



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 **Older Workers and the Labour Market**.

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 published by the Office for National Statistics (ONS) obtained from a large sample quarterly rolling survey of households – show that Wales performed less well in both absolute and percentage terms than all the other UK nations and all of the English regions in the rolling quarter May to July 2014. The recent relatively poor employment performance of Wales is also shown on the ONS's alternative (and largely employer survey based) Workforce Jobs measure.

The (seasonally adjusted) Labour Force Survey estimate of the number of people aged 16 and over in employment in Wales fell by 26,000 (-1.9%) compared to the previous quarter (February to April 2014) to a total of 1,347,000. The quarterly net fall in employment in Wales is comprised mainly of a fall in the number of women in employment. Male employment fell by 7,000 (-1.0%) to 703,000 while female employment fell by 19,000 (-2.8%) to 644,000.

The total quarterly fall in employment in Wales contrasts with a corresponding increase in total UK employment of 74,000 (+0.2%). In contrast to the fall in Wales, employment increased by 69,000 (+0.3%) in England and by 45,000 (+1.7%) in Scotland but fell by 14,000 (-1.7%) in Northern Ireland. The net increase in England comprised an increase in employment in the North West (10,000, +0.3%), the East Midlands (1,000, +0.0%), the West Midlands (13,000, +0.5%), East of England (15,000, +0.5%), London (24,000, +0.6%) and the South East (42,000, +1.0%) and a decrease in employment in the North East (-11,000, -0.9%), Yorkshire and Humberside (-12,000, -0.4%), and the South West (-13,000, -0.5%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) fell by 1.3 percentage points in the quarter to 68.8%. This compares with an increase of 0.1 percentage points in England, 0.5 percentage points in Scotland and a fall of 0.1 percentage points in Northern Ireland. The employment rate in Wales is 4.2 percentage points lower than the UK average (73.0%) and lower than the employment rate in both England (73.3%) and Scotland (73.9%) but higher than the rate in Northern Ireland (68.0%).

In keeping with recent quarterly data releases the ONS commented as follows on the latest quarterly fall in employment in Wales:

“The latest estimates for Wales have been below the record high levels recorded towards the end of last and start of this year. Although the decrease for Wales for the three months to July appears quite large, it is not statistically significant. This means that although our best estimate is for a decrease of 1.3 percentage points, based on these two survey estimates we cannot be 95% certain that the employment rate has fallen over the period. The large decrease in employment has been accompanied by a large increase in inactivity, rather than unemployment.”

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 1,399,000 jobs in Wales as of June 2014, the second highest number of jobs on record but 15,000 (-1.0%) fewer jobs than in March 2014. This compares with a quarterly increase of 276,000 (+1.0%) jobs in England, an increase of 35,000 (+1.3%) in Scotland and a decrease of 11,000 (-1.3%) in Northern Ireland. Looked at in the broader context of change in the year to June 2014, the percentage increase in jobs in Wales (4.0%) is higher than the UK average (3.5%).

A breakdown of the latest quarterly percentage change in Workforce Jobs for both Wales and the UK is shown in table 1. Note that the absolute number of jobs in sectors such as agriculture, mining, electricity and water are small, so percentage changes in these sectors have relatively less effect on change in the absolute number of jobs in Wales and the UK as a whole.

Table 1 Percentage changes in Workforce Jobs by main industrial sector, Wales and UK average, quarter to June 2014 (seasonally adjusted)

	Wales – quarterly % change	UK – quarterly % change
Agriculture, forestry and fishing	-7.2%	-3.2%
Mining and quarrying	-26.1%	-1.8%
Manufacturing	+1.1%	+1.2%
Electricity, gas, steam conditioning and air supply	-6.8%	-3.6%
Water supply, sewerage, wastes and remediation activities	-0.4%	+1.1%
Construction	-4.1%	+0.1%
Total services	-0.7%	+1.0%
All jobs	-1.0%	+0.9%

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 was unchanged at 96,000 between the quarters February to April 2014 and May to July 2014. Total unemployment fell by 126,000 in England, by 15,000 in Scotland and by 4,000 in Northern Ireland.

Unemployment in Wales remained unchanged despite the corresponding fall in the number of people in employment because of an exactly offsetting decrease in the number of people active in the labour market. The number of unemployed men fell by 2,000 (-3.2%) to 60,000 while the number of unemployed women increased by 2,000 (+4.3%) to 36,000.

The ILO unemployment rate in Wales rose by 0.1 percentage points to 6.7% in the quarter. The UK average rate of ILO unemployment fell by 0.4 percentage points to 6.2%. The unemployment rate in Wales was

higher than in England (6.2%), Scotland (6.0%) and Northern Ireland (6.6%). Within England, the North East (9.9%), the North West (6.9%), Yorkshire and Humberside (7.3%), the West Midlands (7.1%), and London (6.9%) had a higher unemployment rate than Wales. South East England (4.4%), the East of England (4.9%) and South West England (5.0%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (53,700 in Wales in August 2014, a JSA claimant count rate of 3.8%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The JSA claimant count rate in Wales is 0.9 percentage points higher than the UK average rate (2.9%). The number of JSA claimants in Wales decreased by 2,300 between July and August 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 24,000 (+5.1%) to 492,000 between the quarters February to April 2014 and May to July 2014. As the LMI scorecard shows the working age rate of economic inactivity in Wales (26.1%) is 4.0 percentage points higher than the UK average (22.1%).

Within the UK nations and regions only Northern Ireland (27.1%) had a higher inactivity rate than Wales in the quarter May to July 2014. The lowest inactivity rates are in the East of England (19.2%), the South East (19.6%) and the South West (19.8%).

LMI scorecard

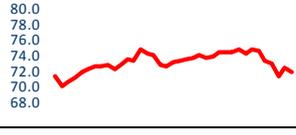
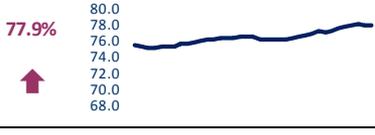
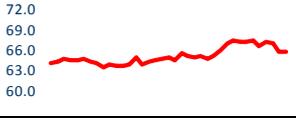
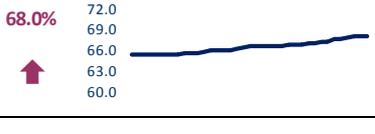
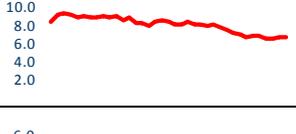
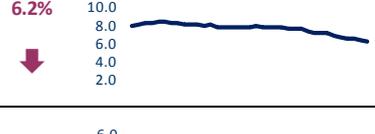
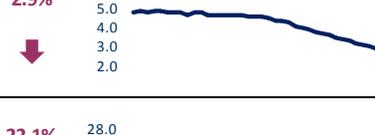
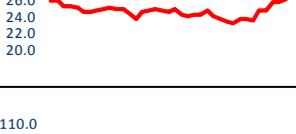
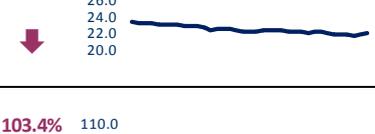
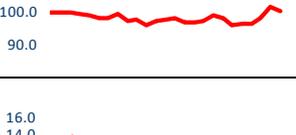
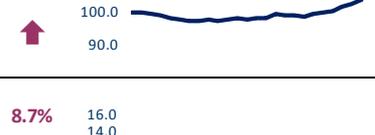
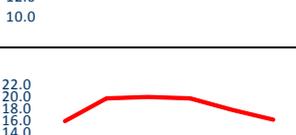
The scorecard presents recent trends and figures for a number of core labour market indicators, using a variety of different sources:

	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 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 (%)		68.8% ↓	-4.2 Charts cover: May - Jul 11 to May - Jul 14	73.0% ↑	
	Working age male employment rate (%)		71.9% ↓	-6.0 Charts cover: May - Jul 11 to May - Jul 14	77.9% ↑	
	Working age female employment rate (%)		65.7% ↓	-2.3 Charts cover: May - Jul 11 to May - Jul 14	68.0% ↑	
	ILO Unemployment rate 16+ (%)		6.7% →	0.5 Charts cover: May - Jul 11 to May - Jul 14	6.2% ↓	
	Claimant Count as a proportion of the workforce, seasonally adjusted (%)		3.8% ↓	0.9 Charts cover: Aug 11 to Aug 14	2.9% ↓	
	Working age economic inactivity (%)		26.1% ↑	4.0 Charts cover: May - Jul 11 to May - Jul 14	22.1% ↓	
Demand	Index of workforce jobs. 2008 Q1=100		100.3% ↑	-3.1 Charts cover: 2008 Q2 to 2014 Q2	103.4% ↑	
Skill gaps	Proportion of the working age population with no qualifications (%)		9.7% ↓	1.0 Charts cover: Year to Dec 09 to year to Dec 13	8.7% ↓	
	Proportion of the working age population qualified to NQF4+ (%)		33.6% ↑	-4.0 Charts cover: Year to Dec 09 to year to Dec 13	37.6% ↑	
Worklessness & NEETS	Proportion of the working age population who claim out of work benefits		13.5% ↓	2.9 Charts cover: May 10 to Feb 14	10.6% ↓	
	Children living in workless households (%)		16.1% ↓	2.9 Charts cover: Oct-Dec 2008 to Oct-Dec 2013	13.3% ↓	
	Proportion of 16-18 year olds who are NEET (%)		10% ↓	2 Charts cover: 2008 to 2013	8% England ↓	

Older Workers and the Labour Market

Introduction

Average life expectancy has been consistently increasing in recent decades, leading to an increasing number of older people in the population of Wales. To make sure that the costs of the UK's state pension system remain manageable, the UK Government decided to increase the state pension age to 66 in 2011 for both men and women. This will start to take effect from 2019, with the intention to raise it again to 67 between 2026 and 2028. These changes will result in more people choosing or needing to stay in work longer until they are able to claim a full state pension. Figures from the Office for National Statistics (ONS) show that the average retirement age has already been starting to creep upwards since 2004, which the OECD attributes in part to the onset of the financial crisis and in part to increased incentives to work at an older age. This month's spotlight focuses on trends relating to older workers (defined as aged 50 or over) in the Welsh labour market and their impact on other groups within the labour force.

Population by age

Table 1 shows that the population as a whole in Wales grew by just 1.3% between 1991 and 2001, but population aged over 50 grew by 9.4% in the same period. Although population growth has accelerated across Wales since 2001, the growth in those aged over 50 still far outstrips that for all ages. The net result of this rapid growth is that in 2013, 38.7% of the Welsh population was aged 50 or over, compared to just 33.3% in 1991. In absolute terms, this represents an additional 235,000 people.

Table 1: Over 50s population growth, Wales, 1991-2013

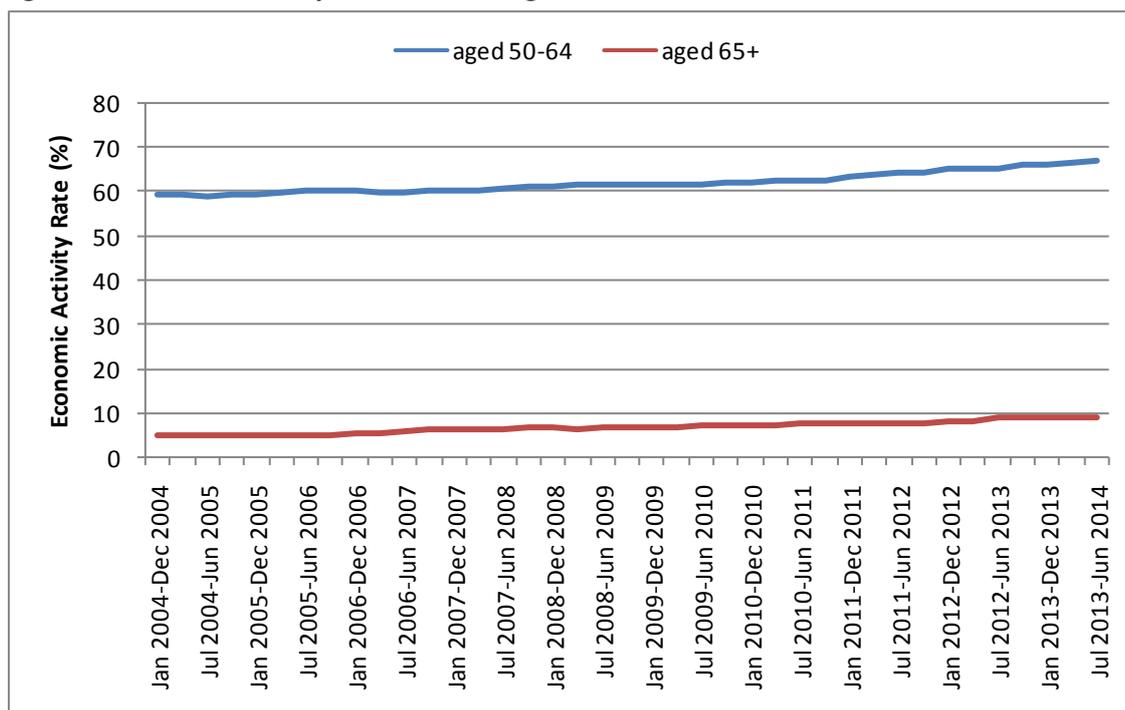
	1991	2001	2013	1991-2001	2001-2013
Aged 50-64	463,400	540,200	591,100	16.6%	9.4%
Aged 65 and over	493,100	506,000	600,600	2.6%	18.7%
Aged 50+	956,600	1,046,300	1,191,700	9.4%	13.9%
All ages	2,873,000	2,910,200	3,082,400	1.3%	5.9%

Source: StatsWales <https://statswales.wales.gov.uk/Catalogue/Population-and-Migration/Population/Estimates/NationalLevelPopulationEstimates-by-Year-Age-UKCountry>

Economic Activity Rates of Older People

While not all older people choose or need to work in later life, a brief analysis of economic activity rates will provide an indication of the extent to which people aged 50 and over are still active in the labour market. Figure 1 shows that economic activity rates have been steadily but consistently rising for older people in Wales over the last decade. For the 50-64 age group, the rate has risen from around 59% in 2004 to around 67% in 2014. Although much lower than for any other age group, economic activity has also increased significantly for the over 65s, from 5% to 9% in the same period. To put these rates in context, the number of people in Wales aged 50 and over who are active in the labour market increased by around 89,000 between 2004 and 2014.

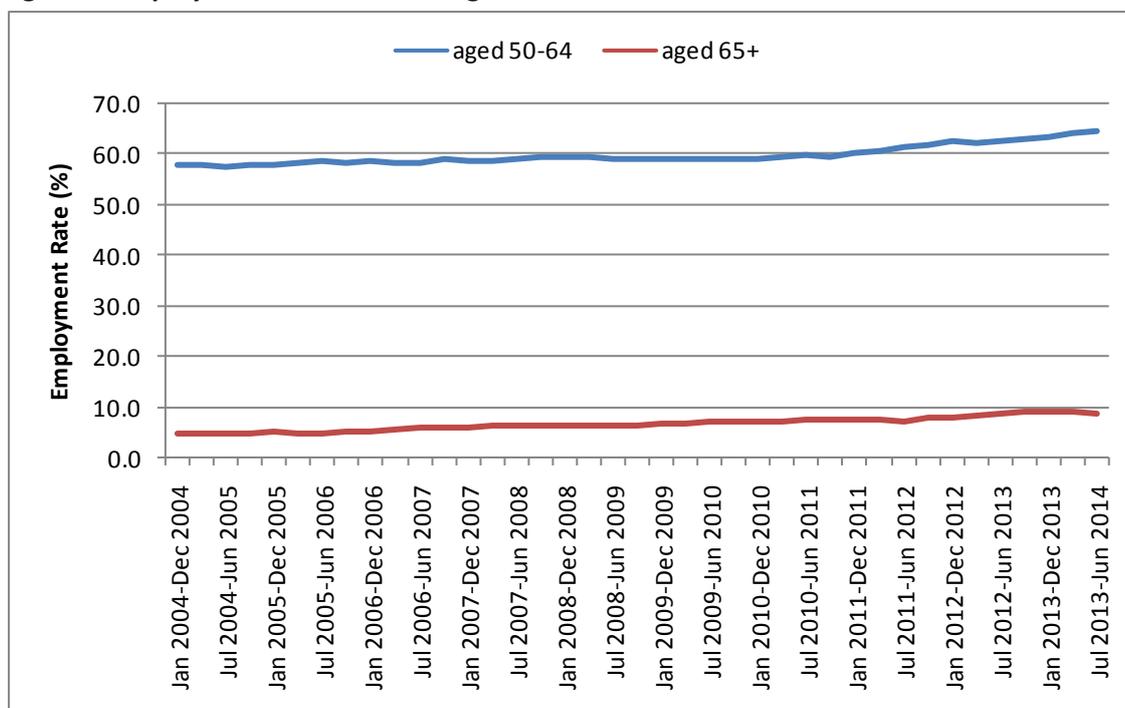
Figure 1: Economic activity rates of those aged 50+, Wales, 2004 - 2014



Source: StatsWales <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Labour-Market-Summary/AnnualLabourMarketSummary16to64-by-WelshLocalAreas-EconomicActivityStatus>

Employment Rates of Older People

Figure 2: Employment rates of those aged 50+, Wales, 2004 - 2014



Source: StatsWales <https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Labour-Market-Summary/AnnualLabourMarketSummary16to64-by-WelshLocalAreas-EconomicActivityStatus>

Figure 2 shows employment rates for the same age groups over the same period, and shows a very similar trend in that rates have been rising slowly but steadily for both groups. For those aged 50-64, the employment rate increased from 58% to 65% between 2004 and 2014, and from 5% to 9% for the over 65s. In absolute terms, the number of people aged over 50 in employment in Wales was around 429,000 in the 12 months to June 2014, around 81,000 more than in 2004.

Impacts on the labour market

In its assessment of labour market outcomes across socio-economic groups in the aftermath of the global financial crisis, the OECD (2013) stated that:

'the better employment performance of older workers is particularly notable. While older workers tended to withdraw in large numbers from the labour market following major recessions in the 1970s, 1980s and early 1990s, this time round they have stayed in the labour market. Some have even increased their participation following the global financial crisis. This is similar to the pattern observed in the aftermath of the (shallower) recessions in the early 2000s, suggesting it may be part of a longer-term trend.'

During the recession, the labour market for young people was particularly bleak, with high and rapidly rising levels of unemployment among 16-24 year olds. It may be tempting to attribute the state of the youth labour market with the evidence demonstrated above about the increasing numbers of older people staying in the labour market, but the OECD analysis states that there is no evidence to support such argument, commenting:

'The bleak labour market situation of youth in many OECD countries may generate pressures on governments to resort to measures that actively encourage older workers to withdraw from the labour market in the hope that this frees up jobs for young workers. Evidence in this chapter suggests that youth and older workers are not substitutes in employment. This means that the good performance of older workers did not come at the expense of youth and that encouraging older workers to leave the labour force would be a mistake. Not only would this be ineffective in alleviating the problem of high and persistent unemployment, but it would also be very expensive for the public purse.'

This was backed up by a study for the European Parliament (also in 2013), which stated:

'it can be clearly noted that the early retirement of older workers is neither beneficial nor necessary to promote young people's entry into the labour market. There is also strong evidence that there is no fixed amount of labour to be distributed among different age groups; moreover, despite a widespread belief in a 'lump of labour', this does not hold empirically. Aside from particular circumstances that may arise in certain (stagnant) firms or sectors with no labour mobility, there is no competition for jobs between young and old workers, given the limited substitutability of the two age groups due to differences in sectors, occupations, experiences and skills.'

Although economic activity and employment rates among the over 50s have increased significantly, even through the recession, there are still significant labour market issues that affect large numbers in this age group. A 2012 report on older workers by Policy Exchange found that 'those over 50s currently unemployed are much less likely than any other age group to find work in the next year', and estimated that less than 40% of all unemployed over-50s find any form of work within a year. That study also estimated that at the end of 2011 there were 189,000 over 50s who had been out of work for a year (across the UK as a whole), equating to 43% of unemployed people over the age of 50 being long-term unemployed.

The Policy Exchange research also identified a significant effect of unemployment on future wages for older

workers, that was larger than for other age groups. A six month spell of unemployment is estimated to reduce an older worker's future wages by close to 8%.

Key to understanding unemployment issues for this age group is the recognition of the barriers to work facing older jobseekers. One of the most obvious obstacles for older workers is age discrimination, which primary research by Policy Exchange demonstrated. Their research involved applying for over 1,200 jobs as both an older and younger worker, ensuring that the CVs received by potential employers were identical apart from the date of birth. The responses showed a startlingly large bias against older workers (despite this being against UK law), with the 51 year old applicant a getting positive response less than half as often as the 25 year old.

The report goes on to argue that better back-to-work support is needed for older people, with the support offered to jobseekers being 'insufficient', with little identification of their barriers to work meaning that support to jobseekers is not delivered in an appropriately targeted way. This insufficiency of, and dissatisfaction with, the available support is hardly surprising when the majority of extra government support provided to jobseekers in recent years has been focussed on younger workers.

Summary

In summary, it is clear that with consistently rising rates of economic activity among the over 50s, older workers form an increasingly important part of the labour market. This age group is forecast to continue growing relative to the population as a whole, with the number of over 50s in Wales expected to grow by around 15% between 2012 and 2032 (by around 208,000), by which time this age group will account for more than 42% of the population.

The growth in the number of older people in Wales is forecast to be more than double that for the population as a whole, strongly suggesting that there will be significant demand for older workers to work for longer. At the same time concerns remain regarding imminent skills gaps that could emerge in certain sectors that are already heavily reliant on older workers e.g. manufacturing, education and healthcare, as they approach retirement.

However, there remain significant barriers to full labour market participation for older people, with age discrimination a key issue. The Policy Exchange research concludes:

'Older workers are crucial to maximise UK economic capacity and hold vital experience and expertise. If we fail to support them, we might condemn a generation of older workers to far greater risks of poverty and declining living standards.'

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