

State of the Labour Market

Strategic Labour Market Group

June 2018

Summary

- **Sustained growth:** There were four consecutive quarters of economic growth in the Scottish economy over 2017 with growth over the year strengthening (+0.8%) compared with 2016 (+0.2%). However, economic growth remains below its long run trend rate.
- **Resilient labour market:** Scotland's employment rate (74.7%) is high by historical standards and unemployment (4.3%) remains close to record lows. However, the UK as a whole is outperforming Scotland on employment, unemployment and inactivity rates.
- **Employment Demographics:** For women, the employment rate increased over the past year (to 71.1%) and unemployment fell (to 3.7%). For men, the employment rate also increased (to 78.4%) but unemployment rose (to 4.8%).
- **Sector employment changes:** Other services, transport & communications and banking, finance & insurance have seen the largest employment increases. Employment has declined most notably in distribution, hotels & restaurants and to a lesser extent in public admin., education & health.
- **Regional impacts:** Employment in Aberdeen city and shire recovered in 2017 as the oil price continued to rebound and the oil & gas sector continued to recover from the 2015/16 oil price crash and subsequent fall in output and employment.
- **Longer term features** of the Labour Market in Scotland include an ageing workforce, a falling gap between employment rates for men and women and an increasing proportion of employees working under zero hours contracts.

(all data accurate as of 25/05/18 – next Labour Force Survey release due 12/06/18)

Recent performance – sustained growth

GDP (Gross Domestic Product)

4.1 Scottish GDP, quarter-on-quarter and annual percentage change

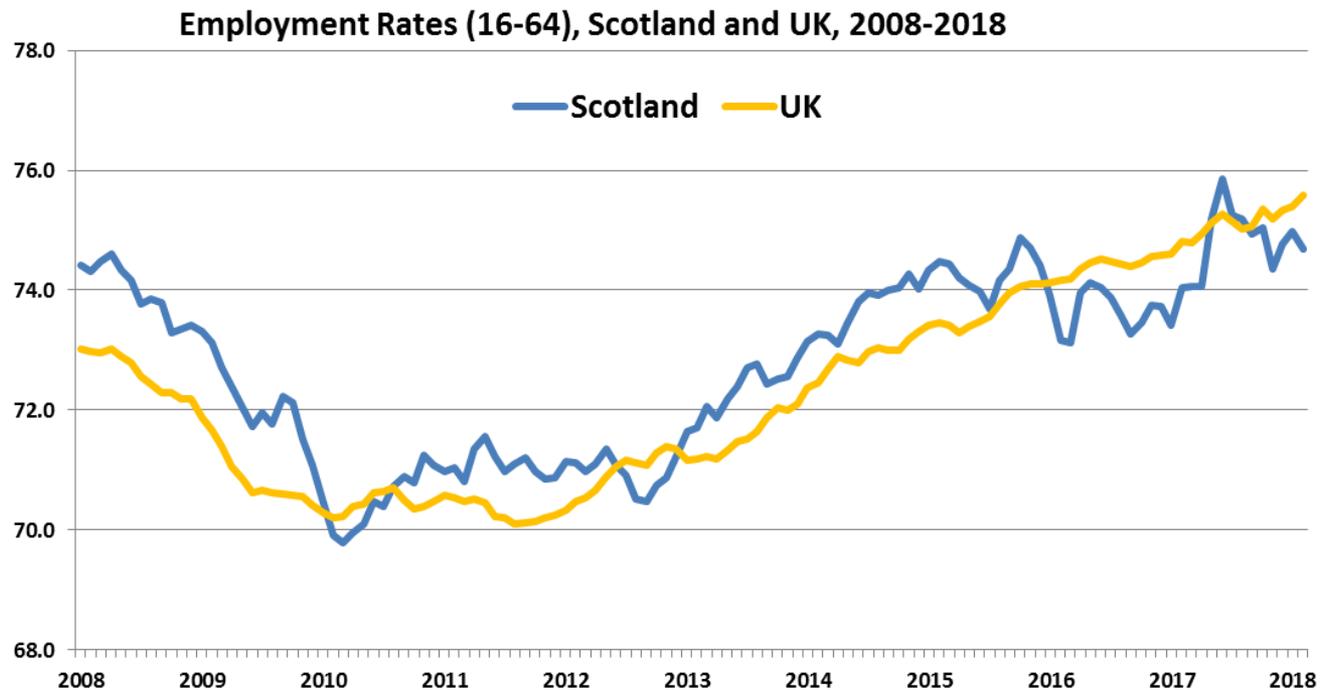


Source: Scottish Government

- There has been sustained positive economic growth in the Scottish economy in 2017 (+0.8% over the year), compared with 2 negative quarters of growth in 2016 (+0.2% over the year). However, economic growth remains below its long run average.
- GDP growth over 2017 was led by the production and services sectors, offsetting a large decline in construction sector activity.

Post recession – resilient labour market

Employment

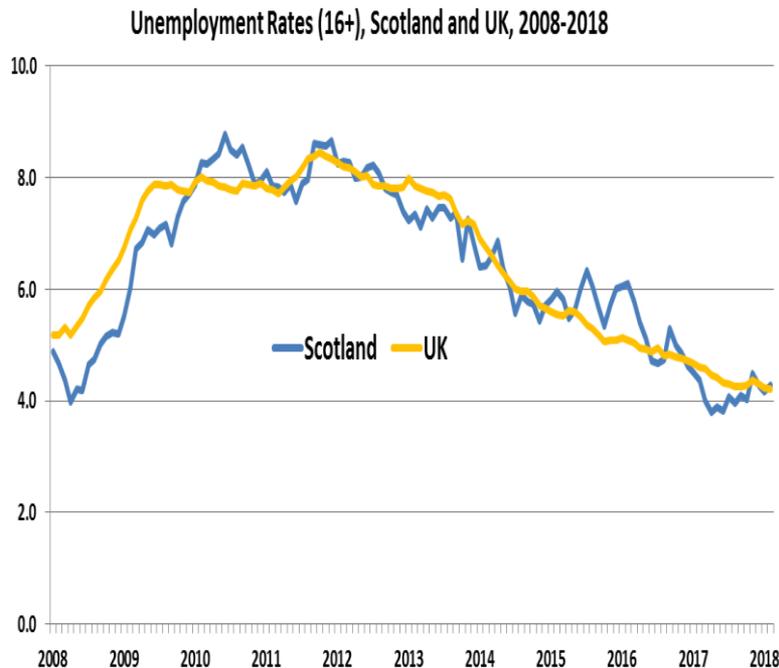


Source: Labour Force Survey, Jan-Mar 2018, ONS

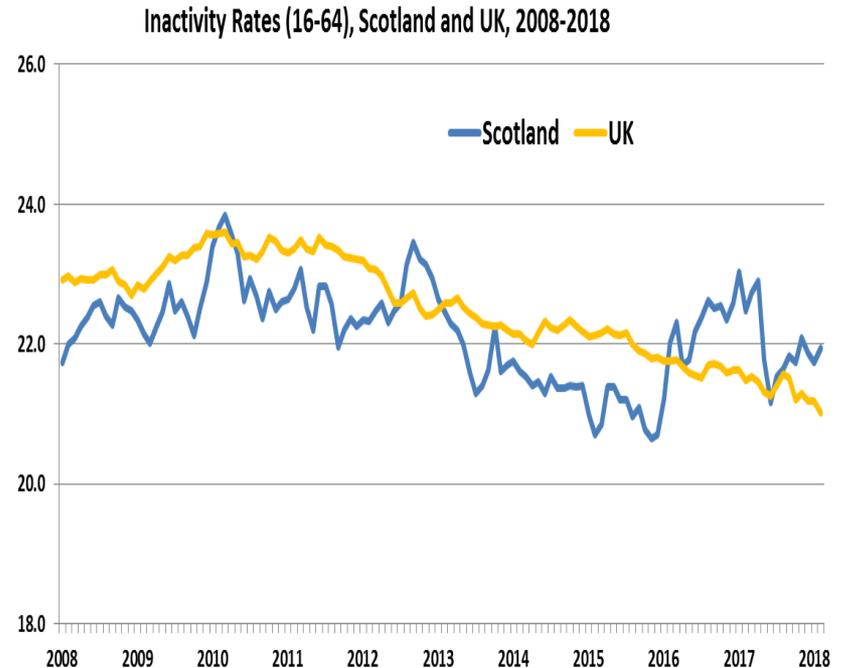
- Since the recession the labour market has remained remarkably resilient.
- Scotland's employment rate (74.7%) has risen by 4.9 percentage points since 2010.
- The employment level in Scotland has risen to 2.63 million, close to the record high (2.67m), with 66,000 more people in employment than the pre-recession peak (2008).

Post recession – resilient labour market

Unemployment



Inactivity

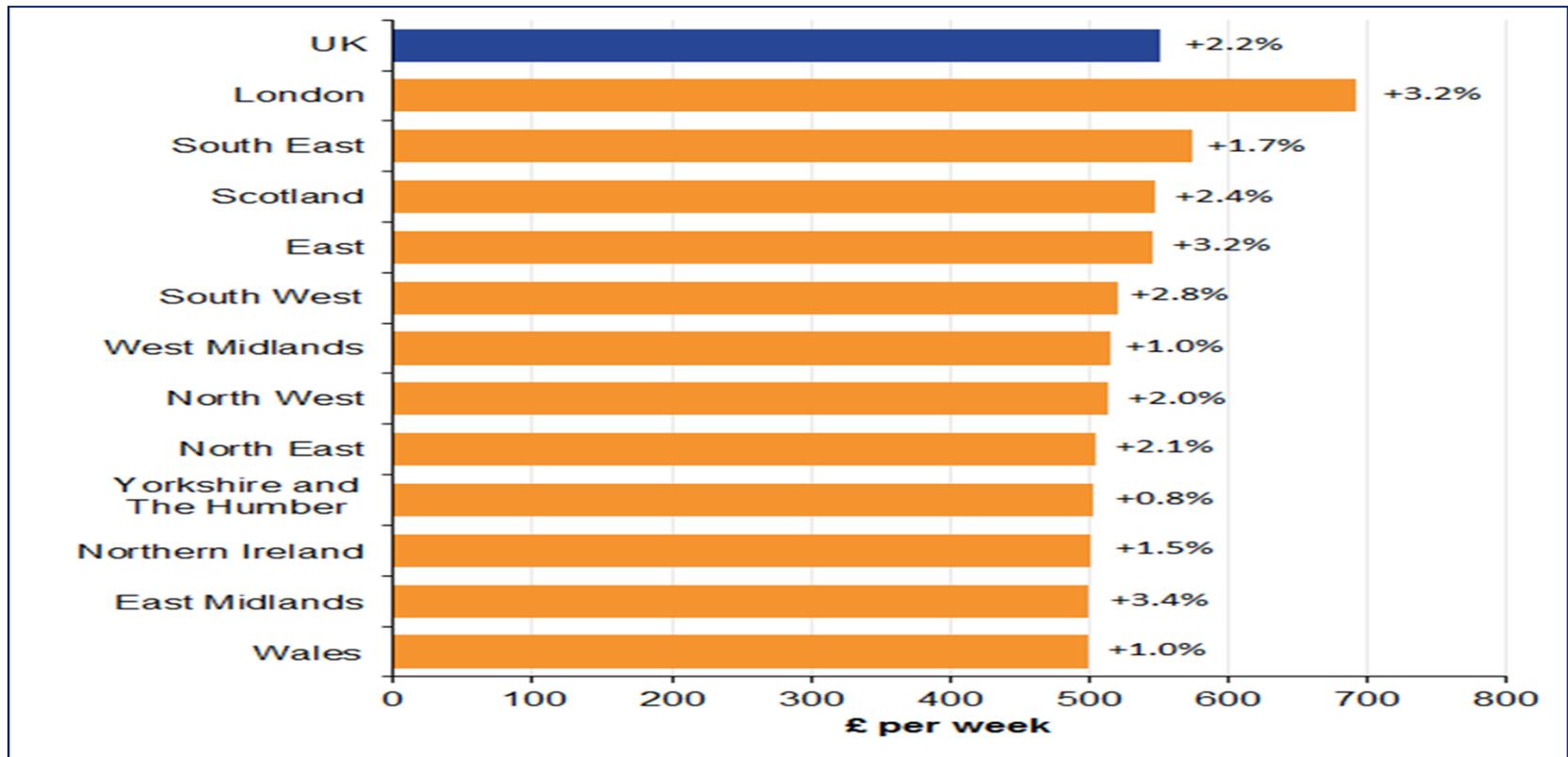


Source: Labour Force Survey, Jan-Mar 2018, ONS

- Scotland's unemployment rate (4.3%) is low by historical standards and close to the UK rate (4.2%). Over 2015 into 2016 unemployment in Scotland was higher than the UK (oil & gas downturn) but lower throughout 2017.
- Scotland's inactivity rate (21.9%) is also low by historical standards but slightly higher than the UK rate (21.0%).

Recent performance - earnings

Annual Weekly Earnings Growth, Scotland, 2017

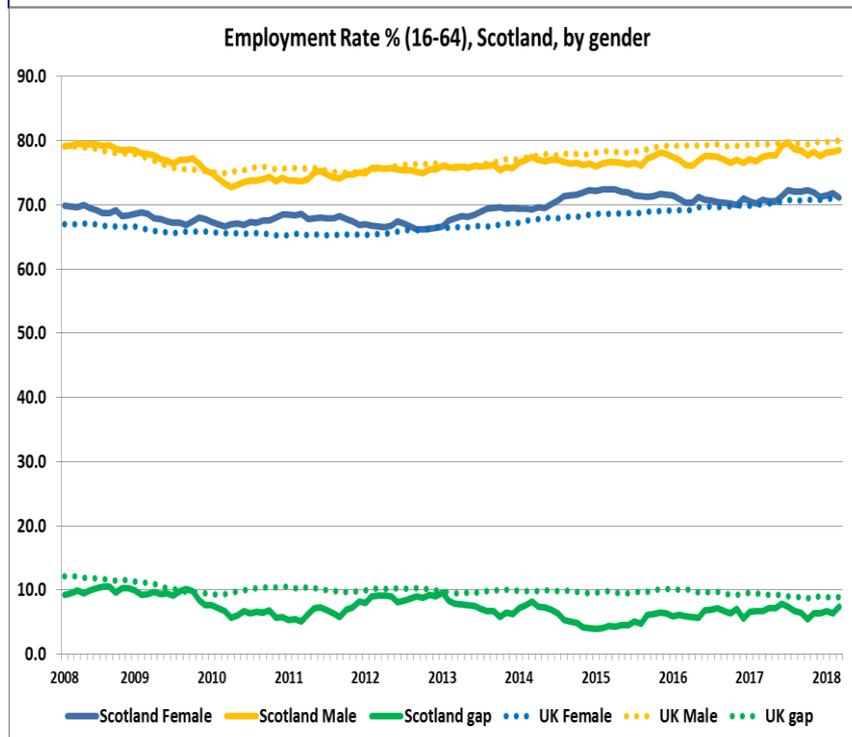


Source: Annual Survey of Hours & Earnings, 2017, ONS

- Of all the regions in the UK, Scotland has the third highest average weekly full-time earnings at £547.30 and 2.4% growth over 2017.
- However, new experimental HMRC PAYE data shows Scotland to have the lowest growth of average PAYE pay per individual of any UK region/country for 2015/16 & 2016/17.

Employment Demographics

Gender



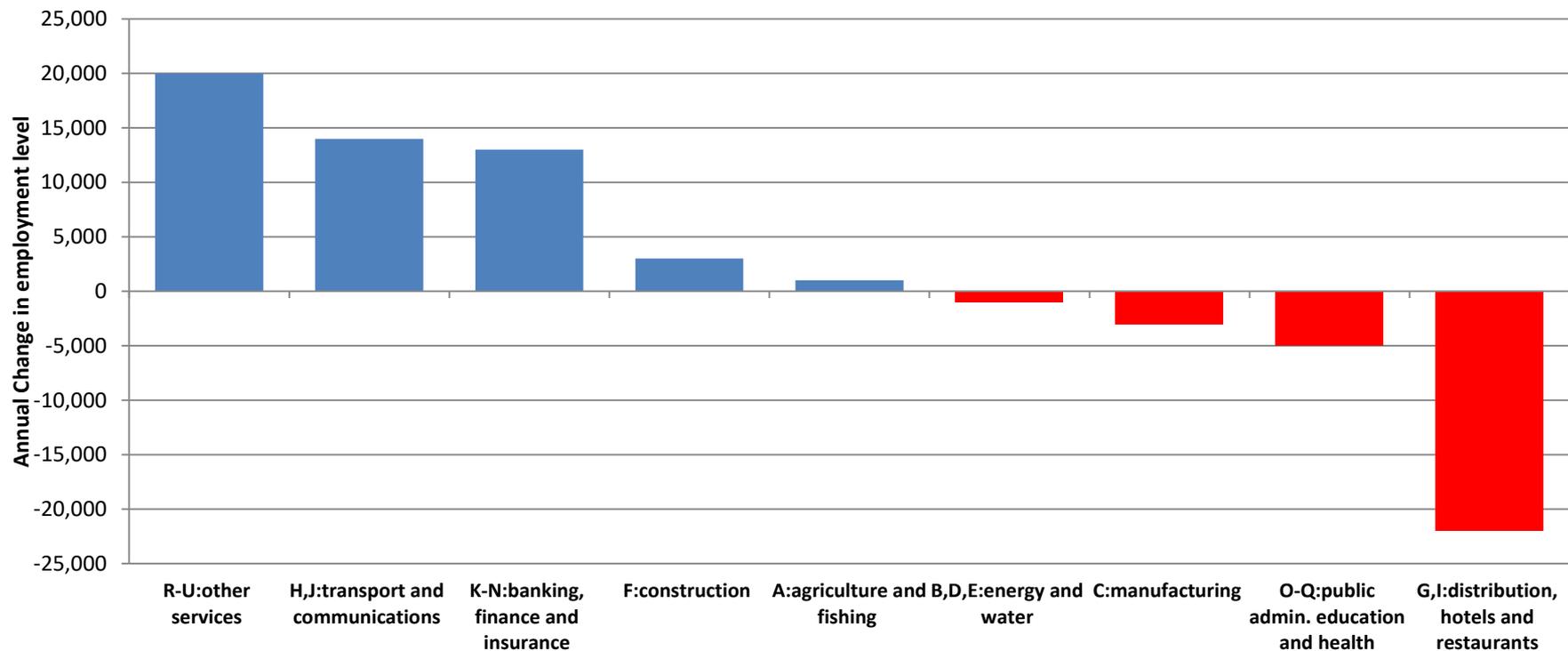
Self-employment



Source: Labour Force Survey, Jan-Mar 2018, ONS

- Scotland's employment rate for women (71.1%) increased over the past year but is marginally below the UK's (71.2%). Scotland's gap between employment rates for men and women has declined over the past 10 years and remains lower than the UK.
- The recent trend of increased self employment in Scotland is beginning to reverse. Self employment decreased by 36,000 over the past year.

Employment – annual sector changes

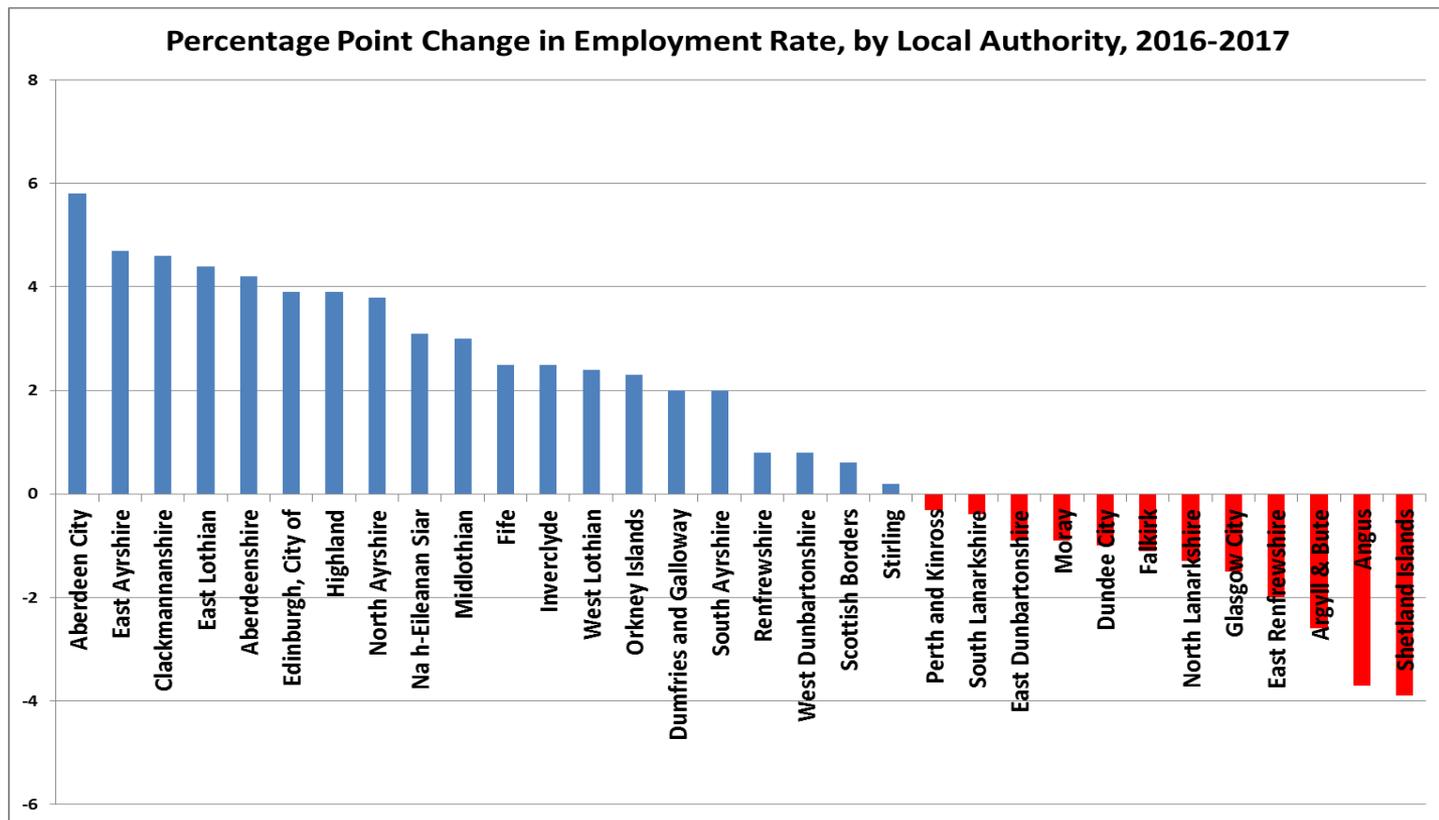


Source: Business Register and Employment Survey 2015 and 2016

This chart shows employment growth by sector in Scotland between 2015 and 2016.

- Employment level has increased the most in Other Services, Transport & Communications, and Banking, Insurance & Finance.
- Largest decrease in employment has been in distribution, hotels and restaurants. Public admin, education & health, manufacturing and energy & water have also seen declines.
- Some of these negative changes reflect the impact of oil price declines on the oil and gas sector & supply chains. Others reflect declines in local government employment.

Employment – Annual regional changes %



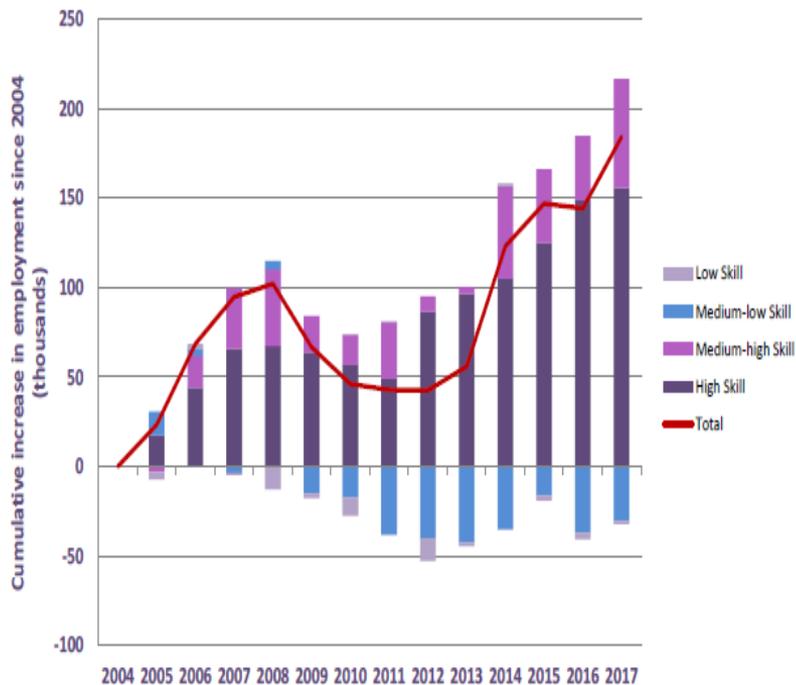
Source: Annual Population Survey, 2017, ONS

- Aberdeen City & Shire saw notable rises in employment during 2017 – during rebound of oil price and recovery in oil & gas sector.
- Of the 32 local authorities, 20 saw an increased employment rate over 2017 with 12 experiencing a fall – Shetland Islands & Angus (fall in distribution, hotels & restaurant employment) worst affected.

Longer Term Labour Market Trends

Increase in Skilled Jobs

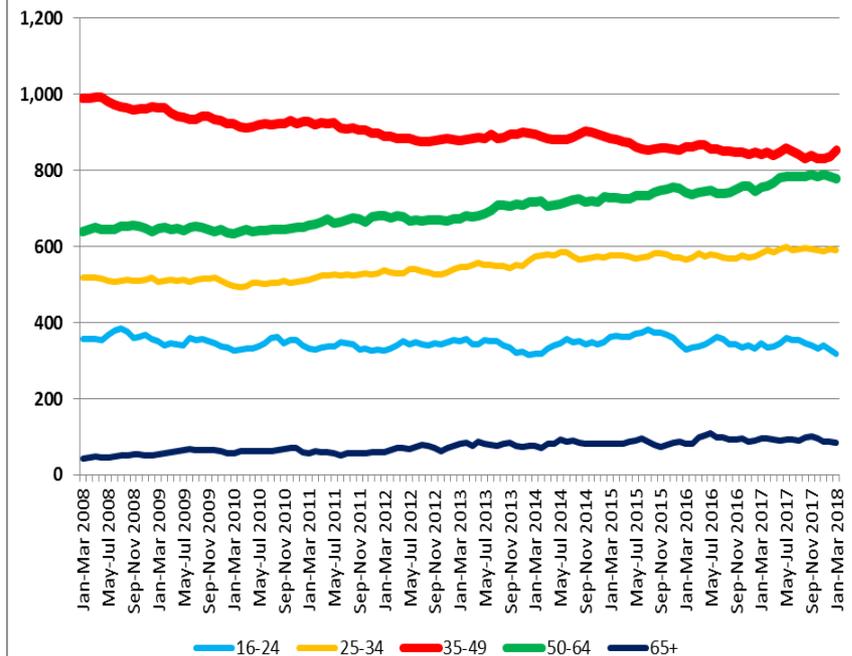
Chart 17: Cumulative increase in occupation skills level of employment (16+) since 2004, Scotland



Source: Annual Population Survey, 2017, ONS

Ageing Workforce

Employment level 000's by age group



Source: Labour Force Survey, Jan-Mar 2018, ONS

- The bulk of jobs created continues to be dominated by high skill or medium-high skill jobs, with low skill and medium-low skill jobs on the decline.
- A decade ago 35-49 year olds made up the largest proportion of our workforce. Now, employment levels of 35-49 year olds and 50-64 year olds have begun to converge