

The Labour Market

Last update: 24 August 2012

The labour market is a mechanism which deals with the demand for labour, that is, potential employers, and the labour supply, or the people who are available to work. The labour market is fundamental for the economic health of the UK.

Labour Force Participation

The percentage of the population of working age (16-64) that is employed or actively seeking employment is known as the Labour Force Participation Rate. It is effectively the size of the available workforce, and does not include students, retired people, stay at home parents, those in prison, or other people who are not available to work.

In Q2 2012, the UK's Labour Force Participation Rate was **77.4%**, 0.3% greater than Q1 2012.

Figures from ONS, Labour Market Statistics:
<http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/july-2012/index.html>

Economic Inactivity

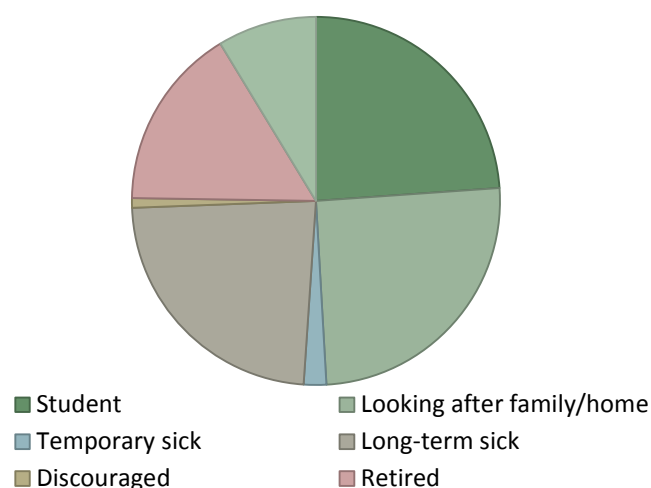
The economically inactive are those of working age who do not work and do not seek work – neither employed nor unemployed. The Labour Force Participation Rate and the economic inactivity rate necessarily sum to 100.

Therefore, in Q2 2012, the economic inactivity rate was **22.6%**, 0.3% lower than Q1 2012.

There are various reasons for economic inactivity, including full time education, caring for family or

the home, taking early retirement, and giving up seeking work (becoming discouraged).

Reasons for Economic Inactivity, Q2 2012



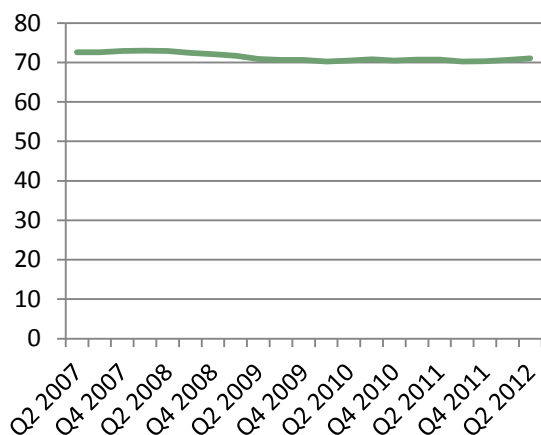
Figures from ONS, Labour Market Statistics:
<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market>

Employment

The employment rate is the percentage of the working age population (16-64) that is currently in paid work.

In Q2 2012, the employment rate was **71%**, 0.4% greater than Q1 2012.

Employment Rate (%)



In June 2012, the sector with the most employees was the **Wholesale and Retail Trade sector**, with **4.08 million employees**.

Figures from ONS, Labour Market Statistics:
<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market>

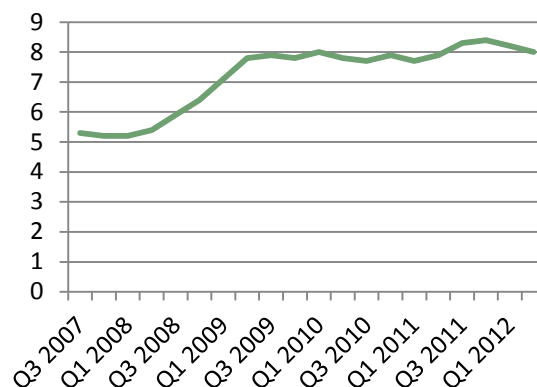
Unemployment

The percentage of the population of working age that is involuntarily out of work, actively seeking work and available to start work within two weeks is the unemployment rate. Importantly, whereas the employment rate is a consideration only of those aged 16-64, the unemployment rate relates to the entire population over 16. This definition of unemployment, known as the International Labour Organization (ILO) definition, is the internationally recognised definition and as such is used for international comparison of unemployment.

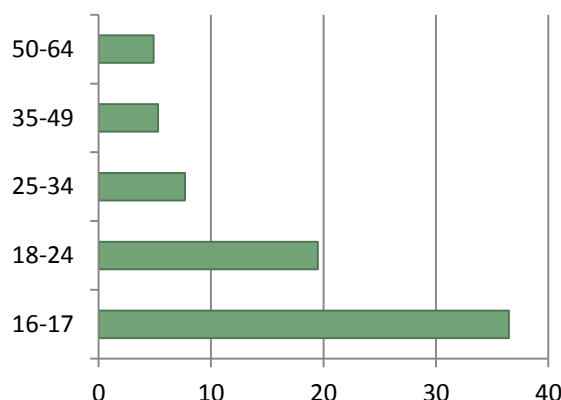
Unemployment is damaging for the economy as well as for the individuals concerned. Its costs include loss of income, loss of national output, fiscal costs due to the fall in tax revenue and various social costs.

In Q2 2012, the UK's unemployment rate was **8%**, down 0.2% on Q1 2012.

Unemployment Rate (%)



*Unemployment Rate by Age Group, Q2 2012
 (% of economically active population)*

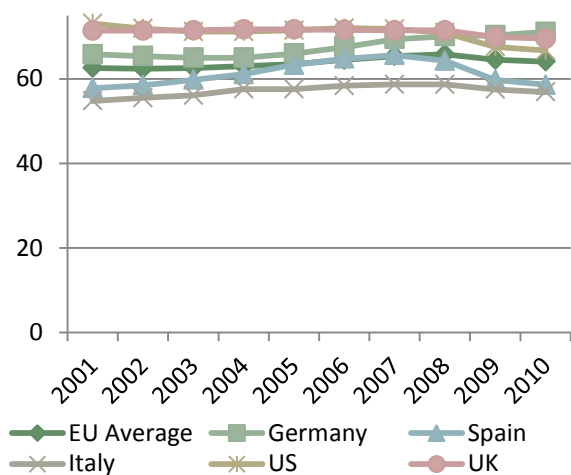


Figures from ONS, Labour Market Statistics:
<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market>

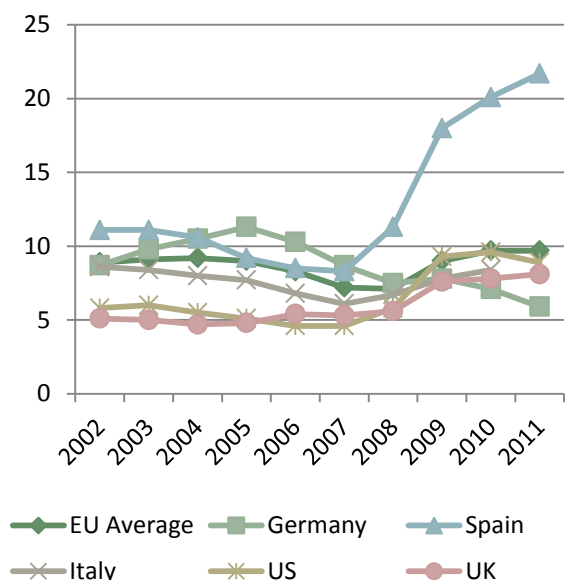
International Comparison

Comparing the labour markets of different countries can provide an indication of the health of the UK labour market.

Employment Rate (%)



Unemployment Rate (%)



Figures from Eurostat:
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tsiem010&tableSelection=1&footnotes=yes&labeling=labels&plugin=1;>
http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_a&lang=en

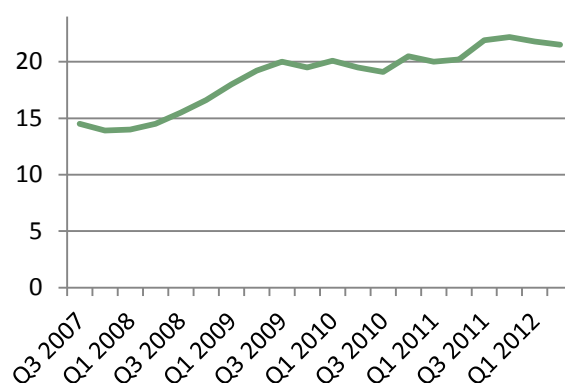
Youth Employment

Youth employment is important for the UK economy. Unemployment between the ages of 16 and 24 in particular can have significantly

damaging effects. Being out of employment or education for six months or more during those years increases the chances of unemployment in later life and incurs greater economic and social costs on the economy, in terms of reduced tax revenue, increased welfare payments etc.

In Q2 2012, the unemployment rate for those aged 16-24 was **21.5%**, the highest comparable rate since records began in 1992. This amounts to almost **1.01million** young people who are able to work but do not have a job.

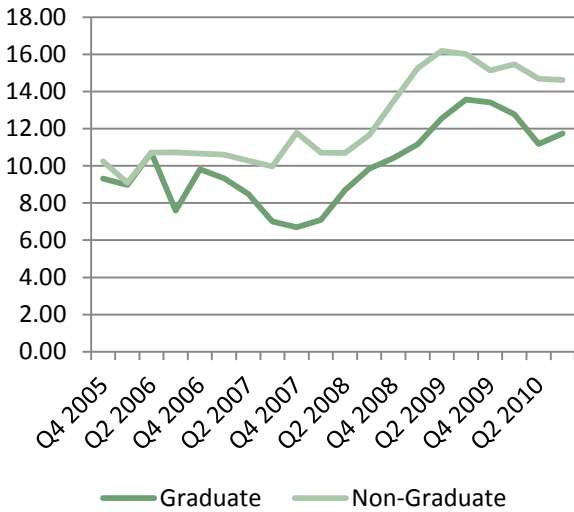
Unemployment rate 16-24 year olds (%)



Of the 7.3million people in the UK aged 16-24 in Q2 2012, 4.24 million were not in full time education. Of those 4.24 million, **713,000** were unemployed, and **723,000** economically inactive. This equates to an unemployment rate among 16-24 year olds not in full time education of **25%**, an increase of 1.2 percentage points from Q1 2012.

Graduates tend to have a lower rate of unemployment than those without a degree. However, the difficulty in finding employment during the economic crisis was not confined to the non-graduate population.

Unemployment rate, 21-24 year olds (%)



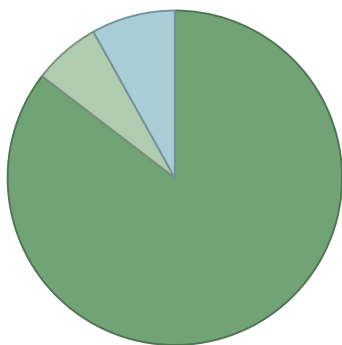
Figures from ONS, Labour Market Statistics: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market> ; and Graduates in the Labour Market: <http://www.ons.gov.uk/ons/rel/lmac/graduates-in-the-labour-market/2011/graduates-in-the-labour-market.html#tab-Graduates-in-the-labour-market>

NEETs

NEET is an acronym for people who are Not in Employment, Education or Training. NEET statistics relating to the age group 16-18 are of particular importance.

At the end of Q2 2012, 10.3% of 16-18 year olds in the UK were NEETs, a 0.5% increase on the previous year's figure of 9.8%.

16-18 Year Olds by Activity, 2011 (est.)



■ Education and Training ■ Employment ■ NEET

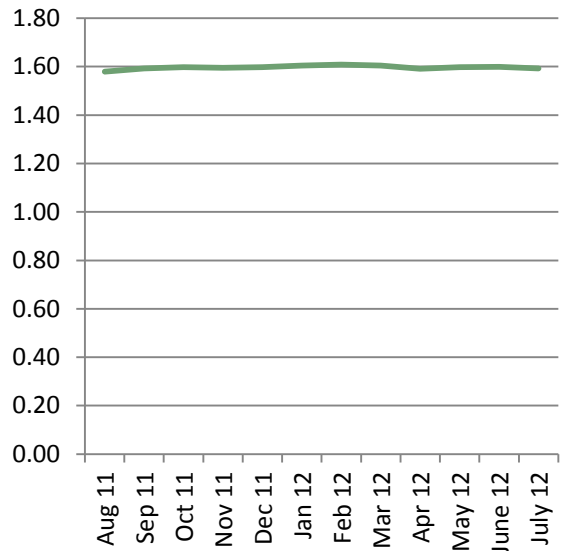
Figures from DfE, NEET Statistics: <http://media.education.gov.uk/assets/files/pdf/s/main%20t%20ext%20sfr122012.pdf>

Claimant Count

The unemployed population that is eligible to claim unemployment benefits is measured using the claimant count. In the UK, the claimant count refers to the number of people who claim Job Seekers' Allowance (JSA).

In July 2012, 1.6million people claimed JSA; a 2% increase from June 2011.

Claimant Count (Millions of people)



The claimant count is sometimes considered an alternative measure of unemployment to the ILO definition. One problem with the claimant count is that it excludes from its measures those people who are unemployed and actively seeking work but who do not qualify for unemployment benefits. In addition, it includes some individuals who are employed, as those who work sixteen hours or less per week may also be eligible for JSA. However, it is only a measure of individuals aged 18-64, as only they are eligible to claim.

Figures from ONS, Labour Market Statistics: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Labour+Market>