

Article

Labour market economic commentary: July 2018

July edition of the labour market commentary providing analysis on unemployment, inactivity and the structure of employment

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1 . Main points

- The number of unemployed people stood at 1.41 million in the period March to May 2018, down 12,000 compared with a quarter ago and 84,000 a year ago.
- The inactivity rate reached a joint record low of 21.0% in the period March to May 2018, 0.2 percentage points lower than the previous quarter.
- Employment increased by 137,000 when compared with the previous quarter to reach a record high of 32.4 million.
- In the three months to May 2018, the numbers of employees and self-employed workers increased by 100,000 and 35,000 respectively when compared with the previous quarter.
- Average weekly hours worked for all workers fell by 0.1 hours when compared with the previous quarter.

2 . Unemployment

The latest estimates from the Labour Force Survey (LFS) show that in the three months to May 2018, the unemployment rate fell by 0.1 percentage point to 4.2%. The number of unemployed people fell by 12,000 on the quarter to reach 1.41 million. The decrease in unemployment was driven by a fall in the number of women who were unemployed in the period March to May 2018. Although overall unemployment decreased, there was an increase in the number of unemployed men in the three months to May 2018 when compared with the three months to February 2018. The increase in the number of unemployed men (6,000) was smaller than the decrease in the number of unemployed women (18,000). The fall in overall unemployment in the period March to May 2018 was the fourth such decline on previous quarters.

Short-term and medium-term unemployment fell in the three months to May 2018 when compared with the previous quarter. However, long-term unemployment increased by 11,000 during the same period.

3 . Inactivity

In the three months to May 2018, the inactivity rate fell by 0.2 percentage points to 21.0% when compared with the previous quarter. This is the joint-lowest inactivity rate ever recorded since inactivity records began. Broken down by sex, the LFS estimates show that the level of inactivity among both men and women fell by 57,000 and 29,000 respectively when compared with the previous quarter. As mentioned in the [June Labour market economic commentary](#), the group of people who are classified as inactive can be broken down into two sub-groups of those who are inactive but want a job (or those who are marginally attached to the labour market) and those who are inactive and do not want a job. The decrease in the inactivity rate is mainly driven by the fall in the number of marginally attached workers.

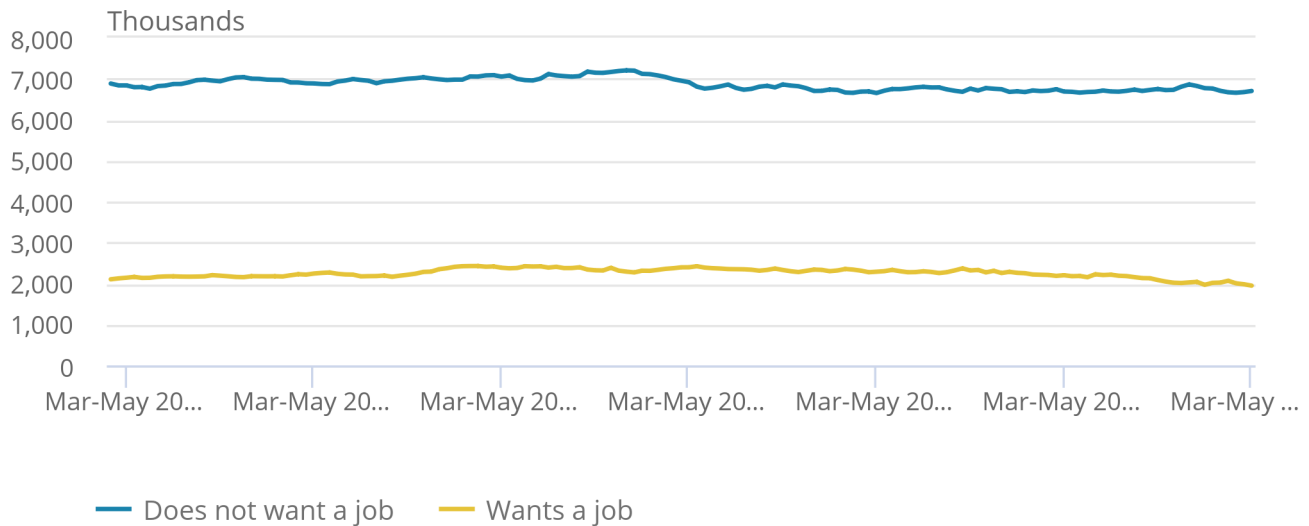
The inactive people who wanted a job decreased by a record 119,000 when compared with the previous quarter. These people potentially join the labour force when they feel conditions have improved for them to get employment. The number of inactive people who did not want a job increased by 32,000. Figure 1 shows the trends of people in the two sub-categories of inactivity.

Figure 1: Composition of those in inactivity

All aged 16 to 64, UK, seasonally adjusted, January to March 2006 to March to May 2018

Figure 1: Composition of those in inactivity

All aged 16 to 64, UK, seasonally adjusted, January to March 2006 to March to May 2018



Source: Office for National Statistics, Labour Force Survey

The inactive category of the labour market can be analysed further by disaggregating it into seven sub-categories. When we compare the three months to May 2018 with the previous quarter, there were declines in the numbers of inactive people in five sub-categories:

- students
- people looking after family
- the temporarily sick
- those who are discouraged
- those who are retired

During the same period, there were increases in the sub-categories of the long-term sick and those who are inactive for unspecified reasons classified under the “other reasons” category. The decline in the level of inactivity partly contributes to the growth in the labour force. The labour force increased by 125,000 people on the quarter to May 2018.

4 . Structure of employment

The main theme of this month's labour market economic commentary is the analysis of the structure of employment. This section examines the headline employment figures, the employment categories of employees and self-employment, the classification of workers into full-time and part-time workers, and the trends of actual full-time and part-time hours worked.

Employment

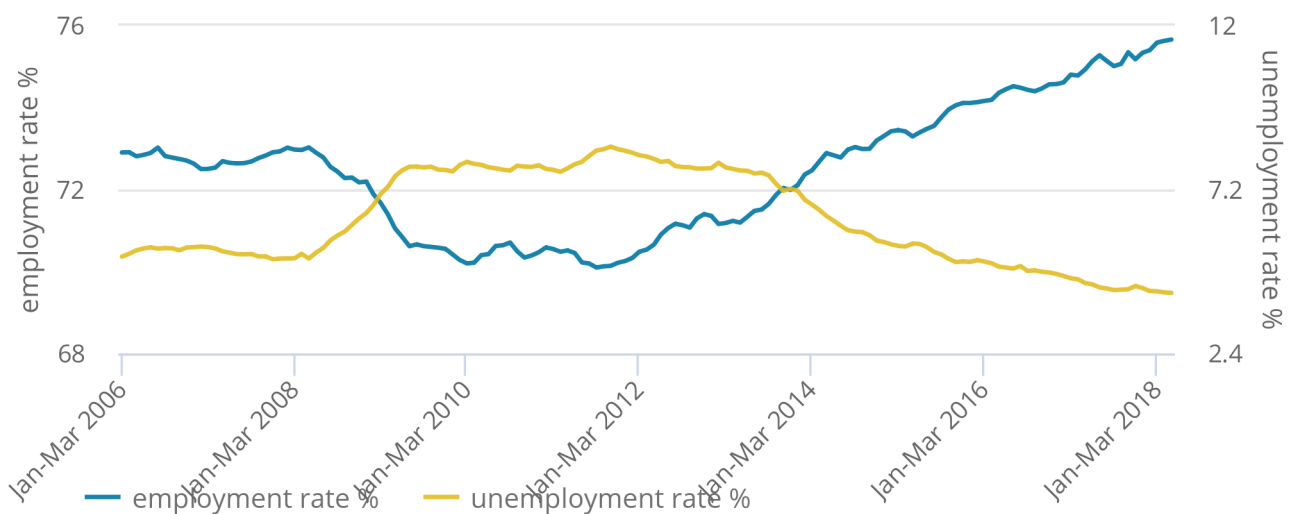
The level of employment continued an upward trend. In the three months to May 2018, the number of people in employment was 32.4 million. This was an increase of 137,000 on the previous quarter. In this period, the employment rate reached a record high of 75.7%. The growth in employment benefits the economy by increasing the utilisation of labour. Figure 2 shows the employment and unemployment trends.

Figure 2: Employment and unemployment rates

UK, seasonally adjusted, January to March 2006 to March to May 2018

Figure 2: Employment and unemployment rates

UK, seasonally adjusted, January to March 2006 to March to May 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that the employment and unemployment rates continued their trends of increasing and decreasing respectively.

The people in employment can work on a full-time or part-time basis. There is no universal definition of what constitutes part-time employment. The International Labour Organisation defines part-time employment as “regular employment in which working time is substantially less than normal”. The [Organisation for Economic Co-operation and Development \(OECD\)](#) states that the definition of part-time employment varies across OECD member countries. However, part-time employment can be classified according to workers’ perceptions of their employment situations. In addition, part-time workers can be defined as workers who work fewer than the usual full-time working hours per week. [A UK study on part-time workers’ rights](#) defines part-time workers as workers who work fewer hours than full-time workers’ 35 hours and above per week. In the Labour Force Survey, the part-time and full-time classification is based on the respondents’ perceptions of their employment situations.

This section analyses the part-time and full-time work patterns. In the three months to May 2018, full-time workers increased by 177,000 to 23.9 million, which represents the highest level since records began. Part-time workers decreased by 40,000 to 8.5 million on the quarter. Compared with the period March to May 2017, the numbers of full-time and part-time workers increased by 324,000 and 64,000 respectively.

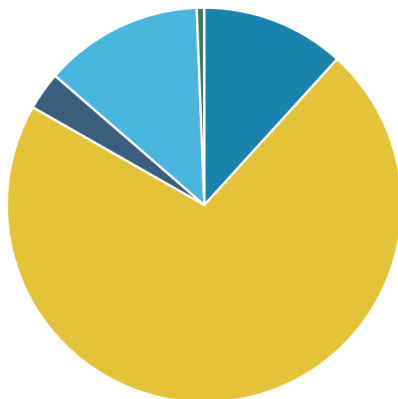
There are several reasons why people may work part-time, as shown in Figure 3. The figure shows five reasons why people may be working part-time.

Figure 3: Reasons for working part-time

UK, seasonally adjusted, March to May 2018

Figure 3: Reasons for working part-time

UK, seasonally adjusted, March to May 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows the number of people who worked part-time and did not want full-time work constituted 71.5% of all those in part-time jobs. Those who worked part-time because they were unable to find full-time work constituted 11.8% of all those in part-time jobs. The latter group of part-time workers fell by 29,000 on the quarter to March to May 2018. Despite the decrease, that group remained significantly larger than it was in the pre-downturn period.

Some workers in the labour force work more than one job. Most workers with second jobs are women (57.6%). The number of workers with second jobs fell by 42,000 to 1.11 million in the three months to May 2018.

Breaking down the employment data by sex shows that in the period March to May 2018, employed women increased by 94,000 and employed men increased by 43,000 when compared with the previous quarter. The number of employed men stood at a record high level of 17.14 million, and that of women stood at a record high level of 15.26 million.

Employment increased among all age groups except for those aged 18- to 24-years-old. The increase in overall employment was mainly driven by people aged 50 to 64 years whose number increased by 77,000 when compared with the previous quarter. In the following section, employment is disaggregated into two categories of employees and self-employed workers. The two sub-categories are further disaggregated by work pattern.

Employees

In general, people in employment can be classified into two categories: employees and those who are self-employed. Employees are workers in an employer-employee relationship who get paid for their work. The self-employed are people who work on their own account, irrespective of whether they have employees or not, and who regard themselves as self-employed. Employees can be categorised as either working full-time or part-time. The self-employed may also work on a full-time or part-time basis.

The number of employees increased by 100,000 between the three months to February 2018 and the three months to May 2018, from 27.34 million to 27.44 million respectively. This increase was driven by a net rise in the number of female workers of 105,000. The number of male employees fell by 6,000. Between the periods March to May 2017 and March to May 2018, the number of employees increased by 408,000.

Employees have full-time and part-time working patterns. The increase in employees was driven by a rise in the number of those working on full-time basis. In the three months to May 2018, the number of full-time employees increased by 128,000 compared with the three months to February 2018. During the same period, the number of part-time employees fell by 28,600.

In the three months to May 2018, 59.8% of full-time employees were men and 76.5% of part-time employees were women. Compared with the same period in 2017, the number of full-time male employees increased by 200,400, and part-time female employees increased by 7,800.

Self-employment

The [Trends in self-employment in the UK](#) article published in February this year showed that the UK economy experienced a surge in self-employment since the economic downturn. There are many reasons why people enter self-employment. Some will be seeking flexible working patterns and independence. Others will be keen to exploit observed business opportunities. In addition, when people have been made redundant, they may opt to become self-employed while looking for (re)employment opportunities.

In the ten years from March to May 2008 to the period March to May 2018, self-employment increased from 3.86 million workers to 4.79 million workers. This means self-employment increased by 934,000. Over the same period, the number of employees increased from 25.66 million to 27.44 million, meaning that employees increased by 1.78 million. In percentage terms, self-employment increased by 24.2% and employees increased by 6.9%.

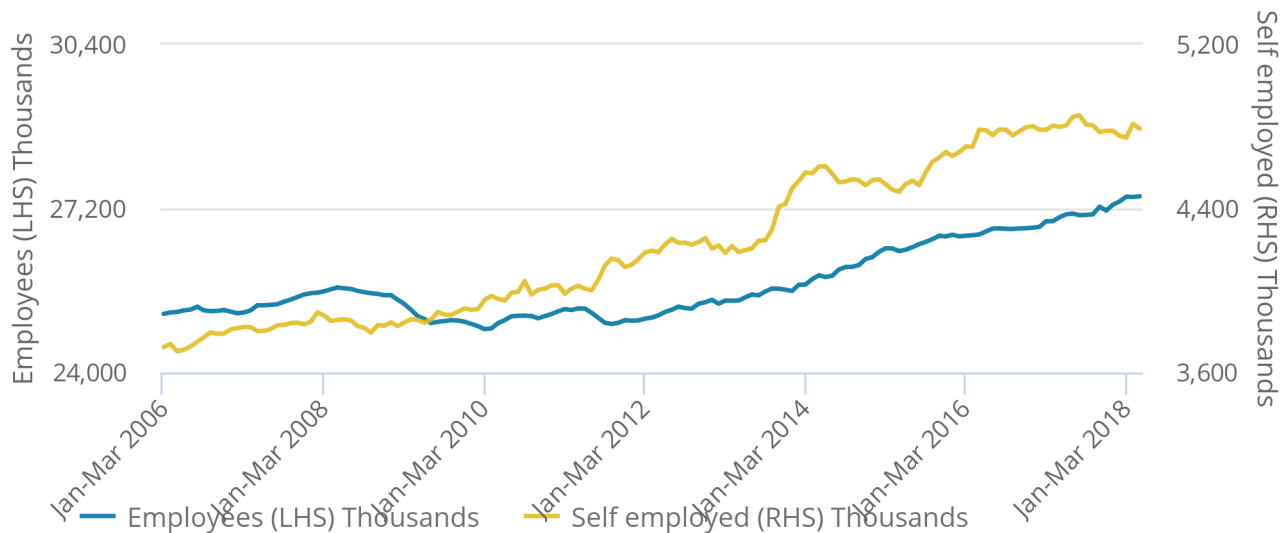
In the period March to May 2018, employees and self-employed workers constituted 84.7% and 14.8% of total employment respectively. The remainder consisted of unpaid family workers and those on government-supported training and employment programmes. In the same period, self-employment increased by 35,000. However, self-employment fell by 8,000 between March to May 2017 and March to May 2018. Figure 4 shows the trends of employees and of self-employed workers.

Figure 4: Employees and self-employed workers

UK, seasonally adjusted, January to March 2006 to March to May 2018

Figure 4: Employees and self-employed workers

UK, seasonally adjusted, January to March 2006 to March to May 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows positive trends in the numbers of both employees and self-employed workers. In recent years, the number of employees has been growing at a faster rate than the number of self-employed workers.

The people who are self-employed can choose to work on a full-time or a part-time basis. In the three months to May 2018, the number of full-time self-employed workers stood at 3.36 million, while that of part-time workers stood at 1.43 million. Compared with the same period a year ago, full-time self-employed workers decreased by 65,000, and part-time self-employed workers increased by 57,000. In the 10 years to the period March to May 2018, full-time self-employment increased by 414,000, and part-time self-employment increased by 520,000. Part-time self-employment increased at a faster rate than full-time self-employment.

The data show that there is substantial churning within self-employment. People move into and out of self-employment, and they also move between full-time and part-time self-employment. A report on [Understanding self-employment by the Department for Business, Innovation and Skills](#) highlights some of the reasons for the churning. For example, full-time self-employment is usually preferred by people who want to remain in self-employed for a long time, while part-time self-employment is often preferred by those who have plans to leave self-employment. People who are nearing retirement may also prefer part-time self-employment compared with those who are younger. The working pattern is also determined by one's personal circumstances. People with caring responsibilities (for example looking after young children or the elderly) may prefer part-time to full-time self-employment.

Possible reasons for leaving self-employment include retirement, income insecurity if one falls sick, and being unable to save enough money for the future or to join employment. An individual may become an employee to increase income security and to obtain a higher income.

Actual hours worked in employment

The average weekly hours of all workers declined by 0.1 of an hour to 31.9 hours in the three months to May 2018. Men's average weekly hours decreased by 0.3 hours to 36.1 hours, while women's average weekly hours remained broadly unchanged from the previous quarter.

Average weekly hours worked by full-time workers declined from 37.2 hours in the three months to February 2018 to 37.0 hours in the three months to May 2018. Over the same period, average weekly hours worked by part-time workers increased from 16.2 hours to 16.3 hours. Compared with the previous year, full-time hours fell 0.5 hours and part-time hours increased by 0.2 hours.

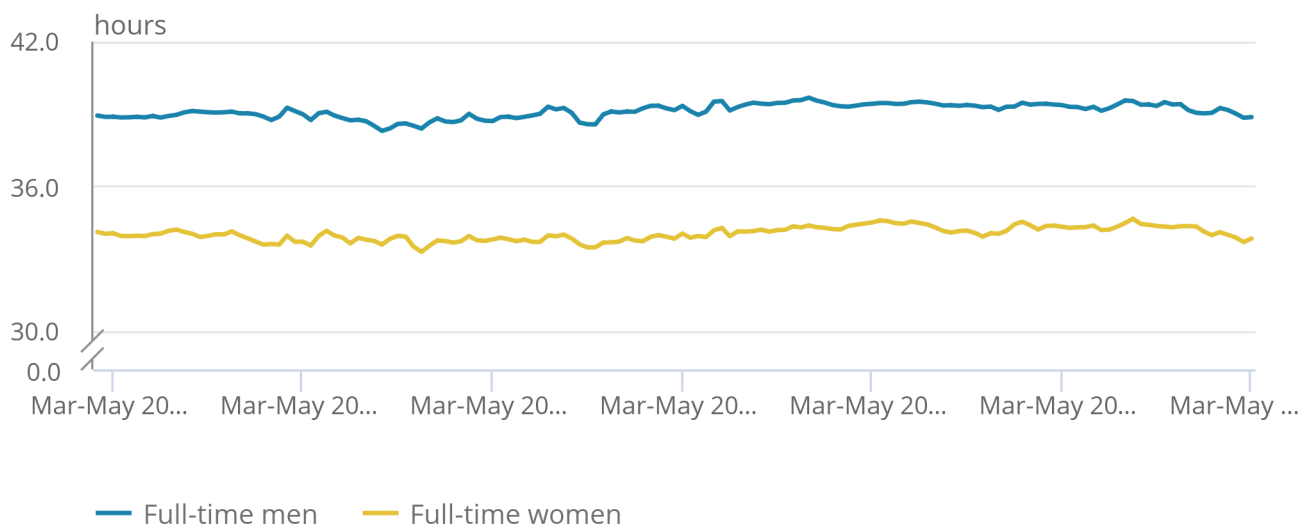
Breaking down full-time hours by sex shows that both men and women experienced a fall in average hours worked in the three months to May 2018. For men, the average worked hours fell by 0.3 hours to 38.9 hours. For women, the average worked hours fell by 0.2 hours to 33.8 hours. Figure 5 shows the average weekly full-time hours worked disaggregated by sex.

Figure 5: Actual average weekly hours worked for full-time workers by sex

UK, Seasonally adjusted, January to March 2006 to March to May 2018

Figure 5: Actual average weekly hours worked for full-time workers by sex

UK, Seasonally adjusted, January to March 2006 to March to May 2018



Source: Office for National Statistics, Labour Force Survey

Analysing full-time workers' hours by sex shows that full-time male workers work more hours than full-time female workers. However, men's and women's average hours exhibit similar trends.

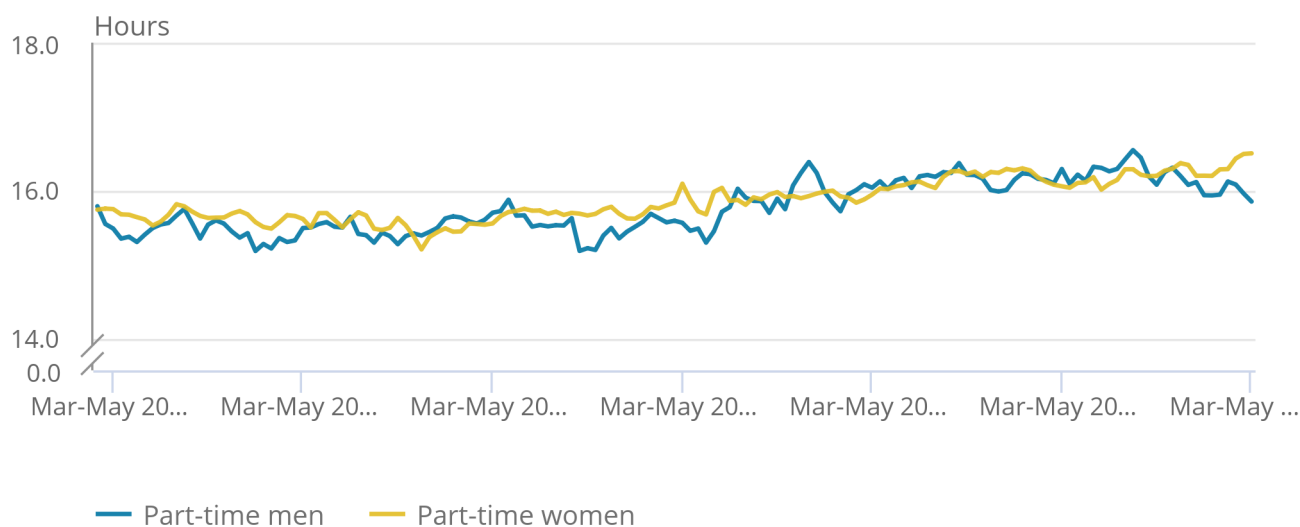
In the three months to May 2018, part-time average hours for men fell by 0.3 hours to 15.9 hours when compared to the three months to February 2018. During the same period, part-time average hours for women increased by 0.2 hours to 16.5 hours. For workers with second jobs, the average hours worked increased by 0.3 hours on the quarter to 10.1 hours. Figure 6 shows the part-time hours for men and women.

Figure 6: Actual average weekly hours worked for part-time workers by sex

UK, Seasonally adjusted, January to March 2006 to March to May 2018

Figure 6: Actual average weekly hours worked for part-time workers by sex

UK, Seasonally adjusted, January to March 2006 to March to May 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that there is no significant difference between average hours of men and women working on a part-time basis. Although full-time average weekly hours fell, both part-time and second job average hours increased when compared with the previous quarter. Since there are considerably more full-time workers than part-time workers or those who work second jobs, the overall effect was a decrease in total hours worked in the whole economy, to 1,032 million.

5 . Authors

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