



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 **Entrepreneurship and Self Employment in Wales**.

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.

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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 less well than the other UK nations and most of the English regions in the rolling quarter December 2013-February 2014.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales fell by 5,000 (-0.3%) compared to the previous quarter (September-November 2013) to a total of 1.390 million. The quarterly net fall in employment in Wales is comprised solely of a fall in the number of men in employment. Male employment fell by 5,000 (-0.7%) to 728,000 while female employment increased by 1,000 to 663,000.

The total quarterly fall in employment in Wales contrasts with a corresponding increase in total UK employment of 239,000 (+0.8%). In addition to the fall in Wales, employment increased by 220,000 (+0.9%) in England, by 16,000 (+0.6%) in Scotland and by 7,000 (+0.9%) in Northern Ireland. The net increase in England comprised an increase in employment in the North East (31,000, +2.7%), the North West (53,000, +1.7%), the West Midlands (3,000, +0.1%), the East of England (22,000, +0.7%), London (17,000, +0.4%), the South East (41,000, +1.0%) and the South West (75,000, +3.0%) and a fall in employment in Yorkshire and Humberside (-11,000, -0.4%) and the East Midlands (-12,000, -0.6%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) was unchanged in the quarter at 71.1%. This compares with an increase of 0.5 percentage points in England, 0.6 percentage points in Scotland and 0.5 percentage points in Northern Ireland. The employment rate in Wales is 1.5 percentage points lower than the UK average (72.6%) and lower than the employment rate in both England (72.8%) and Scotland (73.3%) but higher than the rate in Northern Ireland (67.9%).

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. Note that the quarterly Workforce Jobs data due to be released in March 2014 were not published until April 2014.

The latest Workforce Jobs estimate shows that there were 1.374 million jobs in Wales as of December 2013, 31,000 (+2.3%) more jobs than in September 2013. This compares with a quarterly increase of 390,000 (+1.4%) in England, 29,000 (+1.1%) in Scotland and 4,000 (+0.5%) 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 December 2013 (seasonally adjusted)

	Wales – quarterly% change	UK – quarterly % change
Agriculture, forestry and fishing	+15.7%	+15.4%
Mining and quarrying	-7.5%	+3.8%
Utilities	+0.2%	+1.7%

Manufacturing	+4.1%	+0.1%
Construction	+10.9%	+2.5%
Total services	+1.0%	+1.2%
All jobs	+2.3%	+1.4%

Source: ONS

Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey definition fell by 6,000 to 102,000 between the quarters September-November 2013 and December 2013-February 2014. Total unemployment also fell by 79,000 in England but increased by 3,000 in Scotland and by 4,000 in Northern Ireland.

The quarterly fall in unemployment in Wales occurred despite the corresponding 5,000 fall in the number of people in employment because of an offsetting decrease in the number of people active in the labour market. Moreover there was divergence in the change in unemployment by gender. The number of unemployed men increased by 3,000 (+4.6%) to 65,000 while the number of unemployed women fell by 9,000 (-19.4%) to 37,000.

The ILO unemployment rate in Wales fell by 0.4 percentage points to 6.8% in the quarter. The UK average rate of ILO unemployment fell by 0.3 percentage points to 6.9%. The unemployment rate in Wales was lower than in England (6.9%) and Northern Ireland (7.7%), but higher than in Scotland (6.5%). Within England, the North East (9.3%), the North West (7.6%), Yorkshire and Humberside (8.5%), the West Midlands (8.2%), the East Midlands (7.0%) and London (7.8%) had a higher unemployment rate than Wales. South East England (5.1%), the East of England (5.4%) and South West England (4.9%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (61,800 in Wales in March 2014, a JSA claimant count rate of 4.2%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The number of JSA claimants in Wales decreased by 1,100 between February and March 2014. 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.

The number of economically inactive people of working age in Wales increased by 6,000 between September-November 2013 and December 2013-February 2014. As the LMI scorecard shows the working age rate of economic inactivity in Wales (23.6%) is 1.7 percentage points higher than the UK average (21.9%).

Within the UK regions and nations only Northern Ireland (26.3%) and the North West (24.4%) had a higher inactivity rate than Wales in the quarter December 2013-February 2014. The lowest inactivity rates are in the South East (19.5%) and the East of England (19.5%).

LMI scorecard

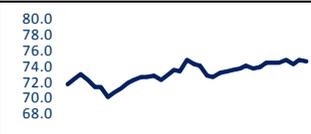
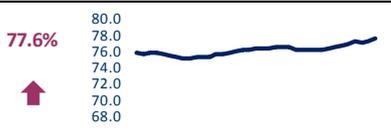
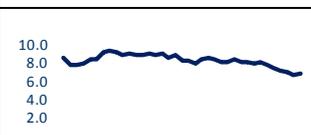
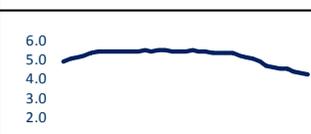
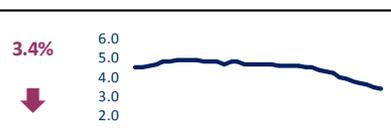
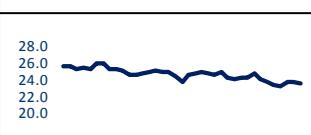
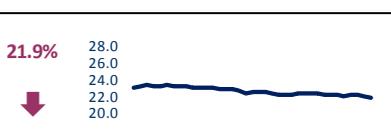
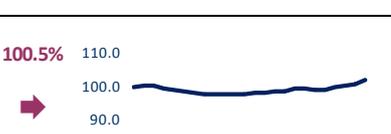
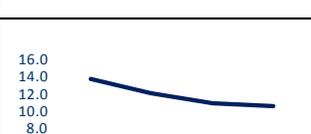
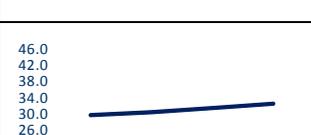
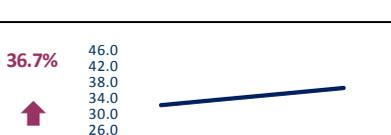
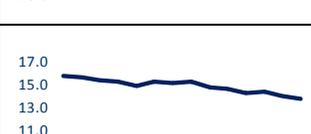
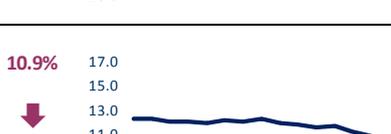
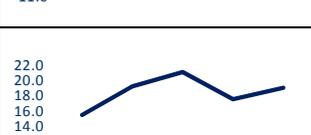
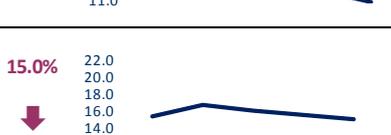
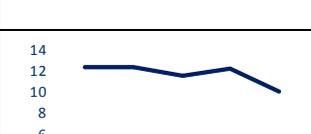
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	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

April 2014

		Wales		Difference between Wales and National (latest figures): Better Worse	NATIONAL (UK or GB depending on indicator)	
		Trend (Three to four years)	Latest result & trend		Latest result & trend	Trend (Three to four years)
Supply of Labour	Working age employment rate (%)		71.1% ↑	-1.5 Charts cover: Dec-Feb 11 to Dec-Feb 14	72.6% ↑	
	Working age male employment rate (%)		74.7% ↑	-3.0 Charts cover: Dec-Feb 11 to Dec-Feb 14	77.6% ↑	
	Working age female employment rate (%)		67.6% ↑	0.0 Charts cover: Dec-Feb 11 to Dec-Feb 14	67.6% ↑	
	ILO Unemployment rate 16+ (%)		6.8% ↓	0.0 Charts cover: Dec-Feb 11 to Dec-Feb 14	6.9% ↓	
	Claimant Count as a proportion of the working age population, seasonally adjusted (%)		4.2% ↓	0.8 Charts cover: Mar 11 to Mar 14	3.4% ↓	
	Working age economic inactivity (%)		23.6% ↓	1.6 Charts cover: Dec-Feb 11 to Dec-Feb 14	21.9% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		97.7% →	-2.8 Charts cover: 2008 Q1 to 2013 Q4	100.5% →	
Skill gaps	Proportion of the working age population with no qualifications (%)		10.6% ↓	1.6 Charts cover: Year to Dec 09 to year to Dec 12	9.0% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		32.6% ↑	-4.1 Charts cover: Year to Dec 09 to year to Dec 12	36.7% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		13.7% ↓	2.8 Charts cover: May 10 to Aug 13	10.9% ↓	
	Children living in workless households (%)		19.1% ↑	4.1 Charts cover: Apr-Jun 2008 to 2012	15.0% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	1 Charts cover: 2008 to 2012	10% England →	

Entrepreneurship and Self Employment in Wales

Introduction

As the UK economy continues to slowly recover from the last recession, and the employment rate has increased, there has been a rapid increase in self-employment. While some see this as a sign of an increased entrepreneurial spirit in the country, creating new businesses that will fuel future economic growth, others question whether this sharp rise in self-employment is a sign of dynamism in the economy at all, and is driven by weak job creation within businesses.

This month's report focuses on recent trends in self-employment in Wales, examines both sides of the debate about the implications of increased levels of self-employment, and highlights the policies and programmes in place in Wales aimed at supporting people wishing to move into self-employment.

Recent Trends

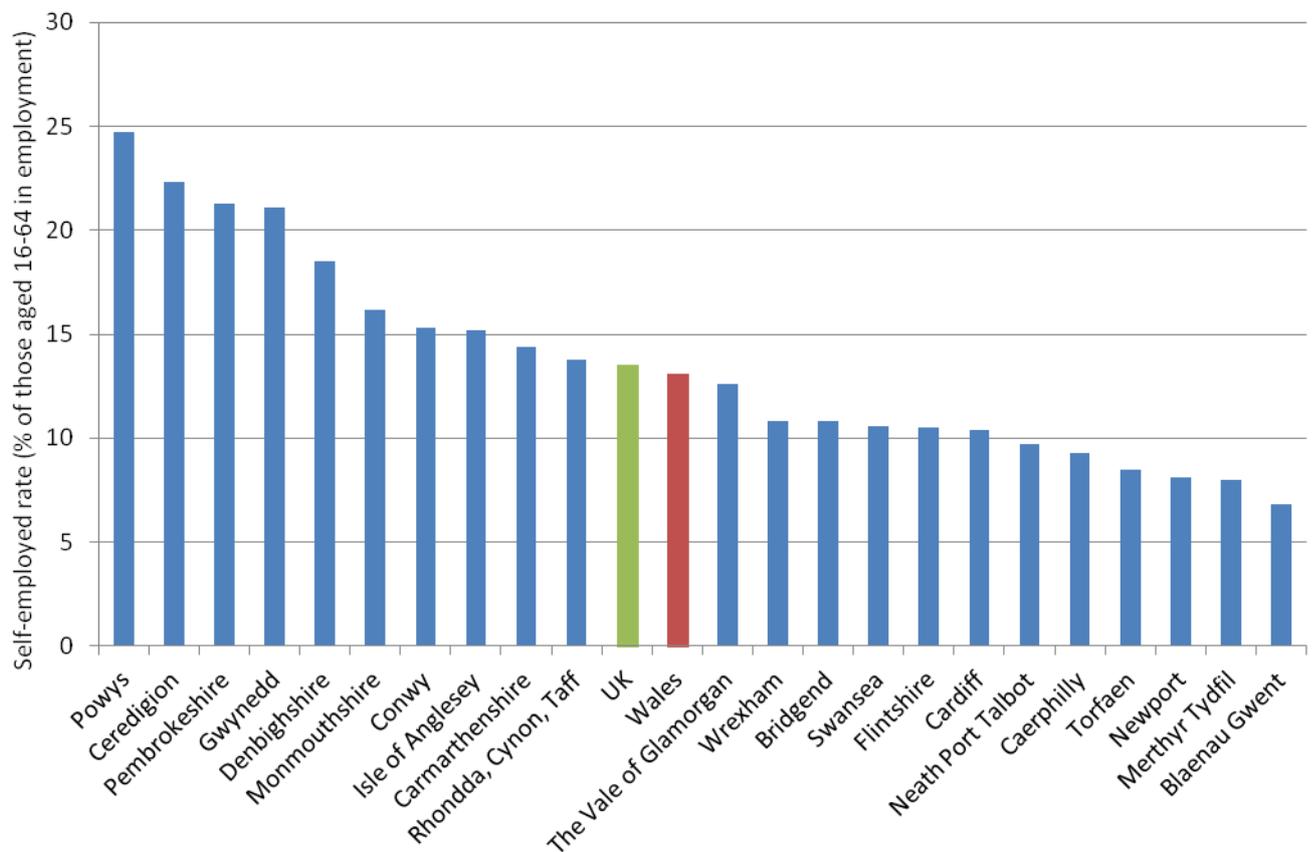
Latest statistics show that the self-employment rate in Wales was 13.1% of the population aged 16-64 in the year to December 2013. This was a total self-employed population across Wales of around 170,800 people. Table 2 shows that employee jobs fell quite sharply between 2008 and 2009, before starting to recover from 2010 through to 2013. In the same period however, self-employment grew year on year. From 2010 to 2013, the number of employee jobs in Wales grew by around 33,000 (3%), whereas self-employment grew by 14,800 (9.5%). Both self-employment and employees grew faster in Wales than for the UK as a whole over that period.

Table 2: Self-employment vs Employee Jobs, 2008 - 2013

Year	UK		Wales	
	Employees	Self-Employed	Employees	Self-Employed
2008	24,815,300	3,543,000	1,121,600	160,900
2009	24,321,000	3,563,600	1,092,100	155,800
2010	24,216,100	3,635,500	1,085,000	156,000
2011	24,248,700	3,702,300	1,094,600	157,000
2012	24,333,200	3,833,500	1,099,100	164,000
2013	24,601,900	3,886,000	1,118,000	170,800
Change 2010-2013	385,800	250,500	33,000	14,800
Percentage change 2010 - 2013	1.6%	6.9%	3.0%	9.5%

Source: StatsWales: <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Persons-Employed/StatusOfEmployedPersons-by-WelshLocalAuthority-Measure>

Figure 1 illustrates the rate of self-employment by local authority area, and shows a general trend of significantly higher rates of self-employment in rural areas compared to more urban areas. The highest rate was in Powys (24.7%), and the lowest in Blaenau Gwent (6.8%).

Figure 1: Self-Employment Rate (aged 16-64) by Welsh Local Authority, 2013

Source: StatsWales: <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Persons-Employed/StatusOfEmployedPersons-by-WelshLocalAuthority-Measure>

Is the rapid increase in self-employment a good thing?

As mentioned in the introduction, there is some debate among experts as to the benefits and merits of the clear rise in levels of self-employment. This section examines both sides of the argument.

On the negative side of the debate, there is an argument that many people are forced into self-employment because they are 'unable to find good quality employee jobs which provide the stable employment they really want'¹. The TUC highlights that over 40% of all the self-employed jobs created since mid-2010 are also part-time, and suggest that the statistics show that 'rising self-employment is part of a wider shift towards insecure employment, rather than as a result of a growing number of people starting up new companies as ministers like to claim'.

The TUC is also concerned that the growth of self-employment is at the expense of more secure employee jobs. Many newly self-employed workers do the same work as employees but with less job security, poorer working conditions and often less take-home pay. Their analysis also refers to recent statistics from Citizens Advice suggesting that self-employed workers are as likely to have debt problems as unemployed people.

Figures published by HMRC² back up concerns about low paid self-employment. Statistics from the Personal Incomes Survey 2011/12 show that across the UK, half of all self-employed people earned £15,000 a year or

¹ TUC - April 2014

² <https://www.gov.uk/government/publications/income-and-tax-by-gender-region-and-country-2010-to-2011>

less, compared to 44% of employees. The estimate for Wales (which should be treated with caution), suggests that 56% of the self-employed earned this amount or less.

The TUC analysis goes on:

'Self-employed workers also have no right to paid sick, holiday, maternity or paternity leave, redundancy pay or protection against unfair dismissal – a particular problem for self-employed workers who are sub-contracted to another employer. The government is also planning to exempt most self-employed workers from vital health and safety protections in the Deregulation Bill currently making its way through Parliament.'

Other commentators have highlighted further concerns about the increase in self-employment, including the fact that most of the new businesses are very small³. While acknowledging that some one-man bands grow into larger firms, the increase in the number of people setting up companies has been among those doing very small amounts of business, with most operating below the £79,000 turnover threshold for VAT.

Toft goes on to suggest that the increase in self-employment is evidence of a weakening of the UK economy, highlighting that 'the wealthier countries in the OECD have lower levels of self-employment. Britain's rapid rise in the rate of self-employment, the highest increase in the OECD, is making us look more like the low-productivity, low per-capita GDP countries of southern Europe.' He concludes that there is 'nothing to suggest that lots of business start-ups will lead to the development of more viable businesses in the future', and that:

'for the economy as a whole, though, there is little to celebrate about the rise in self-employment. It means lots of people on low pay, on in-work benefits and not paying very much in tax. Like zero-hours contracts and the rise in part-time work, increased self-employment is another symptom of an economy that can't create enough well paid full-time jobs.'

On the positive side of the debate, opinion states that rising self-employment should be welcomed as a sign of a healthier economy and greater entrepreneurialism. Dellot (2014) has attempted to bust the three following common myths about self-employment:

- 1 – Most of the newly self-employed have been forced into it
- 2 – Most of the newly self-employed are odd jobbers
- 3 – The growth in self-employment is a cyclical blip

While acknowledging some truth in the argument that in the absence of conventional jobs, people are forced to create their own in the form of a business, Dellot argues that measurements of entrepreneurial motivations show that the number of people starting up reluctantly and out of no choice of their own continue to be in the minority. Latest results from the Global Entrepreneurship Monitor, for instance, indicate that the level of 'opportunity' entrepreneurship – where people start up for positive reasons (e.g. to make the most of a good idea) is close to 5 times higher than levels of 'necessity' entrepreneurship – where people start up for negative reasons (e.g. because they had no other options for work). Importantly, both types of entrepreneurship grew during the economic downturn.

³ Steven Toft (2014) <http://www.rsablogs.org.uk/2014/enterprise/rise-selfemployment-good/>

On the second myth, again acknowledging that the big rise in part-time self-employment partly corroborates claims about self-employed people who are grabbing onto any and all kinds of work they can lay their hands on, Deloitte argues that this isn't the full story. The government's Labour Force Survey actually shows that the biggest increase in self-employment since 2008 has been in professional occupations – one of the highest skilled labour groups. The level of increase among this group (up by 36% between 2008 and 2013), is almost double that among people in elementary occupations (the lowest skilled occupations).

Deloitte states that myths 1 and 2 have led many to believe that these changes in self-employment are likely to be short-lived, and that when the economy gets back on its feet things will return to normal. However, this ignores the fact that self-employment and the number of micro businesses had been increasing at a steady rate long before the recession began, at an average of 3% a year since the start of this century. Indeed, they are now very much a 'normal' feature of our economic system. Studies also suggest that at an individual level, the likelihood of a business owner returning to a typical job is low.

Lent (2014) highlighted the key findings from a Resolution Foundation survey, which concluded that 72% of self-employed people choose to be self-employed, and the conclusion of an RSA survey, which found that 76% of people in self-employment or running their own micro-business were happy with their work situation. He argues that 'the unions are making a mistake if they overlook the fact that the great majority of the growing ranks of the self-employed are happy in that position even if they don't possess all the formal rights or better pay that comes with direct employment'.

Lent also refutes the suggestion that high levels of self-employment are associated with weak economies, suggesting that the higher the level of self-employment, the healthier the region economically. Plotting self-employment against output and against productivity, there is a pattern showing that both output and productivity tend to be higher in those areas with a higher self-employment rate.

Policy Responses

The Welsh Government are supporting and promoting self-employment in a number of ways.

Jobs Growth Wales bursary for Self Employment / Entrepreneurs:

Jobs Growth Wales was launched in April 2012, with the original aim of creating 16,000 job opportunities across Wales over 4 years. The success of the scheme is such that numbers have recently been extended. The programme is aimed at young people aged 16-24, giving them a 6-month period of work, paid at or above the National Minimum Wage for between 25 and 40 hours per week. There are four strands of support available within the programme, which includes a self-employment strand. The young entrepreneur Bursary is part of the Welsh Government's Jobs for Growth Wales Fund and has been developed to support start-up ideas from young people. The discretionary Bursary is £6,000 paid over a four month period. This is a taxable grant paid gross by the Welsh Government.

Business Start Up Service/Youth Entrepreneurship Strategy

The Welsh Government Business Start Up Service aims to increase the number and survivability of start-ups in Wales. Support includes taster sessions, workshops and business advice. Test trading and early stage intervention is also targeted in Mon a Menai and Heads of the Valleys.

The Youth Entrepreneurship Strategy promotes the value of entrepreneurship and supports young people with entrepreneurial learning opportunities and those who wish to start up in business.

Tailored start up support, including a financial bursary, is available to graduates who are seeking to start a business with the potential to grow, through the Welsh Government's Business Start Up Service.

Conclusion

There has been a marked increase in self-employment in Wales in recent years, with the number of self-employed people rising much faster than the number of employee jobs. While there are concerns about low incomes and the quality of work available to many people entering self-employment, statistics show that the fastest rate of increase is among professional occupations, suggesting the growth of a highly skilled pool of self-employed talent.

While there is solid evidence that there is a sizeable minority that are forced into self-employment, and that choosing to be self-employed can be less financially rewarding than a similar employee job, Lent (2014) concludes that this is a price worth paying:

'We should actually celebrate the rise of self-employment. It is a sign of a healthier economy and greater entrepreneurial spirit. It allows people to be more autonomous and turn their own ideas and vision for themselves and others into reality – the 'power to create'. It is this capacity to be self-determined and creative that the self-employed value enormously and which greatly outweighs the fact that they may earn less than they would in a directly employed position'.

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