

State of the Labour Market

Strategic Labour Market Group

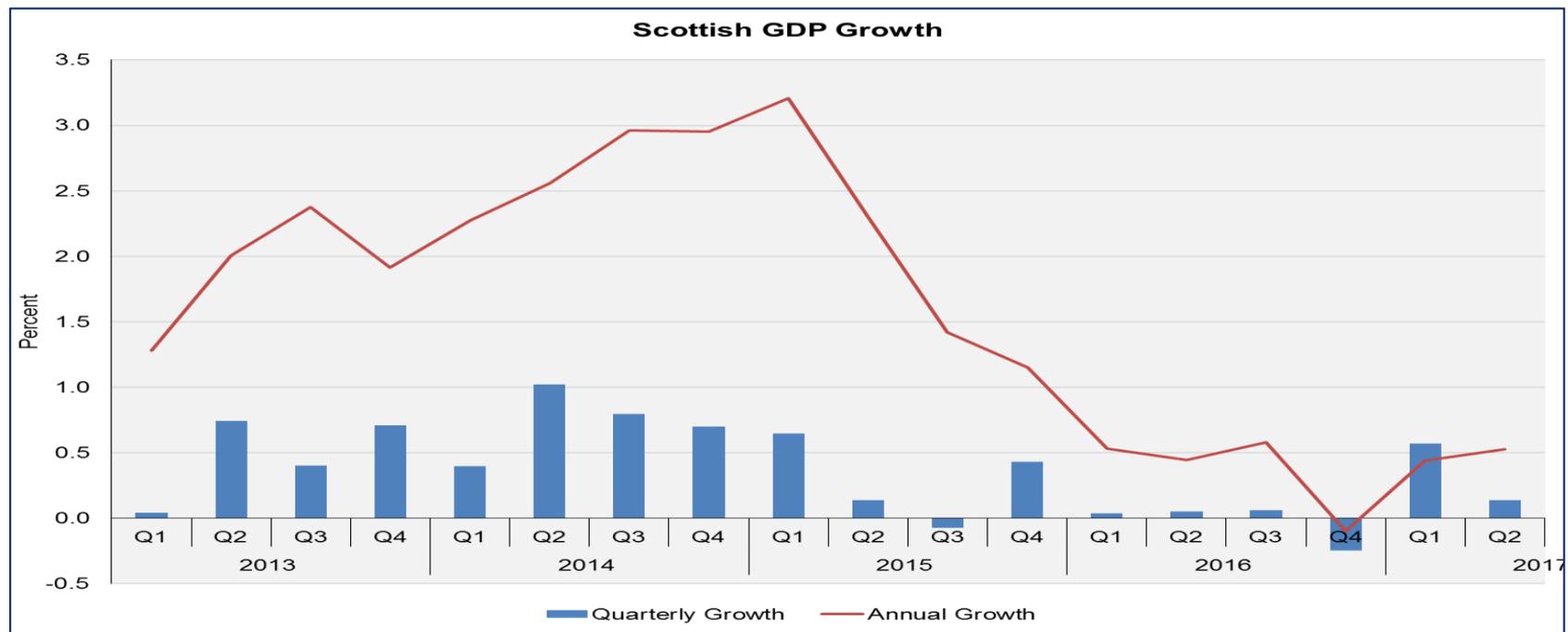
November 29th 2017

Summary

- **Subdued growth:** Output growth in the Scottish economy picked up in the first half of 2017 following relatively weak growth in 2016. However it remains below its long run average.
- **Resilient labour market:** Scotland's employment rate is close to record highs and unemployment is close to record lows. On both these measures we now outperform the UK average. Scotland also has the 3rd highest earnings of all the regions in the UK.
- **Employment Demographics:** The female employment rate has increased over the year, remaining above the UK rate. The number of self-employed has increased by 32,000 over the year to 323,000.
- **Sector employment changes:** Employment has declined in distribution, hotels and restaurants. Public admin, manufacturing and energy and water have also been impacted negatively, whereas construction, banking, transport and services have seen employment increases.
- **Regional impacts:** Sector changes are impacting different regions in different ways, with some, such as Aberdeen, impacted negatively due to sector-specific shocks.
- **Longer term features** of the Labour Market in Scotland include more skilled jobs and an increase in the older workforce.

Recent performance – subdued growth

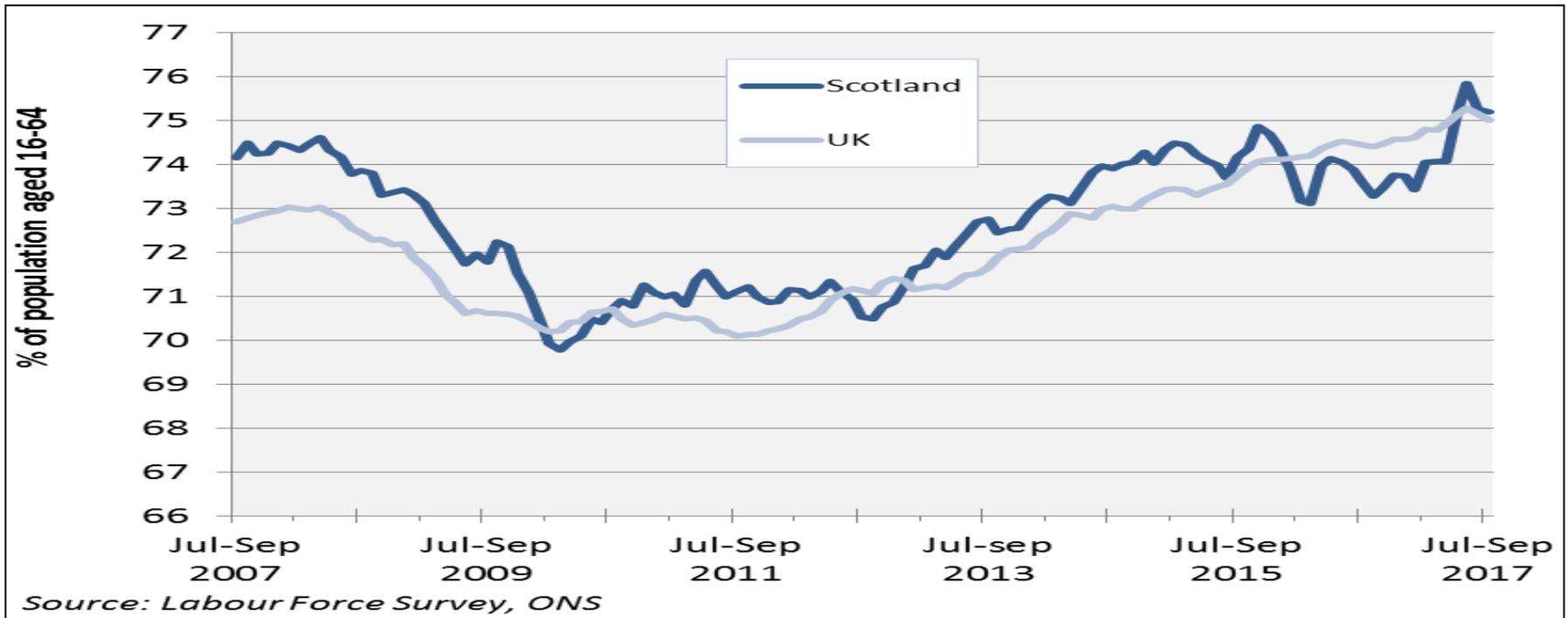
GDP



- Output growth in the Scottish economy picked up in the first half of 2017 following relatively weak growth in 2016, however, it remains below its long run average.
- Over the past year services sector growth has offset contractions in the production and construction sectors.

Recent performance – resilient labour market

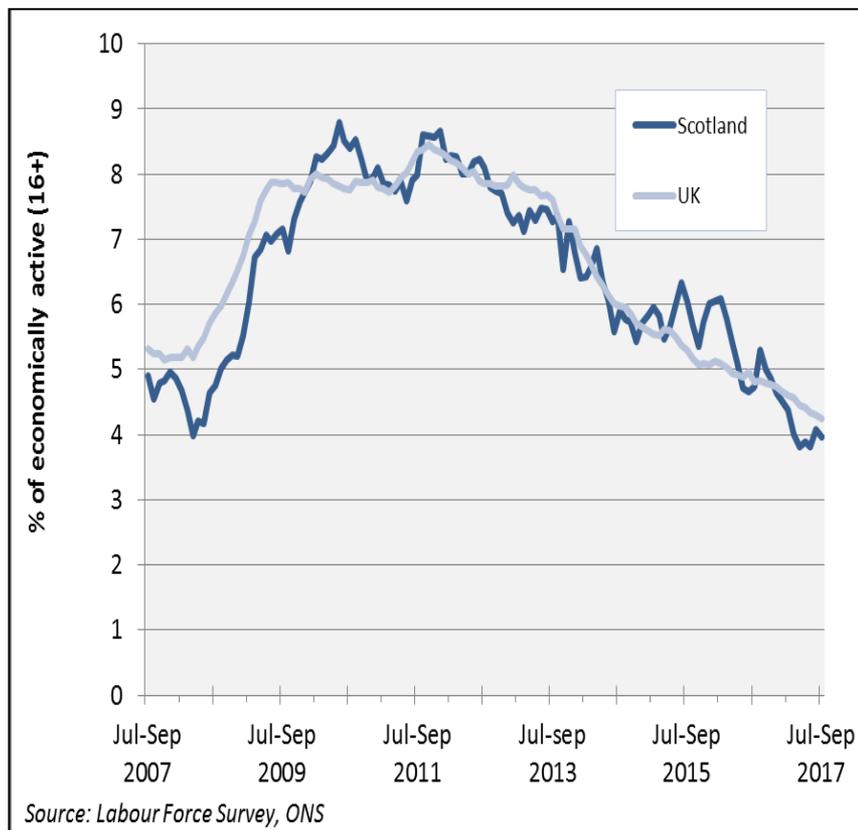
Employment



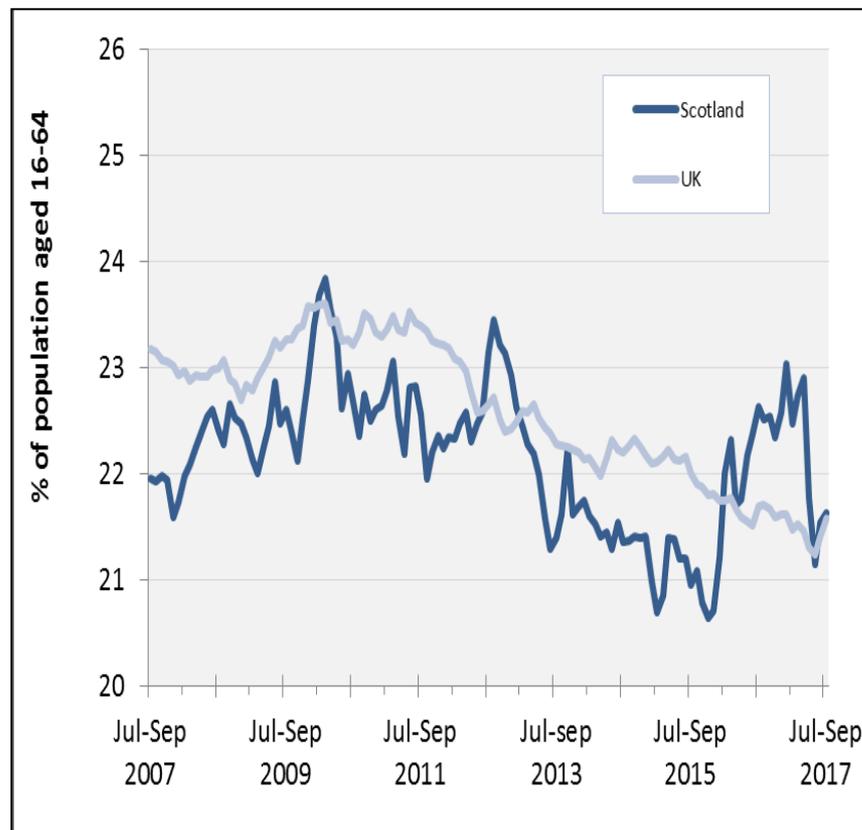
- Over the same period the labour market has remained remarkably resilient.
- Employment levels in Scotland have risen to over 2.6 million, close to record highs, with 88,000 more people in employment than prior to the recession.

Recent performance – resilient labour market

Unemployment



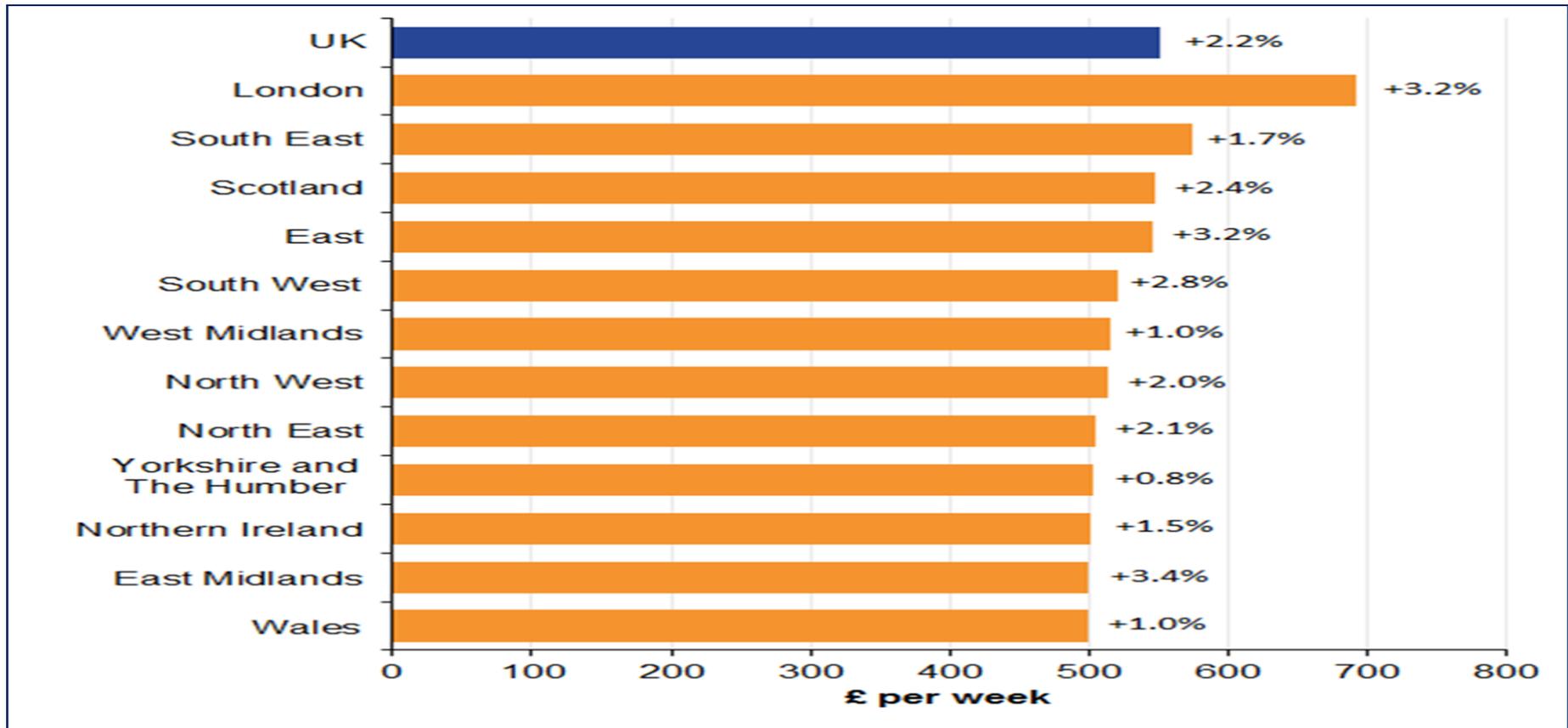
Inactivity



- Scotland's unemployment rate mainly above the UK's rate – due in part to the impact of the oil & gas sector. However, it has fallen through 2017, standing at 4.0% in July to September 2017, and is now below that of the UK.
- Scotland's inactivity rate has fallen to 21.6% in Jul-Sept 2017 - the same as the UK.

Recent performance - earnings

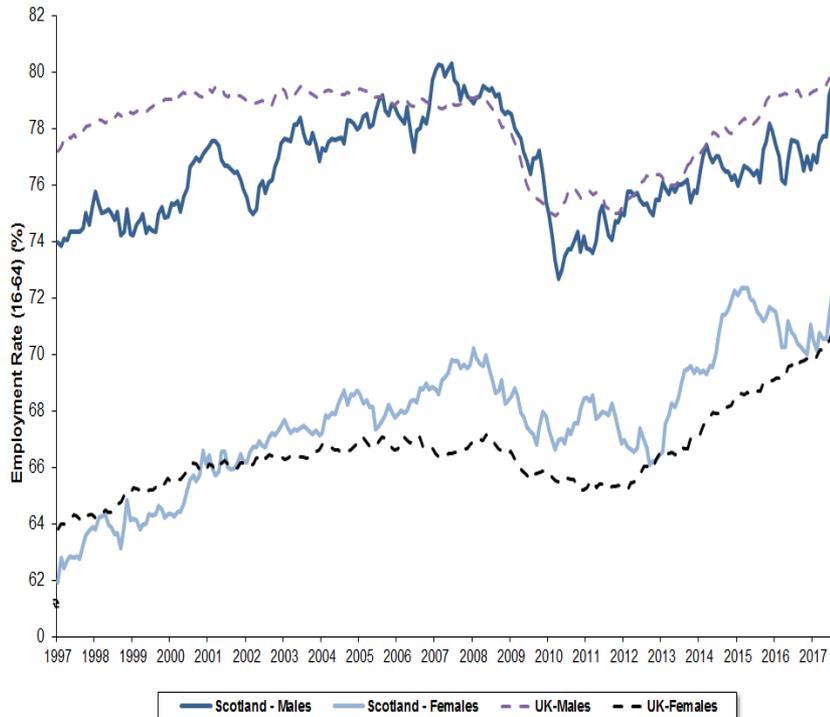
Annual Weekly Earnings Growth, Scotland, 2017



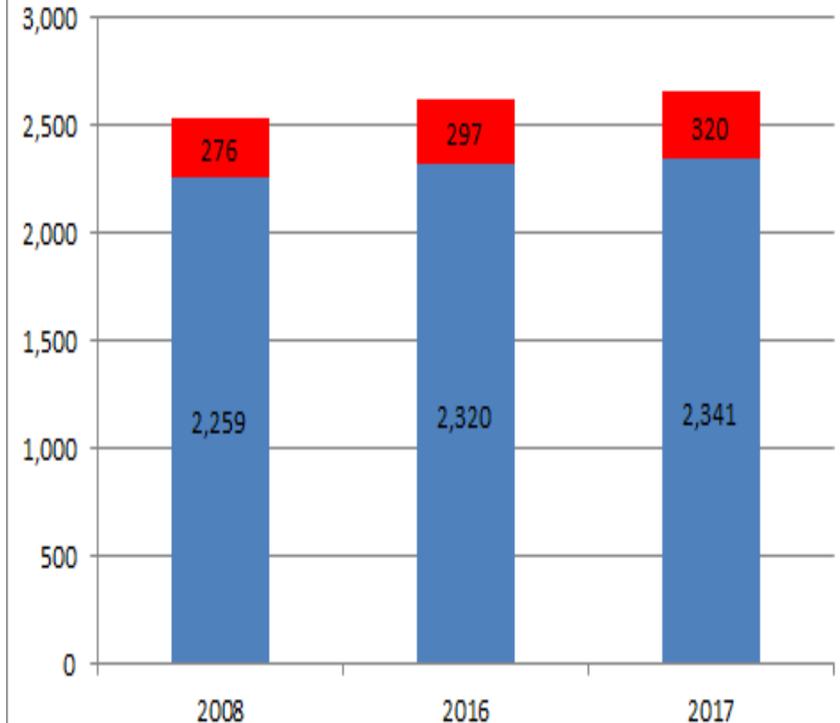
- Of all the regions in the UK, Scotland has the third highest average weekly full-time earnings at £547.30 – 2.4% growth over the year.

Employment Demographics

Gender

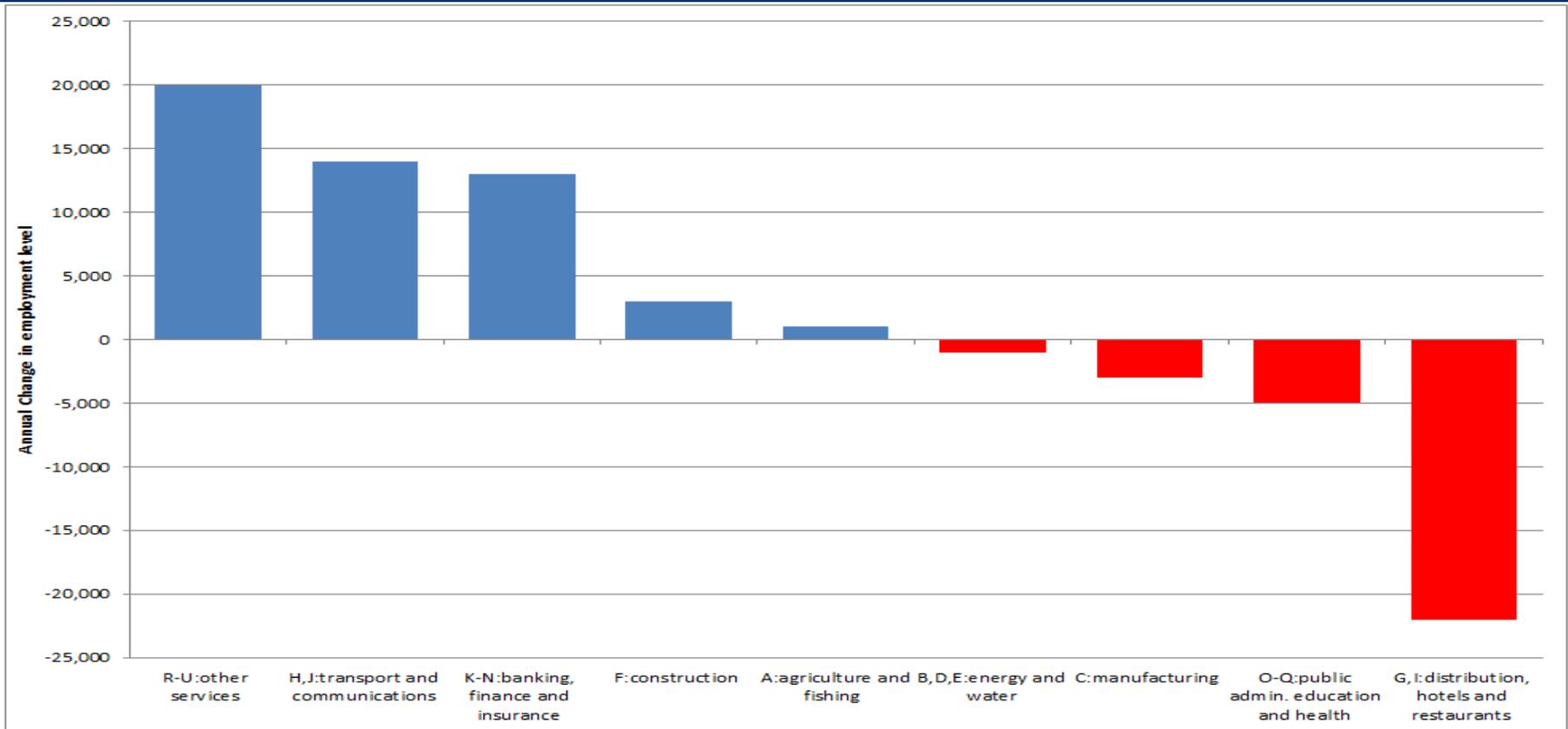


Self-employment



- The male employment rate has increased over the year but remains below the UK rate. The female employment rate has increased over the year, remaining above the UK rate.
- The number of self-employed has increased by 32,000 over the year to 323,000.

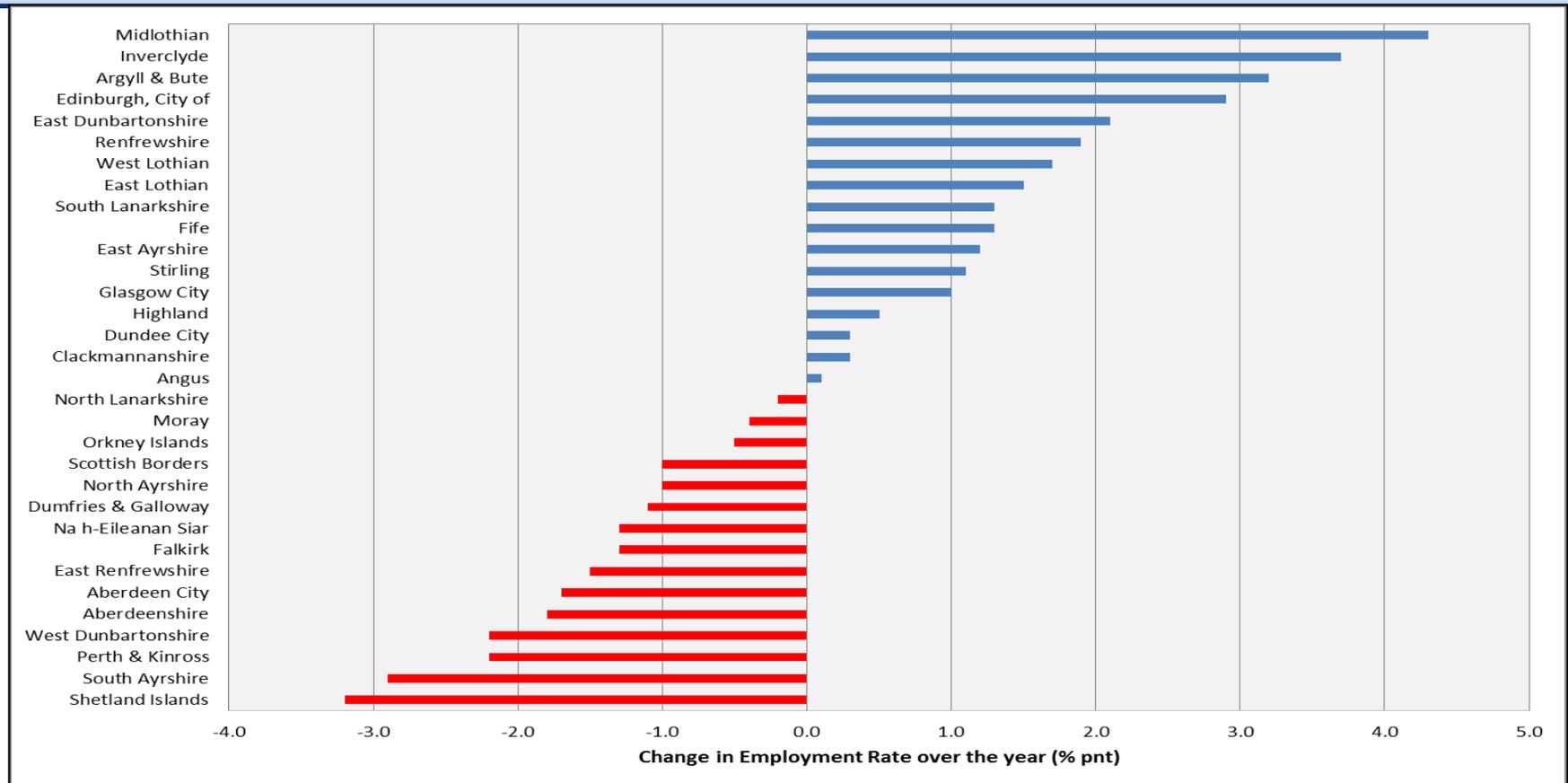
Employment – annual sector changes



This chart shows employment growth in Scotland over 2015 and 2016.

- Employment level has declined by the largest amount in distribution, hotels and restaurants. Public admin, manufacturing and energy and water have also been impacted negatively, whereas construction, banking, transport and services have seen employment increases.
- 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.

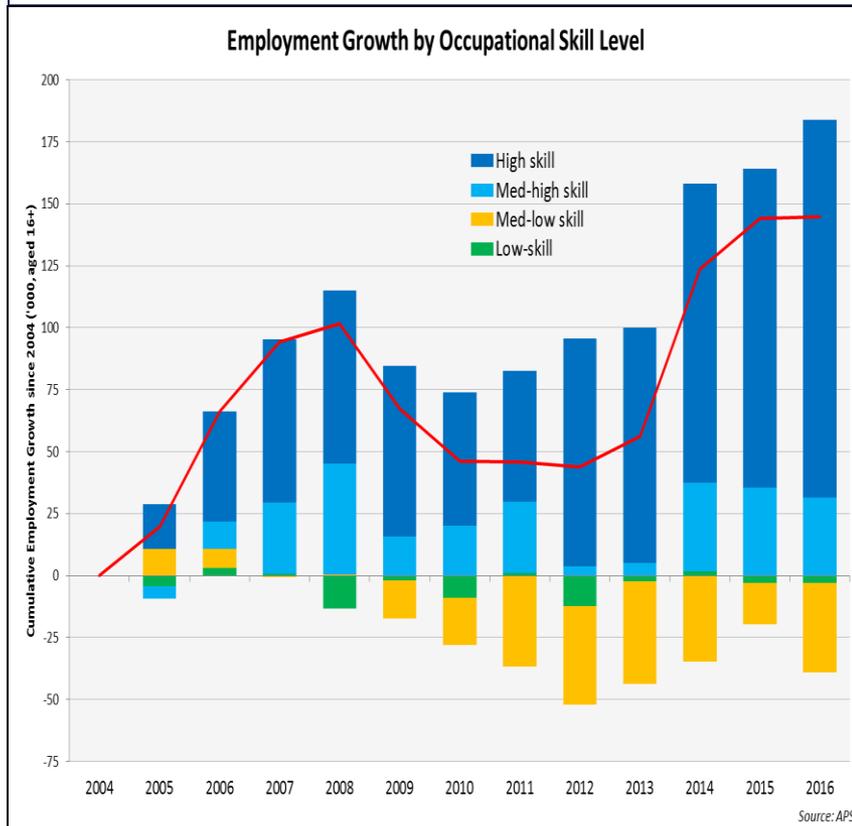
Employment – Annual regional changes %



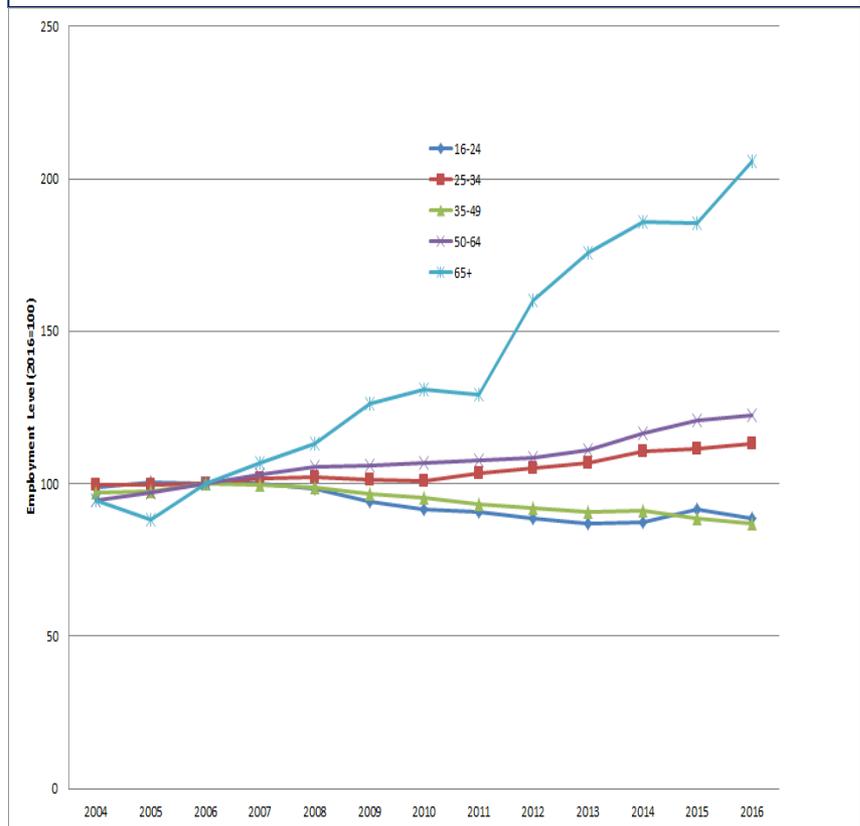
- These changes to sector employment have had different impacts on regions.
- Notable changes include in Aberdeen and Aberdeenshire, which along with the Highlands have been negatively impacted by the oil-price shock.
- The majority of other local authorities that have seen a fall in employment over the last year have been impacted by falls in manufacturing and public sector employment.

Longer Term Labour Market Trends

Occupation Skill Level



Age Profile



Taking a longer-term view of the Labour Market in Scotland:

- The bulk of jobs created over the past decade have been in medium to high skilled jobs.
- Employment amongst those aged over 65 has doubled over the last decade.