

(Press Release 26th May 2016)

Analysis of Inequality in the Scottish Labour Market, 2015

The Scottish Government this week published disaggregated labour market statistics for Scotland up to 2015, based on the latest Annual Population Survey.

The analysis below looks at how the Scottish Labour Market performs in terms of equality, with respect to gender, regions (by local authority) and other areas of interest.

Main Findings

Gender

- The gender employment gap for Scotland has fallen considerably since its peak in 2007, down from over 11% to under 6%, a much bigger improvement than has been seen at the UK level;
- This improvement has been driven by an increase in the employment of women aged 50-64, in turn linked to the rise in the UK retirement age.
- Despite this improvement, considerable inequality persists in terms of industries and occupations where women are under-represented, in particular with respect to ‘Managers & Senior Officials’;
- This is despite women having constituted over 50% of University entrants for over 20 years;
- Women also suffer from a pay gap and under-representation at the board of directors level, especially in large private sector companies;
- All this suggests a misallocation of resources across the economy which, if rectified, could lead to faster economic growth;
- Scottish Government measures are in place to help remedy some of this but may not be enough, especially in some of the more traditionally male industries and occupations.

Regions

- The Scottish Government’s ‘Cohesion’ target is “*to narrow the gap in participation between Scotland’s best and worse performing regions by 2017*”;
- This gap has been narrowing in recent years but it remains wider than it was in the baseline year of 2006;
- In recent years Dundee City has replaced Glasgow City as the council with the lowest employment rate;
- The highest employment rates are concentrated in more rural councils and in the North of Scotland, followed by the South of Scotland.

Gender equality

The First Minister has made improving gender equality a high priority for her government. The latest statistics show that, while there is still a lot of room for improvement in a number of areas, much progress has already been made in recent years.

Chart 1 illustrates the gender employment gap for Scotland since 2004. It shows that:

- this has fallen considerably since its peak in 2007, down from over 11% to around 6%;
- this is a much bigger improvement than has been seen at the UK level;
- and means that the differential between Scotland and the UK is now over 4 percentage points in Scotland's favour.

Chart 1:



The main reason for this relative improvement has been the increase in the employment rate for women in Scotland, which, at just over 70%, is now at its highest recorded level. This improvement has been driven by an increase in the employment of women aged 50-64, in turn linked to the rise in the UK retirement age.

However, despite this improvement, key areas of inequality remain, including:

- notable under-representation in Manufacturing, Construction and Transport & Communications sectors, with consequent over-representation in the public services sectors. This pattern is little changed since at least 2004;

- notable under-representation in associated occupations, such as Skilled Trades and Plant & Machinery Operatives, with consequent over-representation in Admin & Secretarial;
- in particular, a continuing under-representation in terms of Managers & Senior Officials.

While the last point probably does not come as a shock, it is increasingly incongruous with the skills levels that exist between men and women across Scotland and the UK.

Analysis of UK statistics for those attending university show that the number of women gaining degree's surpassed the number of men during the 90's and by 2011 they comprised over 55% of such graduates. By 2014-15, 56% of all UK Higher Education (HE) participants were female, while the figure for Scotland was a little higher, at 58%.

Table 1: key gender equality statistics and comparison with 2004

		Male	Female	Difference (M-F)
Employment rates	2004	77.8%	67.7%	10.1
	2015	76.2%	70.2%	6.0
Higher Education proportion	2004-05	41.4%	58.6%	-17.2
	2013-14	42.4%	57.6%	-15.2
Managers & Senior Officials	2004	10.4%	5.9%	4.5
	2015	10.6%	6.6%	4.0
Pay Differential	2004	-	-	11.6%
	2014	-	-	9%

Sources: Regional Employment Patterns in Scotland, 2015; Higher Education Students and Qualifiers at Scottish Institutions 2013-14; ONS, ASHE provisional results 2014.

Bearing in mind the educational advantage that women have, and with it having been the case for getting on for two decades now, it seems odd that this advantage is not better reflected in senior positions throughout the economy.

The situation is even worse with respect to other senior postings like board directors. In 2012 it was estimated that less than 2% of directors at Scotland's top 30 publicly quoted companies were women and in 2014 women accounted for only 17% of board directors of UK FTSE 250 companies (although this was up from 8% in 2011).

A similar problem exists with respect to the gap in gender pay equality, which, although it has been narrowing over time, remains very significant from the age of 35 and over, again failing to reflect the long term positive education differential for Scottish female workers.

Such inconsistencies suggest a misallocation of resources across the economy which, if rectified, could lead to faster economic growth in the longer term. (See the Close the Gap publication - 'Gender Equality Pays', for details of academic estimates of the potential size of such a gain.)

To help counter this gender bias the Scottish Government has made a commitment to have gender equality in public sector boardrooms by 2020 (up from 38% in 2015) and to encourage private and

third sector companies to do likewise. Other initiatives, like ‘Returnships’, may also help, along with the UK Government making it mandatory for businesses of over 250 employees to publish wage data by gender.

However, these initiatives alone may not be enough to fully overcome the cultural barriers still prevalent in traditionally male dominated industries like Construction and Manufacturing.

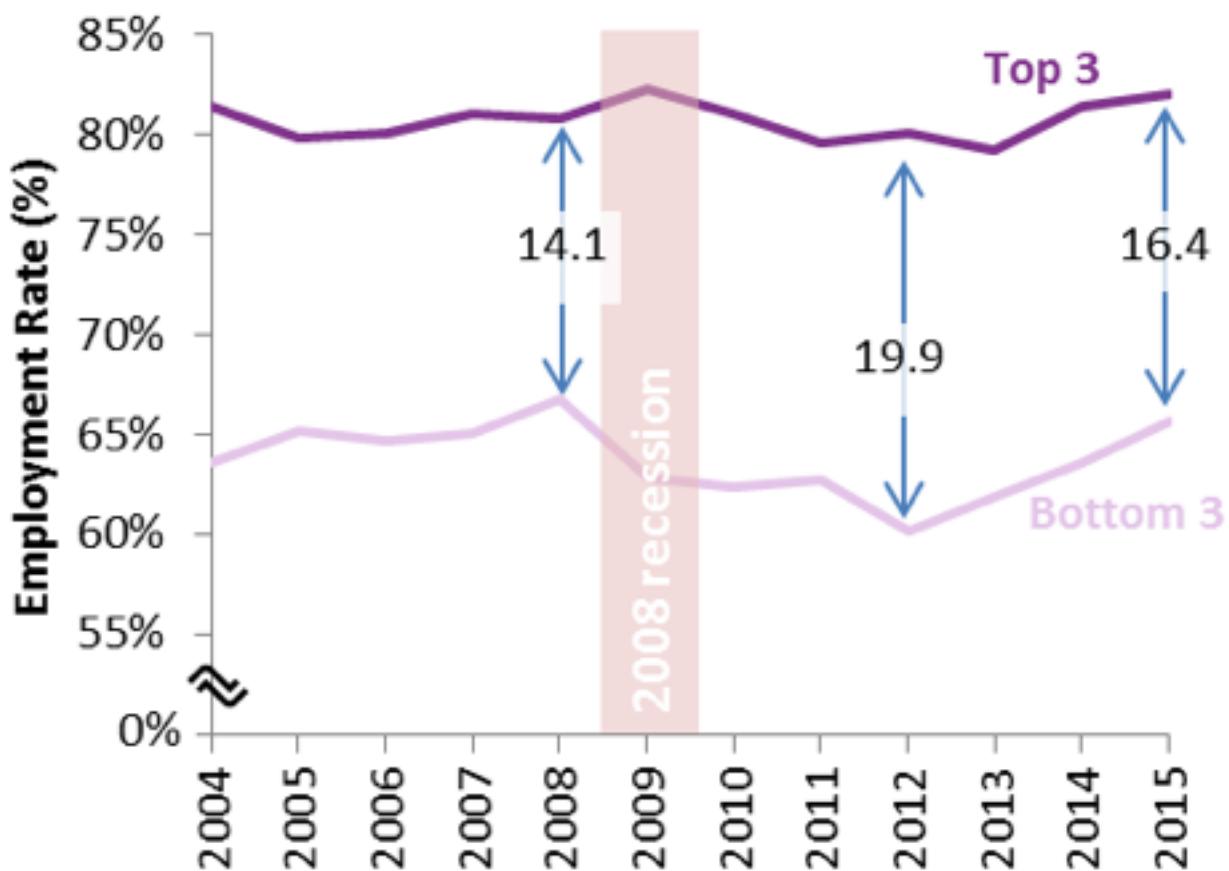
While setting targets for gender balance is one way of improving things, it may be that ingrained working practices mean that the gender based negative drag on the economy from the under utilisation of skills across the workforce continues. As a result other initiatives or legislation may be needed, as well as more research into the reasons behind Northern Ireland’s gender pay gap being in favour of women.

Regional equality

One of the Scottish Governments top priorities is to reduce inequality in its many manifestations. A key target with respect to this (its ‘Cohesion’ target within its overall Purpose Targets that form the primary part of its National Performance Framework) is “*to narrow the gap in participation between Scotland’s best and worse performing regions by 2017*”.

Chart 2 shows that while the gap has been narrowing in recent years it remains wider than it was in the baseline year of 2006. As such the jury remains out over whether the Scottish Government has been successful in this area of inequality.

Chart 1



Furthermore, problems remain with respect to specific local councils. For example:

- the employment rate in Moray, Dundee City and North Ayrshire has fallen by 5 percentage points or more since 2008 (compared to a Scottish average of -0.5%);
- the employment rate in West Lothian, Stirling and North Ayrshire has fallen by 4 percentage points or more in the last year alone (compared to a Scottish average of +0.5%);
- in contrast, large gains in the employment rate have been seen in the Shetlands, Clackmannanshire and Highland in the last year;
- due to its worsening performance Dundee City now has the lowest employment rate (63.3%), whereas back in 2008 it was Glasgow City;
- the Shetland Islands continues to have the highest employment rate (87.3%), followed by the Orkney Islands, Highland, Aberdeenshire, Perth & Kinross, Western Isles, Aberdeen City, then by South Lanarkshire and the Scottish Borders (76.2%). As such, more northerly and more rural councils are performing best in employment terms.

Other Labour Market issues

- A record employment level for Scotland was recorded in 2015, although the employment rate still remains below its 2008 peak.
- The increase in employment seen in 2015 was driven by the public sector. However, since 2008 the net increase has been due to rising private sector employment (+47,500) more than offsetting a fall in public sector employment (-21,300). However, this overall rise in private sector jobs has comprised a big rise in part time jobs and a small fall in full time jobs.
- The overall employment rate for the UK rose by more in 2015 than it did for Scotland and is above the rate seen for the UK in 2008.
- Economic inactivity levels have fallen by 3,400 since 2008, with a growing number of inactive students (+42,900) being more than offset by a growing number of active ‘retired’ (-15,500), ‘long term sick/disabled’ (-26,200) and those ‘looking after family/home’ (-18,300).

Quotes:

“Inequality in Scotland’s labour market continues to fall in terms of gender imbalance but a lot still remains to be done in order for women’s skills to be both recognised and utilised in a way that reflects fairness and acts as a boost to the economy. This is best exemplified by the high ratio of women in Higher Education contrasting with the low ratio of women in senior postings.”

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