



# 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 focuses on Recent Labour Market Change 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.

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

Duncan Melville, Chief Economist

*Inclusion*

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

Direct Line: 020 7840 8334

Email: [duncan.melville@cesi.org.uk](mailto:duncan.melville@cesi.org.uk)

# Labour market change in Wales<sup>1</sup>

## Labour Market Overview

Previous updates since spring 2013 have provided an overview of quarterly change in the number of people employed, unemployed and economically inactive in Wales based on estimates obtained from the Labour Force Survey (LFS) and published by the Office for National Statistics. LFS data, obtained from a large sample quarterly rolling survey of households, are now available for the period up to and including the final quarter (October to December) 2014. This update therefore provides a longer term overview of change in employment, unemployment and economic inactivity covering the two years to the final quarter of 2014.

## Employment

Employment data from the LFS show that Wales performed worse than all the other UK nations taking the two years to October to December 2014 as a whole. However, this outcome is due primarily to a very weak employment performance in Wales in the year to October to December 2014, which followed relatively strong performance in the previous year to October to December 2013.

Between October to December 2012 and October to December 2014 the (seasonally adjusted) LFS estimate of the number of people aged 16 and over in employment in Wales increased by a net 16,000 (+1.1%) to a total of 1,378,000. Male employment increased by 7,000 (+1.0%) to 728,000 while female employment increased by 9,000 (+1.4%) to 650,000.

The two year increase in total employment in Wales compares with a corresponding increase in total UK employment of 986,000 (+3.3%). Employment increased by 821,000 (+3.3%) in England, by 134,000 (5.4%) in Scotland and by 16,000 (+2.0%) in Northern Ireland. The net two year increase in England comprised an increase in employment in the North East (42,000, +3.7%), the North West (74,000, +2.3%), Yorkshire and Humberside (88,000, +3.6%), the East Midlands (121,000, +5.7%), the West Midlands (20,000, +0.8%), the East of England (71,000, +2.5%), London (208,000, +5.1%), the South East (140,000, +3.3%) and the South West (57,000, +2.2%).

The working age employment rate for Wales (i.e. the proportion of the population aged 16-64 in employment) increased by 0.6 percentage points in the two years October to December 2014 to 69.2%. This compares with an increase of 1.7 percentage points in England, an increase of 3.4 percentage points in Scotland and an increase of 0.8 percentage points in Northern Ireland. The employment rate in Wales is 4.0 percentage points lower than the UK average (73.2%) and lower than the employment rate in both England (73.5%) and Scotland (74.4%) but higher than the rate in Northern Ireland (67.8%). In the two years to October to December 2014 the employment rate gap between the UK average and Wales widened by 1.23 percentage points.

The two year comparison masks a marked difference in the relative employment performance of Wales between 2013 and 2014 (see Table 1). In the year to October to December 2013 Wales outperformed all of the UK countries and English regions in terms of net percentage employment growth. But in the year to October to December 2014 Wales performed poorly in both absolute and relative terms, being the only UK nation or region registering both a fall in total employment and a fall in the working age employment rate.

---

<sup>1</sup> This article uses data which is available up until the end of February 2015. The only exception being the revised figures for the claimant count which were released on 18 March 2015.

**Table 1 UK employment growth by region/nation, year to October-December 2013 and year to October-December 2014**

| Region/nation            | Annual employment change |            | Annual Employment rate (working age) change |            |
|--------------------------|--------------------------|------------|---|------------|
|                          | %                        |            | Percentage points                           |            |
|                          | to Q4 2013               | to Q4 2014 | to Q4 2013                                  | to Q4 2014 |
| North East               | -0.1                     | 3.8        | 0.0   | 2.5        |
| North West               | -1.3                     | 3.7        | -1.1  | 2.2        |
| Yorkshire and Humberside | 1.6                      | 2.0        | 1.0   | 1.6        |
| East Midlands            | 1.8                      | 3.8        | 1.1   | 2.1        |
| West Midlands            | -1.3                     | 2.1        | -1.5  | 2.1        |
| East England             | 1.6                      | 0.9        | 0.8   | 0.8        |
| London                   | 2.2                      | 2.8        | 1.0   | 1.2        |
| South East               | 2.7                      | 0.5        | 1.5   | 0.0        |
| South West               | 0.3                      | 2.0        | 0.0   | 1.1        |
| England                  | 1.0                      | 2.2        | 0.4   | 1.3        |
| Scotland                 | 2.8                      | 2.5        | 1.8   | 1.7        |
| Northern Ireland         | 0.9                      | 1.0        | 0.5   | 0.3        |
| Wales                    | 2.9                      | -1.7       | 2.0   | -1.5       |
| UK                       | 1.3                      | 2.0        | 0.6   | 1.2        |

Source: Labour Force Survey, Office for National Statistics

### Unemployment and economic inactivity

The number of people in Wales who are unemployed on the International Labour Organisation (ILO) Labour Force Survey measure fell by a net 29,000 (-22.4%) to 99,000 in the two years to October to December 2014. Three quarters of the total net fall occurred in the year to October to December 2013. Over the two year period the number of unemployed men in Wales fell by 15,000 (-21.0%) to 57,000 and the number of unemployed women fell by 14,000 (-24.3%) to 42,000.

In the two years to October to December 2014 total unemployment fell by 565,000 (-26.5%) in England, by 56,000 (-27.5%) in Scotland and by 17,000 in Northern Ireland (-25.4%). The ILO unemployment rate in Wales fell by 1.9 percentage points to 6.7%. The UK average rate of ILO unemployment fell by 2.1 percentage points to 5.7%. The gap between the unemployment rate in Wales and the UK average unemployment rate widened from 0.8 percentage points to 1.0 percentage point.

At October-December 2014 the unemployment rate in Wales was higher than in England (5.7%), Scotland (5.4%) and Northern Ireland (5.7%). Within England, only the North East (8.0%) had a higher unemployment

rate than Wales. South West England (4.5%), South East England (4.6%), and the East Midlands (4.9%) had the lowest unemployment rates.

The administrative count of people unemployed and claiming Jobseeker's Allowance (JSA) is somewhat lower (47,000 in Wales in January 2015, a JSA claimant count rate of 3.3%) than ILO unemployment because non-JSA claimant jobseekers are excluded. The JSA claimant count rate in Wales is 0.8 percentage points higher than the UK average rate (2.5%). The number of JSA claimants in Wales fell by 30,800 (-40%) in the two years to January 2015. 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.

In the two years to October to December 2014 the number of economically inactive people of working age in Wales increased by 15,000 to 491,000. The working age economic inactivity rate in Wales (25.7%) is 3.4 percentage points above the UK average (22.3%). In October to December 2014 the gap between the inactivity rate in Wales and the UK overall was 1.0 percentage point wider than in October-December 2012.

Within the UK nations and regions only Northern Ireland (28.0%) had a higher inactivity rate than Wales in the quarter October to December 2014. The lowest inactivity rates are in the East of England (19.5%), the South East (19.7%) and the South West (20.5%)

## Changing composition of employment in Wales

This section covers recent trends on a number of indicators relating to employment, in terms of overall volumes and changing nature of jobs in Wales. Specifically, this section will look at the following areas:

- low pay / high pay
- changing occupational and industry mix
- public / private sector
- employees / self employment
- part-time / full-time
- flexible working

Much of the data in this section is drawn from the Annual Population Survey, for which the latest data available is for the year to September 2014.

### Low Pay / High Pay

Table 2 shows that there are significant differences between different parts of Wales in terms of average earnings. Although the sample-based nature of earnings data means that the results should be treated with some caution, some areas, particularly in West Wales, appear to have seen a rapid increase in average wages between 2012 and 2014, although Powys, the area with the lowest average earnings in 2014 has seen little growth, and remain almost 20% below the areas with the highest average wages.

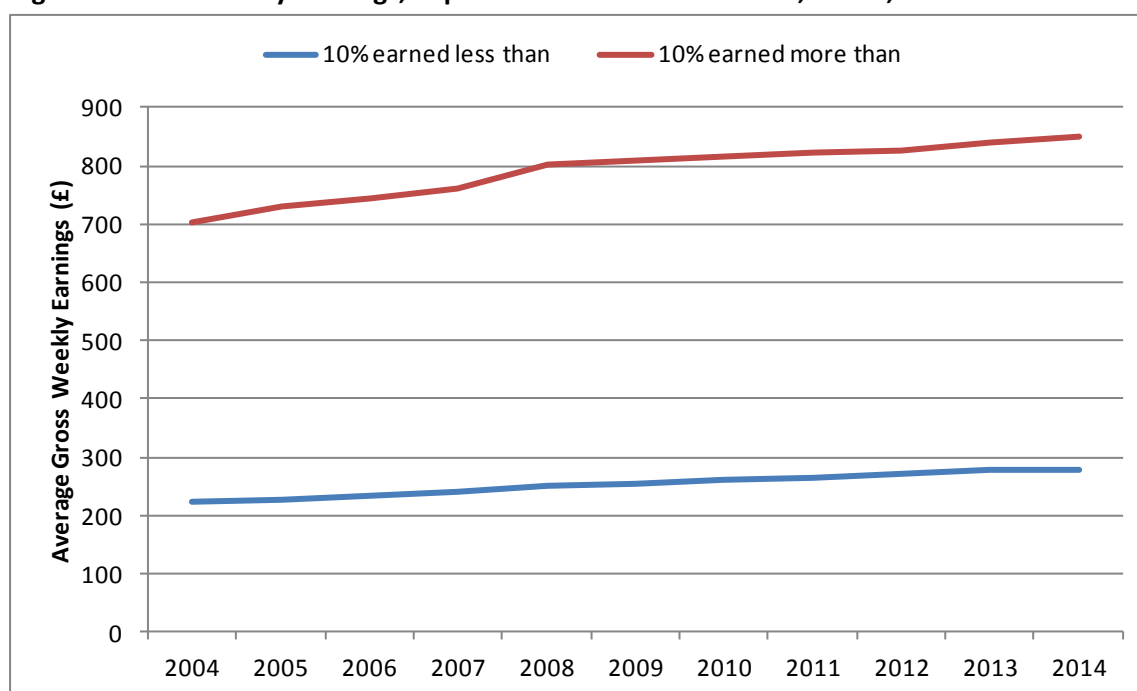
Another measure comparing low and high pay is to look at the top and bottom 10% of earners. The long-term trend is fairly consistent, with steadily rising wages for both groups. Between 2012 and 2014, the lowest 10% of earners in Wales saw their average weekly wage rise by 2.6%, a similar rate to the top 10% of 2.7%. In terms of spending power in £s, the top 10% of earners have become better off compared to the lowest earners.

**Table 2: Average Gross Weekly Earnings by Local Authority (Workplace Analysis), Wales, 2012-2014**

| Area                  | 2012    | 2014    | Change  | % change |
|-----------------------|---------|---------|---------|----------|
| Wales                 | £520.80 | £537.00 | £16.20  | 3.1      |
| Isle of Anglesey      | £483.80 | £526.20 | £42.40  | 8.8      |
| Gwynedd               | £442.40 | £500.40 | £58.00  | 13.1     |
| Conwy                 | £525.60 | £507.30 | -£18.30 | -3.5     |
| Denbighshire          | £507.80 | £550.30 | £42.50  | 8.4      |
| Ceredigion            | £454.70 | £505.30 | £50.60  | 11.1     |
| Pembrokeshire         | £483.50 | £542.50 | £59.00  | 12.2     |
| Carmarthenshire       | £505.60 | £564.90 | £59.30  | 11.7     |
| Swansea               | £528.10 | £526.30 | -£1.80  | -0.3     |
| Neath Port Talbot     | £532.50 | £537.20 | £4.70   | 0.9      |
| Bridgend              | £564.00 | £562.00 | -£2.00  | -0.4     |
| Rhondda Cynon Taff    | £504.40 | £544.40 | £40.00  | 7.9      |
| Merthyr Tydfil        | £469.40 | £477.60 | £8.20   | 1.7      |
| Caerphilly            | £518.70 | £539.00 | £20.30  | 3.9      |
| Blaenau Gwent         | £444.70 | £487.20 | £42.50  | 9.6      |
| Torfaen               | £475.80 | £505.00 | £29.20  | 6.1      |
| Flintshire            | £542.50 | £575.60 | £33.10  | 6.1      |
| Wrexham               | £484.90 | £482.80 | -£2.10  | -0.4     |
| Powys                 | £466.20 | £472.40 | £6.20   | 1.3      |
| Monmouthshire         | £515.30 | £509.50 | -£5.80  | -1.1     |
| Cardiff               | £571.00 | £576.00 | £5.00   | 0.9      |
| Newport               | £518.70 | £519.70 | £1.00   | 0.2      |
| The Vale of Glamorgan | £576.60 | £568.00 | -£8.60  | -1.5     |

Source: StatsWales, Average gross weekly earnings by Welsh local areas and year series

<https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Earnings/averageweeklyearnings-by-welshlocalareas-year>

**Figure 1: Gross Weekly Earnings, Top and Bottom 10% of Earners, Wales, 2004 - 2014**

Source: Annual Survey of Hours and Earnings (via NOMIS)

## Changing occupations and industries

Sectoral change is one of the key drivers of the changing demand for skills. Looking to the medium-term future, the latest Working Futures report for the UK economy forecasts that between 2012 and 2022:<sup>2</sup>

- some rebalancing of the economy is expected as a direct consequence of fiscal retrenchment, with a marked shift away from employment in public sector activities, and the share of public administration, health and education in total employment projected to decline;
- the manufacturing sector is projected to experience a further (albeit small) decline in its share of total employment, from 8 to 7% per cent of the total, despite a recovery in output levels, which enable it to maintain its share of total output (at around 10%);
- the main source of recovery in employment levels is expected to continue to be focused in the service sector.

**Table 3: Workplace employment by sector, Wales vs UK, 2011 - 2013**

| Sector                                 |                  |                  |               | Wales       | UK          |
|--|------------------|------------------|---------------|-------------|-------------|
|  | 2011             | 2013             | Change        | % change    | % change    |
| Agriculture, forestry and fishing      | 35,500           | 36,400           | 900           | 2.5%        | -8.6%       |
| Mining and quarrying                   | 2,400            | 2,000            | -400          | -16.7%      | 5.8%        |
| Manufacturing                          | 135,400          | 141,100          | 5,700         | 4.2%        | 0.1%        |
| Electricity, gas etc                   | 7,600            | 7,200            | -400          | -5.3%       | 0.0%        |
| Water supply etc                       | 10,000           | 12,100           | 2,100         | 21.0%       | 3.4%        |
| Construction                           | 88,100           | 88,200           | 100           | 0.1%        | 0.1%        |
| Wholesale /retail / motor vehicles     | 199,000          | 198,700          | -300          | -0.2%       | 0.3%        |
| Transportation and storage             | 53,200           | 46,600           | -6,600        | -12.4%      | -0.7%       |
| Accommodation and food service         | 84,800           | 95,900           | 11,100        | 13.1%       | 5.1%        |
| Information and communication          | 25,900           | 26,700           | 800           | 3.1%        | 6.0%        |
| Finance and insurance activities       | 32,800           | 32,300           | -500          | -1.5%       | -2.2%       |
| Real estate activities                 | 17,300           | 17,800           | 500           | 2.9%        | 10.0%       |
| Professional, scientific and technical | 62,900           | 71,900           | 9,000         | 14.3%       | 9.8%        |
| Administrative and support services    | 78,400           | 76,400           | -2,000        | -2.6%       | 6.0%        |
| Public administration and defence etc  | 87,000           | 88,600           | 1,600         | 1.8%        | -4.8%       |
| Education                              | 127,200          | 131,100          | 3,900         | 3.1%        | 2.1%        |
| Health and social work                 | 204,000          | 202,900          | -1,100        | -0.5%       | 4.1%        |
| Arts, entertainment and recreation     | 35,800           | 40,500           | 4,700         | 13.1%       | 6.3%        |
| Other industries                       | 35,400           | 34,300           | -1,100        | -3.1%       | 1.9%        |
| <b>All Industries</b>                  | <b>1,322,900</b> | <b>1,350,800</b> | <b>27,900</b> | <b>2.1%</b> | <b>2.6%</b> |

Source: StatsWales, Workplace employment by industry and area

<https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Jobs/Whole-Workforce/WorkplaceEmployment-by-Industry-Area>

Recent employment trends by sector in Wales do not conform to the wider UK trend. Employment in public administration and defence has actually grown in Wales, by 1.8% (1,600 jobs) between 2011 and 2013,

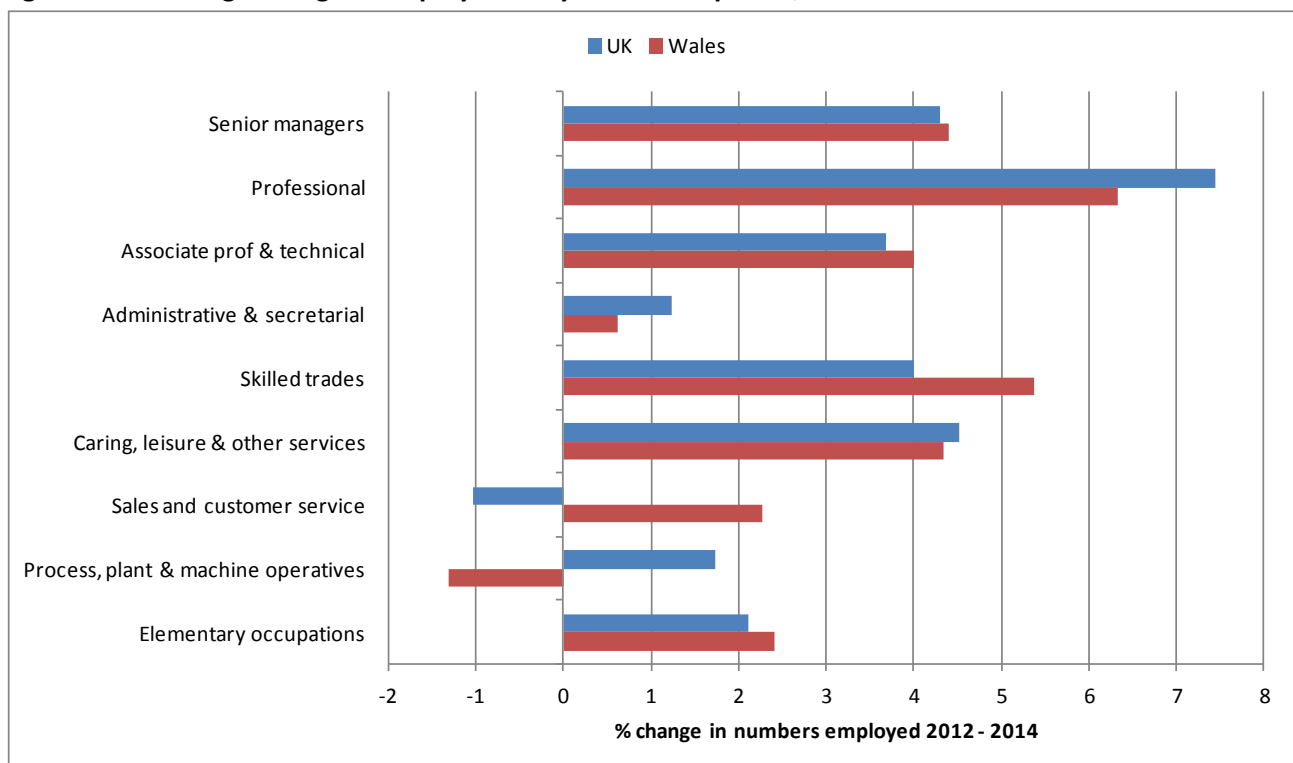
<sup>2</sup> As with all projections, the results presented in Working Futures should be regarded as indicative of likely trends rather than precise forecasts of the future. A summary of findings from Working Futures 2012-2022, including those for Wales is available: <http://www.learningobservatory.com/uploads/publications/3089.pdf>

compared to a 4.8% fall across the UK (a loss of around 65,000 jobs). Manufacturing in Wales also appears buoyant in employment terms, with the sector employing 5,700 more people in 2013 compared to 2011, a rise of 4.2% compared to just 0.1% for the UK as a whole. Service sector employment has also risen, with relatively strong performance in Wales in accommodation and food services, professional, scientific and technical activities and arts, entertainment and recreation.

Changing demand for employment in different sectors has strong implications for demand for jobs in different occupations and with it the nature of skills and qualifications required by employers. Working Futures for 2012 to 2022 suggests a continued trend in favour of more highly skilled, white collar occupations, but with some growth in employment for a number of less skilled occupations too (most notably caring, leisure and other service occupations). For the UK as a whole, around 2 million additional jobs are projected for occupations such as managers, professionals and associate professional by 2022. Together these occupations are expected to increase their share of total employment from 42% to 46% over the decade.

Figure 2 gives an indication of how employment by occupation has changed in recent years, and shows that Wales has outperformed the UK in terms of growth in some medium and lower skilled occupations, such as skilled trades, sales / customer service and elementary occupations. It has also outperformed the UK in terms of managerial and associate professional occupations, but has lagged behind in terms of growth in professional level occupations.

**Figure 2: Percentage change in employment by broad occupation, Wales vs UK 2012 - 2014**



Source: StatsWales, *People in employment by area and occupation (SOC 2010)*

<https://statswales.wales.gov.uk/Catalogue/Business-Economy-and-Labour-Market/People-and-Work/Employment/Persons-Employed/PeopleInEmployment-by-Area-Occupation>

### Public / Private sector

Employment statistics presented above show that the public administration and defence sector has actually grown in Wales in recent years. Table 4 confirms the relative stability of public sector employment as a

whole across Wales compared to Great Britain as a whole, which suggests that the Welsh labour market has been largely shielded from public spending cuts aimed at reducing the UK's budget deficit.

Between 2011 and 2013, just 3,300 public sector jobs were lost, 1% of the total, compared to nearly 6% across Great Britain as a whole (with more than 330,000 jobs lost over the same period). However, Table 4 also shows that growth in private sector jobs in Wales has been relatively weak. Across Great Britain, the private sector generated 913,400 additional jobs between 2011 and 2013, an increase of 4.4%. 19,700 of these additional private sector jobs were in Wales, an increase of just 2.4%.

**Table 4: Public and Private Sector Employee Jobs, Wales vs Great Britain, 2011 - 2013**

| Year                 | Wales         |                | Great Britain |                |
|----------------------|---------------|----------------|---------------|----------------|
|                      | Public sector | Private sector | Public sector | Private sector |
| 2011                 | 336,800       | 833,700        | 5,699,300     | 20,894,200     |
| 2013                 | 333,500       | 853,400        | 5,368,900     | 21,807,600     |
| Change 2011-2013     | -3,300        | 19,700         | -330,400      | 913,400        |
| % change 2011 - 2013 | -1.0          | 2.4            | -5.8          | 4.4            |

Source: Business register and employment survey public/private sector data (via NOMIS)

### Employees / self employment

As the UK economy came out of the last recession, there was a rapid increase in self-employment. There has been some debate as to the benefits of this trend, with some viewing it as a sign of an increased entrepreneurial spirit in the country, creating new businesses that will fuel future economic growth, while others question whether it has been driven by weak job creation within businesses and a lack of other options for people struggling to find work.

What is clear is that the trend shows little sign of slowing down. Table 5 shows that self-employment in Wales has grown at a rate more than twice as fast as that for employees, rising by 7.6% (13,400) in the last two years alone. This rate is also faster than that of the UK as a whole (6.6%). Growth in employee jobs (3% between 2012 and 2014) has been slightly below that of the UK as a whole (3.2%).

**Table 5: Employment (aged 16+) by Self-Employment vs Employees, Wales vs UK, 2012 - 2014**

| Wales                | Self Employment |                        | Employees  |                        |
|----------------------|-----------------|------------------------|------------|------------------------|
|                      | Number          | % of all in employment | Number     | % of all in employment |
| Oct 2011 - Sept 2012 | 177,400         | 13.5                   | 1,122,700  | 85.4                   |
| Oct 2013 - Sept 2014 | 190,800         | 14.0                   | 1,156,100  | 84.8                   |
| Change               | 13,400          | 0.5                    | 33,400     | -0.6                   |
| % change             | 7.6             | -                      | 3.0        | -                      |
| UK                   | Self Employment |                        | Employees  |                        |
|                      | Number          | % of all in employment | Number     | % of all in employment |
| Oct 2011 - Sept 2012 | 4,169,100       | 14.3                   | 24,782,500 | 84.9                   |
| Oct 2013 - Sept 2014 | 4,444,600       | 14.7                   | 25,577,100 | 84.5                   |
| Change               | 275,500         | 0.4                    | 794,600    | -0.4                   |
| % change             | 6.6             | -                      | 3.2        | -                      |

Source: Status of employed persons by Welsh local authority and measure

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



### Part-time / full-time

Since the economic recovery began, there has been some debate as to the extent that the apparently positive employment statistics may actually be masking continuing weak demand in the economy, with high levels of part-time growth and large numbers of people being under-employed. Analysis by the Office for National Statistics showed that, for the UK:

- In 2014, just under 1 in 10, or 3.0 million people, employed in the UK wanted to work more hours than they are currently employed to do and are therefore classified as underemployed.
- On average each underemployed worker would like to work an extra 11.3 hours per week.
- Over 1 in 5 people working in elementary occupations were underemployed in 2014.
- In 2014, over 1 in 5 part time workers were underemployed compared with around 1 in 20 of full time workers.
- The rate of underemployment in Wales was similar to that of the UK, with 9.8% of workers being underemployed in Wales, compared to 9.9% in the UK.

Table 6 shows that recent employment growth in Wales has been partly driven by a strong rise in part-time employment of 4.5% between 2012 and 2014, almost twice that of the UK as a whole, while growth in full-time work has been weaker than average at 3.1% compared to 4.3% for the UK. The proportion of people working part-time in Wales is now 28%, compared to 26.8% for the UK.

**Table 6: Employment (aged 16+) by part-time / full-time, Wales vs UK, 2012 - 2014**

| Wales                | Part-time |                        | Full-time  |                        |
|----------------------|-----------|------------------------|------------|------------------------|
|                      | Number    | % of all in employment | Number     | % of all in employment |
| Oct 2011 - Sept 2012 | 364,900   | 27.8                   | 944,300    | 71.8                   |
| Oct 2013 - Sept 2014 | 381,500   | 28.0                   | 974,000    | 71.5                   |
| Change               | 16,600    | 0.2                    | 29,700     | -0.4                   |
| % change             | 4.5       | -                      | 3.1        | -                      |
| UK                   | Part-time |                        | Full-time  |                        |
|                      | Number    | % of all in employment | Number     | % of all in employment |
| Oct 2011 - Sept 2012 | 7,916,500 | 27.1                   | 21,151,200 | 72.5                   |
| Oct 2013 - Sept 2014 | 8,100,200 | 26.8                   | 22,050,700 | 72.9                   |
| Change               | 183,700   | -0.3                   | 899,500    | 0.4                    |
| % change             | 2.3       | -                      | 4.3        | -                      |

Source: Status of employed persons by Welsh local authority and measure

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

High levels of underemployment and increasing levels of part-time working may be in part attributed to employers' increasing use of 'zero hours' contracts for their employees that offer no guarantee of hours and only those benefits guaranteed by law, such as holiday pay.

The Office for National Statistics' latest estimate of the number of people who are employed on "zero-hours contracts" in their main job was 697,000 for the fourth quarter of 2014, representing 2.3% of people in employment across the UK, up from 586,000 (1.9% of people in employment) for the same period in 2013<sup>3</sup>.

<sup>3</sup> ONS qualify the figures somewhat by stating 'it is not possible to say how much of this increase is due to greater recognition of the term "zero-hours contracts" rather than new contracts'.

People on zero-hours contracts are more likely to be women, in full-time education or in young (16-24) or older (65+) age groups when compared with other people in employment. On average, someone on a zero-hours contract usually works 25 hours a week. Around a third of people on a zero-hours contract want more hours.

In Wales, an estimated 35,000 people are currently on zero hours contracts, accounting for 2.5% of people in employment, a higher incidence than that observed for England or Scotland (both 2.3%; no estimate is available for Northern Ireland).

### The changing nature of worklessness

The labour market overview at the start of this monthly report noted that both ILO unemployment and claimant unemployment in Wales had fallen substantially: by 22% in the two years to the last quarter of 2014 and by 40% in the two years to January 2015 respectively. In contrast, the number of people who were economically inactive and outside the labour market increased slightly, by 3%, in the two years to the last quarter of 2014. This section looks at the issue of worklessness by focusing on:

- People in receipt of out of work benefits;
- Workless households; and
- Young people not in employment, education or training (NEETs)

### Out of work benefits

Table 8 below shows the proportion of the working age population in receipt of out of work benefits in Wales and the other countries within Great Britain (data for Northern Ireland is not available). In 2012 through to 2014, Wales had a higher proportion of its working age population on out of work benefits than either England or Scotland.

**Table 8: Receipt of out of work benefits, May 2012, May 2013 and May 2014. Percentage of the Working Age Population**

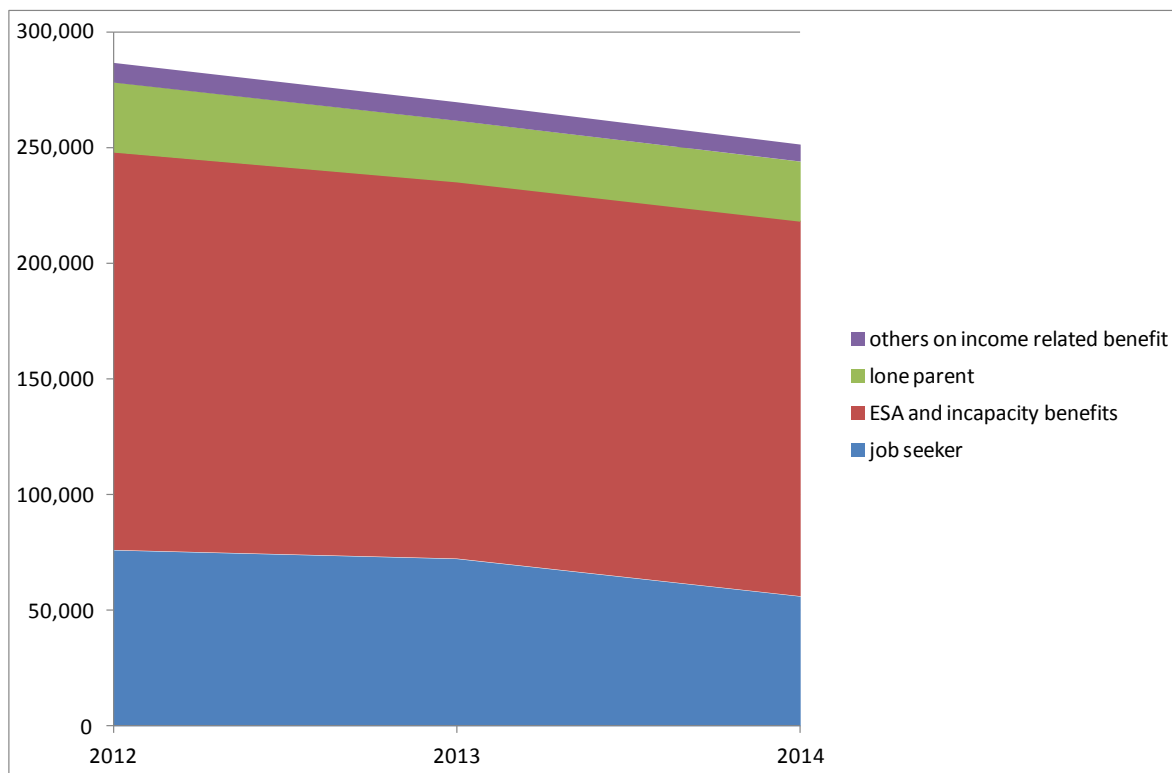
|                      | May 2012 | May 2013 | May 2014 |
|----------------------|----------|----------|----------|
| <b>Wales</b>         | 14.8     | 14.0     | 13.0     |
| <b>England</b>       | 11.6     | 10.9     | 9.8      |
| <b>Scotland</b>      | 13.7     | 13.0     | 11.9     |
| <b>Great Britain</b> | 11.9     | 11.2     | 10.2     |

Source: DWP Benefits Data (via NOMIS)

All countries have experienced a fall in the percentage of people of working age on out of work benefits between May 2012 and May 2014. In this period the number of people on out of work benefits in Wales has fallen by 12.3% compared to 14.8% in Great Britain as a whole.

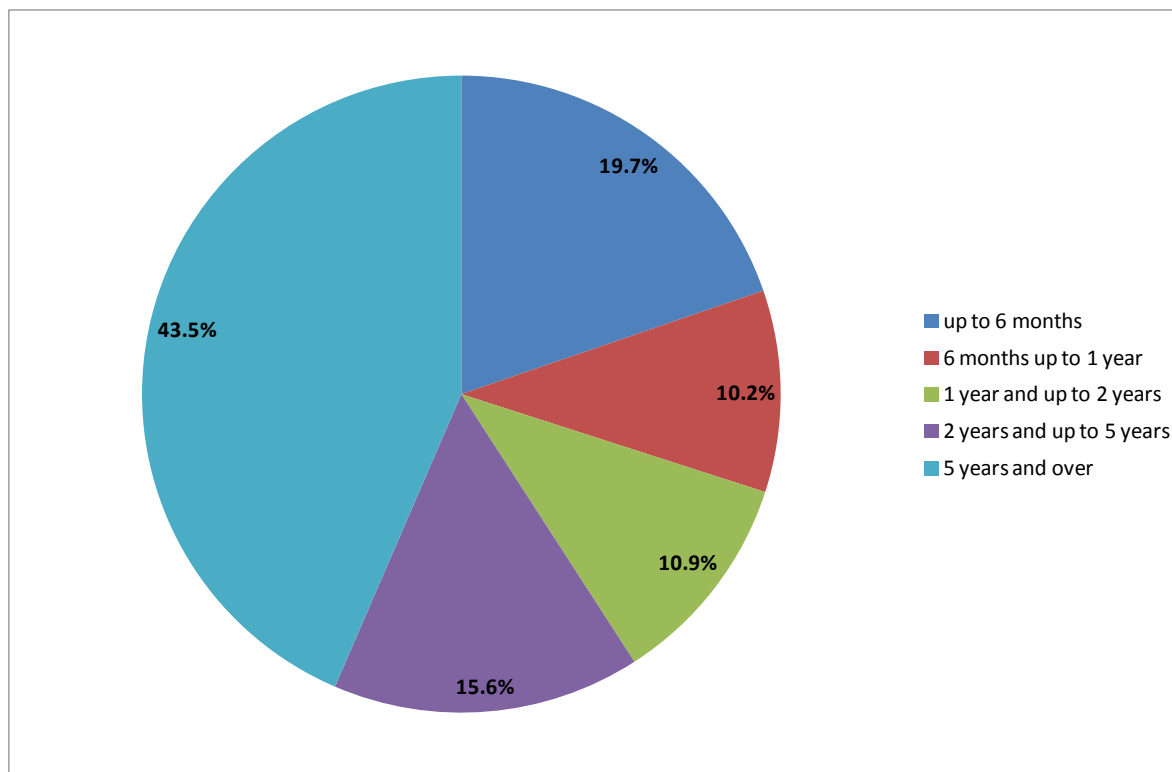
Out of work benefits include not just Jobseekers Allowance (JSA) (which is the basis of claimant unemployment) but also Employment and Support Allowance (ESA) and incapacity benefits, Income Support for lone parents, and others on income related benefits. Figure 3 shows the numbers in receipt of out of work benefits by benefit type for Wales for May 2012, May 2013 and May 2014. Clearly, receipt of ESA and incapacity benefits dominates. In May 2014 65% of those on out of work benefits in Wales were in receipt of ESA or incapacity benefits compared to 22% for JSA. Wales is not untypical in this regard as in Great Britain as a whole in May 2014, 61% of those on out of work benefits were in receipt of ESA or incapacity benefits.

**Figure 3: Composition of out of work benefits by benefit type in Wales, May 2012, May 2103 and May 2014.**



Source: DWP Benefits Data (via NOMIS)

**Figure 4: Duration of out of work benefit receipt, Wales, 2014.**



Source: DWP Benefits Data (via NOMIS)

Figure 4 shows the composition of out of work benefit receipt in Wales in 2014 according to how long individuals have been in receipt of these benefits. Nearly a half (44%) of those on out of work benefits in Wales in May 2014 have been in receipt of these benefits for at least 5 years and more than half (59%) have

been in receipt of out of work benefits for 2 or more years. Again the position in Wales is similar to that for Great Britain as a whole, where in May 2014 57% had been on out of work benefits for 2 or more years and 40% for at least 5 years. For a high proportion of individuals worklessness has become deeply entrenched.

There is a clear interplay between the type of out of work benefit an individual is in receipt of and how long they stay on out of work benefits. As Table 9 shows, more than 60% of people in receipt of ESA or incapacity benefits have been on them for 5 or more years and nearly three quarters for 2 or more years. In contrast, just a fifth of those on JSA have been so for 2 years or more, and just 5% for 5 years or more.

**Table 9: Receipt of out of work benefits: Shares (%) by duration in Wales, May 2014**

|                                  | On benefit for 2 years or more | On benefit for 5 years or more |
|----------------------------------|--------------------------------|--------------------------------|
| Jobseekers Allowance             | 19.5                           | 4.5                            |
| ESA and incapacity benefits      | 74.3                           | 61.7                           |
| Lone Parent                      | 52.6                           | 21.7                           |
| Others on income related benefit | 48.9                           | 15.6                           |
| All out-of-work benefits         | 59.1                           | 43.5                           |

Source: DWP Benefits Data (via NOMIS)

### Workless Households

In addition to worklessness at the individual level, the last 15 to 20 years have seen increasing concerns in research and policy circles about the extent of workless households where all adults of working age in a household are not in work. The fear is that those in workless households will, for a variety of reasons, become distanced from the world of work when compared with those who are workless but in a household with adults who are working.

**Table 10: Percentage of households which are workless**

|  | Wales | England | Scotland | N. Ireland | UK   |
|--|-------|---------|----------|------------|------|
| 2011   | 22.4  | 18.4    | 20.6     | 20.9       | 18.9 |
| 2012   | 21.5  | 17.5    | 20.6     | 21.2       | 18.1 |
| 2013   | 19.8  | 16.6    | 20       | 20.3       | 17.2 |
| Percentage change in number of workless households 2011-13 | -12.8 | -10.4   | -2.3     | -0.3       | -9.5 |

Source: Annual Population Survey (via NOMIS).

In 2011 through to 2013, Wales had a higher percentage of workless households than the UK as a whole (Table 10). However, in the two years to 2013 Wales has experienced the largest fall in the number of workless households of any country of the UK. Similarly, Wales has had a relatively large percentage of people of working age in workless households but has seen a larger fall in the number of people of working age in workless households than any other country in the UK (Table 11).

**Table 11: Percentage of the working age population who are in households which are workless**

|  | Wales | England | Scotland | N. Ireland | UK   |
|--|-------|---------|----------|------------|------|
| 2011   | 16.5  | 13.2    | 14.8     | 14.2       | 13.5 |
| 2012   | 16.1  | 12.5    | 14.6     | 14.7       | 12.9 |
| 2013   | 14.6  | 11.9    | 14.1     | 13.9       | 12.3 |
| Percentage change in the working age population in workless households 2011-13 | -12.1 | -9.5    | -3.6     | 2.3        | -8.7 |

Source: Annual Population Survey (via NOMIS).

## Young people not in employment, education or training (NEETs)

Concern over young people not engaged in employment, education or training (NEETs) has long been a policy concern for governments throughout Europe and beyond. This is driven, in particular, by the evidence that suggests that youth unemployment has a scarring effect on an individual's subsequent chances of obtaining work and their earning capacity in later life. In recent years, Wales has experienced a relatively high percentage of NEETs compared to the other countries within the UK. However, the percentage of young people who are NEETs has fallen amongst both 16-18 year olds and 19-24 year olds between 2011 and 2013 (Table 12).

**Table 12: Percentage of young people who are NEET**

|                  | 16 - 18     |             |             | 19 - 24     |             |             |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                  | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
| Wales            | 13.2        | 11.8        | 11.8        | 22.1        | 22.9        | 20.3        |
| England          | 10.8        | 9.7         | 9.4         | 19.5        | 19.1        | 19.0        |
| Scotland         | 12.9        | 12.4        | 12.5        | 17.5        | 16.4        | 17.9        |
| Northern Ireland | -           | -           | -           | 19.9        | 20.8        | 20.5        |

Source: Annual Population Survey

Note: Data for 16-18 year olds for Northern Ireland is based on small sample sizes and is deemed to be of limited or low quality. Hence it has not been reported.

## Summary

This monthly report has focused on labour market change in Wales in recent years. The key points to emerge are:

- Employment in Wales has grown by less in the two years to the last quarter of 2014 when compared against other UK nations. This has been due to comparatively poor employment performance in the most recent year.
- ILO Unemployment in Wales has fallen by more than 20% in the two years to the last quarter of 2014. However this is a slower decline than that seen in England, Scotland, or Northern Ireland.
- The number of people who are economically inactive in Wales has risen slightly between the last quarter of 2012 and the last quarter of 2014.
- Low average pay remains an issue in parts of Wales, with the lowest wage areas still lagging almost 20% behind those with the highest average earnings. Although average wages of the top and bottom 10% of earners have increased at a similar rate in recent years, in absolute terms, spending power is rising among those who earn most.
- Wales differs from the wider UK trend in terms of sectoral employment. Public sector employment has been protected in Wales to a much greater extent than across the country as a whole, although private sector growth has been weaker. The manufacturing sector has shown very positive signs of employment growth. Service sector growth has also been largely positive, particularly in the areas of accommodation, food, scientific / technical, and arts / recreation.
- Wales has outperformed the UK in terms of employment growth in a number of medium and lower skilled occupations, but has lagged behind in growth of professional level jobs. However, it also slightly outperformed the UK in terms of managerial and associate professional occupations.

- Changing patterns of employment demand appear to have impacted more on Wales in the short-term. Self-employment has risen faster than for the UK as a whole, possibly driven by relatively weak private sector jobs growth, and the proportion of the workforce in part-time employment has increased, in contrast to the UK where full-time employment has risen faster than part-time.
- Like much of the rest of the UK, underemployment is a significant issue in Wales, with almost 10% of people wanting to work more hours than they currently do. Increased use of zero hours contracts may be a factor, but only 2.5% of people in employment in Wales are on zero hours contracts (2.3% in the UK).
- Receipt of out of work benefits in Wales has fallen in the two years to May 2014. Around two thirds of those on out of work benefits in Wales are in receipt of ESA or incapacity benefits, rather than Jobseekers Allowance.
- As for the UK as a whole, entrenched worklessness is a major issue in Wales. 44% of those on out of work benefits in Wales have been in receipt of them for five years or more. Long term benefit receipt varies across benefit types with more than 60% of those on ESA or incapacity benefits in Wales having been in receipt of them for five years or more.
- Wales has in recent years had a relatively high proportion of workless households where no adult works compared to the UK as a whole. However, the number of workless households has fallen faster in Wales compared to the other countries within the UK in the two years to 2013.
- In recent years, Wales has had a relatively high proportion of its young people who are NEET. However, this proportion has been falling.

## References

Office for National Statistics (2014) **Analysis of Employee Contracts that do not Guarantee a Minimum Number of Hours**, 25 February 2015

<http://www.ons.gov.uk/ons/rel/lmac/contracts-with-no-guaranteed-hours/zero-hour-contracts--2014/analysis-of-employee-contracts-that-do-not-guarantee-a-minimum-number-of-hours.html>

Office for National Statistics (2014) **Underemployment and Overemployment in the UK, 2014**, 25 November 2014 <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-386785>

UKCES (2014) **Working Futures 2012-2022 Main Report**, Evidence Report 83, March 2014  
<https://www.gov.uk/government/publications/working-futures-2012-to-2022>

© Crown copyright 2014. 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