

FEATURE

Economic inactivity

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SUMMARY

The economically inactive are defined as people who are not in employment or unemployed. There are many reasons why an individual may be inactive, for example, they might be studying, looking after family or long-term sick. These individuals are not part of the supply of labour but are important as they are potential labour supply in the future.

This article examines inactivity trends using information from the Labour Force Survey. It shows trends from the early 1970s and the characteristics of inactive people. It then looks at some of the reasons for people being inactive.

People who are neither employed nor unemployed are classified as economically inactive. International standard definitions distinguish between the unemployed and the economically inactive by whether or not the individual is looking and available for work. The economically inactive include those who want a job but have not been seeking work in the last four weeks, those who want a job and are seeking work but are not available to start work, and those who do not want a job.

In recent years there has been increasing recognition of the need for analysis to consider the size and composition of the inactive group. This analysis is useful in assessing potential labour supply and the likelihood of people in the inactive group moving into the labour market at some point in the future. In addition, there has been a greater policy focus on the scope for reducing inactivity, as well as unemployment, as a means of boosting economic performance. It is therefore important to try to understand the various groups within the inactive category to build a fuller picture of the reasons why these people are not economically active.

Economic inactivity trends

Data from the Labour Force Survey (LFS) back to 1971 show that the overall inactivity rate has remained fairly stable over the period, even though there have been notable variations in the economic cycle. Despite this stability, there have been some distinctive changes in the composition of the economically inactive group.

Unless otherwise stated, analysis in this article is based on those aged 16 and over and below state pension age (that is, 60 for women and 65 for men).

The total number of economically inactive people in the UK stood at 7.9 million for the three months to September 2008, a rise of around 864,000 since the beginning of 1971. Despite this, the economic inactivity rate has remained stable over this period because the total population for this age group has also increased.

Figure 1 shows that the proportion of the population who were economically inactive fluctuated around 21 and 22 per cent throughout the 1970s. Inactivity increased during the early 1980s' recession, with the rate reaching 23 per cent during the first half of 1983. As the economy improved in the 1980s, the rate fell to around 19.3 per cent. However, the recession in the 1990s drove the rate back up to the level experienced in the 1970s. In the three months to September 2008, the economic inactivity rate was 20.9 per cent (down by 0.2 percentage points from a year earlier).

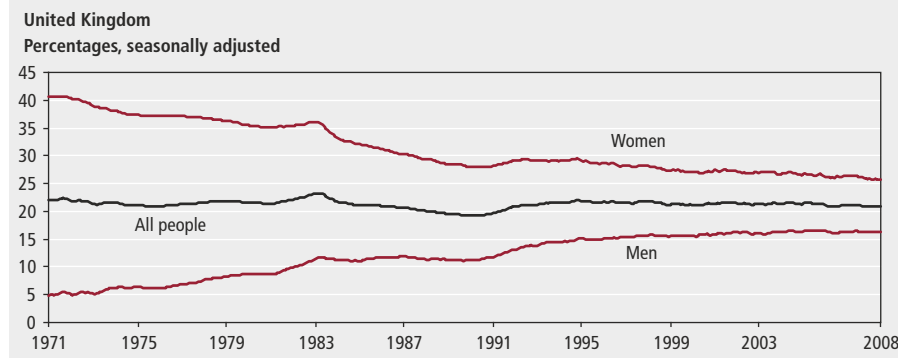
Characteristics of economically inactive people

Economic inactivity rates vary among different subgroups of the population in terms of sex, age, location, ethnic origin, disability status and qualification levels.

Sex

The relative stability of the economic inactivity rate in the UK masks the different trends for men and women over time.

Figure 1
Economic inactivity rate: by sex¹, January to March 1971 to July to September 2008



Note:

1 Men aged 16 to 64 and women aged 16 to 59.

Source: Labour Force Survey

Among men, the inactivity rate has grown from 4.9 per cent in 1971 to 16.3 per cent in 2008. In comparison, the female inactivity rate has declined from 40.6 per cent in 1971 to 25.8 per cent in 2008 (Figure 1). This is a result of the increase in the number of women continuing their employment or re-entering the labour market after having children.

Age

Information about economic inactivity rates by age is available on a seasonally adjusted basis back to 1992. Figure 2 shows that there has been an increase in economic inactivity among young people. In the three months to July 1997, the inactivity rate for those aged 16 to 17 reached a low point of 38.7 per cent. Over the last decade, this rate has been gradually increasing: in the three months ending September 2008, the inactivity rate for this age group was 55.2 per cent. In part this reflects the growing number of young people staying on in full-time education until they are 18. Inactivity has also increased among those aged 18 to 24. The rate for this age group increased from 21.8 per cent in the three months ending May 1992, the earliest figures which are available, to 26.4 per cent in the three months ending September 2008. Economic inactivity rates have remained stable for those aged 25 to 34 and 35 to 49, while the rates for those aged 50 to state pension age have been gradually decreasing. Data for people over state pension age is also included in Figure 2. This shows that economic inactivity rates for those over state pension age remain high but have been gradually decreasing.

Location

The Annual Population Survey is derived from the quarterly LFS, but also includes

extra respondents, specifically to provide more robust estimates for local areas.

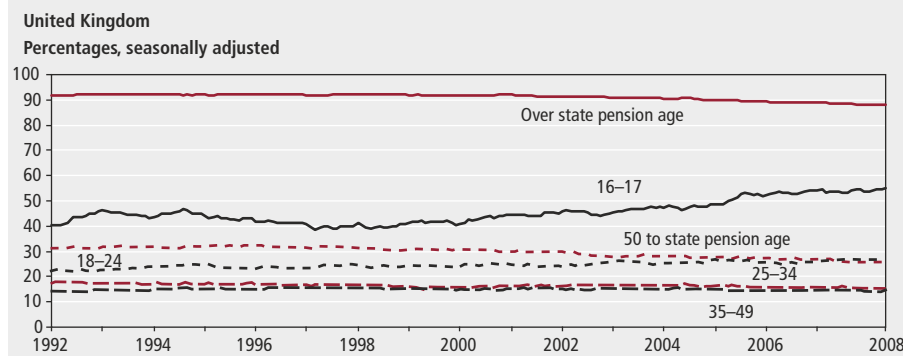
Figure 3 shows the difference in inactivity rates for people below state pension age by Government Office Region of England, Wales, Scotland and Northern Ireland for the 12 months ending March 2008. The

spread of inactivity rates between regions was 6.8 percentage points, the South East having the lowest (at 18.0 per cent) and London having the highest (at 24.8 per cent). Differences in economic inactivity rates in local areas within regions are greater than differences between regions. In the 12 months ending March 2008, the region with the greatest difference between the highest and lowest inactivity rates was the East Midlands, where 19.8 percentage points separate the highest and lowest inactivity rates of local authorities in the region. Nottingham, at 32.8 per cent, had the highest inactivity rate, while the lowest inactivity rate was just 13.0 per cent, in Blaby (Leicestershire). The narrowest spread of inactivity rates occurs in Wales, with 12.3 percentage points between the highest in Ceredigion (32.0 per cent) and the lowest rate in Wrexham (19.7 per cent).

Ethnicity

Care must be taken when using ethnicity data for analysis; different ethnic groups

Figure 2
Economic inactivity rate:¹ by age group, March to May 1992 to July to September 2008

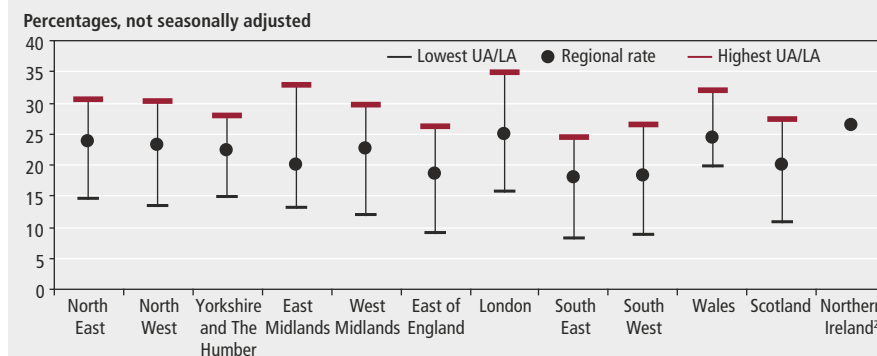


Note:

1 Denominator equals all people in the relevant age group.

Source: Labour Force Survey

Figure 3
Economic inactivity rate:¹ by English region and UK country, April 2007 to March 2008



Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 Northern Ireland local area data are not available.

Source: Annual Population Survey

often have different demographics, such as differing proportions of people within each age group. **Figure 4** shows that, in the three months to September 2008, the Asian or Asian British ethnic group had the highest inactivity rates, at 33.1 per cent. In the same period, people of the White ethnic group had the lowest inactivity rates, at 19.0 per cent.

Disability

Information on disability status is available in the LFS back to 1998. It shows that people with a long-term disability were more likely to be economically inactive than those without. In the three months to September 2008, 44.0 per cent of people with a long-term disability were inactive, a fall of 6.2 percentage points from the same period in 1998. In comparison, 14.8 per cent of people without a long-term disability were inactive in the three months to September 2008, a rise of 0.4 percentage points from the same period in 1998.

Qualifications

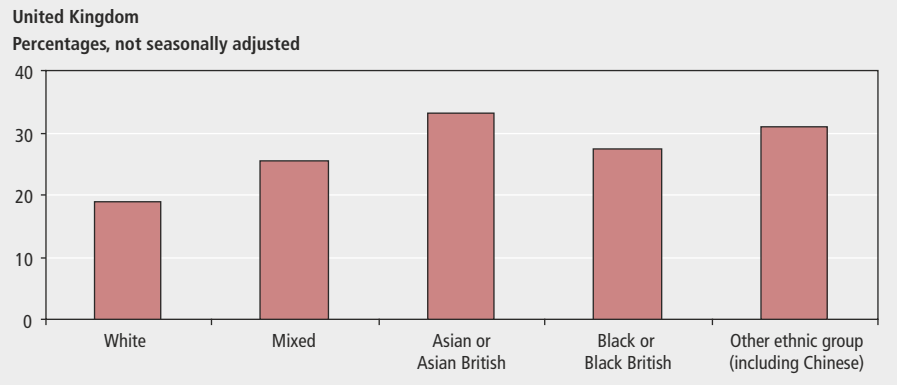
Economic inactivity rates vary by highest educational qualification. **Figure 5** shows that, in the three months to September 2008, 36.4 per cent of males with no qualifications were inactive. This compares with only 15.7 per cent of those whose highest qualification was a GCSE or equivalent and 8.6 per cent of those with a degree. The same pattern was evident among females, although those with no qualifications were more likely to be inactive than their male counterparts. Among graduates, the difference in inactivity rates between males and females was much smaller. For example, there was a gap in the inactivity rate of 20.2 percentage points between males and females with no qualifications compared with 3.6 percentage points for those with a degree.

Reasons for economic inactivity

The analysis above highlights some of the characteristics of the economically inactive population. These characteristics do not, however, explain why certain people are more likely to be inactive than others. The LFS asks respondents the main reasons they are inactive, with the four largest groups being the long-term sick or disabled, those looking after the family or home, students and retired.

Figure 6 shows that the largest group among the economically inactive is looking after the family or home. The size of this group has, however, declined in recent years as more women, particularly

Figure 4
Inactivity rate:¹ by ethnic group, 2008²

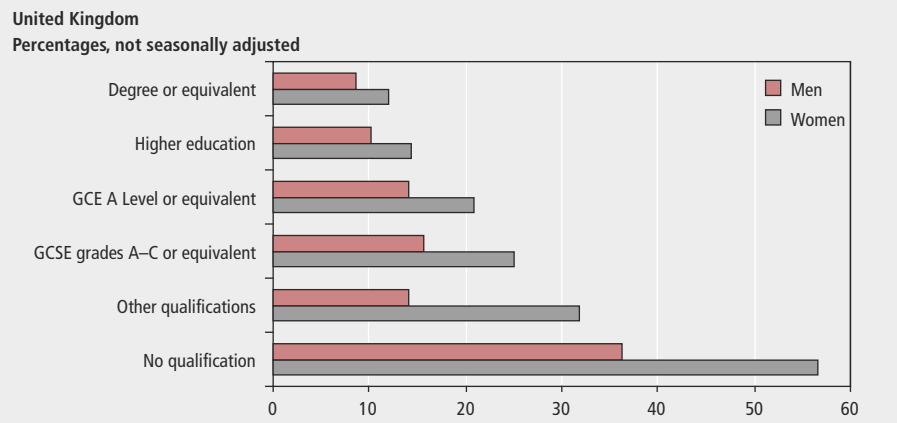


Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 July to September.

Source: Labour Force Survey

Figure 5
Inactivity rate:¹ by highest educational qualification, 2008²



Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 July to September.

Source: Labour Force Survey

Figure 6
Inactivity:¹ by reason



Notes:

- 1 Men aged 16 to 64 and women aged 16 to 59.
- 2 July to September.

Source: Labour Force Survey

those with children, enter the labour market. In the three months to September 2008, 28.5 per cent of people reported looking after the family/home as their

reason for inactivity. In the same period, 2.1 million people were inactive due to long-term sickness, 26.1 per cent of all those who were inactive.

Table 1
Main reasons for economic inactivity: by age and sex,¹ 2008²

United Kingdom		Percentages, not seasonally adjusted				
	16–24	25–34	35–49	50–59/64	Total	
Men						
Long-term sick/disabled	6.2	37.2	62.8	49.1	37.0	
Looking after family/home	1.8	10.0	14.6	5.8	6.5	
Student	77.1	23.4	3.8	0.4	27.0	
Retired	-	-	0.4	33.4	14.2	
Other	14.8	29.4	18.4	11.3	15.4	
Women						
Long-term sick/disabled	3.4	9.6	24.6	41.0	19.8	
Looking after family/home	25.7	70.3	60.3	26.2	45.4	
Student	59.4	10.0	3.6	0.5	18.9	
Retired	-	-	0.4	15.9	3.8	
Other	11.5	10.0	11.0	16.4	12.2	
All people						
Long-term sick/disabled	4.7	16.5	34.8	45.5	26.7	
Looking after family/home	15.1	55.4	48.1	14.9	29.7	
Student	67.2	13.3	3.7	0.4	22.1	
Retired	-	-	0.4	25.6	8.0	
Other	13.0	14.8	13.0	13.6	13.5	

Notes:

1 Men aged 16 to 64 and women aged 16 to 59.

2 July to September.

Source: Labour Force Survey

Table 1 shows that, between the sexes, the main differences in the reasons for inactivity were related to family responsibilities. For females aged 25 to 34, 70.3 per cent gave this as their reason for inactivity, compared with 10.0 per cent of males in the same age group. About three in five inactive females aged 35 to 49 also gave looking after the family or home as their reason for inactivity; this compares with around one in seven males in the same age group. One noticeable aspect is that, among all men aged over 25 years, the main reason for inactivity reported was long-term sickness and disability. For

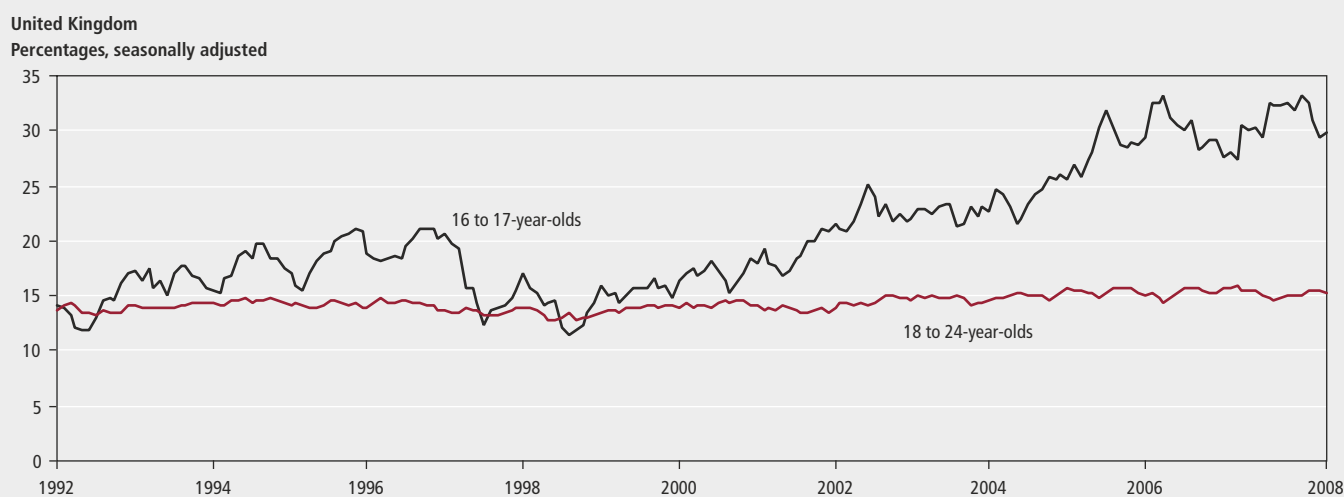
those aged 35 to 49, more than three in five men were inactive due to a long-term sickness or disability.

The economically inactive student group has grown since 1993 (Figure 6). As a proportion of the inactive population, inactive students increased from a low point of 18.0 per cent in the three months to July 1997 to 25.3 per cent in the three months to September 2008. This equates to around 637,000 more inactive students. However, full-time education does have an impact on future employment prospects: those with higher educational qualifications are highly likely to enter the labour market in the

future. By investing in 'human capital', they are more likely to have better employment prospects and access to higher earnings later in life.

While growth in the number of full-time students has been a cause in an increased inactivity rate for young people, there has also been an increase in inactivity among young people not in full-time education. This has been particularly marked among those non-students aged 16 to 17, with the inactivity rate rising from a low of 11.4 per cent in the three months to December 1998 to 29.9 per cent in the three months to September 2008. **Figure 7** shows that, for

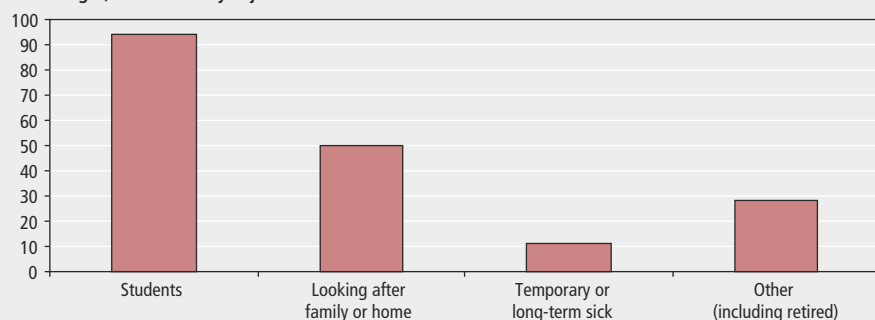
Figure 7
Inactivity rate among young people not in full-time education, March to May 1992 to July to September 2008



Source: Labour Force Survey

Figure 8
Economically inactive¹ who think they will definitely work in the future: by reason, 2008²

United Kingdom
 Percentages, not seasonally adjusted



Notes:

Source: Labour Force Survey

- 1 Men aged 16 to 64 and women aged 16 to 59; excludes those inactive people who did not answer.
- 2 Four-quarter average of Q4 2007 to Q3 2008.

those aged 18 to 24, the rate has remained fairly stable over the last decade and in the three months to September 2008, the inactivity rate for those not in full-time education was 15.2 per cent.

The LFS introduced two new questions in spring 2005 to find out if someone who is inactive is likely to work in the future and when this might be. This can be used to identify those who are inactive on their inclination to work in the future. **Figure 8** shows that, in the 12 months to September 2008, 94.5 per cent of students and 50.7 per cent of those looking after the family and home think they will definitely work in the future; only 12.7 per cent of the temporary/long-term sick think that they definitely will work in the future.

Workless households

A 'workless' household is one where none of the adults below state pension age are in employment. This includes households where all adults are unemployed, those where all adults are economically inactive and a mixture of both unemployed and economically inactive.

Results from the 2008 'Work and worklessness among households' First Release show that, in the three months to June 2008:

- there were 3.1 million workless households. This represented 15.8 per cent of all households that include at least one person below state pension age, down 0.2 percentage points from the previous year and down 0.2 percentage points from five years earlier
- there were 4.3 million people below state pension age living in workless households. This represented 11.4 per cent of the population aged over 16 and below state pension age, down 0.4 percentage points from the previous year and down 0.3 percentage points from five years earlier
- there were 1.8 million children living in workless households. This represented 15.4 per cent of all children in households that include at least one person below state pension age, down 0.3 percentage points from the previous year and down 0.6 percentage points from five years earlier
- the proportion of people below state pension age living in workless households was highest for the Chinese ethnic group, at 28.3 per cent, and lowest for the Indian ethnic group, at 7.6 per cent; 10.7 per cent of those in the White ethnic group lived in a workless household

CONTACT

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