

3.1 General context

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Labour market situation in England

The UK is a large, open and competitive economy with low levels of regulation in its product and labour markets. The 2020 European Commission [UK Country Specific Report](#) states that the UK has high employment but low, stagnant productivity. Labour productivity and investment are low and not improving. The UK faces a broad need for more investment in equipment, infrastructure and housing, while also bringing down project costs. There is scope to improve the effectiveness of education and training systems in areas such as basic and technical skills. Tight regulation of the land market can also prevent capital and labour from moving to where it is most needed.

A certain amount of market and economic volatility has occurred following the referendum of 23 June 2016, in which the UK voted to leave the European Union. During the transition period 31 January 2020 to 31 December 2020, trading relations between the EU and the UK will remain essentially unchanged. Beyond this period, however, they will depend on the outcome of the negotiations on the UK's future relationship with the EU.

COVID-19 has a significant economic impact on the UK. A [report](#) from the Office for National Statistics for the period of September 21st to October 4th 2020 states:

- The arts, entertainment and recreation industry had the lowest percentage of businesses currently trading, at 70%, compared with 86% across all industries.
- Wave 15 (21 September to 4 October 2020), 48% of businesses experienced a decrease in turnover; since Wave 12 (10 to 23 August 2020), the trend has flattened compared with a previously steady decrease.

- In Wave 15 (21 September to 4 October 2020), 9% of the workforce were on partial or full furlough leave, unchanged from Wave 14 (6 to 20 September 2020).
- The accommodation and food service activities industry had the highest percentage of businesses with no cash reserves, at 7%, and had the highest percentage of businesses with a severe risk of insolvency, at 17%. ?

Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services. [Data](#) from the Office for National Statistics (ONS) shows that in 2017, the UK per head GVA figure was £27,555. Of the four UK countries, only England had a higher GVA per head value than this average at £28,096. Wales had the lowest GVA per head at £19,899. Northern Ireland experienced the highest annual growth in total GVA at 3.6% though GVA per head remains the lowest at £21,172. Scotland's GVA per head was £25,485.

[Data](#) published by the Office for National Statistics in 2020 shows labour productivity increased in 32 out of 44 enterprise regions in the UK between 2010 and 2018; the highest productivity growth was in the Coventry and Warwickshire Local Enterprise Partnership, with 16% growth over the period. Labour productivity increased in 15 out of 18 city regions between 2010 and 2018; the highest productivity growth occurred in West Midlands City Region, in Edinburgh and South East Scotland City Region and in Stirling and Clackmannanshire City Region.

The UK recognises that it has a skills shortage in some important industries, acting as an obstacle to people accessing employment. The 2017 [UK Employer Skills Survey](#) (published in 2017 by UKCES) shows an 8% increase in the number of skills-short vacancies since 2015. This increase is similar to the proportional increase in vacancies, meaning the density of skill-shortage vacancies has remained stable at 22% since 2013. There is a lack of expertise in the business services sector, IT, oil and gas, and energy and construction sectors, as evidenced in the chosen specialisms for the new national colleges (see the section on [Skills Development](#)). Results of the 2019 survey are [expected](#) to be published in 2020.

Labour market regulation

The UK has a lightly regulated labour market. In line with the [Equality Act 2010](#), there are protections against discrimination in Great Britain (England, Wales and Scotland) on the grounds of: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation. The [Equality and Human Rights Commission](#) has published [guidance](#) on this for employers.

Health and safety regulation is well established and comprehensive. Working time is controlled and flexible working promoted.

National Minimum Wage

There is a national minimum wage (NMW) and a national living wage (NLW) in the UK. The minimum national wages for under-25s in 2020 are set out in the table below:

National minimum wage for:

Under 18 18-20 21-24 Apprentices

£4.55 £6.45 £8.20 £4.15

Source: [National Minimum Wage and National Living Wage rates](#), 2020, GOV.UK.

The National Living Wage, which stipulates a higher wage for older workers, was introduced in April 2016.

The [Low Pay Commission Report Spring 2016](#) outlines the reason for these two wages: the age structure seeks to help manage employment risks, given that younger workers have lower pay on average than older workers and face tougher labour market conditions. This means that if employers were to maintain a generally higher level of wages for all ages, there might be fewer opportunities for younger workers.

Pensions

All employees over 22 years of age are auto-enrolled into a [designated pension scheme](#).

Youth and the labour market

There is no specific regulation of the youth labour market.

The UKCES report on young people, entitled [Catch 16-24](#) and published in 2015, states that persistently high youth unemployment is a long term, structural element of the UK economy.

Persistently high youth unemployment is a long term, structural element of the UK economy. This has been significantly impacted by COVID-19. A youth unemployment [report](#) published by the House of Commons library in October 2020 states that in June - August 2020:

- 581,000 young people aged 16-24 were unemployed, an increase of 35,000 from the previous quarter.
- 3.54 million young people were employed, down 220,000 from the previous quarter
- 2.74 million young people were economically inactive, an increase of 168,000 from the previous quarter.

In September 2020, 529,400 people aged 18-24 claimed unemployment related benefits. This was an increase of 294,400 claimants from March 2020, when the UK lockdown began. This represents an increase of 125% between March and September 2020. Some of this increase will be due to employed people who have become eligible for Universal Credit as part of the government response.

As noted by the Office for National Statistics, the employment rate is the proportion of people aged between 16 and 64 years who are in employment. Estimates for [June to August 2020](#) show 32.59 million people aged 16 years and over in employment, 102,000 fewer than a year earlier and 153,000 fewer than the previous quarter. For June to August 2020, the estimated employment rate for all people was 75.6%; this is 0.3 percentage points down on the year and 0.3 percentage points down on the quarter. It's important to note these figures are for the whole population and not young people specifically.

[Catch 16-22](#) also outlines the key issues for young people in accessing work:

- they find it difficult to get work without experience and difficult to obtain experience without work
- access to opportunities for work placements and related activities is limited by geographical location (the so-called 'postcode lottery') - these are more readily available in areas with higher economic performance
- young people are most likely to be recruited into low wage, low skilled jobs where the pathways for promotion, and for further learning and development, are unclear.

Main concepts

The [Office for National Statistics](#) has developed a framework for labour market statistics which describes the major concepts (earnings, employment, hours of work, labour disputes, economic inactivity, redundancies, claimant counts, unemployment, job and vacancies) that exist within the UK labour market and their relationship to each other. Details are available in the [Guide to Labour Market Statistics](#).