

Article

Labour market economic commentary: March 2020

Additional economic analysis of the latest UK labour market headline statistics and long-term trends for March 2020.

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1 . Main points

- In the period November 2019 to January 2020, employment increased by 271,000 (or 0.8%) to a record high of 32.99 million compared with the same period a year ago.
- The level of unemployment increased by 5,000 to 1.34 million and the unemployment rate remained largely unchanged, at 3.9% in the year to November 2019 to January 2020.
- The number of economically inactive women fell by 129,000 to a record low of 5.13 million.
- The gap between men's and women's economic activity rates has been decreasing, driven by more women than men becoming economically active.
- Women have a higher representation than men in caring activities, but the number of those looking after a family or home has been falling.

2 . Overview of the UK labour market

The performance of the UK labour market continues to be strong, with a record high employment level, declining economic inactivity and historically low unemployment. Between November 2019 and January 2020, employment increased by 271,000 (or 0.8%) compared with the same period a year ago. This took the level of employment to a record high of 32.99 million.

Over the same period, economic inactivity reduced by 118,000 (or 1.4%) to 8.43 million. Unemployment increased by 5,000 (or 0.4%) to 1.34 million. Most of the increase was among men. This was the first annual increase since May to July 2012.

External labour market indicators show growing confidence among employers. The [KPMG and REC, UK Report on Jobs \(PDF, 239KB\)](#) reported increased growth in permanent placements. The report also indicated that greater demand for workers than the supply of suitably skilled candidates has led to increases in permanent starting salaries.

The growing shortage of labour was highlighted in the [Chartered Institute of Personnel and Development \(CIPD\) Outlook Survey for Winter 2019 to 2020](#), which reported that firms are finding it difficult to fill vacancies. The survey showed that, of the employers who currently have vacancies within their organisations, 64% reported that at least some of these vacancies are proving hard to fill.

3 . Latest labour market estimates

Employment

In the year to November 2019 to January 2020, the UK labour market performance was robust, as indicated by several new records achieved in overall employment, the employment of women and in the numbers of employees and self-employed workers.

The [latest Labour Force Survey \(LFS\) estimates](#) show that in the period November 2019 to January 2020, employment increased by 271,000 (or 0.8%) to a record high of 32.99 million compared with the same period a year ago. Over the same period, the employment rate of people aged 16 to 64 years increased by 0.4 percentage points to a joint record high of 76.5%.

The changes in the numbers of employees and self-employed workers were largely among women

People in employment can be classified as employees, self-employed workers, unpaid family workers, or as workers on government-supported training and employment programmes. The largest two categories within employment are employees and self-employed people (accounting for over 99% of all people in employment).

If we focus on employees and self-employed workers, we can highlight the dynamism of women's labour market performance. In the year to November 2019 to January 2020, the number of men who were employees decreased (by 77,000 to 13.92 million), while that of women increased (by 134,000 to a record high of 13.84 million). Further, more women (273,000) than men (72,000) joined full-time employment.

Splitting self-employment into full-time and part-time working shows that in the year to November 2019 to January 2020, there was a larger increase in full-time self-employment for women (83,000) than for men (64,000), even though women only constituted 23.2% of all full-time self-employed workers. There were also more part-time self-employed women (890,000) than men (587,000) and more women than men joined part-time self-employment.

In our [May 2019](#) and [September 2019](#) labour market economic commentaries, we analysed the reasons why people may choose to become self-employed. In addition, our September 2019 article on [working flexibly in the public sector](#) discussed some of the reasons why people may choose to work on a part-time basis.

The growing economic activity rate for women is observed in the changes to self-employment and employee numbers. In the year to November 2019 to January 2020, the number of self-employed workers increased by 194,000 (or 4.0%) to reach a record high of 5.03 million. The increase was mainly among self-employed women who increased by 118,000 (or 7.4%) to 1.71 million. The number of self-employed men increased by 76,000 (or 2.3%) to 3.32 million over the same period.

More women than men aged 16 years and over became economically active

The activity rates for men and women aged 16 years and over have been changing over time. The changes are particularly interesting if we analyse the activity rates for people aged 50 years and over. Over the period November 2014 to January 2015 to November 2019 to January 2020, the activity rate for women in this age group increased by 3.1 percentage points (to 31.9%), and that for men increased by 2.2 percentage points (to 31.9%) to equalise the rates. For those aged 65 years and over, the activity rate for women increased by 1.6 percentage points (to 9.2%), and that for men increased by 0.4 percentage points (to 14.1%).

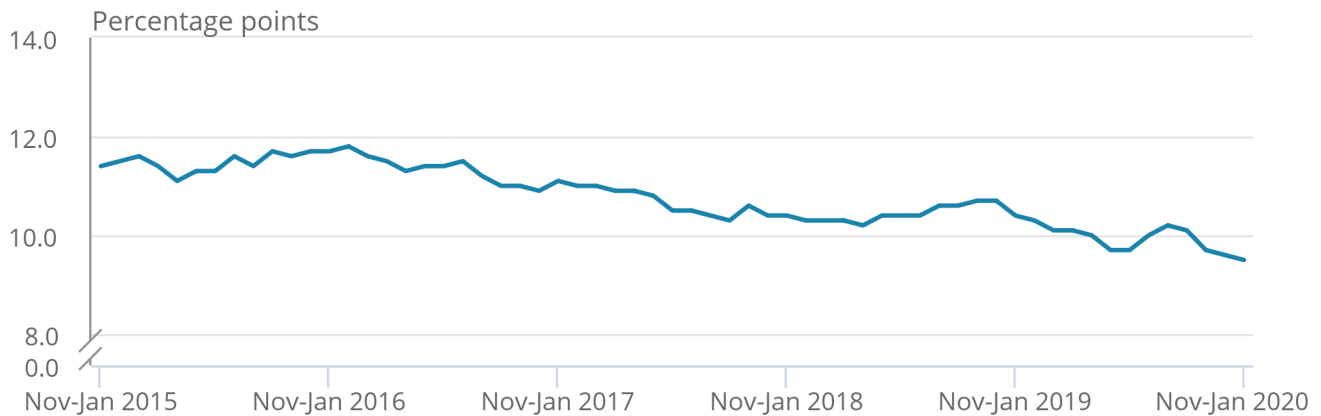
Figure 1 shows the economic activity rate gap between men and women.

Figure 1: The gap between men's and women's economic activity rates has been decreasing

The economic activity rate gap between men and women aged 16 years and over, UK, seasonally adjusted, November 2014 to January 2015 to November 2019 to January 2020.

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The economic activity rate gap between men and women aged 16 years and over, UK, seasonally adjusted, November 2014 to January 2015 to November 2019 to January 2020.



Source: Office for National Statistics – Labour Force Survey

The gap between men's and women's economic activity rates decreased, from a peak of 11.8 percentage points in the period December 2015 to February 2016, to 9.5 percentage points in the period November 2019 to January 2020. Between November 2014 to January 2015 and November 2019 to January 2020, women's economic activity rate increased by 1.8 percentage points, while that for men decreased by 0.1 percentage points. The fall in the gap was driven by more women than men becoming economically active. In addition, the change in the State Pension age [has been contributing to more older women remaining in the labour market](#).

Unemployment

The robust employment growth in the UK labour market has contributed to low unemployment. In the period November 2019 to January 2020, the level of unemployment of people aged 16 years and over increased by 5,000 (or 0.4%) to 1.34 million compared with the same period a year ago.

The unemployment rate of people aged 16 years and over remained largely unchanged, at 3.9%. The unemployment rate for men increased by 0.1 percentage points on the year to 4.1% and that for women fell by 0.2 percentage points to 3.7%.

Unemployment that lasts for up to six months is termed short-term unemployment, while unemployment that lasts more than 12 months is termed long-term unemployment. In the year to November 2019 to January 2020, the number of people who were in short-term unemployment increased by 39,000 (or 5.0%) to 825,000 and those in long-term unemployment decreased by 40,000 (or 11.7%) to 306,000. The increase in short-term unemployment and the decrease in long-term unemployment were both largely among men.

The decrease in long-term unemployment indicates that people are finding jobs quicker, which is consistent with the strong employment performance and the high number of vacancies in the economy. In the year to December 2019 to February 2020, the number of vacancies in the economy decreased by 30,000 (or 3.6%) to 817,000.

Despite the fall, there remains a high number of unfilled hard-to-fill vacancies in some sectors. The [Chartered Institute of Personnel and Development \(CIPD\) Outlook Survey for Winter 2019 to 2020](#) found that employers are increasingly finding it difficult to find people with relevant skills for employment. The survey report highlighted that many businesses were “upskilling and cross-skilling their workforces at this time, with 24% of employers saying that they have increased training investment in existing employees to help offset hard-to-fill vacancies”.

Economic inactivity

In the period November 2019 to January 2020, the number of people aged 16 to 64 years who were economically inactive reduced by 118,000 to 8.43 million compared with the same period a year ago. The economic inactivity rate reduced by 0.3 percentage points to a record low of 20.4%.

The number of economically inactive women fell by 129,000 to a record low of 5.13 million in the year to November 2019 to January 2020. That of men increased by 11,000 to 3.30 million. The economic inactivity rate for women fell by 0.7 percentage points to a record low of 24.7%.

If we analyse the number of economically inactive people by reason for inactivity, we observe that there has been a large decrease in the number of people who were economically inactive because of looking after family or home. In the period November 2019 to January 2020, the number of people who were economically inactive because of looking after family or home decreased by 137,000 to a record low of 1.87 million compared with the same period a year ago.

Disaggregating economic inactivity by sex shows that in the year to November 2019 to January 2020, the number of women in retirement reduced by 3,000 (to 610,000), while that of men increased by 24,000 (to 501,000). Over the same period, there were more women (1.24 million) than men (1.06 million) who were on long-term and temporary sickness.

Comparison of categories of economic inactivity over the past five years

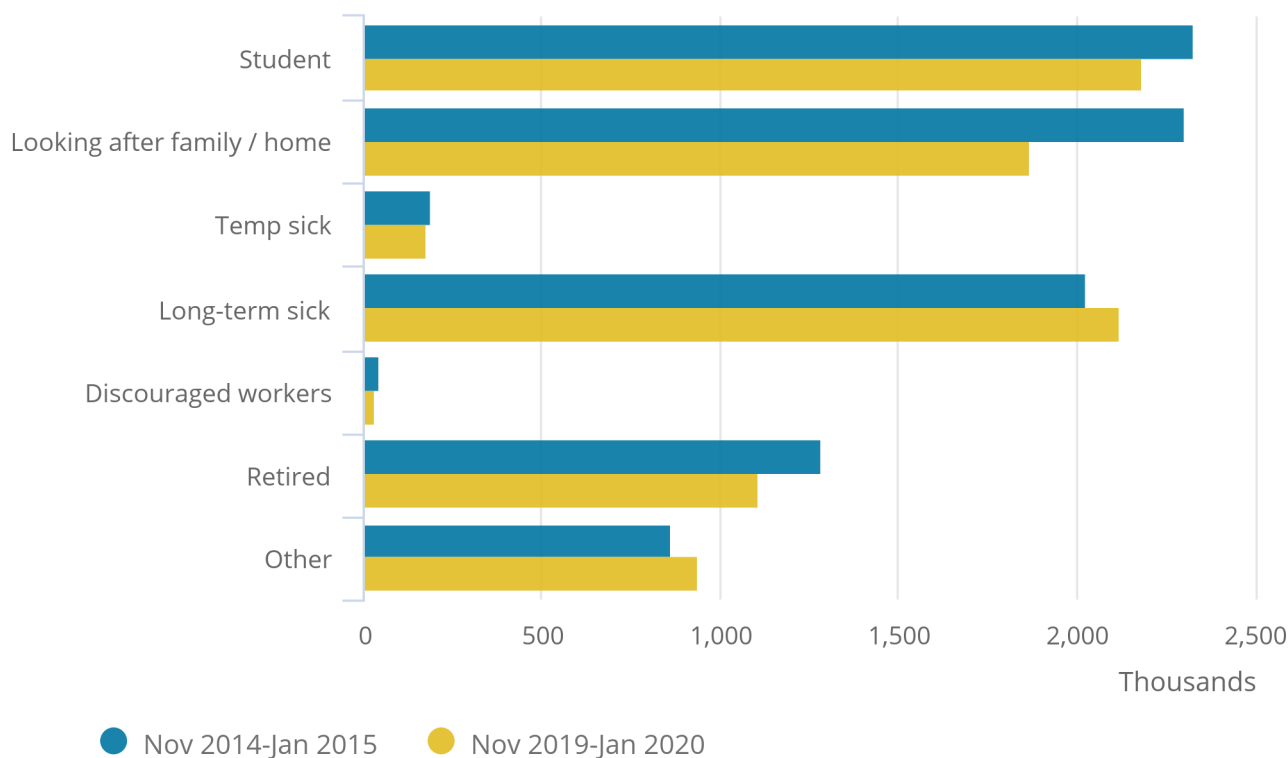
We can analyse the changes in the different categories of economic inactivity in detail by focusing on a longer time trend of five years. Figure 2 shows the structure of economic inactivity between November 2014 to January 2015 and November 2019 to January 2020.

Figure 2: There was a large decrease in the number of economically inactive people aged 16 to 64 years who looked after family or home

The number of economically inactive people aged 16 to 64 years by reason for inactivity, UK, seasonally adjusted, November 2014 to January 2015 and November 2019 to January 2020.

Figure 2: There was a large decrease in the number of economically inactive people aged 16 to 64 years who looked after family or home

The number of economically inactive people aged 16 to 64 years by reason for inactivity, UK, seasonally adjusted, November 2014 to January 2015 and November 2019 to January 2020.



Source: Office for National Statistics – Labour Force Survey

Figure 2 shows that between the periods November 2014 to January 2015 and November 2019 to January 2020, there were decreases in economically inactive people aged 16 to 64 years in five categories, namely students, those looking after family or home, the temporarily sick, discouraged workers and the retired. There were increases in the number of people who were in long-term sickness and who were inactive for “other” reasons.

The number of women who were looking after family or home reached a record low of 1.64 million in the period November 2019 to January 2020. However, women remain disproportionately represented in caring activities. The decrease in the number of women looking after family or home may be linked to other factors like [changing household structure](#), [declining conception rates](#) and [improvements to the childcare system](#). Increasing opportunities for flexible working, job-sharing and part-time employment may also have contributed to more women leaving economic inactivity for the labour force.

There can be initiatives to increase the number of men who look after family or home, and these can help more women to join the labour force. Such initiatives can also help to reduce the earnings gap between men and women to achieve greater income equality. There follow some of the main provisions relating to paternity leave, maternity leave and shared parental leave.

Selected provisions for parental leave: duration

Paternity leave

The duration of statutory [paternity leave](#) is limited to one or two weeks.

Leave must finish within 56 days of the birth.

Maternity leave

Statutory [maternity leave](#) is 52 weeks consisting of:

- 26 weeks ordinary maternity leave
- 26 weeks additional maternity leave

Shared parental leave

[Two partners can share](#) up to 50 weeks of leave and up to 37 weeks of pay between them.

The partners must share responsibility for the child at birth.

Selected provisions for parental leave: pay

Paternity leave

Statutory paternity pay is paid for one or two weeks.

Statutory paternity pay is paid at the following rate: £148.86 or 90% of average weekly earnings, whichever is lower.

Maternity leave

Statutory maternity pay is paid for up to 39 weeks at the following rates:

- 90% of average weekly earnings for the first six weeks
- £148.86 or 90% of average weekly earnings, whichever is lower, for 33 weeks

[Women, unlike men, are likely to get enhanced pay.](#)

Shared parental leave

Shared parental leave is paid at the following rate: £148.86 or 90% of average weekly earnings, whichever is lower.

These comparisons show that maternity leave has superior conditions than both paternity leave and shared parental leave. Fathers can take up shared parental leave, but that depends on the willingness of mothers to give up part of their entitlement. It is therefore more likely for more women than men to look after family or home. In that case, women will likely take a career break, which depresses their life-long earnings.

The differences in the treatment of men and women in some sectors may create trade-offs that make it more beneficial to have the woman taking maternity leave and the man remaining in continuous employment.

4 . Workforce jobs in the economy

The Office for National Statistics (ONS) publishes workforce jobs four times a year, in March, June, September and December. [Workforce jobs](#) are a short-term indicator of employment in the economy. The data are disaggregated by industry and by region.

There is an important difference between workforce jobs and employment numbers. Workforce jobs measure the number of jobs in the economy. Employment estimates indicate the number of people who are employed. The two estimates differ because people in employment may hold more than one job, contributing to higher workforce jobs estimates than employment estimates. Workforce jobs estimates consist of employee jobs, self-employment jobs, government-sponsored trainees and Her Majesty's forces.

The total services sector constitutes 83.6% of all workforce jobs in the economy and it contributed 80.0% to gross domestic product (GDP). The latest workforce jobs data for the period one year to December 2019 show industries' contributions to workforce jobs and to GDP as follows:

- the wholesale and retail trade, repair of motor vehicles and motorcycles sector accounted for 13.9% of workforce jobs and contributed 10.8% to GDP
- the human health and social work activities sector accounted for 12.5% of workforce jobs and contributed 7.4% to GDP
- the professional, scientific and technical activities sector accounted for 9.0% of workforce jobs and contributed 8.1% to GDP
- the administrative and support service activities sector accounted for 8.5% of workforce jobs and contributed 5.3% to GDP
- the education sector accounted for 8.3% of workforce jobs and contributed 5.8% to GDP

The industries with the smallest shares were private households, and mining and quarrying (0.2% each), and agriculture, forestry and fishing (1.1%). They contributed 0.2%, 0.6% and 0.6% to GDP respectively.

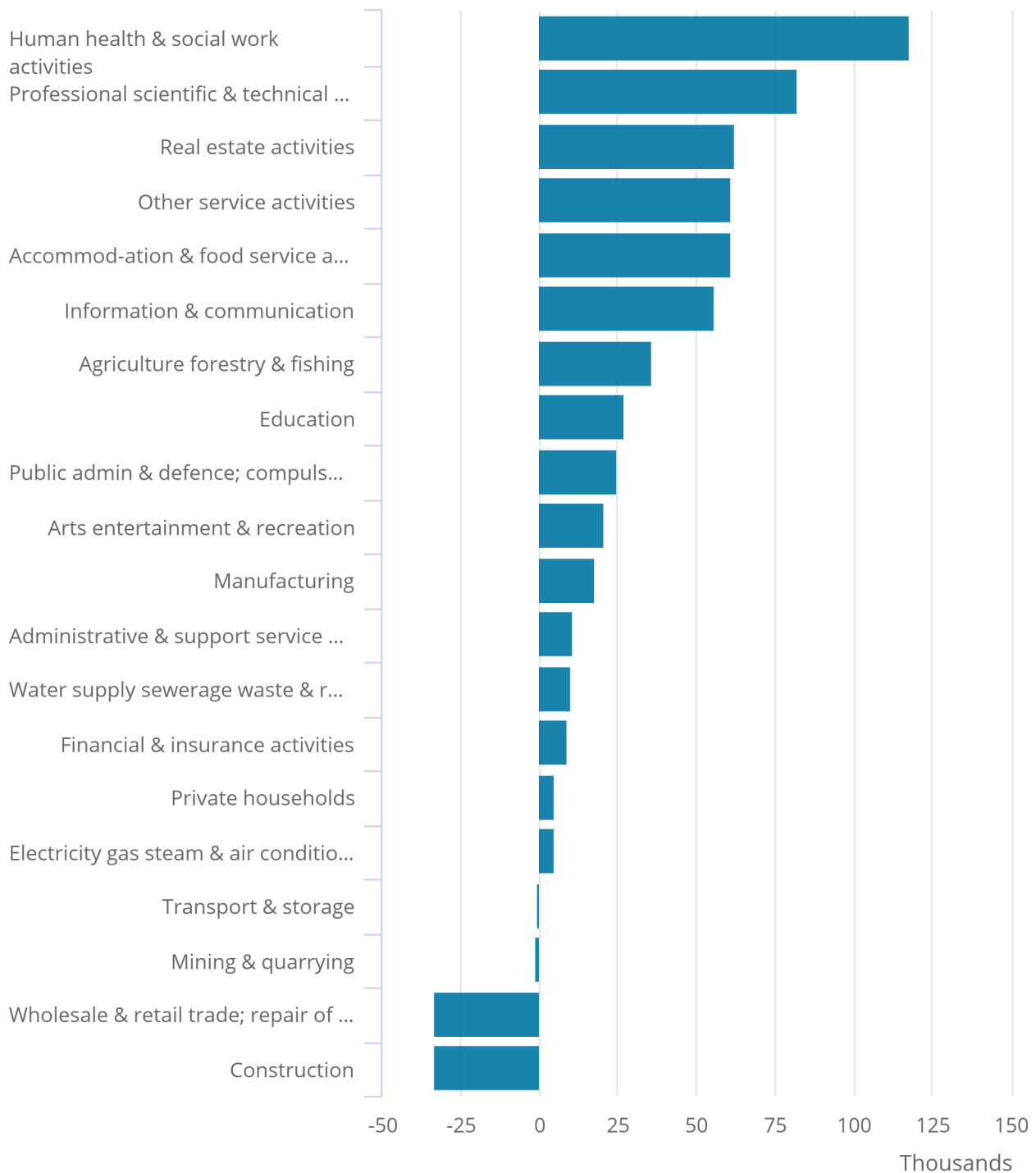
Figure 3 shows the changes in workforce jobs in the year to December 2019.

Figure 3: Human health and social work activities had the largest increase in the number of workforce jobs in the year to December 2019

Changes in Workforce jobs in the year to December 2019, UK, seasonally adjusted.

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Changes in Workforce jobs in the year to December 2019, UK, seasonally adjusted.



In the year to December 2019, some sectors recorded increases in workforce jobs of more than 40,000. These were:

- human health and social work activities sector where workforce jobs increased by 118,000 (or 2.7%) to 4.48 million
- professional, scientific and technical activities sector where workforce jobs increased by 82,000 (or 2.6%) to 3.23 million
- real estate activities sector where workforce jobs increased by 62,000 (or 10.4%) to 659,000
- other service activities sector where workforce jobs it increased by 61,000 (or 6.4%) to 1.01 million
- accommodation and food service activities sector where workforce jobs increased by 61,000 (or 2.5%) to 2.51 million
- information and communication sector where workforce jobs increased by 56,000 (or 3.8%) to 1.54 million

Workforce jobs in the construction, and the wholesale and retail trade, repair of motor vehicles and motorcycles sectors decreased the most, by 33,000 each. The net effect of the workforce jobs changes in all sectors was a net increase of 541,000 in the year to December 2019.

Some of the sectors that increased their workforce jobs numbers (for example, human health and social work activities, and accommodation and food service activities) are characterised by high vacancy numbers (136,000 and 91,000 respectively in the three months to February 2020) and low earnings. The wholesale and retail trade, repair of motor vehicles and motorcycles sector had the second-highest number of vacancies (132,000) in the three months to February 2020.

The services sector is generally characterised by low earnings and has most of the zero-hours contracts. We discussed the sectoral distribution of zero-hours contracts in our [labour market economic commentary for January 2020](#). The number of workforce jobs in sectors like human health and social work activities, accommodation and food service activities, and education increased, but in 2019, the sectors had high numbers of zero-hours contracts (198,000, 223,000 and 104,000 respectively). [People on zero-hours contracts](#) are more likely to be young, part-time, women or in full-time education compared with other people in employment.