

Data Management and Analysis Group

GLA Resident Labour Force Projections



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Executive Summary

The Office for National Statistics (ONS) published *Projections of the UK labour force, 2006 to 2020* in the January 2006 edition of *Labour Market Trends*. These projections incorporate a wealth of new material: including the Government Actuary's Department (GAD) 2004-based national population projections, statistics from the rebased Labour Force Survey and the equalisation of the state pension age for men and women by 2020. The national results have been presented in *DMAG Update 2006/4*.

The key results from linking the ONS national projection with the latest (2005 Round Scenario 8.07) GLA population projections and borough level activity rates from the 2001 Census are as follows:

- The resident labour force of London rises from 3.643 million in 2001 to 4.314 million in 2026 and to 4.360 million in 2031.
- Women make an increasing contribution to the labour force with numbers projected to rise from 1.640 million (44.0%) in 2001 to 2.046 million (47.4%) in 2026 and to 2.076 million (47.6%) in 2031.
- Part of the increase projected for women is due to the anticipated impact of the equalisation of the state pension ages for men and women by 2020.
- Female economic activity rates are projected to rise, substantially at ages 50-64, while most male activity rates are projected to have very limited declines.
- London's resident labour force is projected to become older with 37% being over 40 in 2026 compared to only 30% in 2006.

Introduction

The Office for National Statistics (ONS) published *Projections of the UK labour force, 2006 to 2020* in the January 2006 edition of *Labour Market Trends*. These projections are the first to be prepared since 1998 and incorporate a wealth of new material: including the GAD 2004-based national population projections, statistics from the rebased Labour Force Survey and the equalisation of the state pension age for men and women by 2020. The national results have been presented in *DMAG Update 2006/4*.

This *DMAG Briefing* presents the results of linking the national trends in economic activity rates from the ONS work with the GLA 2005 Round Scenario 8.07 population projections and the 2001 Census data on economic activity rates in each of the London boroughs.

Data

UK Economic Activity Rates

The ONS projections are based upon economic activity rates drawn from the Labour Force Survey and relate to the population in private households, with the exceptions of residents of NHS nurses accommodation and students in halls of residence. The activity rates have been presented for males and females separately for the following age groups: 16-17, 18-24, 25-29, ... , 65-69, and 70+. At the two youngest age groups the economic activity rates are divided between those persons in full time education and those not. In the work presented here the FTE and non-FTE rates for the UK have been combined into single age/gender specific rates. These rates are available for each year from 2001 to 2020. It has been assumed that beyond 2020 the UK rates would be considered as constant when applying to the London borough rates to prepare projections to 2031.

London borough Economic Activity Rates

2001 Census Table ST 028 shows economic activity for males and females resident in each borough by the following ages: 16, 17, 18, 19, 20-24, ... , 65-69, and 70-74. Activity rates are prepared consistent with the UK rates with the exception of the foreshortened final age group. Students in full time education who have a job are considered as being economically active but it is not possible to calculate separate activity rates for FTE and non-FTE. One further point of difference between the borough Census-based rates and the national data from the Labour Force Survey is that in the Census all residents, that is of both private households and all communal establishments, are included in the data.

London borough Population by age/gender

The GLA 2005 Round Scenario 8.07 population projection is used for the borough populations aged 16-74 by single years of age and gender for all years from 2001 to 2031. For a description of this projection please see *DMAG Briefings 2005/33 and 2005/40*.

Methodology

The steps used to create the labour force projections is as follows:

- Combine the population projection for each year into the relevant age- groups: 16-17, 18-24, 25-29, ... , 65-69, and 70-74 for each gender.
- Project the borough 2001 Census-based economic activity rates to 2020 by reference to the national rates, and assume constant from 2020 to 2031
- Apply the projected activity rates to the projected population for all years.

The projection of the borough rates relies upon a few simple assumptions. First, that the national trends at ages 70+ can be applied to the borough rates for ages 70-74. This is trivial as the rates themselves are in single digit percentages and there are very few economically active Londoners over the age of 75. Second, that changes in the combined national rates at ages 16-17 and 20-24 for both FTE and non-FTE people can be applied to the borough rates applicable to all persons in the age group. Nationally there are expected to be increasing education participation rates in the four age/gender groups concerned. This is also likely to be the case within London's residents even though the starting levels will be different to the national situation in 2001. More work will be put into establishing if trends in London may be different, but meanwhile this assumption will be used. The final assumption is more general. In order to project a borough rate in cases where the national rate is falling the calculation is:

$$B_{2002} = B_{2001} * (N_{2002} / N_{2001})$$

Where national rates are rising the calculation for the borough rate is:

$$(1 - B_{2002}) = (1 - B_{2001}) * (1 - N_{2002}) / (1 - N_{2001})$$

or:

$$B_{2002} = 1 - (1 - B_{2001}) * (1 - N_{2002}) / (1 - N_{2001})$$

By adopting this simple alternative it will not be impossible, in extremis, for rising national rates to lead to a local rate exceeding 100% and declining national rates to lead to a local rate falling below 0%.

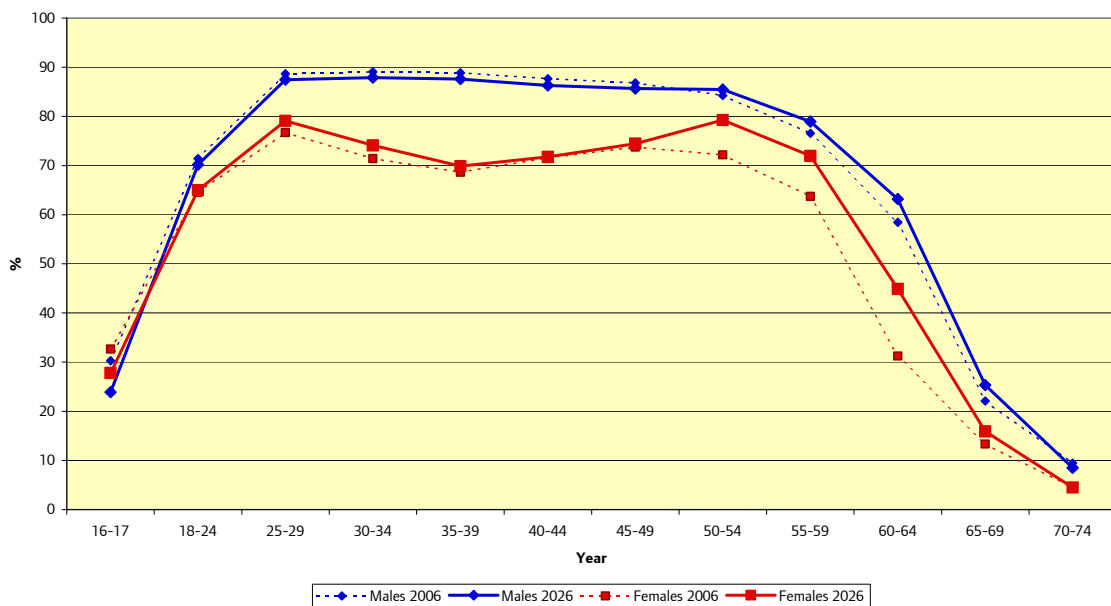
Results

Economic activity rates for both males and females at ages 16-17 are expected to decline substantially over the period of the projection, for males the decline is 21% and for females it is 15%. These rates are in any case at present lower than the rates at any other age group below the current state pension ages and the impact of the decline in participation on the labour force projection is minimal; only 8 thousand difference by 2016.

In the main working ages the activity rates for males change little between 2006 and 2026, up to age 45-49 there are projected reductions of activity of 1-2 percentage points at each age group. Between ages 50 and 64 there are projected increases in participation, by 5 percentage points for 60-64 year olds (equivalent to an 8% increase). At age 65-69 the activity rate is projected to rise from 2% in 2006 to 25% in 2026, and there is a slight fall projected in the already low participation rate of those aged 70-74.

The general picture of change in female activity rates is quite different. Modest increases are projected at all ages up to 45-49 with some substantial increases at higher ages, notably 7 to 8 percentage point increases at ages 50-54 and 55-59. For those most affected by the raising of the state pension age to 65 (ie the 60-64 group of women) the projected increase in participation is from 31% in 2006 to 45% in 2026. For older women rates are already low and there is a modest increase projected from 13% to 16% of those aged 65-69. The overall result for women is that rates remain below those for men at all ages over 18 and that the familiar shallow 'M' shape of the female economic activity rate curve has become a little steeper sided, particularly at older ages. Rates for both males and females are shown in Chart 1.

Chart 1: Greater London: Economic Activity Rates: 2006 and 2026

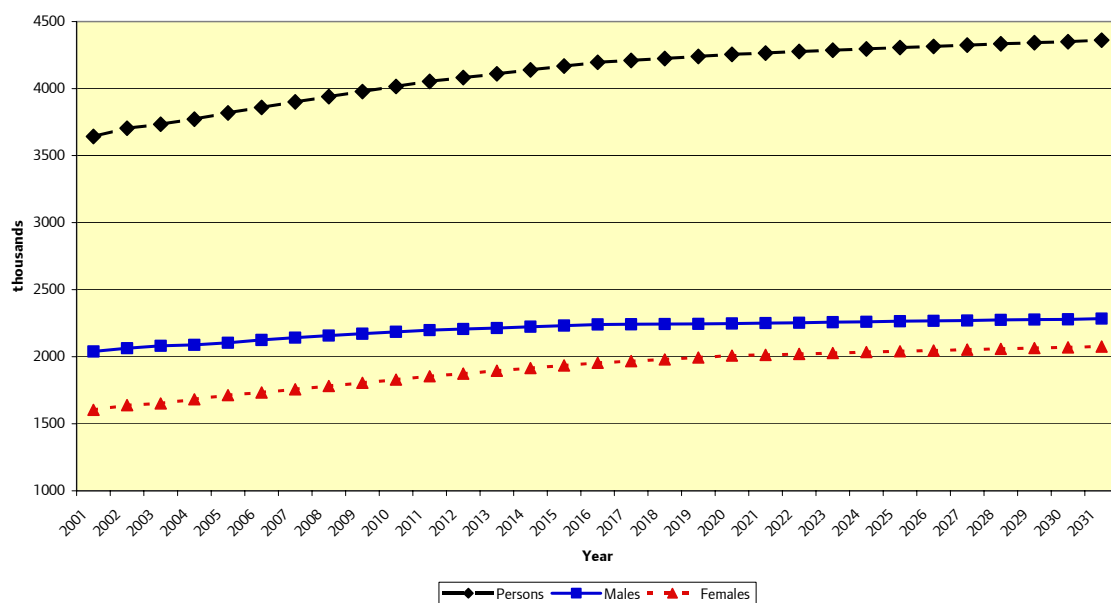


In terms of total numbers of London's residents who are projected to be economically active there is a steady increase projected for all years, although the pace of increase eases after 2016 due to the underlying population projection, which reflects the

reduced additional housing capacity after 2017 in the London Housing Capacity Study. Between 2006 and 2026 the growth in the resident labour force is projected to be from 3.860 million to 4.314 million (454 thousand or 12%). Of this increase 313 thousand (69%) is expected to be women, whose numbers in the labour force is projected to rise by 18% from 1.734 million to 2.046 million. The proportion of women in London's resident labour force is projected to rise from 44.0% in 2001 to 47.6% in 2026 and 47.6% in 2031.

Chart 2 shows the trends in the total and gender composition of the labour force from 2001 to 2031 and clearly indicates the very low growth in the number of economically active males after 2016.

Chart 2: Greater London: Resident Labour Force: 2001-31



A further feature of the projection is the aging of the labour force, this is brought about mainly by the changes projected in the resident population but is augmented by the increasing participation rates at older ages. Chart 3 shows the age/gender composition of the labour force at 2006 and 2026. The key features are the reduction in economically active males aged 25-39 and the major increases for both sexes at ages 45-64. Females aged 30-44 also show a marked increase. The proportion of the labour force aged over 40 rises from 30% in 2006 to 37% in 2026.

The majority of London's resident labour force remains in the ages 25-44, but the proportion at these ages falls from 58% in 2006 to 52% on 2026. The difference is balanced by the increase from 28% to 35% of those aged 45-64. Although there is a projected increase from 56 thousand to 76 thousand in the numbers economically active at ages 65 to 74 these people still only account for 2% of the labour force in 2026.

Chart 3: Greater London: Labour Force by age/gender: 2006 & 2026

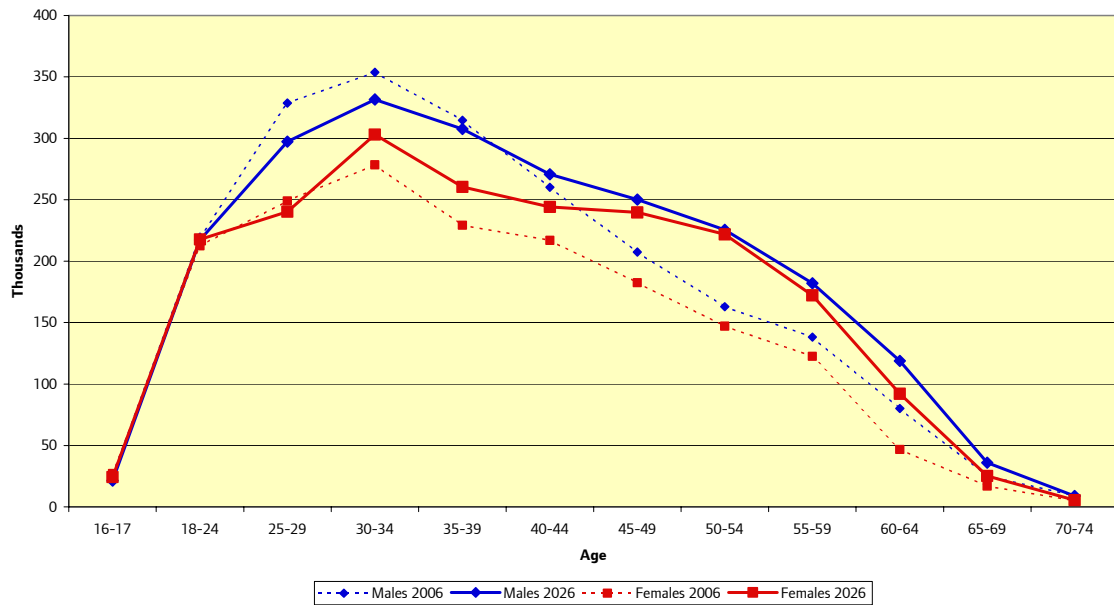


Table 1 shows the resident labour force projection for each borough, and London subdivisions, for every fifth year from 2001 to 2031.

The projections have been prepared for every year from 2001 to 2031 showing at each age/gender the economic activity rate, the total population and the economically active population. These tables are available on the GLA Demography Extranet. If you do not have access to this restricted site please contact Georgia Hay on 020 7983 4347 or georgia.hay@london.gov.uk

Table 1: GLA 2005 Round Scenario 8.07: Projected Resident Labour Force

(thousands)	2001	2006	2011	2016	2021	2026	2031
Camden	102.1	112.9	110.9	113.8	116.4	118.4	120.4
Kensington and Chelsea	83.1	89.7	86.4	87.9	89.1	89.8	90.5
Westminster, City of	107.6	116.9	117.2	120.0	122.3	123.9	125.5
City of London	4.6	5.6	6.4	7.2	7.9	8.6	9.3
Central boroughs	297.4	325.1	320.9	328.9	335.7	340.8	345.6
Hackney	92.7	101.2	107.9	113.2	116.6	119.4	122.2
Hammersmith and Fulham	91.6	97.3	97.3	98.5	99.2	99.8	100.2
Haringey	108.7	113.9	119.7	121.2	123.8	126.8	129.9
Islington	89.8	99.9	108.9	113.5	116.7	119.7	122.8
Lambeth	147.9	151.4	157.5	162.8	166.8	170.6	174.1
Lewisham	128.6	139.7	148.0	153.7	155.6	156.6	157.8
Newham	103.1	117.8	141.7	160.4	164.8	166.6	168.9
Southwark	126.4	137.1	148.1	156.1	162.7	168.8	175.0
Tower Hamlets	87.4	105.9	130.7	145.4	152.3	157.8	163.1
Wandsworth	155.6	161.2	167.0	169.4	171.6	173.6	175.2
Rest of Inner boroughs	1131.9	1225.4	1326.9	1394.2	1430.2	1459.7	1489.2
Inner London	1429.3	1550.5	1647.8	1723.0	1765.8	1800.5	1834.8
Barking and Dagenham	72.1	78.1	87.0	93.9	101.3	108.8	116.1
Barnet	156.7	162.7	176.8	186.4	189.6	191.4	193.0
Bexley	107.6	111.2	113.6	115.4	115.8	115.8	115.9
Brent	133.4	138.1	146.1	152.1	154.3	155.1	155.5
Bromley	146.4	152.7	157.3	159.5	160.3	160.4	160.5
Croydon	168.6	176.3	183.9	189.0	189.8	189.6	189.3
Ealing	156.8	160.4	163.4	168.5	170.0	170.2	170.2
Enfield	131.9	138.8	142.0	143.5	144.3	144.5	144.3
Greenwich	102.2	113.3	128.9	136.6	139.5	141.3	142.8
Harrow	104.5	109.8	113.3	113.7	113.7	113.8	113.7
Havering	108.3	113.0	118.5	120.0	119.7	119.7	120.3
Hillingdon	123.3	127.7	130.1	132.0	132.6	132.8	132.7
Hounslow	111.2	115.2	116.8	118.4	118.6	118.4	118.1
Kingston upon Thames	78.7	82.7	85.0	87.0	88.1	88.9	89.7
Merton	101.2	101.9	104.3	105.4	105.9	106.0	105.9
Redbridge	114.7	123.7	126.6	134.5	136.7	137.2	137.6
Richmond upon Thames	93.5	95.0	96.2	96.4	96.5	96.5	96.5
Sutton	94.1	98.1	101.7	103.2	103.8	104.0	104.3
Waltham Forest	108.2	110.2	114.0	117.2	118.5	119.0	119.1
Outer London	2213.3	2309.1	2405.7	2472.8	2499.0	2513.3	2525.2
GREATER LONDON	3642.6	3859.6	4053.5	4195.9	4264.8	4313.8	4360.0
Central London SRDF	812.5	869.1	896.0	923.5	945.6	964.8	983.3
East London SRDF	921.3	1009.6	1109.4	1180.3	1210.2	1231.8	1253.9
West London SRDF	720.7	748.6	767.0	783.3	788.5	790.1	790.5
North London SRDF	505.5	525.6	552.6	568.3	576.2	581.7	586.3
South London SRDF	682.6	706.7	672.3	694.4	707.7	717.6	727.1

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