



# Labour market

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The labour market is a key part of the economy and long-term trends have major implications not only for the economy but also society more generally. There have been a number of changes in the UK labour market over recent decades including:

- growth in the size of the labour force as the population has increased
- an increase in the proportion of women in the labour market
- a reduction in the size of the manufacturing sector
- recessions in the 1970s, 1980s, 1990s and the recent recession in 2008–09

This Social Trends chapter provides an overview of the labour market in the UK. The majority of the data used come from the Labour Force Survey<sup>1</sup>.

## Key points:

### Employment

- Between 1971 and 2011 there has been an upward trend in the proportion of women in employment and downward trend in employment rates for men
- The employment rate for women rose from 53 per cent in Q2 1971 to 66 per cent in Q1 2011, for men employment rates peaked in Q1 1971 at 92 per cent and decreased to 76 per cent in Q1 2011
- Over the last 15 years there has been a narrowing of the gap in employment rates for women with and without dependent children: the gap in employment rates has narrowed from 5.8 percentage points in Q1 1996 to 0.8 percentage points in Q4 2010
- Between Q2 1992 and Q1 2011 the age group with the largest increase in employment rates was the 50–64 year olds and the largest decrease was in the 16 to 17-year-old age group as an increasing number in this age group continue in education rather than entering employment
- While there was a decrease in employment as a result of the 2008–09 recession, the effect has not been equal across types of employment: there was a decrease in full-time and an increase in part-time employment

### Unemployment

- Unemployment rates in the UK have varied considerably between 1971 and 2011, with high rates in the 1980s and 1990s during and following periods of recession
- During and after the 2008–09 recession unemployment rates were lower than earlier recessions having increased from 5.2 per cent in Q1 2008 to 7.7 per cent in Q1 2011
- While unemployment rates for men and women follow a similar long term pattern, the recessions of the early 1990s and 2008–9 resulted in a smaller increase in unemployment rates for women than for men
- The number of unemployed people per vacancy more than doubled from 2.3 unemployed people per vacancy in March 2008 to 5.1 unemployed people per vacancy in March 2011
- There has also been an increase in the number of households in the UK where no adult has ever worked in recent years: no adult had ever worked in 1.0 per cent of households in 1997 and this had risen to 1.7 per cent in 2010

## Economic inactivity

- Between 1971 and 2011 there has been little change in the proportion of the population aged 16 to 64 in the UK who were economically inactive, varying between 22 and 26 per cent.
- The proportion of women who were economically inactive decreased considerably from 44.5 per cent in Q2 1971 to 29.3 per cent in Q1 2011, and the proportion of men who were economically inactive has increased from 4.9 per cent in Q2 1971 to Q2 17.1 per cent in 2011
- In 2011, men were more likely than women to be economically inactive because they were students (33.3 per cent compared to 19.2 per cent) or long term sick (33.5 per cent compared to 17.2 per cent)
- Women were more likely than men to be economically inactive because they were looking after the family or home in 2011 (35.4 per cent compared to 5.7 per cent)

## The labour market

The labour market involves the interaction of labour demand (the amount of labour firms demand in order to produce goods and services) and labour supply (which is primarily determined by the size of the population). Within the labour market individuals can be classified as either economically active (those who are employed and those who are unemployed) or economically inactive. The definitions of employment, unemployment and economically inactive used by the Office for National Statistics (ONS) to calculate official UK rates and levels are based on the International Labour Organisation (ILO) definitions.

A person is considered to be employed if they are:

- in paid employment at work for at least one hour over the reference week (or temporarily not at work during the reference period but have a formal attachment to their job), or
- in self-employment at work for at least one hour over the reference week (or is a person with an enterprise who is temporarily not at work during the reference period for any specific reason)

A person is considered to be unemployed if they are:

- without a job, want a job, have actively sought work in the last four weeks, and are able to start work within the next two weeks, or
- out of work, have found a job and are waiting to start it in the next two weeks

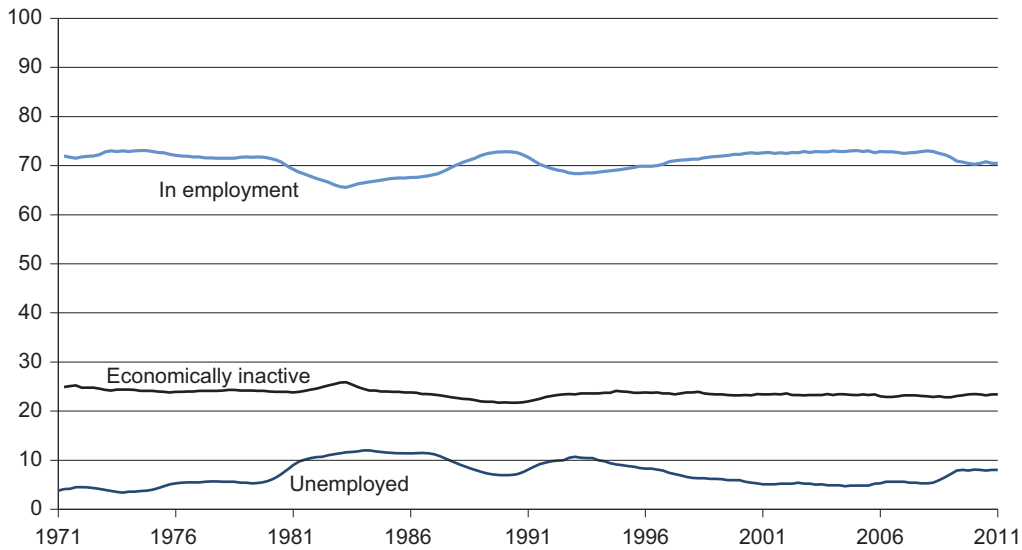
Finally the economically inactive group consists of:

- those people who are out of work but who do not satisfy all of the ILO criteria for unemployment: this is often because they are either not seeking work or are unavailable to start work

As well as being important for the economy, labour market activity is an important part of people's lives. Donovan and Halpern (2002) found that there is a positive relationship between people's satisfaction with their job and their satisfaction with life overall and that unemployment can have a lasting negative impact on people's well-being.

## Figure 1 Economic activity and inactivity rates<sup>1</sup>

United Kingdom  
Percentages



<sup>1</sup> The headline employment and inactivity rates are based on the population aged 16 to 64 but the headline unemployment rate is based on the economically active population aged 16 and over. The employment and inactivity rates for those aged 16 and over are affected by the inclusion of the retired population in the denominators and are therefore less meaningful than the rates for those aged from 16 to 64. However, for the unemployment rate for those aged 16 and over, no such effect occurs as the denominator for the unemployment rate is the economically active population which only includes people in work or actively seeking and able to work.

Source: Labour Force Survey, Office for National Statistics<sup>ii</sup>

In Q1 2011:

- 70.7 per cent of people aged 16 to 64 were in employment
- 7.7 per cent of economically active people aged 16 and over were unemployed
- 23.2 per cent of people aged 16 to 64 were economically inactive

**Figure 1** shows that over recent decades the proportion of people classified as economically active or economically inactive has been fairly stable (varying between 74 per cent and 78 per cent and 22 and 26 per cent respectively). However, there have been changes in patterns of employment and unemployment particularly during the recessions. These changes will be explored further below.

## Employment

### European comparisons

In Q4 2010 the employment rate in the UK was 70 per cent, the seventh highest employment rate amongst the EU-27 countries and 5.5 percentage points above the EU-27 average, as shown in **Table 1**.

Table 1 **Employment rates over the last four years (Q1 2007 to Q4 2010): EU comparison <sup>1</sup>**

	Percentages						
	Q4 2010	Lowest <sup>2</sup>	Highest <sup>2</sup>	Q4 2010	Lowest <sup>2</sup>	Highest <sup>2</sup>	
Austria	72	70 Q1 2007	73 Q3 2008	Lithuania	59	57 Q2 2010	66 Q3 2007
Belgium	63	61 Q3 2009	63 Q4 2010	Luxembourg	65	63 Q4 2008	66 Q3 2010
Bulgaria	59	59 Q1 2010	65 Q3 2008	Malta	56	54 Q1 2007	57 Q3 2010
Cyprus	70	69 Q1 2010	72 Q4 2007	Netherlands	75	74 Q1 2010	78 Q4 2008
Czech Republic	66	64 Q1 2010	67 Q4 2008	Poland	60	55 Q1 2007	60 Q3 2008 Q4 2008 Q3 2010
Denmark	73	73 Q4 2010	79 Q3 2008	Portugal	65	65 Q4 2010	69 Q2 2008
Estonia	64	59 Q1 2010	70 Q3 2008	Romania	58	57 Q1 2010	61 Q3 2007 Q3 2008
Finland	68	67 Q1 2010	72 Q2 2008	Slovakia	59	58 Q1 2010	63 Q3 2008
France	64	64 Q4 2009	65 Q3 2008	Slovenia	66	66 Q4 2010	70 Q3 2008
Germany	72	68 Q1 2007	72 Q4 2010	Spain	58	58 Q1 2010	66 Q3 2007
Greece	58	58 Q4 2010	62 Q2 2008 Q3 2008	Sweden	73	71 Q1 2010	76 Q3 2007 Q3 2008
Hungary	56	55 Q1 2010	58 Q3 2007	<b>United Kingdom</b>	<b>70</b>	<b>69 Q1 2010</b>	<b>72 Q4 2007</b>
Ireland	59	59 Q4 2010	70 Q3 2007				
Italy	57	57 Q1 2010	59 Q2 2008				
Latvia	60	58 Q1 2010	70 Q4 2007	<b>EU-27 average</b>	<b>64</b>	<b>64 Q1 2010</b>	<b>66 Q3 2008</b>

1 Employment rates for 15 to 64-year-olds<sup>iii</sup>.

2 Highest and lowest employment rates and the quarters in which they were observed.

Source: Eurostat<sup>iv</sup>

In Q4 2010, the highest rate of employment was seen in the Netherlands (75 per cent) and the lowest in Hungary (56 per cent). Over the last four years employment rates have varied both within and between countries. Across countries, rates have varied from a low of 54 per cent in Malta in Q1 2007 and a high of 79 per cent in Denmark in Q3 2008. The countries which have seen the largest changes in employment rates within the last four years were:

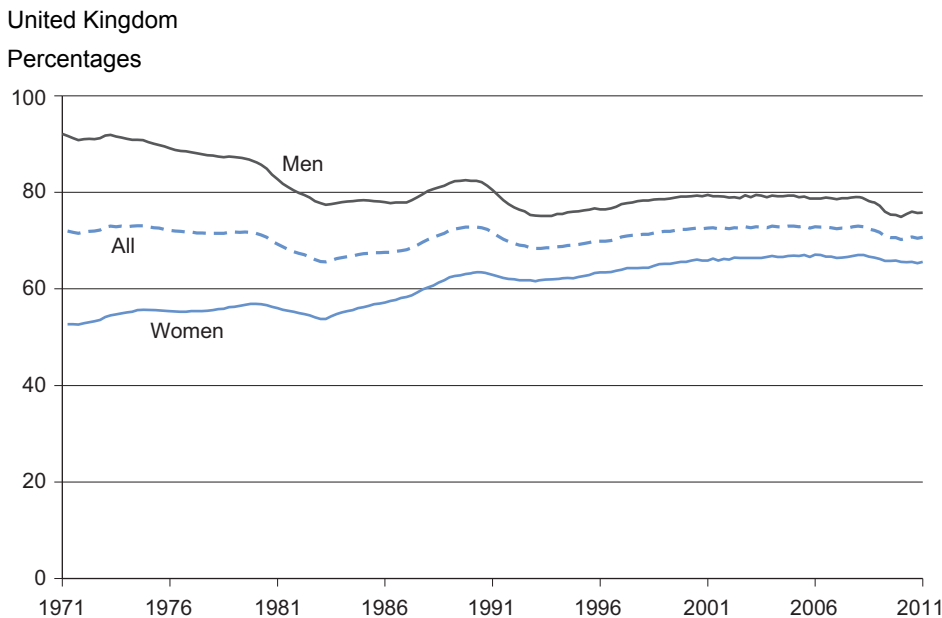
- Latvia with a high of 70 per cent in Q4 2007 and low of 58 per cent Q1 2010
- Estonia with a high of 70 per cent in Q3 2008 and low of 59 per cent Q1 2010
- Ireland with a high of 70 per cent in Q3 2007 and low of 59 per cent Q4 2010

The UK has seen less variation with a high of 72 per cent in Q4 2007 and low of 69 per cent in Q1 2010.

For people aged 16 to 64 employment rates in the UK have varied between 66 per cent and 73 per cent over recent decades, as shown in **Figure 2**. In Q1 2011 there were 28.4 million people aged 16 to 64 in employment, 71 per cent of that age group – a fall of 2.3 percentage points from Q1 2008 (the final quarter before the recent recession). Following the 2008–09 recession the lowest rate of employment was in Q1 2010, at 70 per cent: this was the lowest rate since Q3 1996.

## Differences for men and women

Figure 2 **Employment rates:<sup>1</sup> by sex**



<sup>1</sup> The headline employment rate is the number of people aged 16 to 64 in employment divided by the population aged 16 to 64. Data are seasonally adjusted.

Source: *Labour Force Survey, Office for National Statistics*<sup>1</sup>

There were sustained changes in employment rates for men and women aged 16 to 64 over the period, with an upward trend in the proportion of women in employment and downward trend in employment rates for men:

- the employment rate for women rose from 53 per cent in Q2 1971 to 66 per cent in Q1 2011, slightly below the peak of 67 per cent in Q1 2006
- for men employment rates peaked in Q1 1971 at 92 per cent with a low of 75 per cent in Q1 2010. In Q1 2011 the employment rate for men stood at 76 per cent

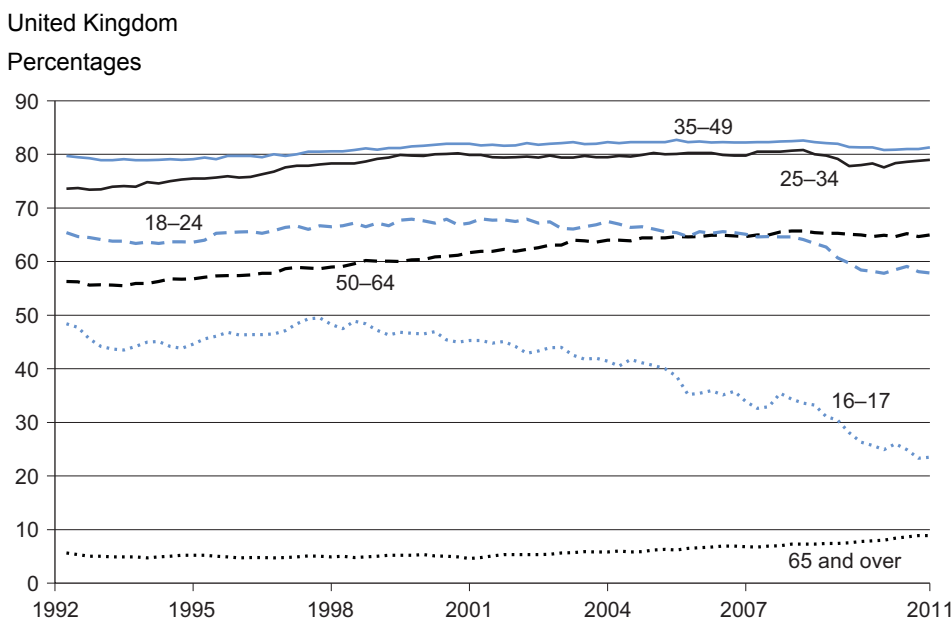


- while the overall trend in employment rates has been upward for women and downward for men, in 2010 the employment rate for men was still 10 percentage points higher than for women

Over the last 15 years not only has there been an increase in the employment rates for all women there has also been a narrowing of the gap in employment rates between women with and without dependent children<sup>vi</sup>. In Q4 2010 the employment rate for women with dependent children stood at 66.5 per cent, while the employment rate for women without dependent children stood at 67.3 per cent. The gap in employment rates has narrowed from 5.8 percentage points in Q1 1996 to 0.8 percentage points in Q4 2010. One factor which has contributed to this narrowing of the employment gap is a slight shift in the age of mothers, with more women having children later in life and older mothers more likely to be in employment (ONS, 2011d)<sup>vii</sup>.

## Employment by age group

Figure 3 Employment rates:<sup>1</sup> by age group



1 The headline employment rate is the number of people in each age group in employment divided by the population in that age group. Data are seasonally adjusted.

Source: Labour Force Survey, Office for National Statistics<sup>viii</sup>

**Figure 3** shows that between Q2 1992 and Q1 2011 there were also changes in employment rates within different age groups, with the biggest changes being seen within the 16 to 17-year-old age group which saw a 24.9 percentage point fall in employment rates and within the 50 to 64-year-old age group, with a 8.7 percentage point increase in employment rates.

The large fall in the employment rates within people aged 16 to 24 may be because a higher proportion of this age group are remaining in education. The rise in employment rates for people aged 50 to 64 may be due in part to activities undertaken under a Public Service Agreement (PSA), agreed by the Labour Government in 2007 (HMT, 2007), to 'maximise employment opportunity for all'. People aged 50 to State Pension age<sup>ix</sup> were identified as a disadvantaged group

group<sup>x</sup> and a performance indicator for this PSA was to narrow the gap between the employment rates for disadvantaged groups and the overall rate for all people.

## Disadvantaged groups

Barrett (2010) found that over the period Q1 1995 to Q4 2009 in the UK:

- employment rates for people aged 50 to State Pension age increased from 62.9 per cent to 71.0 per cent
- employment rates for people aged 25 to 49<sup>xi</sup> increased from 77.5 per cent to 80.2 per cent
- the gap between employment rates for these two age groups fell from 14.6 percentage points to 9.2 percentage points

Barrett (2010) also looked at the other disadvantaged groups in the UK (although start dates for comparison differ due to data availability) and found that gaps in employment rates fell for all disadvantaged groups except for those with low level or no qualifications:

- between Q2 1998 and Q4 2009 employment rates for disabled people increased from 38.3 per cent to 46.6 while for people who were not disabled employment rates fell from 79.6 per cent to 77.6 per cent
- the gap in employment rates between disabled people and people who were not disabled fell from 41.3 percentage points to 31.0 percentage points
- between Q2 1997 and Q4 2009 the employment rate for lone parents increased from 44.6 to 57.3 per cent while the employment rate for all other family types fell from 74.1 per cent to 73.8 per cent
- the gap in employment rates between lone parents and other family types fell from 29.5 percentage points to 16.5 percentage points
- between Q2 2001 and Q4 2009 the employment rate for ethnic minorities increased from 57.2 per cent to 59.6 per cent while for the white group employment rates fell from 75.8 per cent to 74.0
- the gap in employment rates between ethnic minorities and the white group fell from 18.6 percentage points to 14.5 percentage points
- between Q1 1995 and Q4 2009 the employment rate for people with low level or no qualifications fell from 60.1 per cent to 55.8 per cent while for people with higher qualifications employment rates increased slightly from 77.2 per cent to 77.4 per cent
- the gap in employment rates between people with low level or no qualifications and people with higher qualifications increased from 17.0 percentage points to 21.6 percentage points: however, over the same time period the proportion of people with low level or no qualifications fell from 36.6 per cent to 22.7 per cent

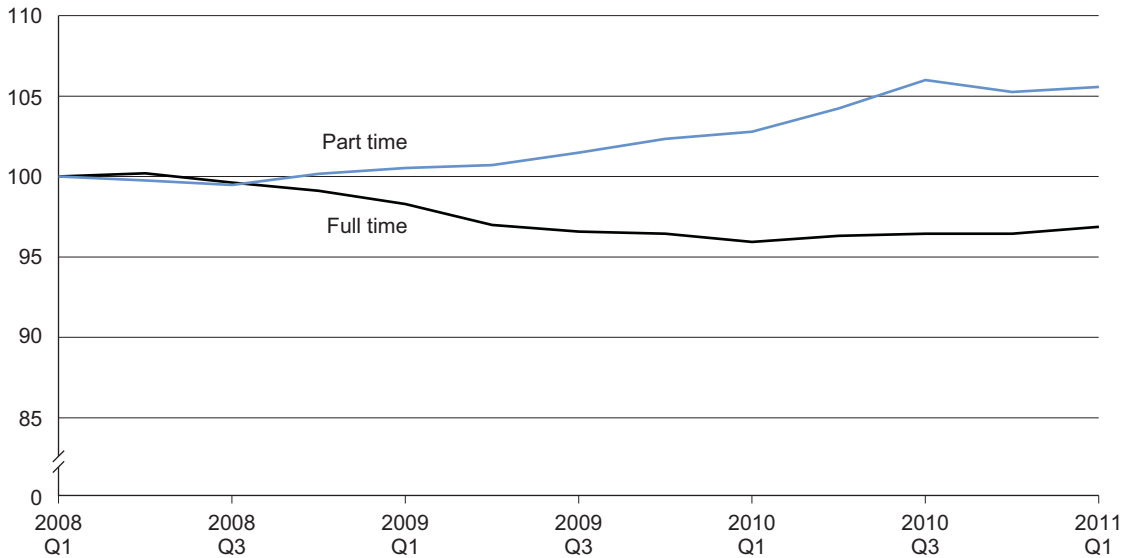
## Working patterns and hours of work

ONS (2011a) suggested that despite the 2008–09 recession the labour market continues to show resilience in overall employment levels but that this masks differing situations between types of workers.

**Figure 4 Full- and part-time employment over the 2008–09 recession**

United Kingdom

Index (Q1 2008 =100)



1 People aged 16 and over. Data are seasonally adjusted.

Source: Labour Force Survey, Office for National Statistics<sup>xii</sup>

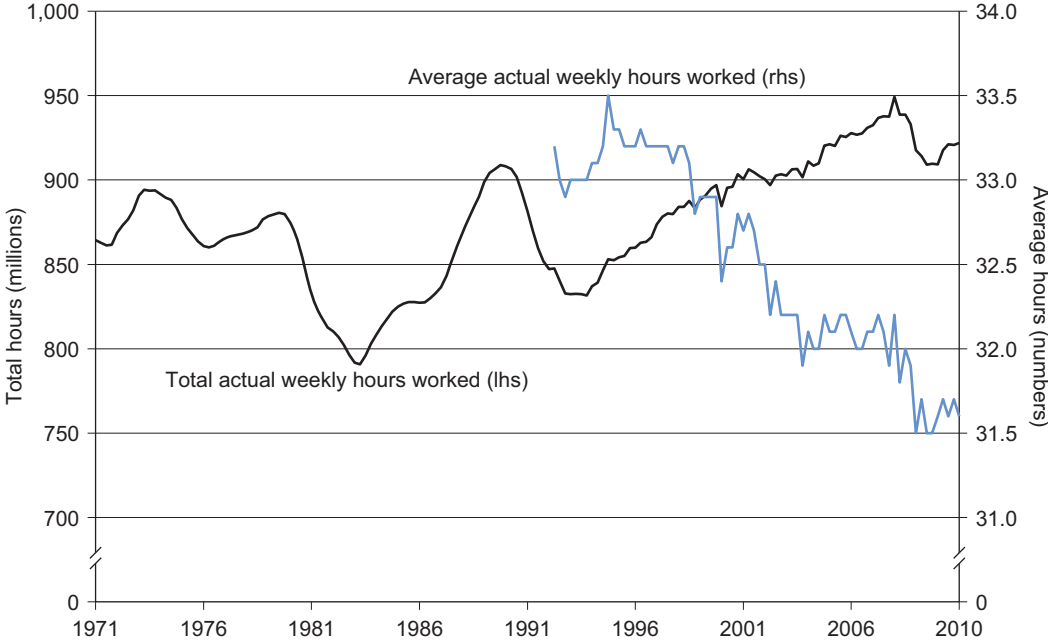
For example employment numbers would mask the changing patterns in full-time and part-time employment over the recession as shown in **Figure 4**. Between Q1 2008 (the last quarter before the recession) and Q1 2011 the number of people in full-time employment fell by 3.1 per cent (689,000 people) but the number of people in part-time employment increased by 5.6 per cent (419,000). Data from the Labour Force Survey suggests that there was an increase over this period in the proportion of people working part-time who wanted to work full-time. Before the recession in Q1 2008, 9.5 per cent of people in part-time work stated that they could not find full-time work. In Q1 2011 this stood at 15.2 per cent.

Stam and Coleman (2010) suggested that the number of hours worked is a more responsive measure of the state of the labour market than employment. In reaction to a fall in demand for their goods and services firms could either reduce the size of their workforce by making people redundant or adjust the number of hours employees work. Reducing hours rather than the number of people employed may be a more efficient way for firms to react to changes in demand, as there are costs associated with making people redundant and firms are likely to have invested in employees, for example through paying for training.

**Figure 5** shows that during the recent recession total actual weekly hours worked by those in employment fell from a peak of 949 million hours in Q1 2008 (the last quarter before the recession) to reach 909 million hours in Q3 2009, a peak-to-trough fall of 4.2 per cent. Employment saw a smaller peak-to-trough fall during the most recent recession. For those aged 16 to 64, employment peaked at 28.8 million people in Q2 2008 (the first quarter of the recession) and fell to 28.0 million in Q1 2010, a fall of 2.7 per cent.

### Figure 5 Total and average weekly hours worked<sup>1</sup>

United Kingdom  
Millions/Units



1 All workers, main and second jobs. Data are seasonally adjusted.  
Source: Labour Force Survey, Office for National Statistics<sup>xiii</sup>

**Figure 5** also shows that the average actual weekly hours worked by individuals has generally shown a downward trend since 1996, reaching around 31 hours and 36 minutes in Q1 2011. This may reflect a rise in the proportion of people working part-time or an increase in the number of people choosing to or having to work fewer hours.

## Industries and sectors

As mentioned in the introduction there has been a big change in the make up of the UK economy over recent decades and this is highlighted in **Table 2**.

**Table 2 Employee jobs:<sup>1</sup> by industry**

United Kingdom							Percentages	
	1979	1989	1999	2008	2009	2010	Change 1979– 2010	Change 2008– 2010
Manufacturing	26.1	19.4	15.5	9.7	9.2	8.9	-17.2	-0.8
Construction	5.9	5.3	4.7	5.0	5.1	4.7	-1.2	-0.3
Total services	62.9	71.9	77.5	83.4	83.7	84.4	21.5	0.9
All industries (millions = 100 per cent)	24.6	24.1	25.1	27.6	27.2	26.7	2.1	-0.9

1 Data are at Q1 each year and are seasonally adjusted.

2 'All industries' covers: agriculture; mining and quarrying; electricity supply; water supply; waster management; manufacturing; construction; wholesale and retail; transport and storage; accommodation and food services; information and communication; finance and insurance; real estate; professional scientific and technological activities; administration; public administration and defence; education; health and social work; arts, entertainment and recreation; and other services.

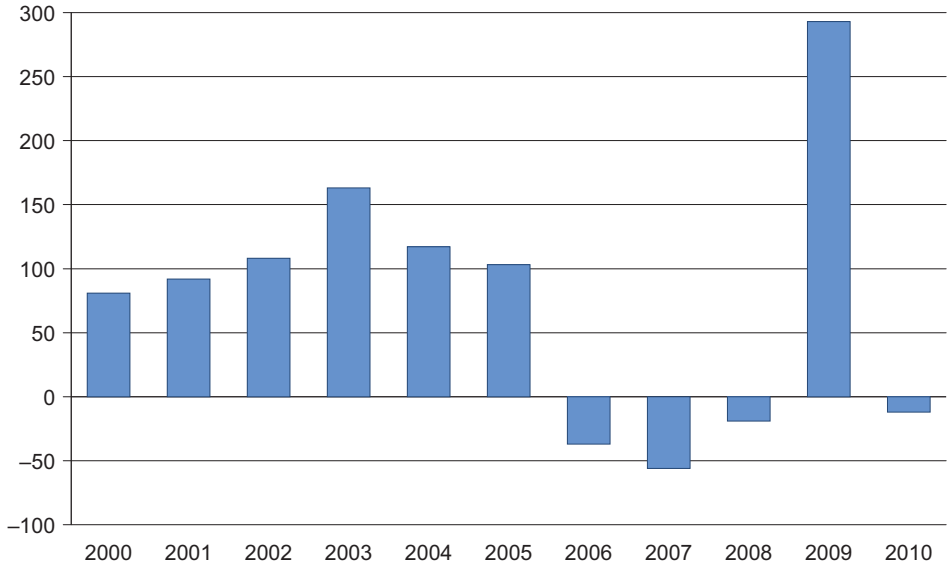
Source: *Short-term Employment Surveys, Office for National Statistics*<sup>xiv</sup>

In Q1 1979 26.1 per cent of jobs were in the 'Manufacturing' industry but this proportion has fallen over the years to reach 8.9 per cent in Q1 2010, a fall of 17.2 percentage points. 'Total services' increased by 21.5 percentage points between Q1 1979 and Q1 2010.

Over the period 1979 to 2010 the total number of employee jobs increased from 24.6 million in 1979 to 26.7 million in 2010. However, between Q1 2008 (the last quarter before the latest recession) and Q1 2010 the number of employees jobs fell by 0.9 million. 'Manufacturing' saw its share of employees jobs fall over this period by 0.8 percentage point, a fall of 296,000 jobs. While 'Total services' saw an increase of 0.9 percentage points in its share of employee jobs it also saw a fall in the number of jobs (515,000).

### Figure 6 Annual change in public sector employment<sup>1</sup>

United Kingdom  
Thousands



<sup>1</sup> Annual changes in headcount of people aged 16 and over.

Source: Labour Force Survey, Office for National Statistics and returns from public sector organisations.<sup>xv</sup>

**Figure 6** shows that initially there was an upward trend in public sector employment from 1999 to 2005 before falling slightly. Public sector employment reached a peak of 6.3 million (22 per cent of total employment) in 2009 primarily because of the reclassification of some banks from the private to the public sector (ONS, 2009). Public sector employment fell by 12,000 between 2009 and 2010.

# Unemployment

Minimising unemployment is seen as a key goal of government economic policy. Rising unemployment has a number of economic costs (Anderton, 2008), including:

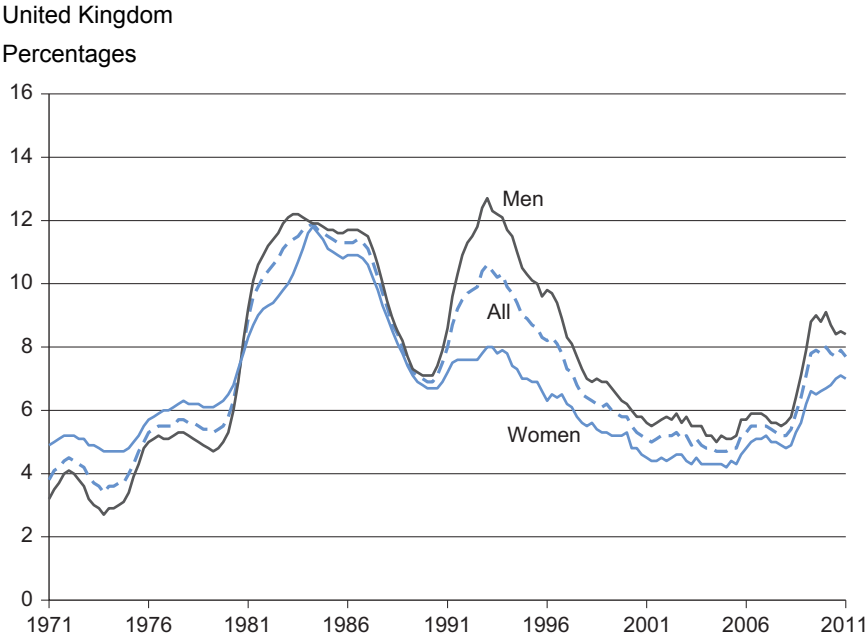
- consequences for government such as increased spending on benefits and a fall in income tax revenue
- costs to society as a whole such as rising inequality; increased risk of crime and family breakdown; and an increased burden on the welfare state which may require higher taxes
- consequences for individuals including loss of income; falls in real living standards; health risks including diet and mental health; and loss of marketable skills when unemployed for a long time.

Donovan and Halpern (2002: 3) found that ‘being out of work is very damaging to your life satisfaction...’ The loss of life satisfaction from the social effects of unemployment is far greater than the loss caused by loss of earnings. In recessions, rising unemployment also affects those who remain in their jobs, reducing their life satisfaction.’

## Changes in unemployment over time

Figure 7 shows patterns of unemployment rates over recent decades. During the most recent recession the headline unemployment rate increased from 5.2 per cent in Q1 2008 (the last quarter before the recession) to a peak of 8.0 per cent in Q1 2010, an increase of 2.8 percentage points. In Q1 2011 the unemployment rate in the UK was 7.7 per cent.

Figure 7 Unemployment rates:<sup>1</sup> by sex



1 The unemployment rate is the number of unemployed people (aged 16 and over) divided by the economically active population (aged 16 and over). The economically active population is defined as those in employment plus those who are unemployed. Data are seasonally adjusted.

Source: Labour Force Survey, Office for National Statistics<sup>xvi</sup>

The recessions of the 1970s, 1980s, 1990s and the recent recession in 2008–09 had different impacts on unemployment. Following the recession in the early and mid 1970s unemployment reached a peak of 5.7 per cent in Q3 1977 and remained around this level until the 1980s recession during which unemployment increased from 5.5 per cent (Q4 1979, the last quarter before the recession) to a high of 11.9 per cent in Q2 1984 (13 quarters after the recession ended), an increase of 6.4 percentage points. Unemployment rates did not recover to the rate seen before the 1980s recession until more than 10 years later in Q2 2000. In the 1990s recession there was a smaller rise in unemployment, from 6.9 per cent (Q2 1990, the last quarter before the recession) to a high of 10.6 per cent in Q1 1993 (6 quarters after the recession ended). Unemployment rates recovered more quickly following this recession, reaching pre-recession levels four and a half years after the end of the recession in Q3 1997.

### Differences for men and women

The impact of unemployment rates during the most recent recession has been different for men and women, as shown in Figure 7. For men the unemployment rate has increased from a pre-recession level of 5.6 per cent in Q1 2008 to a high of 9.1 per cent in Q1 2010 before falling again to 8.4 per cent in Q1 2011 while the unemployment rate for women continued to rise, from 4.8 per cent in Q1 2008 to 7.1 per cent in Q4 2010, falling slightly to 7.0 per cent in Q1 2011.

### Unemployment by age

Unemployment rates also differ by age group.

Table 3 **Unemployment rates:<sup>1</sup> by age**

United Kingdom	Percentages								
	1993	1996	1999	2002	2005	2008	2009	2010	2011
16–17	19.6	18.4	20.4	19.0	22.1	24.2	29.3	35.0	37.5
18–24	17.8	14.6	11.8	10.8	10.4	12.2	16.2	18.0	17.7
25–49	9.1	7.0	5.0	4.1	3.5	3.9	5.5	6.5	6.1
50 and over	8.7	6.3	4.3	3.1	2.8	2.8	4.2	4.6	4.6
16 and over	10.6	8.2	6.2	5.2	4.7	5.2	7.1	8.0	7.7

<sup>1</sup> Data are Q1 and seasonally adjusted.

Source: *Labour Force Survey, Office for National Statistics*<sup>xvii</sup>

As can be seen in **Table 3**, in Q1 1993 people aged 16 to 17 had the highest rate of unemployment (19.6 per cent compared with 10.6 per cent for all those aged 16 and over), while those aged 50 and over had the lowest rate of unemployment (8.7 per cent). This has remained the case over the last two decades. Between 1993 and 2011 those aged 16 or 17 also saw the biggest rise in unemployment, an increase of 17.9 percentage points compared with a fall of 2.9 percentage points for all those aged 16 and over. The age group with the biggest fall in unemployment rates was those aged 50 and over, a fall of 4.1 percentage points between 1993 and 2011.



Unemployment rates increased for all age groups between Q1 2008 (the last quarter before the recession) and Q1 2011. Again the biggest increase was for those aged 16 to 17 (13.3 percentage points) and lowest for those aged 50 and over (1.8 percentage points).

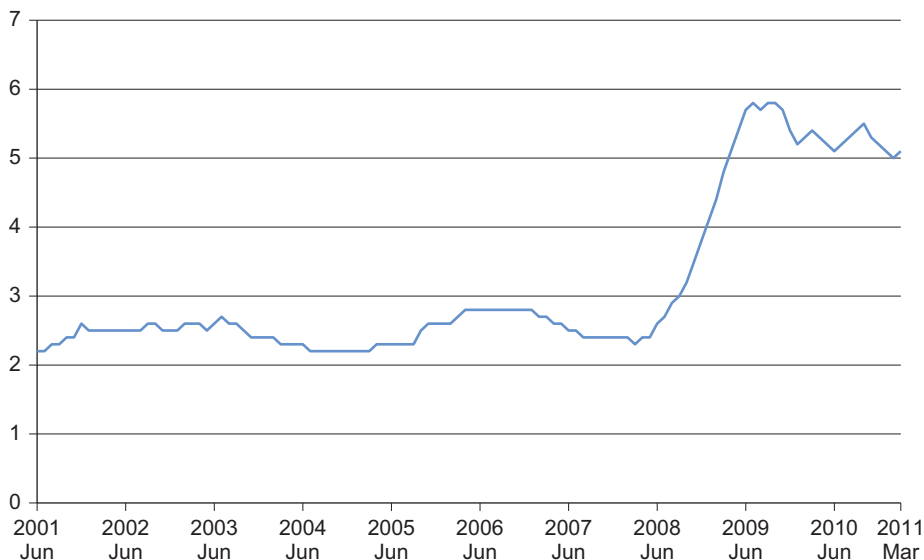
### Graduates and non-graduates

One group for which unemployment has been a particular concern following the recession is new graduates (those who graduated 0 to 2 years ago). ONS (2011b) showed that the unemployment rate for new graduates was 20 per cent in Q3 2010, the highest in over a decade and almost double the rate before the start of the recession. By the end of the recession the unemployment rate for new graduates was 2.3 times higher than for the UK as a whole (18.5 per cent in Q2 2008 compared with 7.9 per cent in Q3 2009). While unemployment rates for those aged 21 to 24 with a degree remained lower in Q3 2010 than for people of the same age without a degree (11.6 per cent compared with 14.6 per cent) the recession seems to have impacted on graduates aged 21 to 24 more than non-graduates aged 21 to 24. Unemployment rates increased by 6.3 percentage points (from 7.2 per cent in Q2 2008 to 13.4 per cent in Q3 2009) for graduates aged 21 to 24 while for non-graduates aged 21 to 24 unemployment rates increased by 5.3 percentage points (from 10.7 per cent in Q2 2008 to 16.0 per cent in Q3 2009)<sup>xviii</sup>.

### Unemployment and vacancies

Figure 8 **Number of unemployed people per vacancy<sup>1</sup>**

United Kingdom  
People



<sup>1</sup> UK excluding Agriculture, Forestry & Fishing. Data are seasonally adjusted.

Source: *Vacancy Survey and Labour Force Survey, Office for National Statistics*<sup>xix</sup>

Over the course of the 2008–09 recession the number of unemployed people per job vacancy more than doubled, as shown in **Figure 8**. In March 2008 there were an average of 2.3 unemployed people per job vacancy; by July 2009 this had reached 5.8 people per vacancy. The number of unemployed people per vacancy decreased to 5.1 in March 2011.

## Duration of unemployment

Stam and Long (2010) used Labour Force Survey data to analyse the effect that an individual's characteristics have on the length of their spell of unemployment and their likelihood of exiting a spell by becoming employed, for people aged 18 to State Pension age between 2006 and 2009. They found that, holding other things equal, the following are more likely to have a spell of unemployment:

- the youngest age group (18 to 24-year-olds)
- people who are not married
- men
- women with dependent children
- people from ethnic minority groups

In terms of the length of the spell of unemployment Stam and Long (2010) found that, compared with the average of 3.7 months:

- people in the youngest age group could expect a spell of unemployment to last 1.3 months less
- males could expect to experience a spell of unemployment to last 1.6 months less
- an individual claiming Job Seekers Allowance (JSA) could expect a longer spell of unemployment (3.8 months longer) than those not claiming JSA, all other things being equal

After controlling for other factors the length of unemployment was found to have a significant impact on the probability of ending the unemployment spell by moving into employment. Those who have the shortest duration of unemployment (six months or less) are most likely to exit unemployment into employment. All other things being held equal<sup>xx</sup>:

- the youngest age group are most likely to find employment
- unemployed men are less likely to find employment than unemployed women
- married people are more likely to find employment than those who are not married
- women with dependent children are less likely to find employment than women without dependent children
- when compared with individuals reporting low levels of qualification (below GCSE level) those with higher levels (at least a GCSE or equivalent) had a higher probability of finding employment
- those claiming JSA were more likely to find employment compared with those who were not. It may be that conditions connected with claiming JSA, such as attending interviews with Jobcentre Plus advisers, encourage unemployed individuals to remain 'attached' to the labour market

## Unemployment and Households

Along with recent increases in unemployment rates there has also been an increase in the number of households in which no one has ever worked. Between Q2 1997 and Q2 2010 the number of households in which no one had ever worked almost doubled from 184,000 to 352,000 households (ONS, 2011c). The 352,000 households where no one had ever worked equated to 1.7 per cent of the households in the UK up from 1.0 per cent in 1997. Excluding student households, where everyone was aged 16 to 24 and in full-time education, there remain 269,000 households where no one has ever worked in Q2 2010. Across the country, the highest proportion was in Inner London

at 6.5 per cent of all households, three times more than the next highest – Outer London at 2.2 per cent. The lowest percentage was in the East of England at 0.5 per cent, followed by 0.8 per cent in the South West and 0.9 per cent in the South East.

As can be seen in **Table 4** the majority of households where no one has ever worked were one-person households followed by lone-parent households (around 39 per cent and 35 per cent of households where no one has ever worked, respectively, increasing to 40 and 44 per cent respectively when student households are excluded). Only 29,000 of the 352,000 households where no one has ever worked were couple households (around 8.2 per cent).

**Table 4** Number of households<sup>1,2</sup> where no one has ever worked: by household type, 2010<sup>3</sup>

United Kingdom	Thousands	
	Households never worked	Excluding student households <sup>4</sup>
Total households where no one has ever worked	352	269
One-person households	138	107
Couple households	29	22
Lone-parent households	124	119
Other households <sup>5</sup>	61	22

1 Households including at least one person aged 16 to 64.

2 A household is defined as having never worked if all members aged 16 years and over are currently not in employment and state that they have never had paid work (apart from casual or holiday work, or the job that they are waiting to begin)

3 Data are Q2 and are not seasonally adjusted.

4 Student households are households where all adults are aged 16 to 24 and in education. Excludes households where all members are in education but some members are aged 25 years and over.

5 Other household types include households that contain more than one family unit.

Source: Labour Force Survey, Office for National Statistics (ONS, 2011c)

In Q2 2010 around 552,000 adults were living in households where no one had ever worked, with a third of these in student households not wanting to work because of their studies. Of the remaining 374,000 adults:

- 68 per cent were not seeking a job and would not like to work
- 16 per cent were not seeking a job but would like to work
- 13 per cent were unemployed, therefore looking for and available to work

There are also around a quarter of a million children under 16 years old, living in households where none of the adults has ever worked (265,000 in all households that have never worked and 258,000 in non-student households) (ONS, 2011c).

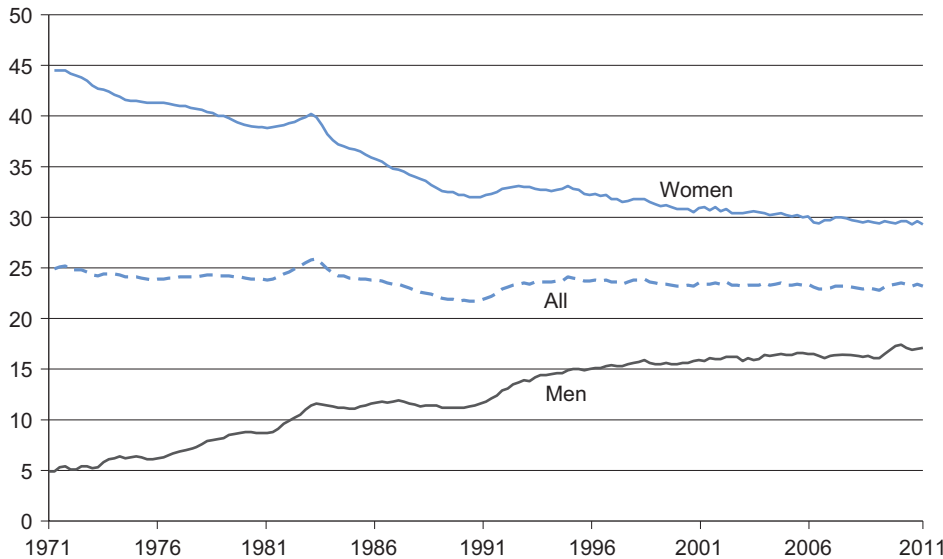
### Economic inactivity

The final category of people to examine in this chapter are those who are economically inactive. Over recent decades the proportion of people aged 16 to 64 who were classified as economically inactive has been relatively stable, varying between a low of 22 per cent in 1990, and a high of 26 per cent in 1983, as shown in **Figure 9**.

### Differences for men and women

**Figure 9 Economic inactivity rates:<sup>1</sup> by sex**

United Kingdom  
Percentages



<sup>1</sup> People aged 16 to 64. Data are seasonally adjusted.

Source: Labour Force Survey, Office for National Statistics<sup>xxi</sup>

While the overall proportion of people classified as economically inactive has been fairly stable the trend by sex is quite different. Between Q2 1971 and Q1 2011 the proportion of women classified as economically inactive fell, from 44.5 per cent to 29.3 per cent, while the trend was the opposite for men, increasing from 4.9 per cent to 17.1 per cent.

## Reasons for inactivity

There have also been changes in the reasons for economic inactivity, as shown in **Table 5**.

**Table 5 Reasons for economic inactivity:<sup>1</sup> by sex**

United Kingdom	Percentages					
	1994	1999	2004	2009	2010	2011
<b>Men</b>						
Students	27.7	25.0	28.0	32.9	34.4	33.3
Looking after family/home	4.7	6.0	6.1	6.2	6.3	5.7
Temporary sick	3.8	2.9	3.1	2.5	2.6	2.2
Long-term sick	39.9	42.8	37.7	34.6	32.5	33.5
Discouraged	3.4	1.6	0.7	1.0	1.2	1.5
Retired	11.1	12.1	12.9	13.2	13.3	13.5
Other	9.4	9.5	11.4	9.5	9.6	10.2
Does not want a job	68.2	67.9	71.0	72.1	69.8	70.1
Wants a job	31.8	32.1	29.0	27.9	30.2	29.9
<b>Women</b>						
Students	11.9	12.5	14.1	17.7	18.8	19.2
Looking after family/home	48.1	40.8	38.7	35.9	35.6	35.4
Temporary sick	1.9	1.9	1.7	1.6	1.5	1.5
Long-term sick	14.6	19.3	19.1	17.8	17.9	17.2
Discouraged	1.4	0.7	0.3	0.5	0.5	0.5
Retired	13.4	15.8	16.7	18.5	18.1	18.3
Other	8.7	9.0	9.4	8.0	7.7	7.8
Does not want a job	75.3	75.7	78.7	78.5	77.2	77.1
Wants a job	24.7	24.3	21.3	21.5	22.8	22.9

<sup>1</sup> Data are Q1 and are seasonally adjusted.

Source: Labour Force Survey, Office for National Statistics<sup>xxii</sup>

Between 1994 and 2011 there has been a fall of 12.7 percentage points in the proportion of women who give 'looking after the family/home' as the prime reason for economic inactivity. Over the same period there was an increase of 7.3 percentage points in the proportion of women giving the reason for economic inactivity as 'student'; those who were retired increased by 4.9 percentage points; and those reporting long-term sickness increased by 2.6 percentage points. For men the biggest increase was in the proportion reporting being students (an increase of 5.6 percentage points); the proportion reporting that they were inactive due to looking after the family/home also increased slightly (by 1.0 percentage point). The proportion of men reporting long-term sickness as

their main reason for economic activity fell by 6.4 percentage points and the proportion reporting that they were 'discouraged' fell by 1.9 percentage points. A discouraged worker is an individual who wants to work but is not looking for a job because of a perceived lack of demand.

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## Notes

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i The Labour Force Survey (LFS) is a quarterly sample survey of about 53,000 households living at private addresses in the UK, representing about 0.2 per cent of the population. The survey asks respondents for information on their personal circumstances and labour market status. The LFS is weighted to provide information that is representative of the UK population. The LFS is conducted using rolling five quarter waves, with each sample household retained for five consecutive quarters, and a fifth of the sample replaced each quarter. The ability to track an individual across quarters produces a rich source of longitudinal data.

ii Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

iii [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_ifs/methodology/definitions](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/methodology/definitions)

iv Data obtained from table lfsi\_emp\_q on [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

v Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

vi Dependent children are all those under 16 and those aged 16 to 18 who have never married and who are in full-time education.

vii A video explaining this story is available at [www.youtube.com/user/onsstats?feature=mhum#p/u/0/D-AOq0ACups](http://www.youtube.com/user/onsstats?feature=mhum#p/u/0/D-AOq0ACups)

viii Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

ix State Pension age is the earliest age you can get your State Pension, but individuals do not have to retire at State Pension age. State Pension age is changing for both men and women. Currently, the State Pension age for men is 65. On 6 April 2010, the State Pension age for women started to increase gradually from 60 to 65, to match men's. The government has announced new proposals for increasing State Pension age which would mean women's State Pension age would increase more quickly to 65 between April 2016 and November 2018 and from December 2018 the State Pension age for both men and women would start to increase to reach 66 by April 2020. The Government is also considering the timetable for future increases to the State Pension age from 66 to 68.

x The disadvantaged groups identified in the Public Service Agreements (PSAs) were disabled people; lone parents; ethnic minorities; people aged 50 to state pension age (at the time this was 64 for men and 59 for women); the lowest qualified (those who have not obtained a minimum of a C grade at GCSE or equivalent); and those living in the most deprived wards (these have not been included here).

xi Due to a large fall in the employment rates for people aged 16 to 24 over the last six to seven years, partly through policies aimed at keeping this group in education, people aged 50 to state pension age will be compared to people aged 25 to 49.

xii Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)



<sup>xiii</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xiv</sup> Data obtained from [www.statistics.gov.uk/STATBASE/tsdataset.asp?vlnk=341](http://www.statistics.gov.uk/STATBASE/tsdataset.asp?vlnk=341)

<sup>xv</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xvi</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xvii</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xviii</sup> A video explaining this story is available at [www.youtube.com/user/onsstats#p/u/8/TS9hwfKxGe0](http://www.youtube.com/user/onsstats#p/u/8/TS9hwfKxGe0)

<sup>xix</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xx</sup> Base categories were as follows:

Characteristic	Base category
Age	35 to 49
Sex	Female
Ethnicity	Not classified as an ethnic minority
Marital status	Unmarried with no dependent children
Education	Below GCSE
Housing	Renting privately
Region	'West Midlands Metropolitan County'
Previous occupation	'Elementary'

<sup>xxi</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)

<sup>xxii</sup> Data obtained from Labour Market Statistics Integrated FR available at [www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1](http://www.statistics.gov.uk/StatBase/TSDTimezone.asp?vlnk=md&Pos=&ColRank=1&Rank=-1)