

# Employment, Unemployment, and Economic Inactivity Lancashire LEP

*A review of the data, as requested at the informal committee meeting in July, regarding the rise in Economic Inactivity in Lancashire*

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September 2022

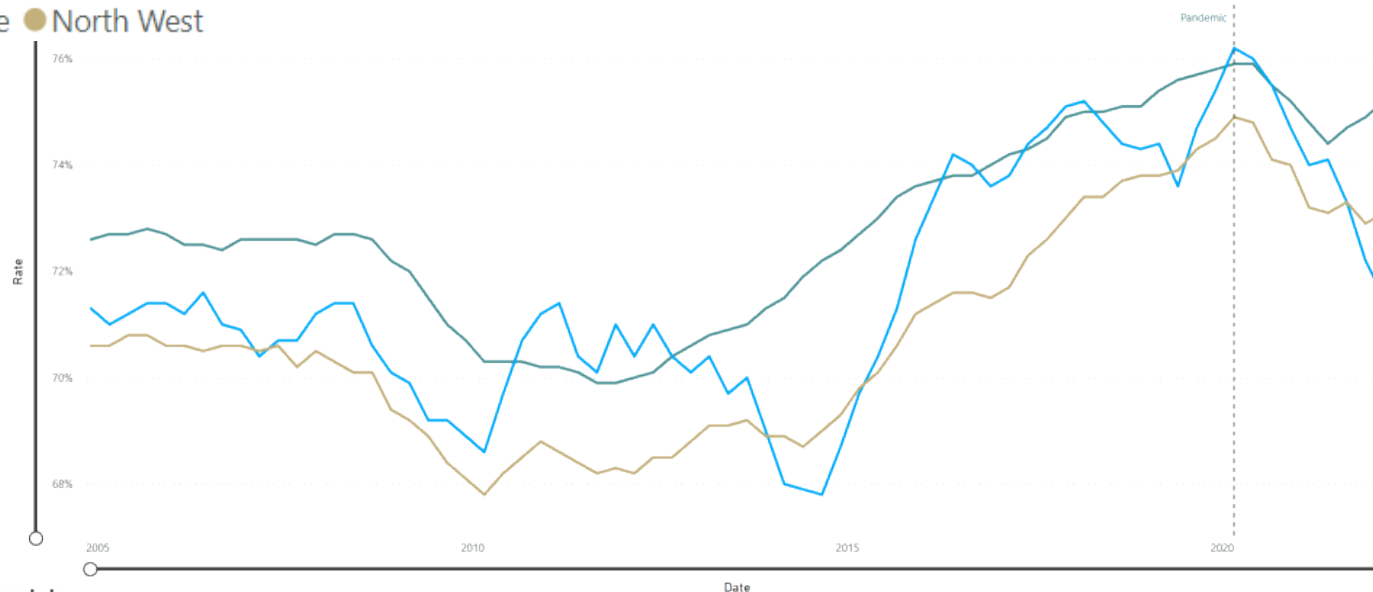


# The pandemic has reduced the employment rate



- This will come as little surprise, but the pandemic caused job losses...
- These job losses moved Lancashire from a position of an employment rate of 76.2% in March 2020 (0.3% above the national average) to being considerably below the national average.
- Data released 16<sup>th</sup> August 2022, highlighted more concerning numbers, as the employment rate was released for March 2022, showing a continued fall from December 2021.
- The employment rate in Lancashire as of March 2022 was 71.5%, 3.7 percentage points below the national average, and 4.7 percentage points below it's pre-pandemic rate of 76.2%.
- The Great Britain employment rate is 75.2%, and in the North West it's 73.1%.

Area ● Great Britain ● Lancashire ● North West



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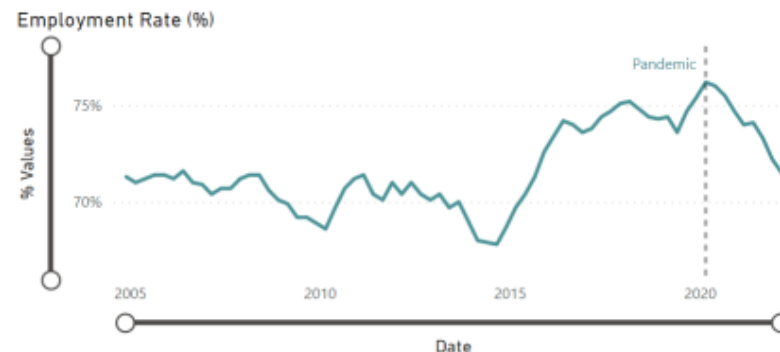
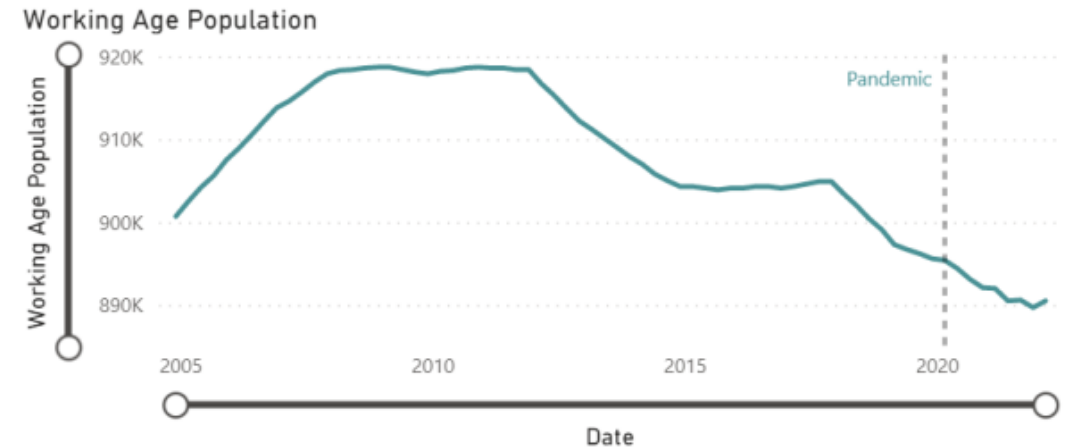
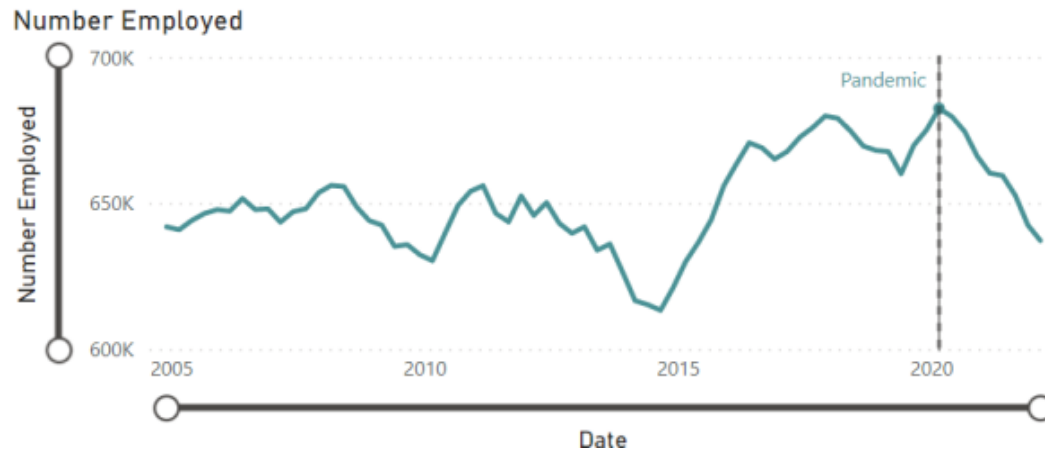
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# The pandemic has reduced the employment rate



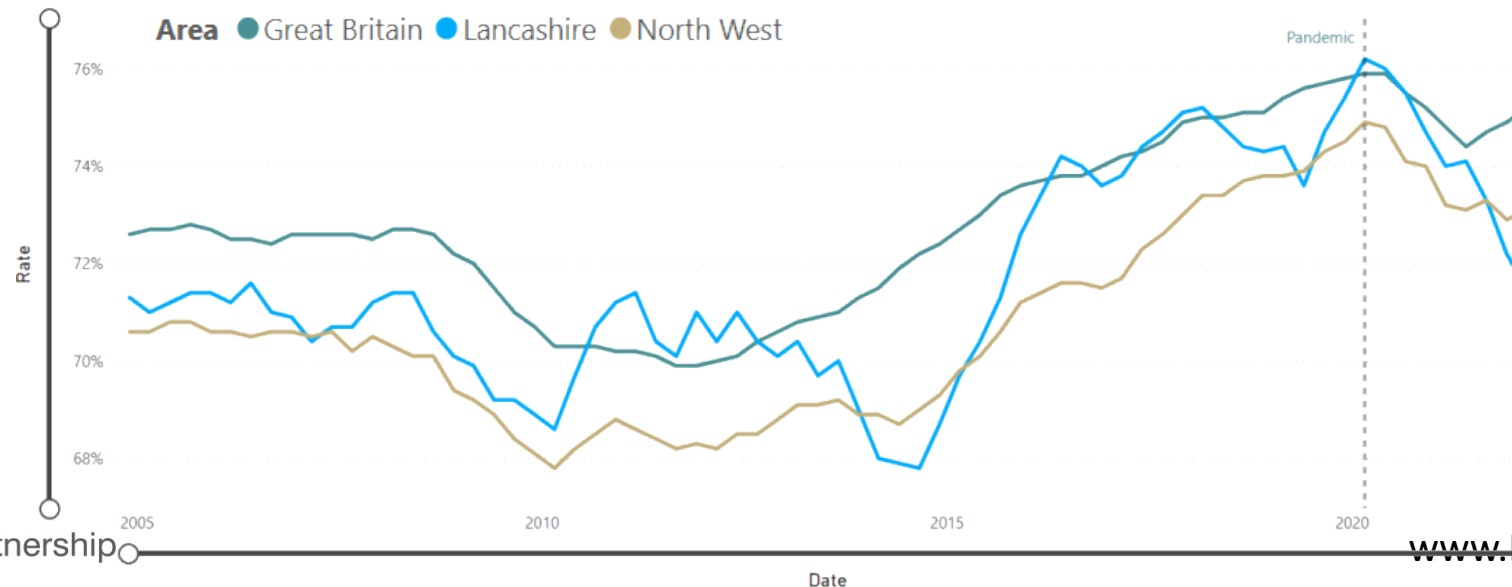
- Pre-Pandemic, Lancashire had 683,000 employed people.
- As of March 2022, Lancashire now has 637,000 employed people - a fall of 46,000.
- Yes people have got older in this time, and the rate is expressed as a percentage of the working age population, but since the pandemic the working age population in Lancashire has only reduced by 5,000.. So this isn't necessarily just people leaving the labour market due to retirement. The number employed and the employment rate track very closely.



# So if they're not employed, they must be unemployed.. Right?



- Wrong – kind of.
- Yes unemployment has increased, but it hasn't increased by anywhere near the same magnitude as employment has decreased.
- Pre-pandemic, Lancashire's unemployment rate was below the national average and the regional average, at just 3.1%.
- Naturally, with lots of job losses, this has risen, and was as high as 5.4% as of December 2021, and at that point was 2.3pp above it's pre-pandemic rate.
- But since (Dec21) the decrease in employment, we've also seen a decrease in unemployment, whereby the unemployment rate as of March 2022 is 4.6% - 0.4pp above the national average, and 1.5pp above where it was pre-pandemic. This represents an additional 8,000 unemployed workers in Lancashire.



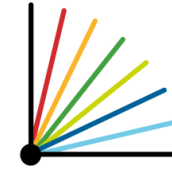
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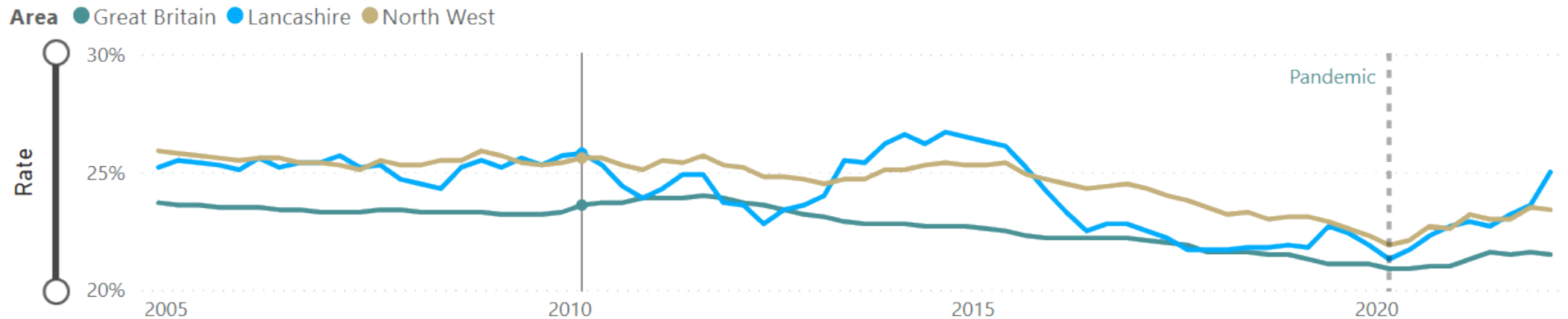
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# So is economic inactivity the answer?

- The consensus nationally is yes, but from the data it isn't awfully clear why.
- Pre-Pandemic there were 705,000 economically active people in Lancashire.
- As of March 2022, there are 667,000 that are active in Lancashire.
- This is a difference of roughly 38,000 – and 5,000 of those have disappeared because they're no longer of "working age".
- We now know there are 38,000 fewer economically active working age people, and ~33,000 of these who would've been of working age pre-pandemic. So we now have 33,000 more economically inactive people than pre-pandemic.
  - Not all of these will have been in employment pre-pandemic, but a sizable proportion will have been.
  - If people aren't employed, and they aren't unemployed, they can otherwise only be Economically Inactive.
- This isn't just a Lancashire experience, it's happening elsewhere too, where we have seen rising economic inactivity since the pandemic – but it appears to be worse in Lancashire than in the North West or Nationally.



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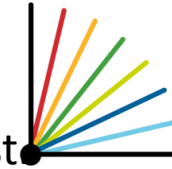
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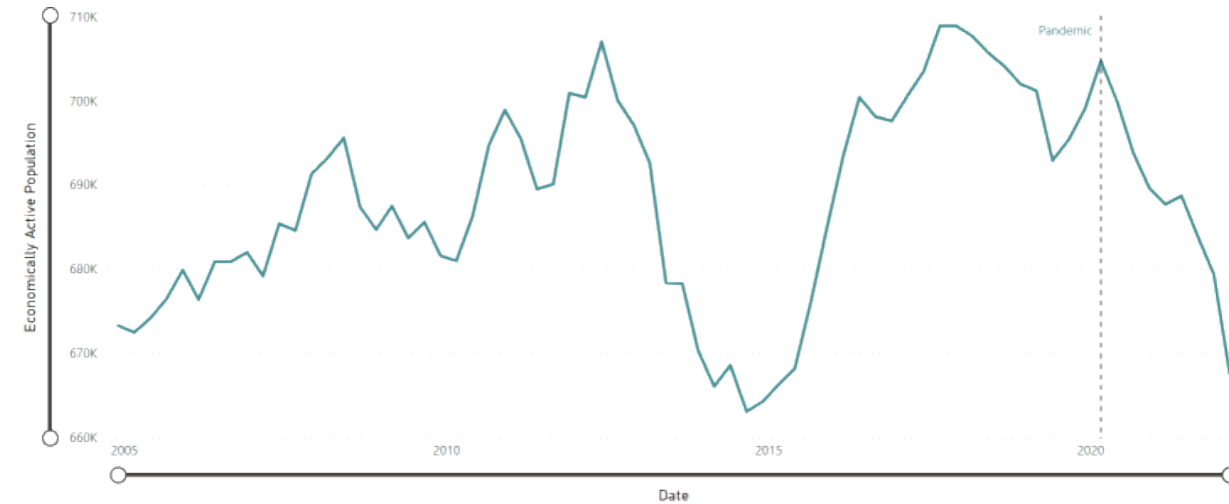
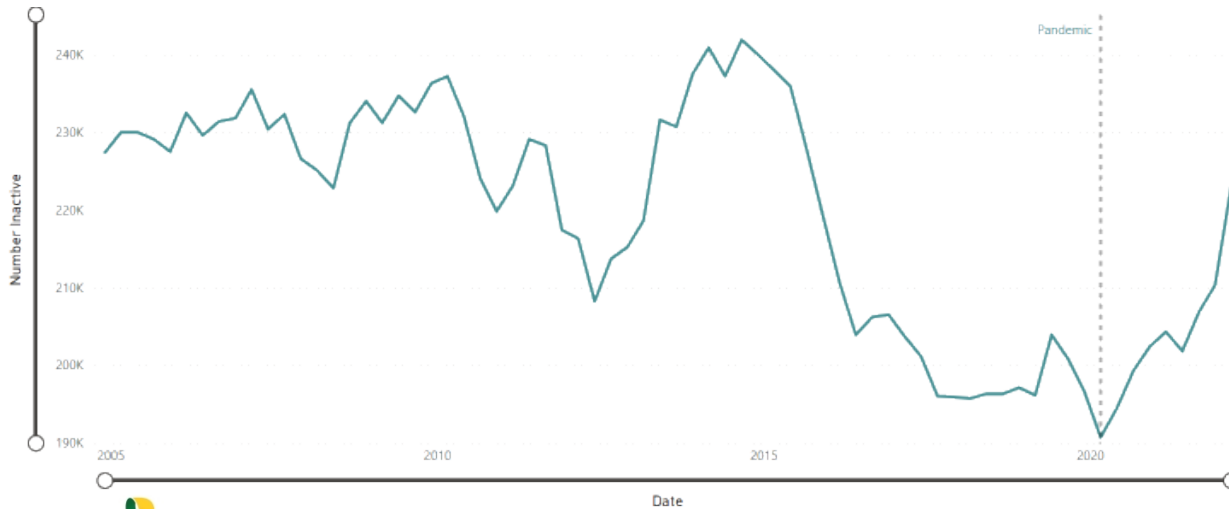
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# So where are we with Economic Inactivity?

- Economic Inactivity has risen considerably everywhere since the pandemic.
- In Lancashire, 25% of the 16-64 population are now economically inactive .
- This is 3.5pp above the GB average (21.5%), and 1.6pp above the North West.
- This has risen by 3.7pp since the start of the pandemic, and now represents 223,000 working age individuals who are Economically Inactive – that is, they have withdrawn from the Labour Market.
- The impact of the pandemic on this measure has been more acute in Lancashire than it has been elsewhere, as Lancashire was previously below the North West in the context of inactivity, but is now above it, and at the start of the pandemic had an inactivity rate just 0.4pp above the National average, and is now 3.5pp above.
- We now have 223,000 economically inactive working age people in Lancashire, ~33,000 more than pre-pandemic. These are more likely than not, our missing cohort of previously employed people.



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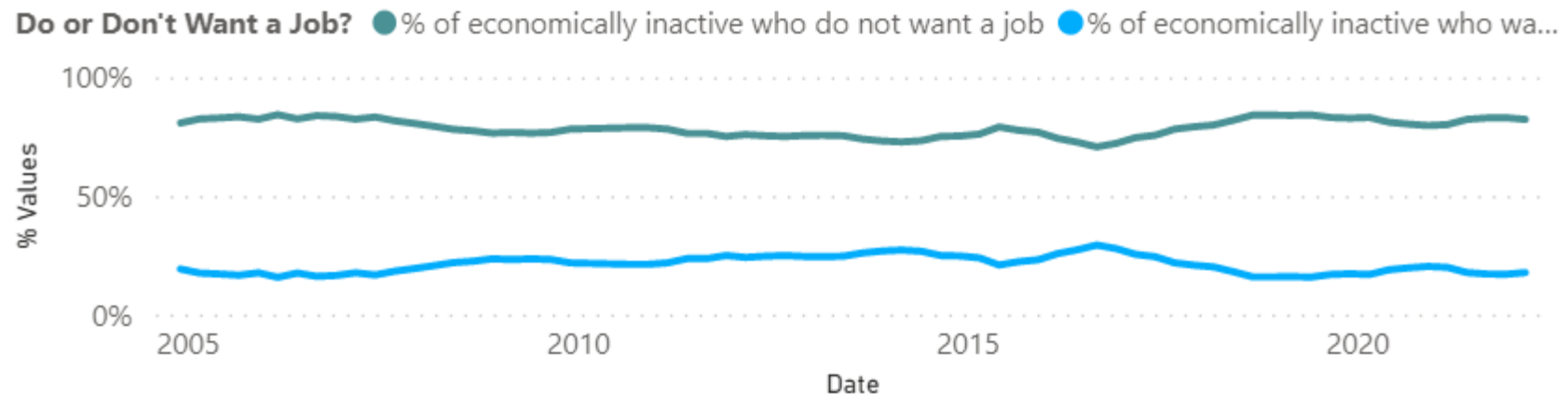
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# What do we know about the inactive cohort?

- We know varying different pieces of information about these people.
- The more precise you get with who they are and why they are inactive..
- The less reliable the data becomes..
- But.. We do know that slightly more of those who are inactive now would like a job compared to pre-pandemic. 16.9% of those who were inactive in March 2020 were inactive but wanted a job, now 17.7% want a job. This is quite low if we compare it with data from 2005 onwards, it is similar to the percentages expressed between 2004 and early 2008, but quite low in the context of the post financial crisis picture in Lancashire.
- If we compare the percentage who want a job in Lancashire to the National picture, a slightly higher percentage want a job nationally than they do in Lancashire, at 18.4%.

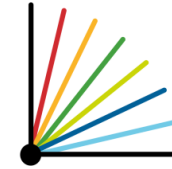


Percentage of Economically Inactive who want a job vs do not want a job

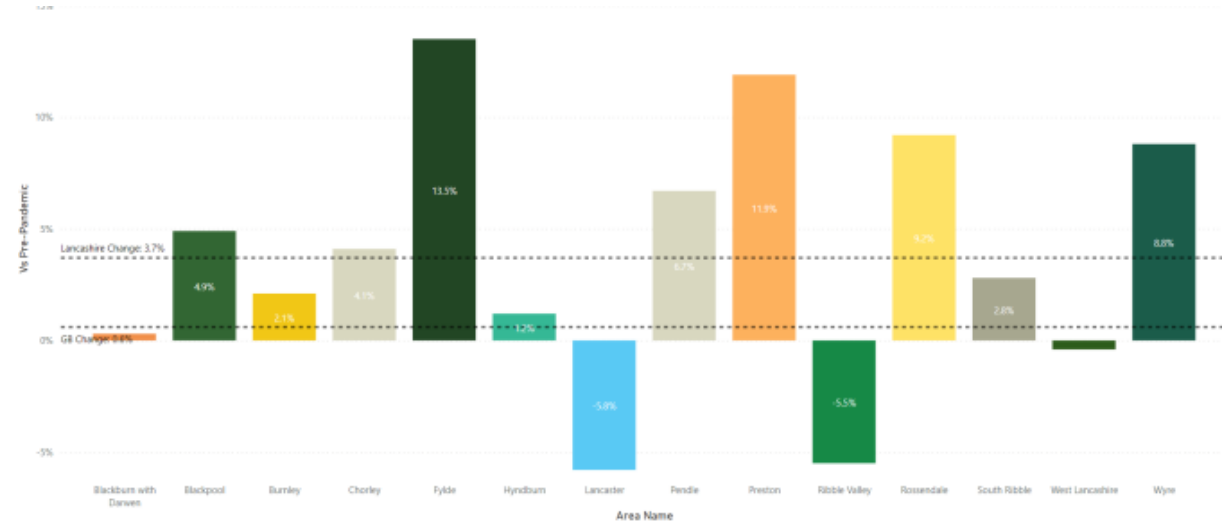
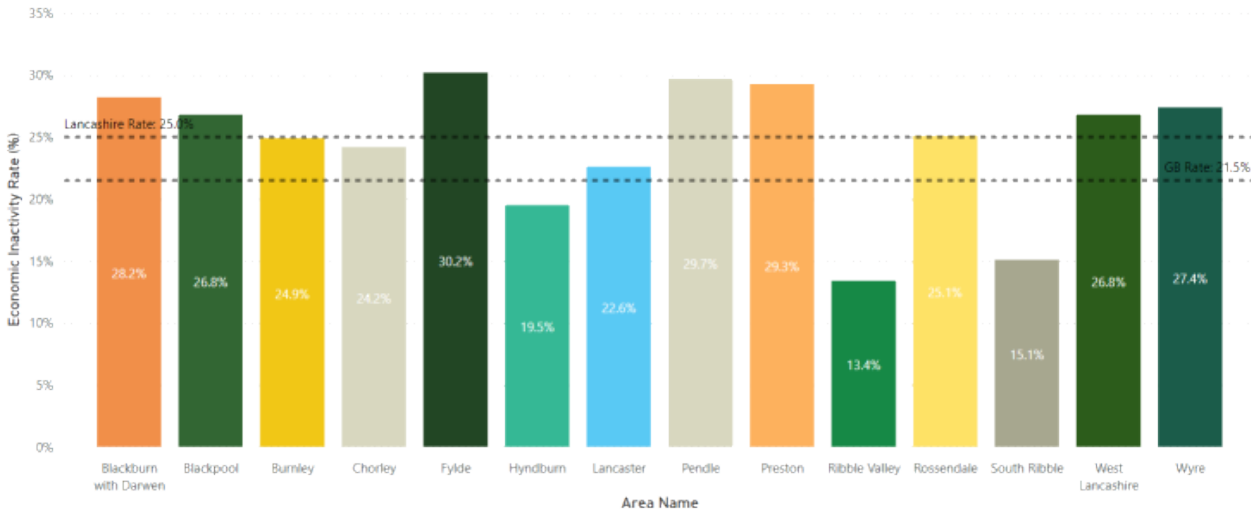


# Where is inactivity located?

- Data can be slightly unreliable at a local authority district level for inactivity.
- But the latest round of data shows statistically significant figures.
- Inactivity is highest in Fylde, Pendle, Preston and Blackburn with Darwen.
- Only Hyndburn, Ribble Valley, and South Ribble have lower inactivity rates than the national average.
- The largest increases in percentage terms have been in Fylde, Pendle, Preston, Rossendale, and Wyre – whereas Lancaster and Ribble Valley have seen decreases.



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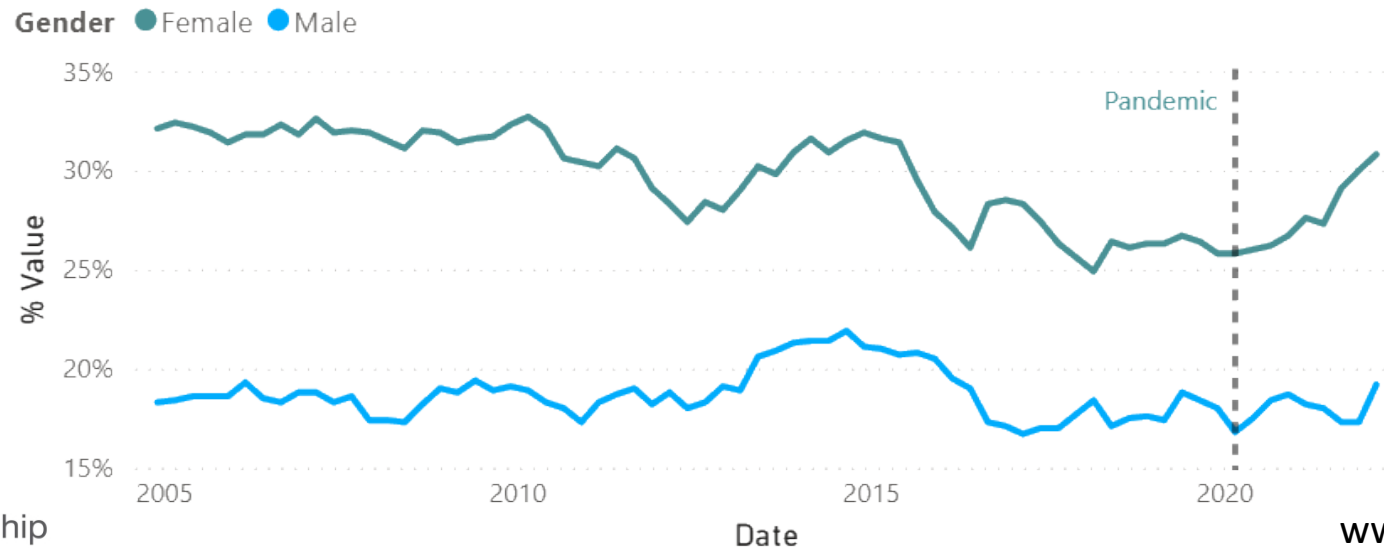


# Who are the inactive cohort? Gender

- What are the characteristics of the inactive cohort?
- At a Lancashire LEP level, we can see age and gender of inactive people.
- Inactivity is highest for Females, at 30.8%.
  - This has grown by 5.0pp since the pandemic, and is 5.5pp above the national average for working age Females.
- Inactivity for Males is 19.2%.
  - This has grown by 2.4pp since the pandemic, and is 1.5pp above the national average for working age Males.
- There are 223,000 inactive people in Lancashire, and 137,500 of these are Females.
- The differential between Male and Female inactivity is widening, from 9% in March 2020, compared to 11.6% in March 2022.

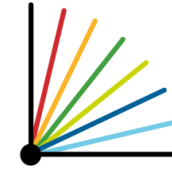


Economically Inactive % by Male/Female

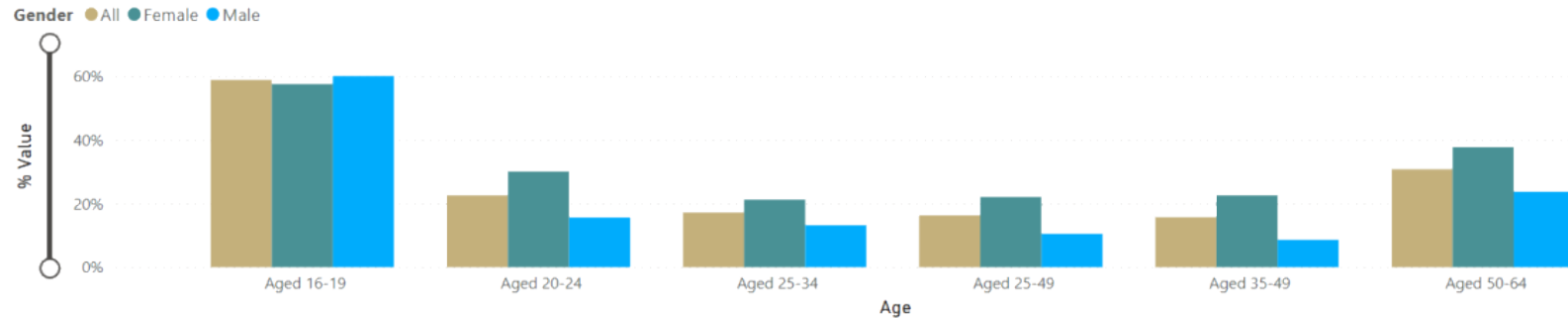


# Who are the inactive cohort? Age

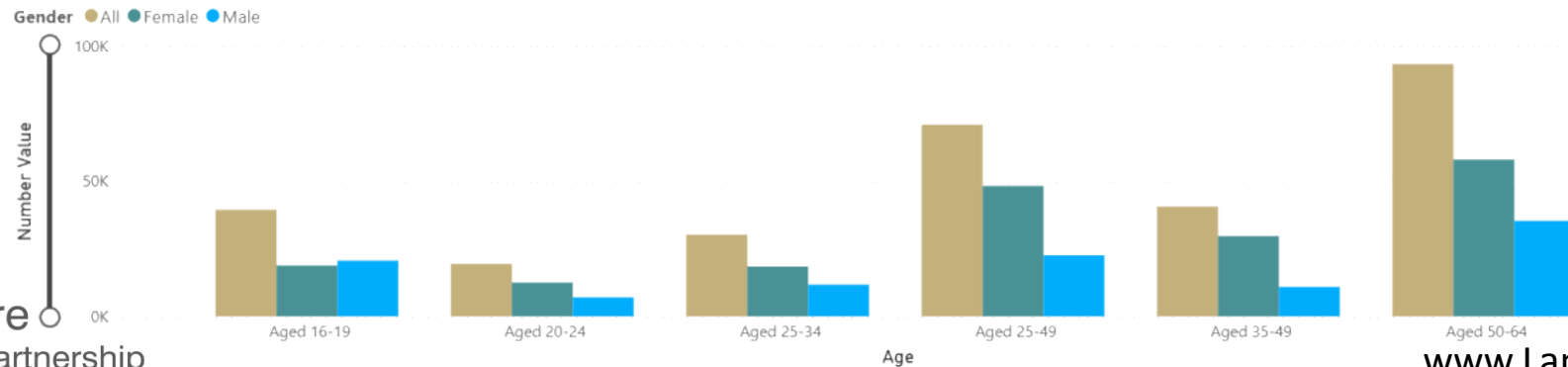
- We can see inactivity split by age and also by gender.
- In general, inactivity is highest as a raw number of 50-64 year olds.
- As a percentage of the population of that age, 50-64 beaten only by 16-19.
- 93,000 of Lancashire's 223,000 economically inactive people are aged 50-64
- 70,000 aged 25-49 (and this is split fairly evenly between those 25-34 and 35-49)
- Almost 20,000 are aged 20-24
- Almost 40,000 are 16-19 years old.
- Inactivity rates are highest amongst 16-19, with almost 60% inactive, followed by 30.8% for 50-64 year olds.



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Economic Inactivity Rate by Age and Gender

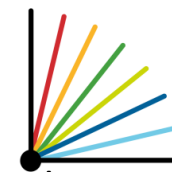


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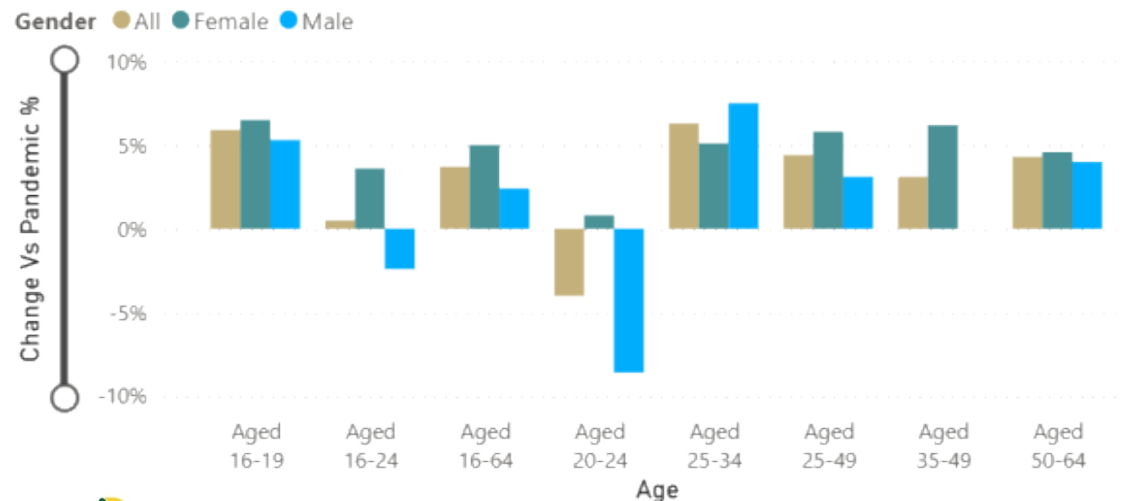
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# Is this normal? How has it changed since the pandemic?

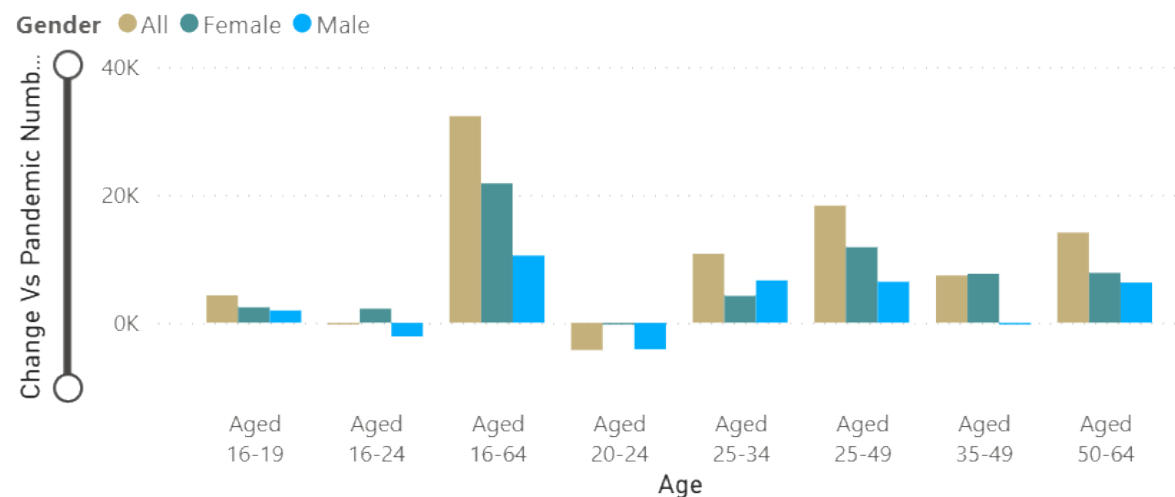


- We can see the change from the March 2020 in the rate and the number.
- The inactivity rate has increased most for those 25-34 years old, followed by those aged 16-19.
- So despite the 50-64 cohort having the second highest rate of inactivity overall, and the highest number of inactive people, the increase in inactivity from a rate and raw number perspective isn't as high as it was for 25-34 year olds.
- By gender, the rate has increased fastest for 25-34 year old males in Lancashire (+7.5%), but in number increased the most for Females aged 50-64 (+7,800) and 35-49 (+7,700).
- At essentially every age from 25 onwards Lancashire has higher inactivity irrespective of gender, this is particularly acute with females aged 35-49 (+5.8% vs GB) and 50-64 (+6.5% vs GB).

Inactivity Rate by Age and Gender vs Pre-Pandemic (March 2020) Rate



Number Inactive by Age and Gender vs Pre-Pandemic (March 2020) Number



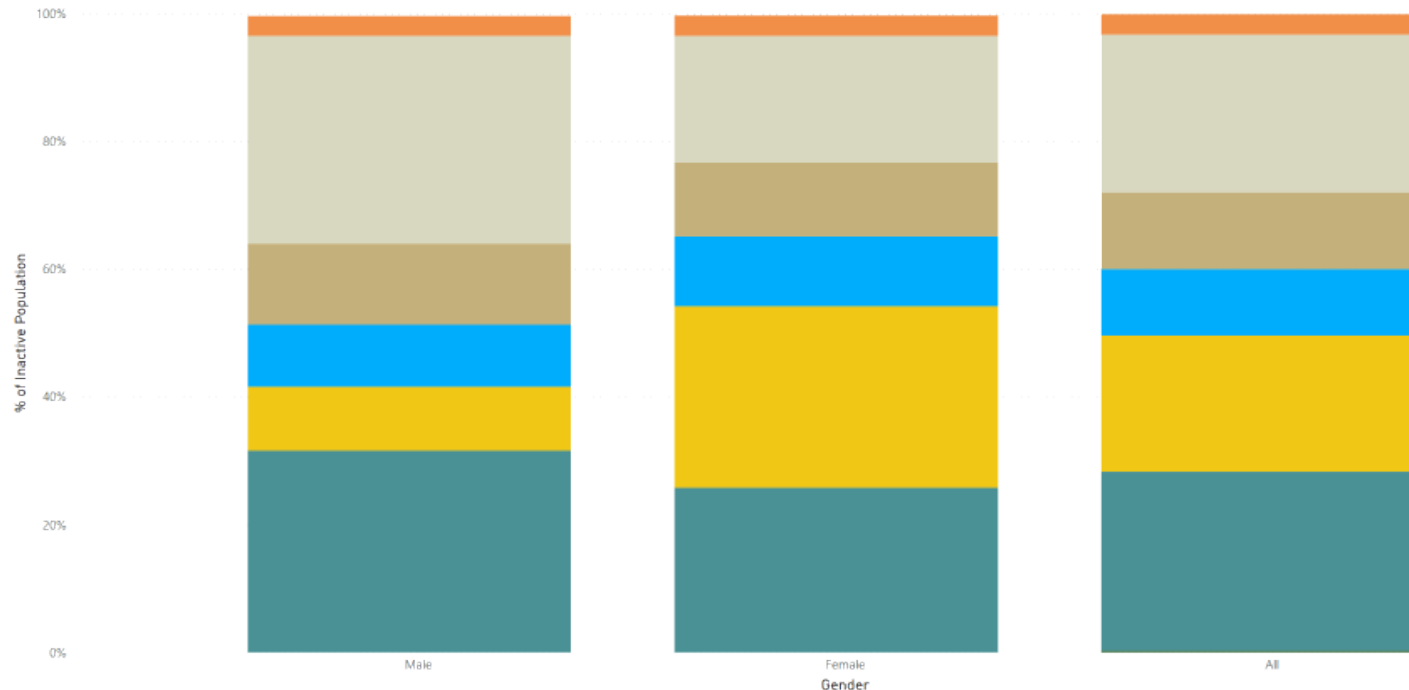
# So what are people's reasons for being economically inactive?



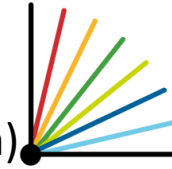
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- Generally, inactivity is highest as a result of long-term sickness (28% of all)
- For Females, the “Looking after Family/Home” is the most common reason for inactivity (28.4% of all inactive females).
- Being a student accounts for a sizable proportion of inactivity (24.7% of all inactivity, 19.8% for Females and 32.5% for Males).
- Retirement accounts for a relatively even proportion of both Male and Female employment, and 12% overall.

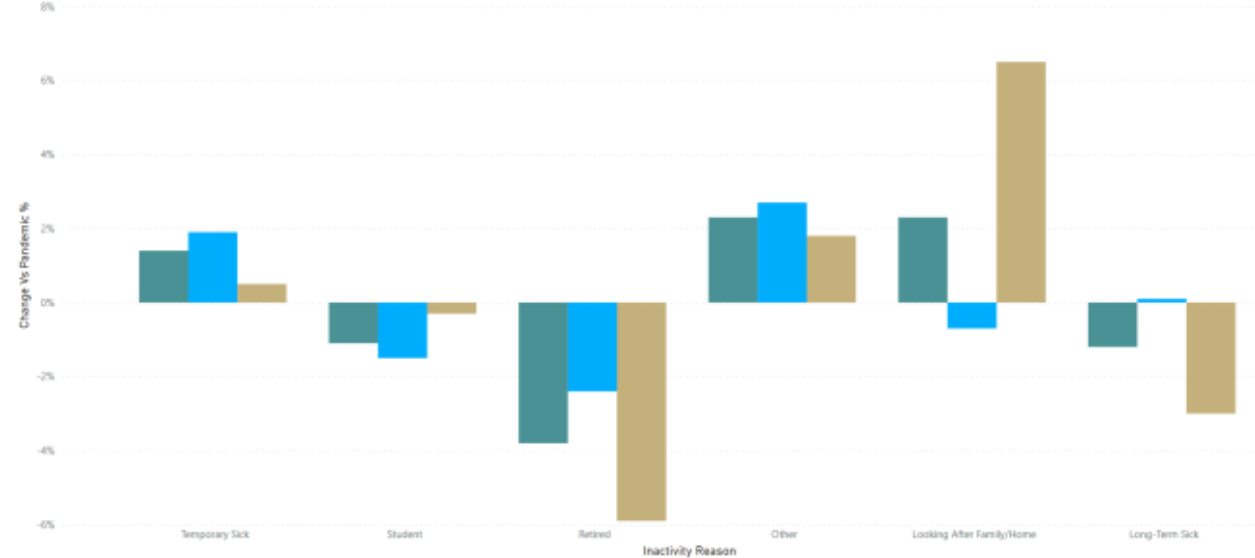
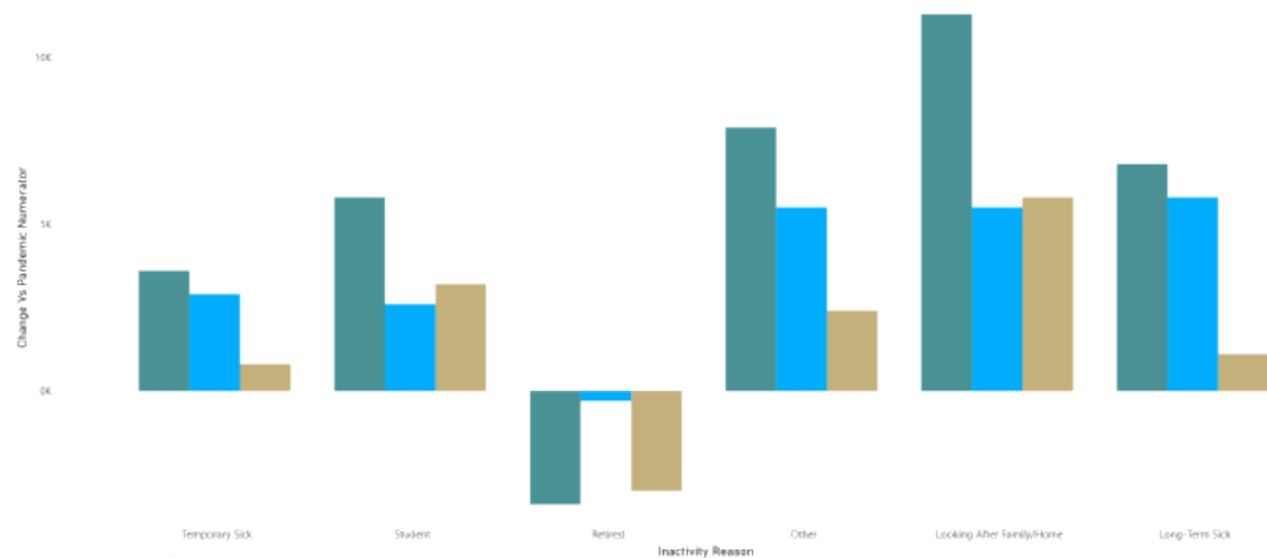
**Inactivity Reason** ● Discouraged ● Long-Term Sick ● Looking After Family/Home ● Other ● Retired ● Student ● Temporary Sick



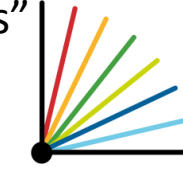
# Have these reasons changed since the pandemic?



- Again, we can examine this in both percentage terms and number terms.
- Looking after Family/Home has seen the largest number growth overall.
  - This is quite evenly distributed between males and females (~+6k each)
- This is followed by a growth in “Other” (+7,900) and higher for Females than for Males.
- Long-term sickness has grown by 6,800 compared to pre-pandemic levels, with 5,800 of these additional inactive people due to long-term sickness being Female.
- As a percentage and a number, there were actually falls in Retirement as a reason for inactivity.
- As a percentage, growth was highest in Male Looking after Family/Home, followed by Other, which has become much more prevalent – despite not being an especially useful reason. And then followed by Temporary sickness.



# How do these reasons compare to the national average?



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- Lancashire has a higher percentage of inactivity due to “Long-term sickness”
  - 24.9% in Great Britain vs 28% in Lancashire.
- Lancashire has a higher percentage of “Looking After Family/Home”
  - 19.6% in Great Britain vs 21.3% in Lancashire.
- Lancashire has a slightly lower percentage of inactivity due to “Retirement”
  - 13.6% in Great Britain vs 12% in Lancashire.
- There has been a much greater increase in “Looking After Family/Home” in Lancashire than there has been elsewhere, and a much higher “Other” than there has been elsewhere.



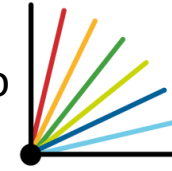
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# How are these people managing financially?

- For Universal Credit claimants, inactivity has overtaken worklessness.
- At the start of the pandemic, there was a spike in the number of people who had a requirement to search for work that were claiming universal credit.
- This reduced the percentage who had no work requirements, but this has been changing since May 2020.
- Whereby now, the percentage of people who had no requirement to work (perhaps due to illness or caring commitments) has grown from ~27% pre-pandemic, to almost 33% as of July 2022. In December 2021, someone claiming universal credit in Lancashire was more likely to not be required to work than to be searching for work, this has widened ever since.



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Percentage of Universal Credit Claimants in Lancashire LEP with No Work Requirements vs Searching For Work - 2020-2022

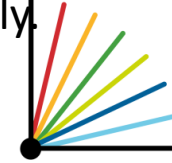


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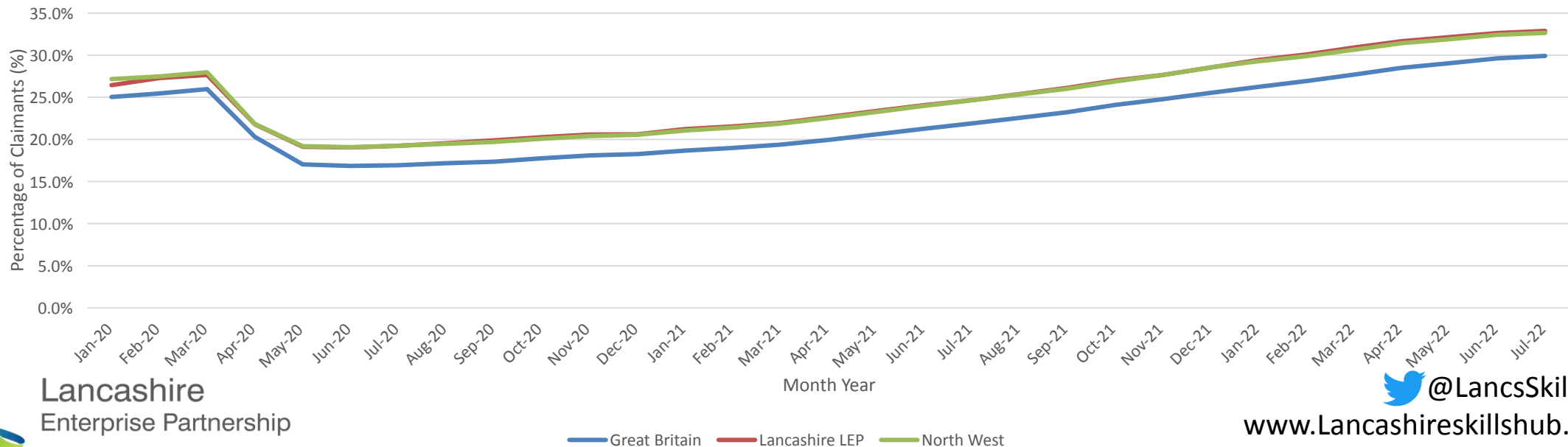
# How does this compare to the national average?



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- Despite inactivity being higher in Lancashire, the trend is the same nationally.
- Both Lancashire and the North West were above the national in early 2020.
- Since the pandemic, these 3 areas have experienced a similar trend.
- The three areas initially saw reductions in the percentage of people with no work requirements, as formerly employed people became unemployed claimants, and since May the percentage of those with no work requirements started to converge towards pre-pandemic levels.
- Towards the end of 2021 and early 2022, the percentage of those with no work requirements begins to overtake the pre-pandemic proportions. In July 2022, the national proportion of those with no work requirements was 3.9pp above its pre-pandemic level, 4.7pp above in the North West, and 5.2pp above in Lancashire.

Percentage of Universal Credit Claimants with No Work Requirements - 2020 to 2022, Lancashire LEP vs Great Britain vs North West



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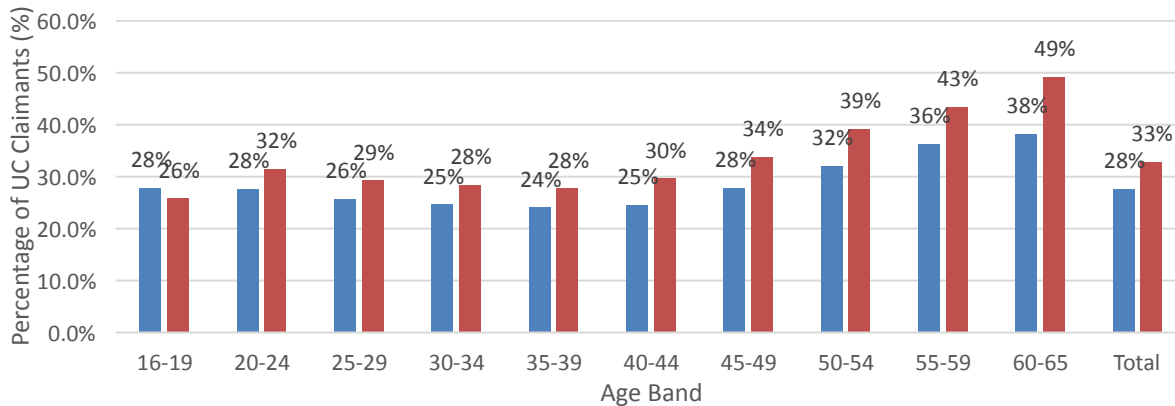


# How is this distributed by age?

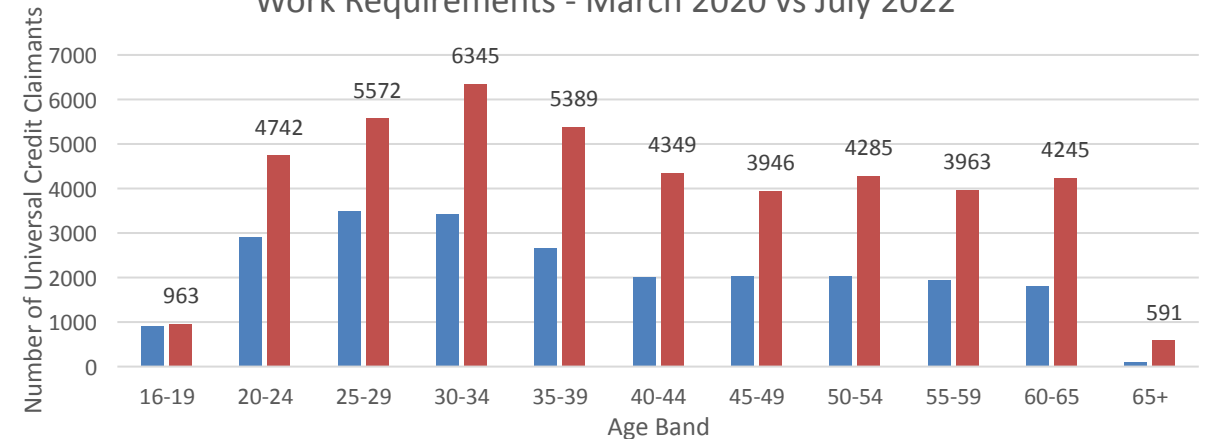


- In a similar way to inactivity, it is generally higher at older ages.
- The percentage of claimants with no work requirements is highest at 60-65.
- For all ages apart from 16-19, the percentage of claimants with no work requirements increased, by varying levels. The largest jump percentage wise was for those aged 60-65, where there was an 11pp increase, followed by 55-59 year olds where the increase was 7.2pp.
- The average increase in Lancashire was 5.2%, and all ages above 40-44 saw increases above this, whereas 16-19 year olds saw a 2pp smaller proportion of those with no work requirements compared to pre-pandemic.
- Overall growth in the raw number of these claimants was 90% in Lancashire, and in the case of raw numbers, all ages above 34 years old saw increases above the average, the highest being 60-65 year olds, with a 135.4% increase in the number.
- Despite the percentage and growth being higher at older ages, actually the highest number of these comes from 30-34 year olds. So the problem is more acute in growth at older ages, but the scale is more significant at younger ages.

Percentage of UC Claimants with No Work Requirements by Age Band - Lancashire LEP, March 2020 vs July 2022



Number of Universal Credit Claimants in Lancashire with No Work Requirements - March 2020 vs July 2022

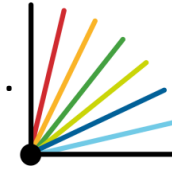


# So are all inactive now just claiming universal credit?



- No, which is why we need to temper our analysis somewhat.
- Remember, in earlier slides we saw we had 38,000 fewer economically active
- We have 33,000 more economically inactive, due to 5,000 more being 65+.
- But we actually only have an additional 21,000 universal credit claimants with no work requirements compared to pre-pandemic (if we keep the time periods the same - i.e March 2020 vs March 2022, when inactivity numbers have been published).
- This suggests that 2/3rds of newly economically inactive people in Lancashire since the pandemic are claiming universal credit, with another 11,000+ seemingly receiving no money from the exchequer.
- Clearly locally the challenge is to reduce inactivity to support the filling of high vacancies and supporting Lancashire's economy, but also to improve the quality of life of these people. But nationally, the challenge is a drag on the exchequer, particularly for someone aged 30-34, who could be inactive for 30 years and be receiving support from the exchequer.

# Understanding Health Impacts – Psychiatric Disorders

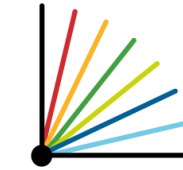


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- Looking at Personal Independence Payment (PIP) data can be insightful.
- Whilst we can't say for certain those claiming PIP are economically inactive..
- There are 9,500 more people claiming PIP here compared to March 2020..
- Almost 10,000 more people in Lancashire are claiming PIP compared to pre-pandemic, which is a growth of 16.7% in the number of individuals in Lancashire claiming PIP. This is above the North West increase of 16.3% and below the national increase of 17.8%.
- The biggest growth in number of PIP claimants comes from those with Psychiatric Disorders (according to DWP this includes things such as Anxiety Disorders, Stress Disorders, OCD, Depression, Body Dysmorphia, people with Bipolar, Schizophrenia etc).
  - In Lancashire, the number of people claiming PIP due to Psychiatric Disorders rose by 22.2% - the equivalent of an additional 4,800 people. This was by far the highest growth in number, followed by Musculoskeletal (+1,200) and Neurological Disease (+800).
- Psychiatric Disorders now account for ~40% of PIP claimants in Lancashire as of April 2022.. Compared to 41.5% nationally, and 41.6% regionally.
  - This has grown by 1.8% in prevalence, the same as GB and slightly below the 2.0% of the North West. By far and away the biggest growth in prevalence of any of the listed conditions.
- We don't know for sure that these people are economically inactive, and we don't have any way to understand whether they also claim universal credit for worklessness, whether they're looking for a job, or indeed whether they are already employed. It's possible that some proportion of these new claimants to PIP could be economically inactive as a result of these health reasons.



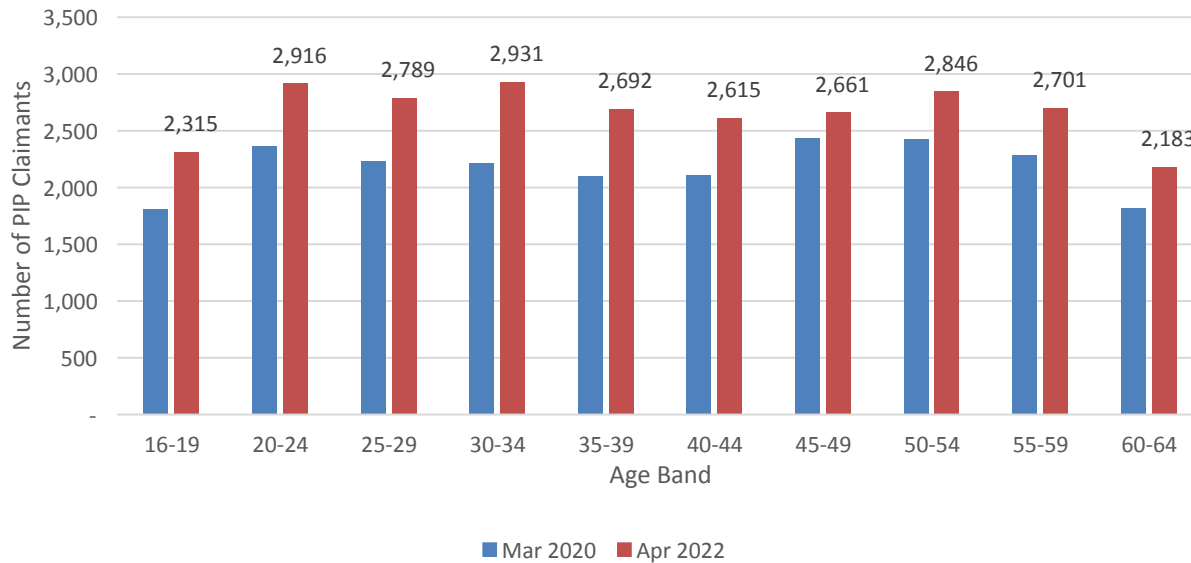
# Understanding Health Impacts – Psychiatric Disorders



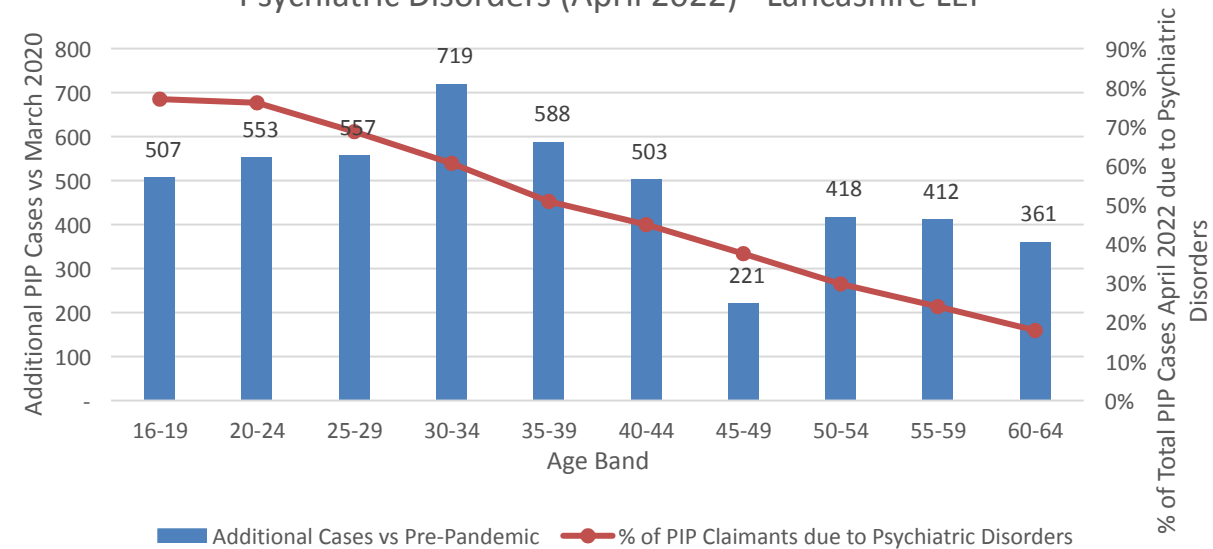
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- The number of additional PIP claims due to Psychiatric disorders was highest for those 30-34 years old in Lancashire (+719). This was a growth of 32.5% in the number of such claimants, compared to 22.2% for all ages.
- The growth in these claims was below the average for all ages for Lancashire residents over the age of 45, but clearly these issues are affecting the population as a whole.
- The prevalence of Psychiatric Disorders amongst PIP claimants is much higher for younger people.

PIP Claimants: Psychiatric Disorders - Lancashire LEP - March 2020 vs April 2022



Additional Claims to PIP vs Pre-Pandemic for Psychiatric Disorders by Age Band and Percentage of all PIP Claims by Age Band due to Psychiatric Disorders (April 2022) - Lancashire LEP



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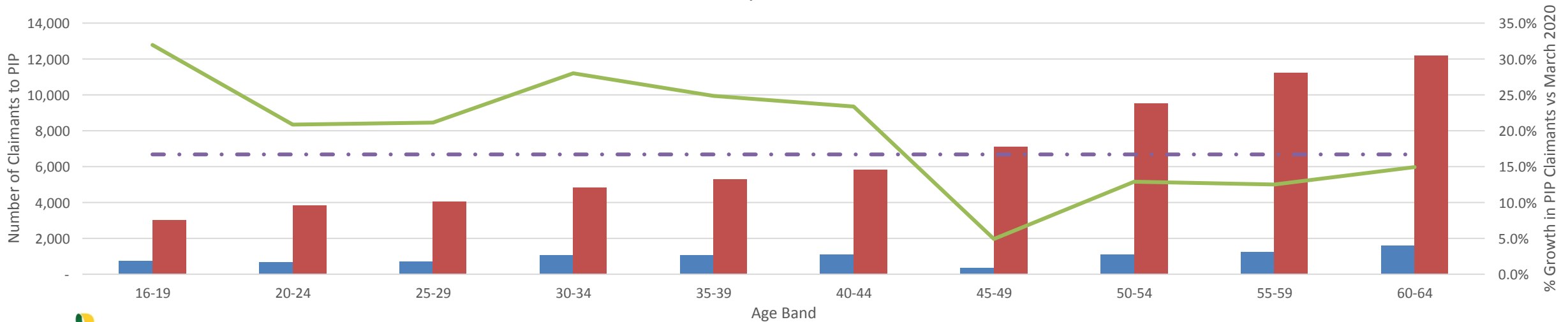
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# Understanding Health Impacts – by Age



- Irrespective of reason for claiming PIP, we can see the distribution by age.
- The number of claimants as a percentage has grown most for 16-19 year olds.
- But the highest nominal growth in number of claimants was 60-64.
- The total growth in the number of claimants to PIP was 16.7% from March 2020 to April 2022.
  - Growth was actually below this average for all age categories over the age of 45.
  - Growth of 32% for 16-19 year olds (+730)
  - Growth of 28% for 30-34 year olds (+1,000)
  - And growth of 25% for 35-49 year olds (+1,000).
- There were an additional +1,500 60-64 year olds claiming PIP (+14.9%), and an additional +1,250 55-59 year olds.

Personal Independence Payments (PIP) by Age Band, Lancashire LEP. Increase in Number and Percentage Increase by Age Band vs Pre-Pandemic, April 2022 PIP Claimants

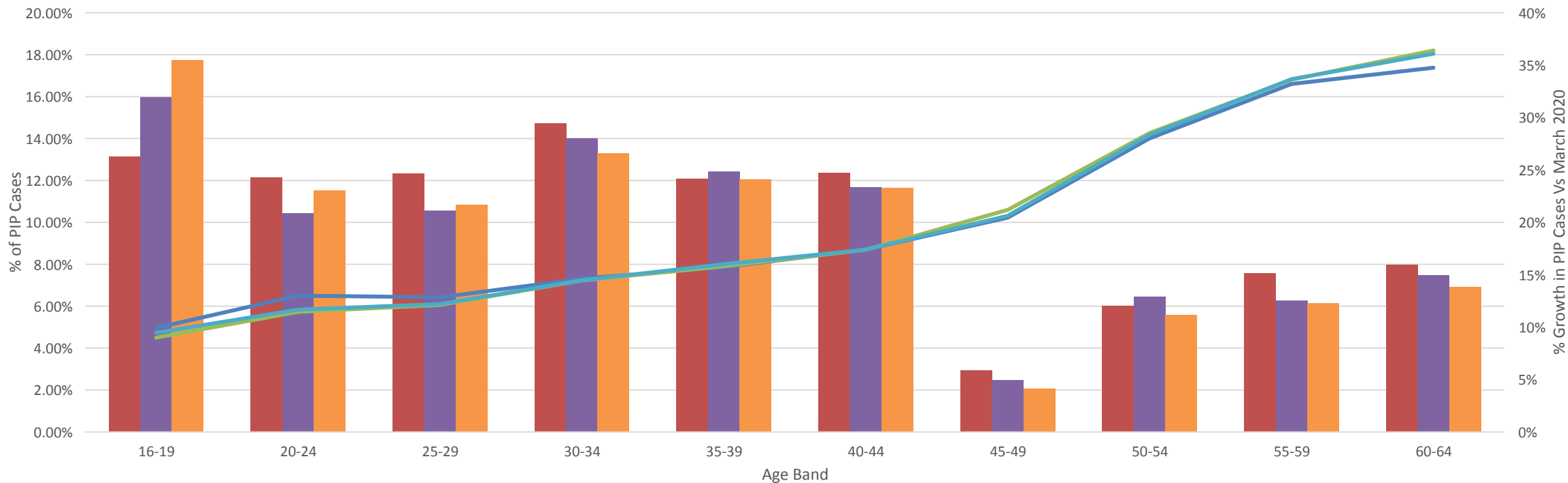


# Understanding Health Impacts – by Age

- Growth was highest at younger ages, but not high enough to change the overall trend.
- That is, that as one gets older, one becomes more likely to be a PIP claimant.
- The distribution of PIP claimants across Lancashire, NW and GB is quite similar.



Percentage of Overall PIP Cases by Age Band and Percentage Growth in PIP Cases by Age Band - Lancashire LEP vs NW vs GB



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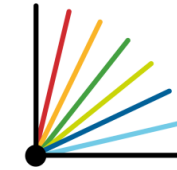
Great Britain - Vs Pre-Pandemic % growth    Lancashire LEP - Vs Pre-Pandemic % growth    North West - Vs Pre-Pandemic % growth  
 Great Britain - % of Cases    Lancashire LEP - % of Cases    North West - % of Cases

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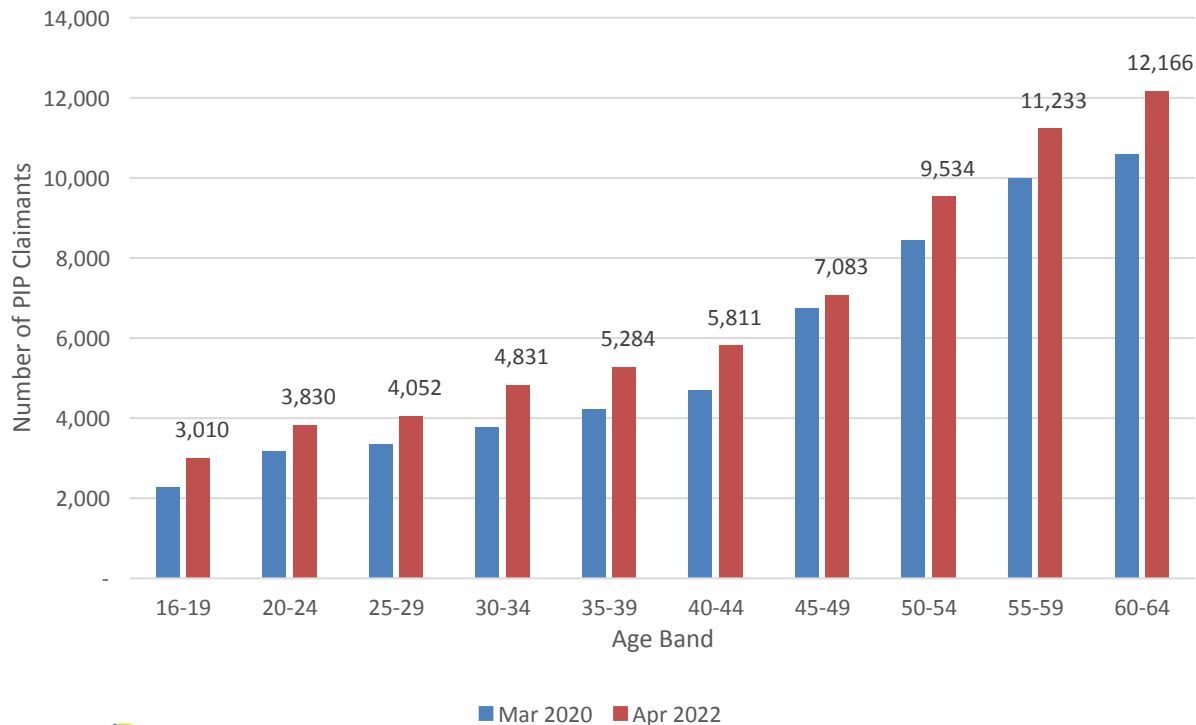
# Understanding Health Impacts – by Age

- In total, here is what the distribution of PIP claimants in Lancashire looks like by age band, comparing March 2020 as a Pre-Pandemic proxy with April 2022, which is the latest data.

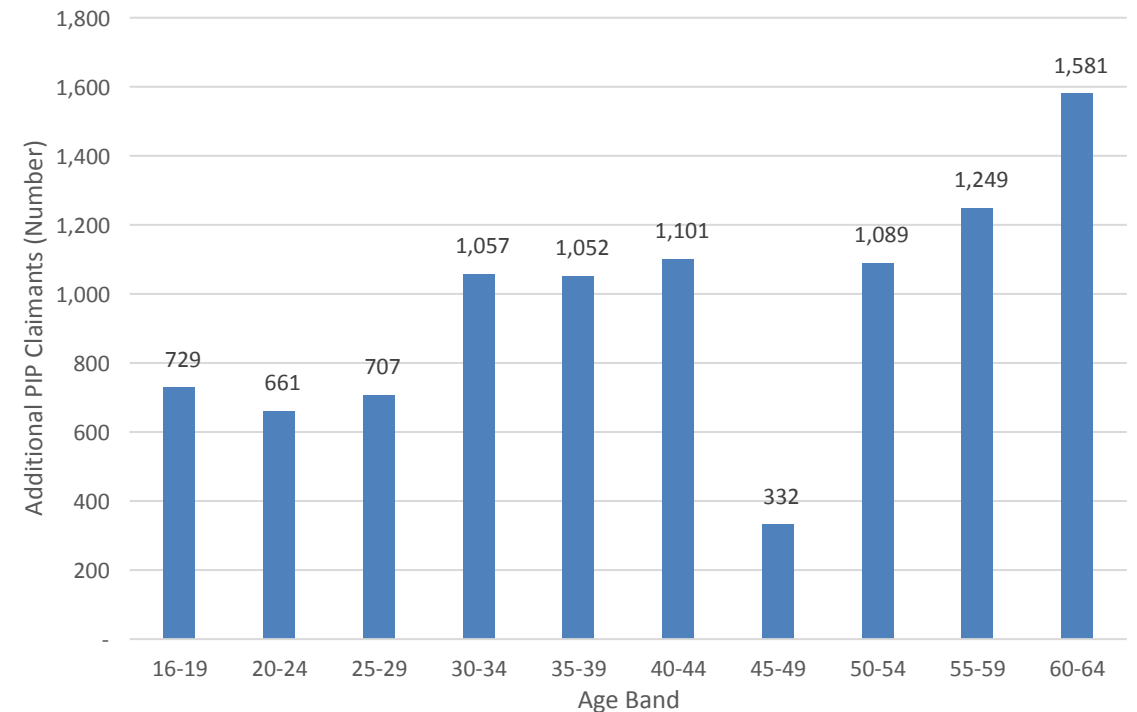


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Number of PIP Claimants in Lancashire by Age Band - March 2020 vs April 2022



Additional Claims to PIP by Age Band - March 2020 vs April 2022 - Lancashire LEP



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# So where does this leave us and why is it happening?



- We've seen a reduction of 46,000 employed workers in Lancashire.
- But an increase of 8,000 in unemployment.
- 5,000 have retired.
- This leaves Lancashire with an increase of 33,000 economically inactive people compared to pre-pandemic.
  - Inactivity is higher for Females than Males, and the gap has widened between them.
  - It has grown most for those 25-34 and those 50-64.
  - "Looking after family/home" and "other" were the fastest growing reasons for inactivity.
- 2/3<sup>rd</sup>s of economically inactive are claiming universal credit with no requirement to search for work.
- We have almost 10,000 more people in Lancashire claiming Personal Independence Payments (PIP)
  - Almost 5,000 of these are to do with Psychiatric Disorders, such as mental health, addiction and substance misuse.
  - Mental health issues are growing at all ages, but account for a higher percentage of PIP claimants at younger ages.
  - We can't say for sure that these people are economically inactive, but they are receiving financial support to enable them to live independently with their health challenges.



# What is the national economic thinking?



- Nationally, the Institute for Fiscal Studies postulate on the reasons for increases in economic inactivity:
  - Those 50-64 year olds who were made redundant early in the pandemic and have found it difficult to get back into work have become economically inactive and are not searching for work. This wouldn't make them unemployed, nor show up in Unemployment figures or in the Claimant Count.
  - People who are clinically vulnerable haven't wanted to return to a workplace for fear of catching COVID-19.
  - People may have appreciated the additional time at home when they were Furloughed or working from home, and don't want to return to the workplace because they value this additional time more highly than working. This could possibly be compounded with the social aspect of work with remote working removing the social incentive.
  - People have chosen to take early retirement (not necessarily supported by the data, but retirements will disappear more quickly from this dataset as they no longer become "working age") with a combination of increases in savings during lockdown and house prices elevating perceived wealth during the pandemic and during the recovery.



# Continued..



- Evidence from PIP suggests that the increase in long-term health issues are quite acute at younger ages, whilst still growing at all ages, and growing most at 30-34 years old. This is driven primarily by Psychiatric Disorders such as depression and mental illness, which is nationally more than 20% above it's pre-pandemic level, and now accounts for 40% of all PIP claimants.
- Childcare costs and availability, especially considering lower average earnings in Lancashire, disincentivise working. Falling real incomes due to inflation and childcare costs increasing in-line or above inflation may make childcare too costly to justify working, especially in low income single or dual parent families. People who have had more time at home with their children during lockdown may also value this more in the same way that over 50s workers might value their leisure time more. Increasingly frequent nursery and school closures due to covid have also changed working habits, with parents having to take time out of work to look after children.



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# Conclusion



- The data and analysis locally and nationally paint a complex picture, however an increase of 33,000 economic inactive is significant, with 25% of the 16-64 population now economically inactive in Lancashire.
- This is balanced with the need to engage people into economic activity due to the high number of job vacancies – with many hard to fill vacancies in sectors such as Health and Social Care, Tourism and Hospitality and Logistics.
- There is no magic bullet due to the complexity of the issues – and solutions will require engagement with wider partners – there is potential to consider the issue as part of Lancashire 2050, looking across themes such as Public Health and Early Years provision.
- Solutions need to be sought in line with the barriers for different groups – whether this be flexible working practices for those nearing retirement age, improved access to affordable childcare, or specialist mental health services for younger people.
- The focus of DWP at present is those closer to the labour market who are actively seeking work. There needs to be focused provision through funds such as UKSPF and other community focused funds to re-engage economically inactive and work with partner services to support people on their journey into work.