

# CRF: all things Labour Market!

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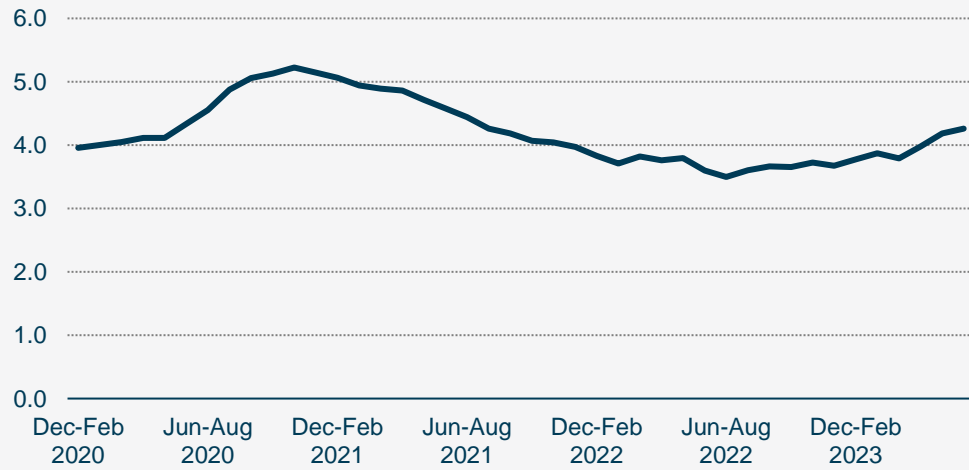


# Labour Market: Now

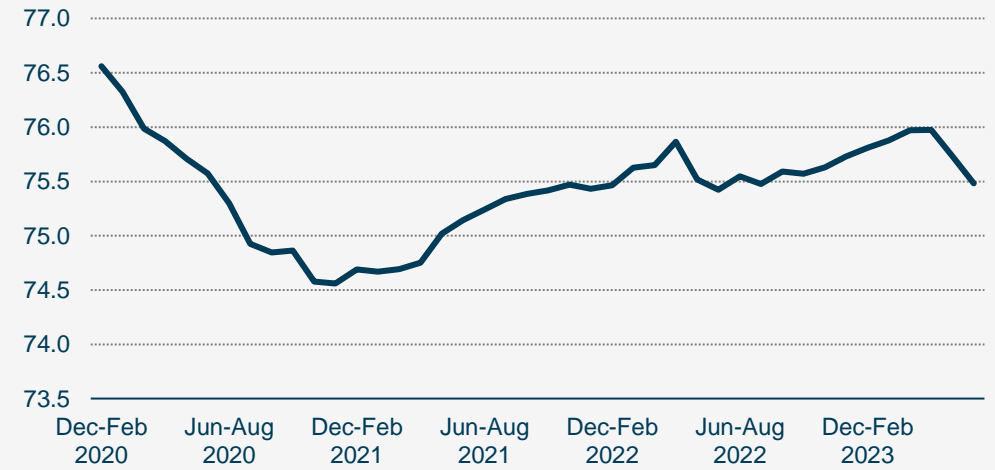


# Labour Market: confounded all predictions

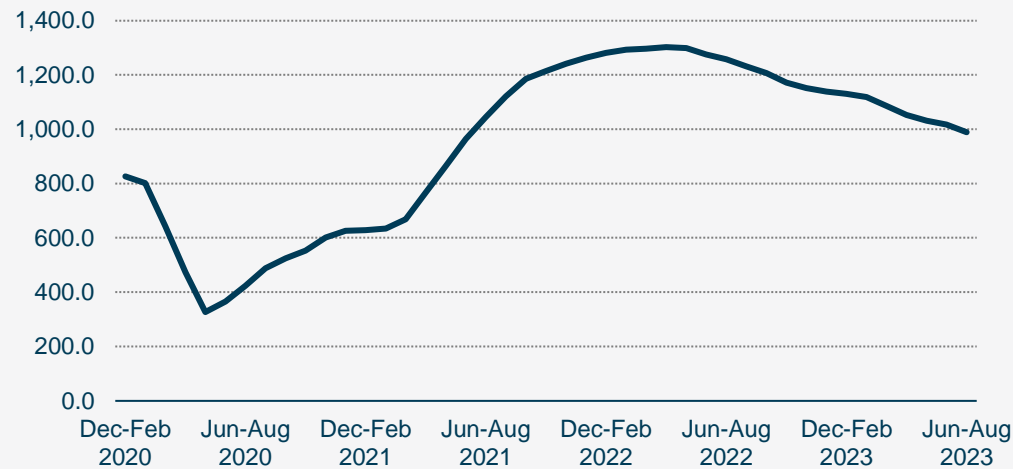
### Unemployment rate (%)



### Employment rate (%)



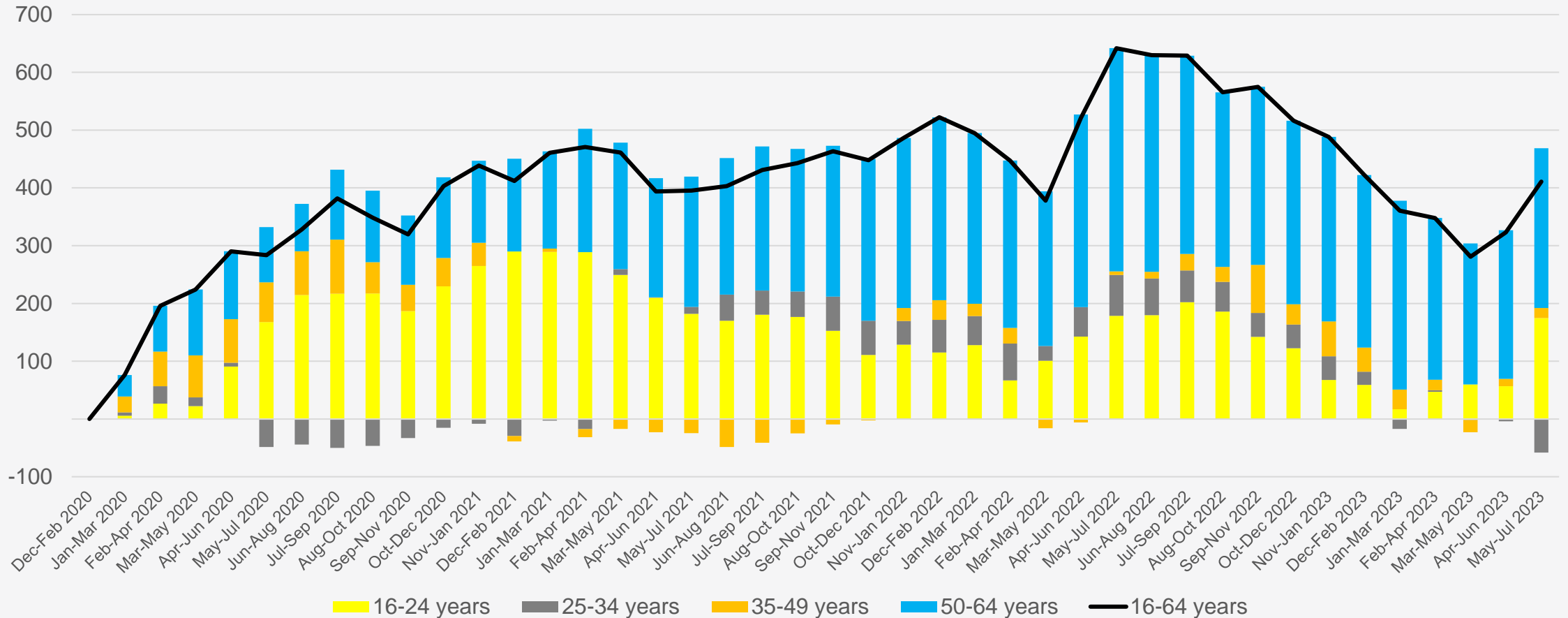
### Vacancies ('000)



Sources: Labour Force Survey and Vacancy Survey

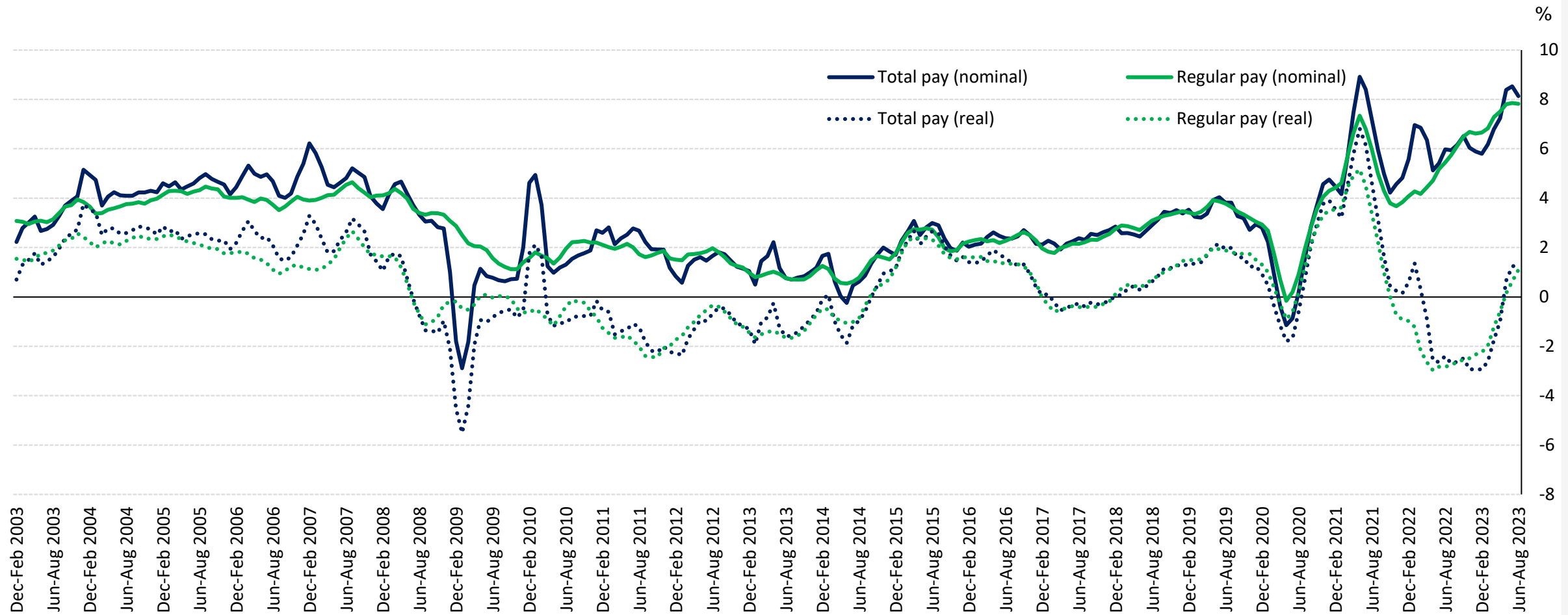
# Economic Inactivity: surprisingly talk of the town

Economically inactive people by age in the UK (aged 16 to 64 years), seasonally adjusted, cumulative change from December 2019 to February 2020, for each period up to May to July 2023



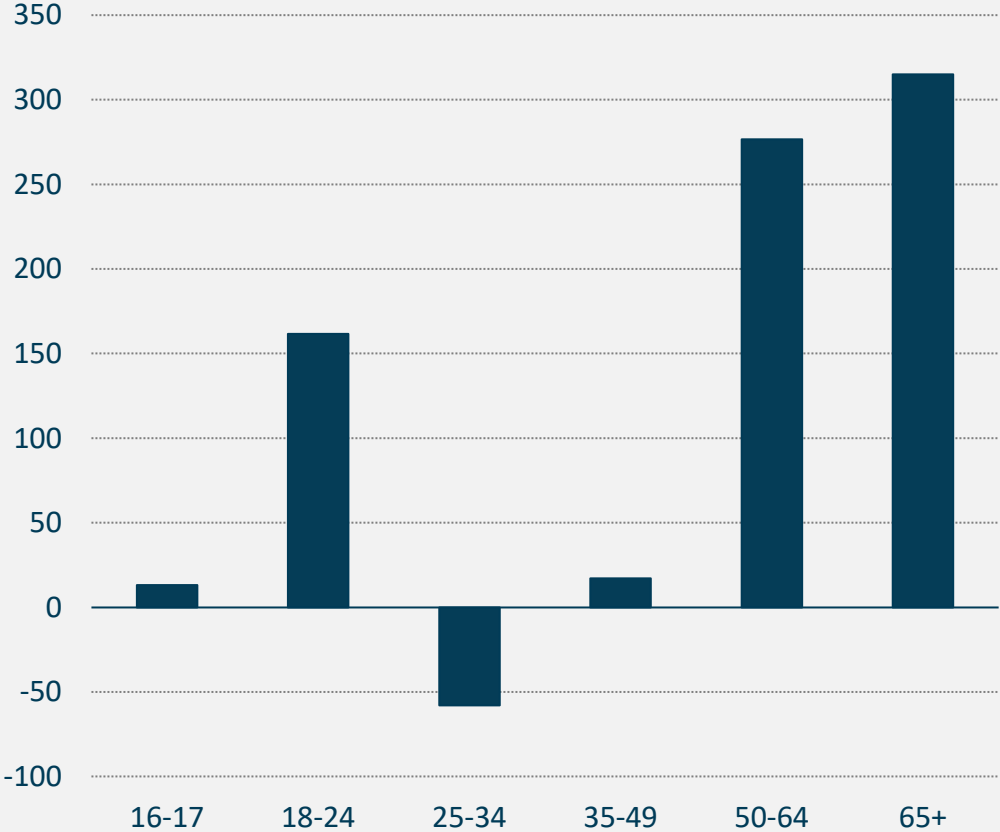
Source: Labour Force Survey

# Earnings: so much going on: record increases before inflation, record falls after inflation.....but signs nominal pay easing and real pay now rising!

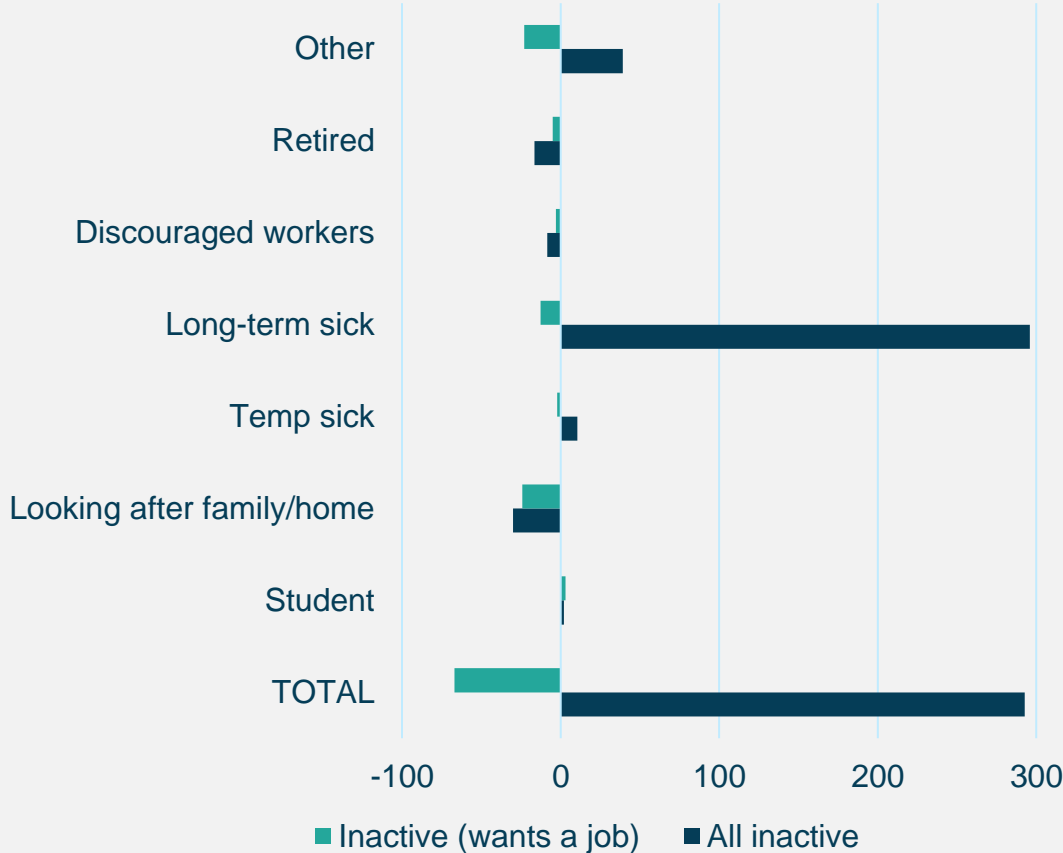


# Supply issues: Inactivity - older people disengaging with the labour market

Change in inactivity levels  
Dec-Feb 2020 to May-Jul 2023 (thousands)



Change in inactivity of older (50-64) workers by reason and by job want, May-Jul 19 – May-Jul 23, thousands



Source: ONS Labour Force Survey

# Motivations of the 50+.....why they left

Comparing latest survey (August) to February:

- **Were they going to finish work anyway?:** No – vast majority (77%) of those 50-59 left job sooner than expected
- **Reasons for leaving:** Top two reasons unchanged, but change in lifestyle becoming more prevalent
  - Main reason in both surveys was retirement (36% August, 47% February)
  - Second reason in both surveys was stress, mental health, illness or disability (32% August, 23% February)
  - Third reason in August was “a change in lifestyle” (16%) but in Feb this was concerns around COVID (15%)

Source: ONS Over 50s Lifestyle Study waves 1 and 2

## Motivations of the 50+.....

- **Tempted to return:** Increased since previous survey – 50s more likely to consider returning to work (72%) than those 60+ (44%) (in February these were 58% and 31%)
- **Return to full-time:** No, thank you! - under 60 who want to return to full-time work (11%), 60+ (6%)
- **What could tempt me back?** Money now second most popular reason:
- Top 4 reasons to return in August were flexible working hours (32%), good pay (23%), working from home (12%) and fitting around caring (10%)
- In February: top four were flexible working hours (36%), working from home (18%), fitting around caring (16%) and permanent employment (12%)

Source: ONS Over 50s Lifestyle Study waves 1 and 2



# Labour Market: present challenges



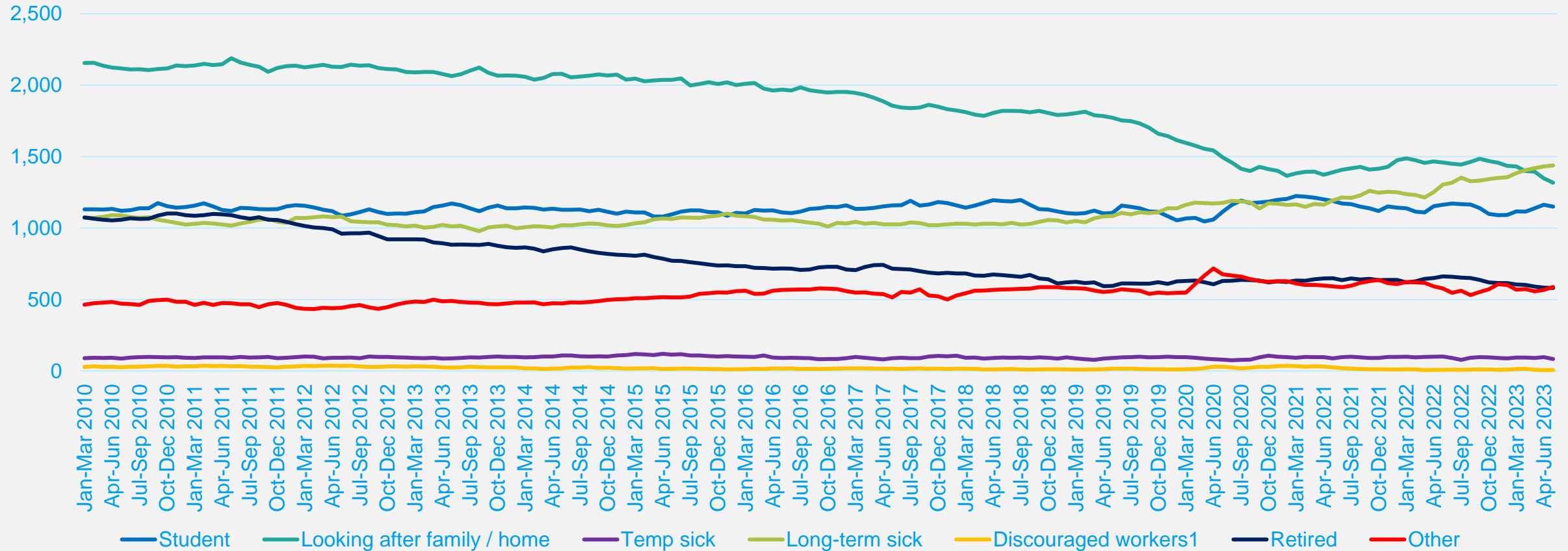
# Economic inactivity: due to long term sickness at record high levels

Economic inactivity because of long term sick ('000s)



# Inactive females due to looking after family/home and retired: ONE TO WATCH!

Inactivity by reason, females aged 16-64, seasonally adjusted, UK, January to March 2010 to May to July 2023

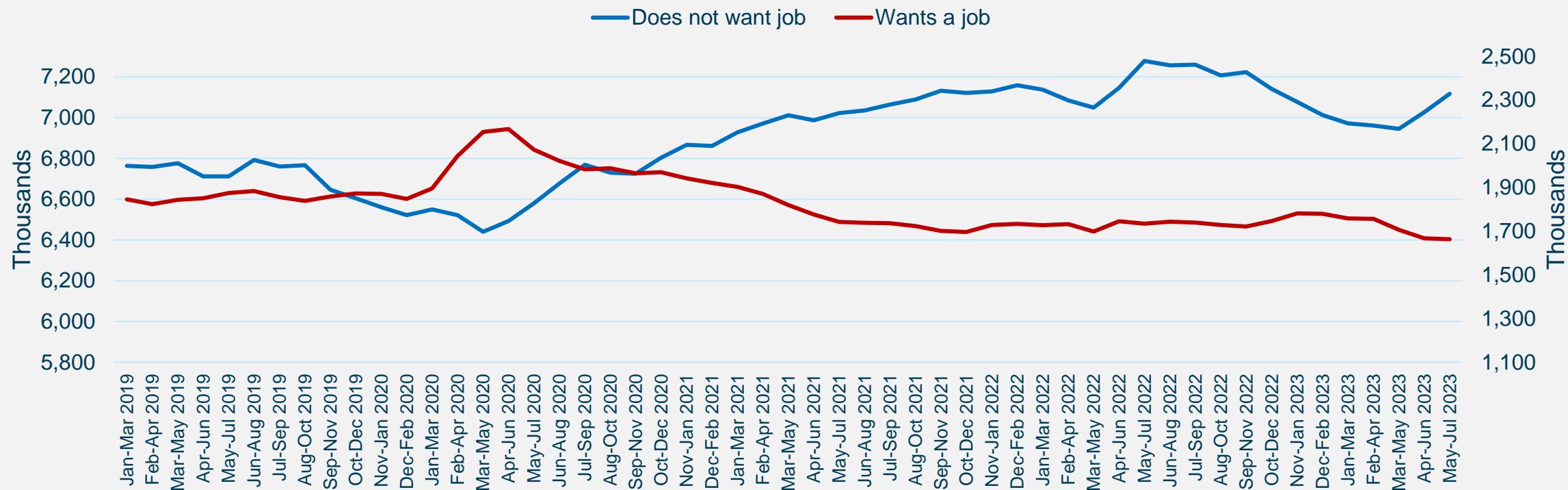


Source: Labour Force Survey

Note: Other includes people awaiting results of a job application, have not yet started looking, do not need/want employment, or have given an uncategorised or no reason for inactivity

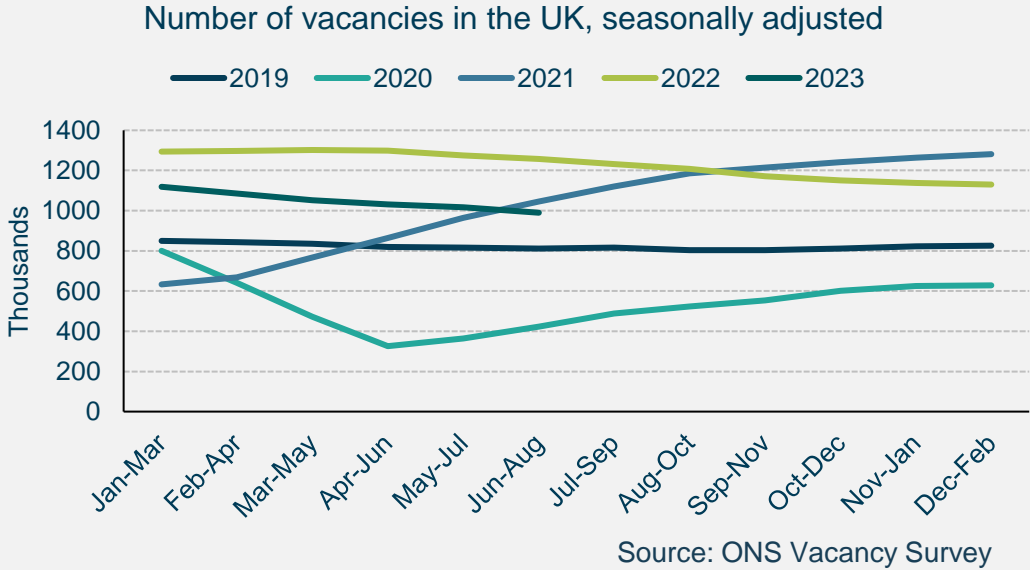
# True disengagement?

Inactivity by who wants a job (RHS) and by who does not want job (LHS), people, seasonally adjusted, UK, January to March 2019 to May to July 2023

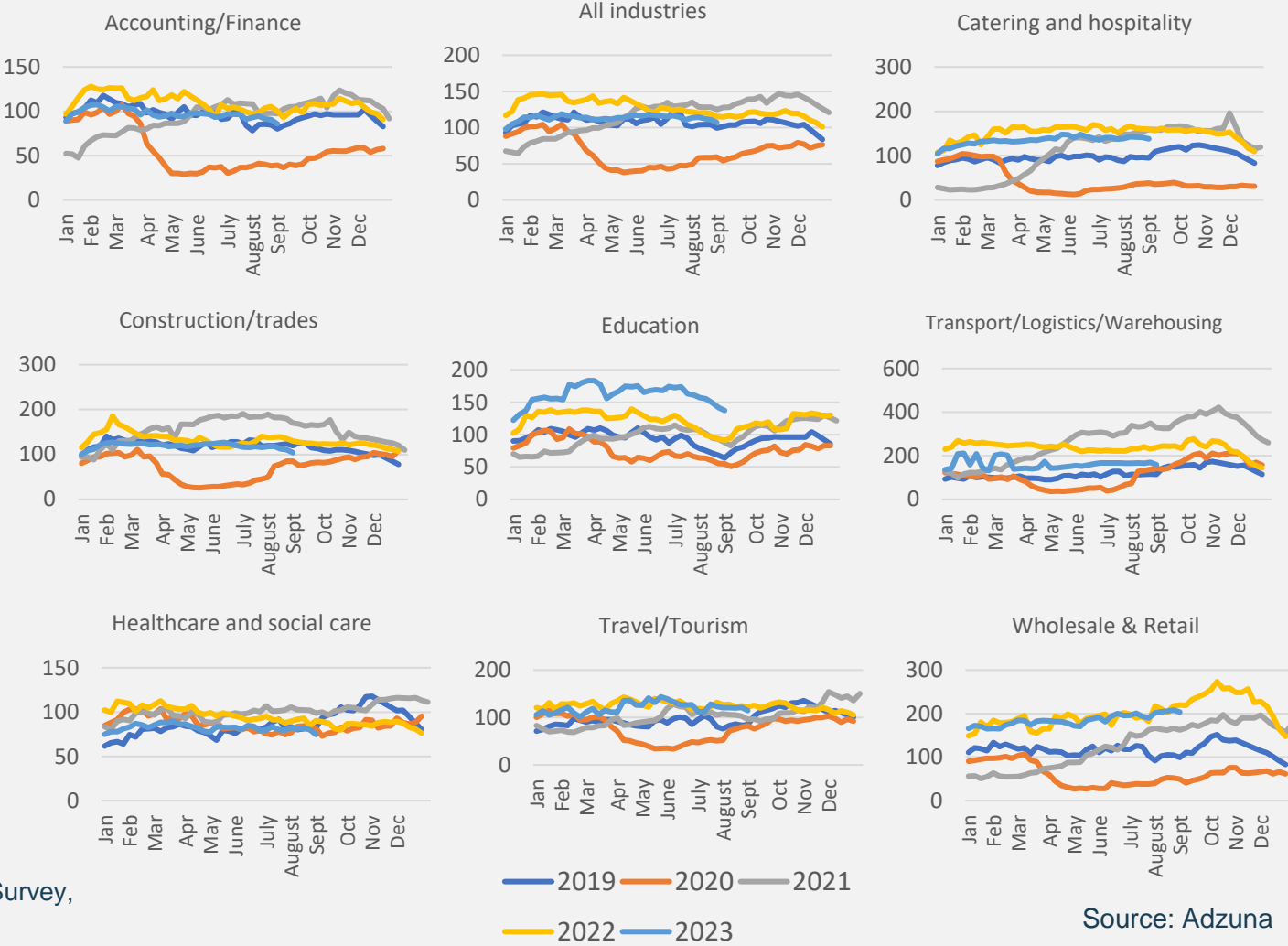


Source: Labour Force Survey

# Also Demand issues: vacancies falling but still 200k above 'norm'



Volume of online job adverts by category, index= February 2020 average, 4 January 2019 to September 2023, non-seasonally adjusted, UK



Difficulties reported by businesses reporting difficulties filling vacancies (13% of all businesses)

**59%**  
Lack of qualified applicants  
Professional, Scientific and Technical reported 79%

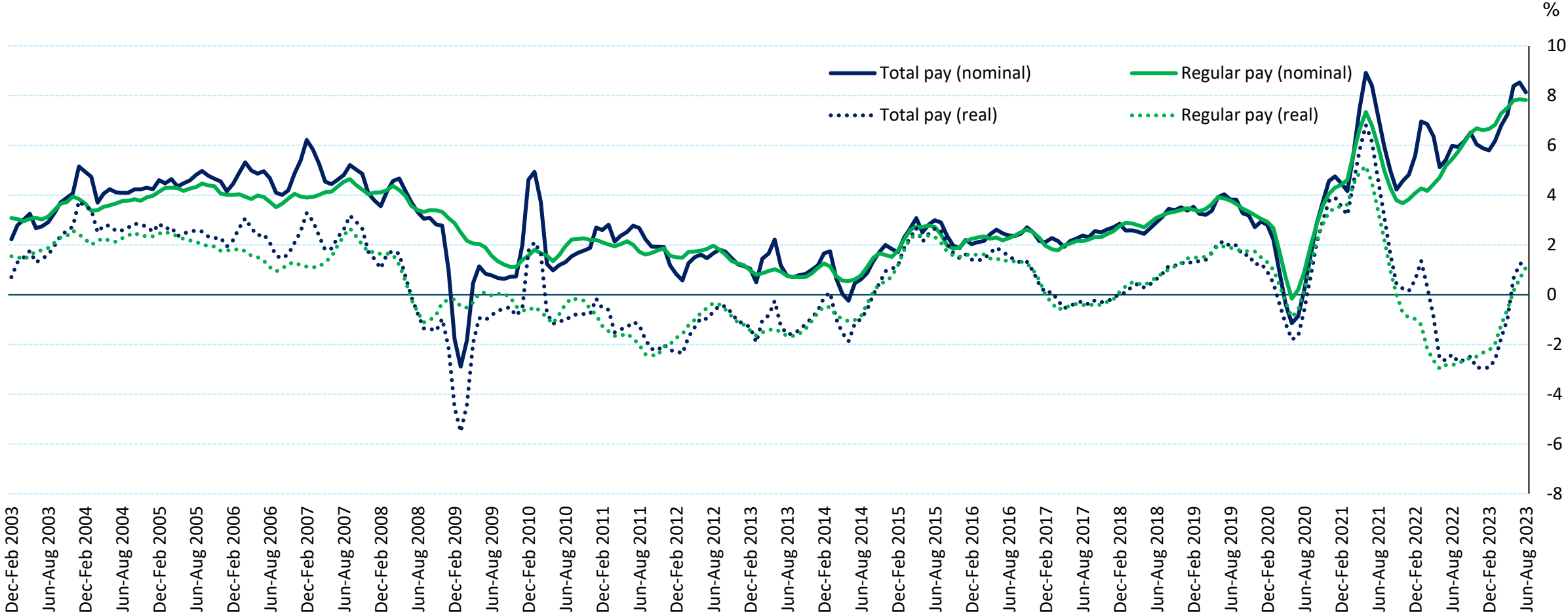
**59%**  
Low number of applicants

**31%**  
Cannot offer an attractive pay package

**17%**  
Reduced number of EU applicants

Source: ONS Business Insights and Conditions Survey, Wave 86

# Earnings: so much going on: record increases before inflation, record falls after inflation.....but signs nominal pay easing and real pay now rising!



# 2023 Spring Budget: OBR forecast that Chancellor's policies could lead to largest ever increase in Labour Supply



## Childcare policies:

- 30 hours a week of free childcare for working parents of nine-month to two-year-olds. OBR scoring: **60k**
- Reimbursing childcare support with universal credit up front. OBR scoring: **15k**



## Health policies

- Disability employment programme. OBR scoring: **10k**



## Conditionality

- Increasing conditionality on parents and carers claiming. OBR scoring: **10k**



## Older workers related policies

- Abolishing the lifetime allowance and increasing the annual allowance to £60k from £80k (pension tax reform). OBR scoring: **15k**

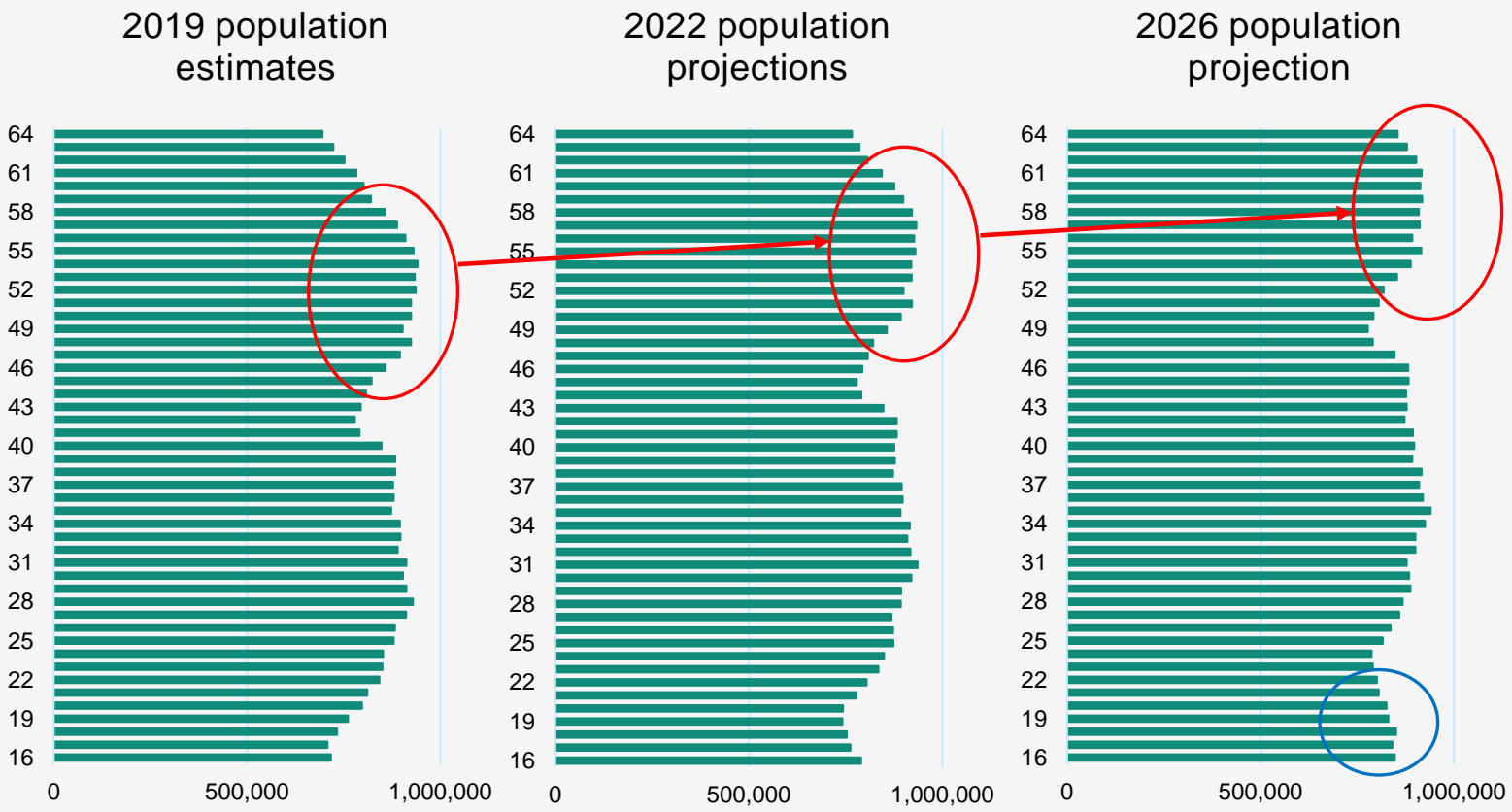
# Labour Market: challenges in immediate future



01 November 2023



# Does demography matter: Yes!...increases in young and old on way



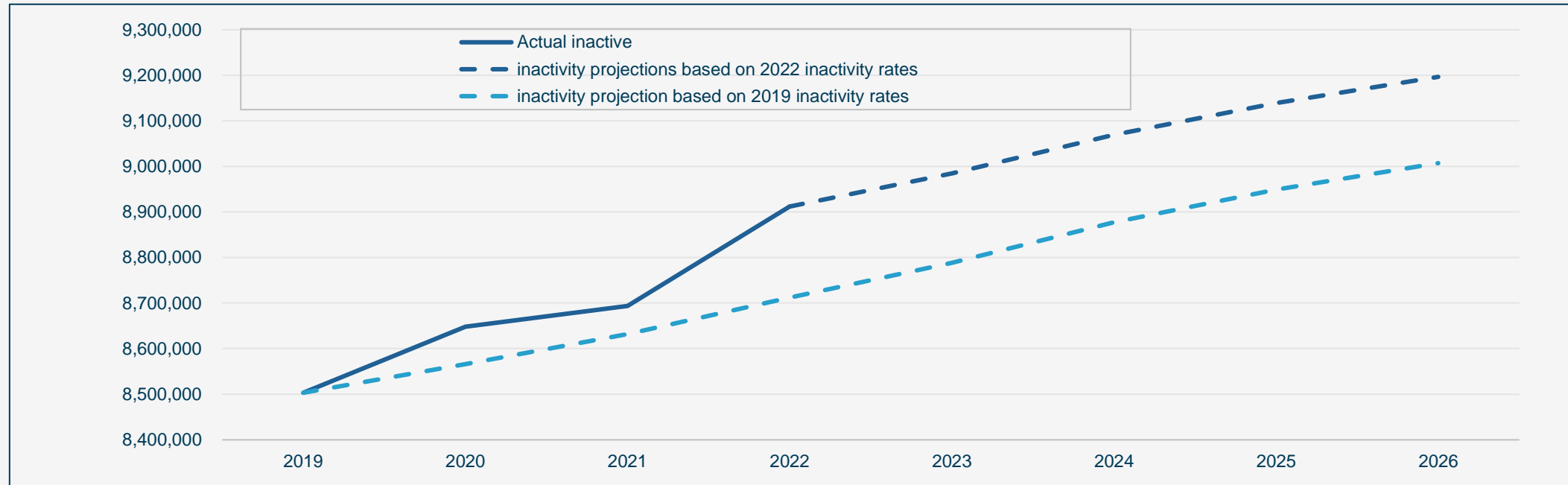
**It is estimated that the 60 to 64 population will increase by over 700k people between 2019 and 2026.**

**It is estimated that there will be an increase of 475k people aged 16 to 20 years between 2019 and 2026.**

Source: 2020 mid-year population estimates and projections

# Demography: reinforces why inactivity remains key focus – naturally rise even without pandemic shock

UK Inactivity projections (adults aged 16 to 64)



Holding rates of inactivity stable and projecting population changes forward would see 300k more inactive people in 2026 at current rates. If we got back to 2019 rates, inactivity would still be higher.