

Reed in Partnership

Labour market briefing, March 2022

From economically inactive to economically valued:
The economically inactive people who want a job

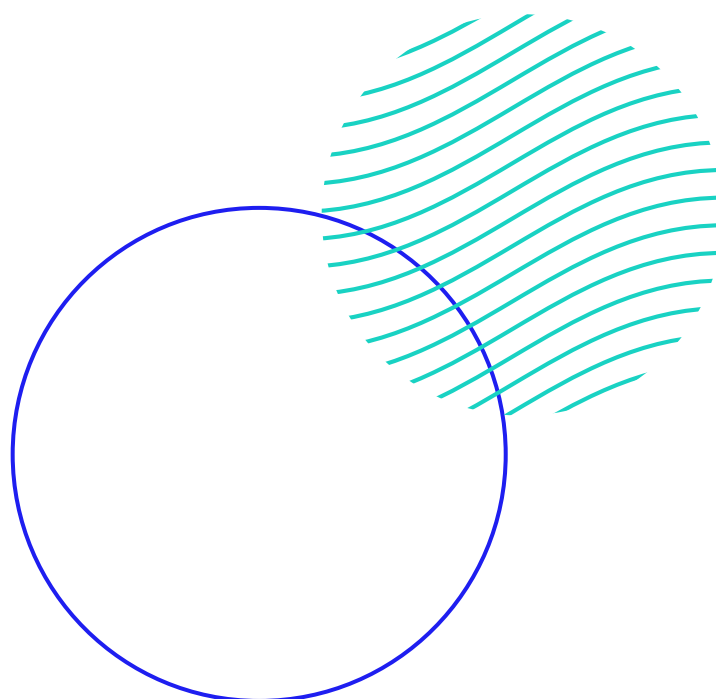


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Contents

Introduction	04
Key points	05
Recent trends in economic inactivity	06
A closer look at people who say they want a job	11
Economic inactivity by UK region	18



Introduction

It is becoming clearer that the Government's Plan for Jobs – especially the Coronavirus Job Retention Scheme (the furlough scheme) – has succeeded in preventing unemployment from reaching the very high levels that had been feared earlier in the pandemic.

There are still more than 1.3 million unemployed¹ people across the UK, however. While the headline unemployment rate is now down to pre-pandemic levels, there are many areas of the UK where unemployment is much higher than it was two years ago, such as Croydon or Leicester. Long-term unemployment is still almost a third higher than before the pandemic.

At the same time, job vacancies across all sectors continue to break new records. While the pace of growth in vacancies has slowed recently, there were 1.3 million vacancies across the economy in December to February 2022, half a million more than were advertised two years previously.

With the number of people in employment being significantly lower than before the pandemic (almost 600,000 fewer people employed or as many as 1.1 million compared to pre-pandemic trends) talk is increasingly of a "participation" crisis. Hours worked remain slightly below their pre-pandemic level too. In its latest briefing, the Institute for Employment Studies says that we are now seeing "the tightest labour market in at least 50 years".

Close to nine million people in the UK are not unemployed, but not working nor actively looking for a job. Many are students, people who have retired early or cannot work

because they have a disability or health condition. Concerningly, this group is growing – particularly those who are not working or seeking work due to long-term ill-health.

"Economic inactivity" is a labour market economists' term, not a description of what people in this category are doing. It is necessary to distinguish which people in the UK could be seen as making up the UK's "spare" labour market capacity and therefore fuel future economic growth. But in the real world it means people who are caring for others, supporting communities through volunteering and of course studying and training – all activities which are crucial to the economic health and wellbeing of the UK. It also includes many disabled people or those with long-term health conditions, many of whom may not be able or want to get a job but many who would like to work.

At least 1.7 million people amongst the economically inactive would like to get a regular, paid job "at the moment" even though they are not currently looking for one. If the UK is to encourage more economically inactive people to consider some of the vacancies available and benefit from their skills and talents, it makes sense to start with people who say that they would prefer to get a paid job.

Key points

- 1 There are 8.8 million¹ “economically inactive” people in the UK who are not working, looking for work or claiming unemployment-related benefits. This number has grown by around 420,000 people since the start of the pandemic.
- 2 This huge group includes people in a very wide range of circumstances, but the biggest groups are people whose primary reason for not working is disability or long-term ill-health (26%), studying (26%) and caring responsibilities (19%).
- 3 The proportion of the economically inactive that say they would like a regular, paid job is at a historically low level (19.3% in October to December 2022) but that still represents more people (1.7 million) than the estimated vacancies across the UK economy (1.3 million).
- 4 Many disabled people or those with long-term health conditions are not able or do not want to do paid work, but more than half a million (509,000) would like to do so. Regional variation is significant: only 15% of economically inactive Londoners are not working because of disability or health compared to 37% of people in Northern Ireland. Many coastal towns, the former industrial areas of the North, Wales and Scotland and some rural areas have particularly high economic inactivity due to disability and ill-health.
- 5 One in three (33%) of the economically inactive women who would like a job are not working because of family/home responsibilities, compared to only one in ten (10%) men. For women aged 25 to 49 this rises to more than half (51%) compared to only 15% of men in the same age group.
- 6 There were almost 400,000 students in the UK who say that they would like to work. While the proportion of people working while studying has been falling for some time, young people who combine study and work can benefit from significant employment and pay advantages in the following years.
- 7 They are a very small group, but people seeking asylum in the UK and waiting to be granted leave to remain the UK are an example of an economically inactive group with strong motivations to work who are not able to do so for at least a year.
- 8 There are many areas where further analysis is needed to improve understanding of economic inactivity in the UK and how people who want to work can be supported to find the right type and hours of work for them. There are more than one million people who are economically inactive for unknown reasons, for example. Other areas include the impact of long Covid on health-related economic inactivity and the impact of the Pension Freedoms implemented in 2015 and other pension changes on retirement decisions.

Around half a million people who are economically inactive because of a disability or a health condition say that they would like to get a paid job.

¹ All figures on pages 4 and 5 are taken from Office for National Statistics, Labour market overview, UK: February 2022 and refer to the period October to December 2021, unless otherwise stated.

Recent trends in economic inactivity

Below we explain what economic inactivity means, how it has been impacted by the Covid-19 pandemic and explore who makes up this 8.8 million-strong part of the working-age population.

What is economic inactivity?

In addition to the 1.3 million people who are currently unemployed and claiming unemployment-related benefits in the UK, there is a much larger group of the working-age population (8.76 million in October to December 2021) who are not working or looking for a job. They are described as “economically inactive” – specifically people who are not in employment, have not been seeking work in the past four weeks and/or are unable to start work in the next two weeks. This includes students, people who have retired early and those not working due to family responsibilities, disability or ill-health.

Impact of the pandemic

This group has never dipped below one in five of the working-age population, but it had been falling gradually over the past decade. However, since the start of the Covid-19 pandemic it has risen. Overall, there were 394,000 more people in economic inactivity in the three months to December 2021 than there were before the pandemic.

The Learning and Work Institute² points to three main phases of this rise since March 2020:

- Initially there was a big increase in “other” reasons – those which did not fall into any of the other main categories in the initial phase of economic shutdown and disruption.

- The UK then saw an increase in young people entering or remaining in further or higher education rather than entering the labour market.
- More recently, since the middle of 2021, the proportion of people who were economically inactive due to long-term ill-health or disability started to rise and has continued to do so – up by 111,000 since the three months to August 2021.

Reasons for economic inactivity

People in the economically inactive group are not working or seeking work for a very wide variety of reasons – many of which we know little about. They include studying, retiring early, caring responsibilities and long- or short-term health conditions, but more than one ten (1.1 million people) have an “other” reason. This huge group of people cover a wide range of circumstances, from full-time students and people who maybe can afford not to work, to people who cannot do paid work because of their disability or health condition.

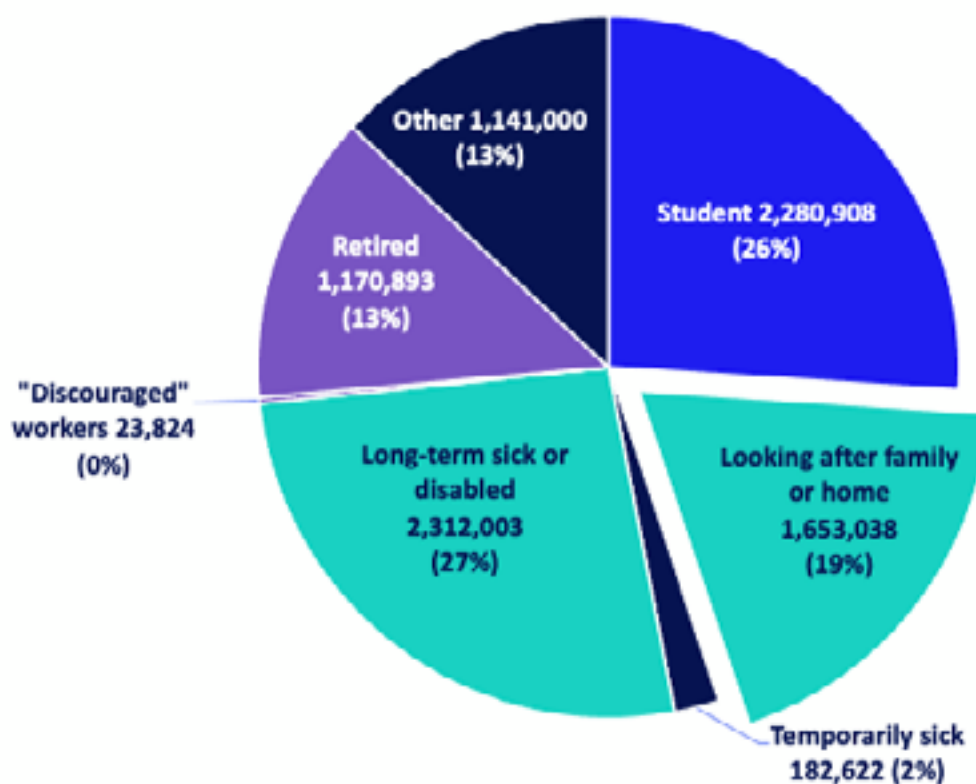
Chart 1 opposite shows the breakdown published by the Office for National Statistics (ONS) for October to December 2021. It illustrates that the biggest groups are students (26%), long-term sick or disabled people (27%) and those with caring responsibilities (19%).

There is not a particularly strong relationship between overall economic inactivity and deprivation because of the large numbers of students counted as part of this group, meaning that economically successful university towns tend to have high rates of economic inactivity, as Chart 2 below shows.

For example, Barrow-in-Furness has high rates of economic inactivity due to ill-health (making up 50% of its economically inactive

population) while Oxford has a large student population. Some places like Hackney rank very high on the Index of Multiple Deprivation, have higher than average unemployment but have a young, urban population and lower levels of economic inactivity. Kensington and Chelsea's very high economic inactivity is mainly due to students and wealth but in some parts of the borough will be linked with social exclusion and ill-health.

Chart 1: All economically inactive (aged 16-64) by reason, October to December 2021



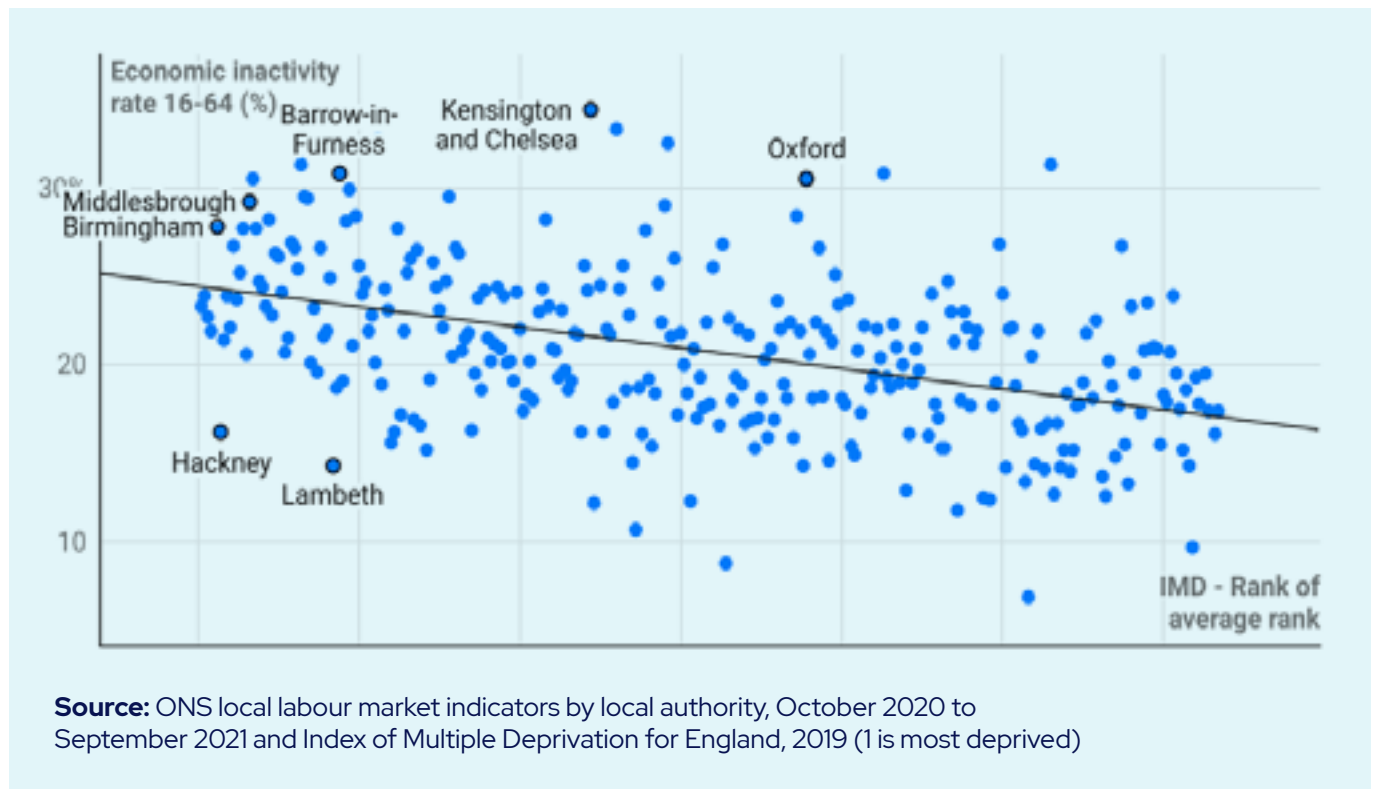
Source: ONS Annual Population Survey/Labour Force Survey, October to December 2021.

Regionally, economic inactivity was highest in Northern Ireland (27.3%), followed by North East England (24.8%), Yorkshire and the Humber (24.3%)³ in the three months to the end of December 2021. Compared with the same period of 2020, the highest increases in economic inactivity were in the East Midlands (up 1.7 percentage points) and Yorkshire and the Humber (1.6%). Economic inactivity was lowest in the East of England (18.3%) and South West (18.2%)³.

394,000 more people were economically inactive in October to December 2021 than before the pandemic began.

³ ONS, Labour market in the regions of the UK, February 2022.

Chart 2: Working-age economic inactivity and deprivation in England



Disability and ill-health

Many disabled people or those with long-term health conditions are not able to do paid work. A survey for the DWP of people receiving the Support Group element of Employment Support Allowance and those on the equivalent element of Universal Credit⁴ found that 67% did not think that paid work would ever be an option for them. One in five (20%) did have a desire to work and thought that they could work at some point in the future. The lowest rates of employment for disabled people are amongst people with autism (21.7%), severe or specific learning disabilities (26.5%) or mental illness (33.3%)⁵.

As explored below, however, there are more than half a million people who are economically inactive due to disability or long-term ill-health who say that they would like to have a regular, paid job. The large number of people who are not working due to ill-health or disability is, in many places, linked to deprivation, and the fact that this group has been growing is of particular concern.

The number of people in this category has been rising since 2014 after falling from its high point of the 1980s, but the pandemic has both exacerbated and exposed the difficulties facing disabled people and those with long-term health conditions.

Overall, the highest proportions of working-age people who are not working due to disability or health conditions are more likely to be in more deprived parts of the UK, particularly the former coalfields of the Midlands, North, Scotland and Wales where so many of the UK's older industries once flourished⁶.

Coastal local authorities like Ipswich, Blackpool and West Lindsey also have some of the highest rates of economic inactivity due to ill-health, as do some rural areas such as the Cambridgeshire Fens. The table below shows some of the highest and lowest levels of economic inactivity due to disability or long-term ill-health, although it excludes Northern Ireland which overall has by far the highest level of disability and health condition related economic inactivity in the UK.

Table 1: Local authorities with the highest and lowest proportion of people who are economically inactive due to disability or long-term ill-health (GB only)

Ten highest		Ten lowest	
Ipswich	54.7%	Windsor and Maidenhead	16.8%
Lincoln	50.9%	Bexley	16.6%
Barrow-in-Furness	49.7%	Tower Hamlets	16.4%
Torfaen	48.7%	Solihull	16.2%
Tendring	47.1%	South Gloucestershire	16.2%
Blackpool	46.7%	City of Edinburgh	15.5%
Harlow	46.3%	Havering	15.5%
West Lindsey	44.4%	Walsall	15.5%
Fenland	43.2%	Bracknell Forest	15.3%
Inverclyde	43.2%	York	13.4%

Note: this is drawn from an incomplete list of local authority districts as the breakdown of reasons for economic inactivity is not available for all areas due to small sample sizes. The figures will differ from those in chart 1 because they are based on the October 2020 to September 2021 Annual Population Survey (APS) not the latest quarterly APS/Labour Force Survey release. The GB average using this data was 24.4%.

The 50 plus group

The steepest increases in economic inactivity for working-age people in recent months have been for those aged 50–64 (up by around 260,000 between the start of the pandemic and the three months to December 2021). The economic inactivity rate for women aged 50–64 has always been high and stands at 31% compared to 23% for men in the three months to December 2021. Engaging more people, particularly women, in this age group is a key labour market challenge.

There are also some complex issues relating to retirement⁷, particularly the introduction in April 2015 of the Pension Freedoms reforms that enabled people to access their retirement savings flexibly from the age of 55⁸, that merit further research in terms of their impact on economic activity.

Caring responsibilities

The “looking after family or home” reason for economic inactivity has shown to have fallen in importance a little during the pandemic, likely reflecting more women staying in or entering work than men during this time. However it is important to remember both the sheer numbers of people who give this as their reason for economic inactivity and the stark gender disparity: 1.4 million women in the three months to December 2021 compared with 253,000 men. On page twelve we look in more detail at the people with caring responsibilities who want to work.

⁷ See Henry Tapper, “Saved enough to stop work?” The impact of pension freedoms on the labour market”, on the [AgeWage website](#), 28 January 2022. ⁸ See DWP, Pension Freedoms: a qualitative research study of individuals’ decumulation journeys, October 2020.

How many economically inactive people say that they want to work?

Most people classed by ONS as economically inactive say that they do not want a job. Overall in October to December 2021:

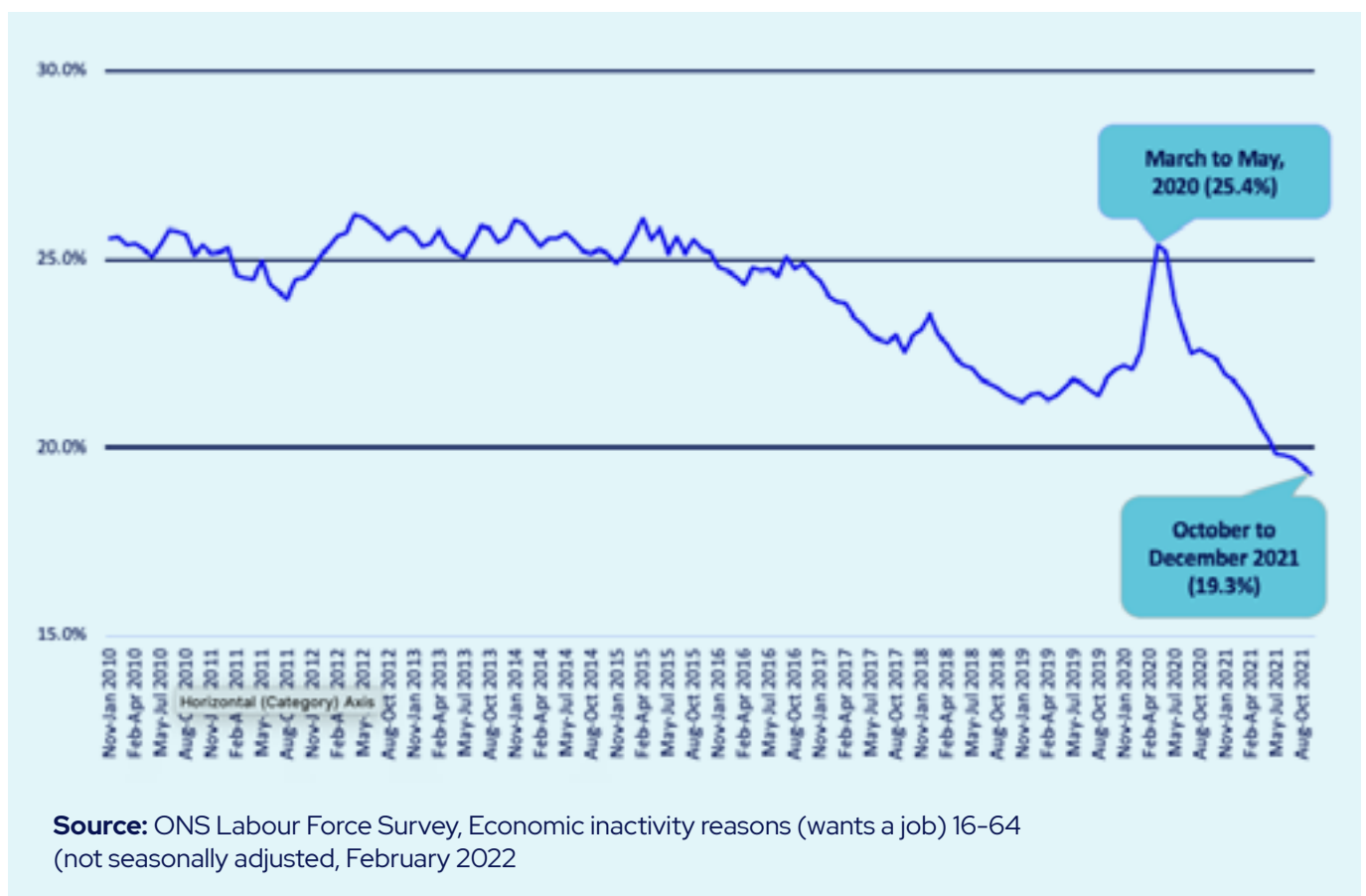
- Around four in five (80.7%) state that they do not want a job; while
- The remaining fifth (19.3%) say that they do want a job.

The proportion of economically inactive people saying that they want a job has been falling very slightly over the past three decades, but started falling a little more so since around 2015. It went up sharply during the first lockdown from March 2020, but then started falling from May to July 2020. It is unclear why it rose during the initial

lockdown period, but among the higher proportion of people citing “other” reasons for economic inactivity may well have been many people who suddenly found themselves not working but intended to return to a job.

The proportion of economically inactive people saying they want a job is now at a historically low level. While it is difficult to pinpoint the reasons for this (aside from the positive reason that a slightly higher proportion of young people are in education) it is another factor that acts against UK employers being able to meet the demand of record vacancies.

Chart 3: Wants a job - % of economically inactive



A closer look at people who say they want a job

This section focuses on the people who are identified by the ONS as not working or looking for work but say that they would like to have a paid job. These 1.7 million people would seem to be a good place to start in encouraging higher economic activity: what do we know about them?

The ONS' Labour Market Survey asks people that are not working or looking for work: "Even though you were not looking for work in the four weeks ending Sunday the [date], would you like to have a regular paid job at the moment, either a full- or part-time job?"⁹

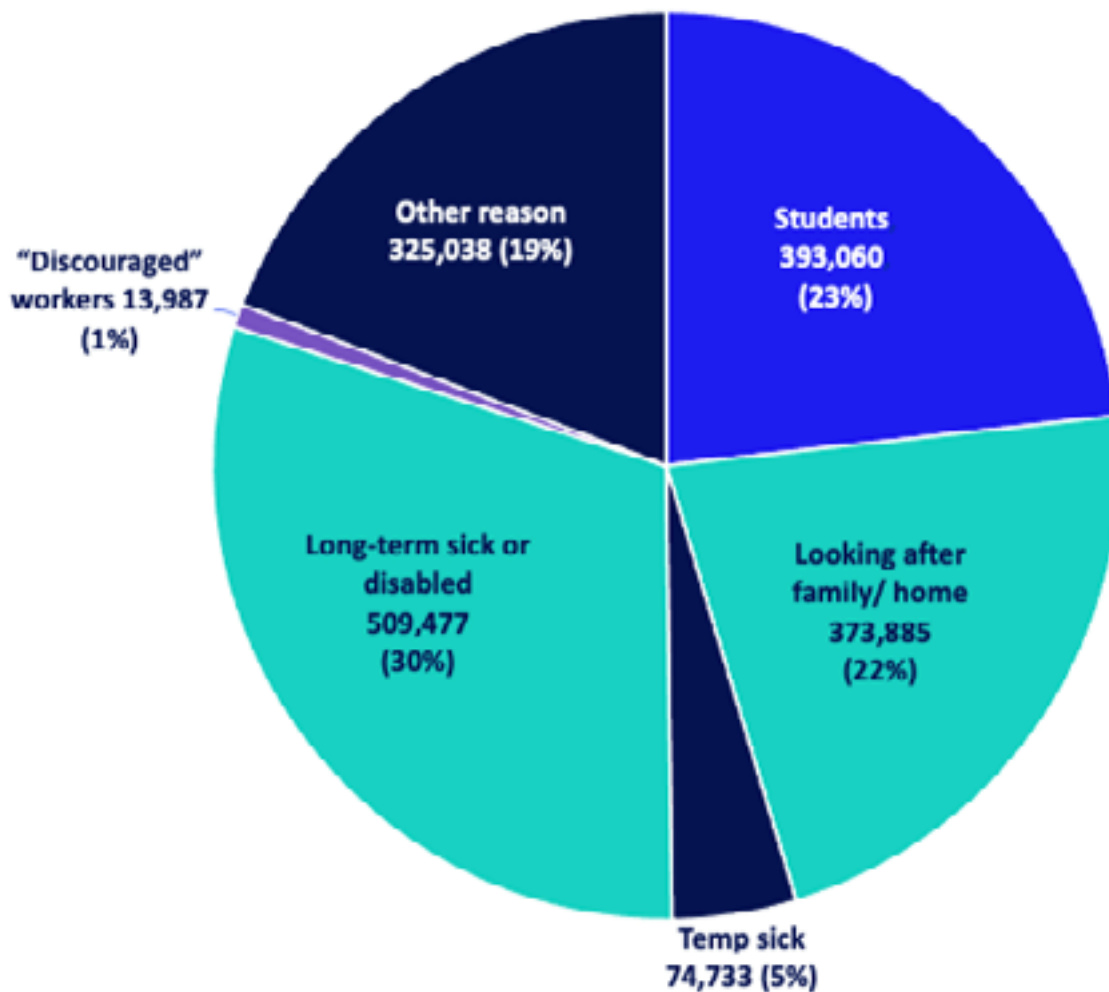
Chart 4 shows the broad reasons given by the 1,690,171 people who were identified in October to December 2021 as economically inactive but wanting a job. Compared to economically inactive people who do not want a job, they are:

- **More likely to be disabled or have a long-term health condition** than those who do not want a job (30% compared to 26%)
- Almost **twice as likely to have an "other" reason** for not working or looking for work (19%) than people who do not want a job (11%).
- **Less likely to be a student** (23% compared to 27% of those not wanting a job).
- Slightly **more likely to be looking after family or home** (22% compared to 18% of those not looking for a job).

While 16% of those not looking for a job are retired, this category is not included in the analysis of people who do want a job published by ONS.

⁹ ONS, [Labour Force Survey User Guide](#), October to December 2021

Chart 4: Economically inactive (aged 16-64) by reason – just those who want a job, October to December 2021



Source: ONS Annual Population Survey/Labour Force Survey, October to December 2021

Gender

There are big differences between women and men's reasons for economic inactivity for people who do want to work, shown in the chart opposite.

The much higher level of economic inactivity due to caring responsibilities amongst women is illustrated by a dataset published by the ONS, which plots economic inactivity against the age of dependent children (Chart 5 on page 14).

This shows, for example, that well over a quarter (28%) of women living with a dependent one-year-old child are economically "inactive" compared with just over 1% of men living with a dependent one-year-old.

Of the 900,000 economically inactive **women** who say they want a job...

Of the 790,000 economically inactive **men** who say they want a job....

33%
296,000

are looking after family/home

32%
258,000

are long-term sick or disabled

28%
251,000

are long-term sick or disabled

28%
218,000

are students

19%
175,000

are students

23%
187,000

have an "other" reason

16%
138,000

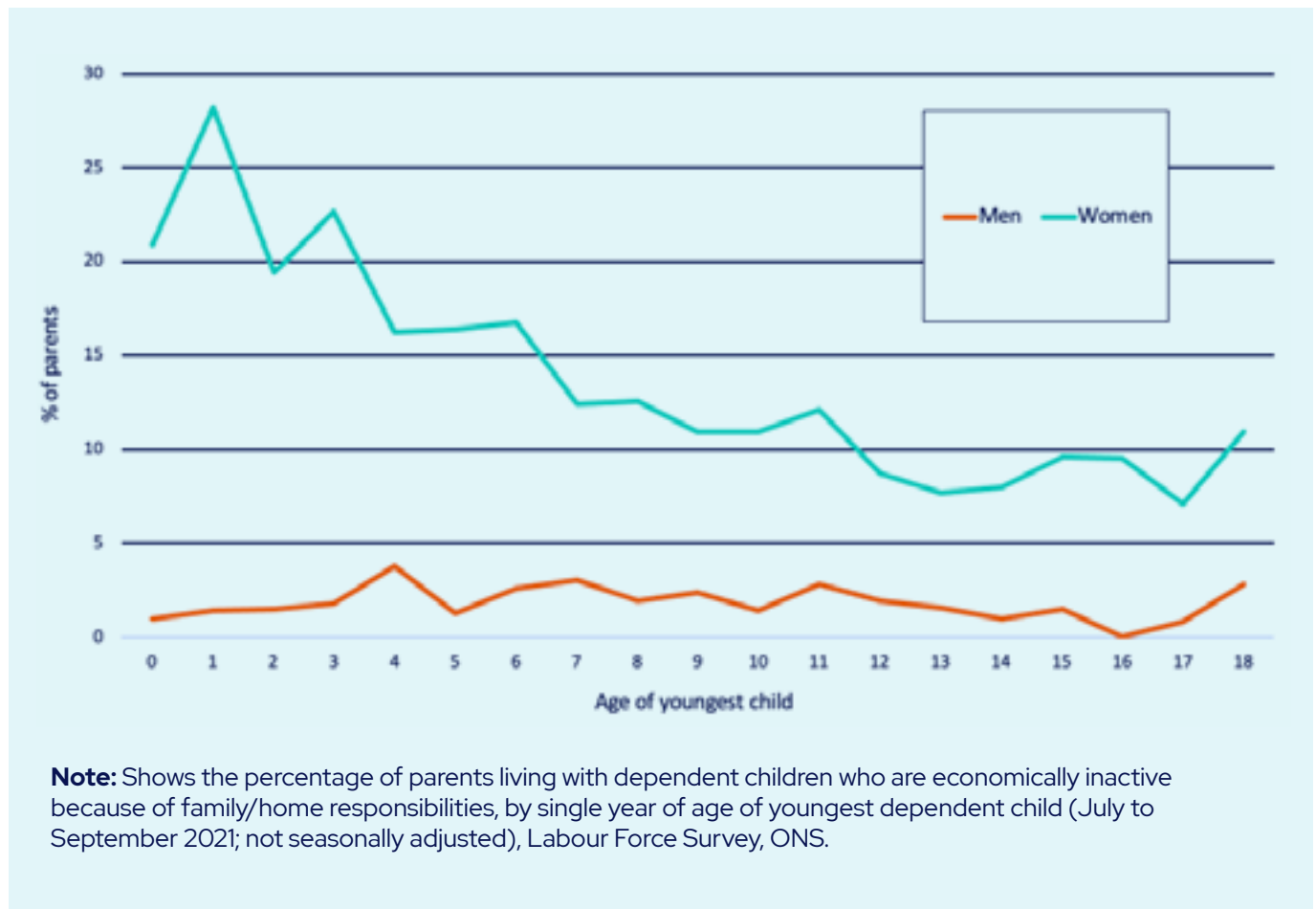
have an "other" reason

10%
78,000

are looking after family/home

Source: ONS, Annual Population Survey Oct-Dec 2021, people aged 16-64 economically inactive who want a job (seasonally adjusted)

Chart 5: Proportion of all women and men with a dependent child who are economically inactive (specifically for family/home reasons)



Students

While many full-time students either do not need or do not want to work while studying, working for a limited number of hours during term time or more during seasonal breaks can be very positive for young people's longer-term labour market outcomes. One study found that 16 to 17-year-olds who combined work with full-time education were four to six percentage points less likely to be not in employment, education or training five years on than those not working, as well as earning 12-15% more¹⁰. However, the proportion of young people working while studying has been falling for some time, with the

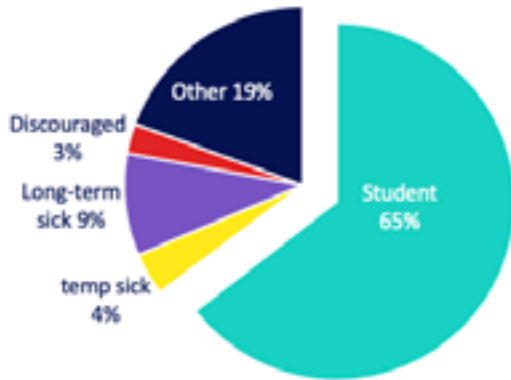
Resolution Foundation (2020) finding both a dramatic fall in part-time work for 16-17-year-olds such as Saturday jobs, as well as a long-term fall in young people working while studying more generally¹¹.

There are almost 400,000 people studying in the UK who are not working or looking for work at the moment, but say that they would like paid employment. With such a high level of vacancies in the economy, there could be many benefits for both students and employers in finding work where it can fit around study.

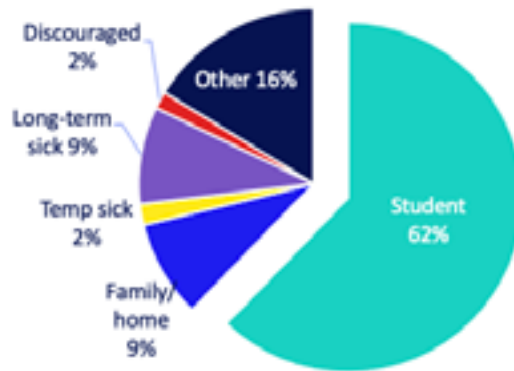
Age

Looking more closely at the economically inactive people who say that they would like to work by age and gender, the main reasons that each group are not working or looking for work are shown below.

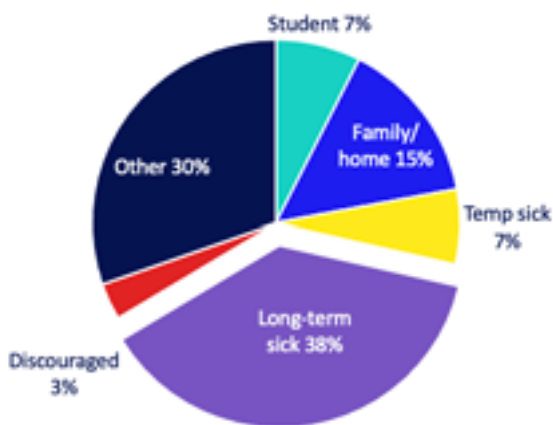
Men aged 16-24



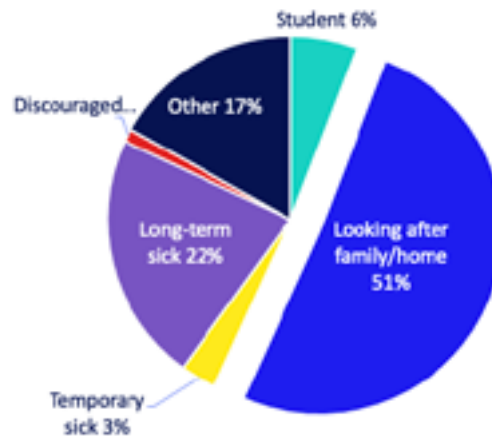
Women aged 16-24



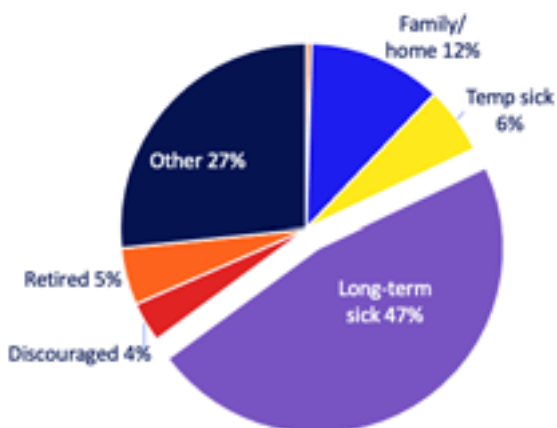
Men aged 25-49



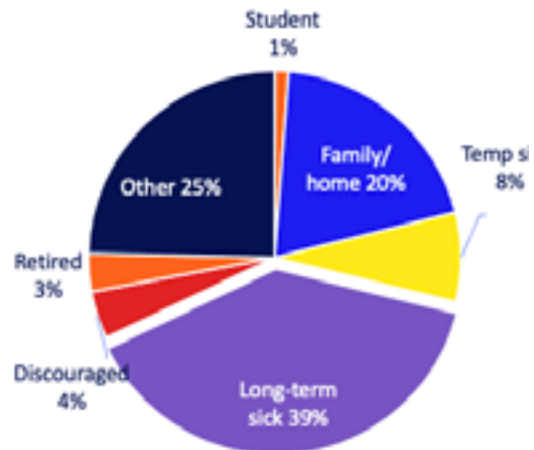
Women aged 16-24



Men aged 50-64



Women aged 50-64



Source: ONS (Nomis), Annual Population Survey Oct 2020-Sept 2021, people aged 16-64 economically inactive who want a job.

This illustrates that:

- For both younger men and women who would like to work, studying is by far the most important reason for not doing so.
- In the 25–49 age group, the reasons for people not working despite wanting to do so diverge strongly by gender, with “looking after family or home” accounting for more than half (51%) of women in this age group. For men, long-term disability or ill-health (38%) is by far the biggest reason.
- For both men and women aged 50–64, long-term ill-health is the biggest reason why people who would like to work are not doing so, although the range of other reasons is very varied, including a high proportion of people with “other” reasons. While the proportion of women not working for health reasons is lower than men for the same age group, the actual numbers are bigger: 117,600 women compared to 111,900 men.
- We need to know more about the “other” reasons why people are economically inactive even though they would like paid work. This accounts for almost one in five of all economically inactive people who would like to work and 30% of men aged 25–49.

Asylum seekers and the right to work

One group of economically inactive people in the UK which the evidence suggests want to work, but cannot do so, are asylum seekers who have not yet been granted leave to remain in the UK. People who are seeking asylum in the UK and do not yet have leave to remain are unable to request the right to work until 12 months have passed. Even then, permission to work only allows asylum seekers to take up jobs on the UK’s shortage occupation list¹². One survey of people with experience of the asylum process found that 96% would like to work if given permission to do so¹³.

At the end of 2021, 81,978 cases were awaiting an initial decision. The UK offered protection, in the form of asylum, humanitarian protection, alternative forms of leave and resettlement, to 14,734 people in 2021 (including dependants). This is a very small group of people, but a group with diverse skills and a high level of motivation to work.

Region

The percentage of economically people who say that they want a job varies by region. The map on the next page shows economically inactive people in each region both as a number and a proportion of the working-age population, then the percentage that say that they would like paid employment. The proportion of the economically inactive that would like to get paid work is highest in the North East of England, followed by London and the South East. It is lowest in Yorkshire and the Humber and Northern Ireland.

¹² Home Office, [Immigration Rules Appendix Shortage Occupation List](#), updated January 2022

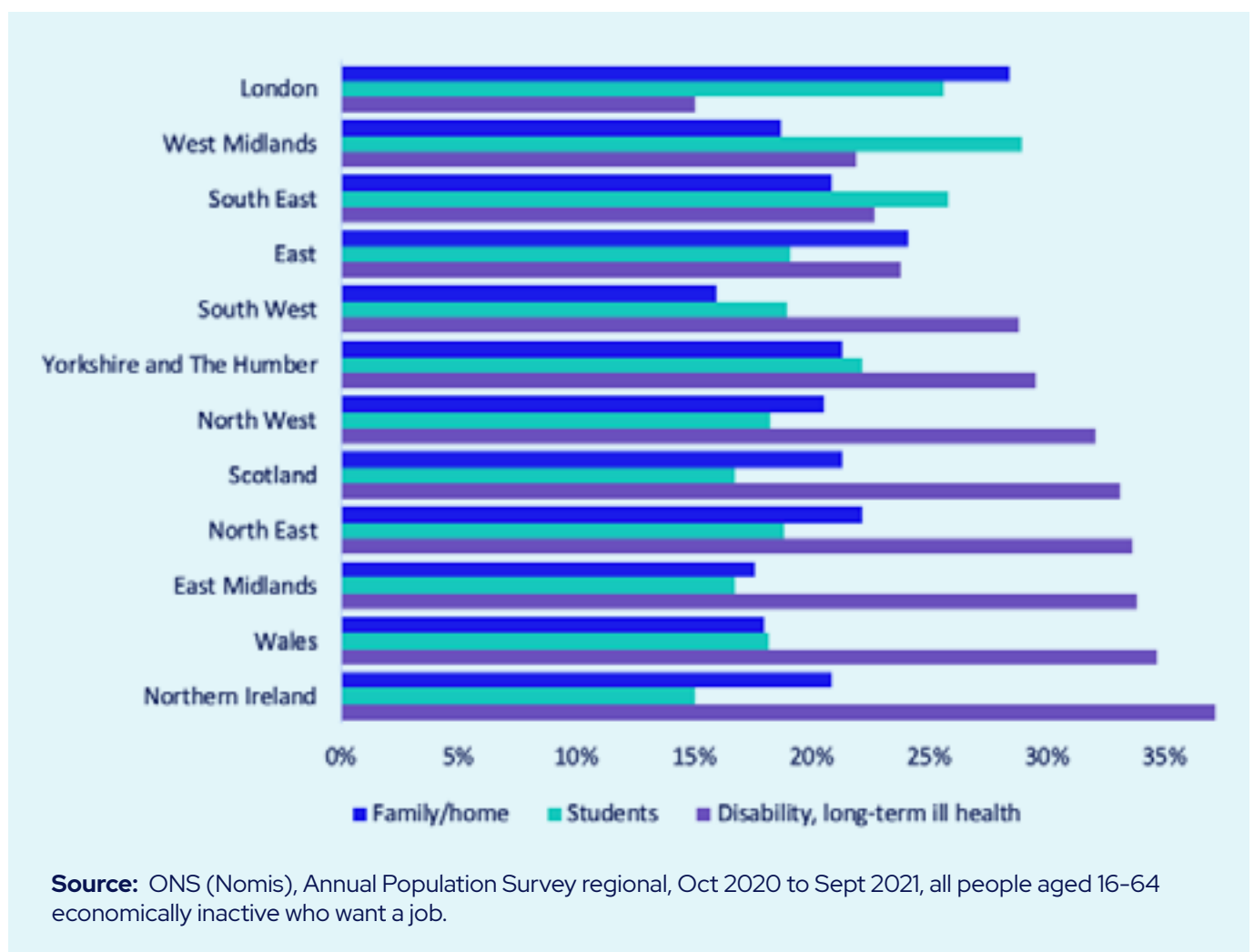
¹³ Lift the Ban Coalition, [Lift the Ban: Why people seeking asylum should have the right to work](#), October 2018

Chart 6 below shows how the importance of three major reasons for economic inactivity vary by region, amongst people who say that they would like paid work. While this will vary hugely within each region, it does illustrate quite surprisingly high regional variations. London (28%) and the East of England (24%) have the highest proportion of economically inactive people wanting to work who are not doing so because of family or home responsibilities, while this only accounts for 16% of people in the South West. In contrast only 15% in London who would like to work are economically inactive because of long-term ill-health or disability, compared to 37% in Northern Ireland, 35% in Wales, 34% in the East Midlands or North East or 33% in Scotland. The regions with the highest proportion of students in this group are the West Midlands (29%), London (26%) and the South East (26%).

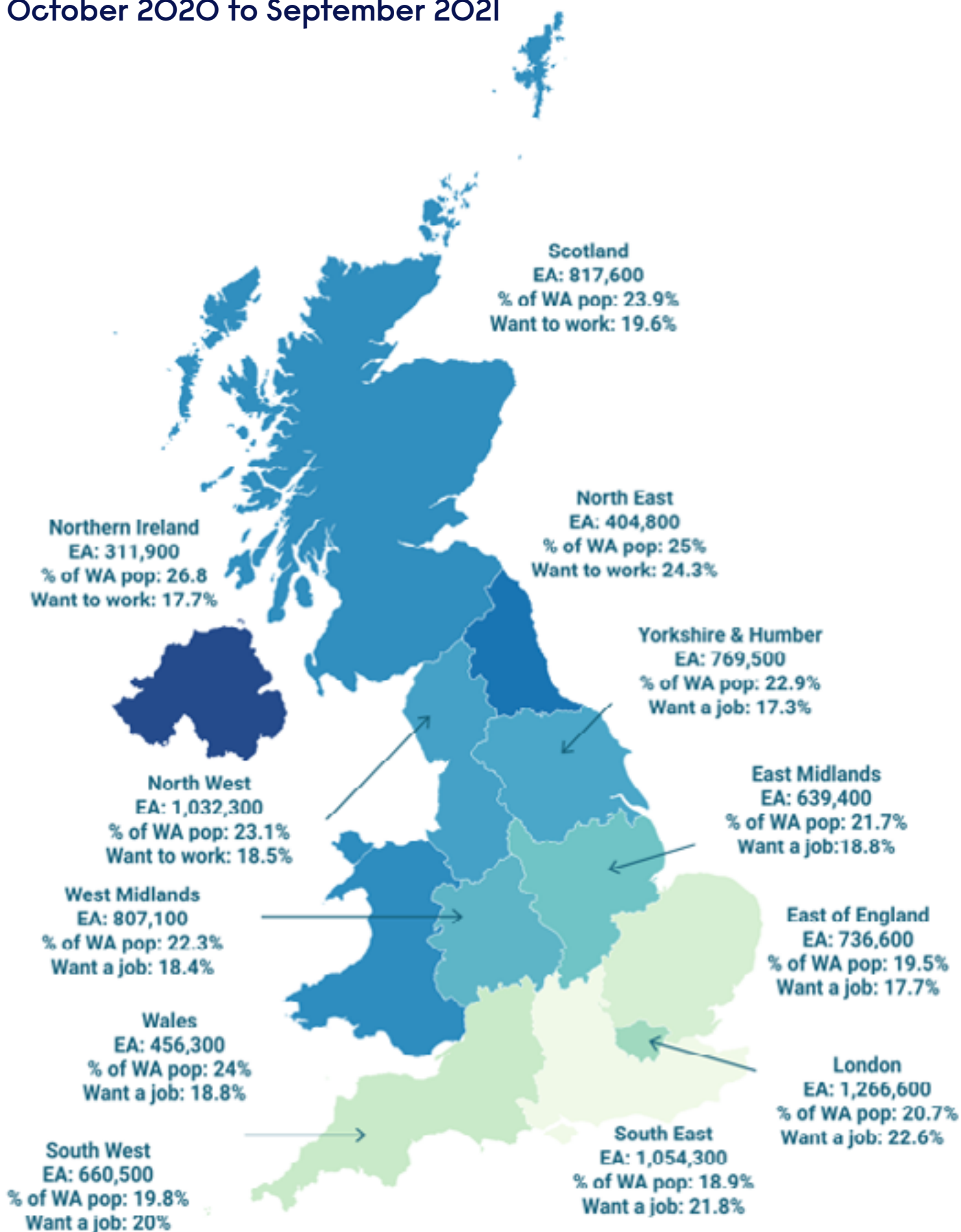
in Scotland. The regions with the highest proportion of students in this group are the West Midlands (29%), London (26%) and the South East (26%).

Just 15% of economically inactive Londoners who want a job say that they are not working due to disability or long-term ill-health

Chart 6: People who are economically inactive but want to work (% who are inactive because of family/home, study or disability/long-term ill-health by region)



Economic inactivity by UK region, October 2020 to September 2021



Source: ONS (Nomis), Annual Population Survey regional, Oct 2020 to Sept 2021, all people aged 16-64 economically inactive who want a job.

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