

## SUBMISSION FROM STUC

### **1 Introduction**

The STUC believes this is a crucially important inquiry on issues that profoundly affect the daily lives of workers in Scotland and is therefore delighted to provide this preliminary submission in advance of the evidence session on 24 June. A more detailed submission will be provided to the inquiry in due course.

### **2 Information**

The STUC has long been concerned over the range and quality and of labour market statistics and the length of time it takes for these inadequate statistics to be published. In this respect the UK (it should be emphasised that the Office for National Statistics – a UK body - is responsible for undertaking and publishing the main surveys. The STUC believes the Scottish Government plays the weak hand dealt by ONS very well; it presents ONS data in an accessible and up to date fashion) compares poorly to other advanced nations.

The STUC would highlight the following issues:

*a) Regular ONS labour market release:* on the middle Wednesday of each month, ONS publishes the latest labour market statistics for the UK and in separate series, the headline statistics for the nations and regions of the UK. However, the information for the nations and regions is more limited than that published for the UK as a whole: there is very limited wages data and no monthly updates on employment/unemployment by age or full-time/part-time/temporary/self-employment; no information on underemployment or hours worked. The sectoral employment data for Scotland is extrapolated from a UK survey and is next to useless.

Instead data on hours worked, labour market status by age, reasons for inactivity and employment type are update four times a year and then provide only an average for the latest available year. To illustrate this point consider the information on labour market status published on 17 June:

- For the UK as a whole information was published on full/part/self/temporary employment for the period Feb-April 2015. This was broken down further to include, for instance, the number of self-employed working full and part time;
- For Scotland no new information was published on full/part/self/temporary employment and the latest information available is an average for the year Jan-Dec 2014.

The UK's labour market statistics lag those published by other nations. Every other OECD nation (and some non-OECD nations) and the Eurozone as a whole manage to publish monthly statistics within 6 weeks of the end of that month. The UK publishes later and then only produces three month rolling averages. So while US policymakers and citizens now have access to monthly data for May, the UK has just published a three month average for Feb-April. This is unacceptable.

b) *Wages*: there is a particular problem with wages data. The latest comprehensive wage data for Scotland is provided by the Annual Survey of Hours and Earnings 2014 which covers the year to April 2014 i.e. it is now more than a year out of date. Even for the UK as a whole, wage data is appalling inadequate: the Monthly Survey of Hours and Earnings (MWSS) from which the Average Weekly Earnings (AWE) statistics is derived excludes the self-employed and those employed in firms with less than 20 workers. In total around 30% of all workers are ignored in the survey.

It is hardly surprising that in February this year the UK Statistics Authority published a highly critical report on 'the Coherence and Accessibility of Official Statistics on Income and Earnings'.

c) *Scotland's regions*: the concerns outlined above can also be applied to the information available for Scotland's regions. These are partially remedied by the Scottish Government's Local Area labour Market report which is published annually (the 2014 report was published on 28 May this year).

d) *Security and quality of work*: currently very little official information is collected that can help inform debate around the security and quality of work.

One potentially important source is the Workplace Employment Relations Study (WERS) series which:

*"has mapped employment relations extensively over three decades. There is currently no other study in Britain like WERS. It provides insights into often complex and diverse employment relationships by taking a step inside the workplace and collecting a wide range of information from managers, employees and their representatives. In doing so, it sheds light on the current economic and social policy environment through the exploration of a multiplicity of employment relations matters".*

WERS is an all UK study and doesn't break data down regionally. Its methodology involves both face to face interviews and survey questionnaires. While a detailed description of the methodology is not appropriate here, it is important to bear in mind that any estimates provided for all workplaces are heavily determined by the characteristics and behaviour of small establishments, while estimates provided for all employees are more heavily influenced by the situation in larger establishments. The latest survey was conducted in 2011 and published in January 2013.

- ***In its next submission the STUC will make recommendations for improving the range and quality of labour market data in Scotland.***

### **3 Changes in the labour market since 2008**

The latest STUC Labour Market Report, published on 21 April 2015, is attached at Annex A. Although two ONS labour market releases since issued, we do not believe that developments in the data challenge the analysis contained in the report.

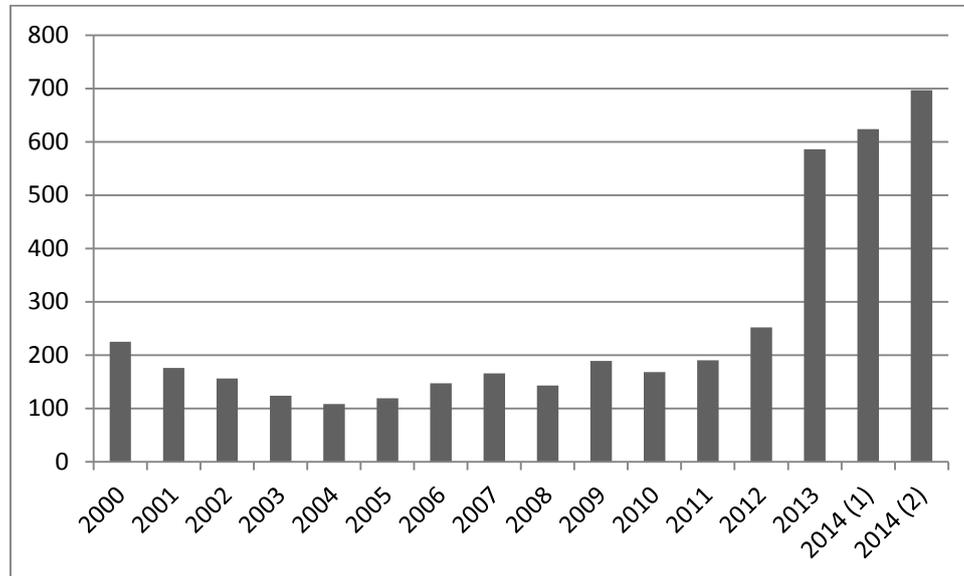
The STUC would stress that what may initially appear to be ‘new’ trends in the labour market since 2008 are often simply the intensification of longer-term trends. Key trends include:

- Rising female employment driven, particularly recently, by falling inactivity – overall economic inactivity now at a historically high level. Tables showing this trend are attached at Annex B;
- Rising employment amongst older workers; only the 50-64 and 65+ age groups have seen their employment rate increase since 2008. This has implications for the nature of work and the extent of opportunities available to younger workers;
- Rising youth inactivity – a more recent trend is the fall in youth unemployment over the past year being explained not by a corresponding rise in employment but by a significant increase in inactivity amongst this age group. This is not necessarily a problem if young people are moving into full time education or training;
- Full/part-time/self-employment – part-time work has increased by 12% since 2008 while full-time jobs are still 3% below their pre-recession peak. Self-employment has increased by 14% while employee jobs are still 1.3% down on 2008;
- Wages: the collapse in real wages between 2009-2014 was unprecedented in modern times. While real wages have started to rise through 2015 this has been attributable to falling inflation rather than strong nominal wage growth. Even if real terms increases persist, it is likely to be at least the end of the decade before the median wage achieves its pre-recession value;
- Stagnating unemployment: unemployment in Scotland is still over 50,000 higher than in 2008 (the rate is currently 5.9% compared to 4% in spring 2008) and has fallen only very slowly and sporadically over the past year. A key test of the strength of the recovery will be whether workers currently leaving inactivity manage to find work through 2015;
- High but falling underemployment: underemployment is still significantly above pre-recession levels although it fell over 2014 (the rate by 1.1%).

The STUC has also received a huge amount of anecdotal evidence from trade union workplaces representatives about the deteriorating quality and security of work over this period. This includes wider use of insecure forms of employment contracts (zero hours, pay between assignment contracts etc) and new forms of performance management which detrimentally impact on worker well-being.

There is some harder evidence to support these concerns: ONS has published extensively on the prevalence of zero hours and the chart below (covering all UK) is derived from their recent publications:

Use of zero hours contracts 2000-2014, UK



The huge jump between 2012 and 2013 is largely explained by media coverage leading to a better understanding of the types of contracts people are employed on (i.e. people responded more accurately to surveys on the nature of their contract).

The STUC also published a major report, '*Performance management and the New Workplace Tyranny*' by Professor Phil Taylor in 2013. The report sets out how recent economic conditions have provided the context for significantly harsher forms of management practice.

The combination of relatively weak demand for labour, insecure forms of working and new management practices have led to a situation where workplaces in Scotland have become significantly more inhospitable to many workers.

- ***In its next submission the STUC will elaborate on the trends listed above and discuss how new indicators might be introduced which better reflect peoples' experience of the labour market.***

**STUC, June 2015**

ANNEXE A

# **STUC Labour Market Report**

April 2015

## Introduction

Labour market conditions in Scotland have undoubtedly improved over the last couple of years. However trends in the labour market are not entirely benign and the STUC is increasingly concerned that a narrow focus on headline measures of employment and unemployment risks obscuring trends that don't fit the optimistic scenarios presented by both Scottish and UK Governments.

Therefore this labour market report:

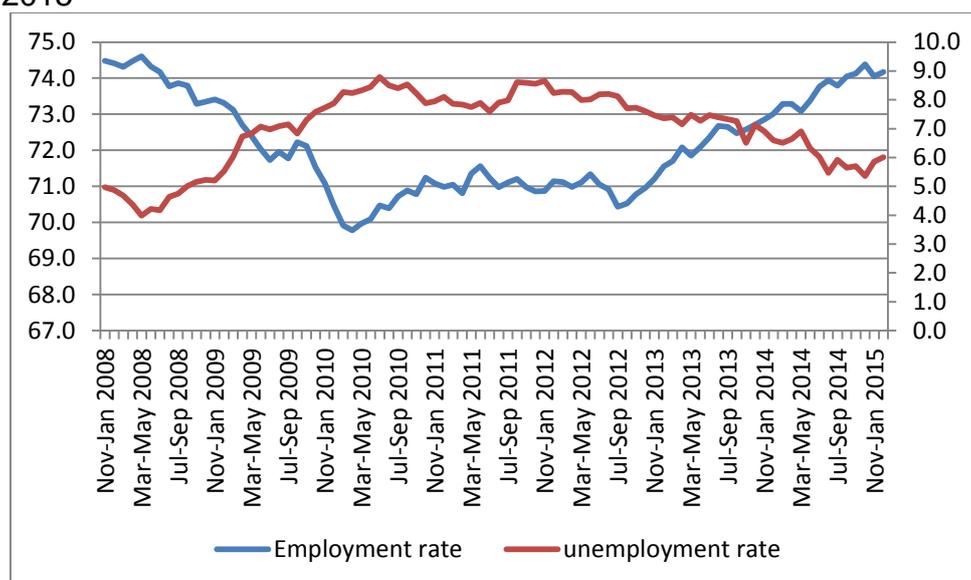
- Provides an overview of current labour markets trends;
- Presents a new estimate of **Scotland's full-time employment deficit**;
- Examines the trajectory of youth employment, unemployment and inactivity; and,
- Describes, and starts to consider the factors underlying, the remarkable surge in women's employment over the past two years.

## Section 1 Overview

### Headline measures

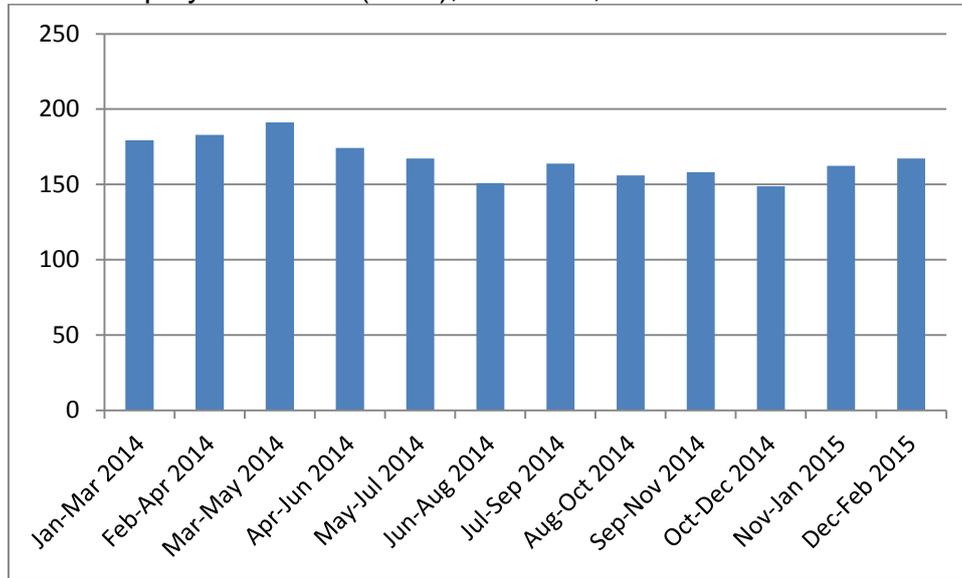
The latest labour market statistics for Scotland, published by ONS<sup>i</sup> on 17 April, confirmed a small rise in employment of 3,000 (representing a rise in the employment rate of 0.2%) over the three months to February 2015. Although employment growth has been strong during the recovery the employment rate has yet to achieve its pre-recession peak and unemployment - measured by both level and rate - remains significantly above its pre-recession trough:

Chart 1: Employment and Unemployment rates (%), Scotland, 2008 to Dec-Feb 2015



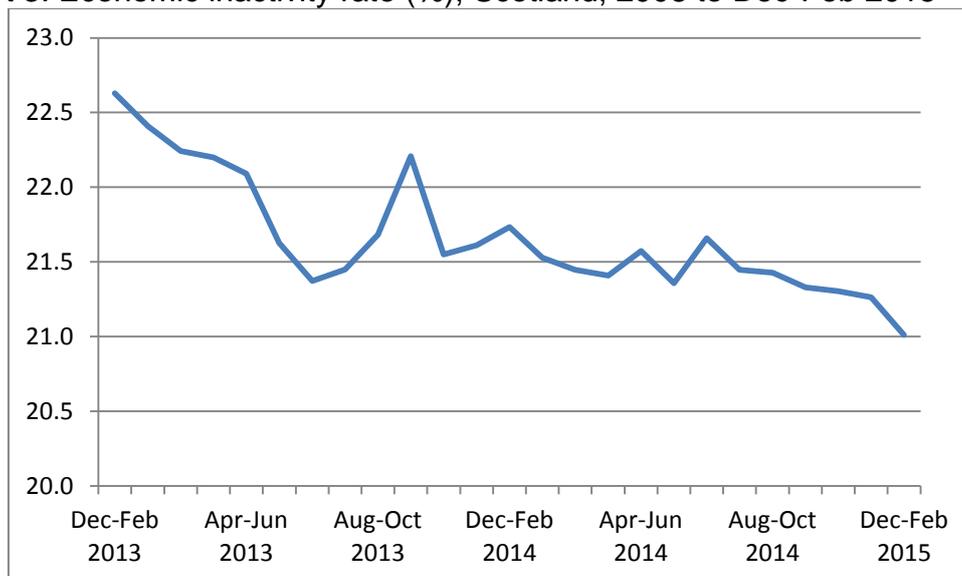
Unemployment registered a rise of 9,000 to 167,000 over the three months to February; back to where it was during the May-July period last year and still 60,000 above the level in spring 2008. The unemployment rate in Dec-Feb 2015 was still 2% higher than the 4% achieved in March-May 2008. It is no longer accurate for politicians to refer to 'falling unemployment' in Scotland without appropriate caveats on the time frame to which they are referring.

Chart 2: Unemployment level (000s), Scotland, 2008 to Dec-Feb 2015



While unemployment has stagnated since last summer, economic inactivity has continued to fall. With the employment rate increasing by only 0.2% since August-October last year it is reasonable to assume that falling inactivity is contributing to both higher unemployment and higher employment. A key test of the strength of the labour market over the coming months will be whether people leaving inactivity manage to find employment.

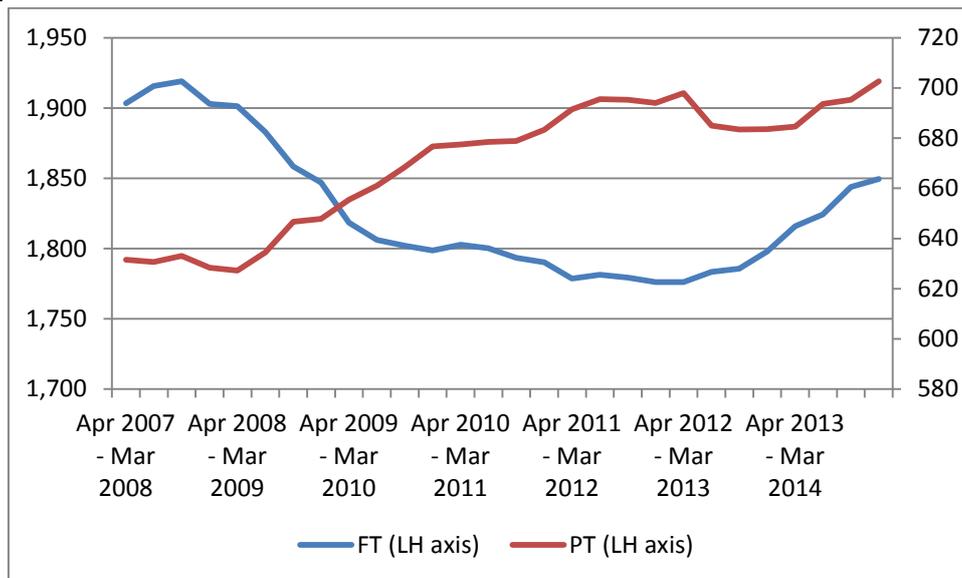
Chart 3: Economic inactivity rate (%), Scotland, 2008 to Dec-Feb 2015



### Underlying trends

The STUC believes that that the headline measures discussed above do not reveal sufficient information to allow for a fuller understanding of how real people experience the labour market in real time. The employment rate in Scotland might be returning to historic highs but full-time and employee jobs remain below pre-recession levels and underemployment is falling only gradually. Real wages are only just beginning to grow following a period of decline simply unprecedented in modern times<sup>1</sup>.

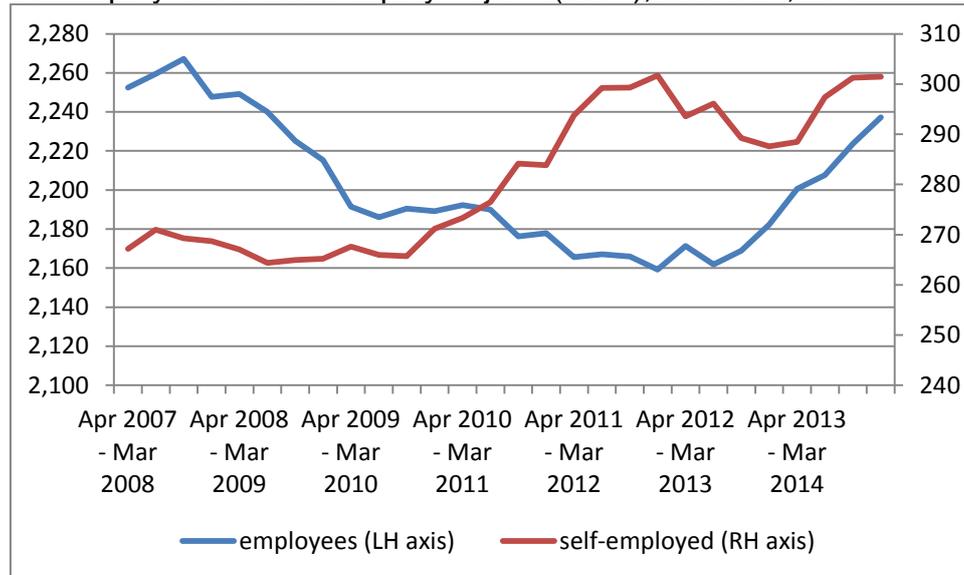
Chart 4: Full-time and part-time employment (000s), Scotland, 2007 - Dec 2014



Over the year to December 2014 (the most recent available figures), full-time employment was still 3.6% down on its pre-crisis peak while there had been a 12% increase in part-time jobs.

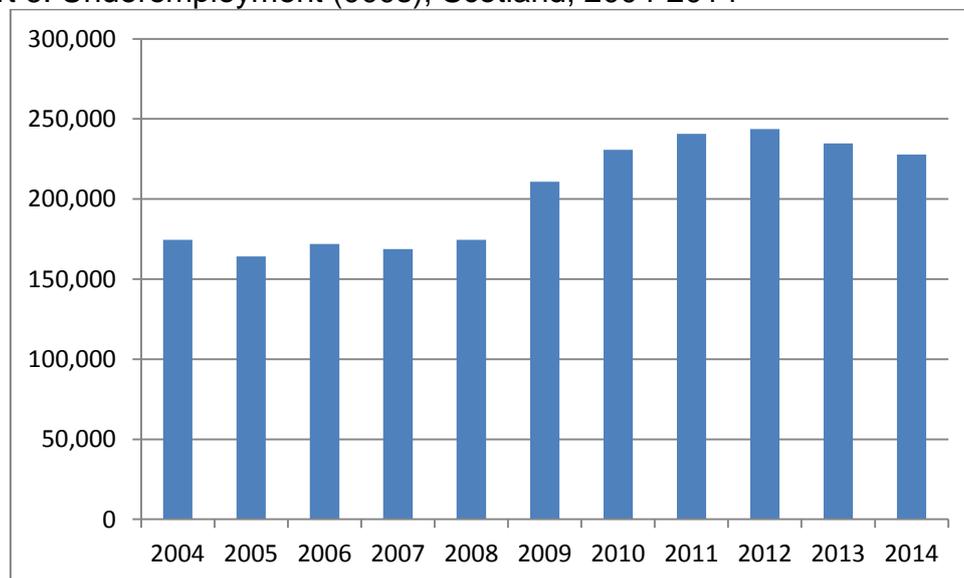
<sup>1</sup> For a full discussion of recent wage trends see STUC Budget Submission 2015  
<http://www.stuc.org.uk/files/Budget%20Submissions/2015/STUC%20Budget%20Sub%202015%20090315.pdf>

Chart 5: Employee and self-employed jobs (000s), Scotland, 2007- Dec 2014



Employee jobs remain 1.3% below pre-recession peak while self-employment has increased by 14%. The increase in self-employment, and the ways in which the characteristics of the new cohort of self-employed may differ from the stock of self-employed people, is poorly understood in Scotland. However, survey evidence<sup>2</sup> across the UK indicates that newly self-employed workers are likely to be earning less money and working less hours.

Chart 6: Underemployment (000s), Scotland, 2004-2014



Underemployment has fallen by 16,000 since its peak in 2012 but remains 53,000 or 30% higher than its level in 2007.

<sup>2</sup> [http://www.cipd.co.uk/binaries/the-rise-in-self-employment\\_2012.pdf](http://www.cipd.co.uk/binaries/the-rise-in-self-employment_2012.pdf)

In summary, the trends in full-time, part-time and self-employment, underemployment and wages indicate that narrowly focusing on the headline measures of employment and unemployment is likely to result in an assessment of the labour market that is overly optimistic.

In order to provide balance, the STUC has developed an estimate of 'Scotland's full time employment deficit'.

## **Section 2 Scotland's Full-time Employment Deficit**

The STUC has developed this estimate of 'Scotland's full time employment deficit'<sup>3</sup> to highlight the significant number of people in Scotland who want but are currently unable to access full-time employment. It is derived from three key categories of people in the labour market:

- Those identified as unemployed (ILO measure);
- Those identified as 'underemployed'; and,
- Those identified as economically inactive but wanting to work.

Where appropriate we have adjusted for recent improvements in the labour market and for the current proportion of full-time work in the economy. This has resulted in a figure we believe is conservative and robust. The full calculation is contained at Annex A.

The STUC's estimate of Scotland's full-time employment deficit is as follows:

People currently unemployed	125,550
People currently inactive but who want a job	143,375
People currently underemployed	184,518
<b><u>Total</u></b>	<b><u>453,443</u></b>

This represents a rate of **15.3%** (the denominator, as with unemployment, is all those currently economically active – 2,773,000 – **plus** the 197,000 economically inactive people who want a job – 197,000 – thereby giving a final denominator of 2,970,000). The current unemployment rate is 6%.

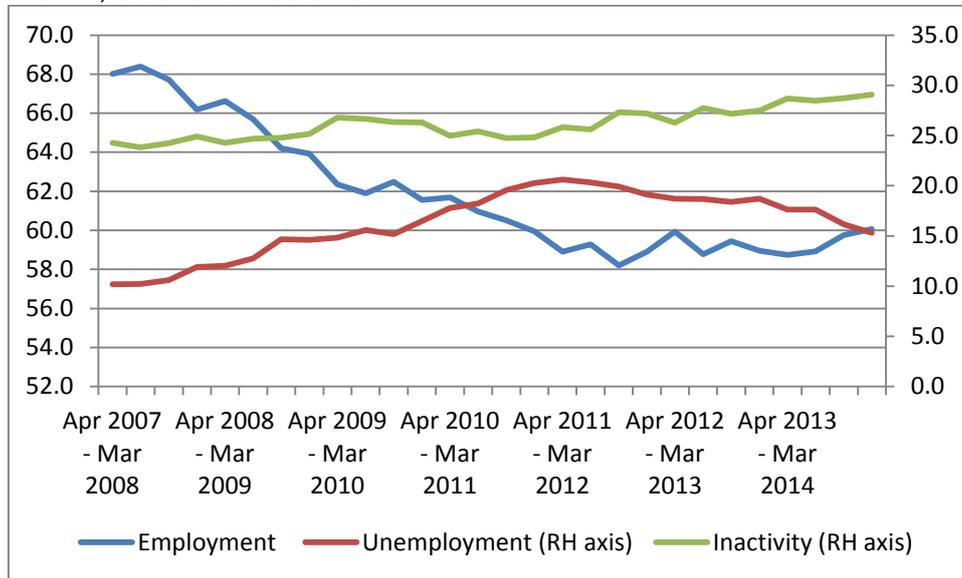
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<sup>3</sup> The estimate is derived from the ONS Regional Labour Market release published on 15 March 2015

### Section 3 Youth Unemployment

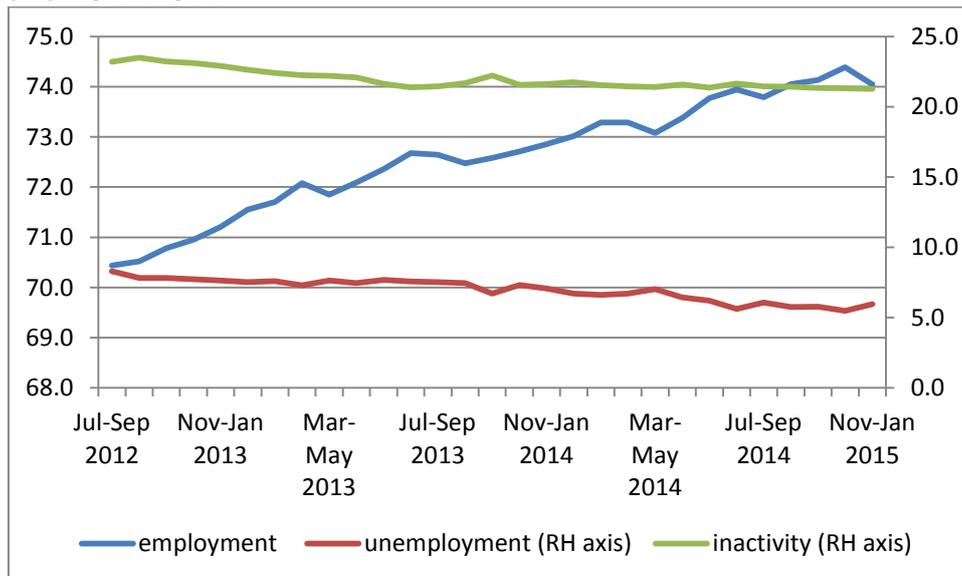
Youth unemployment fell by 20% over the year to December 2014 but the proximate causes are rising employment *and* rising inactivity.

Chart 8: Headline employment, unemployment and inactivity rates (%), people aged 18-24, Scotland 2008-2014



The 18-24 employment rate increased by only 1.1% over the year to December 2014 and 1.2% since December 2012. The main difference between the 18-24 and the working age population as a whole has been the significant rise in economic inactivity within the younger age group.

Chart 9: Headline employment, unemployment and inactivity (%), 16-64 years, Scotland 2012-2014

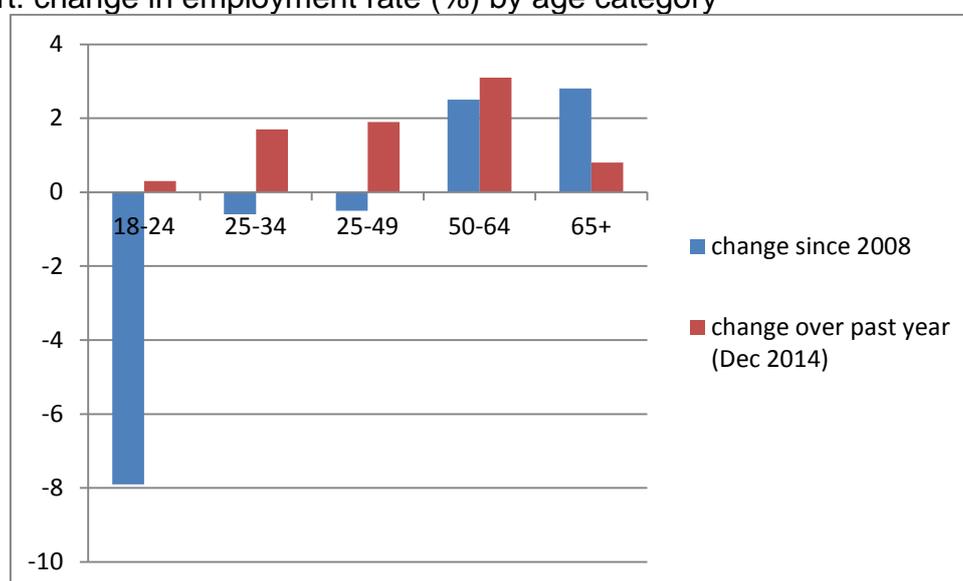


The recovery in working age employment has been driven by falling inactivity and (less so over the past year) falling unemployment. Inactivity amongst the 18-24 years group is now over 4% higher than before the recession.

Rising inactivity amongst this age group is not necessarily a negative trend if it reflects higher participation in full-time education; this is almost certainly the explanation for a significant proportion of this cohort (this is also true for 16-17 year olds). However, if it reflects rising numbers of young people not in employment, education or training then it is an extremely worrying trend. It is therefore important that the Scottish Government researches this issue and publishes findings as quickly as possible.

The extent to which young people have suffered over the past few years of economic turmoil is revealed when comparing the change in employment rate with the pre-recession period:

Chart: change in employment rate (%) by age category



The rising employment rate of older people is almost certainly restricting entry level job opportunities for younger people. Again, this trend is under-discussed; it is important that policy makers understand the drivers and consequences of older people remaining in the labour market for longer.

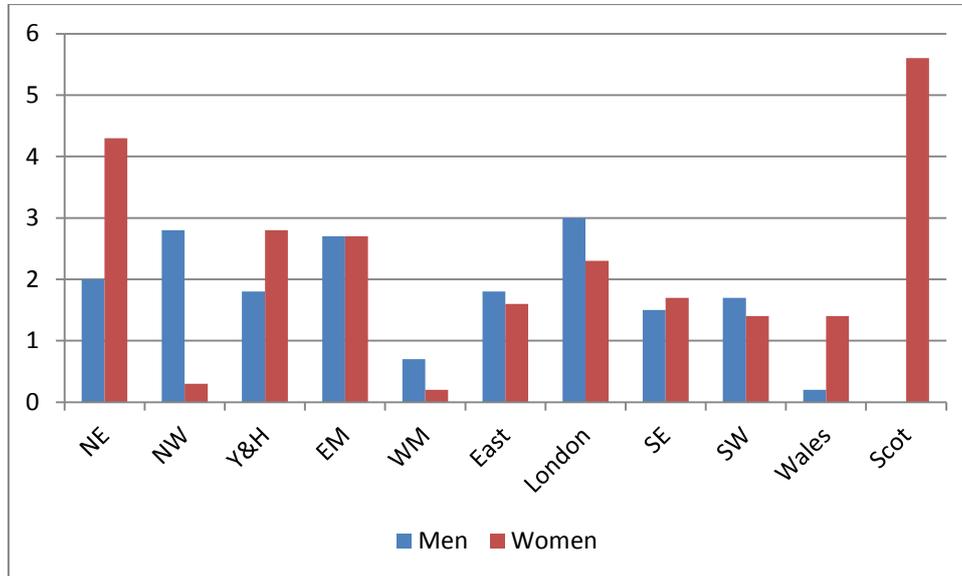
#### Section 4 Women's employment

A quite remarkable feature of the Scottish labour market over the period of recovery is the surge in women's employment<sup>4</sup>; indeed, *women account for all the employment growth over the past two years*. This is especially surprising at a time of contraction in public sector employment where women have traditionally comprised around two thirds of the workforce.

<sup>4</sup> Statistics in this section are drawn from the ONS Regional Labour Market release, March 2015.

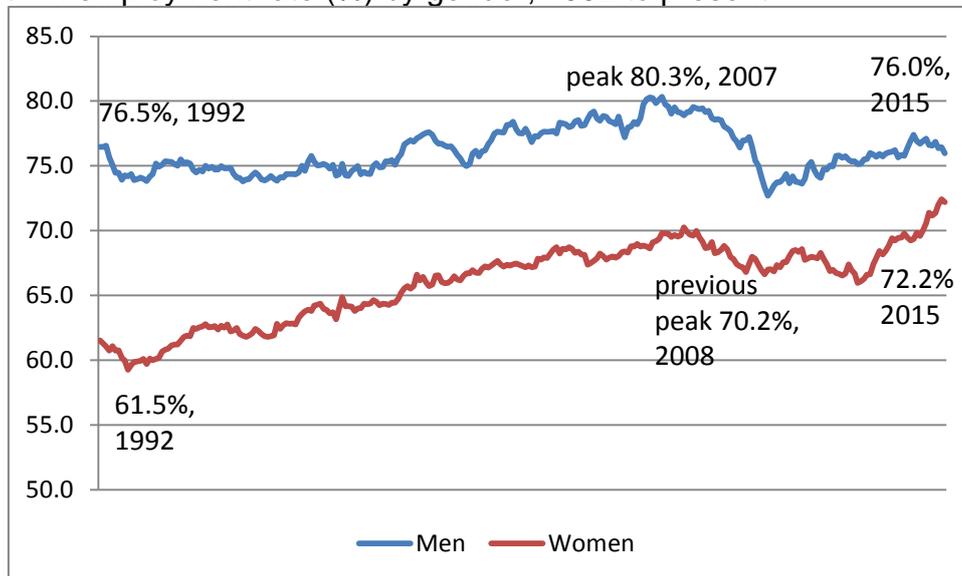
No other nation or region of the UK has seen these trends in employment by gender over this period:

Chart 10: Change in 16-64 years employment rate (%), Nov-Jan 2013 to Nov-Jan 2015



Scotland is the only nation/region to experience no growth in men's employment but has seen growth in women's employment of 5.6%, more than two and a half times the UK average (2.2%). Rising women's employment has of course been a long-term characteristic of the Scottish labour market.

Chart 11: employment rate (%) by gender, 1992 to present



The employment rate for men is currently 0.5% below the rate in 1992 when the current Labour Force Survey was introduced but it is over 4% down on its pre-recession peak achieved in 1997. Women's employment has however increased by 10.7% since 1992 and is now 2% above its previous peak in 2008.

The reasons for these trends are not immediately obvious. Sectoral employment data provides some clues but it would be reckless to draw firm conclusions from Workforce Jobs Survey data which is not gender disaggregated and is subject to a wide margin for error. It also measures jobs not people i.e. one job might be undertaken by two or more people working part-time.

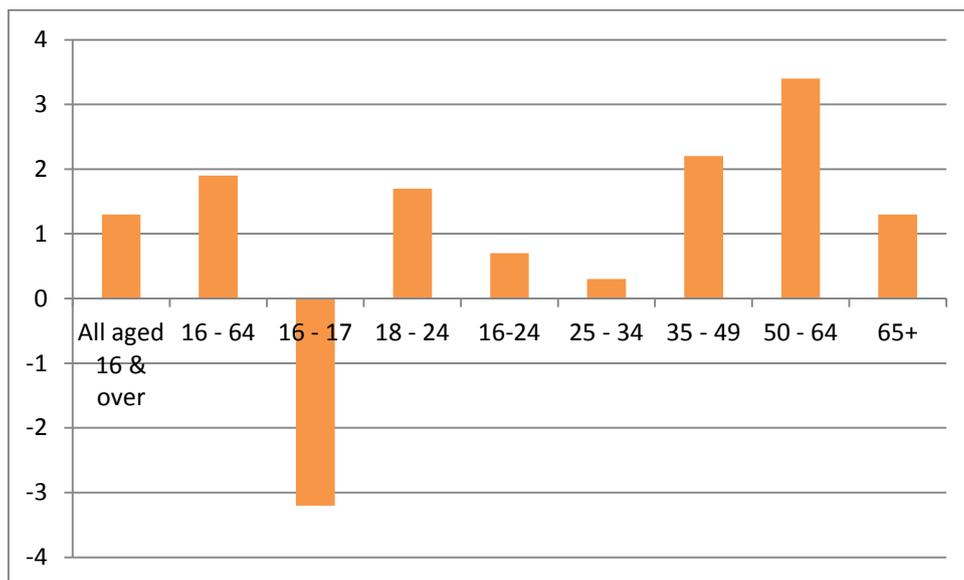
However, the sectors showing the strongest jobs growth over the two years to December 2014 are ones in which women traditionally form a high proportion of the workforce: human health and social work (+33,000 jobs), accommodation and hospitality (+32,000), education(+22,000) and other services (+22,000).

Therefore, the surge in women’s employment might be simply be attributable to sectoral trends although this raises questions about why Scotland’s employment trends differ so markedly from the rest of the UK given that the sectoral composition of the Scottish economy is not radically different.

Following the Women’s Employment Summit in September 2012, the Scottish Government has been undertaking a range of activity to boost women’s participation rates but most of this very worthwhile activity is supply related and therefore the impact would reasonably be anticipated to be longer-term. The mechanisms by which this work might have increased the demand for women workers over the past two years isn’t at all obvious.

It is also worth noting that the growth in women’s employment has been particularly strong amongst the 50-64 years age group and that this has been driven by women of this age leaving inactivity (down 3.7% in two years to September 2014) rather than unemployment (up 0.2% over the same period):

Chart 12: Change in women’s employment rate (%) by age category, 2012-2014



## **5 Summary**

The STUC acknowledges that the Scottish labour market has improved significantly from the over the past three years and that a number of trends – including historically high women’s employment – provide cause for optimism. However, the more negative trends described above which became more deeply embedded through the recession have at best partially abated. The STUC’s estimate of Scotland’s Full-time Employment Deficit highlights the huge number of workers unable to access the full-time jobs they desire. This reflects the fact that the headline employment rate is no longer a wholly accurate gauge of labour demand.

The STUC encourages Government at all levels to take a more measured approach to labour market analysis. Effective policy will not be developed if insufficiently inaccurate measures continue to be used. The STUC believes that its estimate of Scotland’s Full-time Employment Deficit is a better measure of labour demand in Scotland than the 16-64 employment rate.

The Scottish Government needs to commission research aimed at developing a better understanding of trends in youth, women’s and older peoples’ employment. It is especially important to determine whether the surge in youth inactivity is primarily caused by more young people moving into full-time education.

**STUC**  
**April 2015**

## Annex A

### Scotland's full-time employment deficit

The STUC has developed this estimate of 'Scotland's full time employment deficit' in response to a political debate narrowly focused on headline ONS statistics which we do not believe reflect the true state of the Scottish labour market as experienced by real people in real time. For instance the growth in part-time employment and underemployment, key features of the labour market over the period since 2008, are often ignored by policymakers and the media.

This estimate is derived from three key categories of people in the labour market:

- Those identified as unemployed (ILO measure);
- Those identified as 'underemployed'; and,
- Those identified as economically inactive but wanting to work.

Where appropriate we have adjusted for recent improvements in the labour market and for the current proportion of full-time work in the economy. This has resulted in a figure we believe is conservative and robust.

### Calculation

**1** **Unemployment:** the latest unemployment figure for Scotland from the March 2015 ONS Regional release<sup>5</sup> is 162,000.

In calculating Scotland's full-time employment deficit, the STUC has adjusted this figure to reflect the proportion of full-time jobs in the economy. The latest breakdown<sup>6</sup> of full-time, part-time and temporary employment in Scotland confirms that 73% (1,844,000) of all those in jobs (2,548,000) were working full-time and 27% (695,000) part-time. The ONS release also confirms that 4.5% (115,000) of all workers were working part-time because they 'could not find a full-time job'.

Therefore, in estimating the number of people currently recorded as unemployed who would wish to work in full-time employment; the STUC has used a figure for unemployment that is only 77.5% (73% of unemployed workers plus the 4.5% of part-time workers unable to find a full-time job) of the total:

**125,550**

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<sup>5</sup> ONS, Regional Labour Market, March 2015 – HI11 Headline Indicators for Scotland, table 1

<sup>6</sup> ONS, Regional Labour Market, March 2015 – HI11 Headline Indicators for Scotland, table 3

**2 Economically inactive – want a job**: the latest ONS release for Scotland estimates that of the 772,000 people of working age recorded as economically inactive in September 2014, 197,000<sup>7</sup> wanted a job. These people do not currently show up in measures of ILO or claimant count unemployment. People are identified as inactive if they want to work but have not been seeking work in the last 4 weeks or want a job and are seeking work but not able to start in the next 2 weeks.

However, this figure represents an average over the year to September 2014. Therefore in making this calculation the STUC has reduced the 197,000 by 6% in line with the overall fall in economic inactivity over the period to January 2015 (the latest figure<sup>8</sup> for overall working age economic inactivity is 726,000; a fall of 6% or 46,000 on the year to September 2014) to give a figure of 185,000.

Recognising that not all those moving into work will desire full-time work, we have only used 77.5% of this figure to control for the number of people in this category who are likely to want to work full-time. This gives us a figure of:

**143,375**

It is of course important to acknowledge that many people currently identified as 'economically inactive but wanting a job' will require support and assistance to return to employment.

**3 Underemployment**: the latest reliable estimate for underemployment in Scotland was published by the Scottish Government in January 2015. Underemployment is defined as those people in work but a) wanting another job in addition to their current job(s); b) wanting another job with more hours instead of their current job(s) or c) wanting to increase the total number of hours worked in their current job(s). ***It does not include those who are currently working in temporary jobs who desire a full-time permanent position.***

The Scottish Government estimates<sup>9</sup> that there were 227,800 people underemployed in Scotland between October 2013 and September 2014. Unlike, employment, unemployment and inactivity, ONS does not produce up-to-date statistics for underemployment on a rolling 3 month basis and therefore the methodology at point 2 above cannot be replicated here. Adjusting for changes in headline labour market measures since the end of the October 2013-September 2014 period would likely underestimate potential improvements in underemployment given that headline employment and

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<sup>7</sup> ONS, Regional Labour Market, March 2015 – HI11 Headline Indicators for Scotland, table 11

<sup>8</sup> ONS, Regional Labour Market, March 2015 – HI11 Headline Indicators for Scotland, table 1

<sup>9</sup> Scottish Government Labour Market Briefing January 2015

<http://www.gov.scot/Resource/0046/00469052.pdf>

unemployment have not changed significantly (the latest figure for unemployment of 162,000 covers the Nov-Jan 2015 period. This represents a fall of 2,000 on the July-Sept 2014 figure but *an increase* of 6,000 on Aug-Oct. Working age employment has increased by only 0.3% over this period; total employment has remained static).

Therefore, the 227,800 figure for underemployment has been reduced in line with the 19% fall in unemployment since the start of the October 2013-September 2014 period (unemployment between August-October 2013 was 200,000 falling to 162,000 in Nov-Jan 2015)

Therefore the total for underemployment is the 227,800 figure reduced by 19%:

**184,518**

#### **4 Final estimate**

The STUC's estimate of Scotland's full-time employment deficit is as follows:

People currently unemployed	125,550
People currently inactive but who want a job	143,375
People currently underemployed	184,518

**Total** **453,443**

This represents a rate of **15.3%** (the denominator, as with unemployment, is all those currently economically active – 2,773,000 – *plus* the 197,000 economically inactive people who want a job – 197,000 – thereby giving a final denominator of 2,970,000). The current unemployment rate is 5.9%.

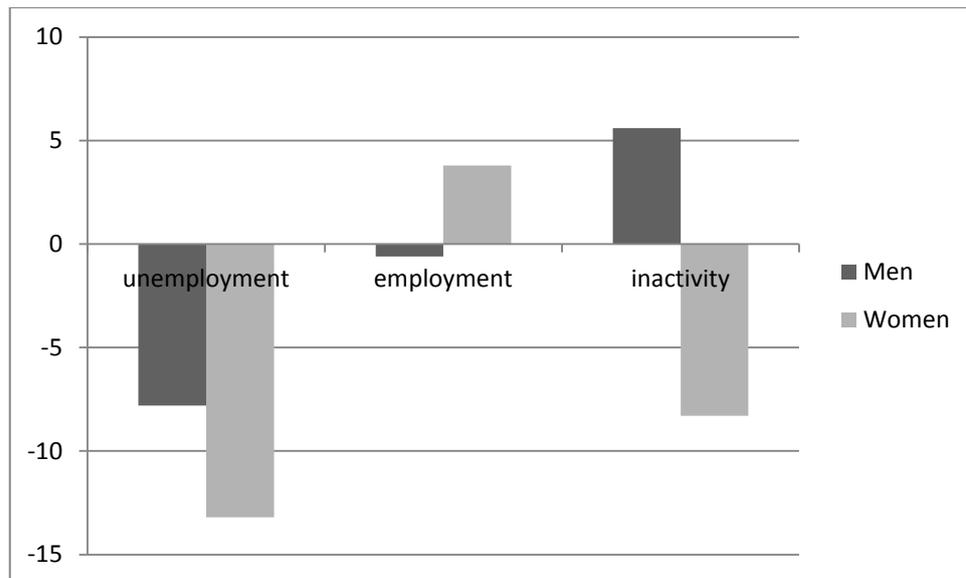
**STUC**  
**April 2015**

## ANNEXE B

### Update on women in the labour market statistics

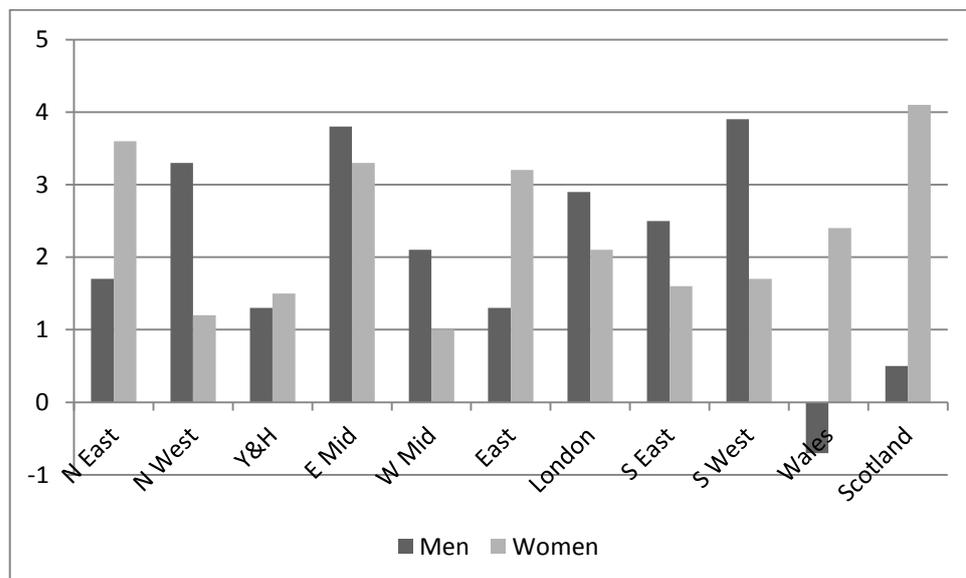
Although unemployment has fallen for both men and women over the year to Feb-April 2015, their experiences have been very different: the fall in male unemployment is explained by a shift into inactivity (male employment has also fallen) while women have found work (inactivity amongst women has also fallen).

Chart 1: change in rate (%), Scotland, year to Feb-April 2015



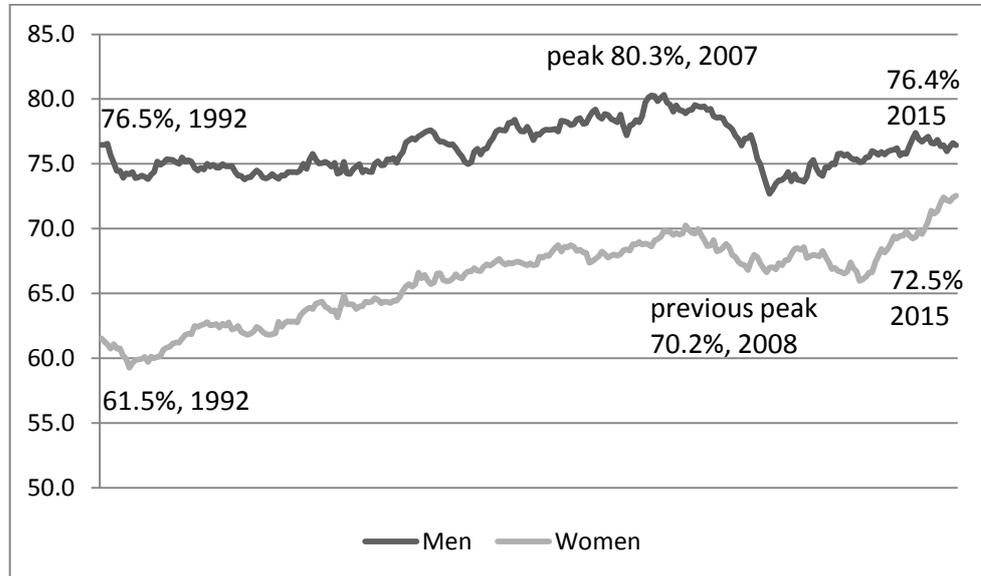
It is interesting to note how Scotland differs from other nations and regions of the UK in this respect:

Chart 2: change in employment rate (%), Feb-April 2013 to Feb-April 2015



While raising female participation is a much longer-term trend, it is remarkable that the employment rate for women is now at an all-time high but the male employment rate is still nearly 4% below its pre-recession peak.

Chart 3: employment rate by gender, 1992-2015, Scotland



The STUC will return to possible explanations for the relative performance of men/women and Scotland/UK in its next submission to the Committee.

**STUC, June 2015**

<sup>i</sup> Unless stated otherwise, the statistics in this paper are drawn from the ONS Regional Labour Market release, Scotland (H11) published on 17 April