

IES Labour Market Overview 2007

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IES is an independent, apolitical, international centre of research and consultancy in HR issues. It works closely with employers in all sectors, government departments, agencies, professional bodies and associations. IES is a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and HR planning and development. IES is a not-for-profit organisation.

The IES HR Network

This report is the product of a study supported by the IES HR Network, through which members finance, and often participate in, applied research on employment issues. Full information on Network membership is available from IES on request, or at www.employment-studies.co.uk/network.

Contents

1	Introduction	1
2	Labour supply	2
3	Profile of UK employment	15
4	Working arrangements	24
5	Earnings in the UK	30
6	Education and training	37
7	Migrant labour	42
8	Ten key facts	46

Introduction

This overview has been produced as part of the IES mission to increase understanding and best practice in the labour market through the dissemination of knowledge. It aims to provide employers with an at-a-glance picture of the state of the UK labour market in 2007, covering six themes.

- The **labour supply** information will be of interest to anyone who wants to know how many workers are out there and the size of potential pools of labour.
- The **profile of UK employment** gives a picture of the relative sizes of sectors and occupations as well as showing which are set to grow and which are in numerical decline.
- Information on **working arrangements** part-time work, temporary work, extra long hours – illustrates the diversity of ways paid work is organised.
- **Earnings in the UK** will be of particular interest to anybody involved in setting pay scales, negotiating an increase, or scratching their head about how to recruit more graduates or older workers.
- The **education and training** information summarises the skills level of the UK workforce and which groups participate in work-related training.
- Finally, we present some topical statistics on **migrant labour**, which is a large and growing segment of the labour market.

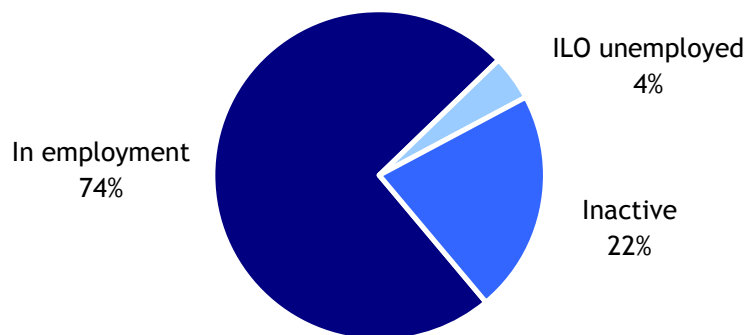
Unless otherwise stated, all figures are derived from quarter one of the 2007 Labour Force Survey. We hope you will read this overview with interest and would welcome any suggestions for further information that would be useful to you in your human resources management and strategies.

Labour supply

There were nearly 37 million people of working age in the UK in the first quarter of 2007. Almost three quarters of these were in employment. Of the remainder, only a small proportion are classed as 'ILO' unemployed, meaning that they were looking for work and ready to start a new job in the survey's reference week.¹ Many more people are classed as inactive, and are not currently looking for work, often as a result of health issues, caring responsibilities or lifestyle choices.² This section takes a closer look at these three degrees of proximity to the labour market.³

Employment, unemployment and inactivity compared

Labour lost: one in five inactive

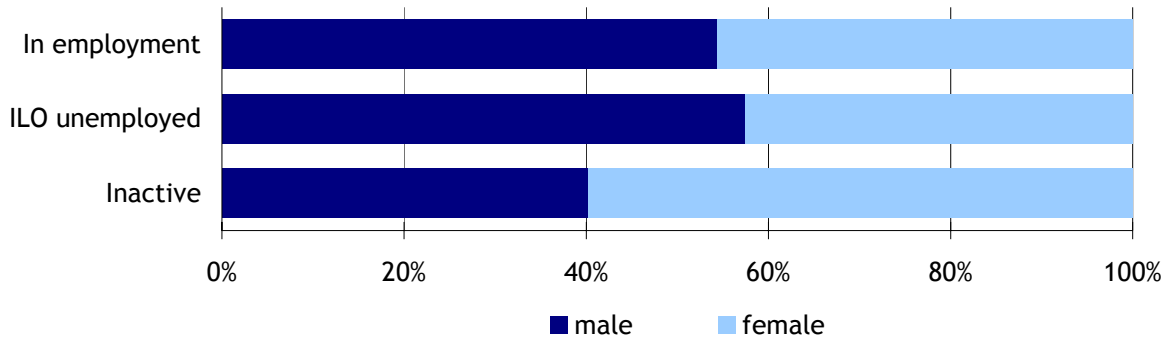


Source: Quarter One, Labour Force Survey 2007

- ¹ International Labour Organisation. 'ILO' unemployment is typically higher than estimates (previously used by government) of unemployment based on benefits claims (only 2.9 per cent in quarter one of 2007).
- ² Even those who are actively looking can still be classed as inactive if they are not ready to take a new job (parents without access to childcare, for example).
- ³ The potential workforce is defined here as all people between the ages of 16 and the standard retirement ages of 60 for women and 65 for men.

There are slightly more men than women overall in the working population. By contrast, the unemployed are more likely to be men, while the inactive are more likely to be women.

Most inactivity female



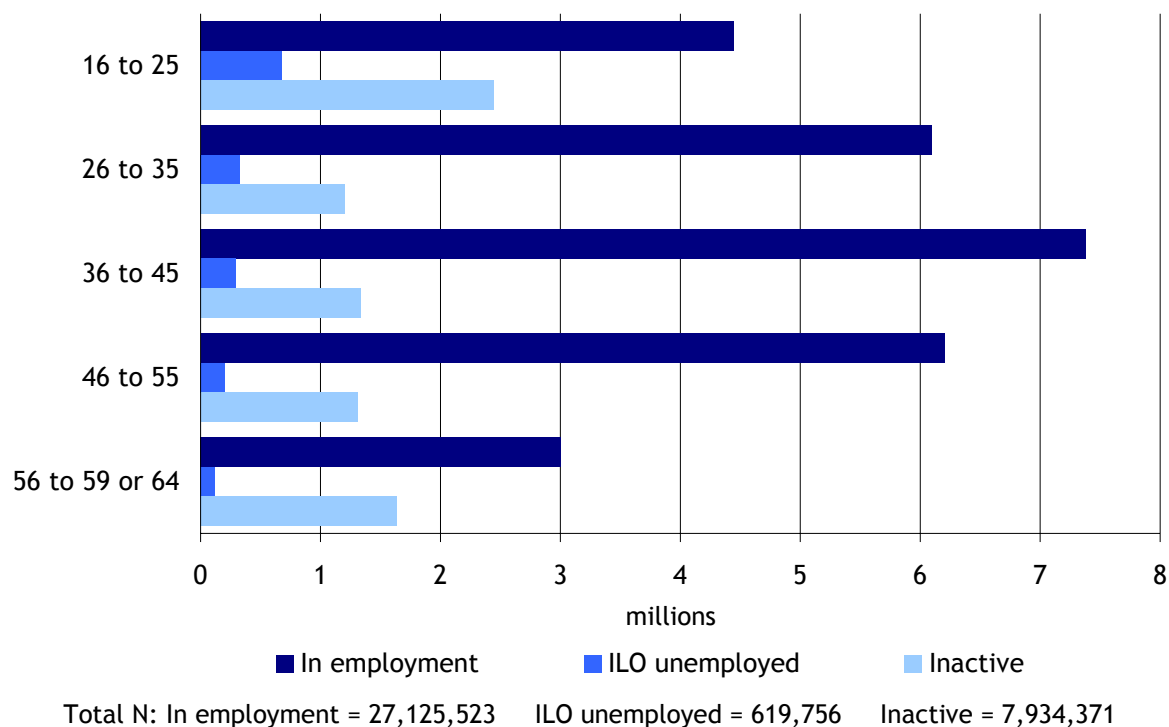
Source: Quarter One, Labour Force Survey 2007

The core years of working life extend from the late twenties to the late forties and these are the age bands with the bulk of the UK’s working population. The ranks of the unemployed are heavily dominated by the young; over two in five unemployed are below 26 years of age (nine per cent of this age group are unemployed). This means there is a steady supply of younger jobseekers available to the economy. By contrast, only one in five jobseekers is aged 46 or above. However, it must be remembered that young people tend to move jobs more often than older workers and we would therefore expect more of them to be unemployed, although much of this unemployment is frictional, as they move between jobs.

However, the pool of inactive, potential labour is ‘older’, so there are older recruits out there for companies with the right strategies to attract them. Some of these potential workers may have taken early retirement or lost their jobs in declining industries and chosen not to retrain for a new career. There has also been recent scrutiny of the numbers claiming incapacity benefit, which may mask what is essentially unemployment by another name.

Strategies aimed at recruiting older workers may need to look beyond existing workers and jobseekers, and appeal more broadly to those who could be encouraged to return to the labour market by innovative recruitment and working arrangements. Flexible working, workplace adaptations for disabilities, training for basic IT skills, and a positive outlook on the skills and experience of women who have taken time out of the labour market to raise families could all have a role to play.

Unemployed are young, inactive are old

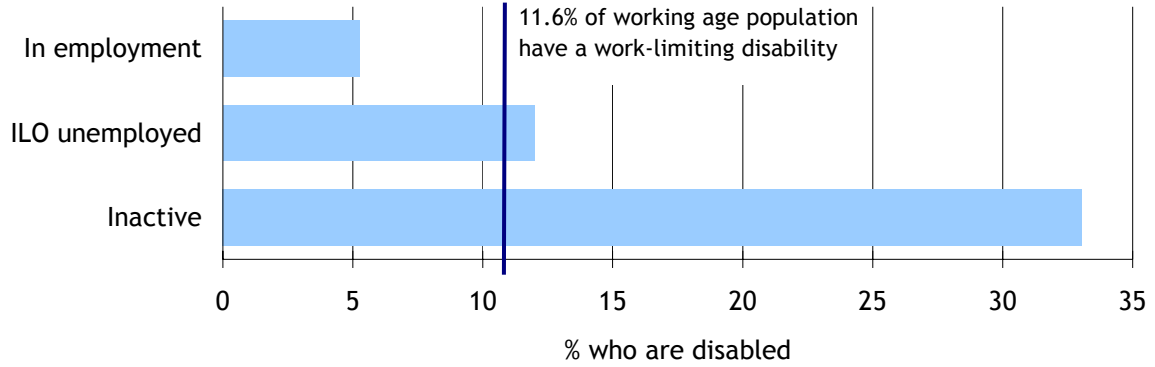


Source: *Quarter One, Labour Force Survey 2007*

In terms of ethnicity, the workforce is overwhelmingly white, as is the potential workforce of unemployed and inactive people (more than 91 per cent of workers describe themselves as white). The next largest group is 'Asian or Asian British', standing at four per cent of the workforce. However, Asians are over-represented among the ranks of the unemployed and the inactive (accounting for around eight per cent of both categories). Ongoing IES research is looking into the complex reasons why Pakistani and Bangladeshi women are at particular risk of exclusion from the labour market.

Only a third of disabled people of working age are in work; 62 per cent are inactive and a further five per cent are unemployed. Of the working age population, 11.6 per cent have a work-limiting disability and/or are considered disabled under the terms of the Disability Discrimination Act (DDA). All things being equal, they would make up 11.6 per cent of the workforce, of the unemployed and of the inactive. Instead, they are under-represented by a factor of two in employment and over-represented by a factor of three in inactivity. Many of the disabled in employment have more easily managed conditions such as diabetes and hearing impairment.

Workforce excludes disabled



Source: Quarter One, Labour Force Survey 2007

Self-employment

Of the 27 million workers in employment in the UK, the vast majority are employees, but there are also significant numbers of self-employed. The self-employed are predominantly men, with women making up only 26 per cent of the total. The ethnic profile of self-employment is broadly consistent with that of the country as a whole, with Asians slightly over-represented and black British somewhat under represented. Some of these will be running their own businesses. The 2005 Small Business Survey, conducted by IES, found that around seven per cent of small businesses had a majority of ethnic minority owners, partners or directors.¹

One in eight workers is self-employed

	Frequency	%
Employee	23,508,370	86.7
Self-employed	3,449,091	12.7
Government emp & training programmes	101,471	0.4
Unpaid family worker	66,591	0.2
Total	27,125,523	100.0

Source: Quarter One, Labour force survey 2007

¹ Small Business Service (2006), *Annual Survey of Small Businesses: UK 2005*, produced by IES.

Self-employment may be an attractive option for many workers in trades and professions, although this tends not to be younger workers who are still building up their 'human capital'. Self-employment and entrepreneurship can be rewarding in terms of non-financial benefits such as discretion over working patterns and the absence of supervision. It is also, however, inherently more risky than standard employment, and the evidence on financial benefits suggests that it is often less well remunerated.¹

Age profile of self-employed

Age range	Self-employed	Self-employed (%)
16–25	191,377	5.5
26–35	639,217	18.5
36–45	1,039,978	30.2
46–55	946,606	27.4
56–59 or 64	631,913	18.3
Total	3,449,091	100.0

Source: *Quarter One, Labour Force Survey 2007*

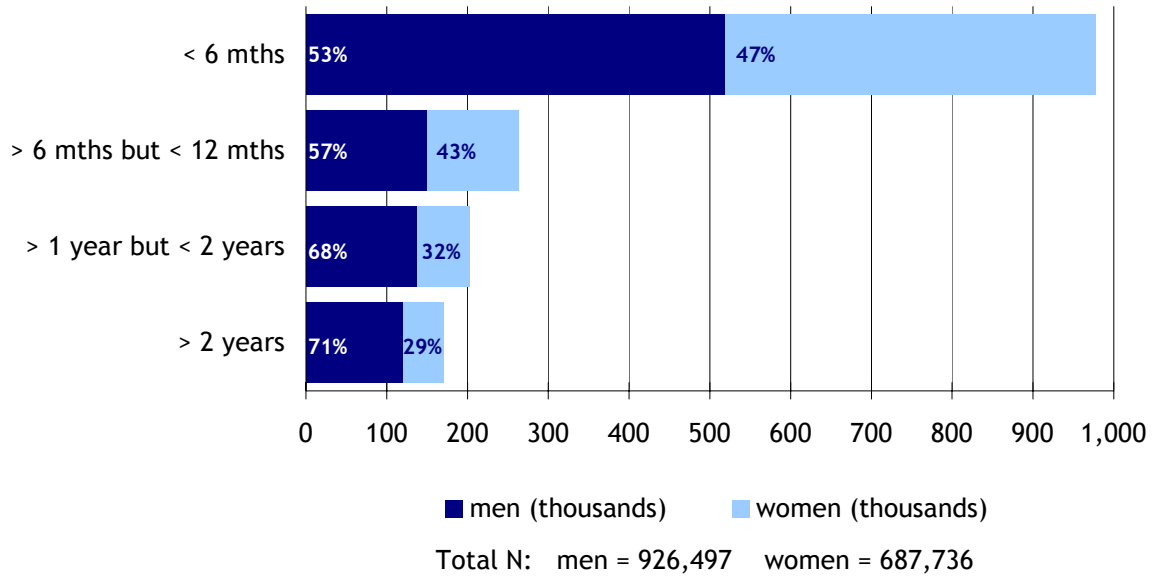
Unemployment

There were 1.6 million unemployed in the UK in the first quarter of 2007 according to the ILO definition. Following two years of unemployment increases that saw a 21 per cent rise from 1.4 million in the first quarter of 2005 to 1.7 million in the third quarter of 2006, early indications are that unemployment has peaked, although everything still depends on the strength of the economy going forward. Of the 1.6 million unemployed, 60.6 per cent had been out of work for less than six months at the time of the survey. There will always be a residual level of unemployment of this type representing time spent between jobs, sometimes termed 'frictional' unemployment. Of more concern for both policymakers and employers are the 636,000 who have been out of work for longer periods. This figure has fallen along with overall unemployment since the peak in early 1993 when unemployment was over three million and unemployment over six months was 1.8 million.

Men form the majority within each duration of unemployment, in proportion with their weight within the workforce overall. However, they are disproportionately over-represented in the figure for longer-term unemployment with durations exceeding one year.

¹ Meager N, Bates P, Cowling M (2003), An Evaluation of Business Start-up Support for Young People. *National Institute Economic Review*, 186 (4), 59-72.

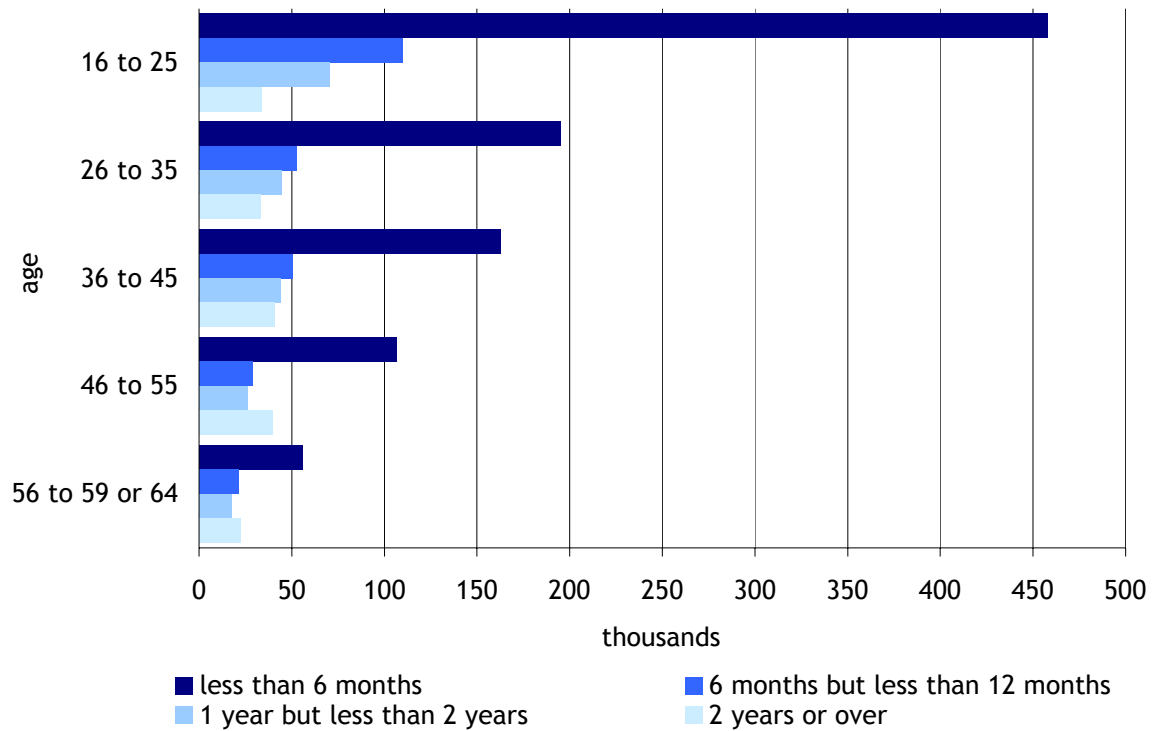
Long-term unemployed overwhelmingly male



Source: Quarter One, Labour Force Survey 2007

Under 26s made up almost half of short-term unemployment in the first quarter of 2007. Older workers are under-represented in all categories of unemployment, though this is less stark for the longer durations.

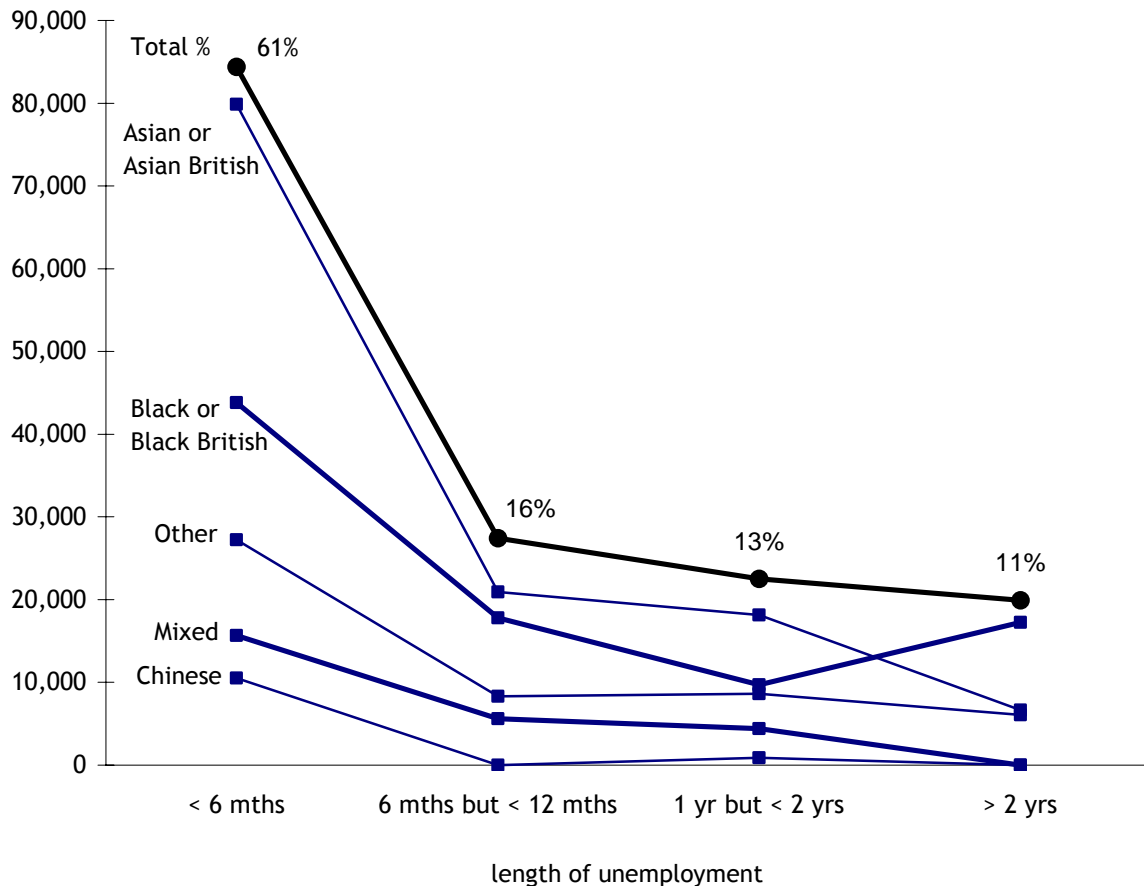
Short-term unemployment concentrated among the young



Source: Quarter One, Labour Force Survey 2007

Of the 1.6 million unemployed in the UK, only 300,000 are non-white. The graph below shows an overall pattern of most people concentrated into short duration unemployment. This pattern is replicated along ethnic lines with the exception of black/black British, where a disproportionate number are in very long-term unemployment of greater than two years in duration.

Black/black British overrepresented among long-term unemployed

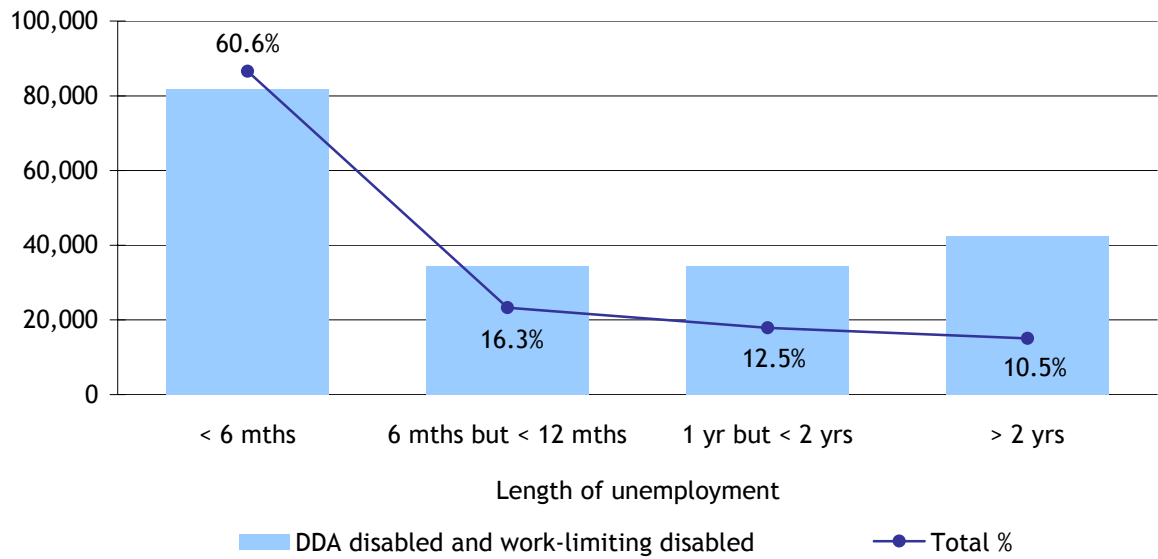


Source: Quarter One, Labour Force Survey 2007

The disabled are over-represented at all levels of unemployment, but most particularly in unemployment of over two years' duration, where they make up a quarter of the total.¹

¹ See Meager N, Wilson S, Hill D, IES Working Paper: *ICT Strategy, Disabled People and Employment in the UK*, March 2007 for a review of how employers can use IT to help people with disabilities into work. Available from www.employment-studies.co.uk.

Disabled also over-represented among long-term unemployed



Source: Quarter One, Labour Force Survey 2007

In terms of qualification levels, it is clear that the unemployed population is principally a low-skilled segment of the potential workforce. People with qualifications above school level make up less than 15 per cent of the total.

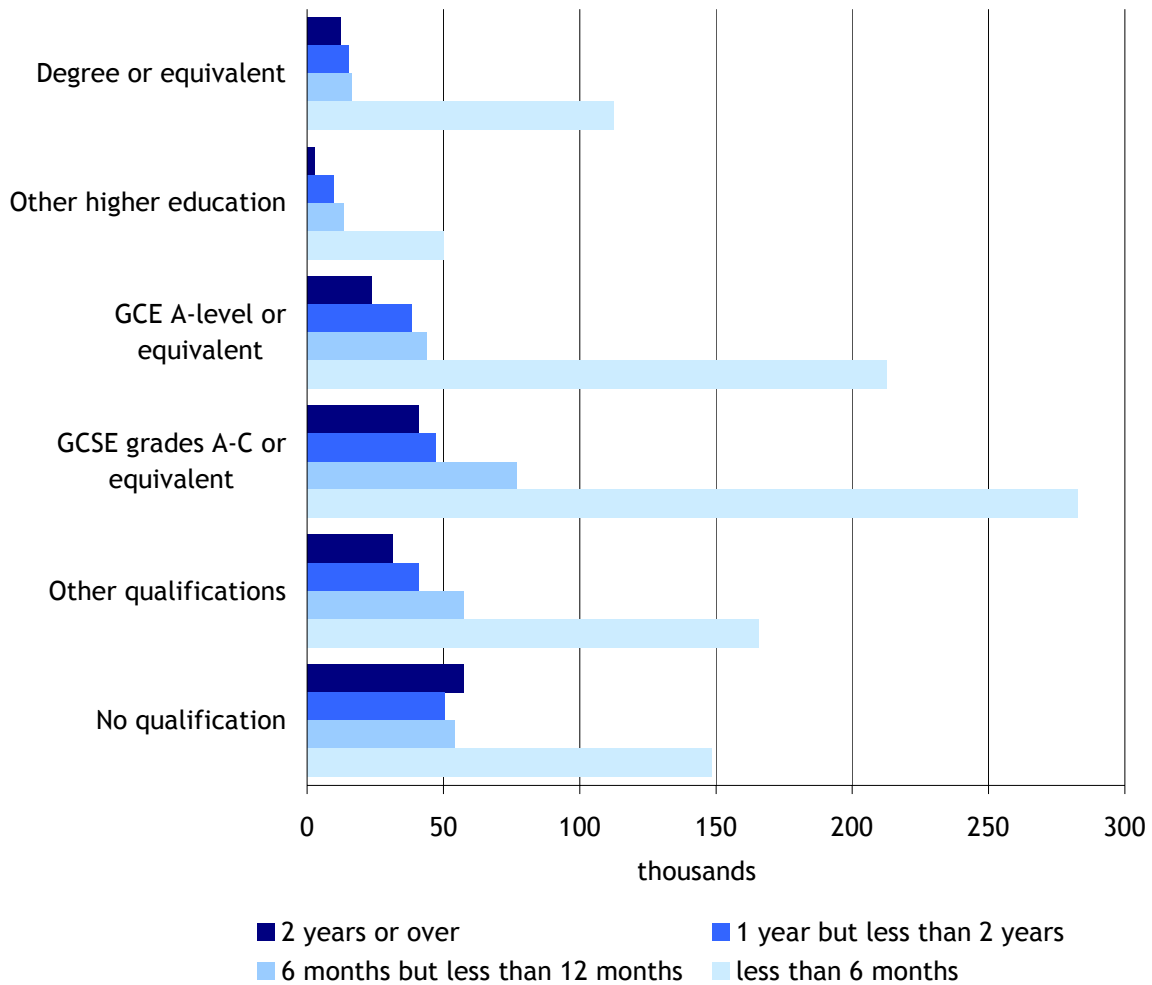
School qualifications do not protect from unemployment

Qualification level	% within total unemployment
Degree or equivalent	9.7
Other higher education	4.7
GCE A Level or equivalent	19.7
GCSE grades A-C or equivalent	27.7
Other qualifications	18.3
No qualification	19.2
Don't know	0.6
Total	100.0

However, it is in duration of unemployment experienced that people with different levels of qualifications differ most.

At all qualification levels, people generally only experience short spells of unemployment. However, the unqualified and those whose highest qualifications are GCSEs or equivalent are more likely to experience lengthier spells.

Longer spells of unemployment for the unqualified

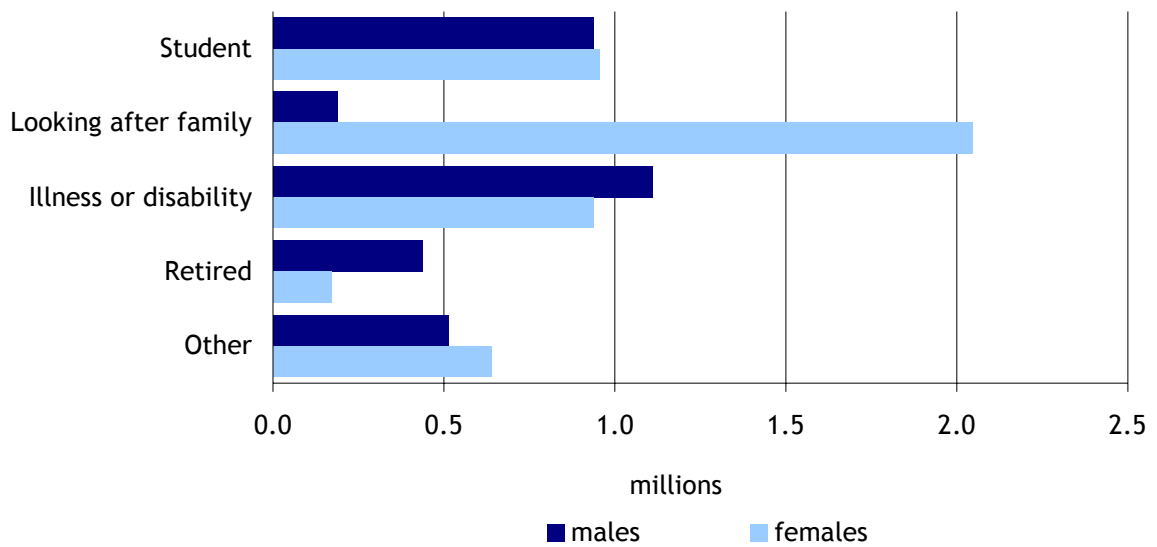


Source: Quarter One, Labour Force Survey 2007

Inactivity

The total inactive population has fluctuated between 17 and 18 million since 2001. The graph below illustrates that broadly similar numbers of men and women are outside the labour market for the purposes of study, due to illness or for other reasons. However, there are more than ten times more women than men taking time out of the labour market to look after family. Conversely, there are two-and-a-half times more retired men below 65 than there are retired women below 60.

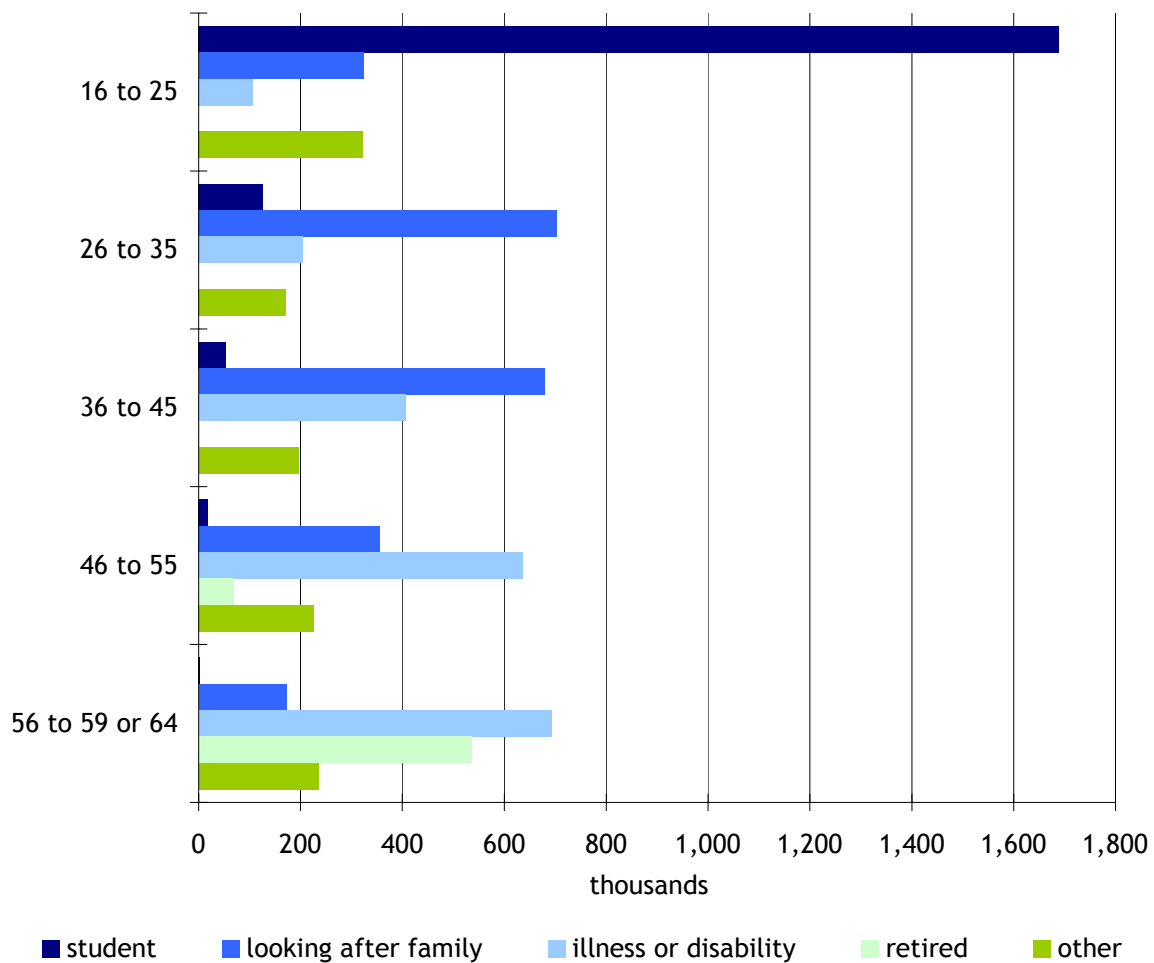
Causes of inactivity – women look after family, men retire early



Source: Quarter One, Labour Force Survey 2007

As might be expected, most of the people taking time out of the labour market to study are below 26, and there are many more older people not in touch with the labour market for reasons of ill health. Retirement really kicks in in the late 50s, although some do retire earlier. The bulk of those looking after families are 26-55 years of age, but there are also a large number of people aged 16-24 who are out of the labour market for this reason.

Age of inactivity



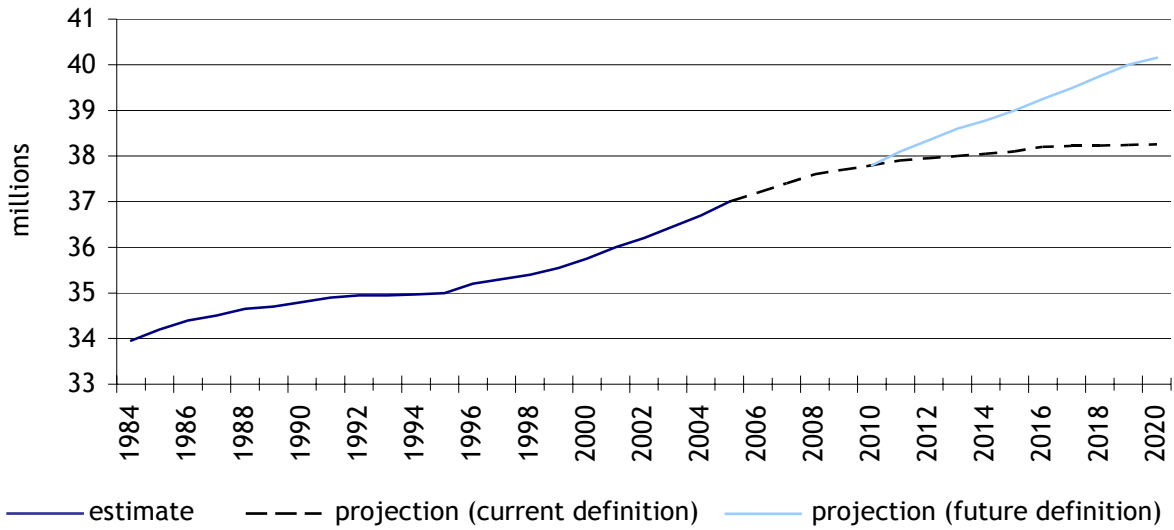
Source: Quarter One, Labour Force Survey 2007

What does the future hold?

According to the Government Actuary Department and National Statistics¹, the working age population is set to continue to rise quite steadily over the next decades. In addition to the effect of net inward-migration and natural population growth, the labour force will gradually be boosted between 2010 and 2020 by the equalisation of the retirement ages for men and women at 65. There is also a likelihood that the retirement age of 65 for men will be raised as a consequence of increased life expectancy.

¹ Madouros V (2007), *Labour Force Projections 2006-2020*, Office for National Statistics

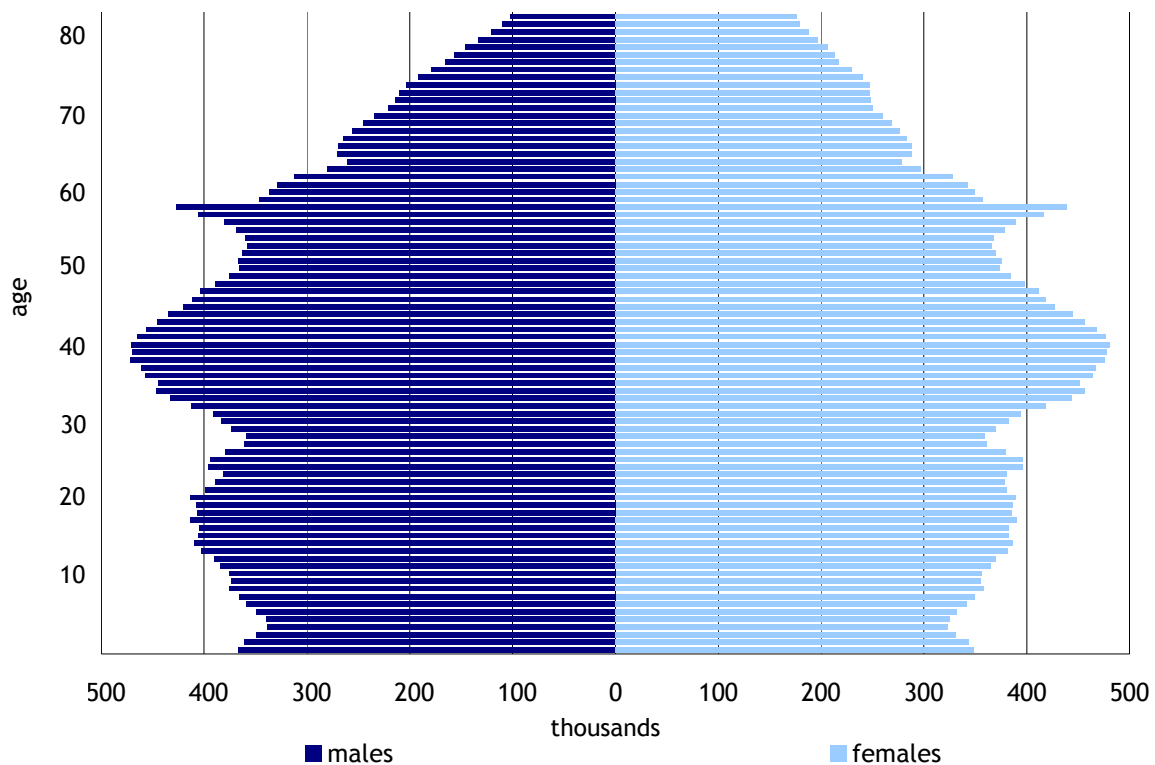
Working-age population set to expand



Source: Labour Force Projections 2006-2020

National Statistics also predict continued falls in the activity rates of ‘prime age’ (25-49) men from around 92 per cent today to around 90 per cent in the future. This is based on the extrapolation of existing trends and on the changing profile of the economy, with traditionally ‘male’ sectors continuing to decline by comparison with traditionally ‘female’ sectors. The rising trend of women’s activity rates will also be continued, but at a lower rate than in recent years. Both older men and older women are forecast to have higher activity rates in future years, converging to rates in the high 70s in 2020. The net result of all this is that by 2020 we can expect an economically active population (including the unemployed) of 32.1 million, up by over three million on today. This population will be markedly older than it is today. This can be seen most clearly on the following graph from National Statistics showing the existing population profile: every year, the post-war baby-boomers get closer to retirement age and the 1960s baby-boomers get closer to their 50s, the age at which inactivity starts to rise.

Population set to age over the next two decades



Source: www.statistics.gov.uk/CCI/nugget.asp?ID=6

This ageing trend presents a challenge to employers: how to retain the talents of core members of our workforce at an age when they may be thinking of retirement or scaling down their involvement in employment? It is also an enormous opportunity: these cohorts of 40-year-olds and 50-somethings are the best qualified and healthiest ever – it is up to employers to make use of their talents. For more information and debate on this very important topic, see the report on our 2006 policy conference entitled ‘Still working?’¹

¹ www.employment-studies.co.uk/news/es5art5.php

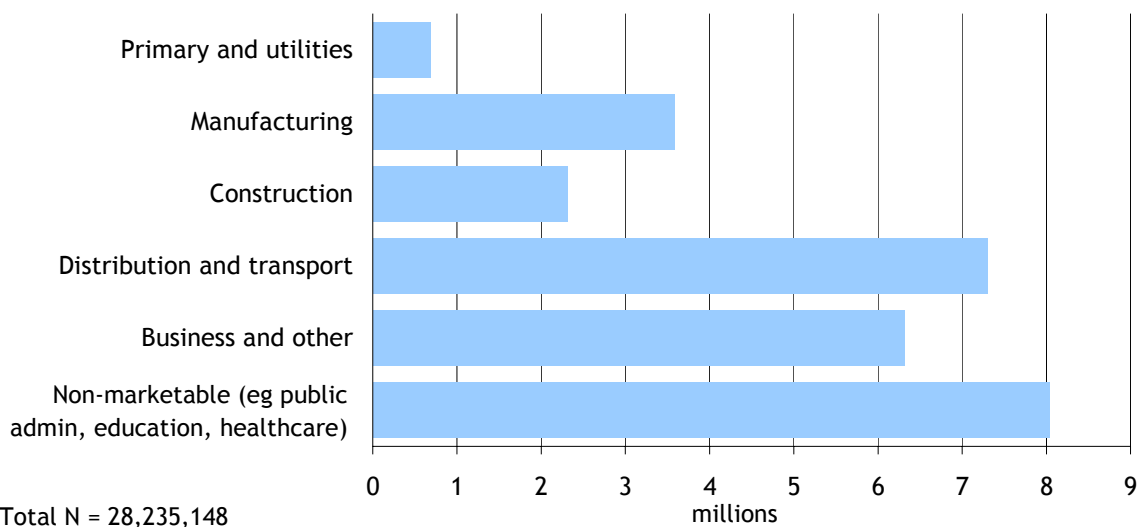
Profile of UK employment

This chapter examines the industrial profile of the UK labour market and how it is changing over time. In the next section industrial employment by gender, age and educational attainment is described. This is followed by a discussion of the occupational composition of the workforce.

Which sectors do people work in?

The graph below shows that non-marketable services, such as public administration, education and healthcare, account for the largest share of UK employment (28 per cent). Just over a quarter of employees work in distribution and transport and a further 22 per cent in business and other services. Manufacturing accounts for 13 per cent of employment and construction six per cent. Approximately two per cent of employees work in primary industries or utilities.

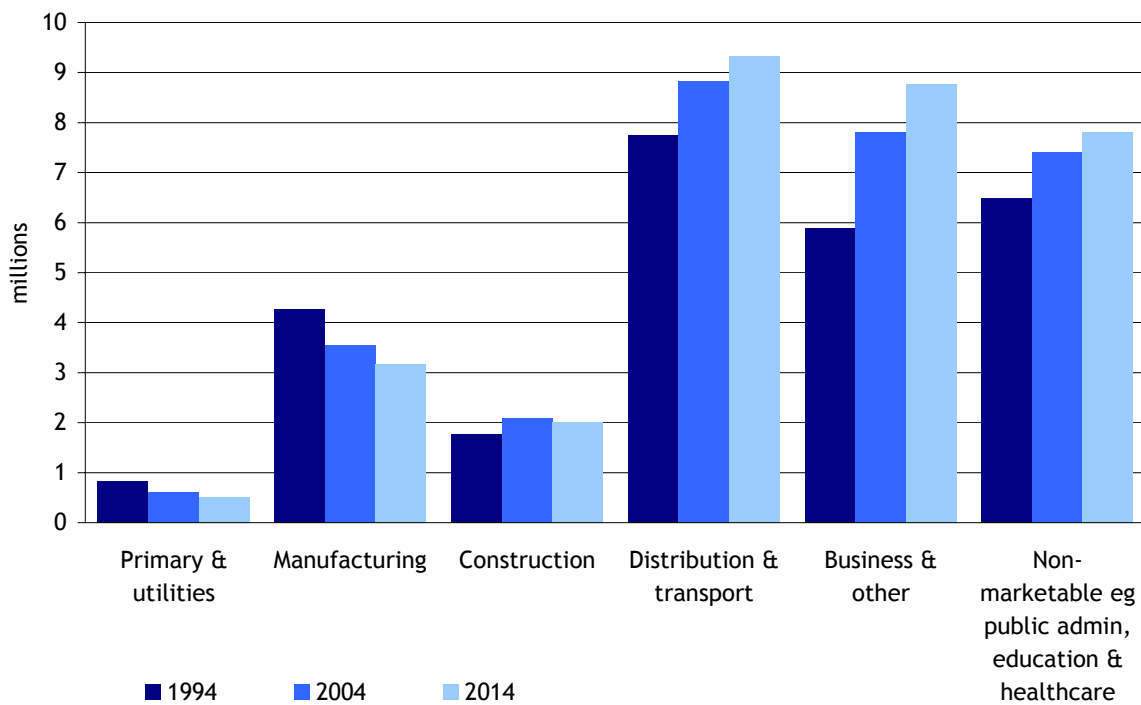
Employment concentrated in services



Source: *Quarter One, Labour Force Survey 2007*

Over the past decade there have been significant changes in the industrial composition of the UK economy, and these are expected to continue (see graph below). It is estimated¹ that between 1994 and 2004, 3.3 million jobs were created in the UK economy, and a further 1.3 million are predicted by 2014. The number of jobs in business and other services has increased from 3.9 million to 7.3 million between 1994 and 2004 with a further increase of 330,000 predicted by 2014. Other service-related sectors such as distribution and transport, and non-marketable services, such as public administration and health, have also seen strong growth. However, employment in the manufacturing sector continues to decline. Between 1994 and 2004, 723,000 jobs were lost, with the loss of a further 383,000 predicted by 2014.

Services grow, manufacturing shrinks



Source: *Working Futures 2004-2014, National Report*

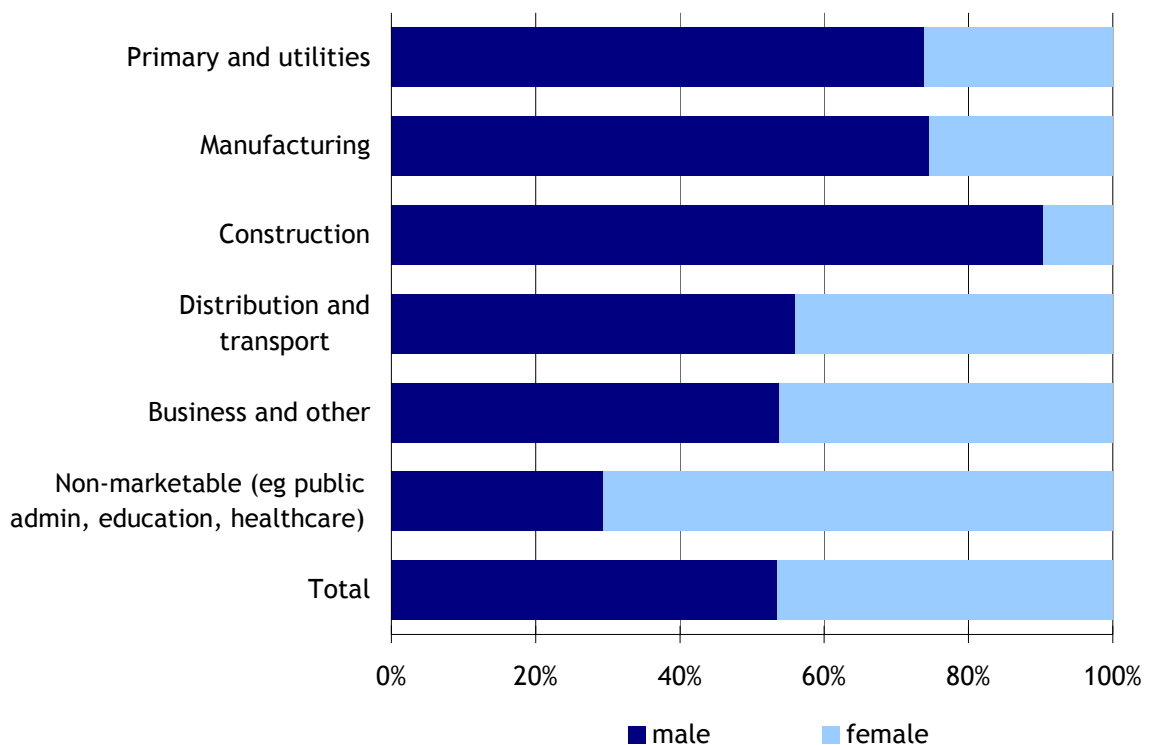
¹ Wilson R, Homenidou K, Dickerson A (2006), *Working Futures: National Report, Skills for Business*

There is still a high degree of gender segregation in the UK labour market, evident across industrial sectors as well as occupations. Women are far more likely to be employed in non-marketable services than men, while the reverse is true of primary and utilities, manufacturing and construction.

Within non-marketable sectors, 71 per cent of employees are women. The gender distribution of employment in business and finance, and distribution and transport is more balanced: 44 and 46 per cent of employees in each of these respective sectors are women. However, in manufacturing and in primary and utilities around three quarters of employees are men and 90 per cent of construction workers are male.

Comparison with the *Services grow, manufacturing shrinks* graph on the previous page shows that those sectors in which women predominate are those predicted to expand over the next decade while the number of jobs in many of the sectors in which the majority of employees are men is expected to fall.

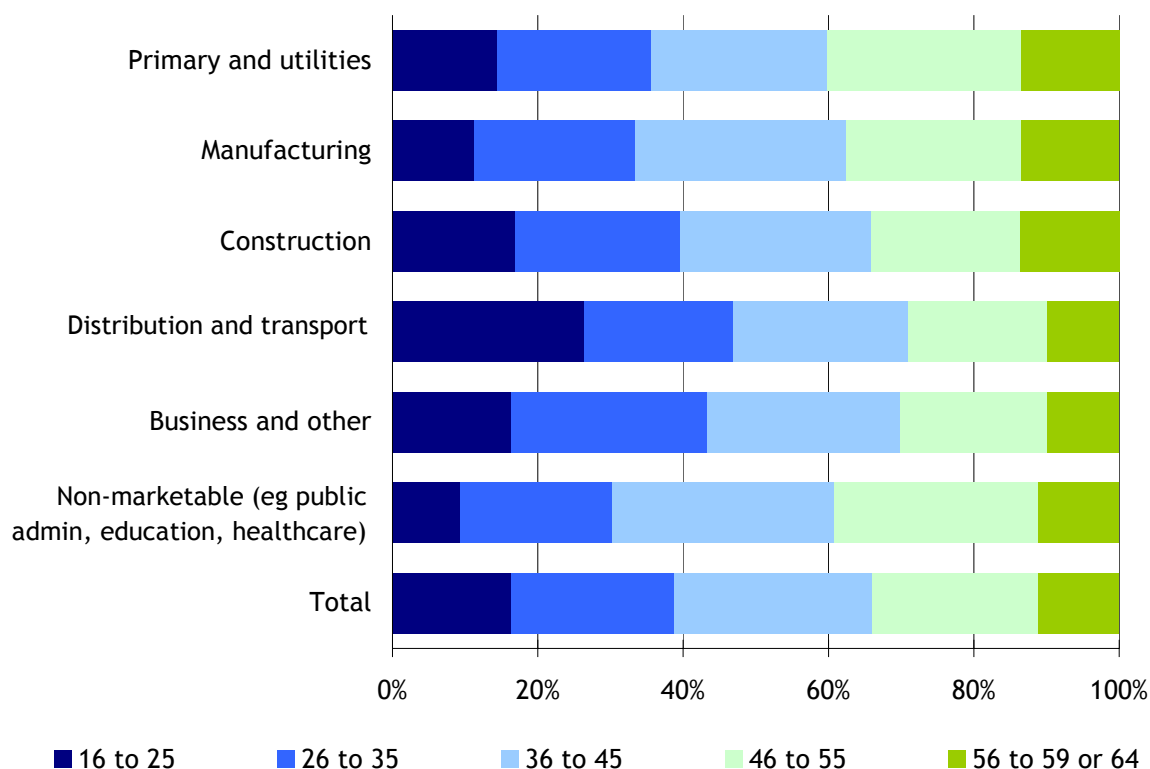
Continuing gender segregation



Source: Quarter One, Labour Force Survey 2007

As demonstrated below, there is some variation in the age of workers in different industrial sectors. For example, 42 per cent of employees aged 16-25 are employed in distribution and transport. Primary industries and utilities, manufacturing and non-marketable service employ a disproportionate number of older workers.

Distribution and transport is the 'youngest' sector

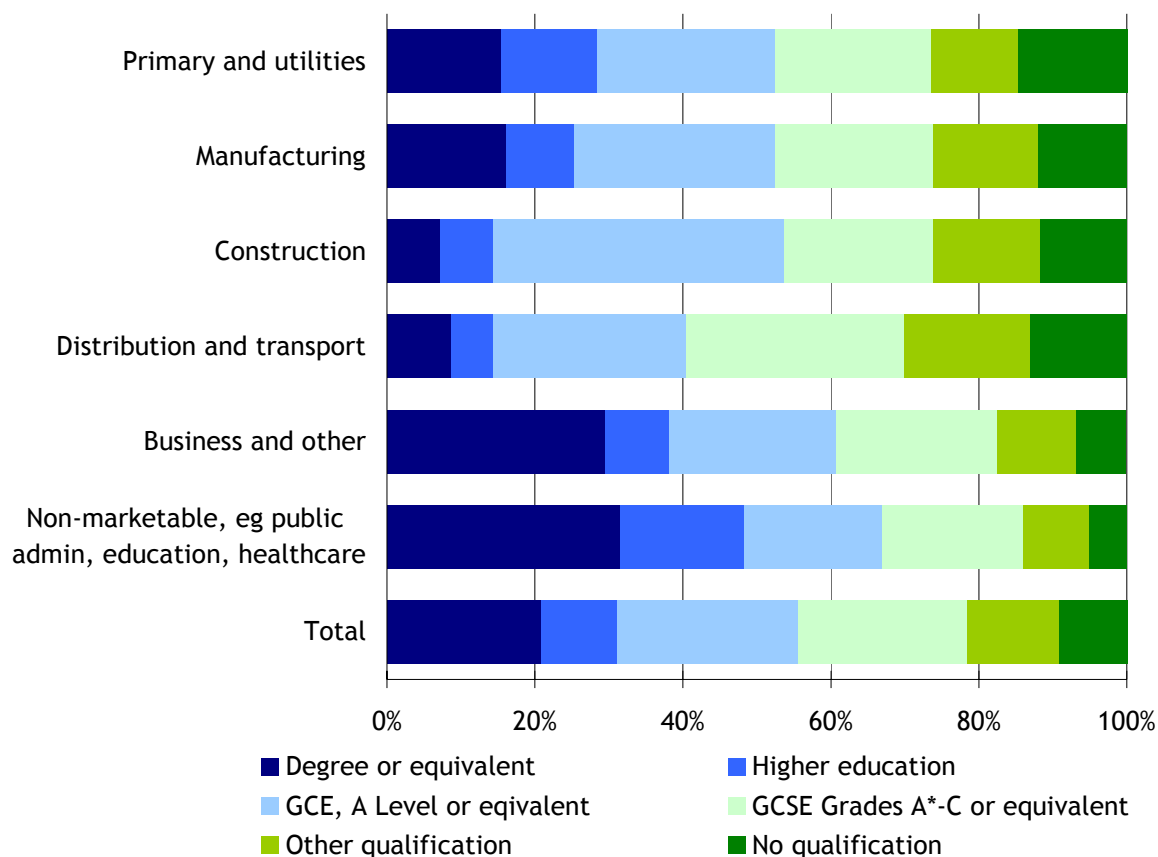


Source: Quarter One, Labour Force Survey 2007

There are clear patterns in the qualification levels of employees in different industrial sectors. For example, in the non-marketable services sector 32 per cent of employees are graduates. In business and other services 30 per cent of employees hold a degree-level qualification.

By contrast workers in primary industries and utilities were least likely to have formal qualifications. These figures do mask important sub-sectoral variations. In agriculture and fishing, for example, around 20 per cent of employees hold no formal qualifications while in energy and utilities the figure is around six per cent.

Construction/Distribution and transport are least qualified sectors



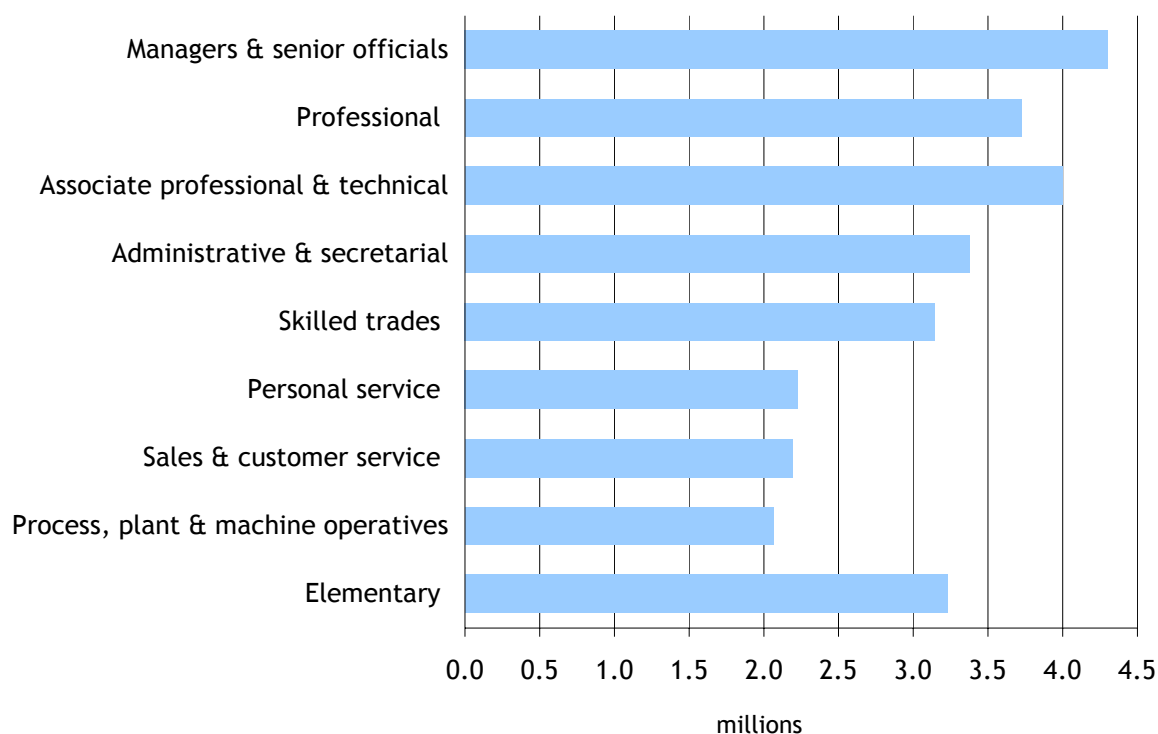
Source: Quarter One, Labour Force Survey 2007

What kind of jobs do people do?

In the UK the most commonly used occupational categories are the nine occupational groups which make up the Standard Occupation Classification 2000, ranging from managers and senior officials to elementary occupations.

As demonstrated in the next graph, *Occupational profile of UK employment*, there is a fairly even distribution of employment across the groups, with 42 per cent of employees working in higher-level occupations (managers and senior officials, professionals, associate professional and technical occupations). A further 38 per cent were employed in semi-skilled or intermediate services sector work (administrative occupations, personal services and sales and customer services). Finally, 19 per cent are employed in low level or elementary occupations.

Occupational profile of UK employment



Source: Quarter One, Labour Force Survey 2007

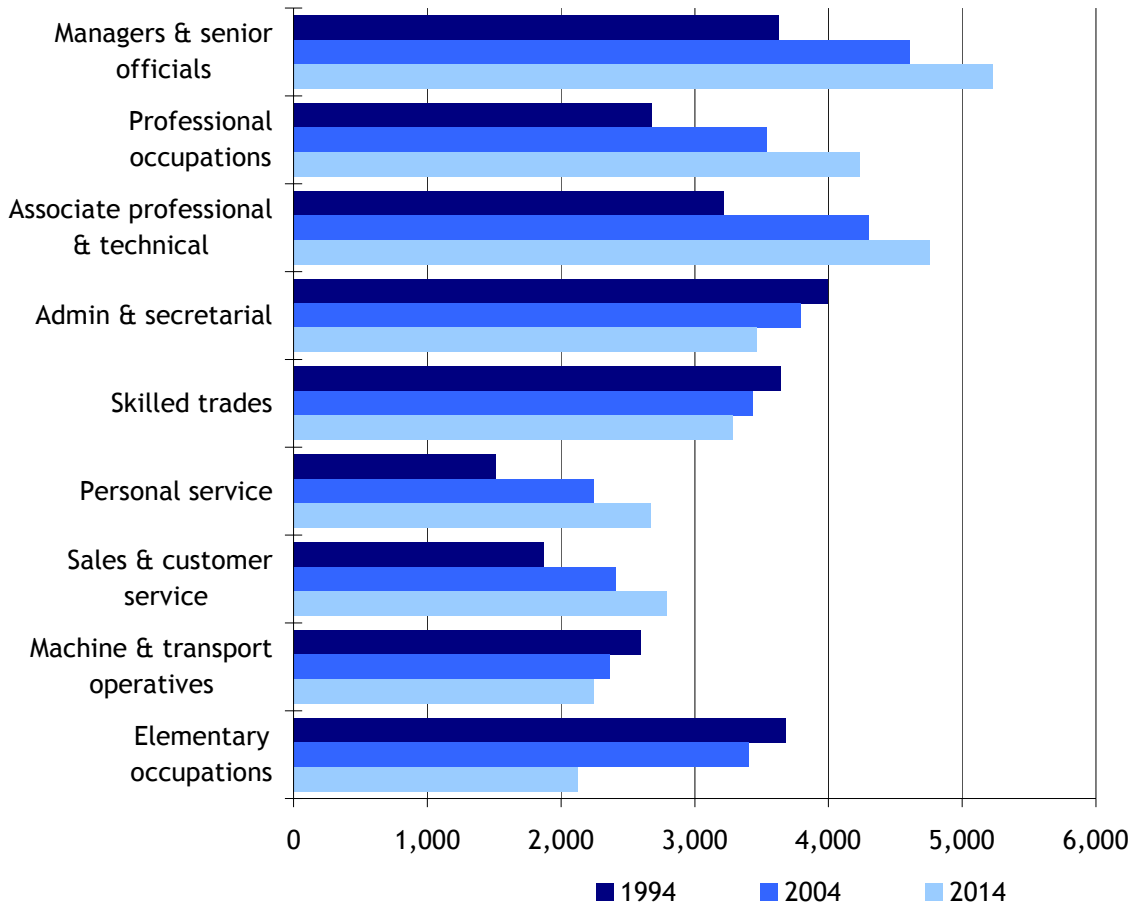
There have been significant changes in the occupational profile of the UK workforce over the last decade. The figure opposite, *Managerial occupations set to grow*, illustrates the shift away from unskilled occupations towards highly skilled managerial and professional occupations. These shifts are predicted to continue over the next decade.

Managers and senior officials who made up 14 per cent of the workforce in 1994 are predicted to account for 17 per cent in 2014. Further expansion of professional and associate professional occupations is predicted. This growth is driven by public sector expansion and growing demand for business services.

Administrative, clerical and secretarial occupations account for a declining share of employment. It is likely that this decline is due to changes in the use of information technologies which have led to a fall in the demand for typists and word processors. A decline in the number of jobs in skilled trades, process plant and machinery operative occupations is also expected as a result of continuing job losses in the manufacturing sector. However, there is expected to be continuing growth in personal service occupations.

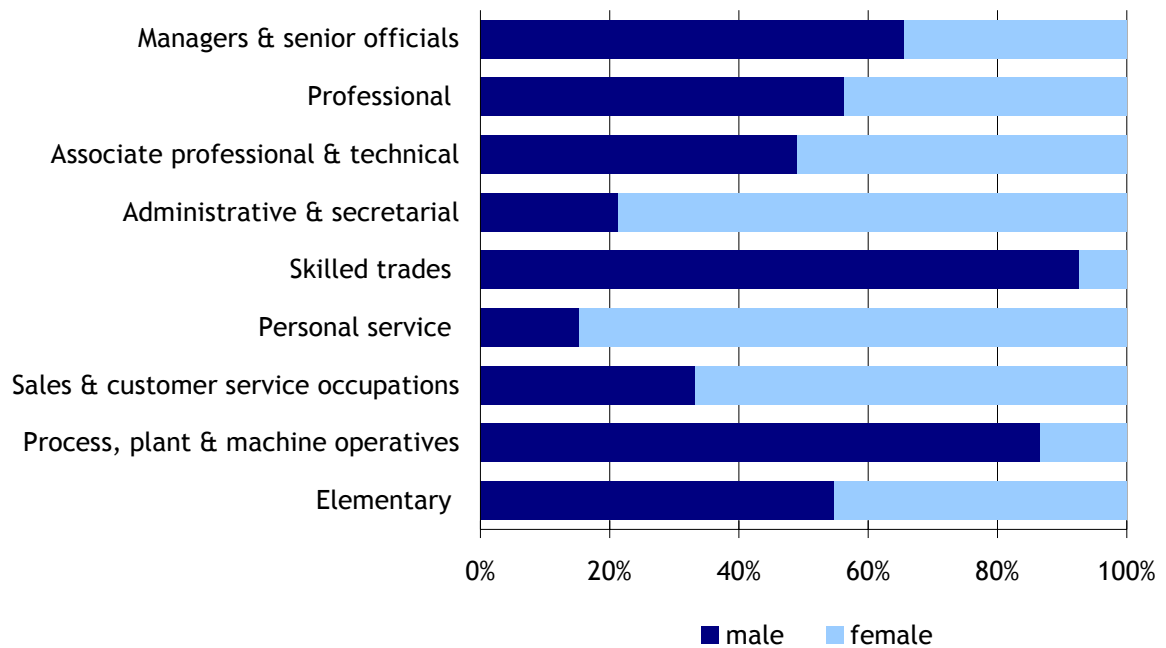
Overall figures mask significant occupational gender segregation. Men are disproportionately represented in skilled trades and as process, plant and machine operatives as well as in managerial and senior official occupations, while women predominate in administrative and secretarial and personal service occupations.

Managerial occupations set to grow



Source: Working Futures 2004-2014, National Report

Continuing gender segregation in many occupational groups

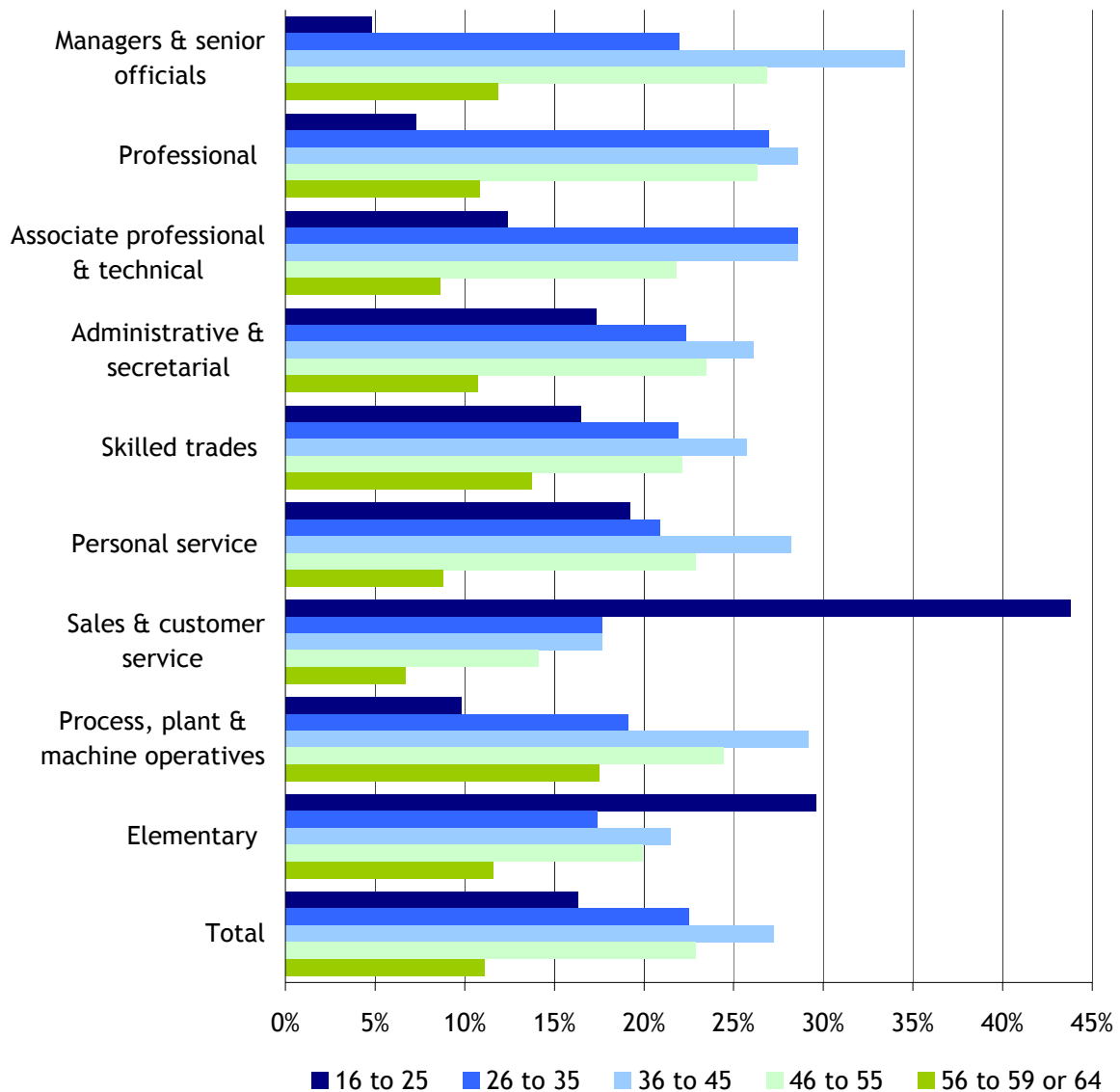


Source: Quarter One, Labour Force Survey 2007

The link between occupation and age is due to the fact that occupational groups require varying levels of qualifications and experience. For example, very young workers are unlikely to be employed in professional or senior managerial occupations. The graph shows that the largest proportion of employees aged 16-25 are employed in sales and related occupations. If these young people are not acquiring useful skills working in these occupations, the consequence for UK productivity in years to come could be worrying. By contrast, managers and senior officials and professional occupations have the lowest proportion of younger workers.

Occupations associated with declining industries such as manufacturing tend to have an older workforce. Process, plant and machinery operative occupations have the highest proportion of older workers.

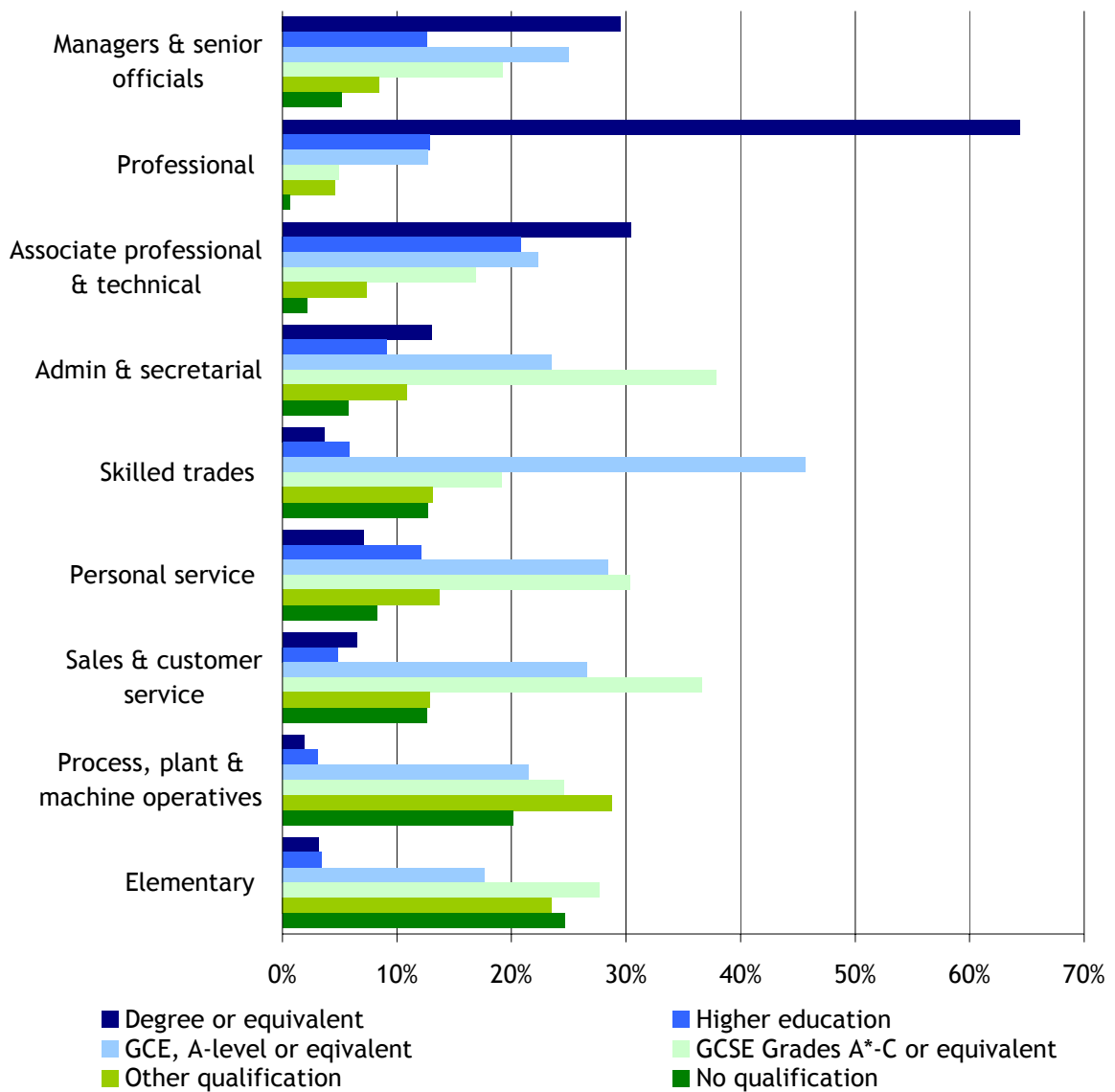
Sales and customer service is the ‘youngest’ occupational group



Source: Quarter One, Labour Force Survey 2007

As might be expected, qualification levels are closely linked to occupation. The majority of professionals (64 per cent) are qualified to degree level with a further 13 per cent holding a higher education qualification below degree level (eg HND/HNCs). Similarly, more than half of employees in associate professional occupations have higher education qualifications, with 30 per cent holding degrees. Employees in skilled trades are more likely to hold A-levels or equivalent qualifications (eg NVQ level 3). Workers employed in elementary occupations, plant, processing or machine operative occupations are most likely to hold no formal qualifications. The expected decline in the number of elementary and manual occupations underlines the need for the UK workforce to improve its skills base, particularly at the lower end of the labour market.

Professionals are the most highly qualified

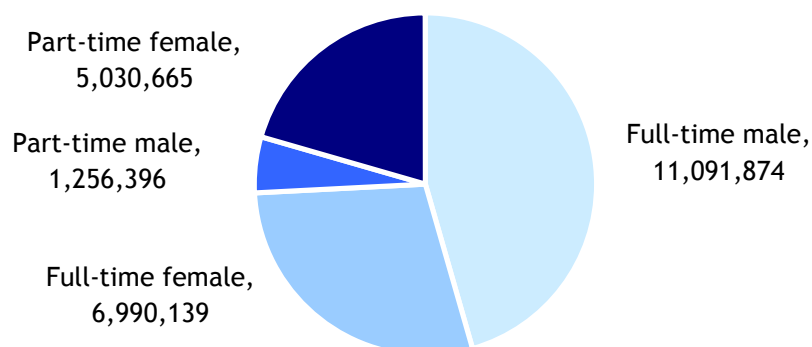


Source: Quarter One, Labour Force Survey 2007

Working arrangements

While most of the working population aged 16 and over holds a full-time job, there is a sizeable minority (25.8 per cent) whose main job is part-time. Of the 6.3 million part-time workers, an overwhelming 80 per cent are women. Conversely, 61.3 per cent of full-time workers are men. The pie chart below illustrates this breakdown.

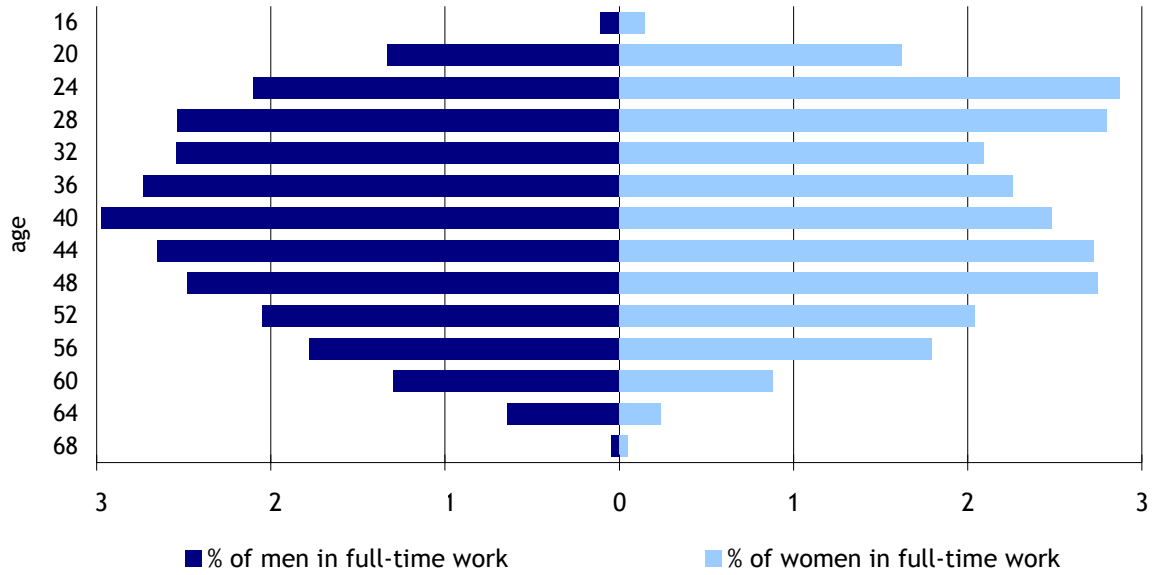
Labour force is still largely male and full-time



Source: Quarter One, Labour force survey 2007

The full-time male labour market is dominated by men in their 30s and 40s. By contrast, as the *Women drop out of full-time work in core years* graph illustrates, there are lots of women in their 30s and 40s 'missing' from the full-time labour market. This pattern reflects child-rearing responsibilities. A distinct 'M' shape can be seen in the age-composition of full-time female work, reflecting older women re-entering the full-time labour market in later life. This once held also for total employment, but over the last 25 years, women's total employment by age has come to resemble that of men due to the numbers of mothers taking up part-time employment rather than withdrawing from the labour market completely.

Women drop out of full-time work in core years

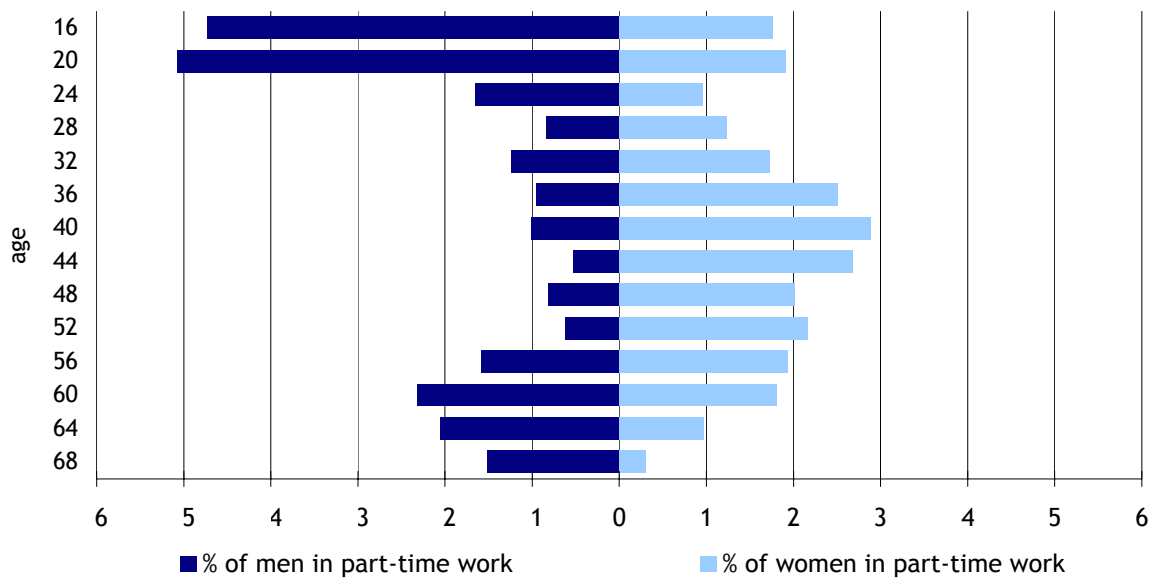


Source: Quarter One, Labour force survey 2007

Part-time working

The dominant age groups in part-time work are very much the mirror image of those in full-time work. In other words, among male part-timers (a numerically smaller group) there are a lot of younger and older men while female part-time workers are much more likely to be in their 30s and 40s. Part-time work is far easier to fit within school hours.

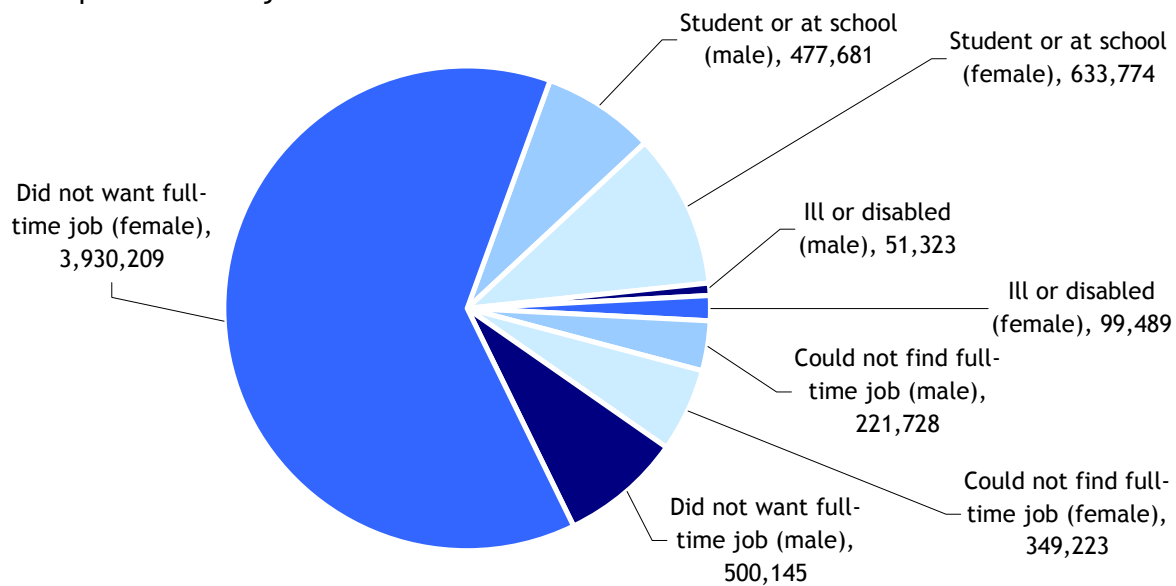
Youngest and oldest predominate in part-time work



Source: Quarter One, Labour force survey 2007

Of all part-time workers, 62.7 per cent are women who do not want a full-time job. This apparently voluntary withdrawal from full-time work may mask considerable constraints, such as a lack of affordable childcare. Comparatively few people are in part-time jobs out of misfortune (illness, disability or inability to find a full-time job). Employers seeking to recruit more women full-time have to overcome the fact that, for some women, full-time work is not currently compatible with other interests and responsibilities. Research has shown that both men and women believe flexible working arrangements can help them to balance their workload with caring responsibilities.¹

Most part-timers reject full-time work



Total N: Male =1,250,877; Female = 5,012,695

Source: Quarter One, Labour force survey 2007

Long-hours working

Long hours (defined as more than 48 per week) are regularly worked by 16.9 per cent of full-time workers. Is the world getting busier and more hectic all the time? According to the statistics, this is not the case: in 1996 the proportion of workers usually working more than 45 hours a week peaked at 26 per cent; since then, the proportion has gradually dropped to 20.5 per cent. Recent IES work sheds light on the working hours of men and women – it concludes that women effect a trade-off between working hours and quality leisure time, while men tend not to have such a trade-off, tending instead to work full hours by default.²

¹ See Equal Opportunities Poll at www.eoc.org.uk/default.aspx?page=15445

² Cowling M (2007), *Still at Work? An Empirical Test of Competing Theories of the Long Hours Culture*, IES Working Paper WP9

In another recent working paper, from the National Bureau of Economic Research, researchers looked into the long-hours phenomenon from an international perspective. Traditionally, sociologists argued that men worked more for pay but that women work longer hours in total when formal work and unpaid household and caring duties are counted together. Using evidence from time-use diaries in 25 countries, this paper argued that rich countries in North America and Northern Europe follow a different pattern. In these countries, it would appear that men tend to work slightly longer total hours while women tend to sleep slightly longer every night!¹ While the question of total hours worked by different groups is hotly debated, this research does give an interesting insight into employees' decision-making with regard to working hours.

Long-hours occupations: in the UK, the longest hours are worked by managers and senior officials, with nearly three in ten exceeding 48 hours per week, mainly in distribution and transport, and in business and other services. Around a quarter of professionals and of process, plant and machine operatives work long hours. Most professionals working long hours are in non-marketable services. At the other end of the scale, fewer than one in 25 administrative and secretarial staff work long hours.

Managers top long-hours league table

Major occupation group (main job)	% working more than 48 hours per week
1 Managers and senior officials	28.0
2 Professional occupations	24.3
3 Process, plant and machine operatives	24.2
4 Skilled trades occupations	17.2
5 Elementary occupations	14.1
6 Associate professional and technical	11.5
7 Personal service occupations	6.9
8 Sales and customer service occupations	6.6
9 Administrative and secretarial	3.5

Source: Quarter One, Labour force survey 2007

Long hours sectors: contrary to the popular stereotype of long tea breaks on the scaffolding, it's the construction sector, along with the primary and utilities sector, where the longest hours are worked. It may come as less of a

¹ Burda M, Hamermesh D S, Weil P (2007), *Total Work, Gender and Social Norms*, NBER Working Paper No. 13000

surprise that the public sector comes out bottom. Distribution and transport, along with business, are only average in terms of long-hours working, despite stereotypes of long-distance hauliers going the extra mile and macho city suits clinching deals at the eleventh hour.

Construction and the primary sector top long-hours table

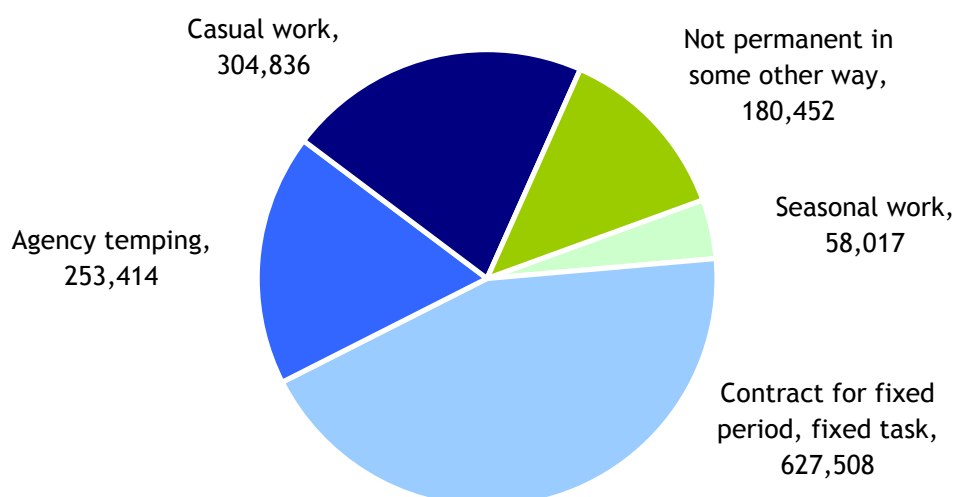
Sector	% within sector worked in
1 Construction	23.7
2 Primary and utilities	23.1
3 Distribution and transport	18.5
4 Business and other	17.0
5 Manufacturing	16.3
6 Non-marketable, eg public admin, education and healthcare	13.7

Source: *Quarter One, Labour force survey 2007*

Temporary work

In all, 5.9 per cent of workers do some kind of temporary work. The main type of temporary work is fixed-task or fixed-period contracts, although these have seen a downward trend from around 50 per cent of temporary work in 1997.¹

Fixed contracts dominate temporary work

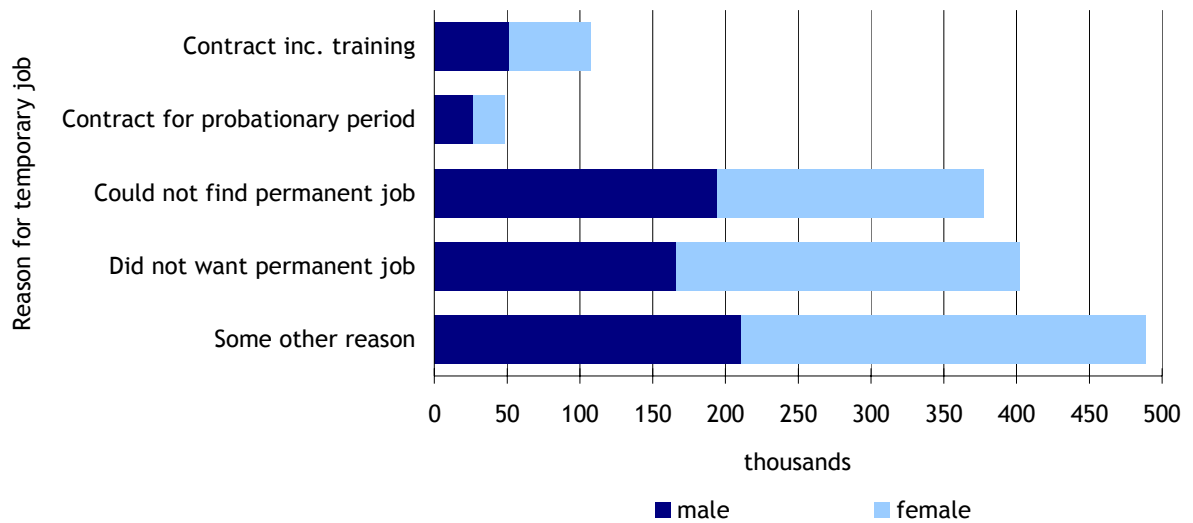


Source: *Quarter One, Labour force survey 2007*

¹ This could in part reflect the introduction in 2002 of the Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations.

The reasons for taking a temporary job are very varied (reflected in the proportion answering ‘other’). Around three in ten do not want a permanent job, but a similar number are working temporarily only because they cannot find anything else. Around 650,000 were involuntarily on temporary contracts in 1995, falling sharply to below 350,000 by 2005. Numbers have since crept back up to over 400,000.

Sizeable minority want a permanent job

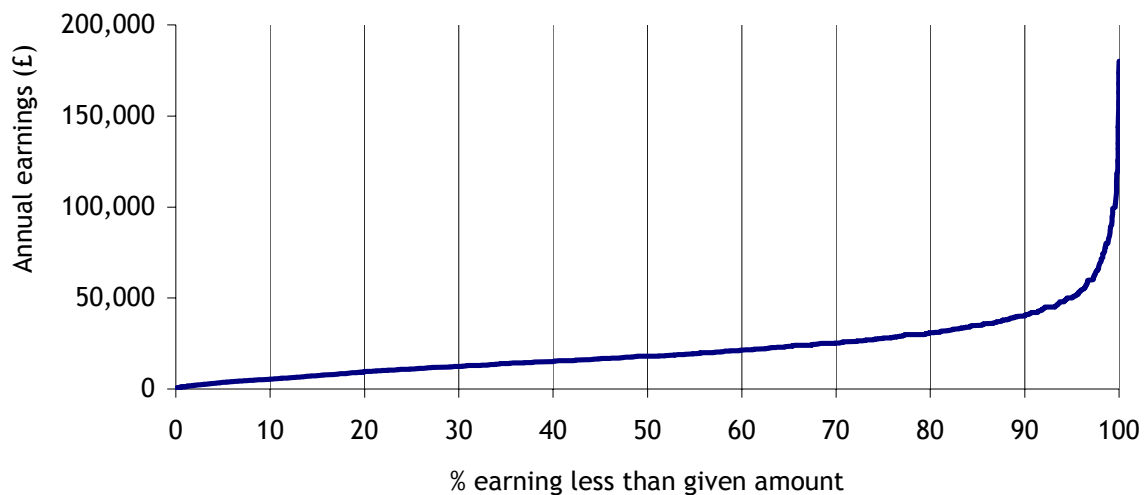


Source: Quarter One, Labour force survey 2007

Earnings in the UK

Earned income is less unequal than unearned income and much less unequal than asset ownership. Nevertheless, the graph below illustrates a very unequal distribution of labour income. In the graph, the median earnings are easily found as the earnings of the 50th percentile, or the person exactly half way along the graph, on earnings of £17,990. This compares with a mean or average wage of £21,661 (£25,775 for full-time). Because of the extremely low wages at one end and the extremely high wages at the other, it is often more useful to present the median earnings for any one category of people. The remainder of this section looks at the median earnings of different categories of workers.

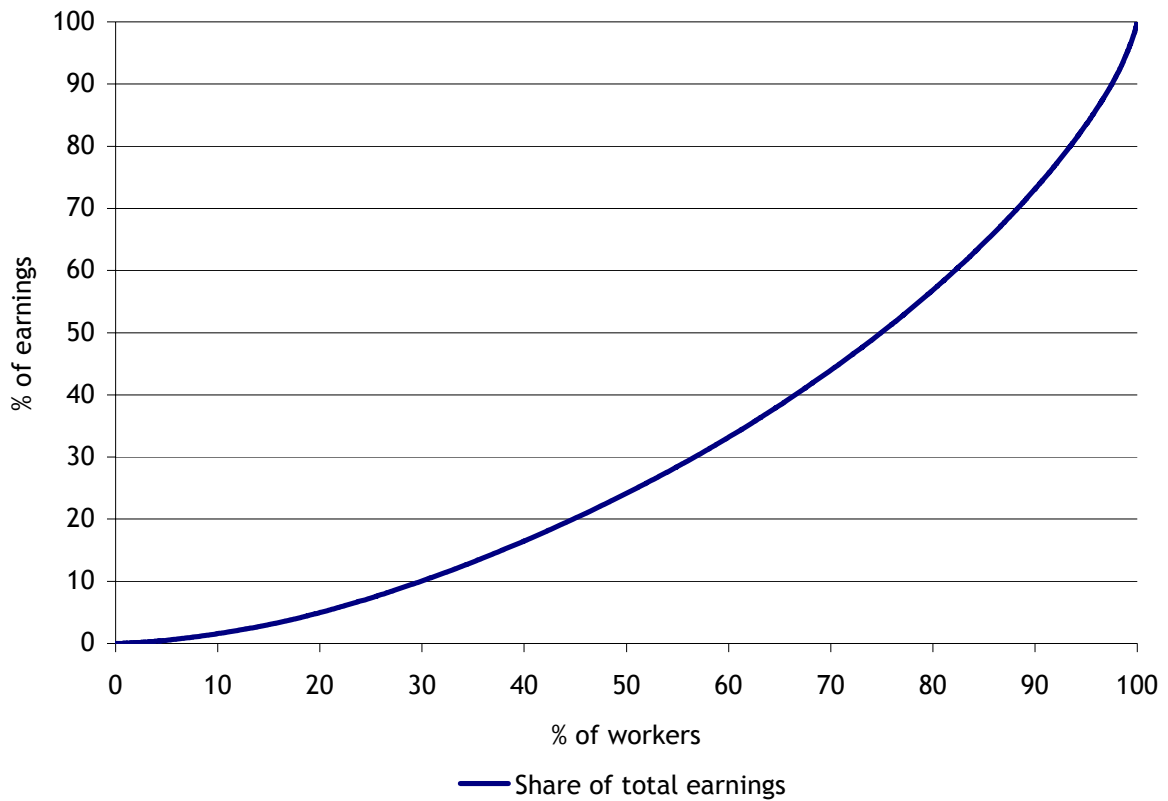
Earned income is highly unequal



Source: First Quarter, Labour Force Survey 2006

As an example of the effects of wage inequality, the top ten per cent of earners take home 26 per cent of the country's wage packet and the top 20 per cent of earners take home around 43 per cent of the country's total wage packet. By contrast, the bottom ten per cent take home only 1.6 per cent and the bottom 20 per cent take home less than five per cent. This is represented visually by the Lorenz curve shown below, depicting the proportion of workers taking home any given percentage of total earnings. A straight diagonal line from bottom left to top right would indicate complete equality. The closer the 'bulge' to the bottom right, the closer the graph represents complete inequality.

Best paid get lion's share

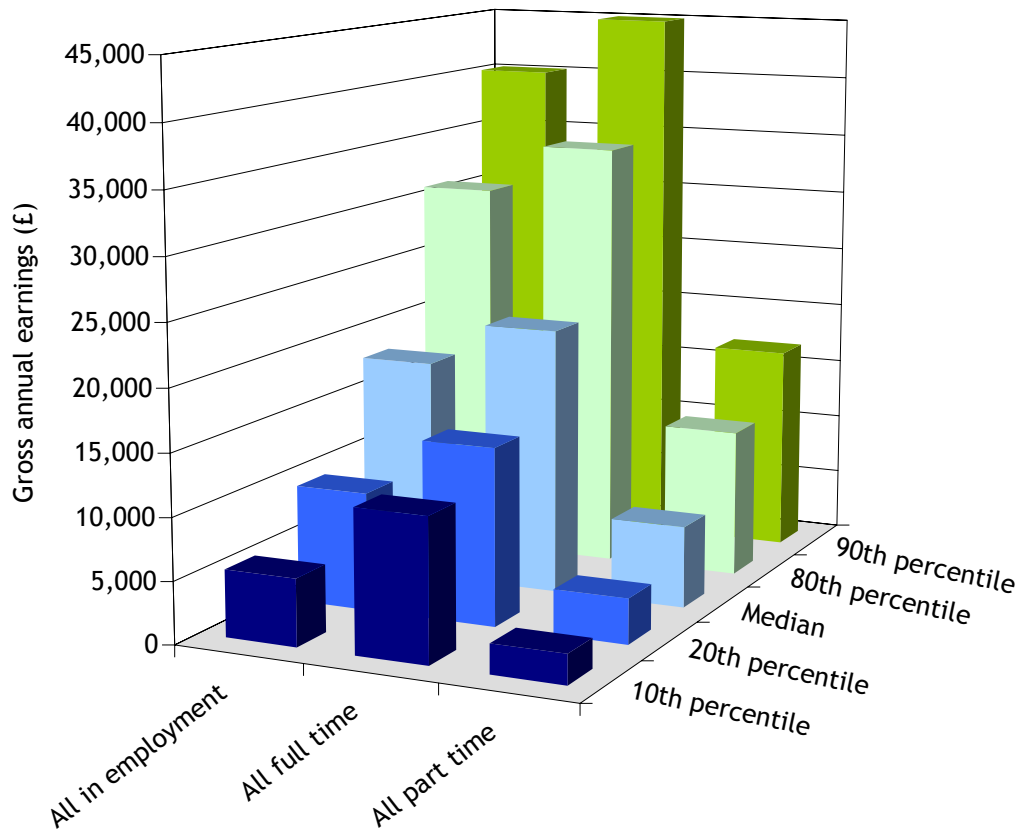


Source: First Quarter, Labour Force Survey 2007

Hours worked

One of the biggest determinants of pay levels is number of hours worked. Part-time workers are generally paid less in total and per hour worked.

Part-time earnings lower but also less unequal

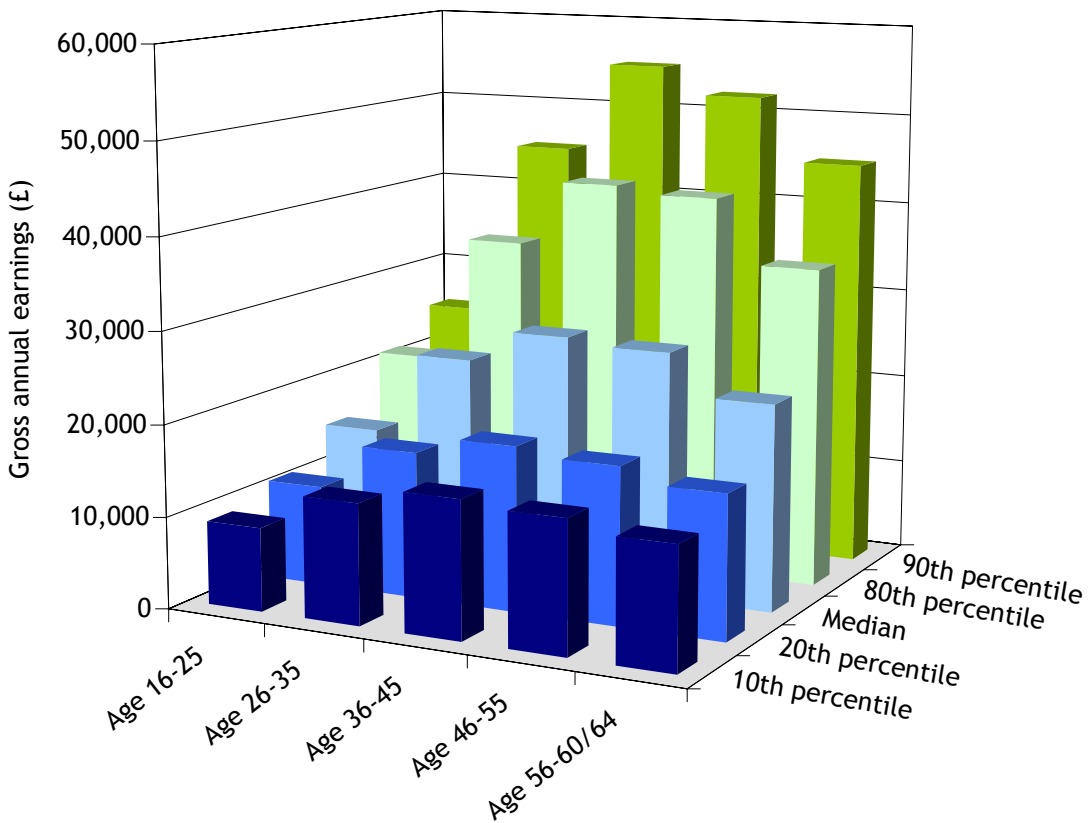


Source: First Quarter, Labour Force Survey 2007

Equal pay for women?

Gender and age are two other factors with a big impact on pay levels. The following graph depicts very clearly the relationship between age and pay for men, with pay rising sharply early on in the career, to reach a peak in the core working years of 35-44 before tailing off. Economists attribute much of the shape of this ‘curve’ to the accumulation of ‘human capital’ (both formal training and on-the-job know-how) that makes people more productive and therefore more valuable to their employer. As can be clearly seen, this effect is much more pronounced at higher income levels, while at the lowest income levels, earnings remain quite ‘flat’ throughout the life-cycle.

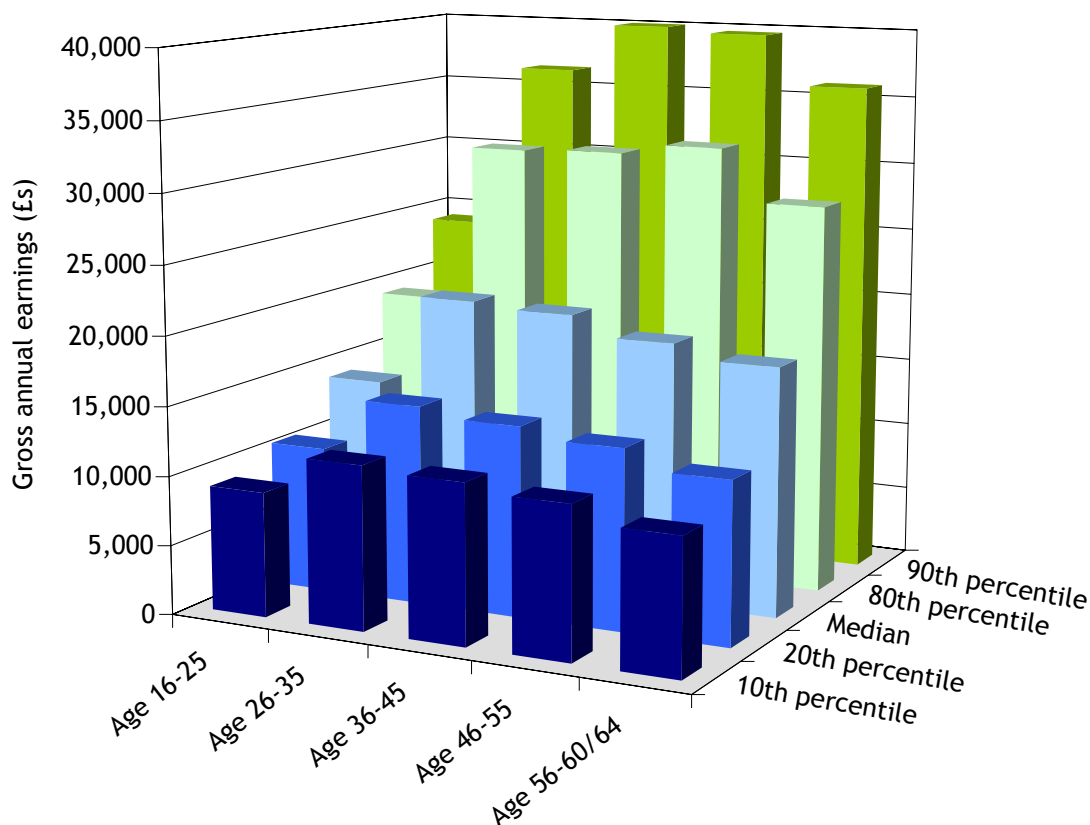
Men’s pay – what mid-life crisis?



Source: First Quarter, Labour Force Survey 2007

In this respect, there is an interesting difference between the earnings' profiles of men and of women, as can be seen from comparing the *Men's pay* and *Women's pay* graphs. Most men have a rising income profile in the early years of their careers and this effect is quite marked at the level of the median or representative worker. By contrast, most women have a rather flat income profile for low earners and 'average' women earners 'peak' at least ten years earlier than 'average' male earners. Only at the top end do female workers resemble their male counterparts.

Women's pay – it's motherhood vs. career

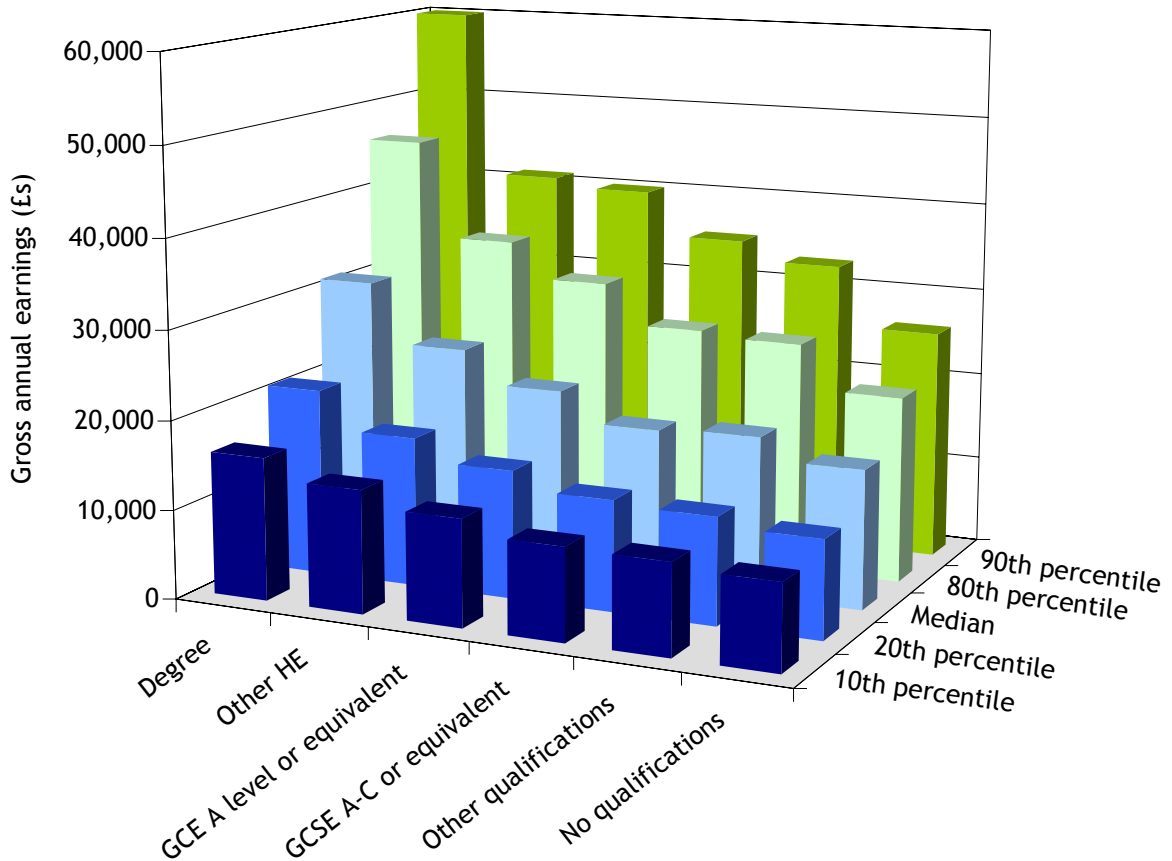


Source: First Quarter, Labour Force Survey 2007

Human capital

The strong association between age and pay reflects, in part, the skills acquired by workers on the job – sometimes called ‘informal human capital’ or ‘learning by doing’. In addition to this, people invest in their formal human capital through schooling and education, reflected in formal qualifications. As shown below, pay does rise with each higher level of qualification. The average worker with a degree earns nearly twice what is earned by the average worker who has no qualifications. However, the rewards for education are quite unequally distributed among those who invest in it. The range of pay levels enjoyed among the most highly qualified is far greater than the range between the unqualified.

Degrees the path to riches ... for some at least

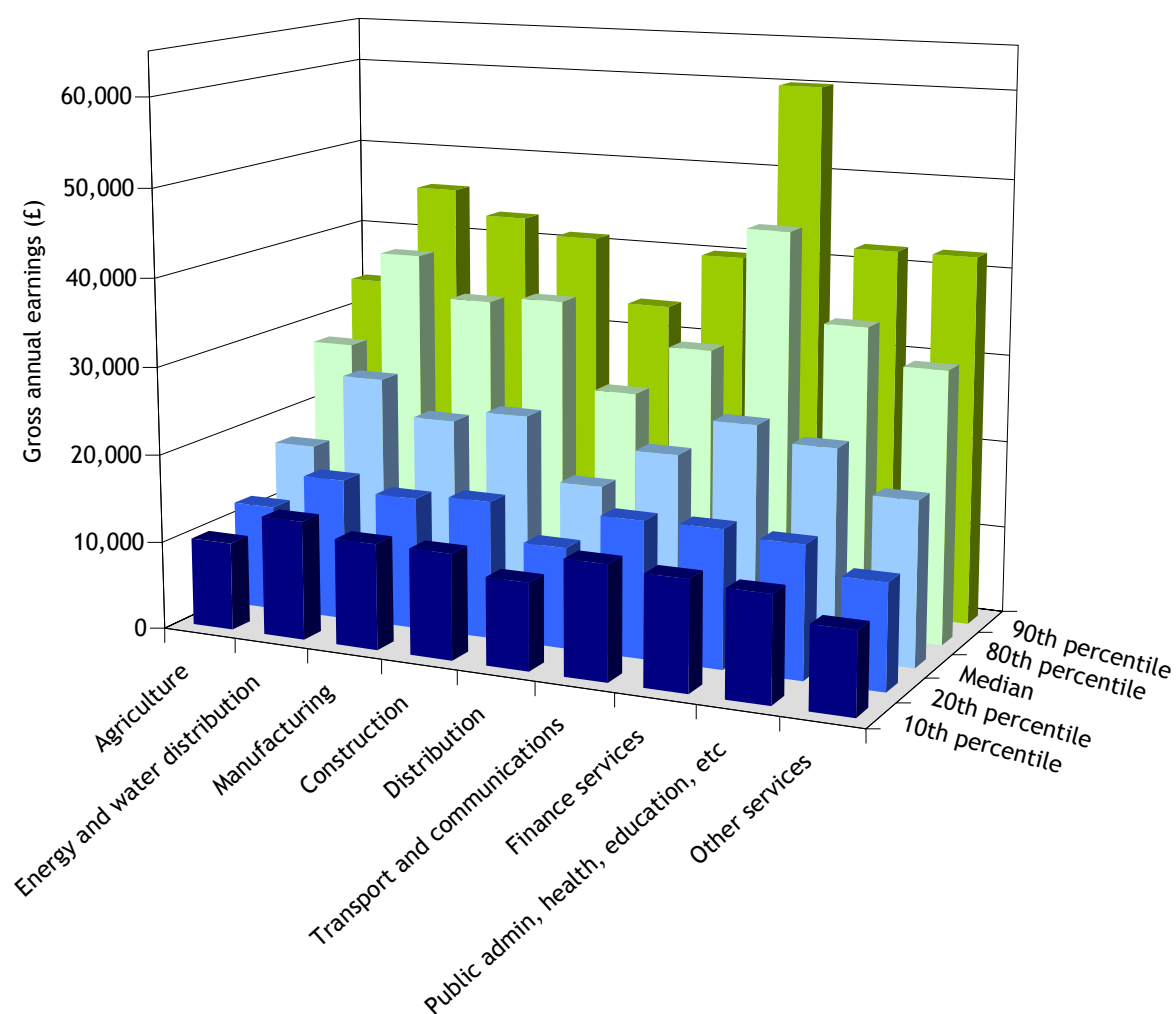


Source: First Quarter, Labour Force Survey 2007

Sectoral pay differentials

The graph below demonstrates that pay levels vary somewhat by sector. Some sectors, such as agriculture and distribution are relatively lowly paid but are also relatively equal in that pay at the 90th percentile is only around three times the level of pay at the tenth percentile. The highest paid sector – financial services – has a far higher variation of pay levels. For the best paid few hundred individuals (who probably did not respond to the Labour Force Survey), earnings can be a hundred times higher.

Bonus time for the City



Source: First Quarter, Labour Force Survey 2007

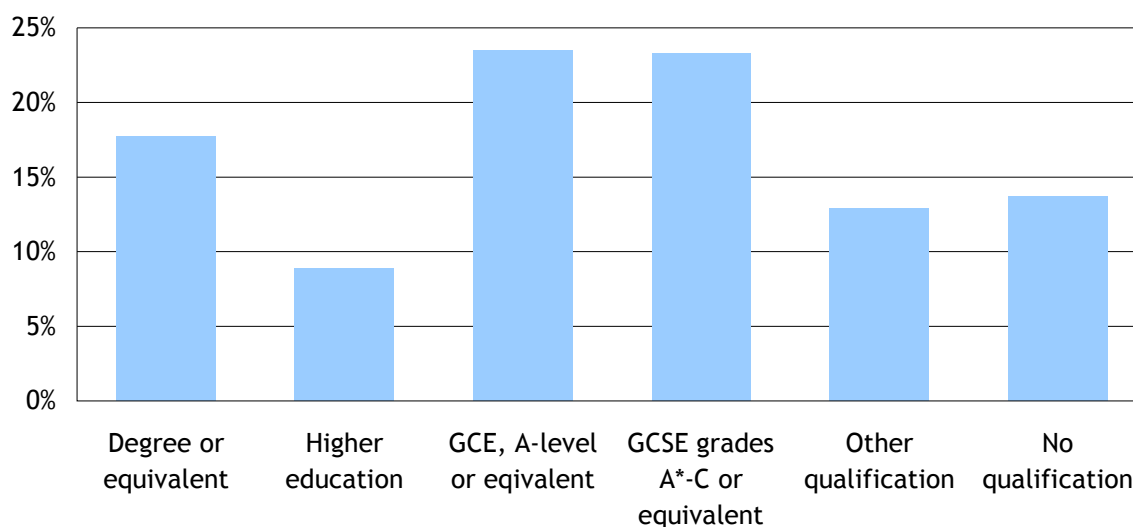
Education and training

This chapter examines the extent to which the UK workforce is engaged in education and training. In the next section the level of qualifications held by the UK population is described. This is followed by a discussion of participation in learning, in particular work-related education and training.

Qualifications

Over the past decade the UK population has become better qualified. As the graph below shows, the proportion of people with degrees or equivalent qualifications is now 18 per cent, having increased from 11 per cent since 1995. The proportion of people with no qualifications has fallen from 23 per cent to 14 per cent over the same period.

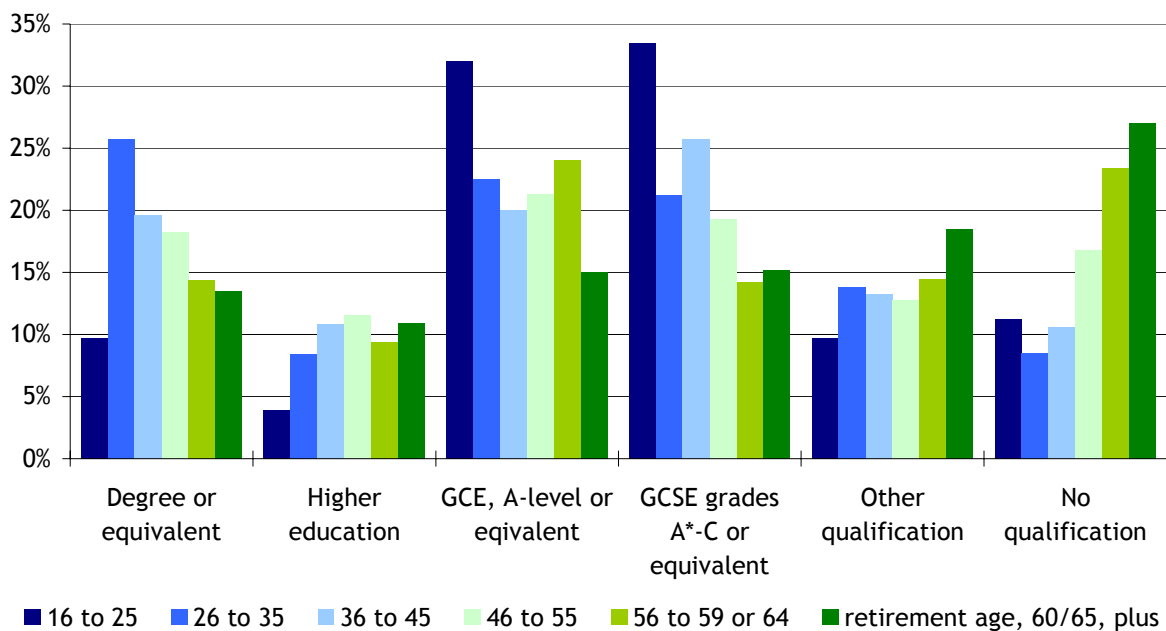
Highest qualification held



Source: First Quarter, Labour Force Survey 2007

As might be expected, rising qualification levels in the population as a whole are being driven by rising educational attainment by successive age cohorts and, in particular, the expansion in higher education since the 1970s. This is clearly demonstrated by the graph below which shows that 26 per cent of people aged 26-35 hold degrees compared to only 14 per cent of those over retirement age (60+ for women; 65+ for men). Conversely, 27 per cent of those over retirement age have no formal qualifications compared to only 8.5 per cent of those aged 26-35.

Highest qualification held by age group



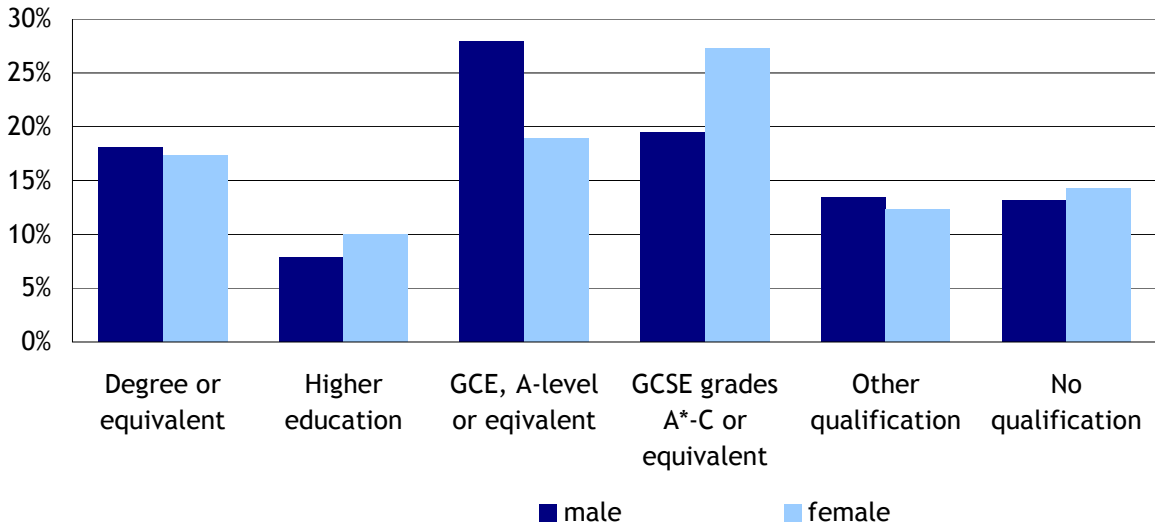
Source: Quarter One, Labour Force Survey 2007

There are also gender differences in qualification levels, as shown below, although these are the result of historical gender differences in educational attainment. Overall, men are more likely than women to hold a degree or equivalent qualification (18 per cent compared to 17 per cent) and are also more likely to be educated to GCE A-level or equivalent level (28 per cent compared to 19 per cent), as shown by figure 1.5. However, recent data show that more women than men are now entering higher education and this gap is likely to narrow further in the future.

Women are slightly more likely than men to have a higher education qualification below degree level (ten per cent compared to eight per cent) and a larger proportion are educated GCSE grade A to C or equivalent (27 per cent compared to 20 per cent).

A marginally larger proportion of women hold no formal qualifications than men (14 per cent compared to 13 per cent).

Mixed picture on gender differences in qualification levels



Source: First Quarter, Labour Force Survey 2007

Participation in learning

Overall, 14 per cent of the population are currently enrolled on a part-time or full-time course, excluding leisure courses. However, as might be expected, this proportion declines with age. While 45 per cent of people aged 16-25 are currently enrolled on a course, the proportion declines steeply to 11 per cent among those aged 26-35, and steadily thereafter to two per cent of people over retirement age.

Participation rates among young people are of particular interest given the Government’s aim to increase the proportion of people aged 16-18 engaged in learning. In the first quarter of 2007, 82 per cent of those aged 16-18 were full-time students and 88 per cent were enrolled on either a part-time or full-time course, excluding leisure courses.

Work-related education and training

In the first quarter of 2007, 27 per cent of employees said that they had engaged in some kind of work-related education and training in the past three months, while 14 per cent said they had received training in the last four weeks.

Work-related education and training

	%	No.
Training in the last 13 weeks	28	7,621,097
Training in the last 4 weeks	14	3,845,416
On the job training in the last 4 weeks	5	1,322,040
Training away from job in last 4 weeks	7	1,836,262
Both on and off job training in last 4 weeks	2	680,966

Over the last ten years the proportion of the workforce claiming to have received work-related training in the past month has increased, from just over 12 per cent in 1997, to a peak of 15 per cent in 2000, before falling back slightly since.

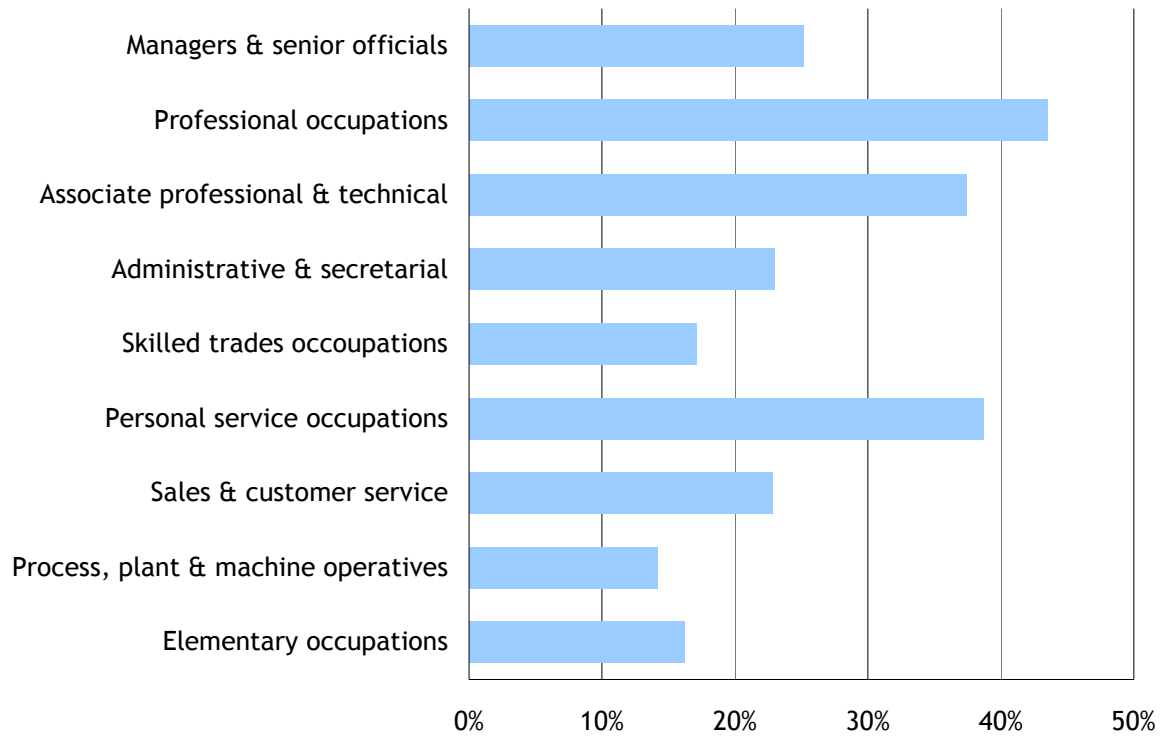
It is likely that this pattern reflects changes in the employment rate over this period, since a proportion of training activity relates to the induction of new employees.

As with other forms of education and training, young people are more likely to have received work-related training in the last 13 weeks. The proportions of those in the 26-35, 36-45 and 46-55 age groups receiving work-related training are quite similar at 23 per cent, 28 per cent and 22 per cent respectively. However, there is a steep decline thereafter, with only seven per cent of people aged 56-59/64 receiving training. It is likely that there is a difference between training to deal with turnover (ie induction) and that which adds skills to existing employees. Unfortunately these different kinds of training cannot be distinguished within the data.

Overall, those employed in higher-level occupations are most likely to receive work-related training. The graph opposite shows that in the first quarter of 2007, 44 per cent of employees in professional occupations, 37 per cent of those in associate professional and technical, and 25 per cent of those in managerial occupations received work-related training. Employees in personal service occupations also have high levels of work-related training and this can be partly explained by the training required by care workers that form a significant proportion of this occupational group.

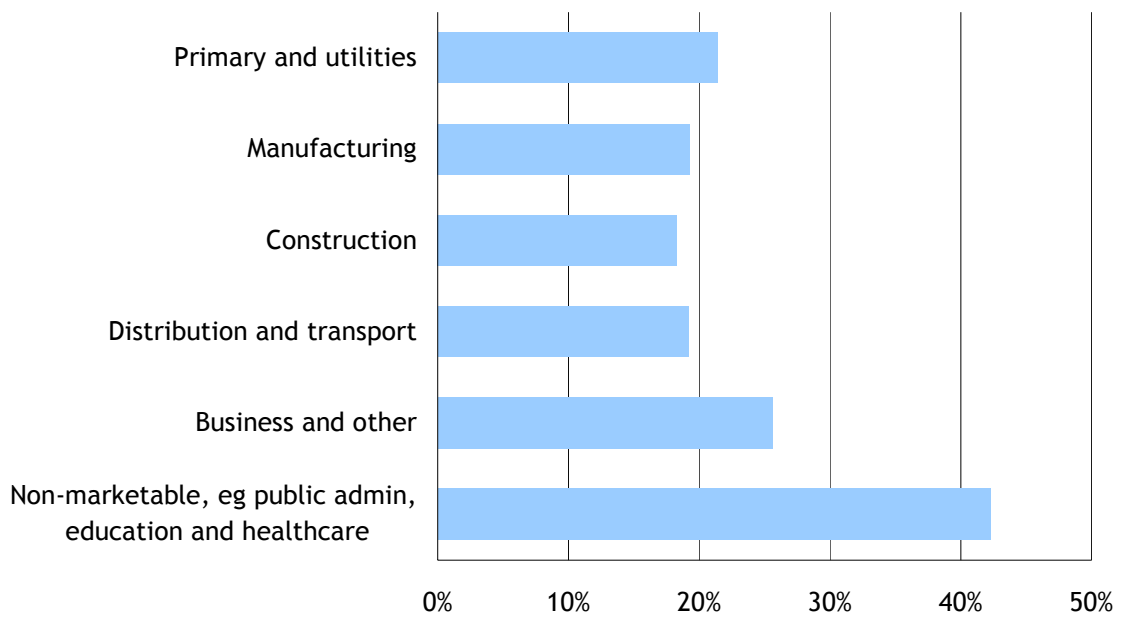
There are also variations in the proportion of employees in different industrial sectors who have received work-related education or training in the previous 13 weeks. Non-marketed sectors, such as the public administration, education and health sectors have the highest levels of participation. Manufacturing, transport and communications, and construction have the lowest.

Professionals most likely to get work-related training



Source: First Quarter, Labour Force Survey 2007

Public sector also more likely to get work-related training



Source: First Quarter, Labour Force Survey 2007

Migrant labour

There are over 4.5 million working age people in the UK who were born in other countries. This figure includes some who would be considered ‘British’, in that they were born with British nationality to British parents overseas.¹ In terms of economic status, over three million out of the 4.5 million are in employment, around one-and-a-quarter million are inactive and less than 300,000 are unemployed. Britain also has significant emigration; stereotypically, this comprises the Britons taking early retirement on the Spanish Costas. However, the net effect is an increase in the UK population. This increase is locked-in for future years by the higher fertility rate for immigrants. If it were not for strong immigration, the population of Britain might eventually shrink and the population would certainly ‘age’ much faster.²

Where do workers born outside the UK come from?

India is the country where most migrant workers in the UK were born. The table below shows the top 15 birthplaces of immigrants in the workforce in 2007.

Rank	Where born	Rank	Where born	Rank	Where born
1	India	6	South Africa	11	France
2	Poland	7	United States	12	Australia
3	Ireland	8	Nigeria	13	Ghana
4	Pakistan	9	Bangladesh	14	Zimbabwe
5	Germany	10	Kenya	15	Jamaica

¹ Slightly under three million are foreign nationals.

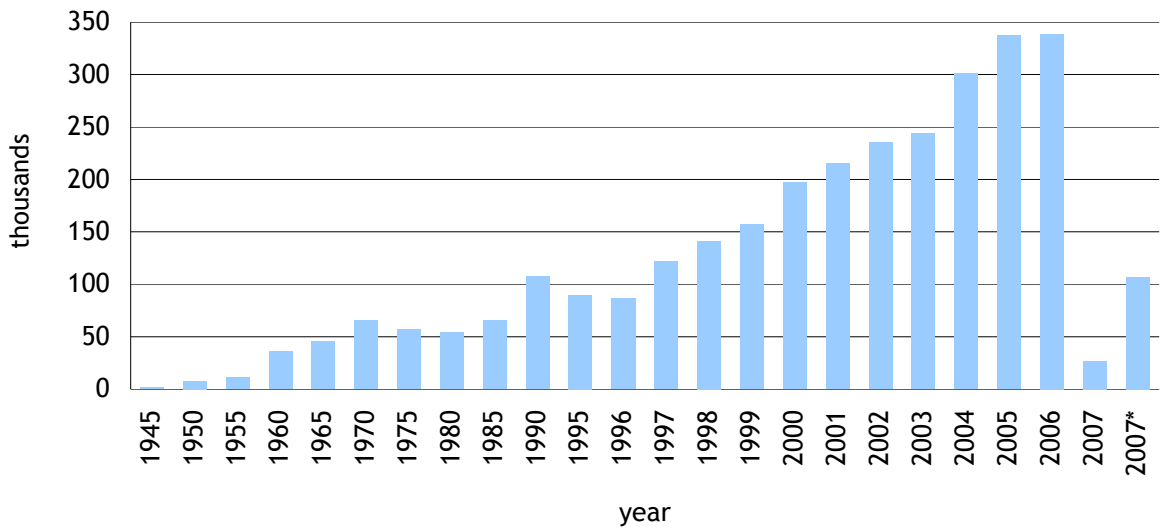
² See www.statistics.gov.uk/cci/nugget.asp?ID=950

Only three of the top 15 countries of origin for UK workers have not at some time been English or British colonies: Poland, Germany and France. Four countries within the list are within the European Union and their nationals are thus exempt from the need for work permits. Although the issue of migration is often conflated with reflections on the changing racial profile of the UK, it is notable that over half of the top 15 points of origin are sources of considerable ‘white’ immigration: Poland, Ireland, Germany, South Africa, USA, France, Australia and Zimbabwe.

How long have existing migrant workers been in the UK?

A large proportion of foreign-born workers have arrived in recent years. Half have arrived since 1996, one in ten since 2005, and one in 20 since 2006. The graph below clearly shows how recently many workers have arrived.

When did workers born outside the UK arrive?



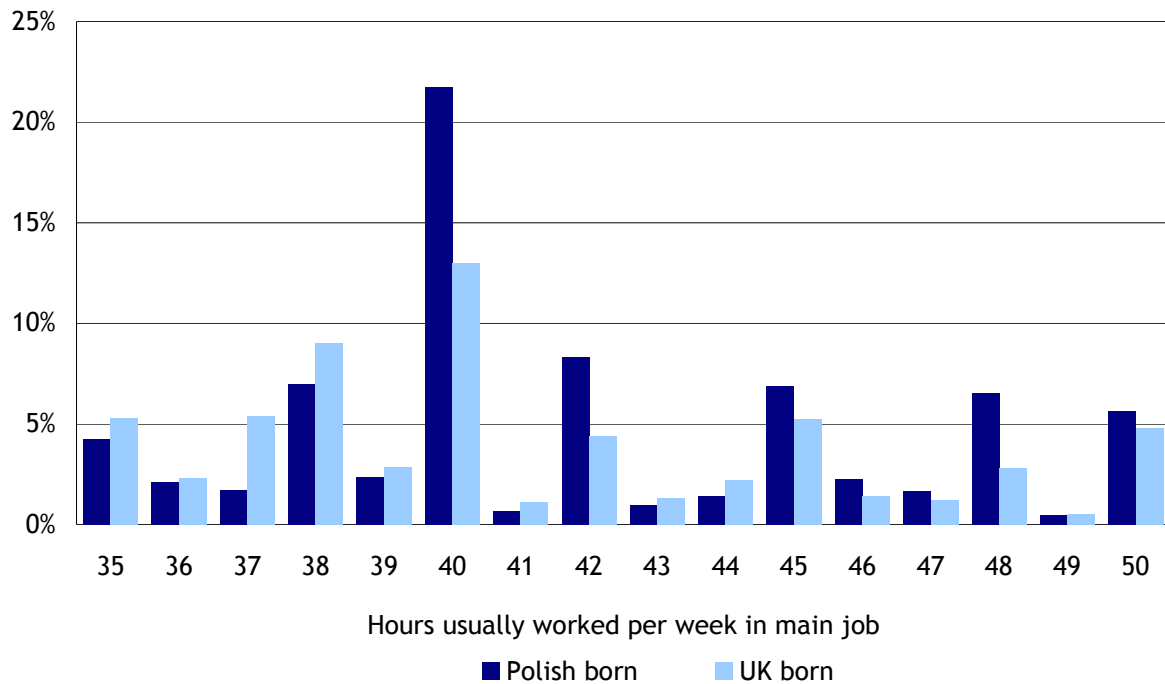
* Annualised number if first quarter is representative of 2007 as a whole. This drop may largely reflect the time it takes for new arrivals to feed into the survey. Other figures recently released by the DWP show 713,000 National Insurance numbers were issued to new arrivals to the UK in the year to April 2007.

Source: Quarter One, Labour Force Survey 2007

Are workers coming in from abroad ‘different’?

The stereotype of diligent, hard-working Poles does seem to translate into the statistics. While UK-born workers worked an average of 37 hours per week in the first quarter of 2007, Polish-born workers worked an average of 42 hours.

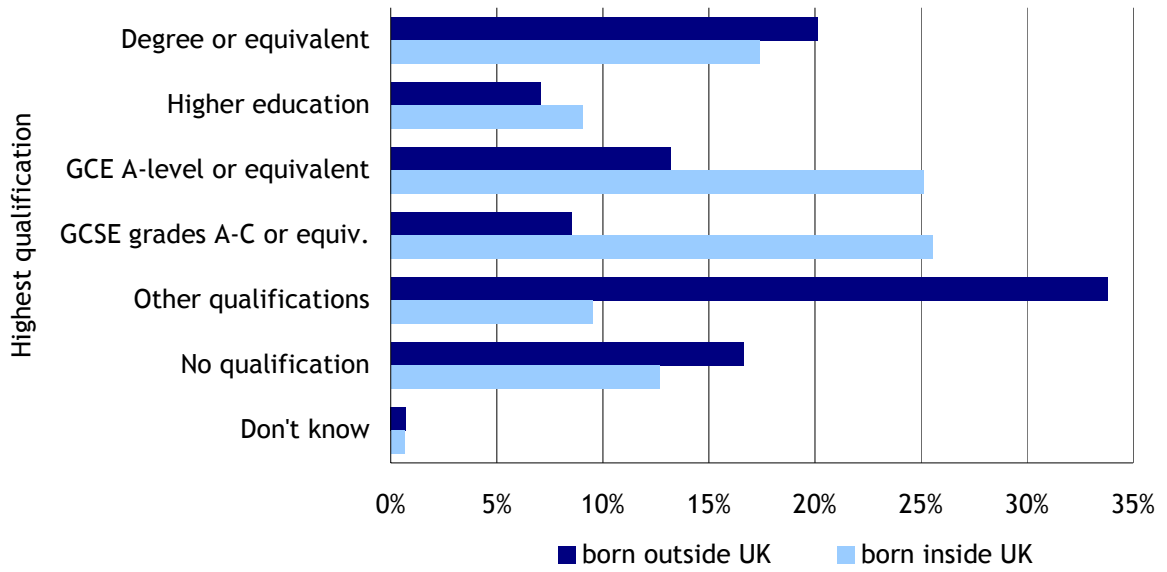
Hard-working Poles



Source: Quarter One, Labour Force Survey 2007

One in five foreign-born workers holds a degree. British-born workers are far more likely to hold A-levels and GCSEs, while migrants are much more likely to hold other (non-equivalent) qualifications; most of these qualifications are likely to be the prevailing school or professional qualifications in their home countries. With the numbers of migrant workers increasing, workers with foreign qualifications are a potentially under-utilised reserve of talent for businesses.

Workers born abroad more likely to hold degree



Source: Quarter One, Labour Force Survey 2007

Ten key facts

- 1** The working population stands at 37 million. It is growing but it is also ageing.
- 2** One in five of the working-age population is inactive (often women and older people), one in 25 is unemployed (often men and younger people). The main causes of inactivity are study, family obligations and poor health.
- 3** Managerial occupations now make up a sizeable chunk of employment (over four million) and are set to grow in future.
- 4** Occupations and sectors remain gender segregated with the skilled trades (and construction) overwhelmingly male and personal service and admin (and the public sector) overwhelmingly female.
- 5** Workers in the construction sector and those in management occupations work the longest hours.
- 6** There are nearly 400,000 part-time men and women workers who would take a full-time job if offered.
- 7** Men's pay peaks in between the ages of 36 and 55. High paid women peak at the same age as men; low paid women peak a decade earlier.
- 8** The proportion of people holding no qualifications has fallen to 14 per cent.
- 9** 28 per cent of workers received work-related training in the past three months. This figure is highest for professional occupations and the public sector.
- 10** Half of foreign-born workers in the labour force today have arrived in the UK since 1996. Workers born abroad are more likely to hold a degree than those born in the UK.