

## COVID-19 Recovery Committee

**23<sup>rd</sup> Meeting, 2022 (Session 6), Thursday 3  
November 2022**

### **Road to recovery: impact of the pandemic on the Scottish labour market inquiry**

#### **Introduction**

The Committee's inquiry into the COVID-19 pandemic's impact on the Scottish labour market aims to:

[...] consider the impact of COVID-19 on labour market inactivity and the prospects for recovery in the short, medium and long-term. We are specifically focused on the long-term sick component of economically inactive people, as well as people who have chosen early retirement.

In considering these issues, the inquiry will also focus on whether the pandemic has disproportionately impacted the prospects of certain groups in the labour market, such as young people, older people, women and ethnic minorities; and certain parts of the country.

A [Call for Views \(CfV\)](#) was issued on 30 June 2022 and closed on 9 September 2022. SPICe have produced a summary of the responses to the CfV. SPICe have also produced a context paper which sets out the data we have on the labour market over the last few years, highlighting the key trends.

In this first evidence session, members will hear from:

- Dr Hannah Randolph, Economic and Policy Analyst, Fraser of Allander Institute
- Professor Steve Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University and National Director, Industrial Communities Alliance

- Tony Wilson, Director, Institute for Employment Studies
- David Freeman, Head of Labour Market and Households, Office for National Statistics
- Louise Murphy, Economist, Resolution Foundation

This paper will set out recent relevant publications by the witnesses and key points from their submissions to the Call for Views.

## **Context**

### **Responses to the CfV from the witnesses**

There were 7 key questions asked in the Call for Views -

1. What are the key factors driving the increase in labour market inactivity?
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?
3. What has been the labour market impact of the pandemic on people with pre-existing health conditions?
4. What factors have influenced some people to take early retirement?
5. Thinking about labour market participation, have certain groups of society and parts of the country been impacted more than others?
6. Have there been sectoral differences from economic inactivity – for example, have Health and Hospitality Sectors been more exposed than, for example, Finance?
7. What policies might encourage people to re-enter the labour market?

There were a total of 42 responses, 22 were from organisations (52 per cent) and 20 were from individuals (48 per cent).

SPICe has produced a detailed summary of relevant responses to the CfV for members ahead of the committee meeting. The below is therefore intended to outline the responses to the CfV submitted by witnesses in attendance at the first evidence session – namely the Office for National Statistics and the Fraser of Allander Institute.

### **Office for National Statistics (ONS)**

The ONS submitted responses to 6 of the 7 questions posed in the CfV.

#### **Question 1**

In response to the first question, the ONS highlighted that in the decade up to 2015, the inactivity rate in Scotland was broadly similar to that of England. However, from

2016 onwards, Scotland's inactivity rate slightly increased while England's fell – and is now similar to that of Wales, while Northern Ireland remains the highest among the four nations.

When compared to pre-pandemic levels, they state:

“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.”

The APS also shows that in 2021, Scotland experienced its highest inactivity rate since records began in 2004 – at 23.8%.

The ONS also identified long-term sickness as the main reason for inactivity in Scotland, with this reason also seeing the largest increase since before the pandemic (up 23,000 to 240,000 in the 12 months to March 2022 when compared to 2019 levels).

The ONS also stated that the number of people retiring has increased by 11,000 (to 122,000). The number of temporary sick also increased by 4,000 (to 20,000) - making retirement and temporary sick the second and third largest contributors to the rise in inactivity in the Scottish labour market. This respective increase of 9.9% and 21.8% is greater than the rest of the UK (8.5% and 20.1% respectively).

In terms of student inactivity, when compared to pre-pandemic levels, the Scottish labour market has seen 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.

The ONS also commented on the number of economically inactive people looking to enter the labour market, stating:

“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.”

## **Question 2**

On the impact of Long Covid, the ONS qualified their submission by stating that evidence on the impact in Scotland specifically is limited, but stated:

“Experimental statistics show that the latest prevalence of ongoing symptoms following coronavirus infection is higher in Scotland compared with England. 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.”

Given the limited data available for Scotland specifically, much of their submission focused on statistics for the UK as a whole. They state the available data suggests that some of the increased inactivity could be attributed to Long Covid. They cite that in July 2022, 1.8 million people (2.8% of the UK population) reported suffering from Long Covid, with 369,000 “limited a lot” by their symptoms.

They also quote the Institute for Fiscal Studies’ estimates that this amounts to 110k additional “long-term sick” people absent from the labour market.

The ONS made no comment on whether Long Covid is likely to be a permanent feature of the labour market.

However, they did highlight that research suggests that the employment status with the highest prevalence across the UK is ‘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.

### **Question 3**

The ONS submission to question three focuses mainly on the impacts of Long Covid on the workforce, rather than people with wider pre-existing health conditions. However, they do state that the impact of Long Covid has been 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 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.”

They also highlighted the findings of the second wave of the Over-50s Lifestyle Study (OLS) which they state should provide further insights into the impact of NHS waiting lists and inactivity. Further analysis on this topic is included later in this issue paper in the “recent publications” section.

### **Question 4**

The ONS submission for question four also immediately highlighted that evidence as to why people take early retirement is limited. Most figures quoted in their submission cover UK wide statistics.

With this in mind, the OLS found that among adults aged 50 to 70 who had left or lost their jobs since the start of the pandemic, just over 6 in 10 (63%) of adults said they had left work sooner than expected. Those in their 50s were more likely to say this (77%) than those aged 60 years and over (57%).

It was also shown by OLS figures that “leaving work to retire early” 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 – which suggests their exit from the labour market was involuntary.

In terms of the next most frequent reasons given for leaving work were as follows -

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

The ONS also submitted some statistics regarding people leaving professional occupations, stating:

“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 to other occupations.

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% leaving caring occupations reported they had no savings.”

The above therefore suggests that while data specific to Scotland is limited, wider UK trends would suggest that the vast majority of individuals leaving the workforce have done so on their own terms. However, it also indicates that certain sectors of the labour market, in more ‘professional’ occupations, have been less impacted by the pandemic financially than other sectors, such as caring occupations.

## **Question 5**

While their answer to question 4 is also relevant for this question, the ONS submitted further detailed statistics on trends seen within certain groups of society and parts of the country.

First, they highlighted that when comparing the period of April 2021 to March 2022 with the pre-pandemic reference point (January 2019 to December 2019), the APS estimates that the number of economically inactive people aged 16-64 in Scotland has shown a larger increase among men (up 24,000 to 341,000) than among women (up 10,000 to 466,000).

In terms of age groups, the largest increase has been seen amongst those aged 50-64, rising by 22,000 to 334,000 (or 7.2%).

However, it should be noted that increases in economic inactivity levels have been seen across all age groups in Scotland apart from those aged 18-24 – which has decreased by 6,000 to 131,000 (4.5%) from April 2021 to March 2022.

With regards to ethnic minorities, in April 2021 to March 2022 the economic inactivity rate in Scotland (33.4%) was greater than the Scottish labour market average (23.5%), as well as the UK as a whole (26.7%). The ONS highlighted however that this is a decrease from pre-pandemic levels – down 3 percentage points from 36.4%.

The ONS also submitted detailed statistics regarding economic inactivity across Scottish local authorities, stating:

“Comparing the period April 2021 to March 2022 with January to December 2019, the most notable increase in economic inactivity rate is seen in the Highlands, rising 9.2 percentage points to 28.1%. Other notable increases are seen in North Lanarkshire (6.2 percentage points to 28.2%), Aberdeen City (5.3 percentage points to 23.7%), North Ayrshire (4.3 percentage points to 29.5%), Aberdeenshire (4.0 percentage points to 21%).

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.”

## **Question 6**

The ONS state that the arts, entertainment and recreation industry saw the greatest fall in workforce jobs – down by 31,000 (to 74,000) with a percentage rate change of negative 29.4% when compared to December 2019.

Other industries highlighted as displaying large falls in workforce jobs include -

- Accommodation and food service activities
- Agriculture, forestry, and fishing

The ONS noted however that the falls in the number of jobs in these industries was partially offset by increases in other industries, particularly health and social work (up 6.9%) and administrative and support services (up 7.2%).

More broadly speaking, they also highlighted that:

“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%).”

## **The Fraser of Allander Institute (FAI)**

The FAI responded to all 7 questions posed in the CfV.

### **Question 1**

The FAI highlighted that the pandemic coincided with a reversal of a 10-year trend of falling inactivity rates generally. From 2010 to the first quarter of 2020, the working age inactivity rate fell from 23.5% to 20.5%. However, during the pandemic, the inactivity rate increased to 21.5% and “shows little signs yet of returning to pre-pandemic rates”.

The FAI cite evidence from [Burn-Murdoch](#) that the rise in post-pandemic inactivity has been attributed to increasing rates of chronic illness, as well as evidence from [Boileau and Cribb](#) which cites early retirement for voluntary reasons for this rise. The FAI conclude that both factors have been important.

However, they also highlighted that it is difficult to pinpoint exactly what factors have influenced this rise, but that various factors are at play, stating:

“There is no single explanation as to why the working age inactivity rate in Scotland increased relative to the UK rate. Since 2015, the inactivity rate in Scotland has grown relative to the UK because of a combination of relative growth in the proportion of the working age who are retired, students and long-term sick. The explanation for the relative rise in inactivity thus cannot be pinned on a particular factor, or a particular demographic group.”

The FAI further states that in Scotland, inactivity trends over the past few years have been slightly different. The inactivity rate stopped reducing in about 2015, but by late 2019 and Q1 2020 the working age inactivity rate in Scotland was almost two percentage points higher than in the UK as a whole.

While highlighting that labour market inactivity due to long-term health problems is higher in Scotland than in the rest of the UK, they state:

“In 2020 and 2021, 6.8% of Scottish males were inactive because of long-term health problems, compared to 4.9% of UK males. In the same period, 5.7% of UK females were inactive because of a long-term health problem, compared to 6.9% of Scottish females.

However, for both males and females, these differences in the prevalence of long-term health conditions as a determinant of inactivity is long-standing. The relative increase in inactivity in Scotland since 2015 can only partially be accounted for by a relative increase in the proportion of Scots citing long-term health conditions as a reason for their inactive status.”

## Question 2

The FAI echoed the evidence submitted by the ONS and [their recent report regarding individuals reportedly living with Long Covid](#) – citing the ONS estimates that 2 million people living in private households in the UK (3.1% of the population) were experiencing self-reported Long Covid.

Again, they were not aware of statistics on Long Covid for Scotland specifically, but stated:

“If the prevalence of Long Covid were the same in Scotland as in the UK at the moment (3% of population), and if the impact of Long Covid on the labour market were in line with that identified by the IFS for the UK, this would imply just over 6,000 people of working age in Scotland currently put on sick leave because of Long Covid. Needless to say, this is very much a back-of-fag-packet calculation.”

They also cite [analysis by the IFS](#) with regards to the impact of Long Covid on the UK labour market as a whole:

“The analysis finds that people suffering from Long Covid are more likely to be on sick leave than people who are not suffering from Long Covid. However, the authors do not find evidence that having Long Covid is associated with

permanent job loss, but rather with a greater likelihood of being off sick, potentially for a period of months.”

If this analysis is correct and can be applied to 2022, then they state Long Covid is not a significant factor in the increase in inactivity since the pandemic – as those on sick leave are still technically in employment rather than being ‘inactive’.

However, they are quick to qualify this analysis by stating the IFS research referenced above was undertaken using data from 2021, therefore caution needs to be applied in extrapolating these results into 2022 given the changing nature of Long Covid.

### **Question 3**

The FAI highlighted that since the start of the pandemic there has been an increase in the proportion of the population who say they have a long-term limiting illness – and that this does account for a modest proportion of the increase in inactivity.

They also state, however, that it is difficult to assess the impact of the pandemic in labour market terms on those who already had pre-existing health conditions due to the lack of quality data available, saying:

“Answering this question would require longitudinal data capable of ‘tracking’ particular individuals throughout the pandemic. We are not aware of existing evidence on this question.”

### **Question 4**

The FAI stated in their submission that the decline in labour market participation has been well documented, and that there are a number of potential explanations for this trend, namely:

- deteriorating health conditions associated with Covid and/or Long Covid
- a desire amongst older groups to reduce exposure to the virus
- declining demand for labour in occupations that older groups typically worked in, with older workers then responding by deciding not to look for subsequent work and hence become economically inactive
- an increase in the proportion of older people choosing to take early retirement, perhaps as a result of increased savings or wealth during the pandemic.

Again, most research in this area has been conducted at UK level. The IFS paper previously referred to in this paper also investigated the role of the potential explanations outlined above.

They conclude that the rise of inactivity amongst 50–69-year-olds is not driven primarily by poor health or by low labour demand, but rather more consistent with a lifestyle choice to retire in light of changing priorities; possibly in combination with the



changes in the nature of post-pandemic work (particularly remote working) which reduces the appeal of this age group to re-enter employment.

While again highlighting the basis of this data is UK wide, the FAI state there are no strong grounds to believe Scotland would be any different.

The FAI also note that the latest UK-level data may indicate that the rise in inactivity amongst older people is beginning to reverse – potentially due to the impact of the cost crisis. This, they say, would lend further justification to the conclusion of the IFS report that increases in inactivity among this demographic is largely voluntary, rather than induced by ill health or redundancies.

## **Question 5**

The FAI state they are currently conducting a project for the Scottish Government on the income and distributional effects of COVID-19. Early indications suggest that changes in labour market outcomes from pre to post pandemic have differed across groups both by age and education.

They also highlighted that while women's employment and activity rates have largely recovered from the pandemic, men's employment has not – particularly for those with less than degree-level qualifications. Though the activity rates of men aged under 50 have shown signs of recovery to pre-pandemic levels, the same cannot be said for men over 50 who continued to show a decline through the first quarter of 2022.

Despite a high number of vacancies, the unemployment rate for men with Standard Grade education or less rose to over 10% in the first half of 2021 from a low of around 5.5% in the first quarter of 2020. While the rate has begun to fall, it remains high at 9%.

It is said that the higher unemployment rate among these groups could be driven by a labour market sift away from skilled trades, processing, and other "elementary" occupations in favour of more managerial, professional and technical occupations.

This is reflected in data when compared to the beginning of 2019, in which 46.1% of employed people worked in skilled trades, processing, services, sales – compared to 41.5% by the start of 2022. This would suggest that there may be a skills mismatch between available workers and existing vacancies.

The FAI also highlighted geographical disparities in labour market indicators – stating that, at a broad regional level, inactivity rates have been typically higher in the west of Scotland than elsewhere. Again though, they note it is difficult to identify with certainty the extent to which trends have differed across areas between pre- and post-pandemic periods.

However, they note that more robust geographical data is available through HMRC stats on the number of employees registered through PAYE. They elaborate, stating:

“What this shows is that, across most regions in Scotland, PAYE employment was 1-2 per cent higher by July 2022 than it was in March 2020. The north east however experienced a somewhat different pattern – the number of

PAYE employments declined more substantially during the lockdown periods than in other regions, and whilst PAYE employment levels are now back to pre-pandemic levels, the north east has not seen quite the same growth in employment as has been observed in other regions.”

However, they also caveat this observation by stating that differences between the north east and other regions is unlikely to reflect pandemic-related issues and is instead a continuation of a much longer period of weaker employment growth compared to other areas of Scotland which dates back to at least 2015.

### **Question 6**

The FAI submit that employment in some sectors, notably retail, manufacturing, and construction, is lower than pre-pandemic; while employment in other sectors, notably finance, professional services, and public services is higher.

However, they state it is important to note these changes are not necessarily a result of the pandemic and may be attributable in part to a continuation in long-term trends.

They again highlight the difficulties in accurately answering this question with the data available, stating:

“The analysis of employment changes by sector is not the same as asking whether there have been sectoral changes in inactivity. Answering this question would require the use of longitudinal data to track where workers who exited a particular sector ended up...”

At this point, we are not aware of any existing research on this particular question. However, for the UK as a whole, there is evidence that the number of people moving jobs did increase rapidly in the second half of 2021 when the economy reopened, and that a higher-than-normal proportion of job movers moved industry, rather than moving job within the same industry.”

### **Question 7**

The FAI did not suggest specific policies which could encourage people to re-enter the labour market, but rather stated that a healthy, buoyant jobs market will be critical to this goal, stating:

“The diversity of openings available, and prospects for pay and career progression, are factors that can influence an individual’s decision on whether to re-enter the labour market.

Programmes to support people to retrain or reskill can be important in increasing labour market participation, particularly for those who have been economically inactive for a period of time.”

## Recent publications from the witnesses

### ONS

In addition to the regular data on the labour market, the [ONS have also conducted a survey of workers aged 50 to 65 to explore the increased levels of economic inactivity in this cohort during the pandemic](#). Analysis of the second wave of this survey was published on 27 September 2022. This analysis noted that people experiencing long-term sickness and students have driven the rise in economic inactivity in the latest period compared with the previous three months, with long-term sickness now at a record high.

### Centre for Regional Economic and Social Research

The Centre for Regional Economic and Social Research (Sheffield Hallam University) [published analysis of unemployment in the UK](#), and suggests that there were almost 800,000 people across the UK who were in 'hidden unemployment' due to receiving incapacity benefits. The report suggest that the Covid-19 pandemic made it complicated to measure unemployment:

- The claimant count overestimated unemployment because it included at least 200,000 very low-income households in work (required to look for better-paid work as a condition of UC receipt) including some qualifying as a result of the temporary £20 a week increase in Universal Credit. Also, for administrative convenience some UC claims that would otherwise have closed were left open for six months.
- Conversely, the ILO measure underestimated unemployment because in the unusual and difficult circumstances of the pandemic some people who wanted to work gave up looking and therefore failed to qualify on the ILO criteria

Sheffield Hallam University note that the number of those claiming incapacity benefits increased throughout the pandemic, at the same time as the labour force survey was recording an increase in economic inactivity among people aged 50 to 70, and note that:

“Whilst the LFS data identifies ‘retirement’ as the most frequent reason for the increase, the high incapacity claimant rate amongst the over 50s suggests that the rise in economic inactivity among this group during the pandemic is likely to have fed through to higher incapacity claimant numbers.”

### Institute for Employment Studies (IES)

[IES recently published analysis of the latest labour market data](#), which notes that while the headline unemployment rate remains low the inactivity rate (at the UK level) increased to 21.7%, with older people accounting for three quarters of the increase in inactivity. The number of people out of work due to a long term health condition has reached its highest level for 30 years, which inactivity due to caring responsibilities also rose.

On [22 June 2022 IES published a blog which highlighted that there were 600,000 fewer people aged 50 and over active in the labour market in the UK](#) following the Covid-19 pandemic. Analysis of the ONS labour force survey suggests that the ability to work flexibly and the potential to work fewer hours in the approach to retirement were two factors which might encourage those aged 50 and above to work for longer.

## Resolution Foundation

On [13 September the Resolution Foundation published analysis of the latest labour market data from the ONS](#). This analysis highlights that recent fall in unemployment rate is also accompanied by a fall in employment rate – what is actually happening is that the labour force is shrinking. This has been driven by an increase in student numbers, but also by an increase in the number of long-term sick. The Resolution Foundation suggests that this increase in the number of long term sick could be linked to the recent increase in NHS waiting times.

## Scottish Government policy

The Scottish Government has a number of policies in this area. The latest policies covering employment can be [found on their website](#), but we have outlined a number of key policies below.

In most publications, the Scottish Government stress that employment law is reserved to the UK Government but that they “are doing all we can with the powers available to us to promote fair working practices”.

The [Fair Start Scotland employment support service](#), introduced from April 2018, is an employment service aimed at supporting a minimum of 38,000 people – with respect and fairness at its core. The service offers specific contracts, covering 5 years, awarded to organisations in various local authority areas. The value of these contracts is outlined in the above link.

It is also stated that:

“The contract in the West area was specifically reserved for supported businesses to bid into. These provide permanent employment for those disadvantaged in the labour market. This is the first time we have exercised this power.

All providers have committed to a Fair Work, Workforce and Community Benefits agenda – including paying the living wage and avoiding use of zero-hour contracts.”

This commitment to fair work reflects the Scottish Parliament’s [Fair Work Action Plan](#), published in February 2019. The plan is aimed at achieving the Scottish Government’s vision for Fair Work by 2025 and acts as both a framework for Scottish public bodies as employers and a guide for private sector employers.

The plan aims to engage with all sectors of employment in a shared vision for the future of the labour market in Scotland. Fair work is intended to underpin economic success in Scotland, as well as advancing the wellbeing and prosperity of people, communities and businesses.

A number of policy actions have already been undertaken to advance this plan, and detailed breakdown of investment from the Scottish Government can be found in section 4 titled [“Overview of Actions”](#).

Similarly, the Scottish Government have also introduced a refreshed [Scottish Business Pledge](#) which outlines more clearly aligned Fair Work principles, a new learning network, and the establishment of a Fair Work Summit.

The Scottish Government also recognised in March 2020 that the pandemic was likely to impact on the ability of employers to effectively deliver fair work. To this end, [a statement was released in July 2020](#) to reflect the significant challenges in economic recovery, bringing in wider representation from business organisations, local government and the third sector. The [Fair Work First guidance](#) was also published in January 2021, which supports employers and public sector partners to implement the aims of Fair Work First.

As was reflected in many submissions to the Call for Views, the need to create an attractive labour market to encourage economically inactive individuals is thought to be key to reducing inactivity generally. The principles of Fair Work, as outlined by the Scottish Government, is intended to create a labour market which reflects the growing needs of the population and target demographics who have been, or continue to be, at a disadvantage when it comes to gaining employment.

As committee members will be aware from previous sessions, the [Covid Recovery Strategy](#) covers a number of ways the Scottish Government intends to augment recovery within the Scottish labour market. In particular, as outlined in the Strategy, the Scottish Government state:

“As the labour market recovers post pandemic, the Scottish Government’s approach will:

- Simplify investment in skills and training; ensuring people have support throughout their lives to manage economic change, including developing green skills needed for a just transition to net zero;
- Embed fair work so increasing productivity
- Enhance equality of opportunity for all to access and progress in work”

The Strategy also goes on to outline, in detail, the actions being taken over the next 18 months (from point of publication) to support good, green, and fair jobs. These include measures to support the creation of more jobs, support individuals moving into jobs, providing targeted support to those most affected by the pandemic, and creating a Fair Work Nation. Specific details on the policy actions in place can be found in Section 5 of the Strategy.

These goals are also reflected in the [Resource Spending Review, namely in Opportunity/Challenge 1 section.](#)

## Recent Scottish Parliament activity

On [31 May 2022 Skills Development Scotland gave evidence to the Finance and Public Administration Committee](#) on the trends behind income tax forecasts, and commented economic in activity. SDS commented on the recent trends in the levels of inactivity, and commented on the make up of the total number of economically inactive people:

Although you might not have asked this, I might offer what you can do around that. We need to think differently about the labour supply challenge. Part of that is about looking hard at that economically inactive figure. You are right to point out that a significant proportion of that group—off the top of my head, the number is about 110,000 of the 230,000 economically inactive people in Scotland—is looking for work. We need to reframe our thinking about that group and ask how we get those people into the jobs that we know that employers are looking to recruit to at the moment because they are having difficulties doing that.

....

I will say a couple of brief things on economic inactivity and the discouraged workers. If we look at the economic inactivity numbers, the numbers of people who are “discouraged” are relatively small in comparison to other groups, so part of my response is that we need to look elsewhere for the big challenges around economic inactivity. The big growth has been in people who are inactive because they are long-term sick and people who have gone on to study.

## Recent UK Parliament activity

On 25 October 2022 the Economic Affairs Committee in the House of Lords took evidence from Professor Jonathan Portes (Kings College London), Madeleine Sumption (The Migration Observatory), Eliza Forsythe (University of Illinois), Tony Wilson (IES) and Werner Eichhorst (Europe IZA). This evidence session discussed reduction in labour force and the factors driving it, the availability of data to understand recent trends, and noted that at present it was difficult to isolate the various factors contributing to economic inactivity, such as long covid or the recent increases in NHS waiting times. The [session can be accessed on parliament.tv.](#)

## Themes to explore with the witnesses

Members may wish to ask the following questions:

## **Theme 1: Scottish specific data**

A common theme throughout submissions has been that in-depth analysis of the impact of the pandemic on the Scottish labour market is difficult, given the lack of Scottish specific data available. Members therefore may wish to explore with witnesses:

- **Does UK wide data on the pandemic's impact on the labour market accurately reflect the current position of the labour market in Scotland?**
- **What can the Scottish Government do to improve the level of data available in the Scottish labour market specifically?**
- **Can the Scottish Government effectively measure the outcomes of labour market policies aimed at assisting specific demographics, given the lack of longitudinal data available?**
- **How has the lack of Scottish specific data impacted organisational analysis of the labour market? Is there any data available directly applicable to Scotland?**

## **Theme 2: COVID-19's impact on certain groups of the labour market**

Another theme highlighted throughout submissions is that certain groups in the labour market have been disproportionately affected by the pandemic compared to others. Members may wish to explore:

- **How effective have the Scottish Government's policies regarding fair work been in enabling disadvantaged groups to enter, or re-enter, the labour market?**
- **What, if any, trends in recent labour market data can be directly related to the COVID-19 pandemic?**
- **Respondents suggest the ongoing cost crisis may influence those taking early-retirement to re-enter the labour market. Can witnesses highlight any other trends in the labour market during the pandemic that may change due to the cost crisis?**
- **Economic disadvantage is seen as a barrier to people entering the labour market across a range of demographics. Can witnesses outline steps the Scottish Government can take to offer targeted support to the economically disadvantaged?**

## **Theme 3: Impact of the COVID-19 pandemic on different sectors of the labour market**

Respondents outlined that some sectors in the labour market have been impacted by the pandemic more than others. Members may therefore wish to explore:

- **What sectors of the labour market would benefit from increased support to recover from the pandemic?**

- Can these sectors realistically return to pre-pandemic levels of employment?
- Are there any trends in sectoral data on inactivity that have been consistent both pre-pandemic and post-pandemic?
- In terms of a UK wide comparison, what sectors within the Scottish labour market are seeing an increase or decrease in inactivity compared to other nations in the UK?

## **Theme 4: Encouraging re-entry to the labour market**

A common theme throughout submissions, and indeed in the Scottish Government's fair work commitments, is that a buoyant labour market is needed to encourage economically inactive individuals to re-enter the labour market. Members therefore may wish to explore:

- Has the increase in home working been effective in encouraging re-entry into the labour market?
- Are there any trends which suggest new ways of working have helped to retain workforces in certain sectors when compared to pre-pandemic levels?
- Are measures in place to create a fair work environment enough to encourage re-entry into the labour market?
- Is upskilling and retraining certain parts of the workforce conducive to labour market recovery in the long term? How might this impact other sectors?

## **Theme 5: Long Covid**

While it is accepted that further analysis is needed into Long Covid's impact on the labour market, respondents agreed that this is having an impact on labour market inactivity to some degree. Members therefore may wish to explore:

- Do witnesses believe that an inquiry into the impact of Long Covid in Scotland is necessary to understand its impact on the labour market, or is the current data enough to analyse this?
- How can employers create an environment which encourages Long Covid sufferers to re-enter employment?
- Given that Long Covid is self-reported, can the prevalence of Long Covid and its impact on the labour market be accurately assessed? What further measures can be taken to understand its impact?

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