

Article

# Labour market economic commentary: September 2018

Additional economic analysis of the latest UK labour market headline statistics and long-term trends for September 2018.

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# 1 . Main points

- The level of employment in the UK increased by 3,000 to 32.40 million in the three months to July 2018.
- The number of people aged 65 years and older who were in employment more than doubled between 2006 and July 2018.
- The unemployment rate fell by 0.2 percentage points to 4.0% on the quarter to July 2018.
- The number of vacancies in the economy increased by 1.7% to 833,000 on the quarter to August 2018.

## 2 . Employment

The level of employment in the UK continues to increase, but at a slower rate than before. In the three months to July 2018, employment increased by 3,000 to 32.40 million. It increased by 261,000 on the year to July 2018. The small quarterly increase did not have a significant impact on the employment rate, which stood at 75.5%.

Employment levels differed by sex. The number of employed men increased by 30,000 to 17.17 million on the quarter to July 2018. This was a 0.2% increase on the previous quarter. The employment rate for men increased by 0.1 percentage points to 80.1%. During the same period, the number of employed women fell by 28,000 to 15.23 million. The employment rate for women fell by 0.3 percentage points to 71.0%.

Disaggregating employment by type of employment shows that the number of people who worked full-time increased by 100,000 to 23.86 million in the three months to July 2018. The increase was mainly driven by the number of women working full-time, up 68,000. The number of women working full-time stood at a record high of 8.98 million. Total full-time employment increased by 263,000 on the year to July 2018.

The number of part-time workers fell by 98,000 to 8.54 million in the three months to July 2018. The decrease was mainly driven by a fall in the number of women working part-time.

The people in employment can be divided into employees, the self-employed, unpaid family workers and workers on government-supported training and employment programmes.

The number of employees increased by 1,000 to 27.43 million in the three months to July 2018. Employees increased by 326,000 on the year.

The number of the self-employed decreased by 12,000 on the quarter to 4.80 million and also decreased by 46,000 on the year. Unpaid family workers and workers on government-supported training and employment programmes together had a total of 170,000 workers.

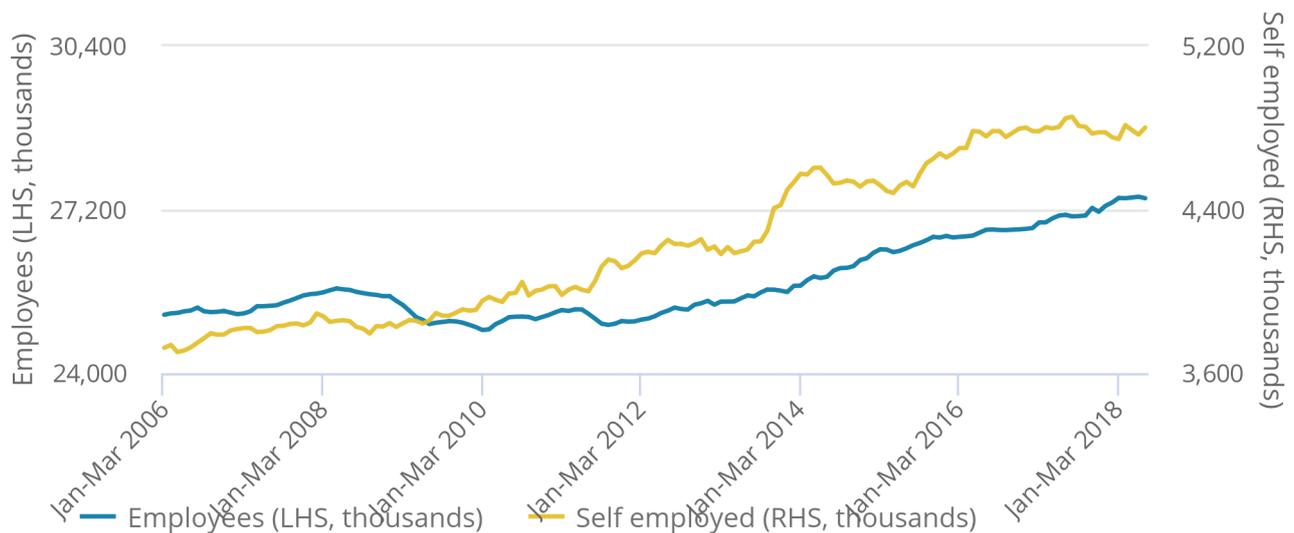
Figure 1 shows the trends of employees and self-employed workers in the economy.

## Figure 1: Employees and self-employed workers

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

### Figure 1: Employees and self-employed workers

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



Source: Office for National Statistics, Labour Force Survey

The figure shows that self-employment increased while the number of employees declined during the economic downturn. The number of employees fell to below 25 million during the economic downturn, but this recovered to the pre-downturn level in 2013.

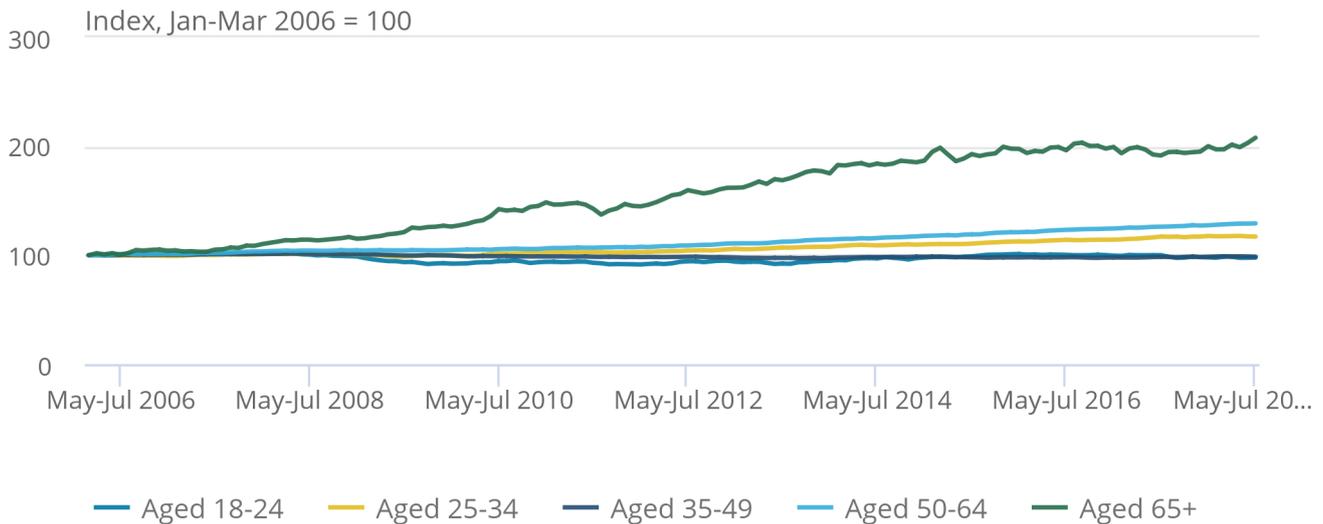
An interesting phenomenon of the labour market is the growth in the employment of people aged 65 years and older. This is interesting because the UK has an ageing population and people are living longer. In addition, the change in the retirement age means people can remain in employment beyond the traditional retirement age of 65 years. Figure 2 shows the index of employment of age groups ranging from 18 years to 65 years and over.

## Figure 2: Index of employed workers by age group

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

### Figure 2: Index of employed workers by age group

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



Source: Office for National Statistics, Labour Force Survey

The figure shows that the strongest employment growth between January 2006 and July 2018 has been for those aged 65 years and older, followed by those aged 50 to 64 years and 25 to 34 years.

The number of people aged 65 years and older who were in employment more than doubled between January 2006 and July 2018, from 607,000 to 1.26 million. The same age group had an employment rate of 6.6% in 2006 and this increased to 10.7% in the three months to July 2018.

The Department for Work and Pensions looked at the [trends of the labour market statuses of individuals aged 50 years and over \(PDF, 441KB\)](#). They found that the mean labour market exit age for men increased from 62.3 years in 1997 to 65.1 years in 2017. For women, the mean exit age increased from 60.8 years to 63.6 years over the same period.

There are several reasons for the increase in the employment of people who are 65 years and older. The reasons include:

- the improved health of the older population, which increases older workers' desire to continue working for reasons of status, identity and economic well-being
- changes to the state pensionable age for both men and women
- changes to employment laws that prohibit discrimination based on age
- older people's desire for financial independence and social interaction

### 3 . Unemployment

The latest estimates from the Labour Force Survey (LFS) show that the number of unemployed people in the UK fell by 55,000 to 1.36 million in the three months to July 2018. The unemployment rate was 4.0%, which was 0.2 percentage points lower than in the previous quarter.

The number of unemployed men fell by a larger figure (47,000) than that of women (8,000). Figure 3 shows the unemployment trends for men and women.

**Figure 3: Unemployment by sex**

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

#### Figure 3: Unemployment by sex

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



Source: Office for National Statistics, Labour Force Survey

The figure shows that the unemployment levels of both sexes have maintained a similar trend, with more men than women being unemployed. From 2013 onwards, the number of unemployed men decreased at a faster rate than that of women. In the period May to July 2018, the difference between the numbers of unemployed men and women narrowed to 78,000.

The number of unemployed people can be broken down by age group. The age group 50 years and older experienced the largest fall in unemployment (26,000) in the three months to July 2018. The fall was driven by a decrease in the number of people in long-term unemployment (16,000). The age groups 16 to 17 years and 18 to 24 years both experienced a fall in unemployment of 16,000 on the quarter. Only the age group 25 to 49 years experienced an increase in unemployment during the period.

## 4 . Inactivity

The level of inactivity in the UK went up by 108,000 to 8.76 million in the three months to July 2018, resulting in an inactivity rate of 21.2%. Inactivity increased by 16,000 on the year. More women became inactive during that period (74,000) than men (35,000). Overall, more women were inactive (5.38 million) than men (3.38 million). Figure 4 shows that the trend of inactivity has been on a downward trend since 2011.

**Figure 4: Inactivity level and rate**

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

### Figure 4: Inactivity level and rate

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



Source: Office for National Statistics, Labour Force Survey

The structure of inactivity shows that students constituted 26.6% of all inactive people. The number of students increased by 12,000 on the quarter. The long-term sick and those looking after family and home constituted 23.3% apiece. These two sub-categories increased by 17,000 and 65,000 on the quarter, respectively.

The other sub-categories of inactivity are temporary sick, retired, discouraged, and other. These constituted 2.0%, 12.9%, 0.4%, and 11.5% respectively. The temporary sick decreased by 6,000; the retired increased by 2,000; the discouraged increased by 1,000; and the other sub-category increased by 16,000.

## 5 . Workforce jobs

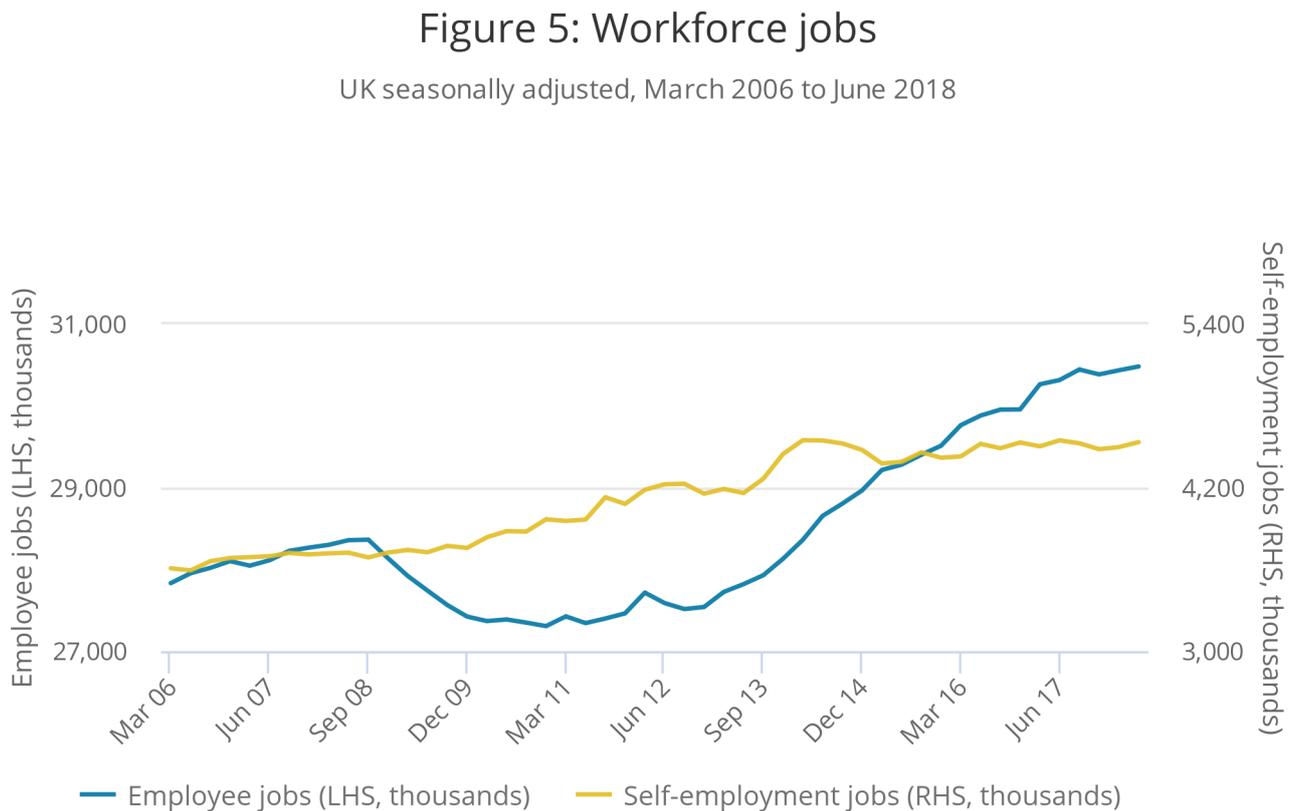
The Labour Force Survey (LFS) is used to produce estimates of the total number of people in employment in the UK. However, the preferred source of statistics on jobs by industry comes from the workforce jobs (WFJ) series, which estimate the number of filled jobs in the economy. The jobs estimates from the WFJ data differ from employment estimates from the LFS because the concepts of employment and jobs are different. Employment, as measured by the LFS, considers the number of people in work. Jobs, as measured by the WFJ, are the number of filled employment opportunities that exist in the economy. From the LFS, we get the numbers of people who are employees or self-employed in their main jobs; and from the WFJ we get the numbers of employee jobs and of self-employment jobs, which will be greater. The level of employment differs from the number of filled jobs because an individual may have more than one job and some jobs may be shared by more than one person. The explanations for the differences between WFJ and LFS numbers are covered in the Office for National Statistics' article on the [reconciliation of estimates of jobs](#).

Workforce jobs data are published in March, June, September and December. The most recent data available are for June 2018. During that period, workforce jobs increased by 83,000 on the quarter to reach a record high of 35.20 million.

Workforce jobs can be disaggregated into employee jobs and self-employment jobs. Figure 5 shows the trends of employee and self-employment jobs between March 2006 and June 2018. The figure shows that the number of employee jobs decreased during the economic downturn. They recovered to their pre-downturn level in June 2014 and they have been on an upward trend since then. In June 2018, workforce jobs increased by 46,000 on the quarter to 30.48 million. They increased by 166,000 on the year.

## Figure 5: Workforce jobs

UK seasonally adjusted, March 2006 to June 2018



Source: Office for National Statistics, Workforce Jobs Quality and Methodology Information

The figure shows that self-employment jobs did not fall during the economic downturn as they maintained an upward trend. A 2015 Parliamentary publication on the self-employment boom discussed the [reasons for the persistent growth of self-employment](#).

The figure shows that the level of self-employment jobs levelled off from around June 2016. The latest figures show that self-employment jobs increased by 38,000 in June 2018 to 4.54 million. Self-employment jobs fell by 13,000 on the year to June 2018.

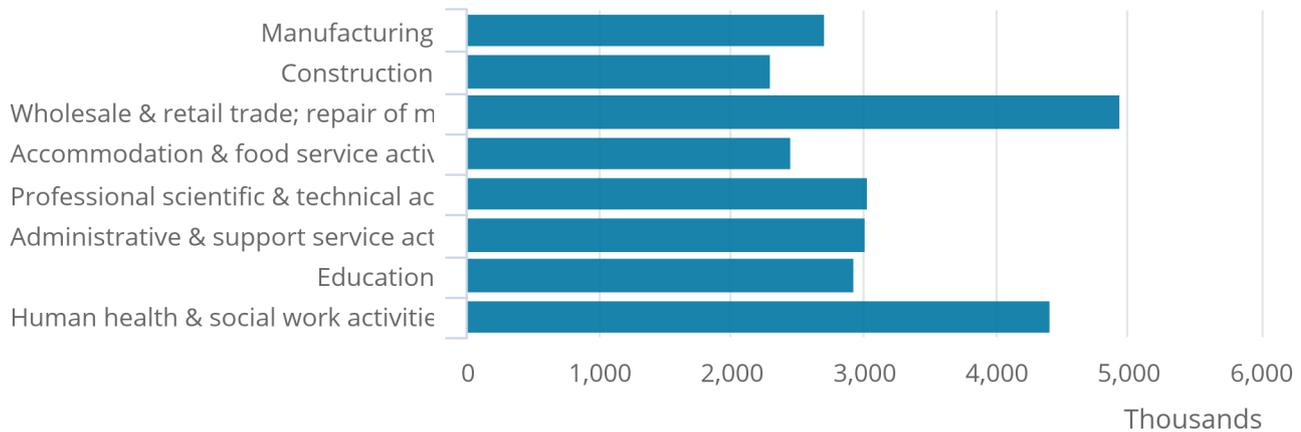
Workforce jobs data can be disaggregated by industry to show the sectoral distribution of the jobs. Given the number of industries in the economy, we only consider the industries with workforce jobs exceeding 2 million. The sectoral distribution of workforce jobs is illustrated in Figure 6.

## Figure 6: Workforce jobs by industry

UK, seasonally adjusted, June 2018

### Figure 6: Workforce jobs by industry

UK, seasonally adjusted, June 2018



Source: Office for National Statistics, Workforce Jobs Quality and Methodology Information

In June 2018, the wholesale and retail trade sector accounted for the largest proportion of workforce jobs (4.94 million). However, workforce jobs in that sector decreased by 27,000 compared with March 2018 and by 74,000 on the year.

The human health and social work activities sector had the second-highest number of workforce jobs amounting to 4.41 million. There were 19,000 fewer workforce jobs in June 2018 and 23,000 more workforce jobs on the year to June 2018.

Two sectors had nearly the same number of workforce jobs. These are the administrative and support service activities sector (3.02 million) and the professional, scientific and technical activities sector (3.04 million). Other sectors with workforce jobs above the threshold were education (2.93 million), the accommodation and food service activities sector (2.46 million), the manufacturing sector (2.71 million) and the construction sector (2.31 million).

## 6 . Vacancies

The Vacancy Survey is used to collect data on the total number of vacancies across the UK economy. It is a regular survey of businesses that collects information on businesses' demand for labour. The latest data are for the period June to August 2018.

In the three months to August 2018, the number of vacancies increased by 1.7% to 833,000. This was a 44,000 increase on the year. The trend in vacancies has been upwards since the period April to June 2009, when vacancies were at their lowest level of 432,000.

The growth in vacancies in the three months to August 2018 was driven by increases in vacancies in the following sectors:

- human health and social work activities (4,000)
- administration and support service activities (3,000)
- accommodation and food service activities (6,000)
- wholesale and retail trade (3,000)
- education (2,000)
- construction (5,000)

Over the same period, vacancies declined in the following sectors:

- professional, scientific and technical activities (2,000)
- finance and insurance activities (1,000)
- arts, entertainment and recreation (4,000)
- information and communication (2,000)
- transport and storage (1,000)

Overall, the total services sector contributed a net increase in vacancies of 9,000 on the quarter.

The distribution of vacancies was unequal among sectors. Focusing on sectors that had vacancies more than 10,000 shows that only three sectors had vacancies below the threshold (mining and quarrying; electricity, gas, steam and air conditioning supply; and water supply, sewerage, waste and remediation activities) and the rest had vacancies exceeding it. The biggest contributors to vacancies were:

- wholesale and retail trade (135,000)
- human health and social work activities (133,000)
- accommodation and food service activities (93,000)
- professional, scientific and technical activities (72,000)
- manufacturing (59,000)

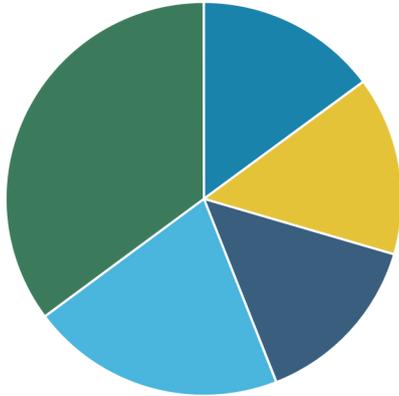
The distribution of vacancies differs by business size. Measuring business size by the level of employment results in five classes of 1 to 9; 10 to 49; 50 to 249; 250 to 2,499; and 2,500 and above. Figure 7 shows the number of vacancies per business size.

## Figure 7: Percentage distribution of vacancies by business size

UK, seasonally adjusted, June to August 2018

### Figure 7: Percentage distribution of vacancies by business size

UK, seasonally adjusted, June to August 2018



Source: Office for National Statistics, Workforce Jobs Quality and Methodology Information

The figure shows that there were more vacancies in very large businesses employing over 2,500 employees. Businesses employing between 50 and 249 employees contributed the lowest number of vacancies.

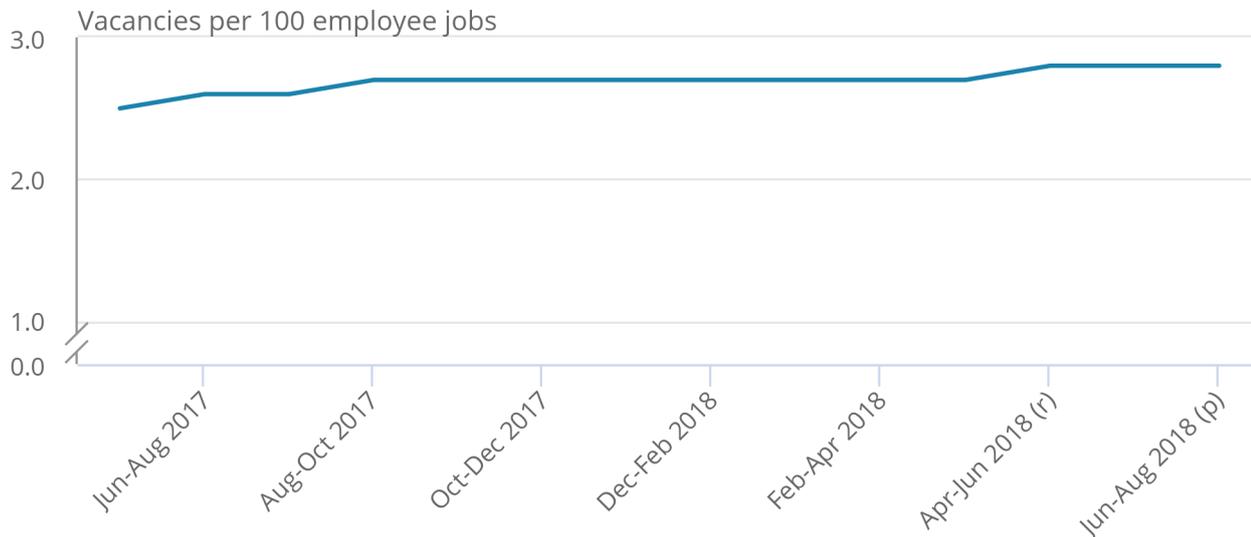
Another way of examining vacancies data is to look at the ratio of vacancies per number of employees. In this case, we examine the number of vacancies per 100 employees. The data show that there were high ratios in the accommodation and food service activities sector (4.1), other service activities (4), and the finance and insurance activities, and the information and communication sectors (3.5 apiece). The lowest ratio was in the public administration and defence sector (1.6). The overall ratio has been increasing over time as shown in Figure 8.

## Figure 8: Vacancies per 100 employee jobs

UK, seasonally adjusted, June to August 2016 to June to August 2018

### Figure 8: Vacancies per 100 employee jobs

UK, seasonally adjusted, June to August 2016 to June to August 2018



Source: Office for National Statistics, Workforce Jobs Quality and Methodology Information

The figure shows that the ratio increased from 2.5 vacancies per 100 employee jobs to 2.8 vacancies per 100 employee jobs between June to August 2016 and June to August 2018. The ratio increases if vacancies increase with employment not changing, or if employment falls with vacancies not changing. Alternatively, both vacancies and employment increase (or decrease), but vacancies increase at a faster rate than employment (or employment decreases at a faster rate than vacancies). Since employment has been increasing, as noted previously, in this case, the increase in the ratio is driven by vacancies increasing at a faster rate than the rate of employment.

There are several possible reasons why vacancies may have been increasing since the economic downturn. For instance, the increase in the number of jobs is associated with economic growth. However, the presence of unfilled vacancies can indicate that there is a mismatch between the demand and supply of labour. Such a mismatch may be a result of many different reasons. For example, employers may be failing to find workers with suitable skills required for the existing jobs, or the work arrangements in the jobs on offer may not be suitable for workers in the labour force. The Chartered Institute of Personnel Development (CIPD)'s Labour Market Outlook for the summer of 2018 shows that [employers are increasingly finding it difficult to recruit suitable workers](#). The CIPD noted that as the level of employment continues to increase and unemployment continues to decline, firms are facing increasing recruitment difficulties.

## 7 . Authors

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