

Article

Labour market economic commentary: November 2018

Additional economic analysis of the latest UK labour market headline statistics and long-term trends for November 2018.

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1 . Main points

- The number of people in employment in the UK increased by 23,000 to reach 32.41 million in the third calendar quarter (July to September) of 2018.
- The number of unemployed people in the UK increased by 21,000 to 1.38 million in the third calendar quarter of 2018.
- The unemployment rate of UK nationals (4.2%) was higher than that of EU27 nationals in the UK (3.5%).
- Headline employment, unemployment and economic inactivity levels increased in the third calendar quarter of 2018.
- The number of temporary workers in the UK reduced by 55,000 on the quarter to 1.5 million.

2 . Employment

The latest estimates from the Labour Force Survey (LFS) for the third calendar quarter (July to September) of 2018 show that the number of people in employment in the UK increased by 23,000 on the quarter to reach 32.41 million. Hence employment growth in the third quarter was 0.1%, which was below the 0.6% growth in gross domestic product (GDP) over the same period. The employment rate was 75.5%.

The number of employed men increased and the number of employed women decreased

The people in employment can be classified by sex. Doing so shows that the number of employed men increased by 29,000 on the quarter to a record high of 17.19 million in the third calendar quarter of 2018. The number of employed women fell by 6,000 on the quarter to 15.22 million over the same period. The employment rate for men was 80.0% and that for women was 71.0%.

There were more men than women in employment in the third calendar quarter of 2018. Between 2012 and the third calendar quarter of 2018, the average annual employment growth rate for women (0.13%) was higher than that for men (0.12%).

The people in employment (excluding unpaid family workers and people on government-supported training and employment programmes) can be categorised as employees or self-employed workers. This categorisation reveals that the number of employees increased by 45,000 to reach a record high of 27.50 million in the third calendar quarter of 2018. The number of self-employed workers decreased by 17,000 to 4.75 million over the same period.

There were more employees than self-employed workers and more full-time than part-time workers

Taking people in employment as consisting of employees, the self-employed, unpaid family workers and people on government-supported training and employment programmes, we can classify their work patterns as either full-time or part-time. The latest LFS estimates show that the number of people who worked on a full-time basis increased by 82,000 to a record high of 23.93 million in the three months to September 2018. The number of people who worked on a part-time basis reduced by 59,000 to 8.48 million over the same period.

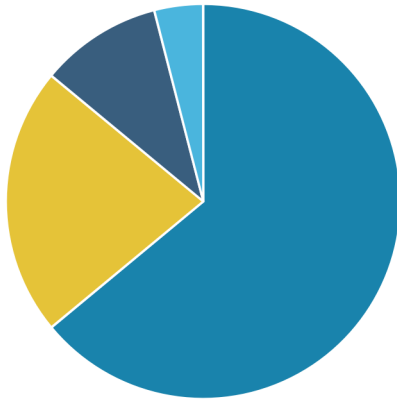
We can classify people in employment, as defined previously, into four categories based on their working patterns, that is, employees working full-time, employees working part-time, the self-employed working full-time and the self-employed working part-time. Figure 1 shows the proportions of the four categories in employment in the third calendar quarter of 2018.

Figure 1: Employees and self-employed workers working full-time and part-time

UK, seasonally adjusted, July to September 2018

Figure 1: Employees and self-employed workers working full-time and part-time

UK, seasonally adjusted, July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that employees constituted 86% of the people in employment and the remainder (14%) were self-employed workers. Full-time workers constituted 74% of the people in employment and the remainder (26%) were part-time workers.

Of the 23.93 million people who worked on a full-time basis, 20.57 million were employees and 3.32 million were self-employed. Of the 8.48 million people who worked on a part-time basis, 6.93 million were employees and 1.43 million were self-employed.

In the labour force, there are some workers who have more than one job. The latest estimates of workers with second jobs show that they increased by 4,000 to 1.12 million. There are several possible reasons why people may have more than one job. These include:

- the desire to earn additional income
- wanting to learn new skills and to obtain a wider set of experiences
- the need to improve financial security and independence
- that multiple part-time jobs may offer greater flexibility than one full-time job

Multiple job-holding may have disadvantages. The research by IZA World of Labor on [multiple job-holding \(PDF, 404KB\)](#) highlights some of the disadvantages as multiple job-holding may disrupt the work-life balance and that it may cause performance slippage in the main job.

UK nationals in employment increased and non-UK nationals in employment decreased

The people in employment can be classified by nationality¹. The latest estimates show that the number of UK nationals aged 16 years and over who were in employment increased by 448,000 in the year to September 2018 to a record level of 29 million. The number of non-UK nationals aged 16 years and over who were in employment decreased by 98,000 in the year to September 2018 to 3.49 million.

Workers from the EU27 countries constituted 64% of non-UK workers. Workers from EU27 countries decreased by 132,000 on the year to 2.25 million. The number of EU27 workers declined in all quarters since the fourth calendar quarter (October to December) of 2017.

The employment rates of UK and non-UK nationals both increased by 0.5 percentage points on the year to September 2018, to 75.8% and 75% respectively. The employment rate of EU27 nationals increased by 1.3 percentage points on the year to 82.8%.

Notes for: Employment

1. Data on employment levels and rates by country of birth and nationality are not seasonally adjusted.

3 . Unemployment

The latest labour force estimates show that unemployment in the UK increased by 21,000 to 1.38 million in the third calendar quarter (July to September) of 2018. The increase in the level of unemployment was preceded by falling unemployment in two previous quarters. In the third calendar quarter of 2018, the rate of unemployment increased by 0.1 percentage points to 4.1%. In the year to September 2018, the unemployment rate fell by 0.2 percentage points.

More men than women were unemployed

The number of unemployed men increased by 29,000 to 750,000, while the number of unemployed women decreased by 8,000 to 631,000 in the third calendar quarter of 2018. The increase in the level of unemployment was driven by the increase in the number of unemployed men.

The duration of unemployment increased in all three sub-categories of unemployment in the third calendar quarter of 2018: short-term unemployment (of up to six months) increased by 3,000 to 798,000; medium-term unemployment (of between 6 and 12 months) increased by 5,000 to 214,000; and long-term unemployment (of over 12 months) increased by 13,000 to 369,000.

UK nationals had a higher unemployment rate than EU27 nationals

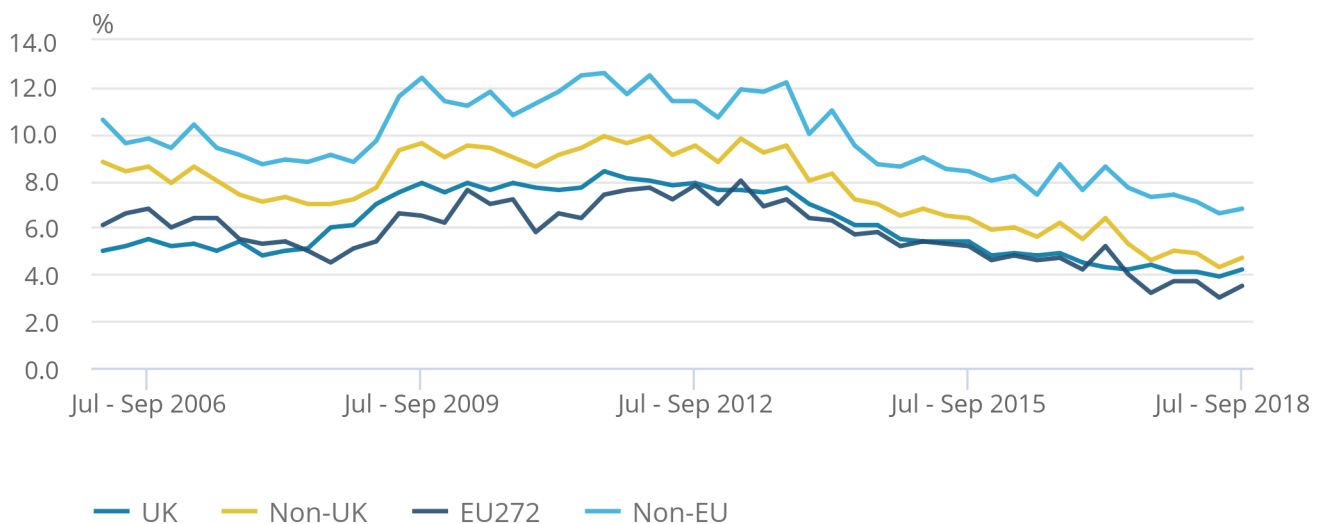
Unemployment can be examined by nationality. The level of unemployment of UK nationals decreased by 48,000 to 1.28 million in the year to September 2018. The level of unemployment of non-UK nationals fell by 2,000 to 173,000 over the same period. Although the level of unemployment fell among non-UK nationals, it increased by 2,000 to 82,000 among EU27 nationals. The trends of unemployment rates by nationality are shown in Figure 2.

Figure 2: Unemployment rate by nationality

UK, seasonally adjusted, January to March 2006 to July to September 2018

Figure 2: Unemployment rate by nationality

UK, seasonally adjusted, January to March 2006 to July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that in the third calendar quarter of 2018, UK nationals had a lower unemployment rate of 4.2% when compared with that of non-UK nationals of 4.7%. Disaggregating the non-UK nationals group into EU27 nationals and non-EU nationals shows that EU27 nationals had an unemployment rate of 3.5% and non-EU nationals had an unemployment rate of 6.8%. The UK nationals' unemployment rate was higher than that of EU27 nationals in the UK. All the unemployment rates have been on a downward trend since the third calendar quarter of 2013, but there has been an uptick in the most recent calendar quarter.

4 . Inactivity

The latest Labour Force Survey (LFS) estimates show that the number of economically inactive people in the UK increased by 1,000 to 8.74 million in the third calendar quarter (July to September) of 2018. The economic inactivity rate remained broadly the same in the second and third quarters, at 21.2%.

More women than men were economically inactive

The economically inactive people can be categorised by sex. The number of women classified as economically inactive increased by 11,000 to 5.38 million in the three months to September 2018. The number of economically inactive men decreased by 10,000 to 3.35 million over the same period.

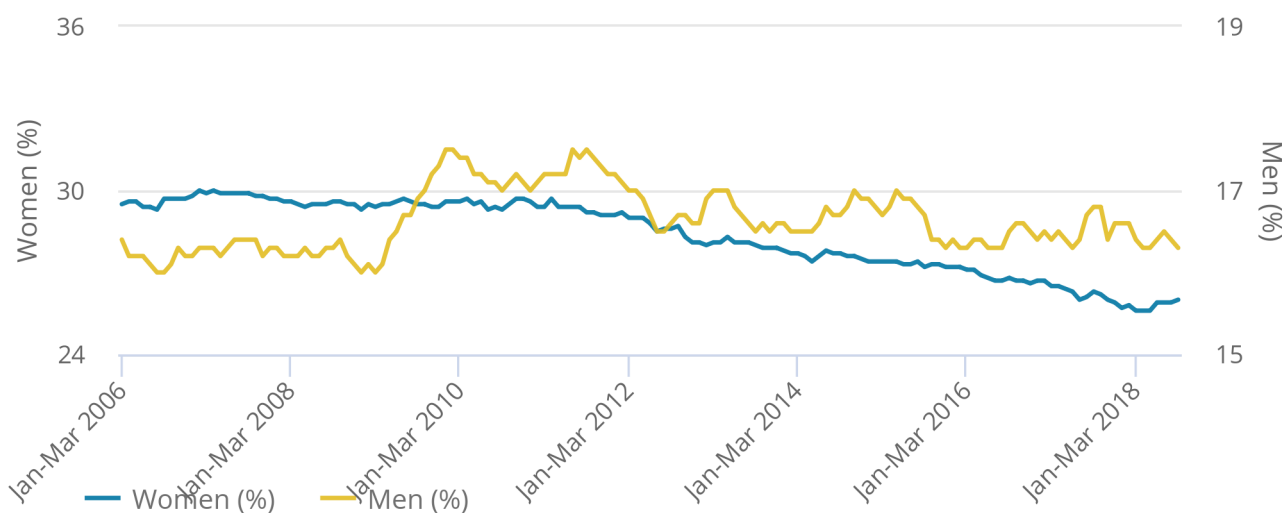
The trends of economic inactivity rates for men and women are shown in Figure 3.

Figure 3: Male and female inactivity rates

UK, seasonally adjusted, January to March 2006 to July to September 2018

Figure 3: Male and female inactivity rates

UK, seasonally adjusted, January to March 2006 to July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that the rate of economic inactivity among women has been declining steadily since 2010, although there have been increases in the past two quarters. Despite the overall decline, the economic inactivity rate for women, at 26% in the third calendar quarter of 2018, remains higher than that for men, which stood at 16.3% over the same period.

5. Redundancies

The latest estimates from the Labour Force Survey (LFS) show that the number of people who were made redundant in the third calendar quarter (July to September) of 2018 fell by 14,000 to 84,000. This was equivalent to a redundancy rate of 3.1 workers per 1,000 jobs.

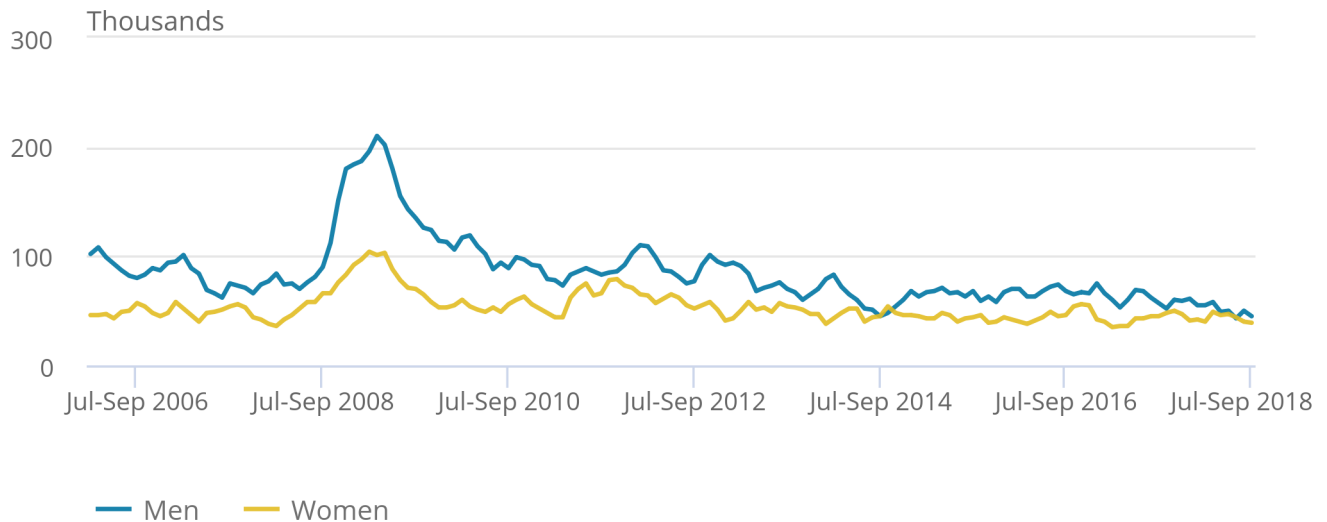
Disaggregating redundancy by sex shows that more men (45,000) than women (39,000) were made redundant. Figure 4 shows the redundancy levels of men and women since January 2006.

Figure 4: Redundancy levels

UK, seasonally adjusted January to March 2006 to July to September 2018

Figure 4: Redundancy levels

UK, seasonally adjusted January to March 2006 to July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that redundancies peaked during the economic downturn when 210,000 men were made redundant in the three months to April 2009. For women, the peak of 104,000 was recorded in the first calendar quarter (January to March) of 2009. After the downturn, the redundancy trends for men and women largely tracked each other on a downward trend. Male redundancy was also consistently higher than female redundancy, except in the periods September to November 2014 and May to July 2018.

6 . Temporary working in the UK

Temporary working is a component part of labour market flexibility. There are several reasons why the analysis of temporary working is important. Some workers may take up temporary employment because permanent positions are not available. Although the number of people engaged in temporary work is small (5.5% of all employees), temporary workers are prone to job and financial insecurity. Temporary workers may miss out on employment benefits that permanent employees get, like employer-funded training. In addition, they are often the first to lose their jobs in an economic downturn.

Despite the shortcomings of temporary employment, employers and employees still choose temporary working arrangements. For instance, employers may use temporary employment to fill the gaps in labour requirements, or to flexibly respond to changes in demand for their products. Workers may choose temporary work to take advantage of the flexibility that it offers, to gain experience, or to avoid gaps on their curricula vitae.

The number of temporary workers continues to fall as permanent jobs increase

In the third calendar quarter (July to September) of 2018, the number of temporary workers in the UK reduced by 55,000 to 1.5 million. On a year-on-year basis, temporary workers reduced by 72,000. Categorising temporary workers by sex shows that in the third calendar quarter of 2018, there were 733,000 male temporary workers and 781,000 female temporary workers. In the same period, more women (54,000) left temporary employment than men (1,000). Figure 5 shows the trend of temporary employees since 2006.

Figure 5: Temporary employees

UK, seasonally adjusted, January to March 2006 to July to September 2018

Figure 5: Temporary employees

UK, seasonally adjusted, January to March 2006 to July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that the number of temporary employees increased steadily from 2008 onwards. The number of temporary employees reached a maximum of 1.70 million in the fourth quarter (October to December) of 2014 and declined thereafter. The number is still above its lowest downturn level of 1.37 million that was reached in the three months to October 2008.

The decrease in the number of temporary employees in the face of growing employment and falling unemployment and inactivity is consistent with movement of employees into permanent job positions.

The number of workers who could not find permanent jobs decreased from 2012 onwards

We can disaggregate temporary employees by reason for being in temporary employment into four categories, namely workers who could not find permanent jobs, workers who did not want permanent jobs, workers who had a contract with a period of training, and workers who were in temporary employment for “some other reasons”.

In the third calendar quarter of 2018, more men in temporary employment (220,000) than women (192,000) could not find permanent jobs. More women (235,000) than men (199,000) did not want permanent jobs. There was an equal number of men and women (60,000 apiece) who had a contract with a period of training.

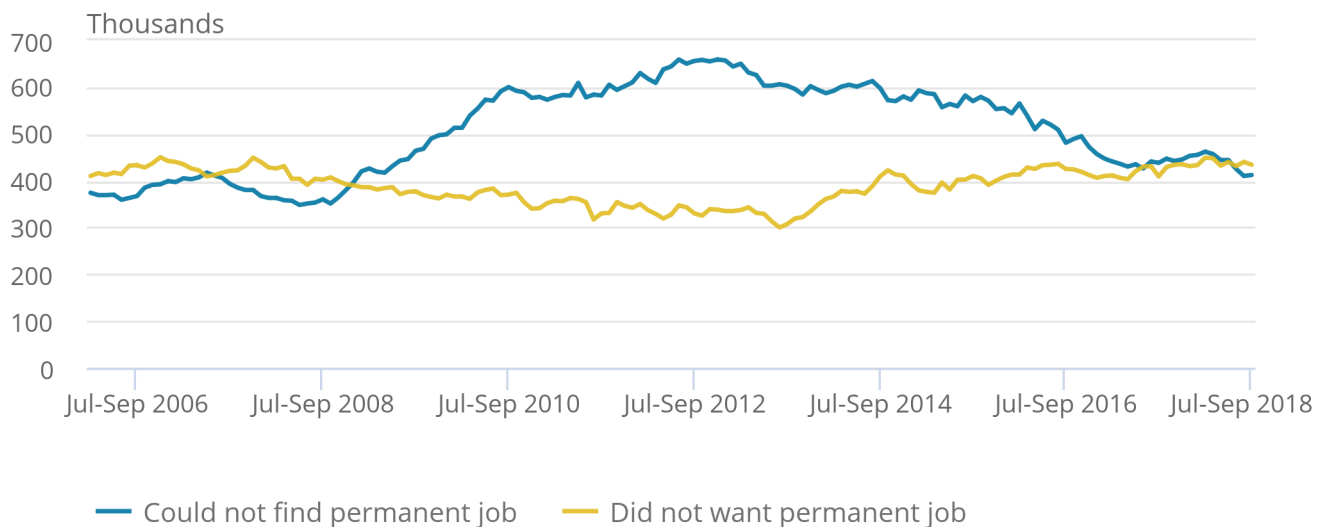
We can analyse the number of workers who wanted permanent jobs and that of workers who did not want permanent jobs. Figure 6 shows the trends of the two series.

Figure 6: Temporary employees who wanted permanent jobs and who did not want permanent jobs

UK, seasonally adjusted, January to March 2006 to July to September 2018

Figure 6: Temporary employees who wanted permanent jobs and who did not want permanent jobs

UK, seasonally adjusted, January to March 2006 to July to September 2018



Source: Office for National Statistics, Labour Force Survey

The figure shows that the number of workers who could not find permanent jobs increased between the second quarter (April to June) of 2008 and the fourth quarter of 2012 when it was at its maximum (659,000). The recovery from the economic downturn pushed up the number of temporary workers in the economy. From the end of 2012 onwards, the number of workers who could not find permanent jobs started to decrease, reaching 412,000 in the three months to September 2018.

The number of workers who could not find permanent jobs is part of the category of workers who are under-employed. The decrease in the number of workers who could not find permanent jobs shown in Figure 6, together with the falling trends of unemployment and inactivity, indicates falling under-employment in the economy.

The number of workers who did not want permanent jobs increased from 2013 onwards

The number of workers who did not want permanent jobs increased from 300,000 in the three months to August 2013 to 434,000 in the three months to September 2018. The increase is indication of greater demand for flexibility by some workers in the labour market.

The number of workers who did not want permanent jobs exceeded that of workers who could not find permanent jobs in the third calendar quarter of 2018. This was the first time this had happened since the period October to December 2008.

The increase in the number of workers who did not want permanent jobs may be associated with flows of people from unemployment and economic inactivity into employment. Between 2013 and the third calendar quarter of 2018, women were, on average, joining the labour market at a faster rate than men. In the third calendar quarter of 2018, more women (235,000) than men (199,000) did not want permanent jobs. Research by the Department for Education [on temporary employment in Great Britain \(PDF, 1.7MB\)](#) concluded that women were more likely to be in temporary employment than men and that women were more likely to cite flexibility as the reason for joining temporary employment than men.

There are many possible reasons behind the increase in the number of workers who did not want permanent jobs. For instance, the demand for temporary jobs by workers who did not want permanent jobs depends on the personal characteristics of the workers. However, the analysis of the workers' personal characteristics requires microdata and is beyond the scope of this commentary.

7 . Authors

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