

Siobhian Brown MSP
Convener, COVID-19 Recovery Committee
The Scottish Parliament
Edinburgh
EH99 1SP

09 September 2022

Dear Ms Brown,

I write in response to the COVID-19 Recovery Committee's call for evidence for the inquiry, *Road to recovery: impact of the pandemic on the Scottish labour market*.

This inquiry is of particular interest and relevance to the Office for National Statistics (ONS) as we are responsible for producing employment and labour market statistics and analysis for the UK.

This written evidence submission provides analysis on some of the key factors driving changes in the Scottish labour market, such as the prevalence of long COVID and pre-existing health conditions. We have also examined the impact of the pandemic on different demographics within the labour market and provided an industry breakdown of recent trends

I hope this submission is useful for your inquiry. Please do not hesitate to let us know if we can provide anything further.

Yours sincerely,



Mike Keoghan

Deputy National Statistician for Economic, Social and Environmental Statistics

Office for National Statistics written evidence ‘Road to recovery: impact of the pandemic on the Scottish labour market’

1. What are the key factors driving increase in labour market activity?

- 1.1. In the decade to 2015, the inactivity rate in Scotland was broadly similar to that of England’. However, from 2016 onwards, Scotland’s inactivity rate has diverged slightly – slightly increasing while England’s fell - and is now similar to that of Wales, while Northern Ireland’s inactivity rate remains highest among the four nations.
- 1.2. In more recent periods, the Annual Population Survey (APS) illustrates that labour market inactivity in Scotland has increased by 35,000 to 808,000 when comparing the 12 months to March 2022 with 2019 levels (before the COVID-19 pandemic began). This makes up 18.6% of the total UK rise in inactivity over that period.
- 1.3. The APS also tells us that in 2021, Scotland experienced its highest inactivity rate since these records began in 2004, at 23.8%.
- 1.4. Long-term sickness is the main reason for inactivity in Scotland (among those aged 16 to 64) and is the reason that has seen the largest increase since before the pandemic. The number of those reporting long-term sickness as the reason for inactivity has increased by 23,000 (to 240,000) in the 12 months to March 2022, compared with 2019 levels. However, increases in long-term sickness predate the pandemic, starting in 2019.
- 1.5. The increases in total levels of inactivity in Scotland (which grew by 4.5% in the latest period compared with the pre-pandemic period) and long-term sickness (which grew by 10.4%) grew at a faster rate than the increases seen for the UK (where it grew by 2.1% and 6.8%, respectively, over that period).
- 1.6. The number of those retiring increased by 11,000 (to 122,000) and the number of those temporary sick also increased by 4,000 (to 20,000) and are the second and third largest contributors to the rise in inactivity in the Scottish labour market. The respective increases of 9.9% and 21.8%, are greater than the rate of increases seen for those retiring and temporary sick in the UK as a whole (8.5% and 20.1%, respectively).
- 1.7. However, compared to pre-pandemic, in the Scottish labour market there has been a 0.4% decrease in students being inactive (falling to 197,000), whereas in the UK a 5.6% increase was seen in April 2021 to March 2022.
- 1.8. Among those who were economically inactive in the Scottish labour market, the number of people wanting a job fell by 14,000 (8.6%) when comparing April 2021 to March 2022 with January to December 2019. The number of such people reached 144,000 in the latter period, only just above the record low of 143,000 seen in the January to December 2021 period. The 8.6% fall up to the latest period was lower than the equivalent 9.7% fall seen for the UK as a whole.

2. Has long COVID been a factor in current levels of labour market inactivity? If so, is this likely to be a permanent feature of the labour market?

- 2.1. In the UK, as of July 2022, 5.0% of people who were not in and not looking for paid work were experiencing self-reported long COVID. This was higher than for the other

labour market statuses: unemployed (3.5%), employed (3.3%), retired (2.9%) and students (1.7%)¹.

2.2. Data suggests that some of the increased inactivity could be due to long COVID. In July 2022, 1.8m people (2.8% of the population) reported suffering from long COVID in the UK, with 369,000 “limited a lot” by their symptoms. Institute for Fiscal Studies analysis estimates that this amounts to 110k additional “long-term sick” people absent from the labour market.

2.3. Evidence for Scotland specifically is limited. However, experimental statistics show that the latest prevalence of ongoing symptoms following coronavirus (COVID-19) infection is higher in Scotland compared with England (differences with Wales and Northern Ireland were not statistically significant). In July 2022, 3.83% of the private-households population were estimated to be living with self-reported long COVID of any duration, compared with 2.98% in England.²

2.4. The same research on the prevalence of long COVID also shows that the employment status with the highest prevalence across the UK is the ‘inactive and not looking for work’ group; with 6.43% of that population estimated to be living with self-reported long COVID of any duration. This compares with 3.81% among those employed, and 3.41% among those unemployed.

3. What has been the labour market impact of the pandemic on people with pre-existing health conditions?

3.1. The impact of long-COVID is felt unequally. As a proportion of the UK population, the prevalence of self-reported long COVID was greatest in people aged 35 to 69 years, females, people living in more deprived areas, those working in social care, those aged 16 years or over who were not students or retired and who were not in or looking for paid work, and those with another activity-limiting health condition or disability.

3.2. The NHS waiting list (UK wide) has been growing and will likely be responsible for some of the increase in long-term sick inactivity. Since April 2018, 18-week waits are up 2m and inactivity is up 0.4m. Further work is required to look at conditions and geography to consider any relationship between waiting lists and inactivity. The second wave of the ONS Over-50s Lifestyle Study (OLS) should provide us with helpful insights later in September. The ONS is happy to share a copy of findings once they are available.

4. What factors have influenced some people to take early retirement?

4.1. Evidence for Scotland specifically is limited. However, across the UK, the OLS found that among adults aged 50 to 70 years who had left or lost their job since the start of the pandemic, just over 6 in 10 (63%) adults said they had left work sooner than

¹<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/prevalenceofongoingsymptomsfollowingcoronaviruscovid19infectionintheuk/4august2022#prevalence-of-ongoing-symptoms-in-the-population-aged-16-years-and-over-by-employment-status> UK WIDE, employment status comes from the COVID-19 Infection Survey questionnaire which does not directly align with the statuses used in the Labour Force Survey questionnaire.

²<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/prevalenceofongoingsymptomsfollowingcoronaviruscovid19infectionintheuk/1september2022>

expected. Those in their 50s were more likely to say this (77%) than those aged 60 years and over (57%).

4.2. Leaving work to retire was the most reported reason (47%), with the vast majority saying it was their choice to leave. However, 6% said they had lost their job and subsequently retired, suggesting that their exit from the labour market was involuntary.

4.3. The next most frequent reasons given for leaving work were:

- the coronavirus (COVID-19) pandemic (15%);
- illness or disability (13%);
- and they did not want to work anymore (11%).

4.4. 75% said it was their choice to leave their previous job. 5% said they had lost their job, and 10% had been furloughed and then lost their job³.

4.5. Findings from the OLS suggest that people leaving professional occupations may be more likely to be able to afford their retirement with increased savings since the pandemic compared with other occupations.

4.6. Of those leaving professional occupations, 22% reported their savings had increased since the start of the pandemic, the highest for all occupational groups. In comparison, 20% of those leaving caring occupations reported they had no savings⁴.

5. Thinking about labour market participation, have certain groups of society and parts of the country been impacted more than others?

5.1. Comparing the latest period (April 2021 to March 2022) with the pre-pandemic reference point (January to December 2019), APS estimates of the number of economically inactive people aged 16-64 in Scotland show a larger increase among men (up 24,000 to 341,000) than among women (up 10,000 to 466,000).

5.2. Looking at age groups in more detail, increases in economic inactivity levels have been seen across all age groups in the Scottish labour market, except for those aged 18 – 24 which have decreased by 6,000 to 131,000 (or 4.5%) in April 2021 to March 2022.

5.3. The largest increase in level terms is seen amongst those aged 50 – 64, rising by 22,000 to 334,000 (or 7.2%).

5.4. In April 2021 to March 2022 the economic inactivity rate for ethnic minorities (33.4%) in Scotland was greater than the Scottish labour market average (23.5%), and the economic inactivity rate for ethnic minorities in the UK (26.7%). However, the economic inactivity rate has decreased for ethnic minorities in Scotland since pre-

³<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reasonsforworkersagedover50yearsleavingemploymentsincethestartofthecoronaviruspandemic/2022-03-14#reasons-for-leaving-work>

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/reasonsforworkersagedover50yearsleavingemploymentsincethestartofthecoronaviruspandemic/2022-03-14#reasons-for-leaving-work>

⁴<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/movementsoutofworkforthoseagedover50yearssincethestartofthecoronaviruspandemic/2022-03-14#how-movement-of-people-aged-50-to-70-years-into-economic-inactivity-changed-over-time-for-different-occupations-and-industries>

pandemic (down 3.0 percentage points from 36.4).

5.5. Comparing the period April 2021 to March 2022 with January to December 2019, the most notable increase in the economic inactivity rate across Scottish Local Authority regions is seen in the Highland, rising 9.2 percentage points to 28.1%. Other notable increases are seen in North Lanarkshire (6.2 percentage point increase to 28.2%), Aberdeen City (5.3 percentage point increase to 23.7%), North Ayrshire (4.3 percentage point increase to 29.5%) and Aberdeenshire (4.0 percentage point increase to 21.0%). On the other hand, Inverclyde, Midlothian, Glasgow City and the City of Edinburgh have seen 5.2, 3.4, 3.7 and 2.9 percentage point decreases (to 22.4%, 14.2%, 25.6% and 19.8%) respectively.

6. Have there been sectoral differences from economic inactivity – for example, have Health and Hospitality sectors been more exposed than, for example, Finance?

6.1. In the Scottish labour market, the arts, entertainment and recreation industry saw the greatest fall in workforce jobs down 31,000 to 74,000, with a percentage rate change of negative 29.4% when compared to a pre-pandemic December 2019. Other industries displaying large falls in workforce jobs were accommodation and food service activities, down 16,000 and other service activities down 12,000. There was also a fall of 8,000 for agriculture, forestry and fishing.

6.2. These falls in the number of jobs were partially offset by increases in other industries, the largest of which were human health and social work activities (up 28,000, or 6.9%) and administrative and support services (up 16,000, 7.2%).

6.3. More broadly, in June 2022, businesses in Scotland report the lowest proportion of businesses currently experiencing a shortage of workers (12.5%), compared with Northern Ireland (22.8%), Wales (15.6%) and England (13.7%). Businesses in construction were more likely to report worker shortages in Scotland (16.6%) than those in the services sector (10.9%).

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