CVDR/S6/22/24/2

COVID-19 Recovery Committee

24th Meeting, 2022 (Session 6), Thursday 10 November 2022

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

Issues paper

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 second formal evidence session, the Committee will hear from two panels looking at long term illness from; 1) a public health and employment perspective, and 2) from an economic perspective. The witnesses are:

Panel 1

1. Professor Sir Aziz Sheikh, Director of the Usher Institute and Dean of Data, University of Edinburgh
2. Professor Gerry McCartney, Professor of Wellbeing Economy, University of Glasgow
3. Pamela Smith, Head of Economy and Poverty, Public Health Scotland
4. Susie Fitton, Policy Manager, Inclusion Scotland

Panel 2

1. Tom Waters, Senior Research Economist, Institute for Fiscal Studies
2. Philip Whyte, Director, Institute for Public Policy Research Scotland
3. John Burn-Murdoch, Chief Data Reporter, Financial Times

SPICe have published a blog summarising the data on Scotland's labour market over the last decade.

Notable evidence on data from previous meeting

Members will be aware that the committee took evidence on 3 November 2022. The following section highlights oral evidence from witnesses at the previous session regarding the data that **may be relevant to query with witnesses attending both panels**.

Scottish Specific Data

Questions were asked as to how effectively the data available can be used to analyse inactivity in the Scottish labour market specifically. The lack of Scottish specific data was a common theme raised in responses to the Call for Views.

On what the Scottish Government could do to improve the level of data available, **Professor Steve Fothergill**, Centre for Regional and Economic Social Research at Sheffield Hallam University, stated that the data available is better than has been suggested by some respondents in the Call for Views.

Professor Fothergill stated that the Labour Force Survey is the main set of data used by researchers in this field and that at national level (I.e for Scotland as a whole) this dataset is good, but for local areas within Scotland it becomes more difficult to see trends. However, he also highlighted that this is just one set of data, stating:

> "In the context of long-term sickness, the other great set of data which isn't mined so much – but which we use – is the benefit data sets held by the Department for Work and Pensions on a website called Stat-Xplore. That is phenomenally good because it is based on administrative data, so you can actually count the number of people who are out of work...accurately not only for Scotland, but also for individual local authorities within Scotland. You can also drill down and look at issues of age, gender etc.
>
> I therefore think it is a much more mixed picture, there is pretty good data out there."

On whether anything could be improved, Professor Fothergill responded:

> "Short of a much larger sample size for the Labour Force Survey – possibly not. I think you can actually get quite a good handle on these issues with what is out there. But it does require looking beyond just the Labour Force Survey...the LFS is not the be all and end all of data on these issues."

Tony Wilson, Director of the Institute for Employment Studies, agreed with Professor Fothergill's points on administrative data, stating that more work can be done on comparisons with other datasets using administrative data available on benefits. However, he also highlighted various areas in which improvements could be made:

> "One thing you could really do would be to press the DWP to better disaggregate what is happening with Universal Credit data and in particular how that compares with the legacy benefits Universal Credit has replaced. Also, what is happening with flows and duration."

He highlighted that while comparisons using administrative data with other datasets is useful, it is hard to compare pre- and post- pandemic as it is so affected by the migration of Universal Credit.

On flows and duration in Universal Credit, Tony Wilson said the data here is 'terrible', stating:

> "The department only measures the time someone has been on Universal Credit in total. During their time on Universal Credit, they may move in and out of work.
>
> It would be really good if the department could unpack more how long people are spending out of work, how many are flowing out of work and back into work, and how people move around between economic inactivity, employment and unemployment."

Another issue he highlighted was HMRC administrative data on PAYE employee numbers, as there has been a significant shift in self-employment to employee jobs – making it difficult to assess what is the underlying true picture on employment figures.

David Freeman, Head of Labour Market and Households at the ONS, highlighted the Scottish Government fund a boost to the LFS so the sample size for Scotland is actually bigger than it would normally be – so the data at national level for Scotland is probably better than for the rest of the UK.

He also highlighted the Annual Population Survey, which is based on the LFS. While the data isn't as timely as it averages over a year, it does allow a bit more granularity at a Scottish level. On the PAYE point raised by Tony Wilson, Mr Freeman also states that the ONS are working with HMRC to expand what is available so you can get data down to local authority level.

On what could be done to improve the quality, the ONS are changing the way they gather data – moving to online surveys as well as follow up telephone surveys to create a much bigger sample size for future Labour Force Surveys (around 60 to 80 per cent bigger) by next year.

Members therefore may wish to explore:

1. **Are there any other datasets, not directly related to the labour market, that could be used alongside the LFS to paint a clearer picture on issues impacting the labour market in Scotland?**

2. **Is an increased sample size for future Labour Force Surveys likely to highlight different trends from existing data?**

3. **Should certain areas of the labour force be targeted when increasing sample sizes, particularly with regards to women, different age groups, and ethnic minorities?**

4. **Is the best use being made of the data gathered by the DWP and HMRC? Is this data disaggregated and made available to a useful level?**

5. **Are there any significant gaps in the data collected and shared by the DWP and HMRC?**

Long term illness from a public health and employment perspective (panel 1)

Link between long-term sickness and economic inactivity

Scotland tends to have a higher proportion of the 16-64 population who are inactive because they are long-term sick when compared to the rest of the UK. The proportion of the 16 to 64 population who are inactive and long-term sick has been increasing for both Scotland and the UK since 2016-17. However, in Scotland it has increased from 6 per cent to 7 per cent of the 16 to 64 population compared to 4.9 per cent to 5.4 per cent for the UK[1].

An article by **John Burn-Murdoch**[2] on economic inactivity during and after the pandemic shows that the UK is unusual in comparison to other OECD countries, where inactivity rates were back to pre-pandemic levels by summer 2021. In contrast, the UK's inactivity levels have continued to increase.

John Burn-Murdoch states that this is predominantly due to chronic illness:

> "Of the roughly half a million Britons aged 15-64 missing from the workforce, two in three cite long-term illness as their reason for not holding or seeking a job."

This view is supported by Inclusion Scotland which states in its submission:

> "The main reason behind the increase in economic inactivity among 50–69-year-olds in Q2 2022 (200,000) was self-reported ill health. The largest increases in activity are related to problems relating to the cardiovascular system, 'other' problems and mental ill health."

Inclusion Scotland goes on to say that these figures were already increasing before 2020 and the pandemic has augmented the trend through factors such as health anxiety and long-covid.

However, **Public Health Scotland** in its submission refers to an analysis by the Institute for Fiscal Studies which found that retirement is largely responsible for the increase in economic inactivity among people in their 50s and 60s, with health-related reasons accounting for just 5 per cent of growth in inactivity in this age group.

Members may wish to explore:

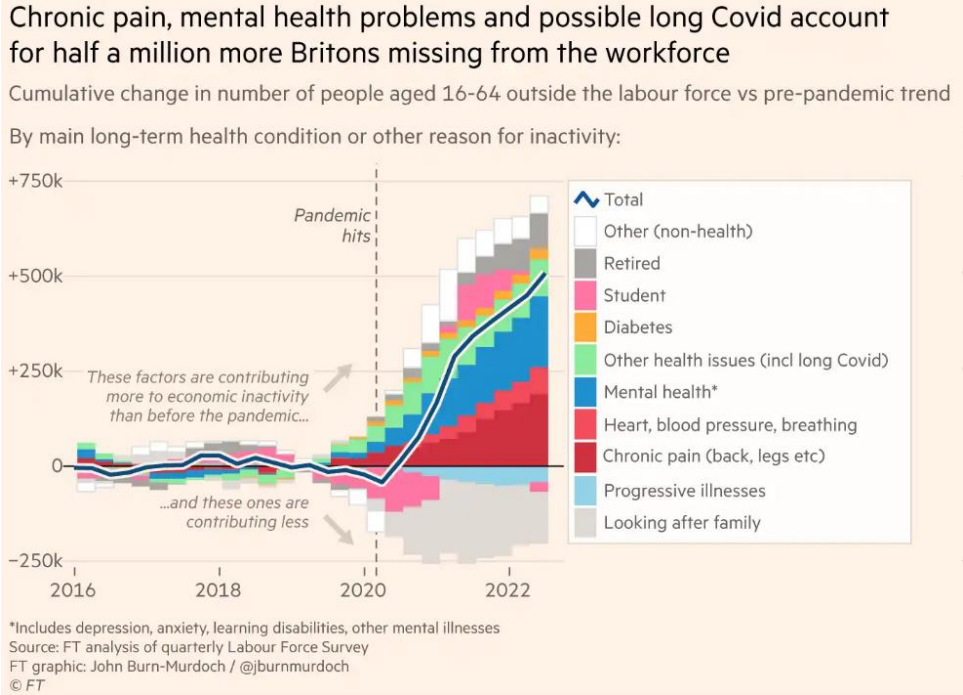
1. **How do we explain the continued rise in the UK inactivity figures in comparison to the decline in other OECD countries?**

2. **Is there a consensus on whether the increase in economic inactivity among people in their 50s and 60s is due to retirement or ill-health?**

3. **To what extent do these figures represent an existing trend that was already underway, or was the pandemic the catalyst for this trend?**

Causes of long-term sickness

In another article, **John Burn-Murdoch** explores the underlying conditions beneath the Labour Force Survey statistics:



This shows that chronic pain and mental health problems accounted for the top two reasons for long-term sickness.

While the increase in mental health conditions may be understandable, the reasons for the rise in other conditions are less clear.

4. **Can people's health status and economic status be linked to inform policy on economic inactivity?**

5. **Is there a deeper understanding of the types of health conditions that underpin these long-term illness statistics?**

6. **How can we explain the increase in conditions like chronic pain, cardiac and respiratory problems?**

The role of the health service

John Burn-Murdoch suggests that the reason why the UK is so different to other countries could be down to the NHS backlog, pointing to the similarity in numbers of those on a waiting list for more than a year (332,000) and the number economically inactive due to long-term sickness (309,000)[3].

He also highlights difficulties in accessing primary care as a potential factor.

Louise Murphy, economist at the Resolution Foundation, stated at the evidence session on 3 November, that when you look at the types of health problems that people report, we are seeing people noting an increase in cardiovascular and mental health problems – a continuation of longer-term trends.

On the wider health implications, she also stated that NHS waiting lists times are having an impact – citing ONS surveys of people over-50 who have left the workforce, with 1 in 5 of those surveyed stating they are on an NHS waiting list.

The most recent Scottish data shows there were 36,282 people who had been waiting over a year[4].

The ONS Over-50s Lifestyle Survey found that under a fifth (18 per cent) of 50–65-year-olds who had left the workforce since the start of the pandemic were on an NHS waiting list. This rose to 36 per cent among those who had left their job for health reasons.

Members may wish to explore:

7. **Do the witnesses agree with the suggestion that NHS backlogs may be significantly responsible for the increase in those economically inactive because of chronic illness?**

8. **To what extent would prioritising the NHS recovery help people back into work?**

Long Covid

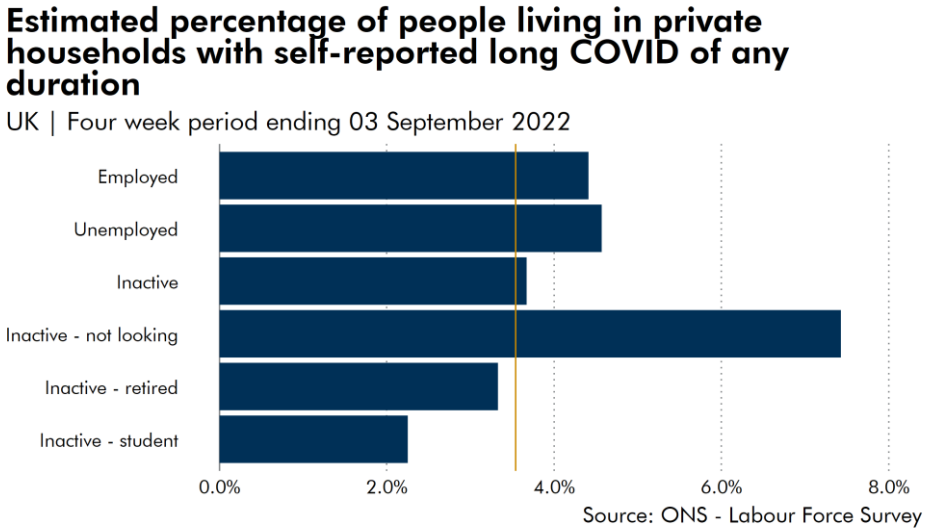
Public Health Scotland in its submission highlights the ONS statistics on long covid:

> "According to the Office of National Statistic, almost 2 million people, or 3% of the population had long COVID by the end of May 2022, of whom 72% were limited by the condition and 21% were limited 'a lot'. These numbers have been rising steadily since the middle of 2021. The impact of long COVID is felt unequally. Existing work finds that sufferers are more likely to have a pre-existing health condition, be female and be middle aged. We show that they are also more likely to live in social housing, to have been claiming benefits before the pandemic, and possibly to be in poverty."

The data also show that Scotland has a slightly higher proportion of people self-reporting as having long covid compared to the UK (3.88 per cent compared to 3.54 per cent).

The ONS also provides a breakdown by labour market status. Of the three main indicators, unemployment has the highest proportion of those who self-report as

having long covid. However, among the sub-categories of 'inactivity', those not looking for work have the highest proportion of people who self-report as having long covid.



Public Health Scotland also notes that 1 in 10 people with long covid stop working, but they tend to go on sick-leave, rather than losing their jobs altogether.

The impact of long covid on the Scottish labour market was also raised with witnesses at the evidence session on November 3. In general, witnesses were sceptical as to whether long covid has had a major impact on levels of economic inactivity.

Professor Fothergill confirmed he was sceptical of long covid's impact – stating Long Covid may have contributed to modest increases in inactivity during and after the pandemic but reiterated that long-term sick levels of economic inactivity is not a new phenomenon. He also highlighted studies by the Institute for Fiscal Studies, stating:

> "I also log there has been evidence submitted by the IFS on long covid which suggests that those people who are suffering from it are not so much moving into economic inactivity but are actually still in work but on the sick. So, they would not be boosting inactivity numbers nor indeed the benefit numbers on UC. So yes, I am sceptical, you have to look to much deeper processes going on within the labour market."

He also pointed out that large numbers of people out of the labour market is very geographically variable, it is in certain places and in those places the claimant rate can be 3 or 4 times higher than the rest of the UK.

David Freeman of the ONS held a similar view in that long covid is contributing to an increase in long-term sick, but that it is true to say there already had been a large number of people inactive due to long-term sick prior to the pandemic.

He also highlighted the ONS did an investigation into the people who had long covid and where they were in the labour market, stating:

> "As a proportion of the people inactive, around 5% of people inactive had long covid. But there was also a proportion of people unemployed at around 3.5%, people who were employed was 3.3%, retirees were 2.9% of people retired, and 1.7% of students.
>
> So that does seem to back up that while long-COVID might be contributing to an increase in inactivity, there are people with long-COVID who are doing other things within the labour market."

Tony Wilson agreed with the points made by witnesses, and commented further on international comparisons, stating:

> "One thing that is striking is the UK is one of the only developed economies in the entire world where employment is lower than it was before the pandemic. Literally across the developed world - with the exception of the USA, Latvia, Switzerland and Iceland – every other country has seen employment not just recover but go higher than before the pandemic.
>
> So if long covid is significantly holding back labour force growth in the UK, it isn't affecting other countries to the same extent."

He believed part of the reason for this may be the nature of employment protections, people dropping out of the labour force and finding it harder to get back, but most likely to be because of other long-term health conditions.

Members may wish to explore:

9. **Does long covid present a long-term threat to the economy in terms of productivity losses and care/welfare costs?**

10. **Why is long covid being felt unequally in the population?**

11. **Given that most absences for long covid are dealt with through sick-leave at the moment (as opposed to leaving work altogether) could there be a significant amount of economic inactivity from long covid yet to come?**

12. **Is long covid recognised as a disability and eligible for the same recognition and support by employers? If not, should it be and what would be required for this to happen?**

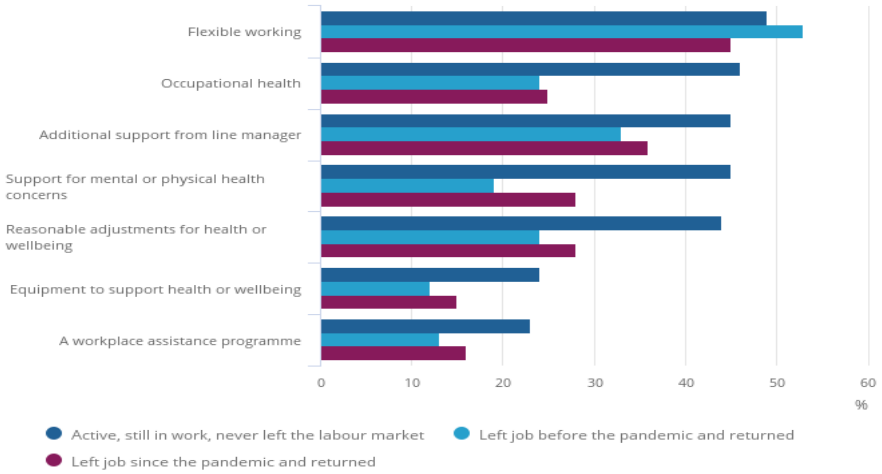
Policy solutions

The over-50s Lifestyle Survey by the ONS explored access to support as a factor associated with retaining the workforce. This found that those who have never left the workforce were more likely to say they have access to support from their employer.

Of those who had left but then returned, the most common types of support provided included flexible working, additional support from line managers, support for mental or physical health concerns, and reasonable adjustments for health and wellbeing.

Figure 4: Those who had never left the labour market generally reported more access to employer support than those who had returned during the pandemic

Access to support for those currently working from their employer by sub-groups, Great Britain, 10 to 29 August 2022



Source: Office for National Statistics (ONS) – Over 50s Lifestyle Study (OLS) wave 2

Professor Fothergill said in last week's evidence session that there is no point in trying to increase employment in areas of full employment and that instead the places with poor local economies are the places with some slack in the labour market i.e., deindustrialised, 'levelling up' areas. However, these also tend to be the areas with higher levels of ill-health.

The Scottish Government's Recovery Strategy has a focus on tackling inequalities and progressing towards a 'wellbeing economy'. However, even prior to the pandemic, life expectancy had stalled in Scotland and inequalities in some key health indicators had continued to widen[1].

Members may wish to explore:

13. **what are the practical policy solutions to encourage the long-term sick into the labour market?**

14. **given the limited success in tackling health inequalities prior to the pandemic, do we need to adopt a different approach post-pandemic and if so, what should this look like?**

[1] SPICe (2022) Scottish Labour Market
[2] Chronic illness makes UK workforce the sickest in developed world | Financial Times (ft.com)
[3] [3] Chronic illness makes UK workforce the sickest in developed world | Financial Times (ft.com)
[4] Public Health Scotland (6 Sep 2022) NHS waiting times – stage of treatment

[1] Scottish Government (2022) Long-term Monitoring of Health Inequalities: March 2022 Report

Long term illness from an economic perspective (panel 2)

Drivers of increased economic inactivity

Research by Jonathan Haskel and Josh Martin from the Bank of England's Monetary Policy Committee highlights that between the end of 2019 and the start of 2022, there has been an increase in economic inactivity of around 500,000 people. However, as other witnesses have noted this increase in inactivity, and specifically those who are long-term sick, predates the pandemic and has occurred over the last few decades. The research also notes that during the pandemic there was a reduction in the proportion of those inactive who said they wanted a job; falling from 22 per cent to 20 per cent. This suggests that:

> "the usual published data on inactivity and sickness do not use the above data on self-reported health and so, we believe, understate the rise in long-term sickness and inactivity. Instead, published data refer to a subset of long-term sickness, namely those who are inactive and self-report long-term sickness as the "main reason" for their inactivity. In the published data people cannot, for instance, be inactive due to both retirement and long-term sickness, thus understating the true degree of long-term sickness."

The authors suggest that this could have implications for how we understand the tightness of the labour market, and a greater proportion of the potential workforce being long-term sick has implications for aggregate output and possibly productivity.

John Burn-Murdoch (Financial Times) recently reported on research by the Institute of Fiscal Studies which suggests that the recent rise in health-related inactivity was in fact concentrated among people who had already been out of the labour force for at least five years. This research was used longitudinal data and found that most of those leaving the labour market and ages in their 50s or 60s, the key group driving the increase in inactivity, had retired. The article highlights that this challenges the view that the shrinking workforce is being driven by an increase in the long-term sick, and also suggests there might be less opportunity to attract those who have left the workforce back.

In their analysis, the IFS note that:

> "However, the rise in the number of people who are inactive due to ill-health does not necessarily imply that all these people have left the labour force as a result of ill-health. More people may be leaving the labour force for other reasons – for example, because they are taking early retirement – and, simultaneously, those already out of the labour force may be getting sicker. This explanation would imply that there are two problems for policymakers: first, the rise in movements from employment into inactivity; second, the increasing levels of sickness among inactive people."

Witnesses highlighted during the previous evidence session that, during the pandemic, many of the elderly workforce placed on furlough ended up taking early-retirement. However, this may begin to be offset by the ongoing cost-crisis; where

people who were previously able to retire early, may be forced to re-enter the labour market given rising costs.

Tony Wilson stated that while the IES hasn't done specific research into this, ONS data suggests that people have left early from both high and low paid work. Older men are more likely to leave higher paid roles.

Professor Fothergill highlighted the submission of Age Scotland to the Call for Views, in which they outline six points which he described as 'eminently sensible'

John Burn-Murdoch also recently published analysis of the share of the working age population outside of the labour market in the UK and internationally, saying:

> "Between January 2015 and January 2020, economic inactivity gradually descended in a virtually straight line as more and more people found work. Had this continued, there would be about 8.3mn economically inactive working-age Britons today. Instead, we have seen a steep climb to 9mn, the only country in the developed world where people have continued dropping out in ever greater numbers beyond the acute phase of the pandemic."

The drivers of this increase in inactivity in the UK are an increase in chronic pain, mental health issues and potentially long covid. Earlier analysis from John Burn-Murdoch notes that the increase in chronic pain reported in the UK predates the pandemic, and notes that:

> "… the most plausible remaining explanation is grim: we may be witnessing the collapse of the NHS, as hundreds of thousands of patients, unable to access timely care, see their condition worsen to the point of being unable to work. The 332,000 people who have been waiting more than a year for hospital treatment in Britain is a close numerical match for the 309,000 now missing from the labour force due to long-term sickness."

Furthermore, members during last week's session queried how existing vacancies in the labour market could be filled, as well as ways to entice those who are long-term inactive to re-enter the labour market.

Tony Wilson cited issues with how effective current methods are at reaching those out of work. There is no public employment service, with Job Centre plus being the main route for employment support to many. More people are economically inactive who would like to work, but do not have the necessary support to know how to get a job.

Tony Wilson also highlighted issues around the lack of support for people who drifted into economic inactivity through furlough:

> "I think it was a mistake, looking back, that we didn't provide more structured and active support to people who were on long-term furlough. I think we are seeing really clearly in the data that people moved through furlough and became economically inactive – particularly with the growth of people saying they are retired, which is primarily a post-furlough phenomenon rather than a post-pandemic one."

He also stated that employers now need to think differently about filling vacancies – no longer the case that if demand is there, the supply will be. We are now in reverse due to the pandemic. Employers need to talk more to local partners, think about the language they use, how they design jobs, and how they understand local labour markets. He also stated that the current trend of a smaller labour force with higher demand is likely to continue for the next five years.

Members may wish to ask the following questions:

1. **What more needs to be done to better understand the balance between early-retirement vs long-term illness in the context of older people leaving the workforce? Do the IFS statistics show the full picture?**

2. **What impact, if any, did the COVID-19 pandemic have on levels of economic inactivity due to long-term illness and early retirement in Scotland?**

3. **What are the main health conditions that account for long-term illness as a reason for economic inactivity in Scotland?**

4. **How can we understand full picture around long-covid when its impact is spread around different statistical sets?**

5. **Can the UK approaches to gathering data, i.e., how unemployment, economic activity and long-term sickness is recorded, explain some of the differences between Scotland, rUK and other OECD countries? Does the level and disaggregation of data differ a great deal across different countries?**

6. **How can statistical comparisons with other countries better help us to understand the root causes of both long-term sickness and labour market inactivity, and link these back to policy and funding decisions.**

7. **What can statistics tell us about the impacts of differing policy approaches, both pre, during and post-pandemic, between Scotland and the rest of the UK?**

Impact of the pandemic outside of inactivity

The **IFS** published a briefing in July 2022 on the impact of long covid on the labour market using data from the UK Household Longitudinal Study to understand the characteristics of those suffering with long covid. Key points include:

- According to the Office for National Statistics, almost 2 million people, or 3 per cent of the population, had long covid by the end of May 2022, of whom 72 per cent were limited by the condition and 21 per cent were limited ‘a lot’. These numbers have been rising steadily since the middle of 2021.

- The impact of long covid is felt unequally. Existing work finds that sufferers are more likely to have a pre-existing health condition, be female and be middle aged. We show that they are also more likely to live in social housing,

to have been claiming benefits before the pandemic, and possibly to be in poverty.

- By examining how outcomes have changed since before the pandemic for long covid sufferers and similar individuals without the condition, we estimate that one in ten people who develop long COVID stop working, with sufferers generally going on sick leave (rather than losing their jobs altogether). As a result, hours worked on average reduce by about 2½ hours per week and earnings by £65 per month (6 per cent), or £1,100 per person who drops out of work. Our estimates suggest that while the prevalence and severity of covid remain

- at current levels, the aggregate impact is equivalent to 110,000 workers being off sick.

- At the individual level, long covid shows some persistent labour market effects, with impacts being felt at least three months after infection. Further research would be required to precisely determine the duration of the impact.

In March 2021 the Scottish Government published a national population strategy. In the analysis accompanying this strategy, the Scottish Government note that Scotland's aging workforce, a trend more acute in Scotland than elsewhere in the UK, could be a contributing factor to great levels of economic inactivity:

> "Despite the many benefits of an age diverse workforce these older and ageing demographics can impact on Scotland's labour market performance as inactivity due to poor health is more common among older ages. For example, although "long-term sick" as a reason for inactivity accounts for 6.6% of the inactive population of 16–24-year-olds, this rises to 38.4% of inactive 50–64-year-olds."

In their submission to the Committee's Call for Views, **SDS** highlight that there is evidence of an uneven impact of increasing economic inactivity across sectors in Scotland. SDS note that these impacts are not solely down to the pandemic; the ongoing demographic challenge in Scotland and the impact of leaving the EU single market are also relevant. SDS highlight three sectors which are facing disproportionate labour shortages:

- Accommodation and food services: SDS note that Existing negative perceptions of working in the sector have been exacerbated by the pandemic; many older and experienced staff left the sector throughout and after the pandemic

- Health and social care: SDS describe the sectors staff shortages as "chronic". Factors contributing to this include Brexit, COVID-19, and wellbeing of the existing workforce.

- Manufacturing: Redundancies during the pandemic, an ageing workforce, and reduced availability of EU workers are all contributing factors to labour shortages in the manufacturing sector. In Life and Chemical Sciences

> Manufacturing labour shortages were also attributed to increased demand for COVID-19 testing and vaccine production.

Members questioned witnesses on the impact of the pandemic within specific sectors of the Scottish labour market during the evidence session of 3 November 2022.

Dr Hannah Randolph stated that there were certain sectors more impacted during the pandemic, but that we have seen a lot of employment return in 2022. There has been a shift away from trades, services and entry occupations – where employment has shrunk and not returned to pre-pandemic sizes – and that these sectors may never return to these levels, due to longer term trends.

Professor Fothergill highlighted comparisons with the miners' strike in the 1980s, where for a number of reasons unemployment was lower after the pits closed, despite there being a large number of the workforce made unemployed. People were diverted out of the labour market, and on to sickness and disability benefits.

While those impacted by the miners' strikes have largely dropped out of the figures, it is in these communities where the balance in the labour market has not been fully restored that you find people with health problems being marginalised:

> "If you are getting on a bit in years, and have health problems, you are not going to find it easy to find work. After a period out of the labour market, you give up even trying...you resign yourself to a life on sickness and disability benefits.
>
> That has been the big phenomenon that has happened in Britain – and it has happened much more so in some places than others...where the economy is very strong, people who drop out of the labour market get back into the labour market again, but not in the more difficult areas."

He stated the above is key to understanding why the UK went from 750,000 people of working age on sickness benefits in the late 1970s, to 2.5 million by today.

Tony Wilson affirmed that one of the main issues is having the vacancies there, with not enough workers to fill them. The growth in employment in relatively higher skilled professional occupations is also worth noting, indicating that if better support was introduced for reallocation and helping people move jobs, this can help meet demands and support a stronger economy in the future.

He also explained that levels of part time work have fallen amongst women, but that this may reflect people being able to work full time more flexibly thanks to hybrid working. Part-time work has increased amongst men. He suggested that there were wider questions for the future around whether people should be encouraged back towards full time work, and into town centres and offices. He acknowledged the challenges these changes are causing amongst transport providers and retailers but suggested that employers may struggle to recruit if they couldn't offer the same flexibility as competitors.

The need for appropriate pay and conditions was also highlighted – particularly in the public sector. While private sector jobs are seeing wages go up due to competition for vacancies, the public sector is seeing very weak pay growth. This has resulted in people simply leaving the public sector, into private.

Professor Fothergill also elaborated on the sectoral points made by other witnesses, highlighting that while certain sectors have been impacted more than others in terms of a lack of employees, there is also a big issue with self-employment. These levels have not bounced back to pre-pandemic size; at around 500,000 people lower than previously.

Members may wish to ask the following questions:

8. **Beyond the impact on levels of inactivity, how is Covid-19 impacting the Scottish labour market?**

9. **If long covid is increasing the number of people in work but on sick leave, or reduced hours, do we have a sense as to what impact this is having on aggregate output or productivity?**

10. **IFS research has noted that those with underlying health conditions are more likely to suffer from long covid. Are there particular underlying conditions which are more prominent among those suffering from long-covid?**

11. **Given the fact that the Scottish workforce is aging more rapidly than the rest of the UK, which could be a contributing factor to the historically higher levels of inactivity in the Scottish, is there a risk that the pandemic could have a disproportionate impact on Scotland's workforce?**

Ailsa Burn-Murdoch, Andrew Feeney-Seale, Kathleen Robson, Scott Mackay, SPICe Research

7 November 2022