



# Monthly Labour Market Report

## Welcome

The Monthly Labour Market Report from the Learning and Skills Observatory Wales (LSO) aims to provide the main headlines on the Welsh labour market and is based on the latest data available.

This month's issue puts the spotlight on recent graduates from higher education (HE), subjects studied and their labour market position.

This report was produced by the Centre for Economic and Social Inclusion (known as *Inclusion*), commissioned by Welsh Government to blend Wales's available labour market information (LMI) (from the various sources) and produce a monthly analysis. Whilst the report is owned by Welsh Government it is not validated in terms of its specific content or interpretation.

*Inclusion* has an unrivalled understanding of the labour market based on over 28 years of experience of working with the range of stakeholders involved in delivering employment and skills services. We collect and analyse both national and local labour market data through our well developed Local Labour Market Information System, conduct research on employment and skills issues at the local level, run events that bring together policymakers and providers in the skills and employment sector, and produce weekly e-briefings that summarise what is new in employment and skills for our subscribers.

We currently supply monthly employment and skills data to the Greater London Authority, as well as providing labour market tools and analysis for Greater Manchester.

Any enquiries regarding this document/publication should be sent to:

Lovedeep Vaid

*Inclusion*

3rd floor, 89 Albert Embankment, London SE1 7TP

Direct Line: 020 7840 8348

Email: [lovedeep.vaid@cesi.org.uk](mailto:lovedeep.vaid@cesi.org.uk)

# Latest labour market trends

## Employment

Employment data from the Labour Force Survey (LFS) – estimates obtained from a large sample quarterly rolling survey of households – show that Wales performed relatively poorly in the quarter from May to July 2013. However, the Office for National Statistics' (ONS's) quarterly estimate of the number of Workforce Jobs – obtained in part from surveys of employers – shows a somewhat stronger net rise in jobs between March and June 2013.

The (seasonally adjusted) LFS estimate of the number of people aged 16 and over in employment in Wales increased by 1,000 (+0.1%) compared to the previous quarter (February–April 2013) to a total of 1.365 million. The quarterly increase in employment in Wales is comprised of an increase in male employment of 6,000 (+0.8%) and a decrease in female employment of 4,000 (–0.7%).

The total quarterly increase in employment in Wales compares to a corresponding increase in total UK employment of 80,000 (+0.3%). In addition to the increase in Wales, employment increased by 65,000 (+0.3) in England; 6,000 (+0.2%) in Scotland; and 8,000 (+1.0%) in Northern Ireland. The net increase in England comprised an increase in employment in the North East (+11,000), the East Midlands (+7,000), the East of England (+24,000) London (+15,000) and the South East (+89,000) and a decrease in employment in the North West (–32,000), the West Midlands (–29,000) and the South West (–20,000). The level of employment was unchanged in Yorkshire and Humberside.

The working age employment rate for Wales (i.e. the proportion of the population aged 16–64 in employment) fell in the quarter by 0.1 percentage points to 69.3%, compared with an increase of 0.2 percentage points in England and increases of 0.2 percentage points and 0.4 percentage points in Scotland and Northern Ireland respectively. The employment rate in Wales is 2.4 percentage points lower than the UK average (71.6%) and lower than the employment rate in both England (71.8%) and Scotland (72.4%) but higher than the rate in Northern Ireland (67.5%). Within the UK only Northern Ireland, North East England (67.2%), the North West (68.7%) and the West Midlands (69.1%) have a lower employment rate than Wales. The South East (76.0%) has the highest employment rate in the UK.

Each calendar quarter the ONS also publishes an estimate of jobs in the economy, which complements the LFS estimate of the number of people in employment. The (seasonally adjusted) Workforce Jobs estimate is obtained from a combination of employer surveys and administrative data in addition to the LFS. The number of jobs in the economy will not necessarily equal the number of people in employment, given that some people will hold more than one job. The LFS and Workforce Jobs estimates can also differ because of differences in the method of obtaining the respective estimates.

The latest Workforce Jobs estimate shows that there were 1.376 million jobs in Wales as of June 2013, 12,000 (+0.9%) more than in March 2013. This compares with a quarterly increase of 119,000 (+0.4%) in England, 25,000 (+0.9%) in Scotland and 12,000 (+1.5%) in Northern Ireland. A breakdown of the quarterly percentage change in Workforce Jobs for both Wales and the UK is shown in Table 1.

**Table 1 Percentage changes in Workforce Jobs by main industrial sector, Wales and UK average, quarter to June 2013 (seasonally adjusted)**

|                                   | Wales – quarterly% change | UK – quarterly % change |
|-----------------------------------|---------------------------|-------------------------|
| Agriculture, forestry and fishing | -1.9                      | +1.8                    |
| Mining and quarrying              | +36.8                     | +1.3                    |
| Utilities                         | -0.01                     | -2.1                    |
| Manufacturing                     | -1.9                      | +0.4                    |
| Construction                      | -1.3                      | +0.7                    |
| Total services                    | +1.5                      | +0.5                    |
| All jobs                          | +0.9                      | +0.5                    |

Source: ONS

## Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) LFS definition fell by 7,000 to 118,000 between the quarters February–April 2013 and May–July 2013. Total unemployment increased by 10,000 in Scotland but fell by 8,000 in Northern Ireland and by 19,000 in England.

The quarterly fall in unemployment in Wales was greater than the corresponding 1,000 increase in the number of people in employment because of an offsetting decrease of 6,000 in the number of people active in the labour market. The number of unemployed men decreased by 5,000 (-6.9%), the number of unemployed women decreased by 2,000 (-3.8%).

The ILO unemployment rate in Wales fell by 0.4 percentage points in the quarter to 8.0%. The UK average rate of ILO unemployment fell by 0.1% to 7.7%, though unlike in Wales the fall in the UK unemployment rate is accompanied by both an increase in employment and an increase in the number of people active in the labour market. However, despite the quarterly relative improvement in the ILO unemployment rate in Wales there remains a substantial gap between the ILO unemployment rate in Wales and that in England (7.7%), Scotland (7.4%) and Northern Ireland (6.9%). Within the UK nations and regions, only North East England (10.4%), the West Midlands (9.8%), Yorkshire and Humberside (8.9%), and London (8.3%) had a higher unemployment rate than Wales. South East England (5.8%) and South West England (6.2%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (71,800 in Wales in August 2013, a JSA claimant count rate of 4.9%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales decreased by 1,500 between July and August. However care should be taken in interpreting change in the claimant count since this can be influenced by changes to the benefit system as well as underlying change in the labour market.

As the LMI scorecard shows the working age rate of economic inactivity in Wales (24.7%) is 2.4 percentage points higher than the UK average (22.3%). Within the UK regions and nations only Northern Ireland (27.3%), the North West (24.9%) and North East (24.8%) have higher inactivity rates. The lowest inactivity rates are in the South East (19.1%) and the East of England (19.0%).

## LMI scorecard

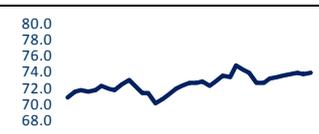
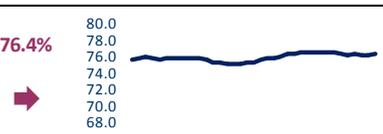
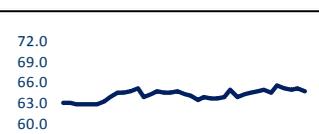
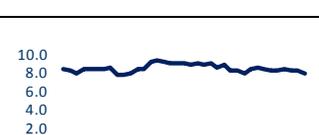
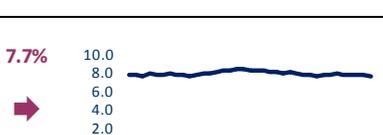
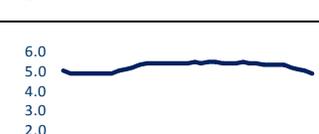
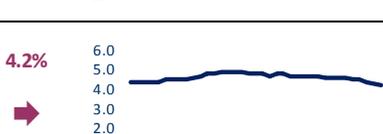
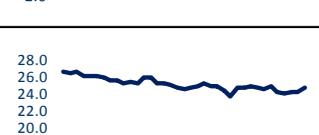
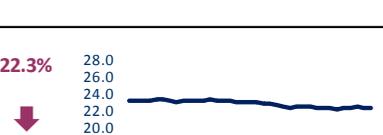
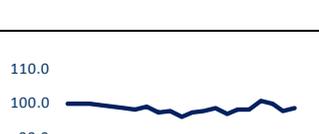
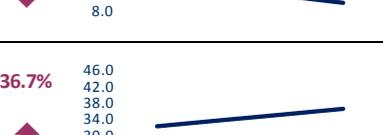
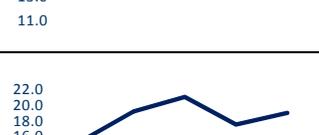
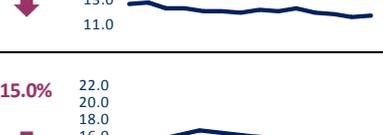
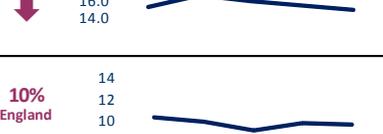
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

|  | Source |
|--|--------|
| Working age employment rate  | 1      |
| Working age male employment rate   | 1      |
| Working age female employment rate   | 1      |
| ILO unemployment rate 16+  | 1      |
| Claimant count as a proportion of the working age population                   | 2      |
| Working age economic inactivity  | 1      |
| Index of workforce jobs  | 3      |
| Proportion of the working age population with no qualifications                | 4      |
| Proportion of the working age population qualified to NQF4+                    | 4      |
| Proportion of the working age population who claim out of work benefits        | 5      |
| Children living in workless households   | 6      |
| Proportion of 16–18 year olds who are not in employment, education or training | 7      |

- 1 LFS, ONS: subject to sampling variability and should be used with caution
- 2 Claimant count seasonally adjusted, NOMIS: trends can be affected by changes to benefit rules
- 3 Employer surveys, household surveys and administrative sources, ONS
- 4 Annual Population Survey/Annual Local LFS, ONS. Data is subject to sampling variability and should be used with caution.
- 5 Department for Work and Pensions, NOMIS
- 6 Household LFS, ONS: subject to sampling variability and should be used with caution
- 7 Source: ONS, Higher Education Statistics Agency, Welsh Government Lifelong Learning Wales Record, Pupil Level Annual School Census, Annual Population Survey.

# LMI Scorecard

September 2013

|                      |   | Wales   |                       | Difference between Wales and National (latest figures):<br>Better<br>Worse | NATIONAL<br>(UK or GB depending on indicator) |   |
|----------------------|---|---|-----------------------|--|---|---|
|                      |   | Trend<br>(Three to four years)  | Latest result & trend |  | Latest result & trend                         | Trend<br>(Three to four years)  |
| Supply of Labour     | Working age employment rate (%)   |    | 69.3%<br>↑            | -2.3<br>Charts cover: May-Jul 10 to May-Jul 13                             | 71.6%<br>↑                                    |    |
|                      | Working age male employment rate (%)  |    | 73.9%<br>↑            | -2.5<br>Charts cover: May-Jul 10 to May-Jul 13                             | 76.4%<br>→                                    |    |
|                      | Working age female employment rate (%)  |    | 64.7%<br>↑            | -2.2<br>Charts cover: May-Jul 10 to May-Jul 13                             | 66.9%<br>↑                                    |    |
|                      | ILO Unemployment rate 16+ (%)   |    | 8.0%<br>→             | 0.3<br>Charts cover: May-Jul 10 to May-Jul 13                              | 7.7%<br>→                                     |    |
|                      | Claimant Count as a proportion of the working age population, seasonally adjusted (%) |   | 4.9%<br>→             | 0.7<br>Charts cover: Aug 10 to Aug 13                                      | 4.2%<br>→                                     |   |
|                      | Working age economic inactivity (%)   |  | 24.7%<br>↓            | 2.4<br>Charts cover: May-Jul 10 to May-Jul 13                              | 22.3%<br>↓                                    |  |
| Demand               | Index of workforce jobs. 2008 Q2=100  |  | 98.6%<br>→            | -2.4<br>Charts cover: 2008 Q2 to 2013 Q2                                   | 101.0%<br>→                                   |  |
| Skill gaps           | Proportion of the working age population with no qualifications (%)                   |  | 10.6%<br>↓            | 1.6<br>Charts cover: Year to Dec 09 to year to Dec 12                      | 9.0%<br>↓                                     |  |
|                      | Proportion of the working age population qualified to NQF4+ (%)                       |  | 32.6%<br>↑            | -4.1<br>Charts cover: Year to Dec 09 to year to Dec 12                     | 36.7%<br>↑                                    |  |
| Worklessness & NEETS | Proportion of the working age population who claim out of work benefits               |  | 14.4%<br>↓            | 2.7<br>Charts cover: Nov 09 to Feb 13                                      | 11.7%<br>↓                                    |  |
|                      | Children living in workless households (%)  |  | 19.1%<br>↑            | 4.1<br>Charts cover: Apr-Jun 2008 to 2012                                  | 15.0%<br>↓                                    |  |
|                      | Proportion of 16-18 year olds who are NEET (%)  |  | 10%<br>↓              | 1<br>Charts cover: 2008 to 2012  | 10%<br>England<br>→                           |  |

## Graduate labour market

### Introduction

Forecasts published by the UK Commission for Employment and Skills (UKCES) predict 'a slow recovery from recession, with the UK economy generating around 1.5 million additional jobs by 2020'.<sup>1</sup> Within this limited growth scenario, there is forecast to be 'a continued trend of employment growth in higher skilled, white collar occupations, including managers, professionals and associate professional roles' (approximately two million additional jobs in these occupations by 2020). These three occupations are projected to increase their share of total employment from 42% to 46% between 2010 and 2020.

Such analysis shows that a sustained economic recovery and growth will be dependent on the provision of higher level skills. This issue focuses on the state of the labour market for these skills, focusing particularly on demand for degrees and graduate level employment in Wales.

This bulletin first examines how demand for places in HE has changed in recent years, then moves on to look at how well recent graduates have fared in the labour market. Finally, the analysis looks at the extent to which higher level qualifications benefit individuals in terms of labour market outcomes.

### Demand for Higher Education

According to data and research published by UCAS (the applications body for UK HE), 'applicants from Wales face similar tuition fees to previous cycles, wherever they choose to study. Most young applicants from Wales apply to courses in Wales or England and these trends have continued unchanged in 2012. In particular the application rate to institutions in England has continued to increase'<sup>2</sup>. In 2012, there were a total of 24,485 Welsh domiciled applicants to HE courses in the UK, a figure that has remained fairly consistent since 2009.

UCAS also publishes application rates to HE by age, expressed as a percentage of the total cohort within each age group. Among Welsh 18 year olds (the group with the highest level of HE applicants), 29.6% applied to HE in 2013. Although this is almost as high as at any point in the last decade, the application rate in Wales remains well below some of the other UK countries (Northern Ireland: 48.2%; England: 34.8%; and Scotland 31.5%). The gap between the Welsh application rate and the other UK countries for this age group has actually increased over recent years.

### Destinations of HE graduates

Having established that demand for HE among Welsh people remains fairly buoyant, this section examines the destinations of graduates after completing their studies.

In terms of where graduates move to after university in order to work, Wales experiences a net loss of graduates. In 2011/12, some 12,800 graduates found employment in Wales, around 10,000 of which had studied at Welsh HE institutions (HEIs), suggesting around 2,800 who moved to Wales to work but had not studied in Wales. However, the number of graduates from Welsh HEIs who leave Wales to work, in 2011/12, amounted to 6,200 graduates, around 38% of the total. In common with most other parts of the UK, the most popular areas for graduates to move to are London and the South East, with significant numbers also employed in the South West of England.

---

<sup>1</sup> UKCES (2011) Working Futures 2010-2020

<sup>2</sup> UCAS (2012)

Just over three quarters (77%) of Welsh domiciled graduates in employment were working in Wales after their studies in 2011/12. This represents a total of around 10,500 graduates, 8,700 of which had studied at Welsh HEIs. This means that a further 1,800 graduates returned to Wales to work after completing their studies elsewhere in the UK.

### Employment outcomes and the value of degrees

Across the UK as a whole, there has been little change in the pattern of destinations of graduates, although there are some indications of graduates finding it harder to find appropriate full-time employment. Table 2 shows that the proportion of leavers in full-time employment has fallen, while the number in part-time work and in voluntary or unpaid work has increased year on year. Around 9% of graduates were unemployed, with a further 3–4% unavailable for employment in each of the past three years.

**Table 2: Destinations of first degree leavers, UK, 2007/08–2010/11**

| Activity                    | 2007/08 (%) | 2008/09 (%) | 2009/10 (%) | 2010/11 (%) |
|-----------------------------|-------------|-------------|-------------|-------------|
| Full-time paid work         | 51.9        | 46.7        | 49.3        | 48.3        |
| Part-time paid work         | 9.1         | 11.5        | 11.9        | 12.4        |
| Voluntary / unpaid work     | 1.4         | 2.0         | 2.0         | 2.3         |
| Work & further study        | 8.3         | 8.3         | 7.9         | 8.7         |
| Further study               | 15.5        | 17.2        | 15.4        | 14.8        |
| Unemployed                  | 8.1         | 9.2         | 8.7         | 8.9         |
| No available for employment | 4.2         | 3.9         | 3.5         | 3.4         |
| Other                       | 1.3         | 1.3         | 1.          | 1.1         |

Source: HESA Destinations of HE Leavers Statistics. Note: Data for 2011/12 is not comparable with earlier years.

HESA's 2011/12 Destinations of Leavers from Higher Education Survey (DLHE) offers a significant amount of detail around the characteristics of the employment graduates were in six months after completing their studies, which gives some flavour of the value of getting a degree in terms of employment outcomes.

As for the salaries that graduates were earning, 31% of graduates from Welsh HEIs were earning less than £20,000, 23% were earning £20,000–£30,000, and just 5% above £40,000 (42% of respondents' salaries were unknown). Average salaries appear to be somewhat lower than for graduates across the UK as a whole, where 30% were earning less than £20,000, and 8% earning more than £40,000.

In terms of employment status, 57% of graduates from Welsh HEIs were on permanent or open ended contracts of employment (61% for the UK as a whole), while 5% were freelance or self-employed. 15% were on fixed term contracts of at least 12 months, while 11% were on shorter term fixed contracts, and 5% were temping (including supply teaching).

By occupation of employment, Figure 1 shows that – as would be expected – the majority of graduates were working in higher level occupations, particularly professional and associate professional occupations. However, a significant proportion of graduates were working in lower level occupations, where their job would be less likely to be related to their HE qualifications (see below).

There are significant concentrations of graduates employed in:

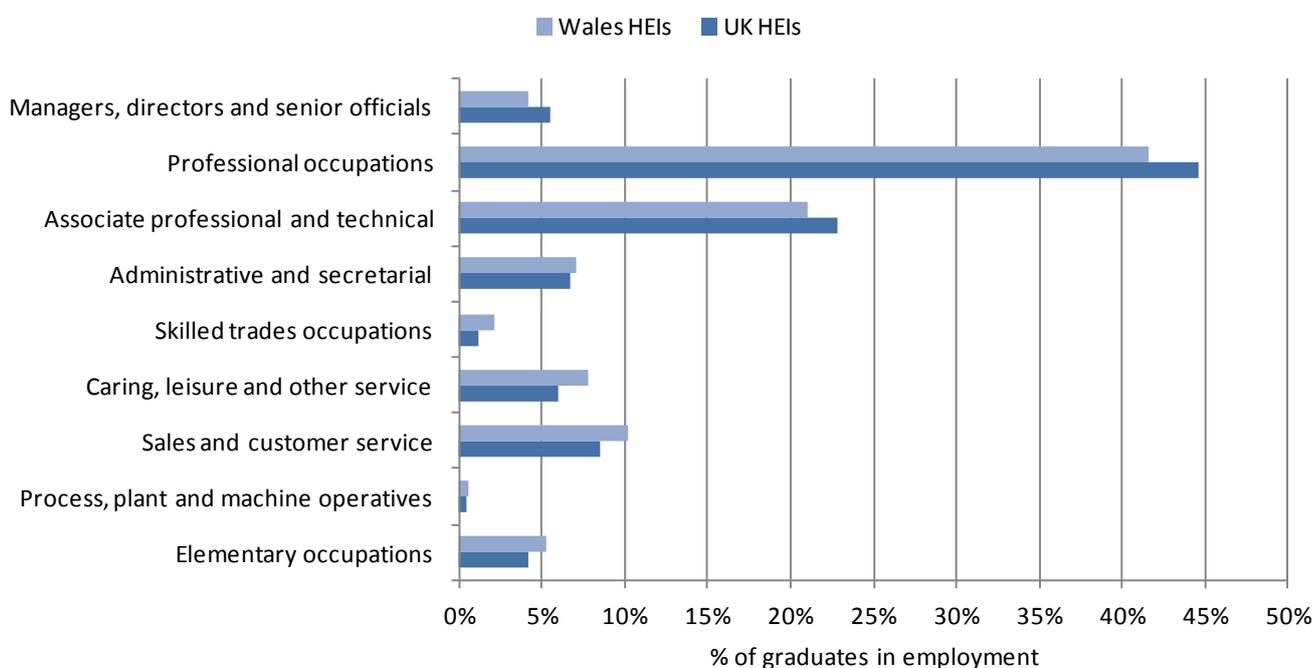
- caring, leisure and other service – 7.7% of all 2011/12 graduates in employment
- sales and customer service – 10.2%
- elementary occupations – 5.3%

Certainly, graduates represent a higher concentration of employees in these occupations than would be expected. Using the profile of all Welsh employment by occupation by qualification level (source: UKCES Working Futures<sup>3</sup>), these occupations accounted for the following proportions of people qualified at Qualifications and Credit Framework levels 5 to 8:

- caring, leisure and other service 5.8%
- sales and customer service 4.6%
- elementary occupations 3.2%

It is also worth noting that graduates from Welsh HEIs appear slightly less likely to find employment in higher level occupations compared to the UK as a whole, and are more likely to be working in lower skilled occupations. Given that we have already established that the majority of graduates from Welsh HEIs remain in Wales to work, this is almost certainly driven by the state of the Welsh labour market, which has lower levels of jobs in higher level occupations relative to the UK average.

**Figure 1: Graduates by occupation of employment, Wales HEIs vs UK HEIs, 2011/12**



Source: HESA DLHE Survey 2011/12

Related to the issue of whether graduates are making use of their qualifications in their employment, the DLHE survey also asks whether their HE qualification was required for the job they were doing at the time of the survey. Forty per cent of graduates from Welsh HEIs in 2011/12 said that their qualification was not required for their job (37% for the UK as a whole), suggesting a significant degree of working below their skill level among recent graduates.

### Value of higher level qualifications

The data presented above raise some questions about the possible value of having a degree, given the significant proportion of graduates who are finding it difficult to secure good quality employment in the current

<sup>3</sup> Base year qualification levels for 2010

labour market. However, considering the overall picture, data and research consistently show that there are real benefits to having higher level qualifications.

Table 3 shows that having a level 4 qualification or above improves an individual's labour market position, with 86% in employment and just 3.3% unemployed, compared to nearly 4.2% if qualified to level 3 or above and 10% for those with no qualifications.

**Table 3: Highest qualification levels of working age adults in Wales by economic activity, year end 31 Dec 2012 (%)**

|                       | All persons | No qualifications | Qualified to NQF level 2 or above | Qualified to NQF level 3 or above | Qualified to NQF level 4 or above |
|-----------------------|-------------|-------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| In employment         | 74.0        | 40.6              | 80.6                              | 83.5                              | 86.0                              |
| ILO unemployed        | 6.2         | 9.9               | 4.9                               | 4.2                               | 3.3                               |
| Economically inactive | 19.8        | 49.5              | 14.4                              | 12.2                              | 10.7                              |
| Total                 | 100         | 100               | 100                               | 100                               | 100                               |

Source: StatsWales [Link](#)

Several pieces of academic research have reached the same conclusion, using much more detailed modelling and analysis of the specific benefits of having a degree. Research commissioned by the Department for Business, Innovation and Skills estimated that the return to earnings a degree has relative to 2+ A-levels but no degree, is 23% for men and 31% for women. The research estimates that the effect of a degree on the net present value of the lifecycle of incomes, relative to not having a degree, is approximately £168,000 for men and approximately £252,000 for women on average.

Estimates for a good degree (first or upper second) are significantly larger than for lower degree classes (by £76,000 for men and £85,000 for women, on average) suggesting a large return to student effort. HE dropouts earn approximately the same as individuals who never attended HE.

Research by the Million+ academic think tank also highlighted that HE 'leads to the creation of a substantial number of direct and indirect benefits. These include enhanced employment and earnings outcomes, which directly result in increased Exchequer tax receipts, as well as the spill over effects of a highly skilled workforce and increased firm level productivity'.

## Summary

In summary, it is clear that, for the majority of those that hold them, higher level qualifications are very beneficial to labour market position and prospects. However, the data also suggest that current economic conditions have led to a significant proportion of graduates struggling to compete in the labour market, with around 9% of graduates unemployed for six months after graduating, and higher than expected proportions working in lower skilled and lower paid work.

## References

Department for Business Innovation and Skills (2013) **The impact of university degrees on the lifecycle of earnings: some further analysis**, BIS research paper no. 112, August 2013

<https://www.gov.uk/government/publications/university-degrees-impact-on-lifecycle-of-earnings>

Million + (2013) **Behind the headlines – What’s the value of a UK degree?** Million + & London Economics, 16 January 2013 <http://www.millionplus.ac.uk/research-policy/reports/latest-reports/report-whats-the-value-of-a-uk-degree>

UCAS (2013) **UK Application rates by country, sex, age and background (2013 Cycle, June deadline)** UCAS Analysis and Research, 9 July 2013

<http://www.ucas.com/news-events/news/2013/2013-cycle-applicant-figures-%E2%80%93-june-deadline>

UCAS (2012) **How have applications for full-time undergraduate higher education in the UK changed in 2012?** UCAS Analysis and Research, July 2012

<http://www.ucas.com/news-events/news/2013/how-have-applications-full-time-undergraduate-higher-education-uk-changed-2012>

UKCES (2011) **Working Futures 2010/20, Executive Summary 41**, December 2011

© Crown copyright 2013. You may re-use this document/publication (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence visit <http://www.nationalarchives.gov.uk/doc/open-government-licence>; or write to the Information Policy Team, The National Archives, Kew, Richmond, Surrey, TW9 4DU; or email: <mailto:psi@nationalarchives.gsi.gov.uk>.

#### Disclaimer

The Learning and Skills Observatory is part of the Welsh Government.

The content of this report is for information only. Whilst every effort has been made to ensure that the information contained in this report is correct, the Welsh Government and the Learning and Skills Observatory do not warrant the accuracy or completeness of such information and do not accept liability for any errors, inaccuracies, omissions or misleading or defamatory statements included in this report. As such, the content should not be relied upon and professional advice should be taken in specific cases.

The material in this report is provided "as is", without any representations, conditions, warranties (express or implied) or other terms of any kind and to the extent permitted by law, the Welsh Government and the Learning and Skills Observatory do not accept or assume any liability, responsibility or duty of care for any consequences of you acting or not acting in reliance on the information contained in this report.

Please note that the information in this report may be out of date and the Welsh Government and the Learning and Skills Observatory make no commitment to update such material.

The Welsh Government and the Learning and Skills Observatory are not responsible for the content of external websites and no warranty is given or responsibility accepted as to the standing of, or in respect of, any advice provided by any individual, firm, company or other organisation whose details are listed in this report. All material in this brochure is provided for information purposes only and does not constitute a promotion or recommendation by the Welsh Government or the Learning and Skills Observatory of any person or organisation listed.



Llywodraeth Cymru  
Welsh Government