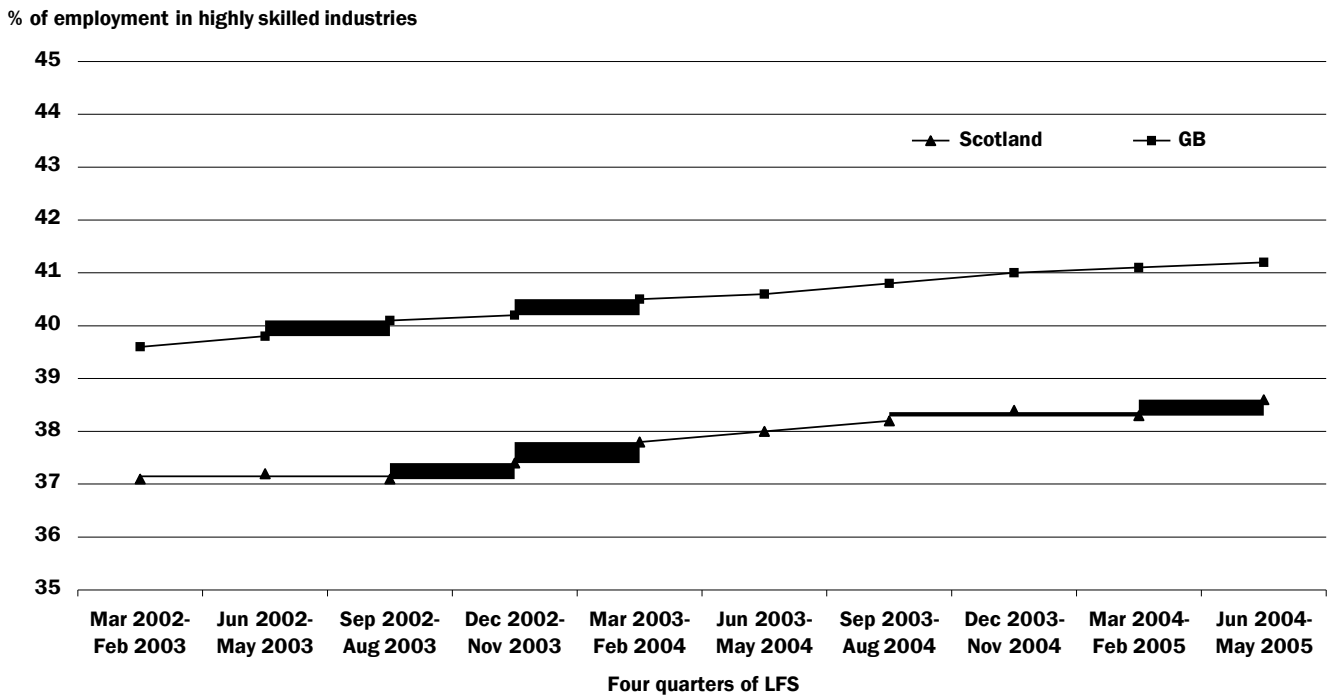
Source: National Statistics (NOMIS)

Figure 2: Claimant Count and ILO Unemployment in Scotland, Mar-May 2000 to Mar-May 2006



Source: National Statistics (NOMIS)


Figure 3: Employment in highly skilled jobs, Scotland and Great Britain, March 2002-February 2003 to June 2004-May 2005



Source: National Statistics: Labour Force Survey (Nomis)

Notes:

* Highly skilled jobs includes sections 1-3 of the Standard Occupational Classification (SOC).



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