

COVID-19 Recovery Committee

Road to recovery: impact of the pandemic on the Scottish labour market inquiry

The Scottish labour market

Introduction

The Committee will shortly commence an inquiry into the impact of the COVID-19 pandemic on the Scottish labour market. In order to assist Members at the outset of this inquiry, this paper sets out how the Scottish labour market has changed over the last 10 years and in more detail during the pandemic. It provides a comparison between Scotland and the UK for the main labour market indicators; employment, unemployment and economic inactivity.

About the data

The data used in this paper comes from the Labour Force Survey (LFS) and the Annual Population Survey (APS), which are produced by the Office for National Statistics (ONS). The LFS and the APS are the recommended sources for employment-related statistics, such as estimates of the number of people in employment, unemployed and detailed information about economic inactivity.

The LFS has a sample size of around 40,000 households and 100,000 people across the UK. The APS has a sample size of around 320,000, which includes a local boost for Scotland from the Scottish Government. Due to the APS's larger sample size, it allows for more detailed data but with a longer time lag, while the smaller sample size of the LFS allows for the more up to date information. For example, the latest LFS covers the three-month period June to August 2022, while the APS covers July 2021 to June 2022.

We need to be careful when interpreting survey data as there is a level of uncertainty especially when you start looking at smaller populations, for example age or geographic breakdowns. Where possible we have made every effort to provide the most robust data available.

UK / Scotland labour market comparison

In this section we are going to look at the composition of the labour market in Scotland compared to the UK. We will focus on employment and economic inactivity as the data is more robust due to the larger number of people involved. We have used the APS data as we go into more detail for employment and economic inactivity, so we are using a consistent data source throughout this analysis.

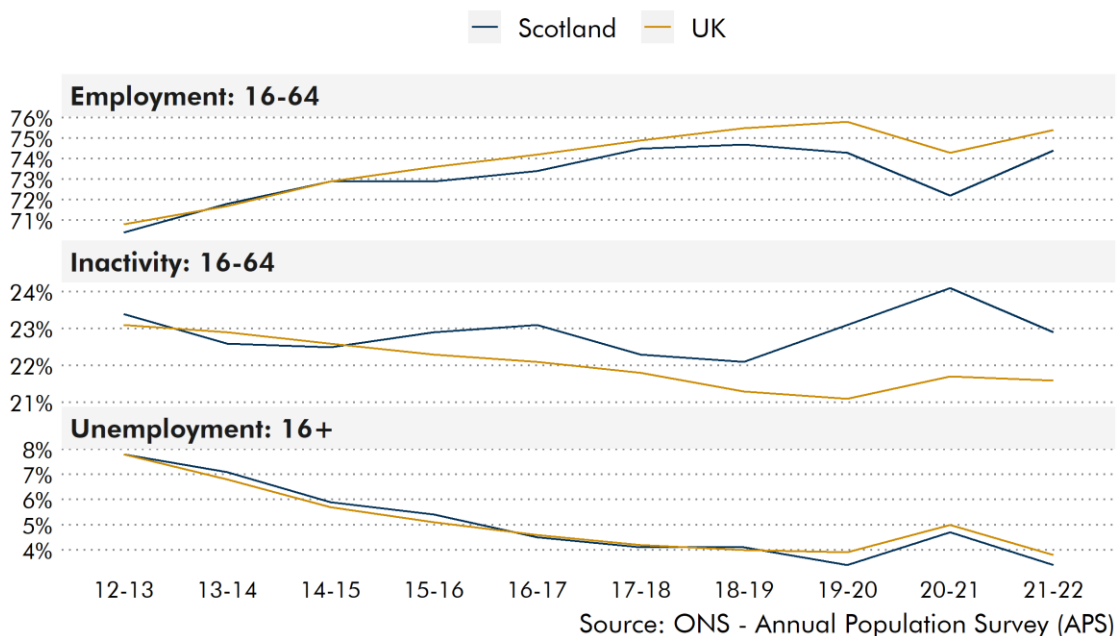
In each section we will look at the change in the labour market over the past 10 years to get an idea of overall trends. But we will also look at the change between Jul 2018-Jun 2019, the last period not to include the pandemic, and Jul 2021-Jun 2022, the latest available APS data.

Overview

While the unemployment rate in Scotland has remained similar to the UK, there has been divergence in the employment and inactivity rates. While the employment rate has grown in Scotland, it has not grown as much as the UK overall. When looking at inactivity rates, the rate in Scotland is slightly higher than in 2012-13, while the UK wide rate has fallen.

Comparison of Scottish and UK headline labour market indicators

Time period: Jul to Jun



Employment

Those in employment consist of people aged 16 years and over who did one hour or more of paid work per week and those who had a job that they were temporarily away from (for example, because they were on holiday or off sick). The employment

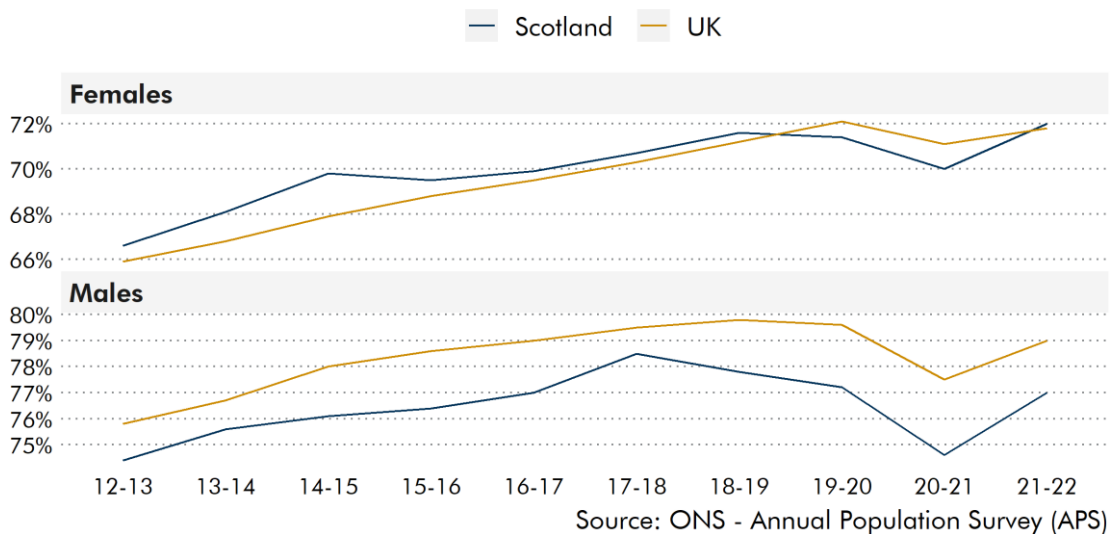
rate is those aged 16 to 64 in employment as a proportion of all people aged 16 to 64 years.

The employment rate for 16 to 64-year-olds in Scotland is lower than the UK overall. In this section we will look at employment rates by sex and age to get an idea where the differences are in Scotland.

Employment by sex

Comparison of Scottish and UK employment rates by sex

Time period: Jul to Jun



When we look at the employment rate by sex, we can see that the female employment rate in Scotland is currently around the same as the UK. However, while the female employment rate has increased in Scotland over the last 10 years, it has not increased as much as in the UK overall.

When we look at the male employment rates in Scotland and the UK, the gap between the two has been slowly widening over the last 10 years. The UK rate was around 1 percentage point higher in 2012-13 and was around 2 percentage points in 21-22.

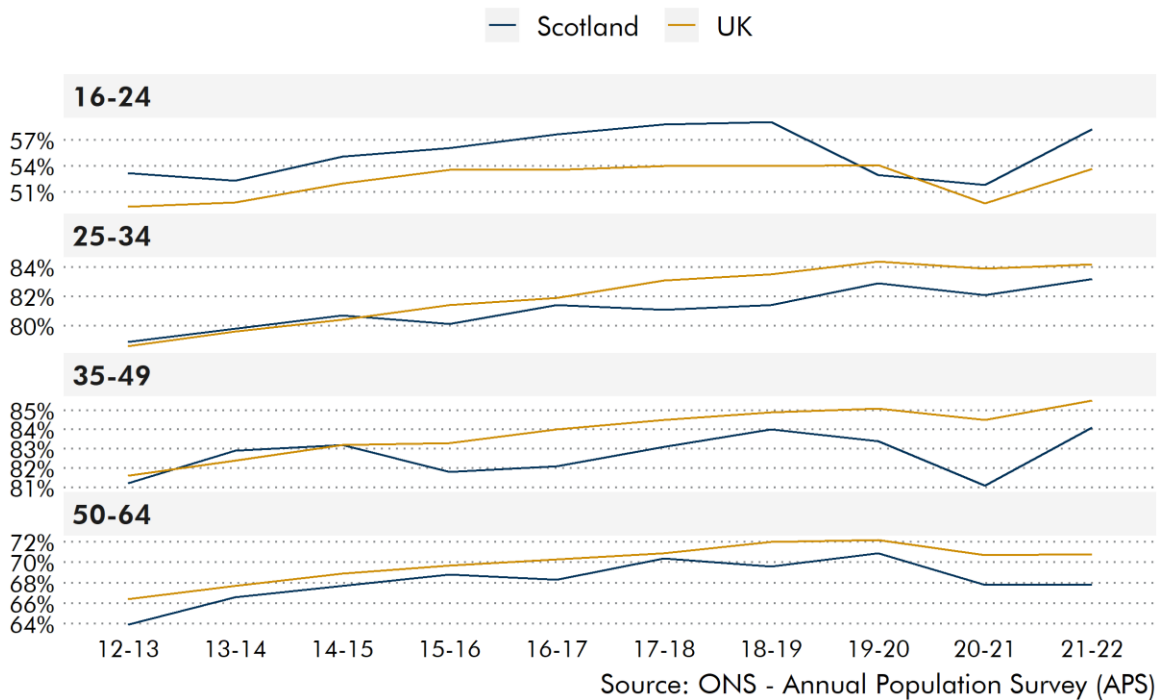
Employment by age

The only age group where Scotland has a higher employment rate is for 16–24-year-olds. The gap between Scotland and the UK for the other age groups has been increasing over the past 10 years.

The gap for the 25 to 34 and 35- to 49-year-old age groups has increased from being around the same as the UK to being around two percentage points lower. While for 50- to 64-year-olds it has increased from two to two and a half percentage points.

Comparison of Scottish and UK employment rates by age

Time period: Jul to Jun



Employment - Change between Jul 2018-Jun 2019 and Jul 2021-Jun 2022

The following chart show the change in the number of people in employment by age and sex has changed between Jul 2018-Jun 2019 and Jul 2021-Jun 2022.

The total number of people aged 16 to 64 in employment fell by 15,000 between Jul 2018-Jun 2019 and Jul 2021-Jun 2022. While the number of men in employment fell by 17,000 the number of women increased by 2,000. The 25- to 34-year-old age group was the only age group to see an increase. The 65 and over age group also saw an increase, it should be noted that this age group is excluded when figuring out the overall employment rate.

Change in number of people employed between 18-19 and 21-22

Time period: Jul to Jun | By age and sex



Source: ONS - Annual Population Survey (APS)

Looking at the change by sex, the only two age groups where men saw an increase was 25 to 34 and over 65. While women saw an increase in both these age groups they also saw an increase in the 50 to 64 age group.

Jobs data

The ONS also publish data on the number of jobs in the country, through the Workforce Jobs publication. [Workforce jobs](#) is a quarterly measure of jobs in the UK and is the preferred measure of short-term employment change by industry. The estimates are compiled from several sources, including Short Term Employer Surveys (STES), the [Quarterly Public Sector Employment Survey \(QPSES\)](#) and the [Labour Force Survey \(LFS\)](#).

The number of jobs is higher than the number of people in employment as some people have multiple jobs. It provides figures on the number of employee jobs, self-employment jobs, HM forces personnel and Government supported trainees. Employee jobs and self-employment jobs make up over 99% of all jobs.

The data on the number of self-employed jobs comes from the LFS. This means that it is based on self-reporting. Large increases in the number of self-employed workers remaining in the same job but reclassifying their labour market status to "employee" were observed between April and September 2020 (coinciding with the introduction of the furlough scheme), most commonly among business directors and partners, and those in high-skilled occupations.

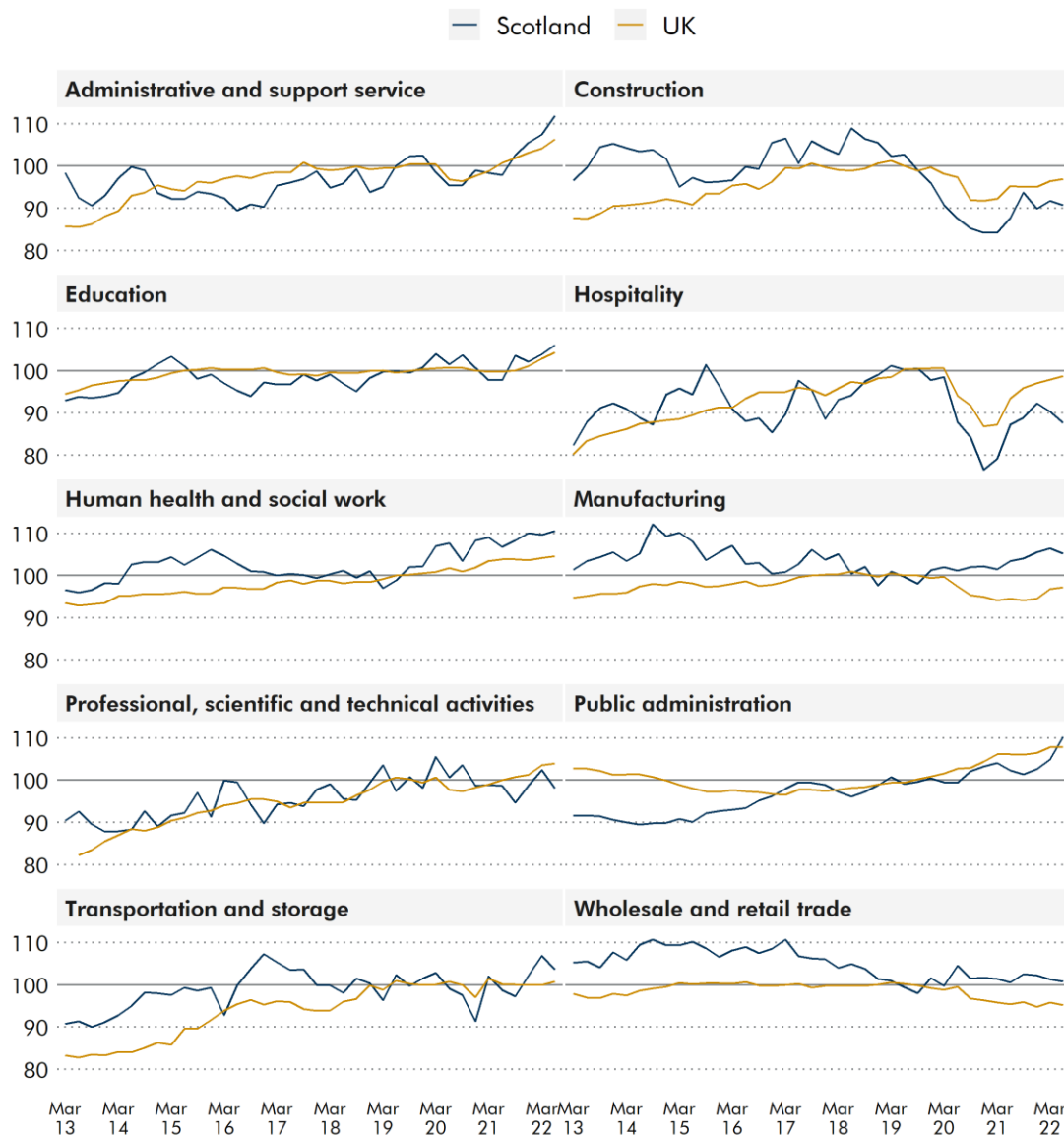
The [ONS noted that during the Covid-19 pandemic there was a large net flow from workers identifying as self-employed to employees](#). This trend could be explained as

some of these workers would previously have set up companies and therefore considered themselves self-employed. However, because they paid themselves through PAYE, after the furlough scheme was created, they realised they were able to claim, and so started describing themselves as employees.

In this section we will look how the number of jobs in the ten largest sectors by the number of jobs has changed of the last ten years. We will compare Scotland the UK. To help comparison, we have indexed the data to the average number of jobs in each sector in 2019.

Index of number of jobs by selected industries

2019 = 100



Source: ONS - Workforce Jobs

In Scotland, the number of jobs in the construction and hospitality sectors have not recovered to pre-pandemic levels being 9% and 12% lower. The number of jobs in

the hospitality sector fell by almost 50,000 between March and December 2020 while the number of construction jobs fell by around 12,000 over the same period.

The number of Wholesale and retail jobs was falling from in Scotland from 2017 onwards. However, there was an increase in the number of jobs between March and June 2020 as retails brought in more staff to meet demand. Since then, the number has remained stable, above pre-pandemic levels.

Administrative and support service, Human health and social work, and Public administration have seen increases of jobs by over 10% compared to pre-pandemic levels.

Manufacturing and Transport and storage have also seen increasing in the number of jobs on pre-pandemic levels.

Economic inactivity

Economic inactivity is defined as people aged 16 and over without a job who have not sought work in the last four weeks and/or are not available to start work in the next two weeks.

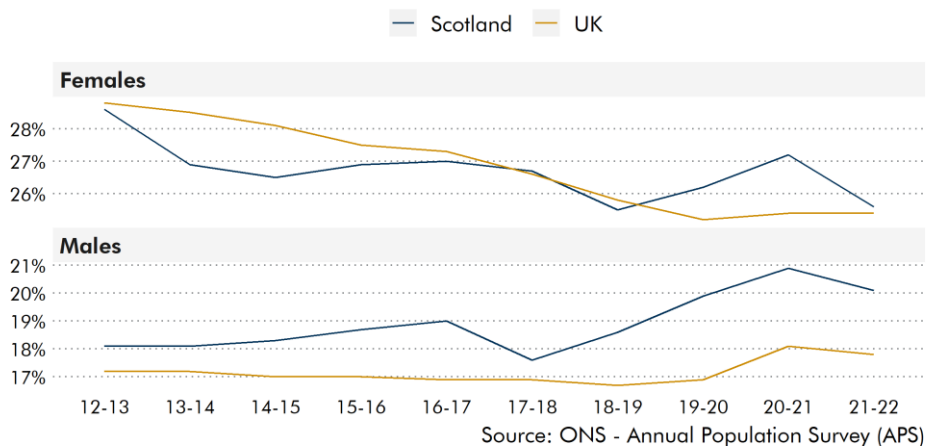
The inactivity rate for 16- to 64-year-olds in Scotland is higher than the UK overall. In this section we will look inactivity rates by sex and age to get an idea where the differences are in Scotland. We will also look at the reasons for inactivity data to give an idea of the reasons why people are economically inactive.

Inactivity by sex

The gap between Scotland and the UK for women has flipped. In 2012-13 the rate in Scotland was lower than the UK but now it is higher. For men, the gap has increased from around 1 to 2.5 percentage points.

Comparison of Scottish and UK inactivity rates by sex

Time period: Jul to Jun



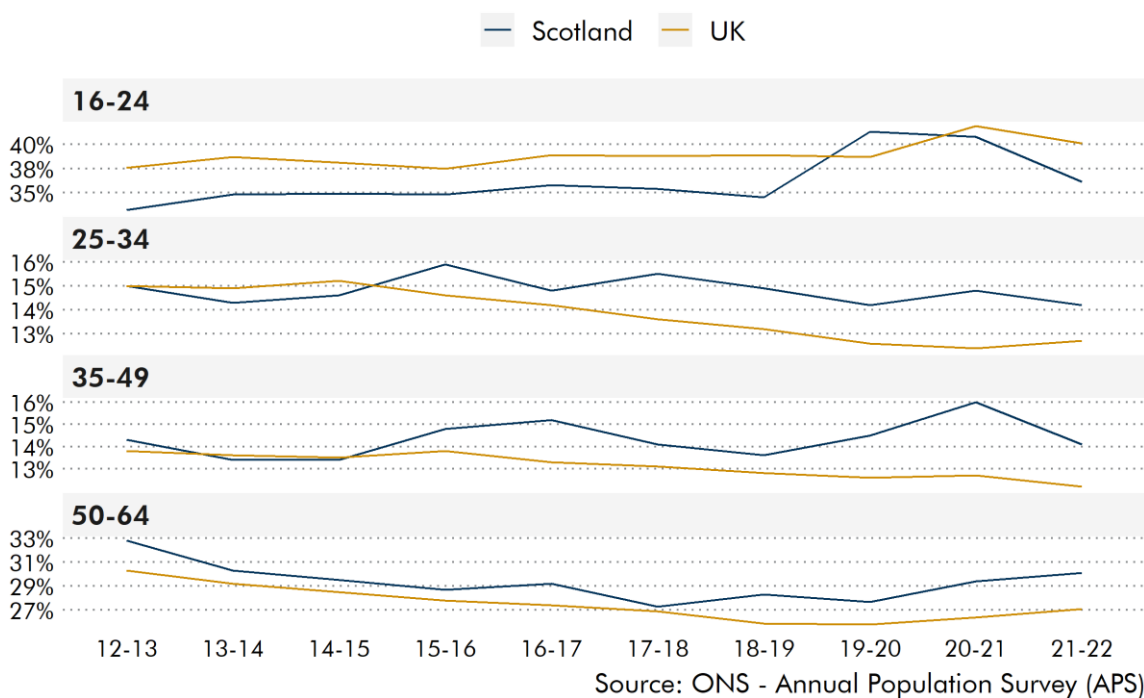
Inactivity by age

Scotland has a higher inactivity rate at all age groups. The gap between Scotland and the UK for:

- 16–24-year-olds has narrowed over the past 10 years
- 25-34- and 35–49-year-old has increased over the last 10 years
- 50–64-year-olds has remained largely unchanged

Comparison of Scottish and UK Inactivity rates by age

Time period: Jul to Jun



Inactivity by reason

We will now look at inactivity by reason. In this section the data is for the number of people in each category as a proportion of the 16-64 population.

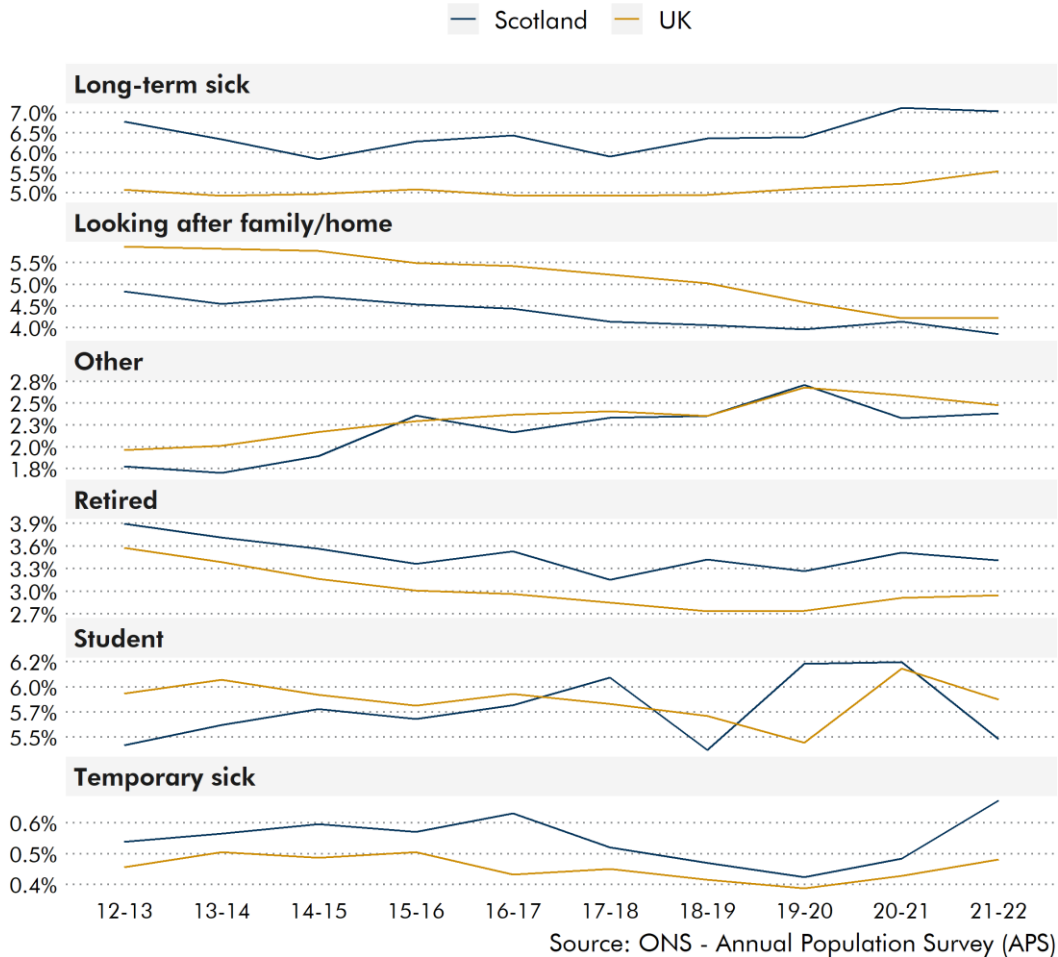
The ONS provide the following category for inactivity by reason:

- Long-term sick
- Temporary sick
- Looking after family/home
- Retired
- Student

- Other – this includes people who (i) are waiting the results of a job application, (ii) have not yet started looking for work, (iii) do not need or want employment, (iv) have given an uncategorised reason for being economically inactive, or (v) have not given a reason for being economically inactive

Comparison of Scottish and UK inactivity reasons

Time period: Jul to Jun | Proportion of 16-64 population



The characteristics of people who are economically inactive vary depending on their reason for inactivity. For example, students tend to be young and at the start of their working lives. Those looking after the family and home tend to be female and of child-rearing age and retirees tend to be close to retirement age.

Sick long and short term

Scotland has a higher proportion of the 16-64 population who are inactive because they are long-term sick than the UK. The proportion of the 16 to 64 population who are inactive and long-term sick has been increasing for both Scotland and the UK since 2016-17. However, in Scotland it has increased from 6% to 7% percent of the population of the 16 to 64 population compared to 4.9% to 5.4% for the UK.

Retirement

Scotland has a higher proportion of the 16-64 population than the UK who are retired. However, this has been falling in both Scotland and the UK over the past 10-years.

Students

In the UK, the proportion of the 16-64 population who are students and economically inactive has remained around 6% over the past 10 years. Despite a fall between 2020 -21 and 2021-22 the proportion of inactive students in Scotland has been increasing. If we look at the number of students, in the UK it has increased by 4% compared to 8% in Scotland. These figures should not be confused with total number of students as these are the number people who are students and do not work.

Looking after the family/home

The UK had a higher proportion of those who were inactive because they were looking after the family/home than Scotland ten years ago. However, that gap has disappeared and now the rate in Scotland and the UK are similar. The fall for both Scotland and the UK has been driven by a significant fall in the number of women looking after the family/home. The number of women who are inactive and looking after the family/home in Scotland fell by a fifth in Scotland and by almost a third in the UK overall.

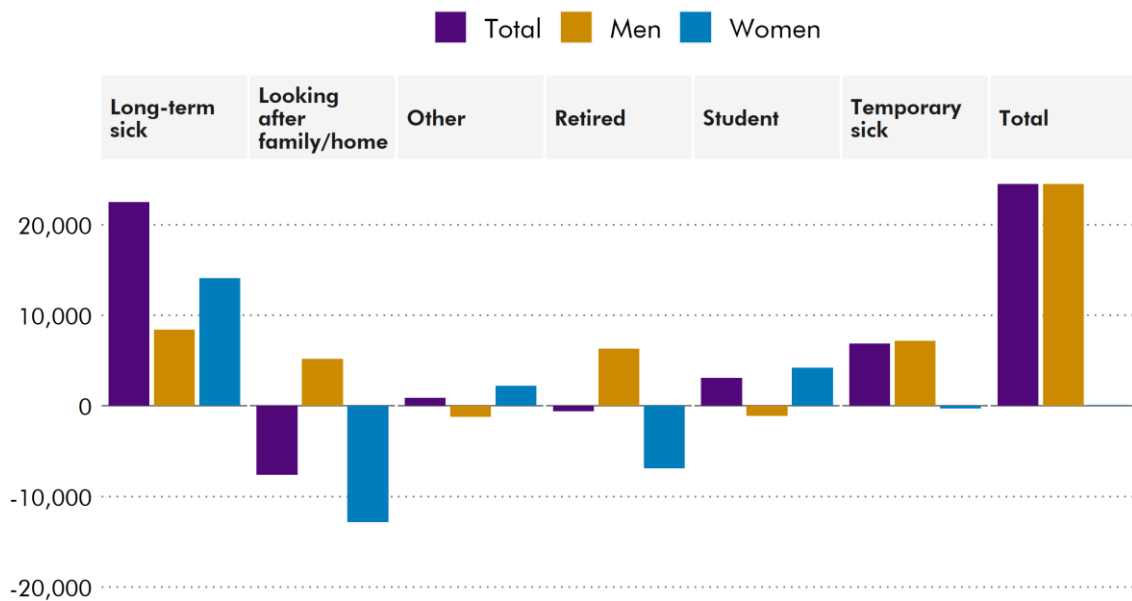
While the number of women who are inactive and looking after the family/home has fallen for both Scotland and the UK, the number of men who are inactive and looking after the family/home has increased by 43% in Scotland and 10% for the UK overall. The proportion of those who are inactive and looking after the home who are men in Scotland is now 20% and 15% in the UK overall.

Inactivity - Change between Jul 2018-Jun 2019 and Jul 2021-Jun 2022

Looking at the change in reasons why people are inactive between Jul 2018-Jun 2019 and Jul 2021-Jun 2022 we can see that the largest increase has come in the number of people who are long-term sick, with a short-term sick also seeing a large increase.

Change in number of economically inactive people between 18-19 and 21-22

Time period: Jul to Jun | By reason and sex



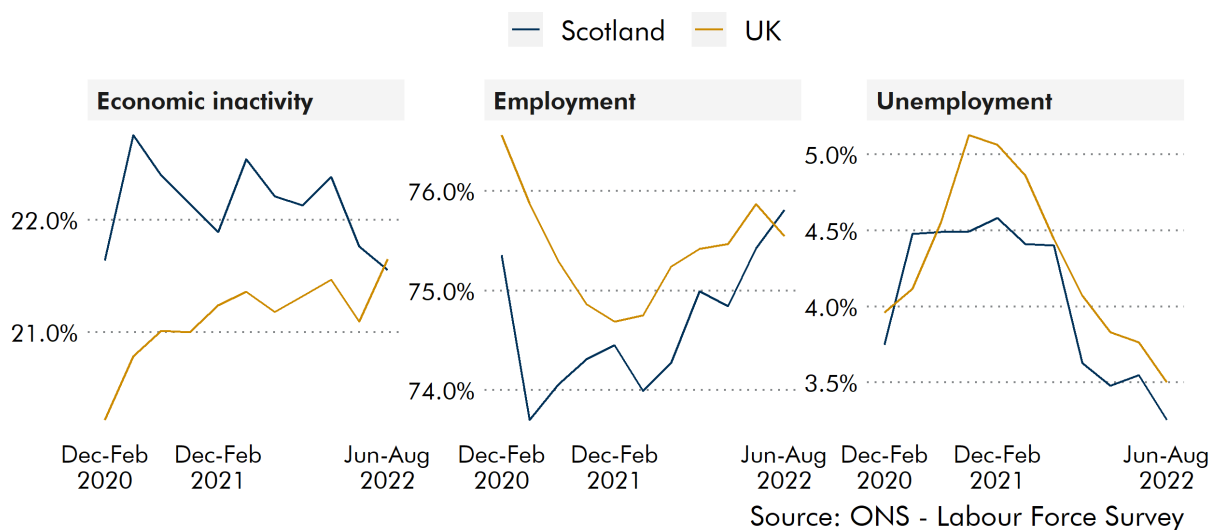
Source: ONS - Annual Population Survey (APS)

What does the latest data tell us?

While the APS gives us more robust data there is a time lag. The LFS provides more up to date information about the performance of the labour market but at a less detailed level. The latest data from the LFS covers the period June to August 2022.

Comparison of headline labour market rates for Scotland and the UK

Between Dec-Feb 2020 and Jun-Aug 2022



Source: ONS - Labour Force Survey

The latest LFS data from the ONS shows that at the UK level unemployment rates are at historic lows, lowest since 1974, however, the employment rate has fallen, and economic inactivity has increased. This increase in the latest quarter was largely driven by those aged 50 to 64 years and those aged 16 to 24 years. Looking at economic inactivity by reason, the quarterly increase was driven by people inactive because they are long-term sick or because they are students. The numbers of those economically inactive because they are long-term sick increased to a record high.

In Scotland, the unemployment rate is below the UK level. It is worth noting that the Scottish unemployment rate did not get as high as the UK rate, which reached 5.1% for two quarters between September 2020 to February 2021. The Scottish rate remained relatively stable between March to May 2020 to June to August 2021 at around 4.5%. Since June to August 2021 the rate has fallen steadily to 3.3%, which is lower than in December to February 2020.

In July to September 2022, the estimated number of vacancies in the UK fell by 46,000 on the quarter to 1,246,000, this is the largest fall on the quarter since June to August 2020. Despite three consecutive quarterly falls, the number of vacancies remain at historically high levels. While there is no comparable data for the latest quarter, in June to August 2022, the number of unemployed people per vacancy fell to a record low of 0.9 for the UK.

The employment rate in Scotland fell 1.7 percentage points between December to February 2020 and March to May 2020. Since then, the rate has grown in all but two out of the ten quarters and is now higher than in December to February 2020 and is higher than the UK for the first time since 2015. The UK rate fell for four consecutive quarters between March to May 2020 and December to February 2021, seeing a total fall of 1.9 percentage points. Despite seeing growth in all but one quarter since the UK rate is still below December to February 2020.

The FT have highlighted that the UK is [the only country in the developed world where people have continued dropping out of the labour market in ever greater numbers beyond the acute phase of the pandemic](#). While the data used in this article came from the OECD and has a slightly different methodology, we can replicate the issue using the data from the LFS. This shows that while the economic inactivity rate for the UK is 1.5 percentage points higher than in Dec-Feb 2020 in Scotland the current rate is the same as in Dec-Feb 2020 and is below the UK rate for the first time since 2018. Between Jul 2018-Jun 2019 and Jul 2021-Jun 2022 the number of long-term sick people in Scotland increased by 10% compared to 12% for the UK overall.

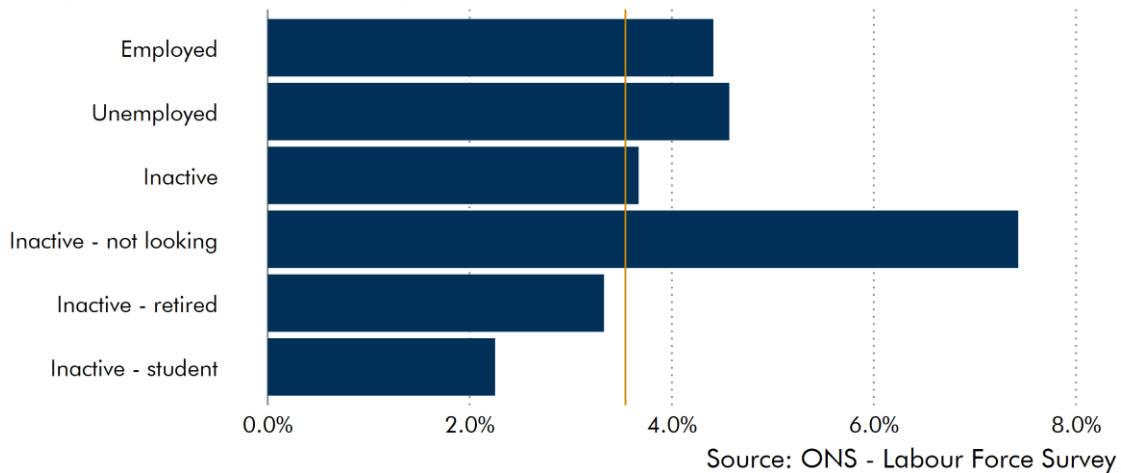
Long COVID and the labour market

The ONS also publish stats on people with self-reported long COVID. As the data for long COVID status was self-reported by study participants misclassification is possible. More information about the data can be found in the [strengths and limitations section](#) of the Prevalence of ongoing symptoms following coronavirus (COVID-19) infection in the UK: 6 October 2022 publication.

The data show that Scotland has a slightly higher proportion of people self-reporting as having long COVID than the UK, 3.88% compared to 3.54%. They provide data broken down by labour market status. Of the three main indicators unemployment has the highest proportion of those who self-report as having long COVID. However, there is a limited breakdown of inactivity which show that those who are inactive and not looking for work have the highest proportion of people who self-report as having long COVID.

Estimated percentage of people living in private households with self-reported long COVID of any duration

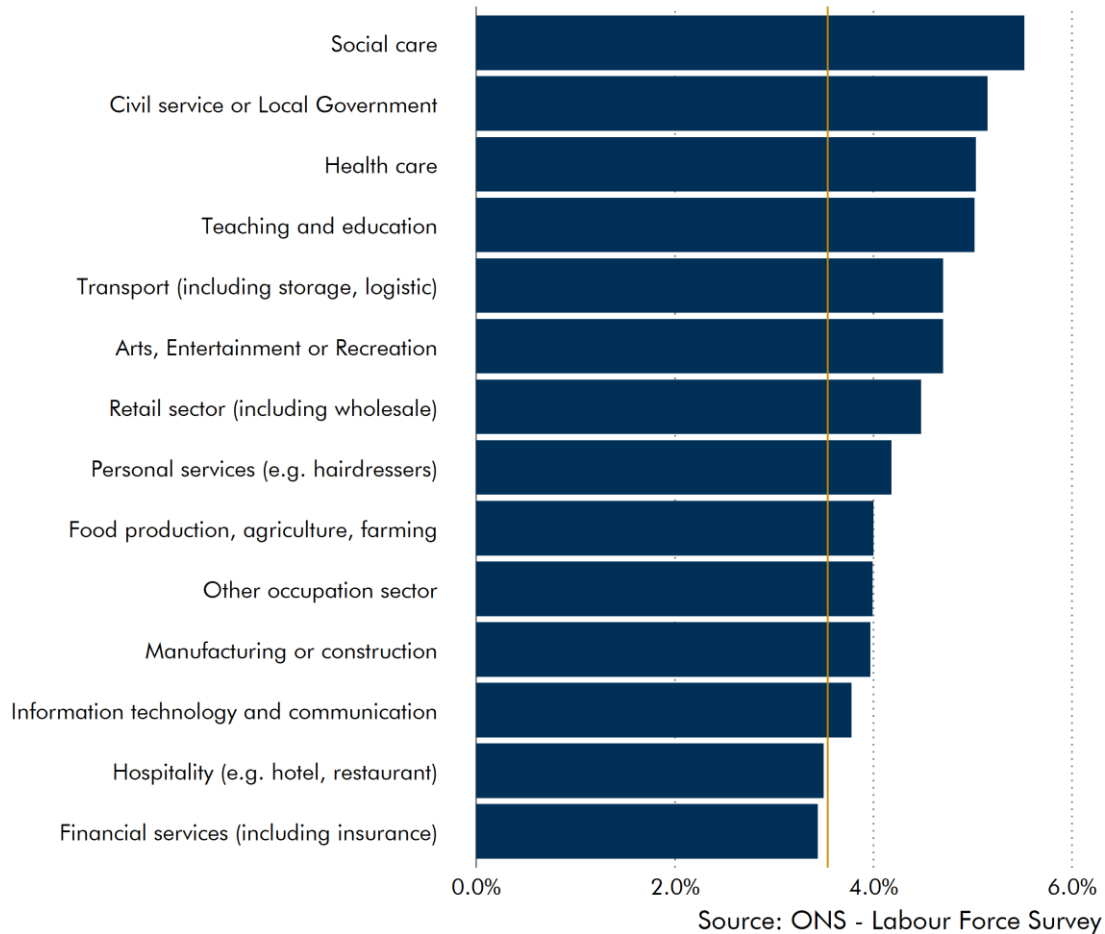
UK | Four week period ending 03 September 2022



The publication also provides breakdown by sector of employment. It shows that Social Care, Civil service or Local Government, Health Care and Teaching and education have the highest proportion of people self-reporting as having long COVID.

Estimated percentage of people living in private households with self-reported long COVID of any duration by sector of employment

UK | Four week period ending 03 September 2022



**Andrew Aiton, Data Visualisation Manager, SPICe Research
28 October 2022**

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