

FEATURE

Employment Changes over 30 years

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SUMMARY

Employment occurs when a contract is in place between an employer and an employee. Over the last 30 years, many changes have occurred in employment patterns within the UK. These include the changing structure of the population, growth in women working, growth in service industries and decline in manufacturing industries and changing employee and consumer demands.

This article presents employment levels and rates, using Labour Force Survey data. It compares the employment rate of people by sex, age, ethnicity, disability, county of birth and qualifications held. It also considers the employment patterns in the public sector.

Employment is analysed within a framework of labour supply statistics. This is designed to illustrate to what extent the population of the country is engaged in paid work and the extent to which people would be engaged in such work if their personal circumstances were different, or if jobs that attracted them were available.

Figure 1 shows the structure of actual and potential labour supply in terms of the main forms of employment, unemployment and inactivity. In reality, the labour market is far from static, with people moving between different categories as their personal and overall economic conditions change.

Demographic trends

Demographic trends such as population growth or the movement of people between regions or countries, have a significant impact on labour market supply. The Office for National Statistics (ONS) produces the latest population estimates and population projections. In mid-2007, the estimated population of the UK was 61.0 million. It is projected to increase to 71.1 million by 2031, an increase of 10.1 million or 17 per cent. Accompanying this increasing population is a shift in age distribution. The average age is projected to rise from 39.7 years in 2007 to 42.6 years in 2031. In 2007, there were similar numbers of children aged under 16 and people of state pension age or above (the latter group accounting for 0.5 per cent more). However, by 2031, the number of people of state pension age or

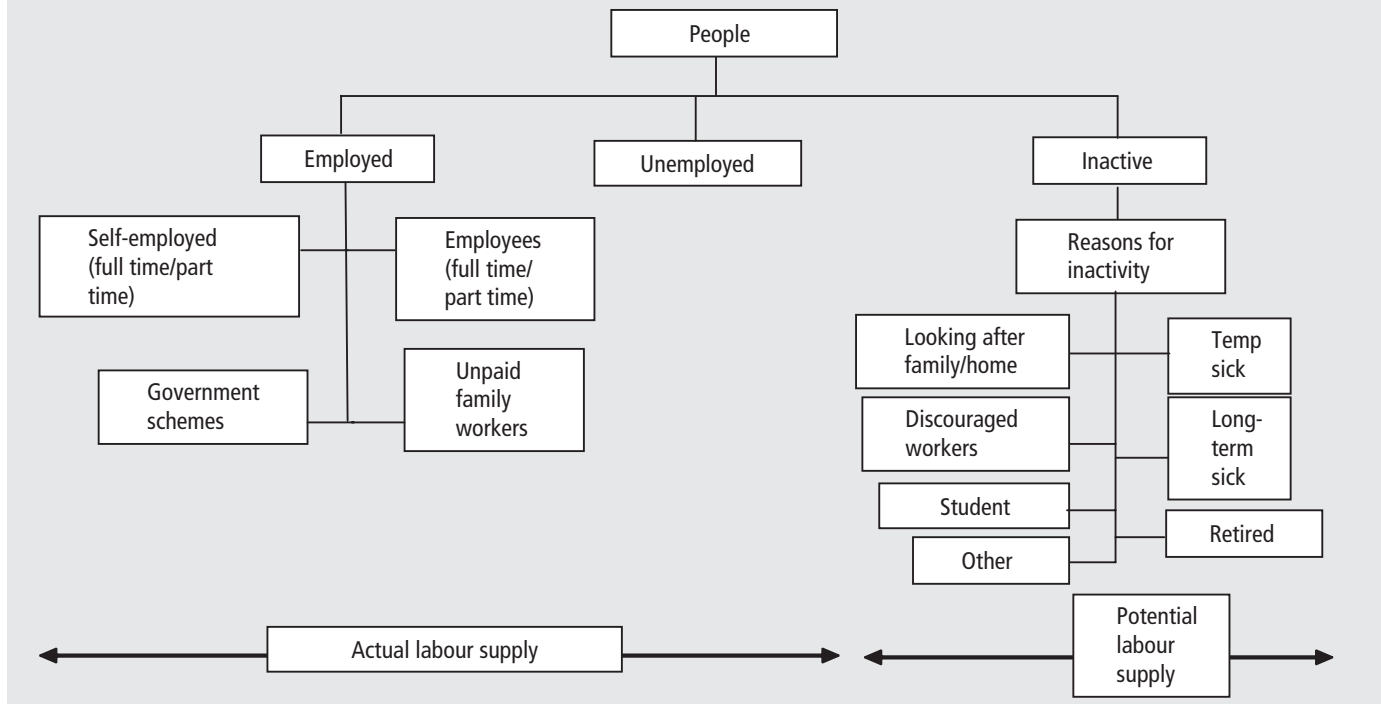
above is projected to exceed the number of children by 2.1 million (16.8 per cent).

Between 2010 and 2020, the state pension age for women will gradually increase from 60 to 65. The number of people aged 16 and over and below state pension age is projected to rise from 37.9 million in 2007 to 43.4 million by 2031. These people are the main group of labour supply although more and more people are active in the labour market above state pension age. In 2007, there were more people aged 16 to 39 compared with people aged 40 to state pension age. Through the ageing of the population and the change in state pension age for women, by 2020, there will be more people aged 40 to state pension age than those aged 16 to 39.

Employment

Changes have been occurring over recent decades in the composition and structure of the workforce. The age composition of the workforce is shifting with the ageing of the UK population. The diverse nature of the workforce has increased through the growth in the numbers of women working, the employment behaviour of students and an increase in the number of foreign workers. Structural changes encompass several well-documented trends, such as the growth in the service industry, decline in manufacturing and improved technological capacity. These wide-ranging changes are the response from employers trying to address changing employee and consumer demands, individuals trying to achieve a work-life balance and governments trying

Figure 1
The structure of actual and potential labour supply



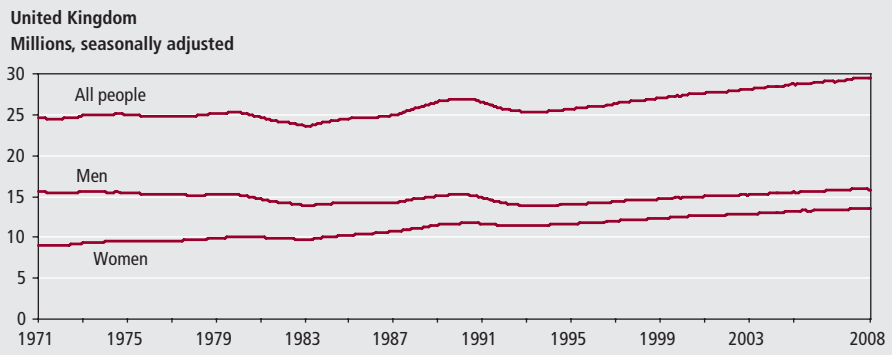
to reduce economic inactivity and absences from work.

The Labour Force Survey (LFS) provides the preferred measure of the number of people in employment. Using the standard International Labour Organisation (ILO) definition, people are classed as employed if they are aged 16 or over and have done at least one hour of work in the reference week or are temporarily away from a job (for example, on holiday). Analysis of employment in this article excludes children aged under 16 who may be employed but are not considered to be economically active.

Figure 2 shows the level of employment in the UK for 1971 to 2008. This level has been generally rising over the last three decades, from 24.6 million at the beginning of 1971, to 29.4 million for the three months to September 2008. The level of employment was at its lowest during 1983, at 23.6 million.

As the UK population increases, it will impact on the number of people in employment. To compare employment patterns with differing populations, an employment rate is used which is the percentage of people below state pension age who are in employment. **Figure 3** shows the employment rate for 1971 to 2008. In 1971 it stood at 74.9 per cent and has varied throughout the period to stand at 74.4 per cent for three months to September 2008. Employment rates tend to increase through periods of strong economic growth and decline through periods of recession (as seen in the early 1980s and early 1990s).

Figure 2
Levels of employment: by sex,¹ January to March 1971 to July to September 2008

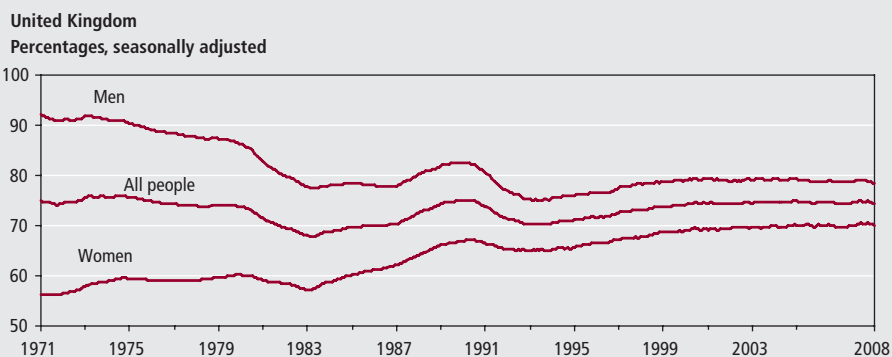


Note:

1 All aged 16 and over.

Source: Labour Force Survey

Figure 3
Employment rate: by sex,¹ January to March 1971 to July to September 2008



Note:

1 Men aged 16 to 64 and women aged 16 to 59.

Source: Labour Force Survey

Figure 4
Employment rate:¹ by age group, March to May 1992 to July to September 2008



Note:

1 Denominator equals all people in the relevant age group.

Source: Labour Force Survey

Characteristics of people in employment

Employment rates vary among different subgroups of the population in terms of sex, age, region, ethnic origin, disability status, country of birth and qualifications held.

Sex

At the start of 1971, the employment rate for men was 92.1 per cent and for women it was 56.4 per cent, a difference of 35.7 percentage points. After 1971, the difference narrowed to reach 15.8 percentage points by 1987. The difference remained stable until 1991, but then has continued to narrow at a much slower pace. For the three months to September 2008, the employment rate for men was 78.3 per cent and for women 70.1 per cent, a difference of 8.2 percentage points.

Age

Information about employment by age is available on a seasonally adjusted basis back to 1992. As well as differences in employment rates for men and women, variations exist by age. Figure 4 shows the employment rate by age group. The employment rate for people of state pension age and above is lowest at 11.7 per cent and highest for 35 to 49-year-olds at 82.3 per cent for the three months to September 2008. Since 1992, the employment rates for people aged 18 to 24 and 35 to 49 have remained fairly stable, with some small variations throughout the period. For those aged 25 to 34, it has increased, with the increase coming through the 1990s and being fairly stable since the turn of the century. For the 16 to 17 age group, the employment rate has decreased by 15.5 percentage points since 1992 to 33.3 per cent in the three months

to September 2008. The employment rate of people aged 50 and over has increased steadily since 1992. For those aged 50 to state pension age, the rate has increased by 8.6 percentage points and for those individuals of state pension age and above, the increase has been 3.6 percentage points. This has resulted in an increasing number of older people in the workforce.

Location

The Annual Population Survey survey is derived from the quarterly LFS, but also includes extra respondents, specifically to provide more robust estimates for local areas. Figure 5 shows the employment rate for people below state pension age by Government Office Region in England, Scotland, Wales and Northern Ireland for the 12 months to March 2008. It also shows the spread of employment rates, giving the highest and lowest estimate for each local area in each region. Between the parts of the UK, the spread of the employment rate was 8.4 percentage

points, the highest being in the South East (78.5 per cent) and the lowest in London (70.1 per cent).

Differences in employment rates in local areas within regions are greater than the differences between regions. In the 12 months to March 2008, the greatest contrast between local authorities was in London. This region contains Tower Hamlets, with the lowest employment rate in Great Britain (58.4 per cent), and the City of London, with the highest employment rate of 92.9 per cent. Wales has the narrowest spread of employment rates, with 13.5 percentage points between Flintshire with the highest rate (77.5 per cent) and Ceredigion with the lowest rate (64.0 per cent).

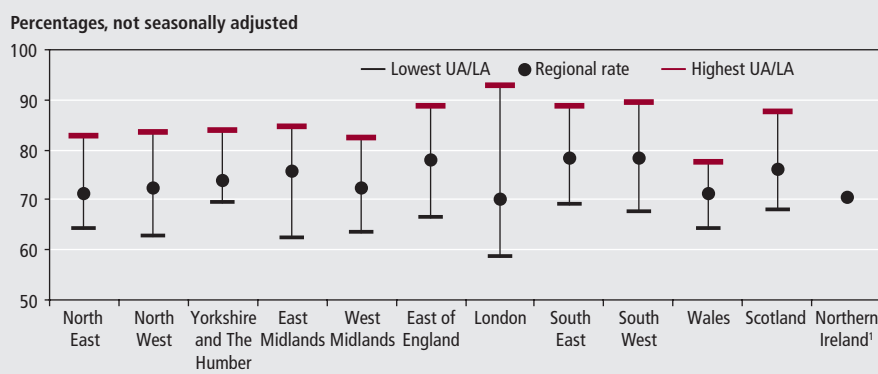
Ethnic origin

Employment rates can be compared across ethnic groups. It should, however, be noted that care must be taken when using ethnicity data as the different ethnic groups often have different demographics, such as differing proportions of people within each age group, which can affect employment rates. Figure 6 shows employment rates for the UK by ethnic group for three months to September 2008. The employment rate of the white group was highest at 76.3 per cent and lowest for the Asian or Asian British group, at 60.3 per cent.

Disability

In the three months to September 2008, the employment rate among those long-term disabled below state pension age was 50.7 per cent compared with 80.2 per cent for people who were not. The employment rate of long-term disabled has continually increased from 43.4 per cent in 1998 when the LFS began recording disability status.

Figure 5
Employment rate: by English region and UK country, April 2007 to March 2008

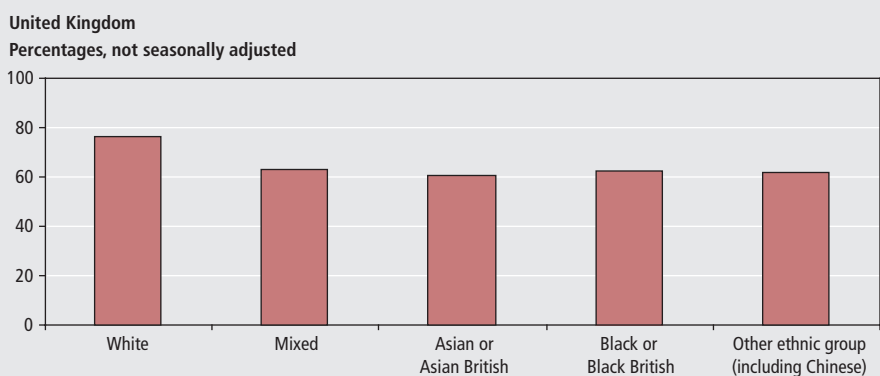


Note:

1 Northern Ireland local area data are not available.

Source: Annual Population Survey

Figure 6
Employment rate: by ethnic group,¹ 2008²



Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 July to September quarter.

Source: Labour Force Survey

This results in a narrowing of the gap between long-term disabled and not long-term disabled employment rates, from 35.9 percentage points in 1998 to 29.6 percentage points in three months to September 2008.

Country of birth

The ONS definition for migrant workers is those people in employment who were born outside the UK. Most of the increase in the number of people aged 16 and over in employment over the last decade has been driven by an increase in the number of foreign born workers in the UK. In the three months to September 1998, of the 27.0 million people aged 16 or over in employment, 7.7 per cent or 2.1 million were born overseas. In the three months to September 2008, of the 29.5 million people in employment, 12.6 per cent or 3.7 million were born overseas. Most of the increase in foreign workers has come from large employment increases from the eight Central and Eastern European countries that joined the European Union in May 2004. There have also been increases in employment of people born in Africa, India, Pakistan and Bangladesh over the last decade. The number of people in employment born in Western Europe (known as the EU14) has remained fairly constant.

Looking at the employment rate for people below state pension age, for those born in the UK, it has increased by just 0.7 percentage points from 74.9 per cent in 1998 to 75.6 per cent in the three months to September 2008. For people born outside the UK, there has been a larger increase in the employment rate over the last decade. In the three months ending September 1998, it stood at 63.6 per cent and has increased by 5.6 percentage points to stand at 69.2 per cent in the

same three-month period in 2008. There are differences in the employment rate depending on which country an individual is born in. Some of the highest rates come from people born in the eight Central and Eastern European Countries, Australia, New Zealand and South Africa and some of the lowest for those people born in Pakistan and Bangladesh.

Qualifications

The skill level of those in employment can be measured through the highest level of qualification held. This allows differentiation between those in employment who have progressed to further and higher education and those who have not. **Figure 7** shows the employment rate of people in the UK below state pension age, by highest qualification for the three months to September 2008. Those with no qualifications are less likely to be in employment than those with higher qualifications. Only 46.5 per cent of those with no qualification were in employment

compared with 86.4 per cent of people with a degree or equivalent.

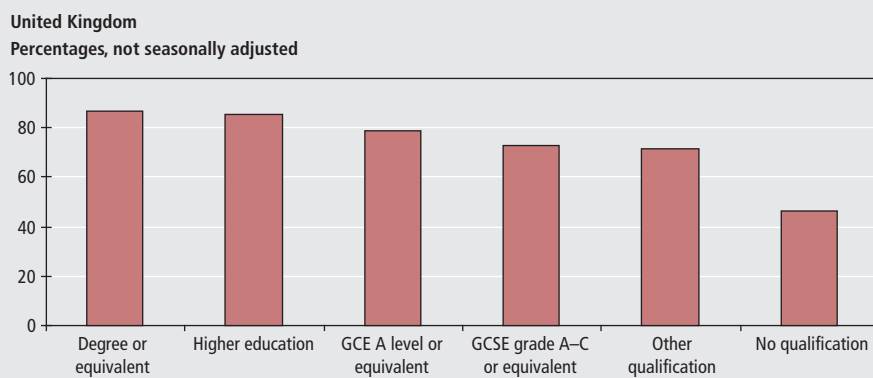
Occupation

Figure 8 shows the percentage of employed people by occupation in the three months to September 2008. The largest occupational group in the UK is 'managers and senior officials' which includes retail managers (15.6 per cent of employed people). Only 7.1 per cent were employed in the 'process, plant and machine operatives' occupations, which include occupations such as HGV drivers. There are clear differences in the choice of occupation by sex: 19.0 per cent of men in employment name their occupation as being a 'skilled trade', for example electricians, compared with only 1.8 per cent of women in this group. In contrast, more women are employed in the 'administrative and secretarial occupations' which cover occupations such as office assistants and accounts clerks: 19.1 per cent in three months to September 2008 compared with 4.5 per cent of men.

Usual hours

Figure 9 shows the distribution of usual weekly hours worked by people in their main job since the three months to September 1992. Throughout the early to mid-1990s, the percentage of people working over 45 hours increased, from 24.0 per cent in the three months to September 1992 to a high of 26.3 per cent in late 1996. Over the last decade, the percentage has consistently fallen and in the three months to September 2008, just 20.2 per cent of people employed worked more than 45 hours, the lowest since the series began. This fall could be partly explained by the introduction of the working time regulations in 1998, which include a weekly working time limit of 48 hours.

Figure 7
Employment rate:¹ by highest qualification, 2008²

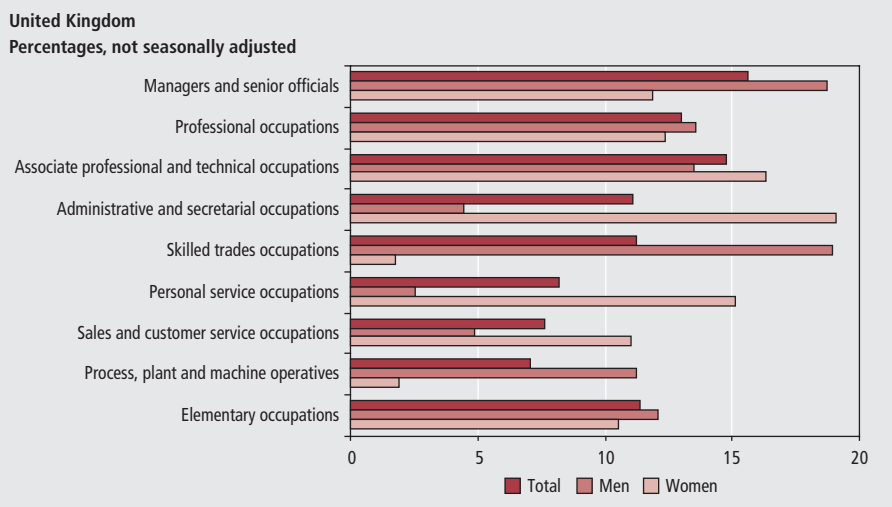


Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 July to September quarter.

Source: Labour Force Survey

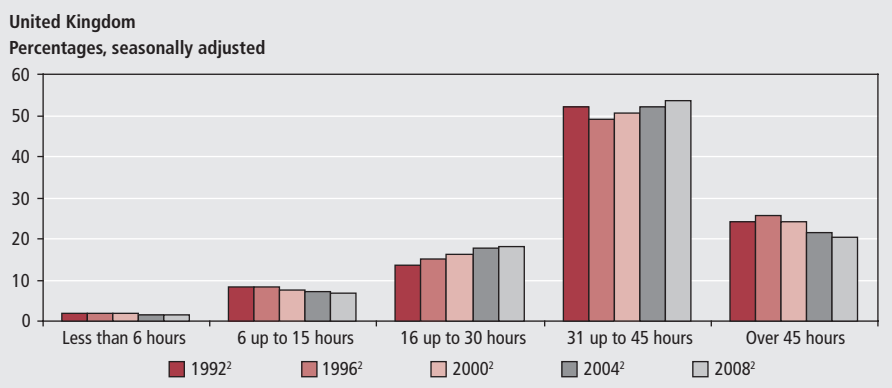
Figure 8
Distribution of occupations¹ among men and women in employment,² 2008³



Notes:

- 1 Standard Occupational Classification 2000.
- 2 Men aged 16 to 64 and women aged 16 to 59.
- 3 July to September quarter.

Figure 9
Those in employment: by usual hours worked¹



Notes:

- 1 Main job only.
- 2 July to September quarter.

Self-employment

There has been an increase in the number of people who are self-employed, from 3.4 million in 1992 to 3.8 million in three months to September 2008. However, the percentage of all people in employment who are self-employed has remained steady at around 13 per cent.

The patterns of usual hours worked by those who are self-employed are different from employees. In the three months to September 2008, the percentage of self-employed people working over 45 hours was 31.1 per cent, which is higher than the percentage of employees who work over 45 hours, 18.7 per cent. Comparing men and women, 36.3 per cent of self-employed men and 17.2 per cent of self-employed women were working for over 45 hours.

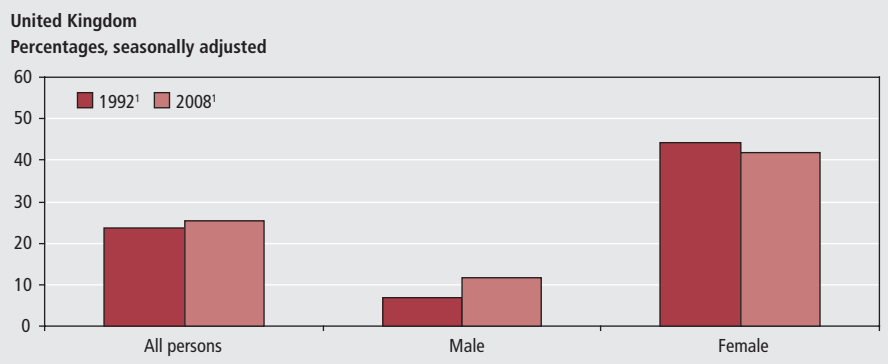
Working patterns

Figure 10 shows the percentage of people in employment working part time in the three months to September for 1992 and 2008. Among all those in employment, the percentage working part time has increased from 23.6 per cent in 1992 to 25.5 per cent in 2008. This increase has been driven by men, where the percentage working part time increased, as opposed to the percentage of women working part time which decreased. However, part-time employment has traditionally been dominated by females and this is still the case. In the three months to September 2008, 41.8 per cent of women in employment were working part time compared with 11.6 per cent of men.

The main reason given for working part time remains, for both men and women, that a 'full-time job is not wanted'. This reason accounted for 48.5 per cent of men and 78.8 per cent of women working part time in the three months to September 2008. For the same period, 17.6 per cent of part-time men say the main reason for working part time was that they couldn't find a full-time job, compared with 7.1 per cent part-time women.

A fall in the number of temporary workers can be a sign of labour market improvement. The level of temporary workers has gradually fallen from a high of 1.8 million in the three months to June 1997 to 1.4 million in the three months to September 2008. The rate of temporary workers expressed as the proportion of temporary workers out of all in employment was 5.4 per cent in the three months ending September 2008. This is a record low since the beginning of the series in 1992, indicating that temporary work is less prevalent in the labour market.

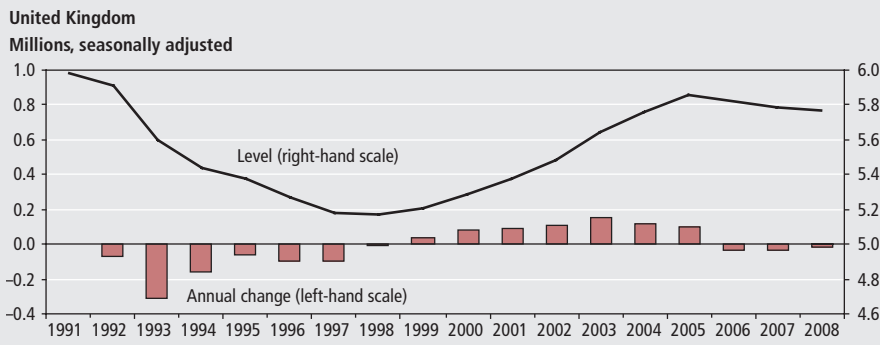
Figure 10
Percentage of people in employment working part time: by sex



Note:

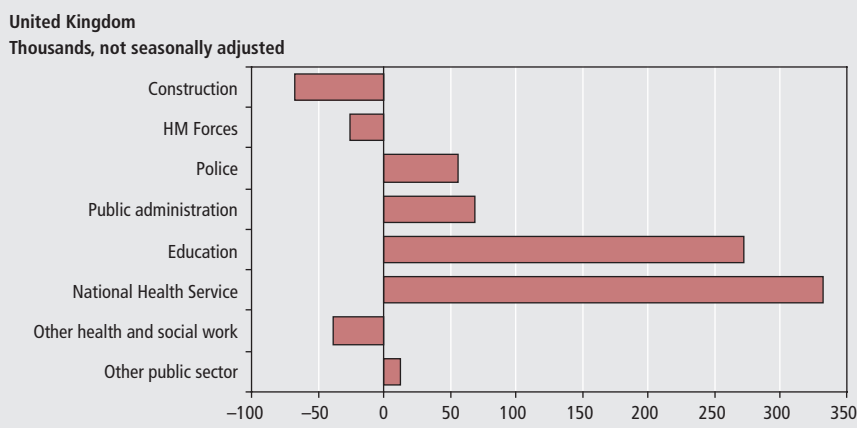
- 1 July to September quarter.

Figure 11
Public sector employment, level and change



Source: Public Sector Employment (ONS)

Figure 12
Public sector employment growth: by industry, April to June 1998 to April to June 2008



Source: Public Sector Employment (ONS)

Public sector employment

Public sector employment comprises employment in central government, local government and public corporations as defined by the UK National Accounts. Estimates for public sector employment come from ONS Quarterly Public Sector Employees Surveys (available since 1991) and other sources.

Figure 11 shows employment levels in the public sector from 1991 to 2008. Public sector employment fell in each year between 1991 and 1998, from 6.0 to 5.2 million in 1998. Between 1998 and 2005, it rose to reach 5.9 million, and then fell slightly in each of the following three years, to 5.8 million in the three months to June 2008. A public and private sector split is produced by taking the whole UK economy employment level from the LFS and subtracting the public sector employment estimates to produce a private sector series. The level of private sector employment was 23.8 million in the three months to June 2008, which was 80.5 per cent of total employment.

Figure 12 shows the change in public

sector employment, by industry sector, since its lowest point in 1998 to 2008. Over this period, employment levels in the National Health Service and in education increased by 332,000 and 272,000, respectively (27.6 and 23.9 per cent). There were also rises of 69,000 (6.1 per cent) in public administration and 57,000

(24.9 per cent) in the police service. There were falls in construction, HM Forces and other health and social.

Underemployment

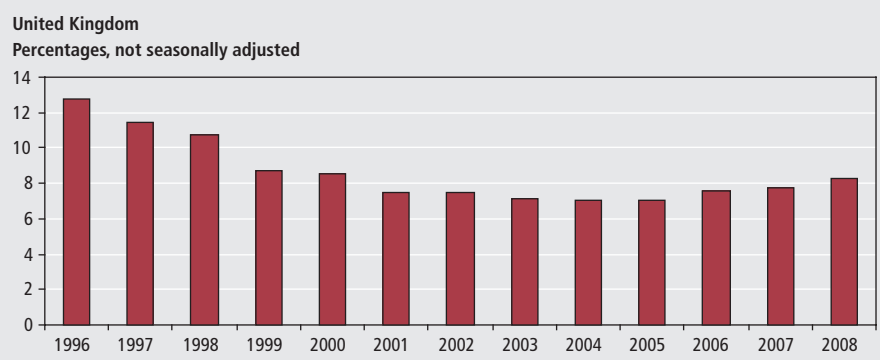
The standard ILO definitions of employment and unemployment are useful for measuring headline figures but are less effective at capturing the diversity that exists in the UK labour market. An example of this is underemployment. Someone who is working for at least one hour a week is, in ILO terms, classified as employed. In reality, this individual may be overemployed (working more than they want to), fully employed or underemployed, and this will have an impact on their future labour market behaviour.

Underemployment occurs, for example, when someone wants to work extra hours in their current job at their normal wage rate. Estimates of this are available from 1996 and Figure 13 shows the percentage of underemployed people below state pension age. This excludes people who would like to work more hours at a higher wage rate, so are not underemployed. In the three months to September 2008, the percentage of people who would like to work more hours was 8.3 per cent down from 12.8 per cent in the same period in 1996, with a low point of 7.0 per cent in 2004 and 2005.

Families

The LFS household datasets have been designed specifically for analysis at family unit and household levels, and for person-level analysis, involving the characteristics of the family unit or household in which people live. In the three months to June 2008, there were 24.7 million people below state pension age without dependent

Figure 13
Percentage of people wanting to work more hours in their current job,¹ 1996 to 2008²

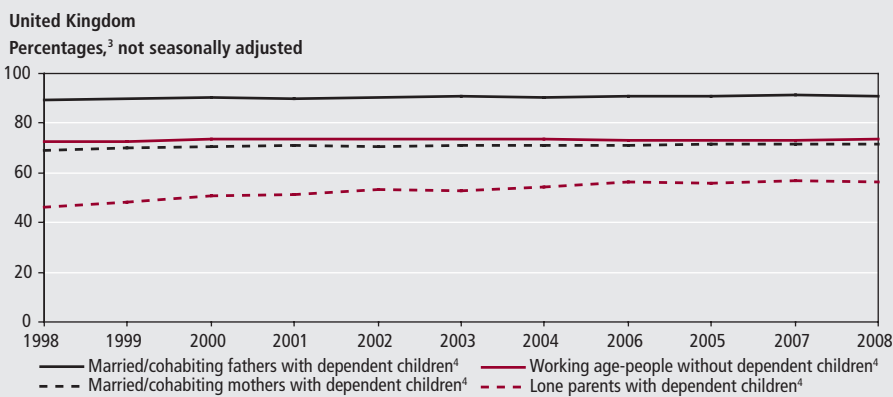


Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59 in employment.
- 2 July to September quarter.

Source: Labour Force Survey

Figure 14
Employment rate:¹ by parental status, 1998 to 2008²



Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 April to June quarter.
- 3 Base for percentages excludes people with unknown employment status.
- 4 Dependent children are those under 16 and those aged 16 to 18 who have never married and are in full-time education.

Source: Labour Force Survey Household dataset

children and 13.0 million parents below state pension age with dependent children. This can be broken down into three main subgroups: married and cohabiting mothers (5.6 million), married and cohabiting fathers (5.6 million) and lone parents (1.9 million).

Figure 14 shows the employment rate for each of these groups for 1998 to 2008. In three months to June 2008, married and cohabiting fathers had the highest employment rate, at 91.0 per cent, and lone parents had the lowest employment rate, at 56.3 per cent. This represents an increase in the lone-parent employment rate of 10.3 percentage points, from 46.0 per cent in 1998. In comparison, the employment rate for married and cohabiting mothers was 71.7 per cent, up 2.9 percentage points from ten years earlier.

Sickness absence of people in employment

The LFS collects information on whether a respondent took days off because of sickness or injury in the reference week (usually the week before the survey interview). Direct costs of sickness absence to employers include statutory sick pay, the expense of covering absence with temporary staff, and lost production.

Indirect costs, such as low morale among staff covering for those absent because of sickness, and lower customer satisfaction, are harder to measure, but also impact on the overall levels of output.

In the 12 months to June 2008:

- women had higher sickness absence rates than men (2.9 per cent, compared with 2.2 per cent)
- younger employees were more likely to take sickness absence than older employees
- public sector workers had higher sickness absence rates than those in the private sector (2.9 per cent compared with 2.4 per cent)
- people working in smaller organisations were less likely to take sickness absence than those in larger organisations
- 4.8 per cent of those working in a customer service occupation have taken at least one day off sick in the week before their survey interview, compared with a national average of 2.5 per cent. Transport associate professionals recorded the lowest sickness absence rate, at 0.8 per cent

As sickness absence trends vary throughout the year, a four-quarter average is used.

CONTACT

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