

# **INACTIVITY TRENDS IN LONDON:**

Are Londoners aged 50 and over leaving the labour market?

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# SUMMARY OF KEY FINDINGS

- The level of participation in the labour market has been falling across the UK following the onset of the coronavirus (COVID-19) pandemic, particularly among people aged 50 and over.
- In contrast, London's economic inactivity rate declined for most age groups during the initial stages of the pandemic (between 2019 and 2021). The main exception was among 16-24 year old Londoners, with some opting to start or stay in education rather than enter the labour market.
- Evidence suggests that Londoners aged 50-70 years who lost their jobs during the pandemic had been more likely to return to paid employment than in other UK regions. This seemed to be down to a combination of push (e.g. financial pressures) and pull (e.g. enjoyment of work) factors.
- However, more recent Labour Force Survey estimates indicate a sharp increase in inactivity over the last few months, led by rising inactivity among Londoners aged 50-64 years. There are concerns that some workers, including lower-paid and BME workers, are more likely to leave the labour market for health reasons.

# KEY DEFINITIONS

## Understanding labour force participation and economic inactivity

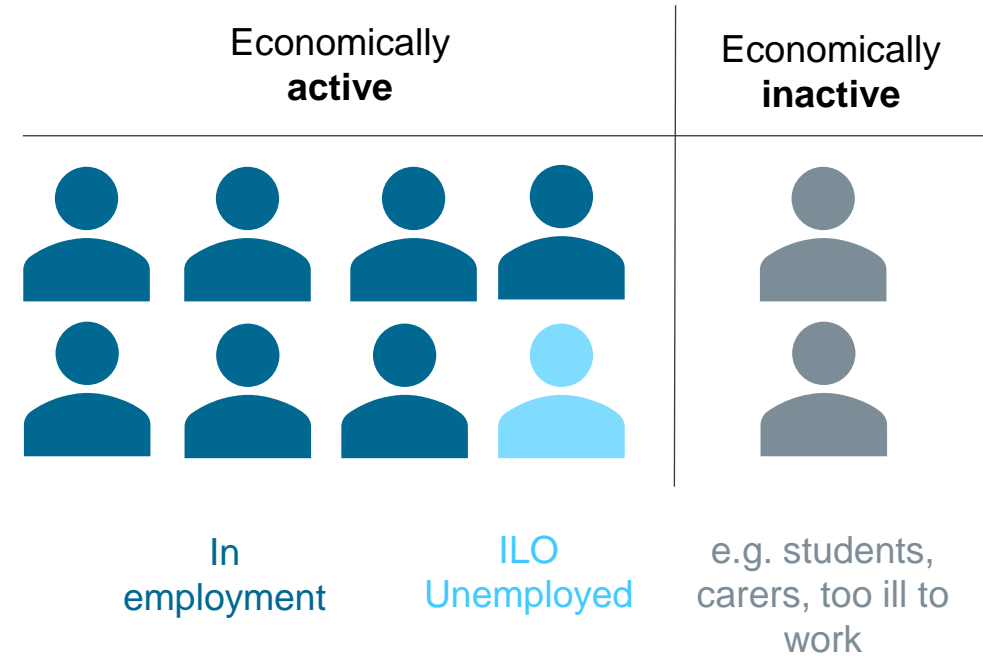
### Labour force participation

- A measure of the number of available or economically active workers in the labour market.
- Refers to individuals aged 16 and over who are either in work (in employment) or available and actively looking for work (ILO unemployed).

### Economic inactivity

- Refers to those who are not in employment and who have not been seeking work within the last 4 weeks and/or are unable to start work within the next 2 weeks.
- Includes people who have retired, people with caring responsibilities, students, and the long-term sick.

This analysis mainly focuses on the overall **level** of labour force participation (how large is the available supply of workers) and the **rate** of economic inactivity (the proportion of the population aged 16-64 who are economically inactive).



# WHY THIS MATTERS

Falling participation matters for individuals, employers and the economy

Post-pandemic labour market trends have raised concerns around falling labour force participation and rising economic inactivity.

These trends matter for several reasons:

- A fall in participation is a concern for **individuals**, who face ‘scarring’ effects that impact on future earnings if they later move back into the labour market. ONS [analysis](#) also shows that the likelihood of returning to work decreases with age.
- Apart from the impacts on individuals (who might choose to become inactive), falling participation also has an impact on what economists call ‘**human capital**’ – the accumulated stock of knowledge, skills and experience in the economy.
- A fall in the size of the available workforce also has wider implications for **employers**, who may find it more difficult to recruit workers. [Recruitment difficulties](#) have been reported by a wide range of employers in the context of rising job vacancies.

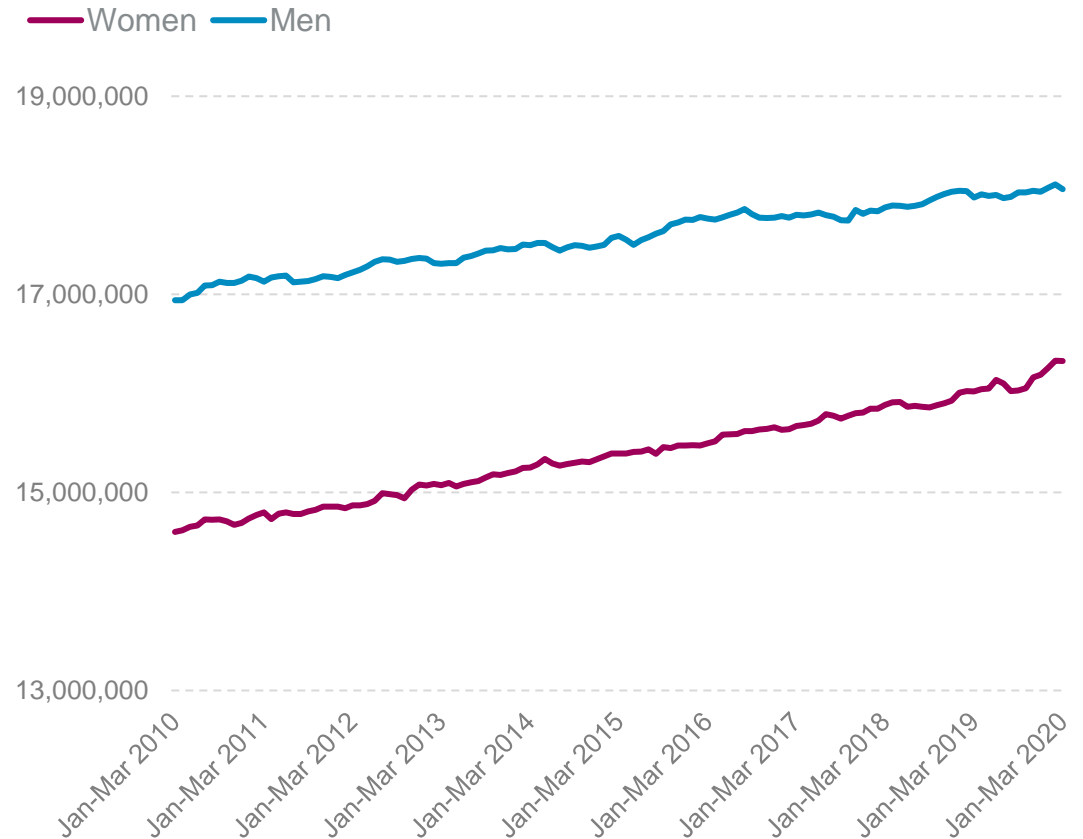
# PRE-PANDEMIC TRENDS IN PARTICIPATION

Before the pandemic, there was a period of rising labour participation in the UK

In the years leading up to the Covid-19 pandemic, the UK saw a sustained increase in the level of labour force participation. Between 2010 and 2020, **there was a 9% rise in the number of economically active people in the UK**. This equated to around 2.8 million more people active in the labour market.

As the chart shows, one important reason for this was a rise in the number of women active in the labour market. This is linked to a combination of factors such as changes in the state pension age, rising female educational attainment, and more mothers continuing to work either full-time or part-time.

UK labour participation by gender



# PRE-PANDEMIC TRENDS IN PARTICIPATION

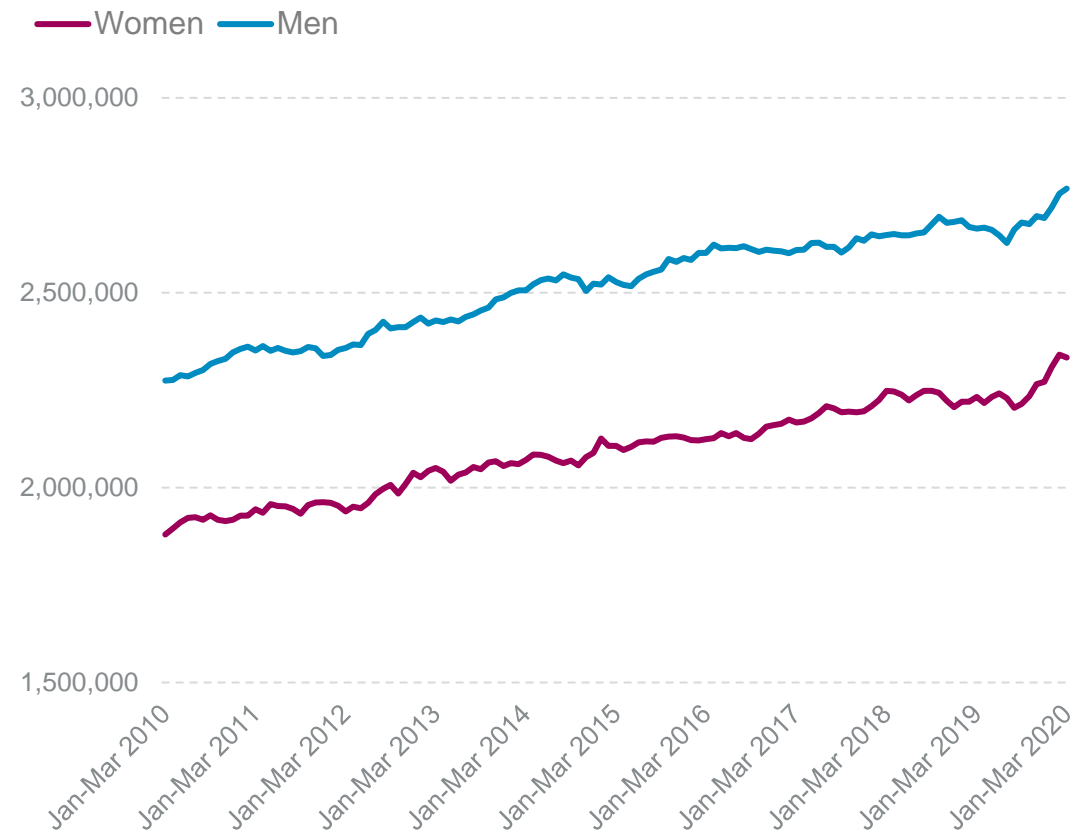
This trend was even more pronounced in London

There was an even more pronounced rise in labour force participation in London. Between 2010 and 2020, the number of economically active Londoners increased at **more than double the UK-wide rate, rising by 23%**. This equated to just under a million more economically active people living in the capital.

As the chart here shows, this was driven by increases in the level of participation for both men and women.

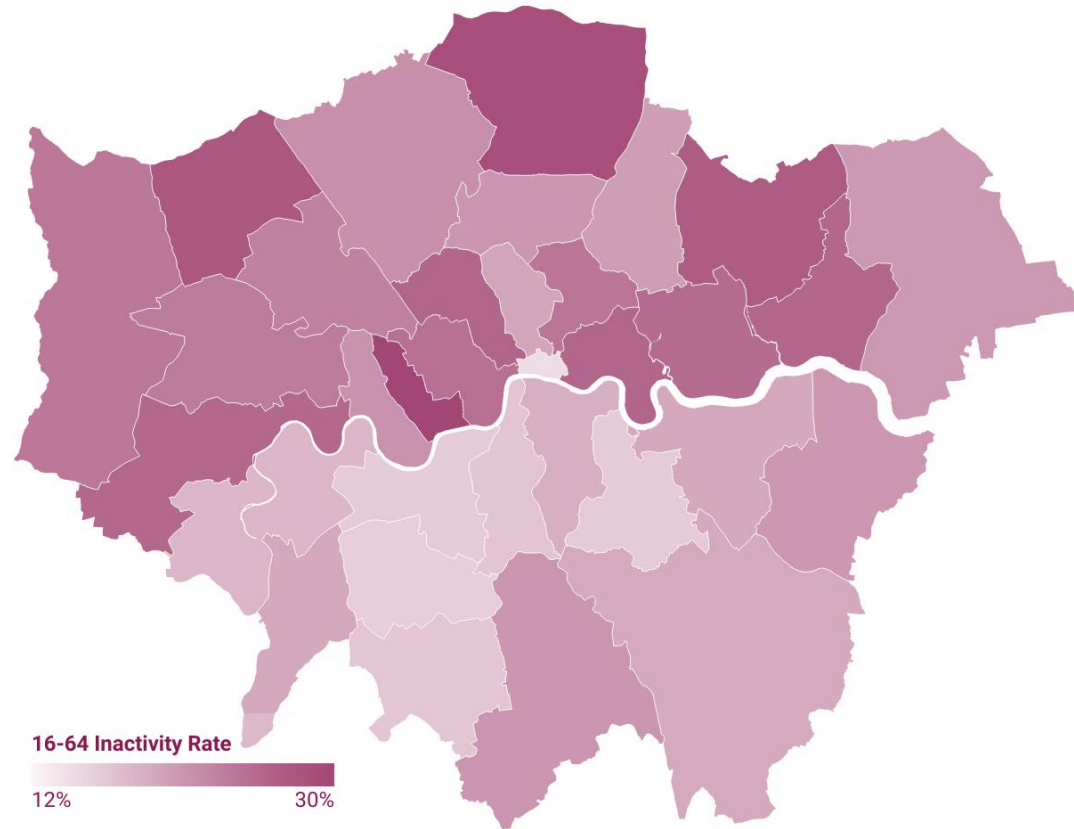
As well as factors influencing economic activity rates among women, this could also be related to the composition of London's population. This includes a higher share of EU migrants living in the capital. Activity rates have increased across all country of birth groups over the last decade, but have been higher than average for the EEA-born population.

London labour participation by gender



# PRE-PANDEMIC TRENDS IN PARTICIPATION

Significant variation in inactivity rates between London boroughs in 2019



	Area	Inactivity Rate 16-64 (Jan - Dec 2019)
	UK	21.2%
	London	21.9%
Highest inactivity rates	Kensington & Chelsea	30.1%
	Enfield	28.7%
	Harrow	27.5%
Lowest inactivity rates	Lewisham	16.1%
	Wandsworth	16.1%
	Merton	15.8%

# COMPARED TO PRE-PANDEMIC TRENDS...

The UK and London show different patterns in labour force participation (1/2)

## A fall in economic activity for the UK

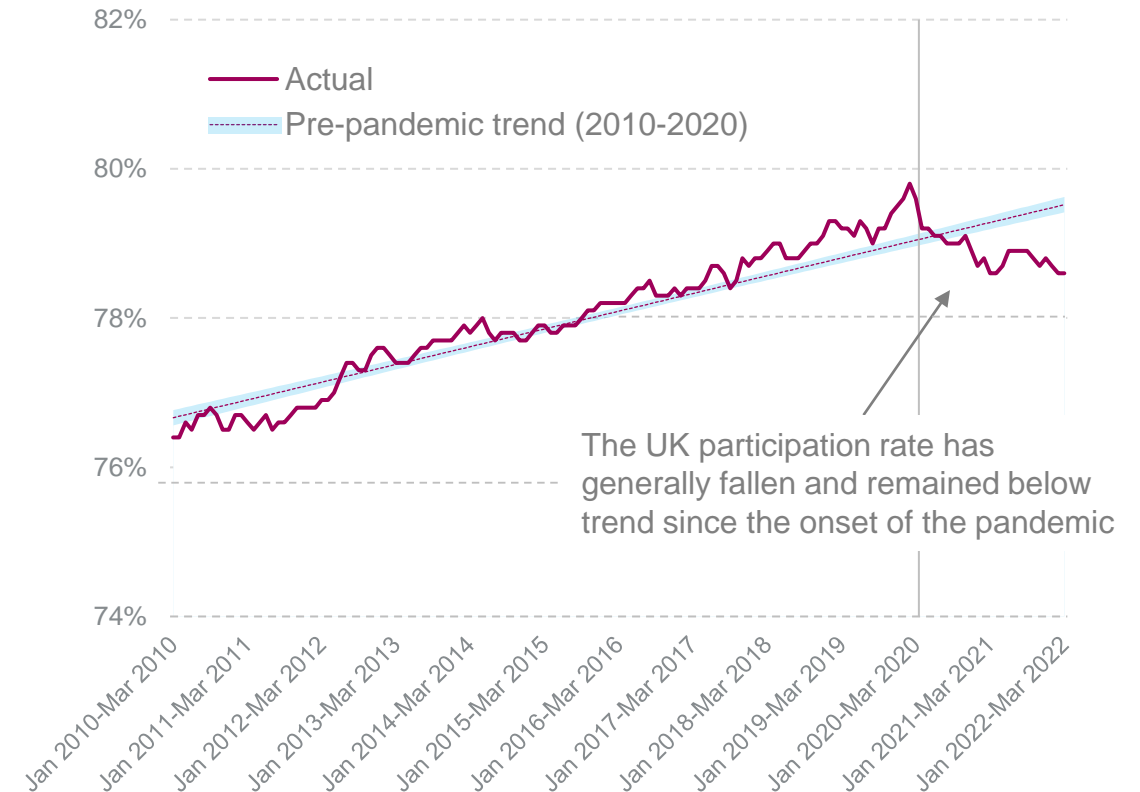
UK-wide, there is clear evidence of the labour force participation rate (the proportion of 16-64-year-olds who are economically active) falling since the start of the pandemic.

This is particularly stark when compared to previous trends. Over the last 10 years, the trend rate of growth is a 0.24 percentage points increase in the labour participation rate each year: the 16-64 economic activity rate increased from 76.4% in January-March 2010 to 79.6% for the same period in 2020.

If this trend had continued, the participation rate would have increased to around 79.5% in January-March 2022. Instead, it has fallen to 78.6%.

## UK participation rate vs pre-pandemic trends

Economic activity for population aged 16-64





# COMPARED TO PRE-PANDEMIC TRENDS...

The UK and London show different patterns in labour force participation (2/2)

## But a more mixed picture for London

At least initially, post-pandemic changes in labour force participation were less clear in London.

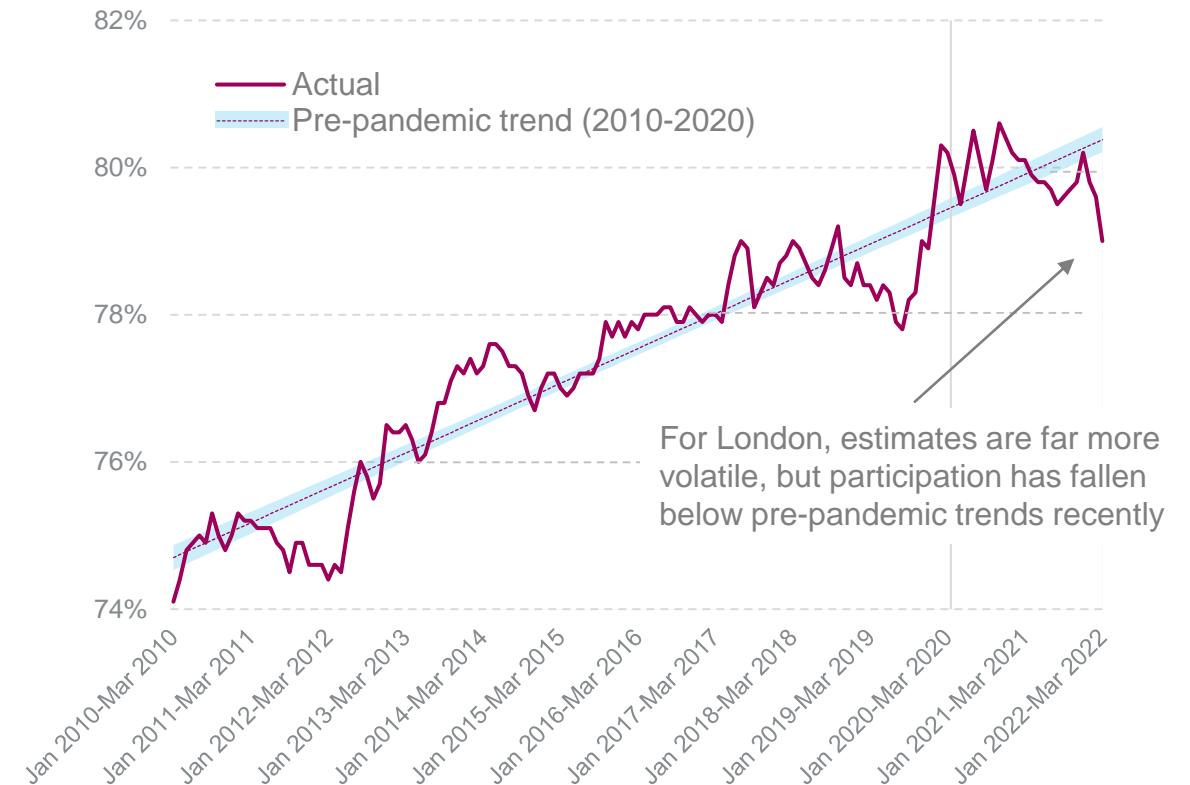
Estimates of labour force participation among 16-64-year-olds remained elevated in the initial stages of the pandemic. Despite falling in the first half of 2021, the activity rate was in line with pre-pandemic trends as recently as October-December 2021.

More recent estimates from the ONS Labour Force Survey indicate a sharp fall in economic activity (and a rise in inactivity) over recent months. While short term changes should be interpreted with caution – due to data volatility and uncertainty (heightened during the pandemic) – there are emerging signs of a more pronounced drop in participation in the capital.

We return to recent trends [later](#) in this analysis.

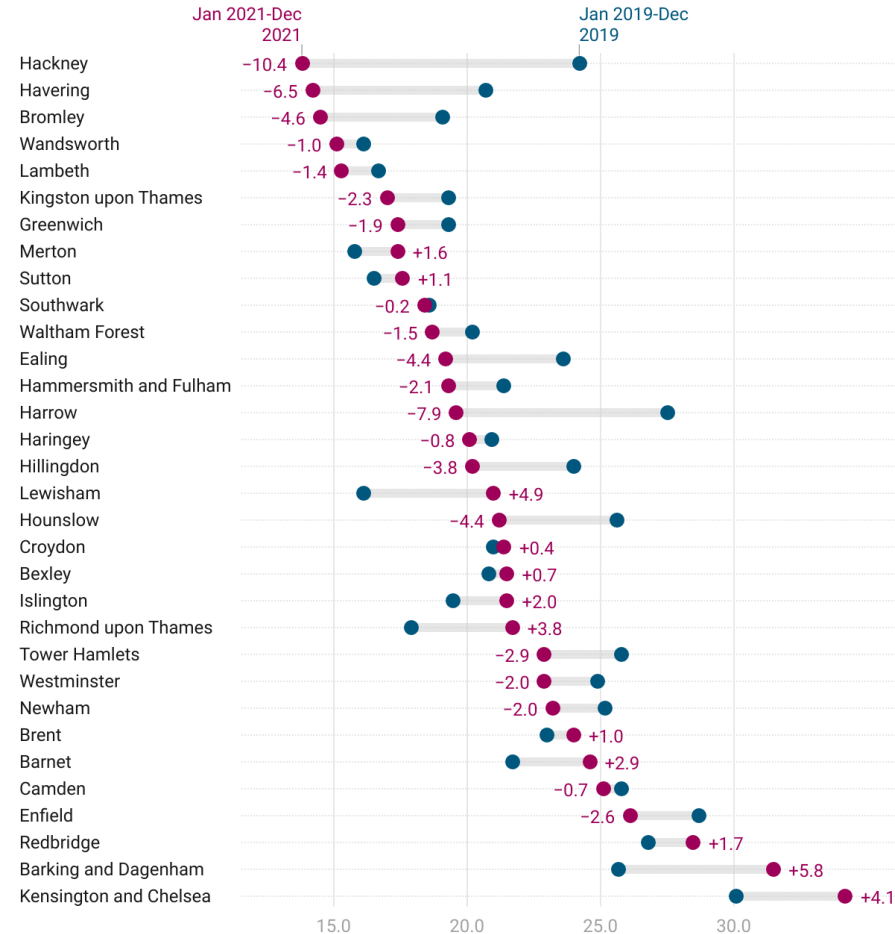
## London participation rate vs pre-pandemic trends

Economic activity for population aged 16-64



# COMPARED TO PRE-PANDEMIC TRENDS...

Understanding changes at borough level is more difficult



The inactivity rate by borough for 16-64s Jan 2019- Dec 2019 and Jan 2021- Dec 2021, percentage point change

The chart shows economic inactivity estimates by London borough based on ONS Annual Population Survey (APS) data. Small sample sizes mean that relying on individual data points can be misleading. The confidence intervals around estimates at this level mean that almost every borough's inactivity rate could have either risen or fallen between 2019 and 2021.\*

Despite these caveats, it is worth noting that the variation in inactivity between boroughs has increased during this time: increasing from a 14 percentage point difference between boroughs in 2019 to a 20 percentage point difference in 2021.

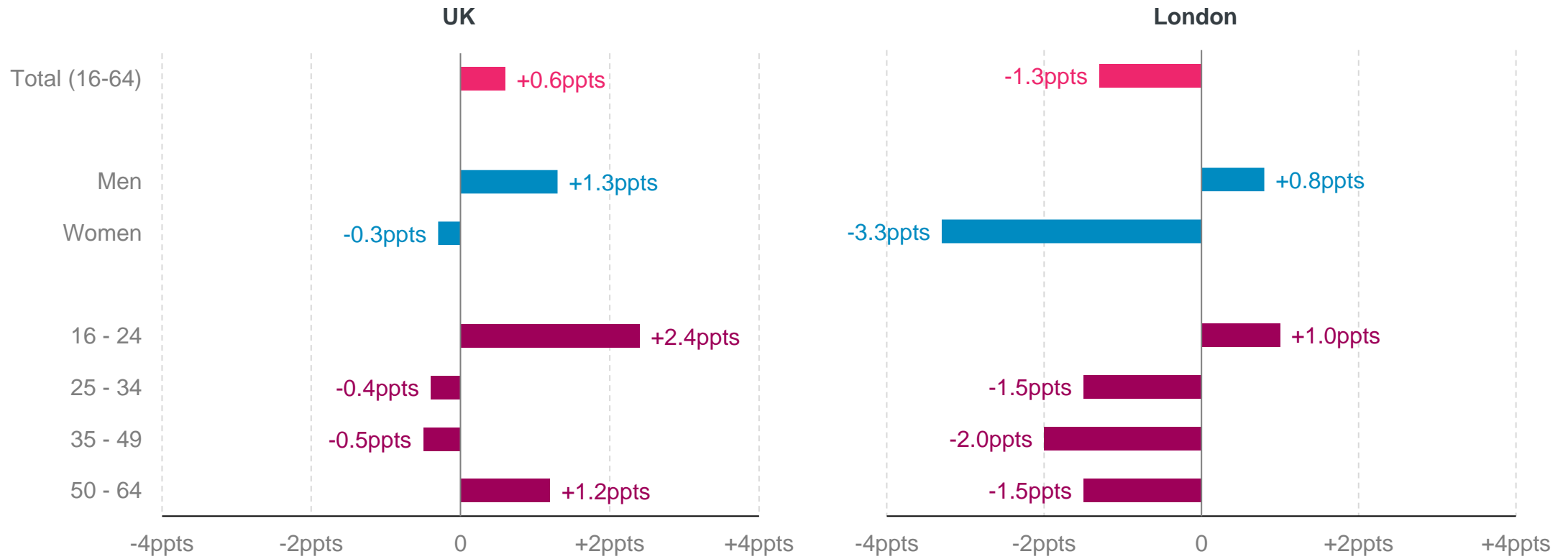
A number of boroughs saw striking changes in inactivity rates. Hackney, Bromley and Kingston saw large **falls**. Whereas Lewisham, Barking & Dagenham, Kensington & Chelsea, and Redbridge saw inactivity rates **increase** on pre-pandemic. Future data is needed to corroborate these trends, however.

# COMPARED TO PRE-PANDEMIC TRENDS...

Inactivity rose among 16-24 year olds, but in London it didn't initially rise for 50-64 year olds

## Change in inactivity rate by demographic group, UK and London

Percentage point changed between Jan-Dec 2019 and Jan-Dec 2021



# SUMMARY OF REASONS FOR FALLING PARTICIPATION

Ageing population and rising inactivity among younger and – at UK level – older people

## An ageing population

One reason for a rise in the inactivity rate is that the population is ageing.

Generally, as individuals get older, they become less likely to participate in the labour market (they are more likely to retire, develop long term health conditions etc).

As the average age of the population increases, we would expect participation to fall. The [Bank of England](#) estimates that around a third of the rise in inactivity at the UK level is related to ageing.

## Rising inactivity among older people

Changes in economic inactivity vary widely by gender and age groups.

Between 2019 and 2021, the UK-wide rise in inactivity was most pronounced for people aged 16-24 years (up 2.4 percentage points as more young people opted to start or stay in education rather than enter the labour market) and 50-64 years (up 1.2 percentage points).

Older workers are of significant concern because the likelihood of [returning to work](#) decreases with age, especially for those aged 60 and over.

## A different picture in London

As the previous slide showed, among working age Londoners, only the 16-24 age group saw a rise in inactivity between 2019 and 2021 (up 1.0 percentage point)

There was also a large fall in inactivity for women in London. This could be related to income shocks over the pandemic, with some second earners joining the labour market to offset a partner's loss of income.

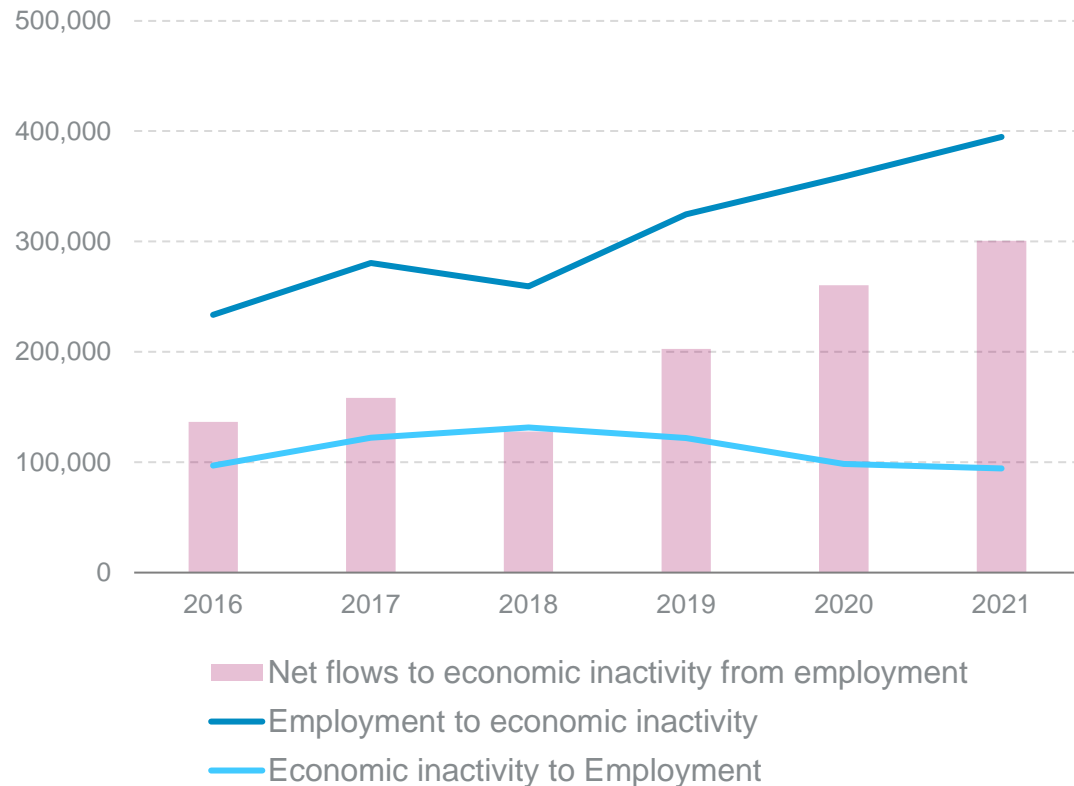
A rise in remote and hybrid working – more pronounced in the capital – could also have enabled more people to search and find different types of work.

# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

At UK level, a rising number of 50-70-year-olds have moved from employment to inactivity

## Flow of workers in the UK labour market

Workers aged between 50 and 70



## Flows between inactivity and employment

In the short-term, changes in inactivity are influenced by two main flows:

1. those leaving the labour market
2. those who aren't returning to the labour market

As the chart shows, the rise in inactivity for older workers in the UK has been driven by both factors.

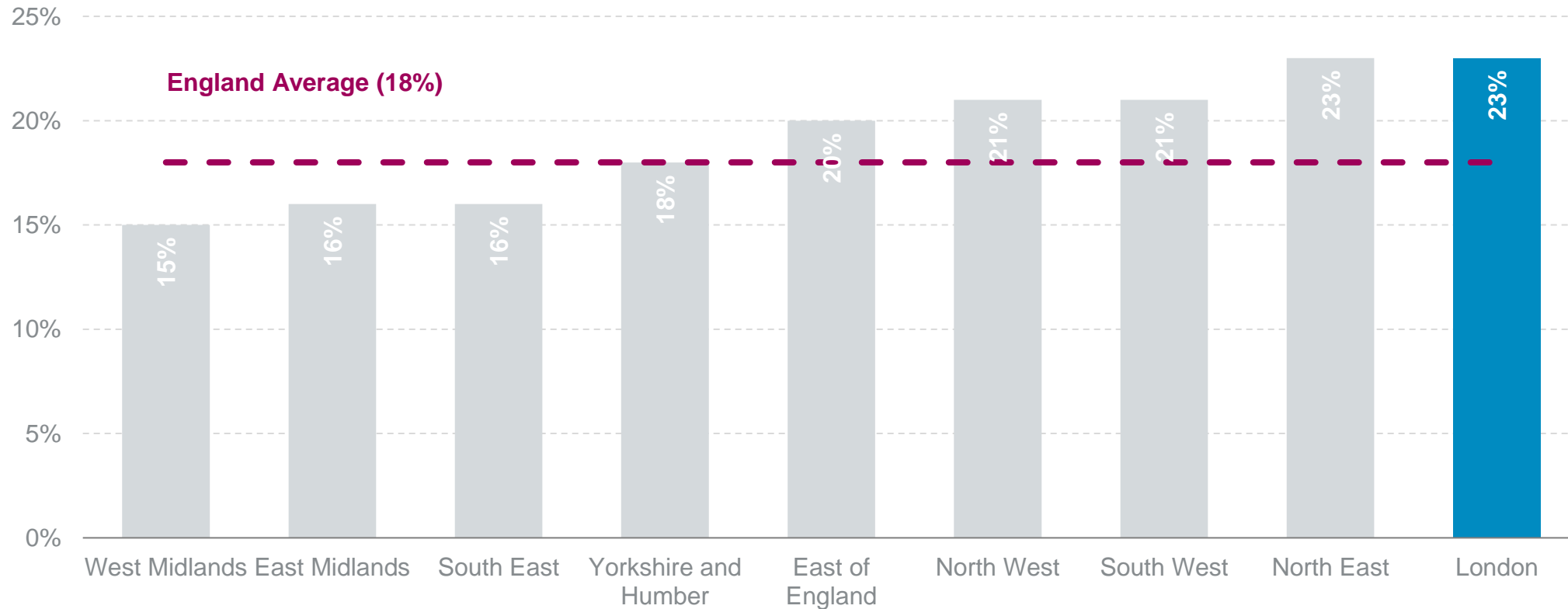
One reason for the less pronounced change in inactivity among Londoners is because of workers returning to the labour market.

In February 2022 the ONS conducted a survey to understand the experiences of adults aged 50 to 70 years who were out of work at some point in 2021. The results – see next slide – showed that among those who had left or lost their jobs since the start of the pandemic 23% had returned to work in London – **a higher rate of return than in other English regions.**

# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

More older Londoners who lost their job during the pandemic returned to work

Percentage of 50-70 year-olds who returned to worker after leaving or losing their job since the start of the pandemic



# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

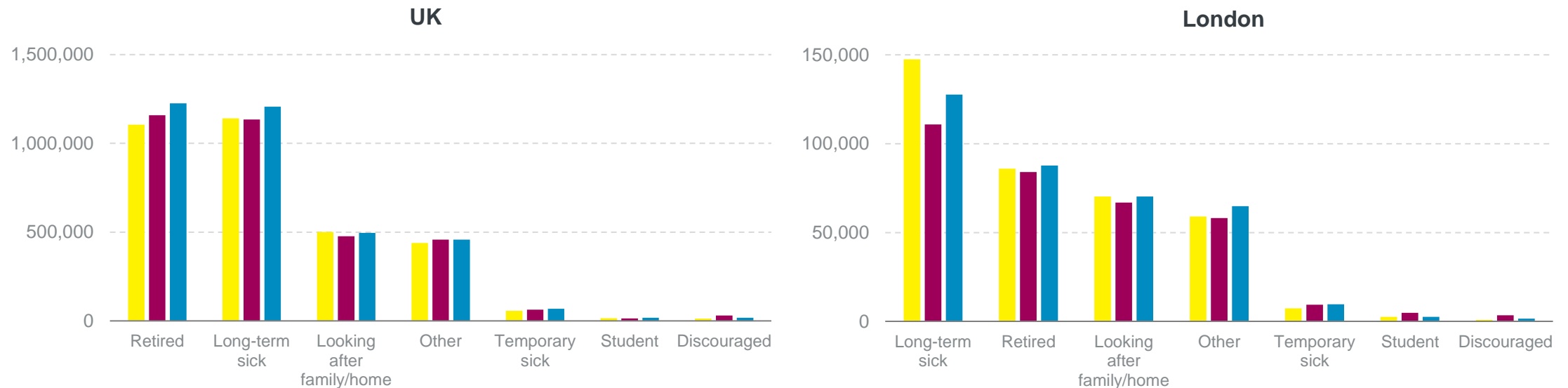
The main reasons for inactivity are retirement and long-term sickness

Among people aged 50-64, the main reasons for economic inactivity are retirement, long-term sickness and caring responsibilities.

At the UK level, rising inactivity during the pandemic was driven by an increase in retirement and long-term sickness. However, APS-based estimates suggest that the number of Londoners aged 50-64 inactive because of long-term sickness fell between 2019 and 2021, while the change in the number of Londoners inactive due to retirement was relatively small – see below and next slide.

## Economic inactivity by reason among 50-64-year olds

■ 2019 ■ 2020 ■ 2021



# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

Long-term sickness and retirement have not increased the level of inactivity in London

## Change in inactivity by reason, 2019 to 2021

Jan-Dec 2019 to Jan-Dec 2021, 50–64-year-olds

	UK	London
<b>Most important factor</b>	Retirement (+119,600)	Long-term sick (-19,900)
	Long-term sick (+65,300)	Other (+5,800)
	Other (+19,400)	Temporary Sick (+2,200)
	Temporary Sick (+11,600)	Retired (+1,800)
	Discouraged workers (+5,000)	Discouraged workers (+600)
	Looking after family/home (-4,700)	Looking after family/home (~)
<b>Least important factor</b>	Student (+2,200)	Student (~)

Based on the same APS data as the previous slide, the table here highlights the largest changes in inactivity among 50-64-year-olds by reasons between 2019 and 2021, for the UK and London.

Green indicates a positive change (i.e. a reduction in economic inactivity) while red indicates an increase in inactivity.



# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

Drivers of changes differ between UK and London

## Other

The [Institute for Employment Studies](#) has suggested that much of the rise in inactivity for 'other' reasons during the pandemic has been driven by health fears and restrictions during the pandemic.

## Long-term sick

Increases in flexibility in the labour market, and the ability to work from home, has meant that older workers with long term health conditions are less likely to be on long-term sickness absence, as compared to those not working from home. Workers in London were 1.5 times more likely to work from home in Spring 2021 than nationally. This may explain why fewer older workers are leaving the labour market in London for illness.

## Looking after family/home

Similar to long-term sickness, working from home has meant that individuals can better balance employment and their caring responsibilities. It's not clear to what extent this increased flexibility has helped those with caring responsibilities return to the labour market.

## Retirement

At UK level, retirement is a major reason for people leaving the labour market. In London, lack of pension funds could be an important factor for why older workers are remaining in the labour market. The ONS Over 50s Lifestyle Study showed that retirees in London have less access to pension funds (both private and state) as compared to nationally.

# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

## Reasons for older people leaving the labour market

Another data source for understanding inactivity among older Londoners is the ONS [Over 50s Lifestyle Study](#). This one-off survey aimed to understand the labour market experiences of adults in Great Britain aged between 50-70 years over the pandemic. Fieldwork was carried out in early February 2022.

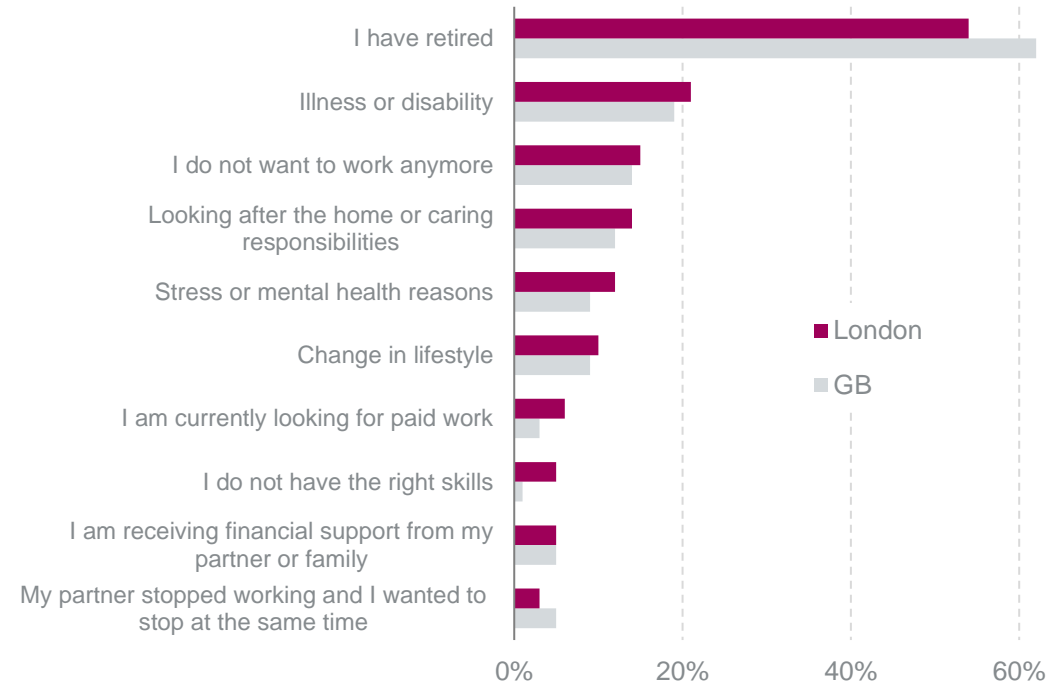
The survey asked individuals who left or lost their job at some point in 2021 why they had not returned to work.

**Retirement** was cited as the main factor for not return to work. However, this was less common in London than nationally (54% vs. 62%). **Illness or disability** was the second most cited reason for not returning to work – given by around a fifth of respondents in both London and nationally.

Other factors less within individuals' control (caring, stress or mental health, lack of skills) were cited more often in London. These differences are not statistically significant, however.

### Top 10 reasons why 50-70 year olds had not returned to paid employment

Respondents who left or lost their job during the pandemic and had not returned to paid work, 8 to 13 February 2022



# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

## Reasons for older people returning to work

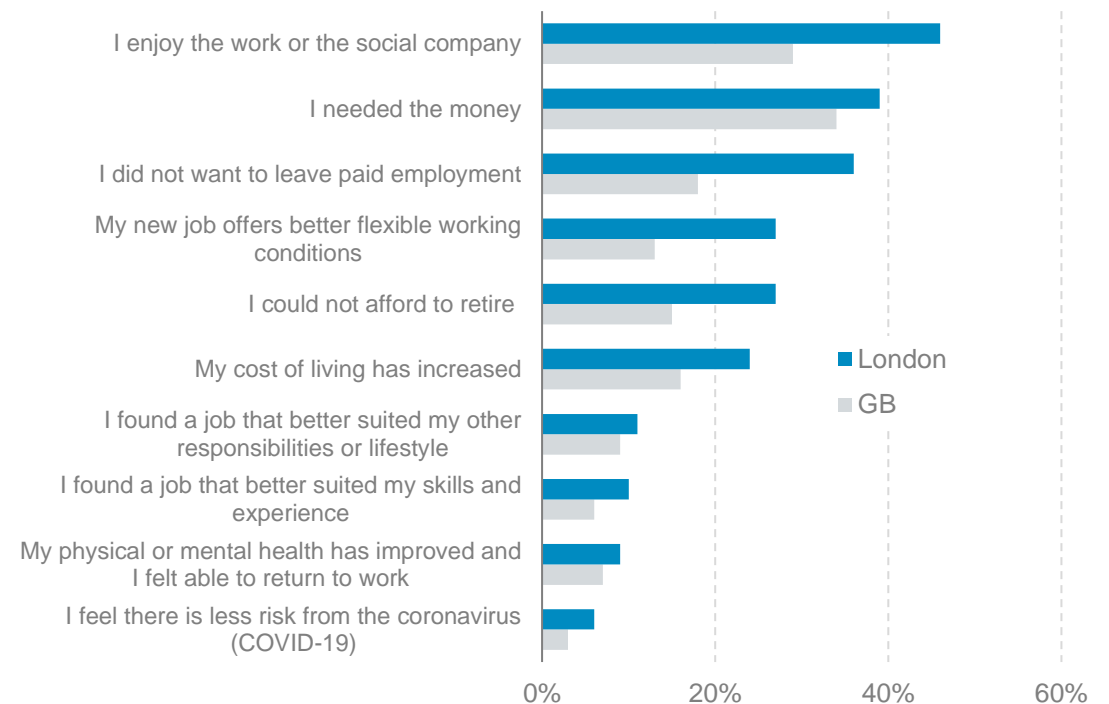
The Over 50s Lifestyle Study also asked individuals who had returned to paid-work in the pandemic why they had done so. The results highlight a mix of push and pull factors in London.

Many older workers were returning to the labour market for **financial reasons**. Almost four in 10 (39%) Londoners aged 50-70 who returned to paid work said they 'needed the money', while around a quarter said they 'could not afford to retire' (27%) or cited increases in the cost of living (24%).

A second, more positive set of reasons mentioned by Londoners relate to **enjoyment of work**. For example, nearly half (46%) of Londoners aged 50-70 years who returned to work said they 'enjoy the work or the social company'. A relatively high share of London 'returners' also said they had found a job with 'better flexible working conditions' (27%), which could reflect an increased ability to work remotely.

## Top 10 reasons why 50-70 year olds had returned to paid employment

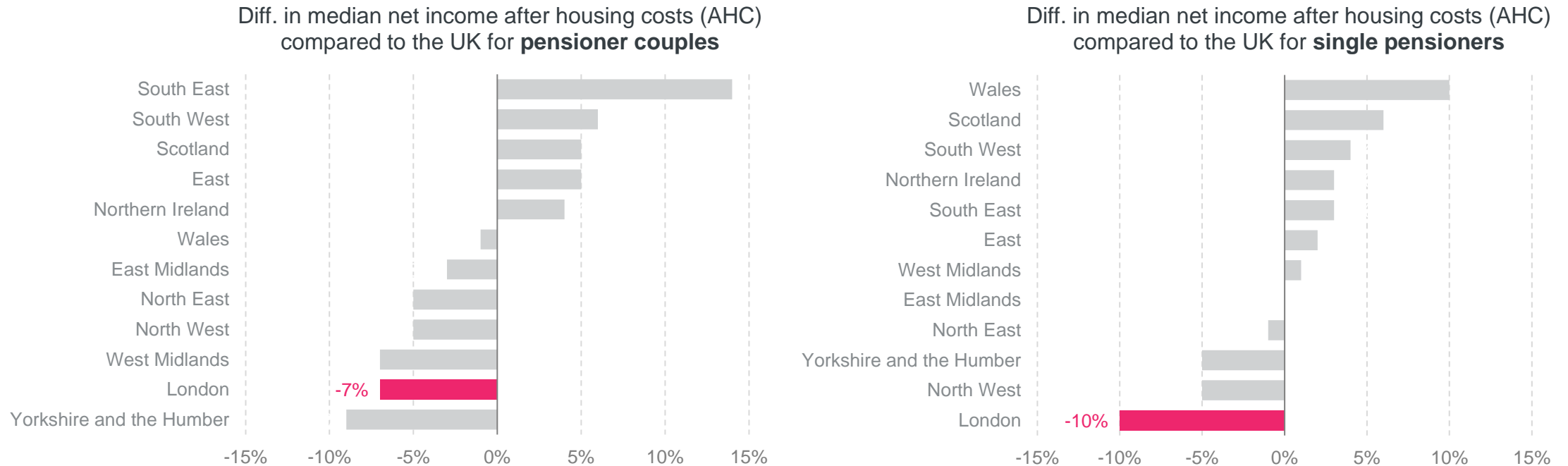
Respondents who left or lost their job during the pandemic and have returned to paid work, 8 to 13 February 2022



# INACTIVITY AMONG PEOPLE AGED 50 AND OVER

Lower incomes for pensioners in London might contribute to lower retirement rates

Data from [DWP](#) shows that – after taking housing costs into account – the average weekly income for pensioners in London is below the national average. For the three-year period FYE 2019 to 2021, the median net income for pensioner couples was £461 per week after housing costs (7% below average). For single pensioners it was £210 per week (10% below the UK average).



# RECENT DATA SUGGESTS A RISE IN INACTIVITY, PARTICULARLY AMONG LONDONERS AGED 50-64

Recent LFS-based estimates could indicate a changing trend

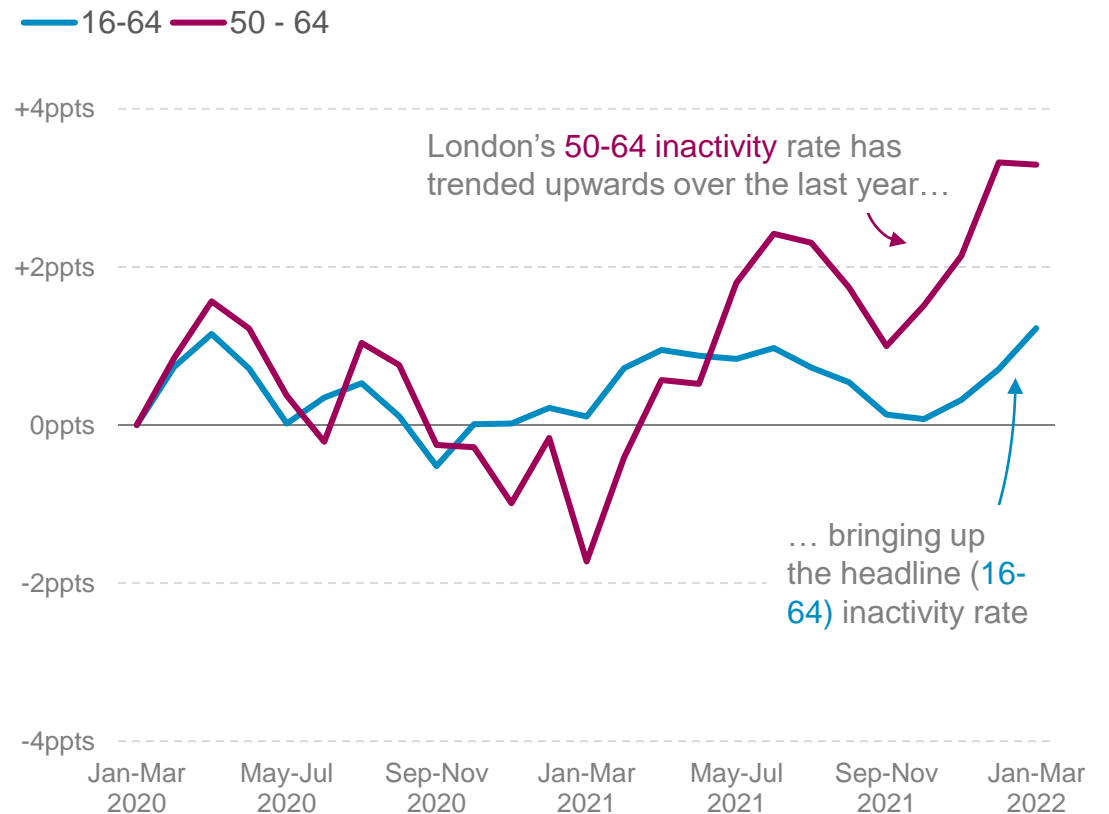
## Potentially a change in trends over recent months but caution needed

The latest LFS-based estimates – which cover the three months to March 2022 – show an increase in London's 16-64 inactivity rate over recent months. This has been supported by rising inactivity among Londoners aged 50-64 in the last year.

Extra caution is needed when interpreting these trends, which are short-term and based on non-seasonally adjusted data.

Notwithstanding these caveats, the latest data suggest that the **50–64-year-old age group now has the largest percentage point change in inactivity over the pandemic period**. Having dropped between Jan-Mar 2020 and Jan-Mar 2021, the inactivity rate for Londoners aged 50-64 has increased by 5.0 percentage points over the last year – see chart and next slide.

## Change in inactivity since Jan-Mar 2020

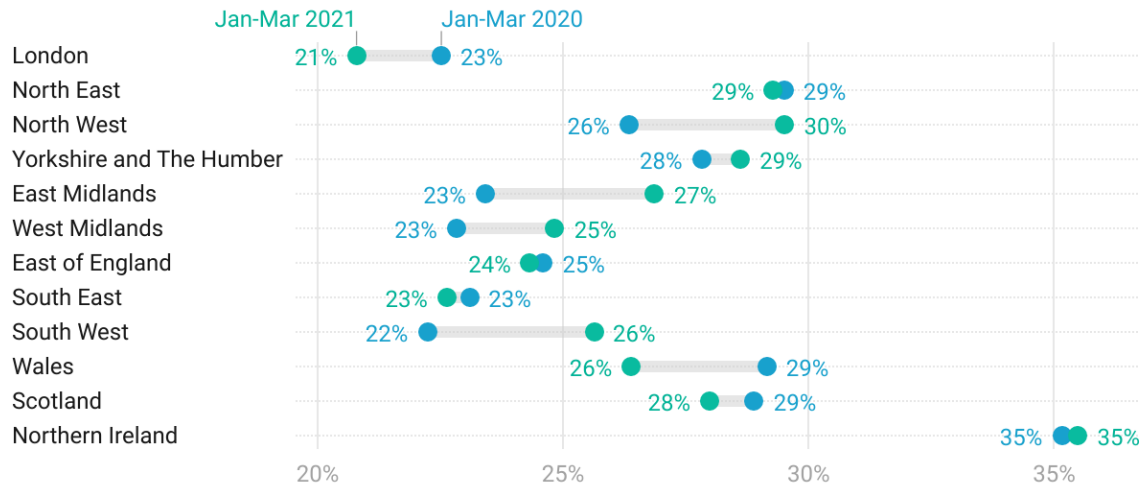


# RECENT DATA SUGGESTS A RISE IN INACTIVITY, PARTICULARLY AMONG LONDONERS AGED 50-64

Although London's 50-64 inactivity rate remains around the average for UK regions

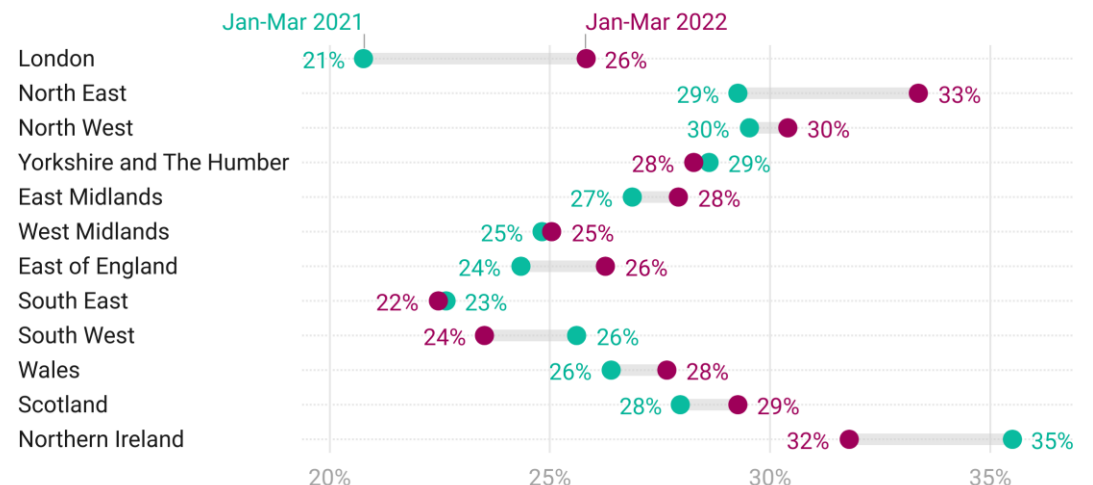
## Among Londoners aged 50-64 years, inactivity declined in the first year of the pandemic...

Change in inactivity rate for 50–64-year-olds by region between Jan-March 2020 and Jan-March 2021



## ... but rose again over the last year, bringing London's 50-64 inactivity rate more in line with other regions

Change in inactivity rate for 50–64-year-olds by region between Jan-March 2021 and Jan-March 2022



# RECENT DATA SUGGESTS A RISE IN INACTIVITY, PARTICULARLY AMONG LONDONERS AGED 50-64

Universal Credit data looks more closely aligned with the national picture

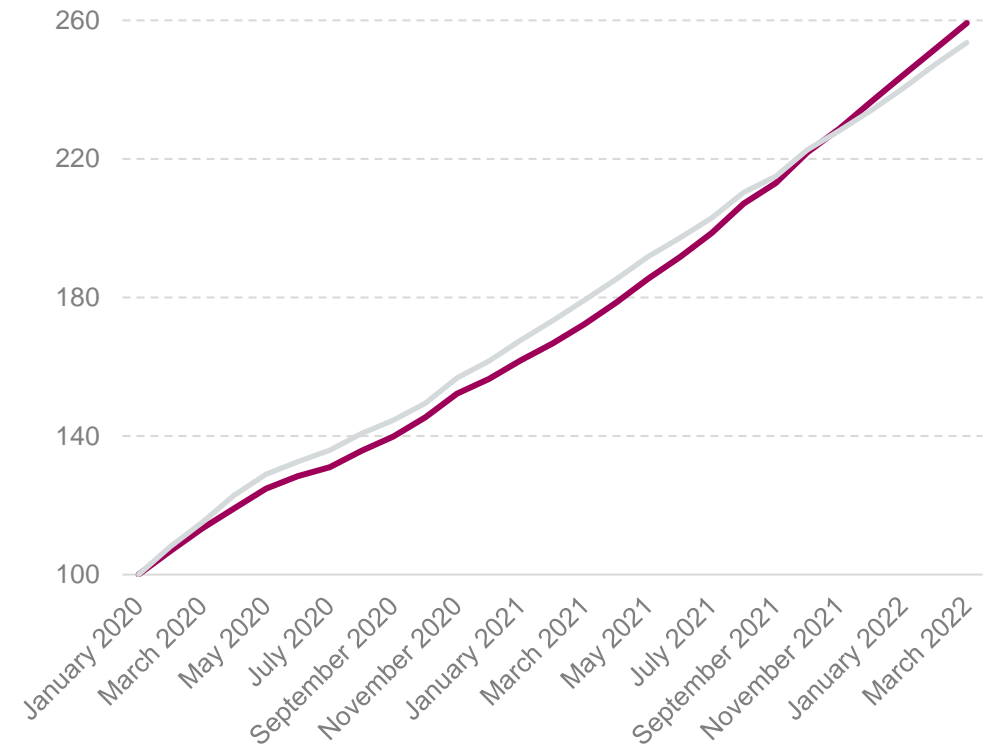
**Universal Credit (UC) data** can provide further evidence for understanding inactivity trends. While imperfect, looking at the number of older Londoners claiming UC who are not in work and have no work requirements can help to show if people are becoming inactive at a higher rate for reasons like temporary and long-term sickness.\*

As the chart here shows, the number of UC claimants in this category has increased at a similar rate to the national average since the start of the pandemic – albeit more slowly in the first year and more quickly subsequently. This could mean that inactivity trends (excluding retirement) in London have tracked the national picture more closely than suggested by the more volatile LFS-based survey estimates.

\*There are shortcomings with using UC data here. First, it is unlikely to reflect changes in inactivity due to retirement (the most important factor in post-pandemic trends at the UK level). Second, claimants are being moved from legacy benefits onto UC over time, so we would expect uptake to increase. But these factors should be relatively consistent across the country. So, if there were differences in inactivity trends, we might expect to see this appear in UC data as well.

## 50-65-year-olds on Universal Credit with no work requirements and not in work

Index, January 2020 = 100 — London — Great Britain



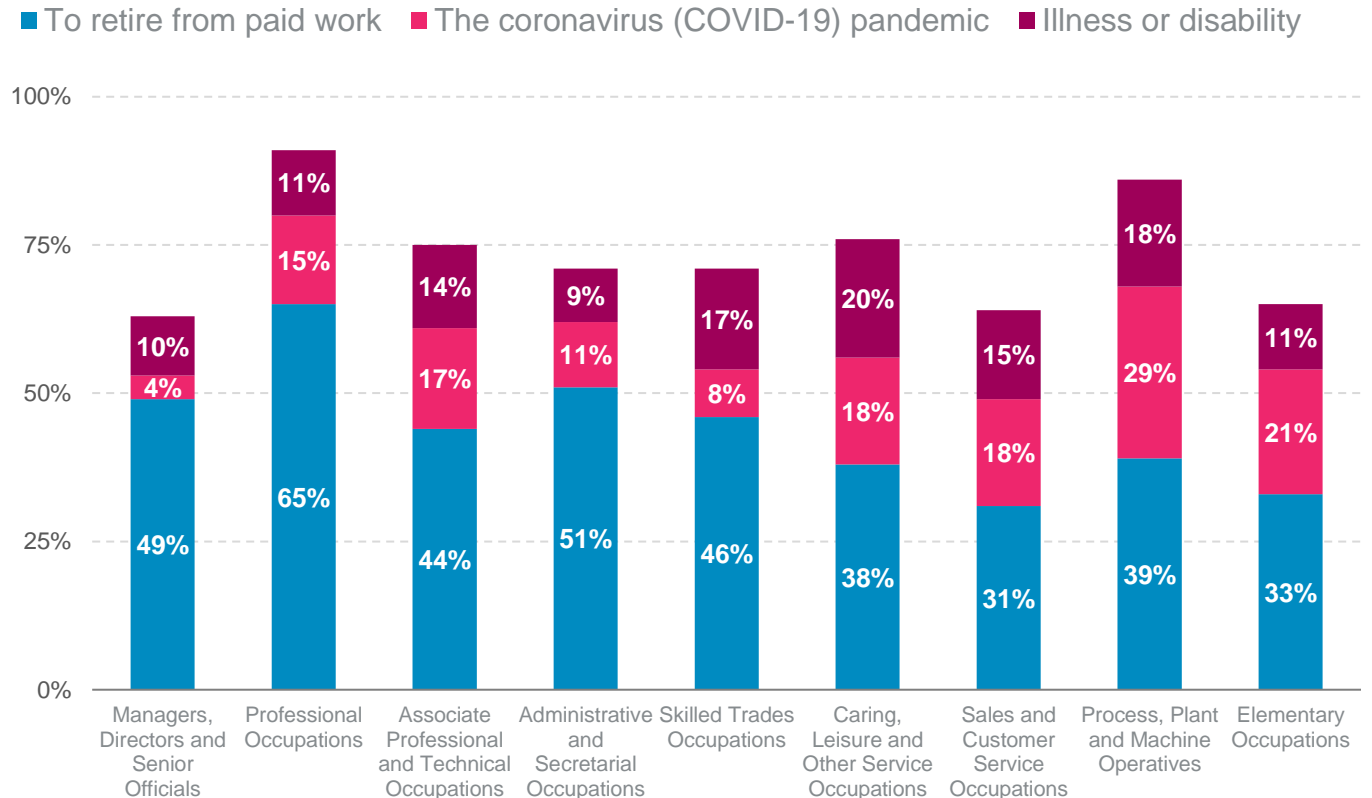
# IMPLICATIONS

## TUC analysis highlights significant inequalities in participation trends

TUC (Trades Union Congress) [analysis](#) of inactive older workers in the UK found that:

- **Occupation** is an important determinant of reasons for inactivity. TUC's analysis of LFS data found that only 10% of former managers and professionals are inactive for health reasons vs. 40% of individuals formerly in low-paid or manually intensive roles. The ONS Over 50s Lifestyle Study suggests a similar pattern – see chart.
- **Black and ethnic minority (BME) workers** are less likely to be economically inactive overall. But for those who are, they are more likely to be inactive for health or caring related reasons. **Women** are more likely to be economically inactive than men, driven by caring responsibilities.

### Low paid and manual workers are less likely to be retiring and more likely to be leaving the labour market for health reasons





# IMPLICATIONS

For London, there are both positives and potential risks – ongoing monitoring is needed

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## Positives

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Nearly half (46%) of 50-70-year-old Londoners who returned to work during the pandemic said they enjoyed the work or social company, compared to only 29% of this group nationally.

An increase in home working – more pronounced in London – could allow more people with long-term health conditions or caring responsibilities to remain in the labour market.

A survey by the [Institute for Fiscal Studies](#) found that individuals who were working from home during the pandemic were 7% more likely to plan to retire later compared to those who did not work from home.

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## Potential Risks

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Some older workers in London may want to retire but feel unable to because of a lack of savings and/or cost of living pressures.

The latest LFS data showed a sharp rise in economic inactivity recently – it remains to be seen whether this trend will persist over the coming months. Some of those who have recently left the labour market may return to work to in the face of a real income squeeze.

Some workers – including those from Black and ethnic minority backgrounds and in lower-paid occupations – could be at greater risk of becoming economically inactive for health related reasons.