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Out-of-work trends in London

A review of unemployment and economic inactivity using labour market data, 2010-2021

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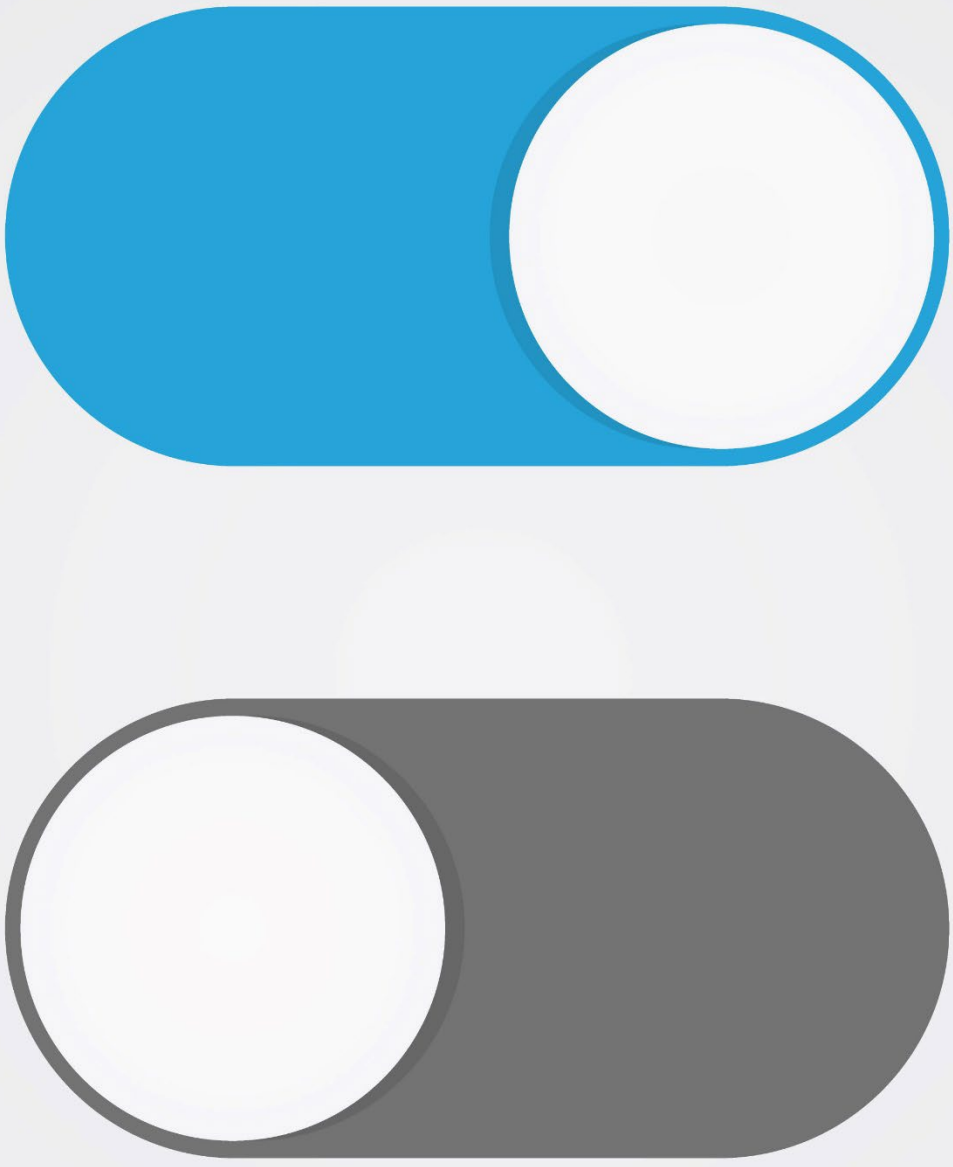

MAYOR OF LONDON

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Greater London Authority
November 2022

Published by
Greater London Authority
City Hall
Kamal Chunchie Way
London E16 1ZE

www.london.gov.uk
Tel 020 7983 4000

Minicom 020 7983 4000

Cover photograph

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1 Introduction

Brief outline of aims

This report reviews trends in London's out-of-work population over the last decade (2010-2021).

It aims to provide a clearer picture of who is out of work in London and how that has changed over time. It also considers the initial impacts of the coronavirus (COVID-19) pandemic.

The focus is on two main groups defined as being 'out of work'. People who are:

- **Unemployed** – those without a job who have been actively seeking work within the last four weeks and are available to start work within the next two weeks.[1]

- **Economically inactive** – those not in work and either not looking for or unable to work. This group includes some students, people who are looking after family/home, and people who are too ill to work (most of whom are long-term sick).

Unless otherwise stated, the focus is on Londoners aged 16-64.[2]

Summary of findings

Unemployment has decreased in London over the last decade, despite a large increase as a result of the coronavirus pandemic. The number of unemployed Londoners almost halved from over 400,000 in 2011 to around 218,000 in 2019. It then rose sharply to over 300,000 but has since fallen back to around its pre-pandemic level. The unemployment rate in London reached a record-low in the three months to August 2022, of 4.0%, compared to over 9% towards the start of the period.

Disadvantaged groups, such as young or minority ethnic Londoners, saw relatively higher unemployment rates throughout the period to 2021. However, the number of unemployed people in these 'low-activity' groups has also improved over time.

London's overall unemployment rate was also above the UK average throughout the 2010s. Up to the pandemic, boroughs in inner London had higher unemployment rates than those in outer London. During the pandemic this trend was reversed. By 2021, unemployment rates in some outer London boroughs were the same or higher than in 2010.

The number of **economically inactive** Londoners fell almost continuously from 2012 through to 2017 before gradually rising again. Unlike unemployment, the number of inactive people initially fell following the onset of the pandemic. The inactivity rate reached a low of 20% in 2021 and remained below 21% afterwards (though more timely LFS-based estimates[3] suggest that inactivity has since started to increase).

Inactivity rates were higher for people in disadvantaged groups and almost half of London's inactive population were people with no or low qualifications, despite this group only representing a fifth of the total working-age population.

[1] This is consistent with the official definition by the International Labour Organisation, which is used by the ONS in the UK. Other measures of UK unemployment, such as the Claimant Count, are not considered in this analysis.
[2] The population used for the official measure of the unemployment rate includes all economically active people aged 16 and above. The unemployment rates cited in this analysis will therefore not necessarily correspond to official measurements.
[3] GLA Economics (2022) Labour market update for London - October 2022

Most Londoners indicated that their inactivity was temporary in 2021. Two-thirds of inactive Londoners said they were likely or certain to work again in the future and the most common reason for inactivity was being a full-time student. However, an increasing share of Londoners cited illness as a reason for being economically inactive.

Context and implications

The trend of falling unemployment and inactivity in London in the years following the 2008-09 financial crisis occurred during a period of exceptionally fast job creation despite disappointing output growth. The number of workforce jobs in the capital increased from 4.8 million at the start of 2010 to over 6 million at the start of 2020, a rise of 25%. In such circumstances, it is perhaps unsurprising that the share of out-of-work Londoners fell across this time period.

For Londoners in groups that tend to suffer disadvantage in the labour market – such as young people, ethnic minorities, those with lower levels of qualification attainment, or disabled people – out-of-work rates also improved. However, they continued to be high compared to the average for all working-age Londoners.

Neither of these outcomes were unique to London or the UK. For example, most OECD countries recorded a fall in the inactivity rate from 2008-2017.[4] Disadvantaged groups also saw higher inactivity rates in other countries, as women, young people, and people with low levels of education were generally more likely to be inactive. What, then, has been behind the improvements in the UK?

One of the main drivers behind falling inactivity over the last decade in London and the UK was increased female labour force participation. From 2010 to 2019, the inactivity rate for female Londoners fell from 34% to 28%. In 2020, it dropped further to 24%, a record low, in part because more women with caring responsibilities were able to work from home.[5] Whether participation remains high may therefore depend on post-pandemic options for flexible working practices.[6]

Another driver was a rise in the share of older workers who remained in the workforce. The inactivity rate of people aged 50-64 years reached a low of around 23% in 2020, down from 32% in 2010. The increase in the state pension age may have played a large part, as people were incentivised to stay in work for longer.[7] The onset of the pandemic may then have reversed this trend, encouraging people to retire early.[8] The increase in people reporting long-term sickness as a reason for their inactivity is also likely to be an important factor.[9]

The data presented in this report indicate that London has made progress in reducing labour market inequalities in terms of headline participation rates, while at the same time increasing overall employment rates. However, a change in the macroeconomic environment, including slower jobs growth than in the post-financial crisis period, may make it harder to sustain this progress.

[4] OECD (2018) Trends in economic inactivity across the OECD. Note: the paper focused on the inactivity rate of the population aged 25-54, purposefully excluding those who are younger or older as they were considered more likely to be inactive out of choice.
[5] House of Commons Library (2022) Will more economic inactivity be a legacy of the pandemic?.
[6] This is reflected in a recent ONS survey of workers aged 50 to 65 years. Among those who had left their job since the start of the pandemic and would consider returning to work, the most important factors when choosing a paid job were flexible working hours (32%), good pay (23%), and being able to work from home (12%). See: ONS (2022) Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic: wave 2
[7] Cribb, Emerson & O'Brien (2022) The effect of increasing the state pension age to 66 on labour market activity.
[8] IFS (2022) Is worsening health leading to more older workers quitting work, driving up rates of economic inactivity?
[9] Bank of England (2022) Monetary Policy Report - August 2022.

2 Unemployment

Summary of key points

- Unemployment in London has decreased over the last decade from 2010 to 2021. The introduction of lockdowns during the coronavirus pandemic led to a significant spike which has since subsided.
- Unemployment trends vary between local authorities within London. Outer London boroughs were impacted more severely during the pandemic with unemployment rates increasing over the decade in some boroughs.
- Disadvantaged groups generally experience higher unemployment rates. Young Londoners, in particular students, and Londoners with low qualification levels saw unemployment rates exceeding 14% in 2021, while the London average was 5.6%.
- Unemployment rates have nevertheless declined for some disadvantaged groups. From 2010 to 2021, the average unemployment rate in London fell by 3.3 percentage points (pp) while the unemployment rate for Londoners from Black, Asian or minority ethnic communities fell by 7pp.
- In recent years, the industries with the largest share of unemployed Londoners (whose last job was in those industries) were Hospitality and Wholesale & retail. This likely reflects the large share of the workforce and the high turnover rate in those sectors.
- Trends in the duration of unemployment indicate that fewer Londoners were becoming long-term unemployed, though 2021 saw a rise in long-term unemployment, likely due to the economic impacts of the coronavirus pandemic.

Headline trends in unemployment

The level of unemployment in London has fluctuated over the past decade, as shown in Figure 2.1.

The number of unemployed Londoners climbed well above 400,000 in 2011 and 2012 before reaching lows of just over 200,000 in 2019, with a particularly large decline in 2014.

The onset of lockdowns in March 2020 led to a rise in the number of unemployed Londoners to a level not seen since the beginning of the decade, before decreasing rapidly again over the course of 2021. As of the 12 months to June 2022, the number of unemployed Londoners was still above pre-pandemic levels (although it has continued to fall over recent months).[10]

London's unemployment rate has been higher than the UK average throughout this period, as shown in Figure 2.2, with the difference ranging from 0.6pp to 1.7pp.

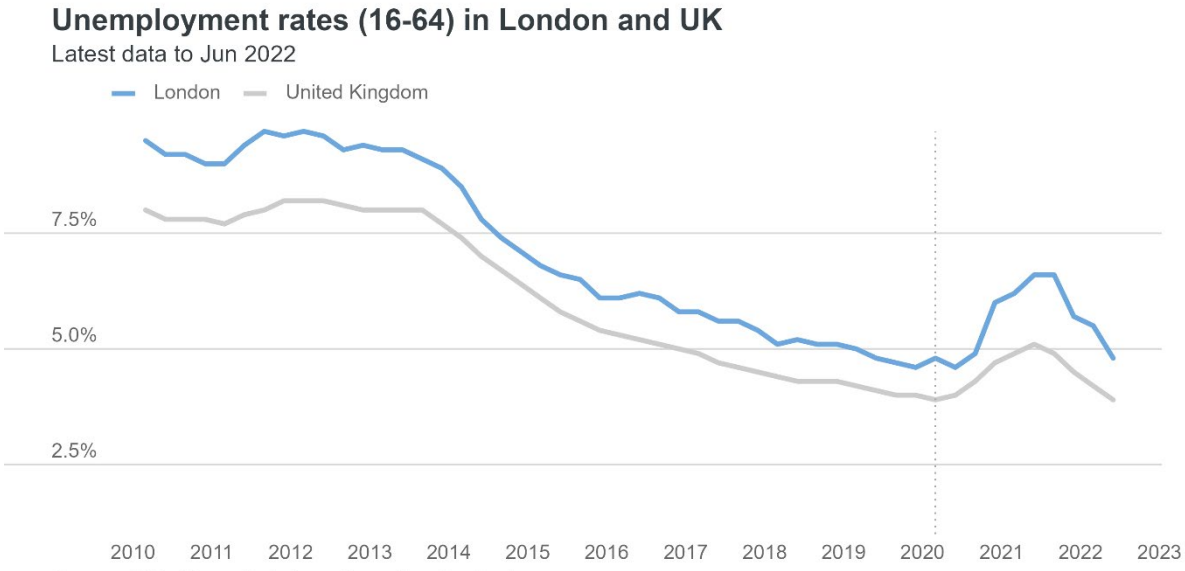
[10] The timelier three-month estimates from the Labour Force Survey (LFS) for June-August 2022 show the unemployment rate at a record low. See our London Labour Market Update.

Figure 2.1

Source: APS, 12-month data on 3-month rolling basis.

Notes: Beginning of lockdowns in March 2020 indicated by dotted line.

Figure 2.2



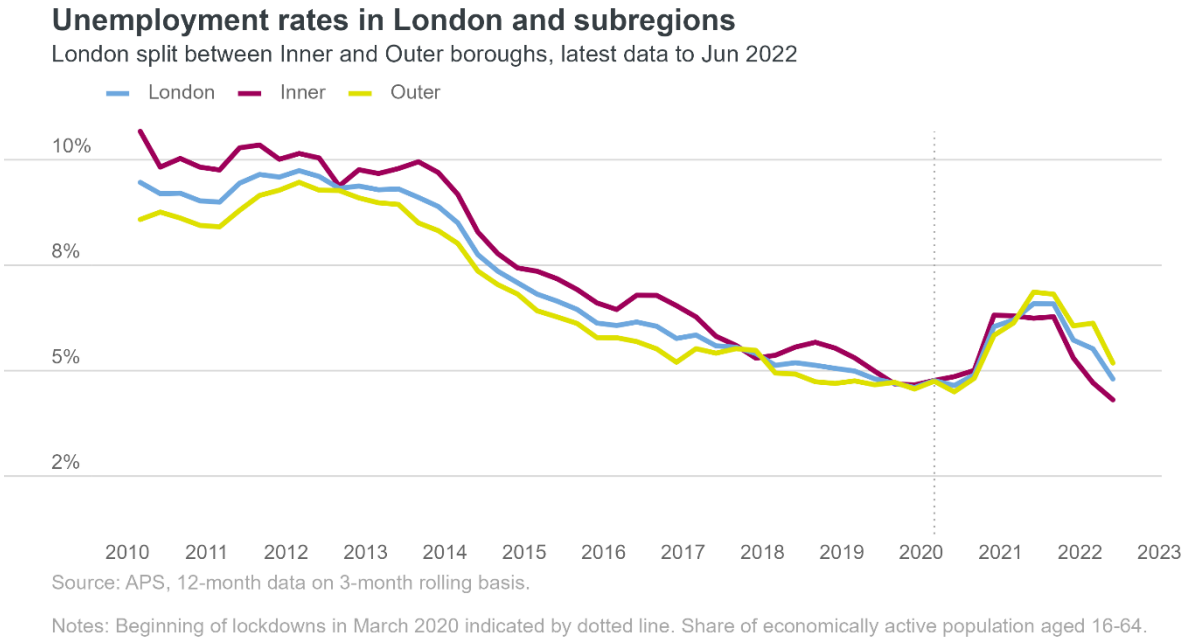
Source: APS, 12-month data on 3-month rolling basis.

Notes: Beginning of lockdowns in March 2020 indicated by dotted line. Share of economically active population aged 16-64.

Sub-regional unemployment

From 2010 to 2020, the estimated unemployment rate in outer London remained lower than the inner London rate (Figure 2.3). This relationship seems to have reversed towards the end of 2021 as the unemployment rate levelled off in inner London while it continued to increase in outer London. However, the differences in the estimates are small and might not be statistically significant.

Figure 2.3



Unemployment at local authority level

There are additional local authority level differences apart from the difference between inner and outer London boroughs shown above. While all boroughs apart from Kensington & Chelsea experienced a decrease in the unemployment rate for the period up to the pandemic (Figure 2.4), most boroughs saw an increase after the start of the pandemic (Figure 2.5).

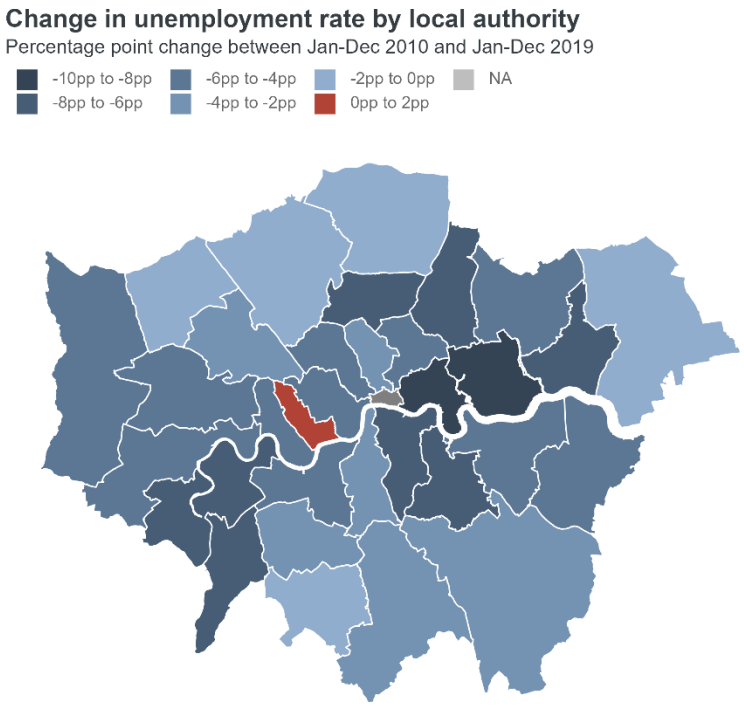
From 2010 to 2019, the largest falls in the unemployment rate were in the adjoining boroughs of Newham (-9.0pp), Tower Hamlets (-8.2pp), and Barking and Dagenham (-7.7pp).

In the post-pandemic period (from 2019 to 2021), eight out of the 10 London boroughs with the largest increase in the unemployment rate were in outer London. Richmond upon Thames and Bromley both recorded increases of 4.8pp. Nine boroughs saw a decrease in the unemployment rate during this period, the largest being in Enfield (-2.5pp) and Camden (-2.0pp).

Across the full period 2010-2021, Barking & Dagenham and Newham saw the largest falls in unemployment, at almost 10 percentage points. They benefitted from decreases in unemployment rates in both the pre- and post-coronavirus periods. In contrast, Barnet, Bromley and Brent experienced an increase in their unemployment rates, contributing to the increase in unemployment in outer London after 2020.

Across the 2010-2021 period, those boroughs that began with the highest unemployment rates, such as Newham, Barking and Dagenham, and Waltham Forest, generally saw the steepest falls in unemployment. Those beginning with the lowest unemployment rates saw unemployment fall by less or even rise.

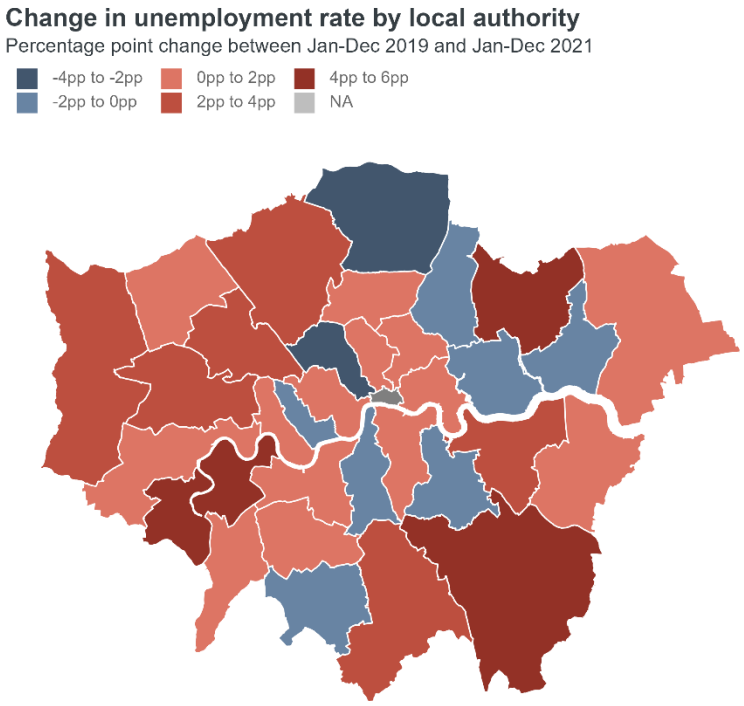
Figure 2.4



Source: APS. Contains Ordnance Survey data, Crown copyright and database right [2015]

Notes: Unemployment rate as share of economically active population aged 16-64.

Figure 2.5



Source: APS. Contains Ordnance Survey data, Crown copyright and database right [2015]

Notes: Unemployment rate as share of economically active population aged 16-64.

A snapshot of the unemployed population

The latest annual data, for the calendar year 2021, show that some groups were overrepresented in London's unemployed population relative to their share of the working-age population (Table 1).

Younger age groups experienced higher unemployment rates relative to other age groups. While Londoners aged 16-24 years made up only 15% of the overall population, they represented 32% of the unemployed population. Among 18–24-year-olds who were not in full-time education, the unemployment rate was 15%.

Other groups over-represented in the unemployed population are those who were disabled; from the Bangladeshi, Black, "Mixed/multiple", and "Other" ethnic groups; and those with low or no qualifications. The unemployment rate for Londoners with low qualification levels was particularly high at 14%, similar to the unemployment rate for young Londoners.

The working-age population is roughly split in half in terms of sex, though with a slight majority of women. Neither men nor women were significantly overrepresented in London's unemployed population in 2021.

Table 1: Unemployment in selected groups, Jan-Dec 2021

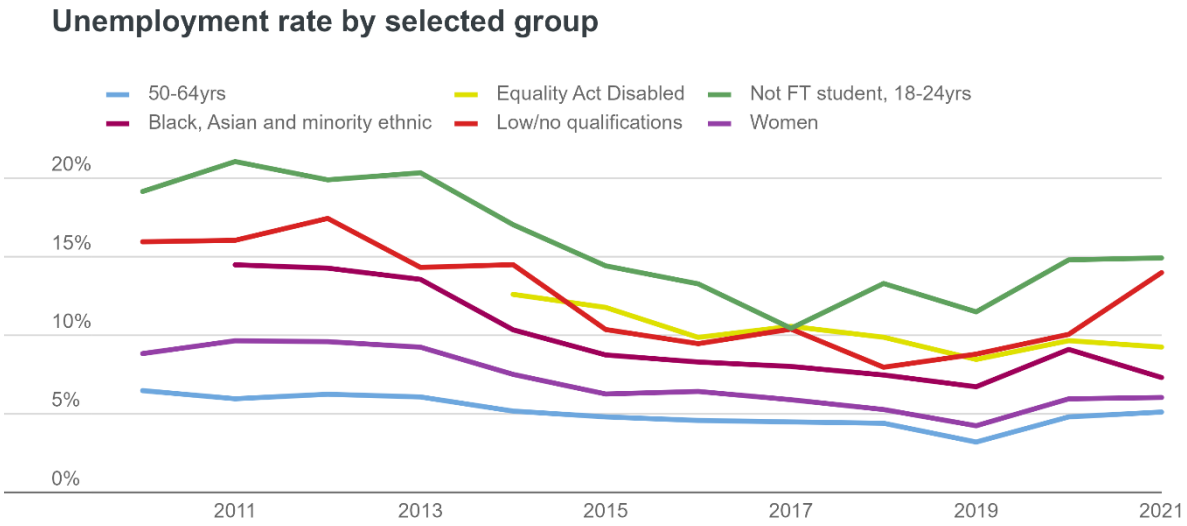
Type of category	Category value	Share of population (16-64)	Share of total unemployed (16-64)	Unemployment rate
Age	16-19yrs	6%	13%	37%
	20-24yrs	9%	19%	14%
	25-49yrs	60%	47%	4%
	50-54yrs	9%	7%	4%
	55-59yrs	8%	8%	6%
	60-64yrs	7%	5%	6%
Age*FT student status	FT student, 18-24yrs	5%	8%	22%
	Not FT student, 18-24yrs	7%	19%	15%
Disability	Equality Act Disabled	17%	21%	9%
	Not Equality Act Disabled	82%	78%	5%
Ethnicity	Bangladeshi	4%	5%	9%
	Black	11%	16%	9%
	Chinese	2%	2%	8%
	Indian	8%	5%	4%
	Mixed/Multiple ethnic groups	4%	6%	11%
	Other Asian	4%	5%	7%
	Other ethnic group	5%	8%	9%
	Pakistani	2%	3%	7%
	White	60%	51%	5%
Qualification level	No qualifications	5%	7%	14%
	Below NQF Level 2	6%	12%	14%
	NQF Level 2	10%	12%	10%
	NQF Level 3	12%	16%	8%
	NQF Level 4 and above	59%	43%	4%
	Other qualifications	7%	8%	7%
	Trade Apprenticeships	1%	1%	9%
Sex	Female	49%	49%	6%
	Male	51%	51%	5%

Who has benefitted from improvements in unemployment?

Among those benefitting from the overall fall in unemployment in London were people from disadvantaged groups. Figure 2.6 shows the unemployment rate for older workers (aged 50-64), ethnic minorities, those with disabilities, people with low or no formal qualifications, women, and young people who are not in full-time education. All of these groups saw a fall in the unemployment rate across the decade.

However, in recent years, unemployment rates for young people and those with low qualification levels climbed. Though the share of Londoners with low qualifications decreased between 2018 and 2021 (from 13.5% to 11%) the unemployment rate for this group increased from 8% to 14%. The unemployment rate for Londoners aged 18-24 years not in full-time education increased from 10% in 2017 to 15% in 2021.

Figure 2.6



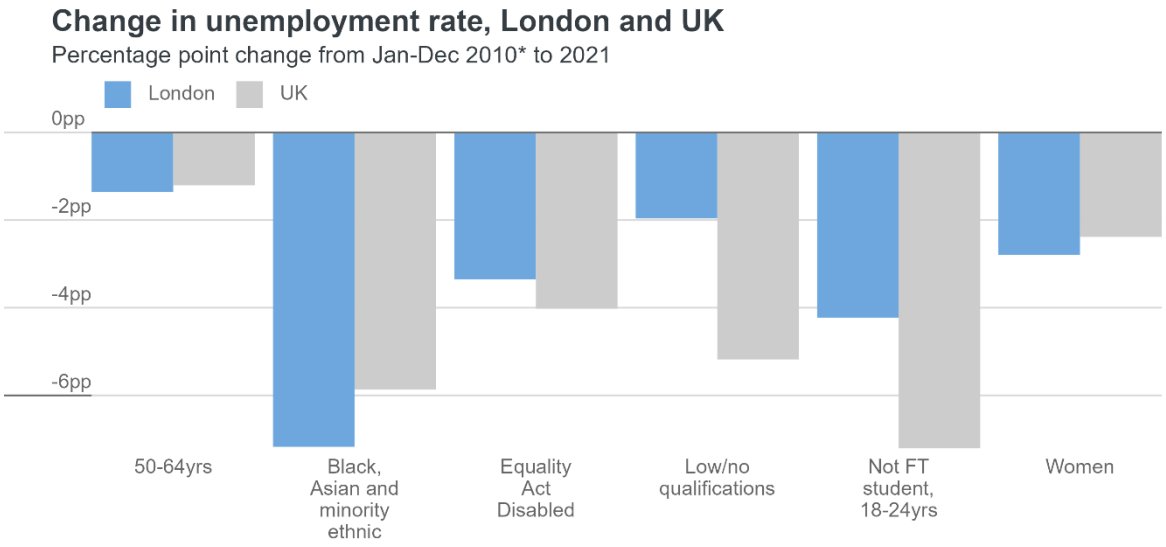
Source: APS, GLA Economics calculations.

Note: Unemployment rate measured as share of economically active population aged 16-64 in category. Data on ethnicity and disability available from 2011 and 2014, respectively.

The longer-term changes in unemployment rates for disadvantaged groups also differ when comparing London and the UK overall (Figure 2.7). Londoners from Black, Asian and minority ethnic groups saw a larger improvement in unemployment rates than the UK average, while Londoners aged 50-64 years and Londoners with a disability are faring similarly to the equivalent groups in the rest of the country.

In contrast, young Londoners and those with low qualifications have seen much smaller decreases in the unemployment rate than the national average. This is a result of the increases in unemployment in London since the pandemic, which did not occur on the same scale in the UK overall.

Figure 2.7



Source: APS, GLA Economics calculations.

Note: *Data on ethnicity and disability available from 2011 and 2014, respectively.

Unemployment by previous industry/occupation

During the early months of pandemic-related lockdowns in the UK, most customer-facing businesses were forced to close, some temporarily but others permanently, while people working in many higher-paid occupations were able to work from home.[11]

While we cannot yet fully analyse the impacts of lockdowns using data from the APS, it is clear that the occupation and industry of a worker had an impact on the likelihood of becoming unemployed.

Figure 2.8 shows the share of London's unemployed population by previous industry of employment from 2010 to 2021. It focuses on the nine largest sectors in London' and excludes respondents with no answers.[12] While the overall distribution has remained relatively steady over time, there have been some movements between individual years.[13]

Apart from the category of "Other", the sector from which the highest share of unemployed Londoners was drawn was Wholesale & retail. Between 2010 and 2021, around 16-20% of unemployed Londoners previously worked in this sector.[14] Other sectors have fluctuated more significantly. The highly cyclical Construction sector recorded a share of 9% in both 2010 and 2021 and a low share of just 3% in 2017. Likewise, Other services and Hospitality fluctuated from 5% to 10% and 9% to 13%, respectively.

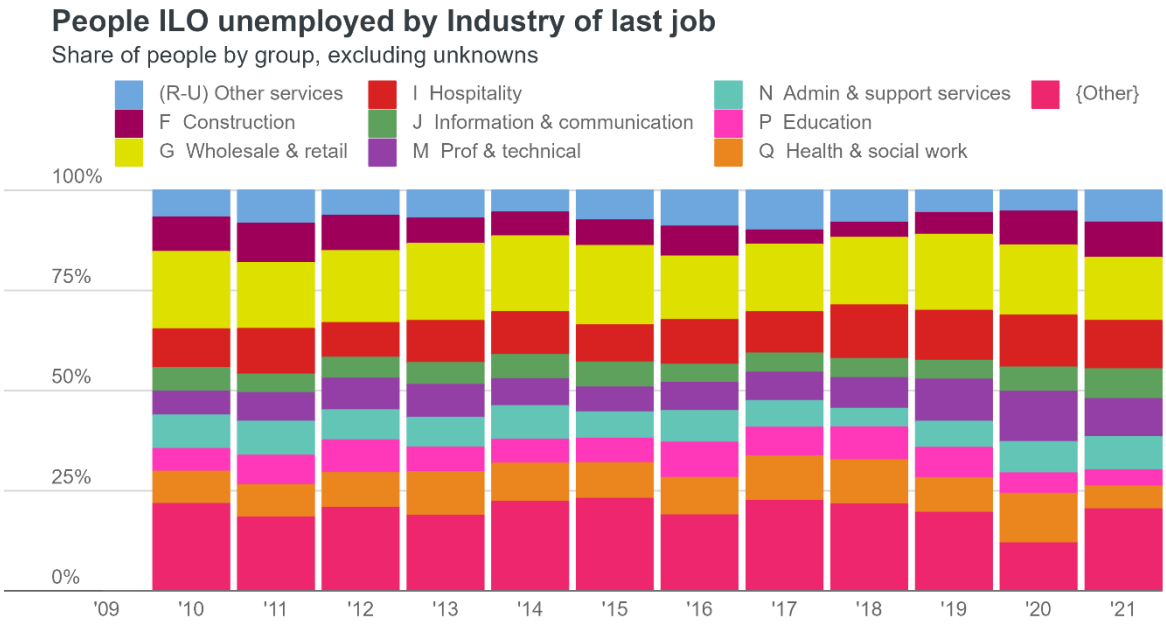
[11] ONS (2020) "Which jobs can be done from home?"
[12] Respondents are only asked which industry and occupation they last worked in if they have been out of work for 8 years or less. These figures also exclude the large proportion of respondents (around 30%) with unknown professional backgrounds.
[13] Note that individual workers are not necessarily associated with a particular industry, as they may move between different sectors depending on the demand for labour, especially where jobs do not require lengthy training.
[14] Since respondents were only asked about their previous occupation and industry if they were out of work, and due to the large number of unknowns, it is not possible to assess whether sectors are overrepresented in the unemployed population relative to the total population.

Within the UK overall, there do not appear to be significant differences for sectors between individual years which are not part of longer-term trends. This suggests that the fluctuations seen in London may be region-specific, perhaps due to the concentration of specific sectors in London relative to the national average.

The distribution of unemployed Londoners by last occupation worked is more varied over time, as shown in Figure 2.9. While 17% of Londoners had last worked in an Admin & secretarial role in 2021, between 11% and 15% had last worked in each of the following occupational groups: Professionals; Associate professionals; Sales; and Elementary. The distribution was more concentrated in 2021, on the other hand, as 20% had last worked in Elementary occupations with no other occupation recording a share above 15%.

In comparison with the equivalent distributions for the UK overall, a much larger share of unemployed people in the UK last worked in Elementary occupations than in London. This reflects the difference in the occupational profile of the labour force in the two geographies with Elementary roles accounting for more than 9% of the UK workforce but less than 7% of the London workforce.

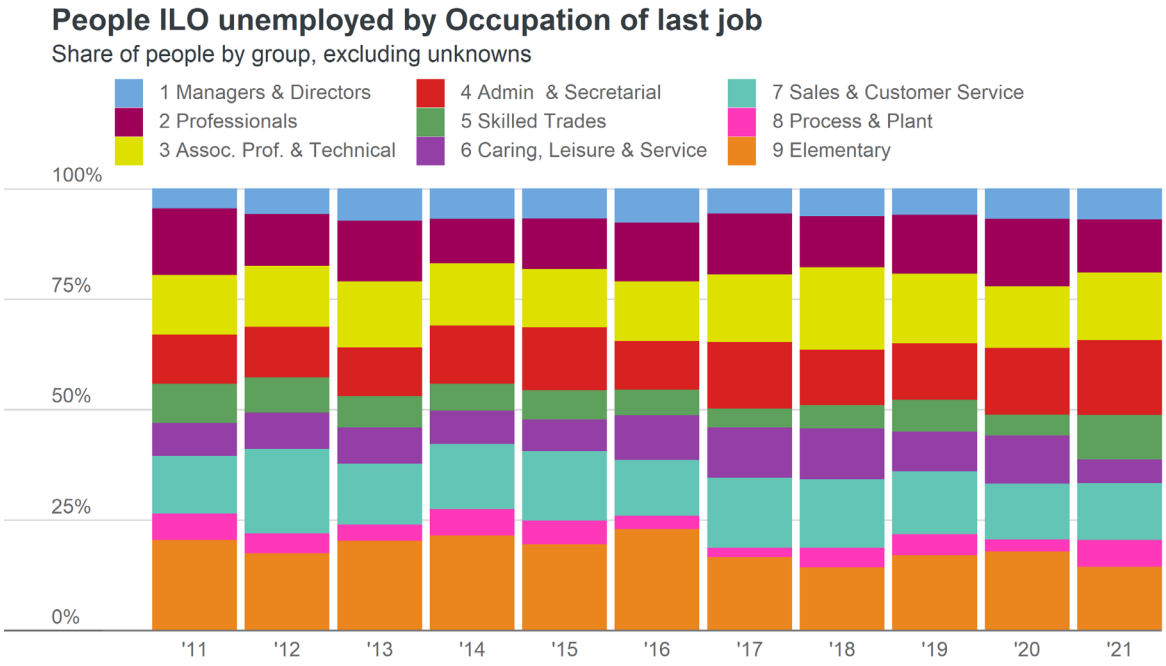
Figure 2.8



Source: APS, GLA Economics calculations.

Note: Shows 9 largest groups in ILO status.
'{Other}' contains: (B,D,E) Mining & utilities, A Agriculture & fishing, C Manufacturing, H Transport & storage, K Financial & insurance, L Real estate, O Public admin & defence

Figure 2.9



Source: APS, GLA Economics calculations.

Note: Shows 9 largest groups in ILO status.

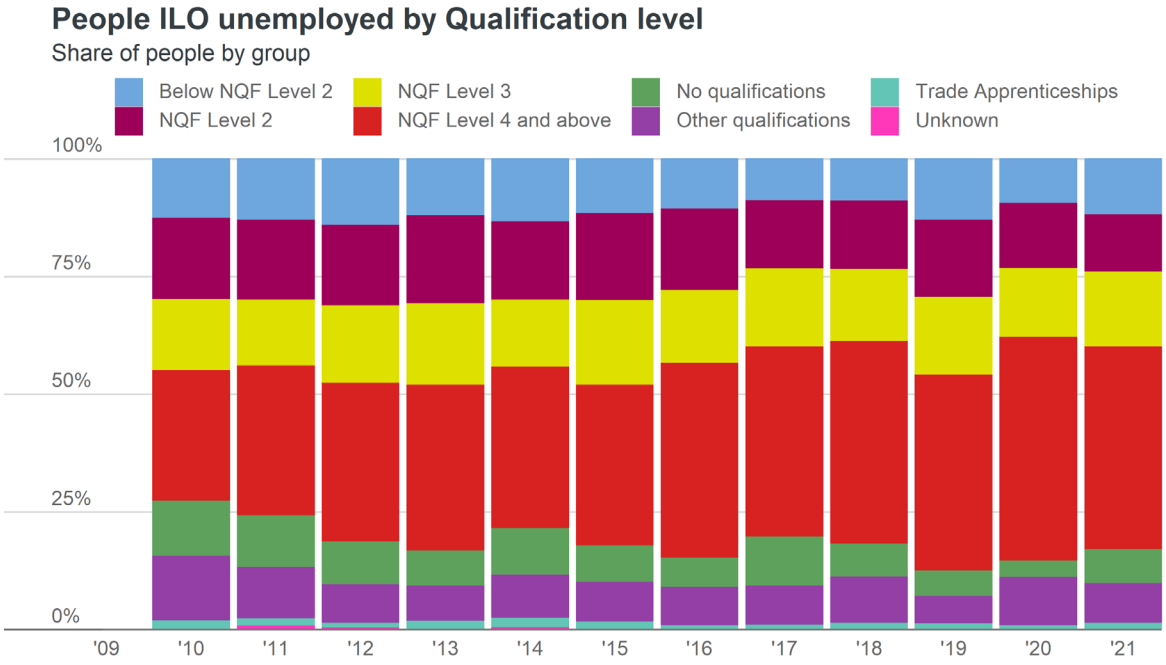
Unemployment by qualification levels

A high proportion of working-age Londoners hold qualifications at National Qualifications Level (NQF) level 4 or above compared to the national average, with shares of 59% and 43% in 2021, respectively. This is reflected in the share of unemployed people as well, where 43% of unemployed Londoners had this qualification level in 2021 (Figure 2.10), compared to 31% in the UK overall.

Higher educated Londoners were nevertheless less likely to be unemployed in 2021 than in 2010, as the in-group unemployment rate fell from 5.2% to 3.7% during that period. Though the most recent rate was higher than the UK-wide rate of 2.9%, it is in-line with the differences in overall unemployment rates.[15]

As discussed above, the unemployment rate for those with low qualification levels remains very high relative to higher educated Londoners (Table 1). The likelihood of returning to work after an unemployment spell has also been estimated to be much higher for people with higher qualification levels relative to those with low or no qualifications, which could affect the risk of moving into longer-term unemployment.[16]

Figure 2.10



Source: APS, GLA Economics calculations.

Note: Shows 8 largest groups in ILO status.

[15] 5.7% in London and 4.5% for the UK for 16–64-year-olds in 2021.
[16] ONS (2021) Which groups find it hardest to find a job following a period out of work?

Duration of unemployment

The most common duration of unemployment for Londoners throughout the period 2010-2021 has been less than three months, and the share was rising until the start of the pandemic (Figure 2.11 and Figure 2.12). One explanation for this trend could involve an increased likelihood of people finding a job before reaching long-term unemployment because of reduced frictions in the job market.

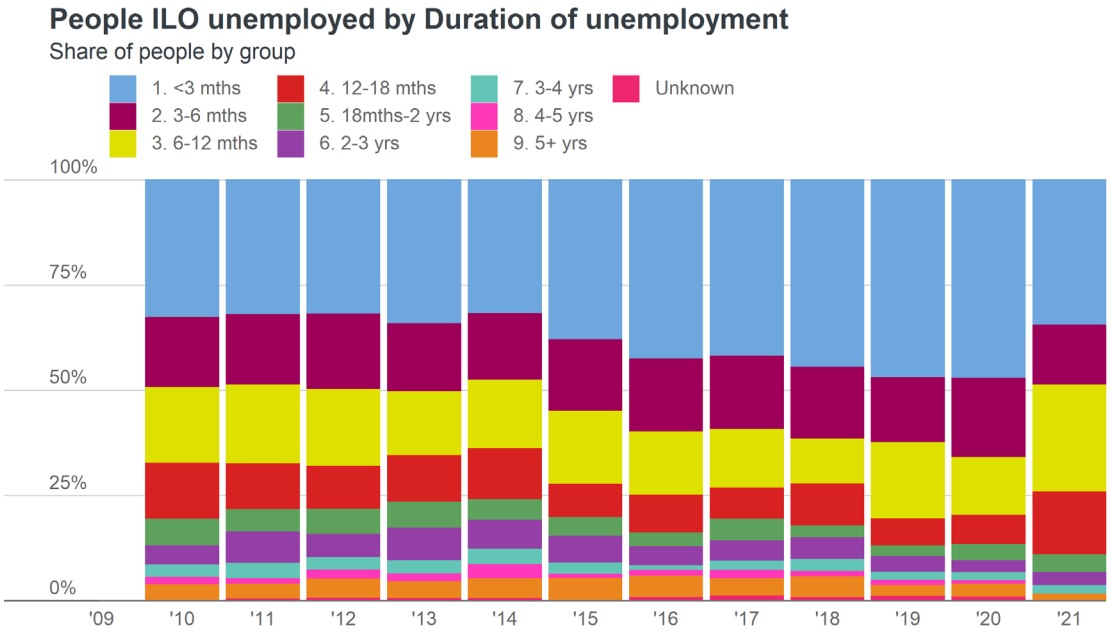
However, it could also indicate a less positive development. As insecure jobs and zero-hours contracts have become more common[17], some people may more often find themselves in between short-term jobs. Increased labour market flexibility and welfare reforms have been cited as enablers of higher employment levels.

Long-term unemployment increased following the onset of the coronavirus pandemic. Between 2020 and 2021 the number of Londoners who had been unemployed for 12-18 months doubled while the number unemployed for 6-12 months increased by 73%. In previous years, people who had recently been made redundant may have expected to find a job before becoming long-term unemployed, whereas the continuing effects of the pandemic may have prevented this in 2021, accounting for the increase. For some Londoners, this could prove even more problematic over time, as the likelihood of finding new employment decreases as the length of the unemployment spell increases.[18]

Compared to the UK average, a relatively high proportion of unemployed people in London are in long-term unemployment. In 2021, the share of unemployed people who were out of work for 12-24 months was 19% in London but only 15% in the UK overall. This could reflect, in part, the disproportionate impact of the pandemic on the capital's labour market in this period.[19]

[17] See Economic Fairness Indicators.
[18] ONS (2021) Which groups find it hardest to find a job following a period out of work?
[19] Workers in London accounted for around 23% of UK redundancies made in the final quarter of 2020, compared with just 12% in the three years prior to the pandemic.

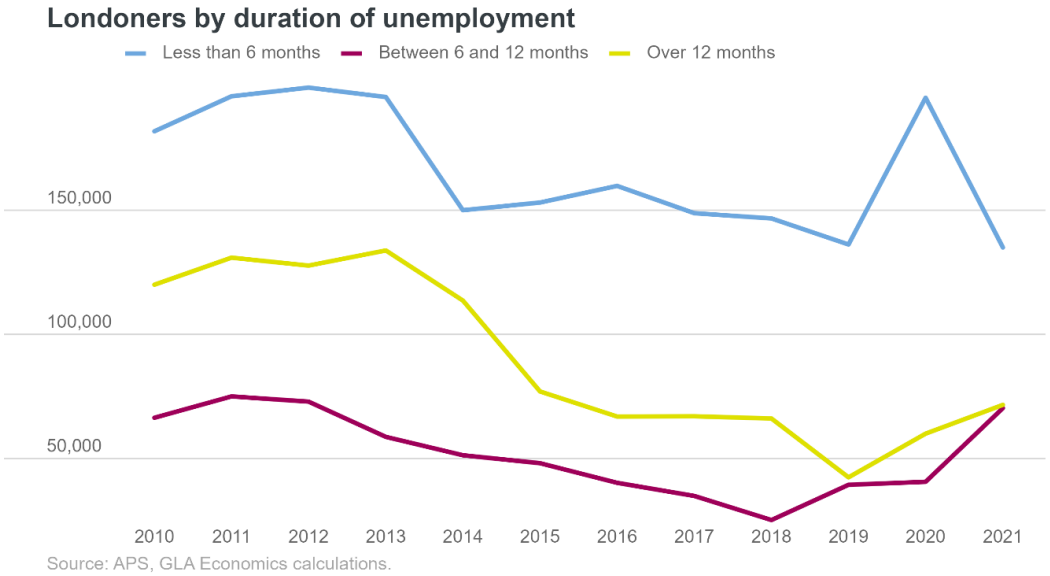
Figure 2.11



Source: APS, GLA Economics calculations.

Note: Shows 10 largest groups in ILO status.

Figure 2.12



Source: APS, GLA Economics calculations.

3 Inactivity

Summary of key points

- The number of economically inactive people and the inactivity rate in London have fallen steadily since 2010. Inactivity rates have fallen more, on average, in inner London boroughs than outer London boroughs.
- Some of the groups with the highest inactivity rates in 2021 were full-time students, older working age Londoners, those with disabilities, people from ethnic minorities, and women.
- Almost half of London's inactive population were people with no or low level qualifications. These groups represent only around a fifth of the total working-age population.
- Two-thirds of inactive Londoners said that they would either probably or definitely work at some point in the future, but only one-fifth wanted work immediately.
- The most common reason for inactivity was being a full-time student, followed by looking after home or family, and long-term illness. The share giving illness as the reason rose to a peak in 2021.
- The rate of inactivity among Londoners from ethnic minorities and those who were disabled has fallen since 2010. However, the inactivity rate for Londoners with low or no qualifications saw no improvement.

Headline trends in inactivity

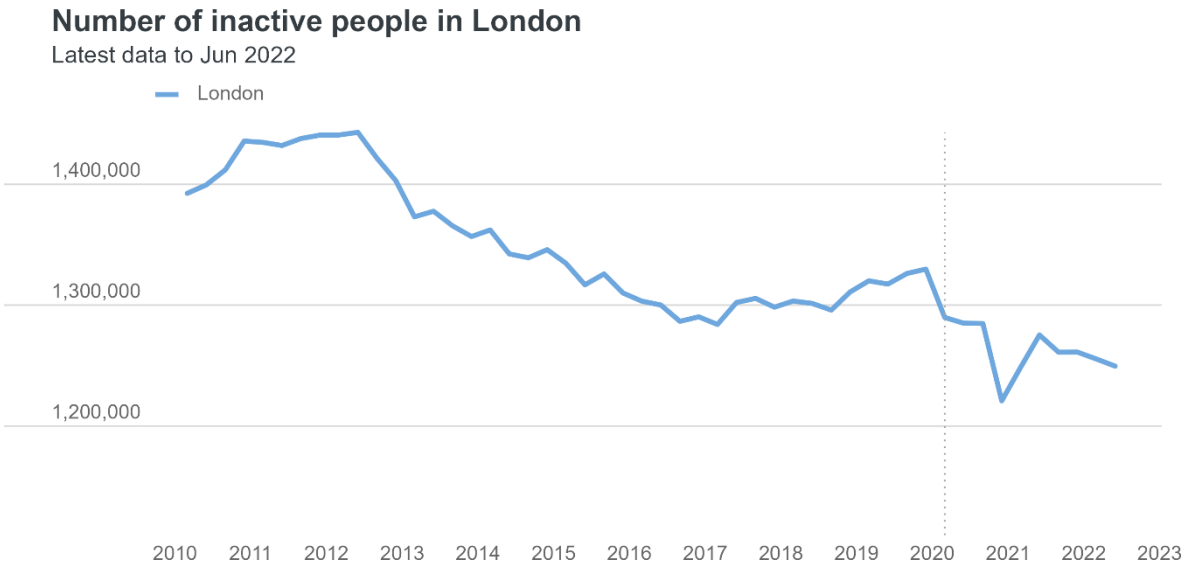
The level of economic inactivity among working-age Londoners has fallen considerably over the last decade (Figure 3.1). The number of inactive Londoners aged 16-64 reached a peak of around 1.44 million in 2011 before declining in the following years and levelling off at around 1.30 million between 2017 and 2019.

Inactivity numbers fell further in 2020 during the pandemic. The estimate reached a low of 1.23 million in the measurement period Jan-Dec 2020 before rebounding in the following months.

Since 2010, London's 16-64 inactivity rate has fallen more than for the UK as a whole (Figure 3.2). While London's inactivity rate was above the UK average for most of this period, the London rate decreased from highs of around 26% in 2010 to below 21% since 2020, while the UK rate remained within the range of 21% to 24%.[20]

[20] The timelier three-month estimates from the LFS for June-August 2022 show the inactivity rates for London and the UK are at a similar level. See our London Labour Market Update.

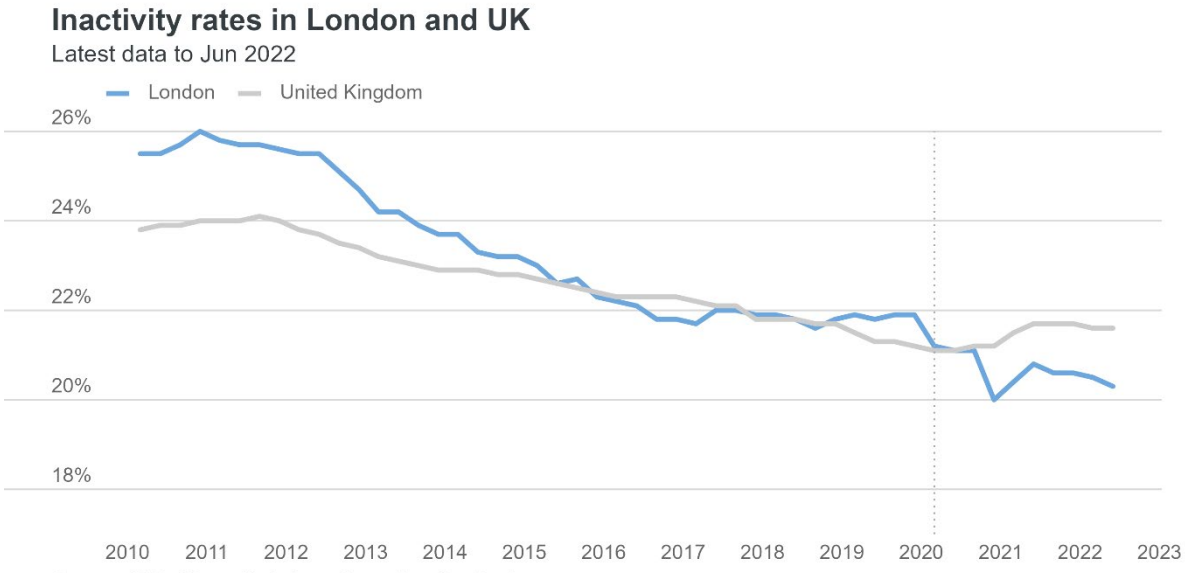
Figure 3.1



Source: APS, 12-month data on 3-month rolling basis.

Notes: Beginning of lockdowns in March 2020 indicated by dotted line.

Figure 3.2



Source: APS, 12-month data on 3-month rolling basis.

Notes: Beginning of lockdowns in March 2020 indicated by dotted line. Share of population aged 16-64.

Sub-regional inactivity

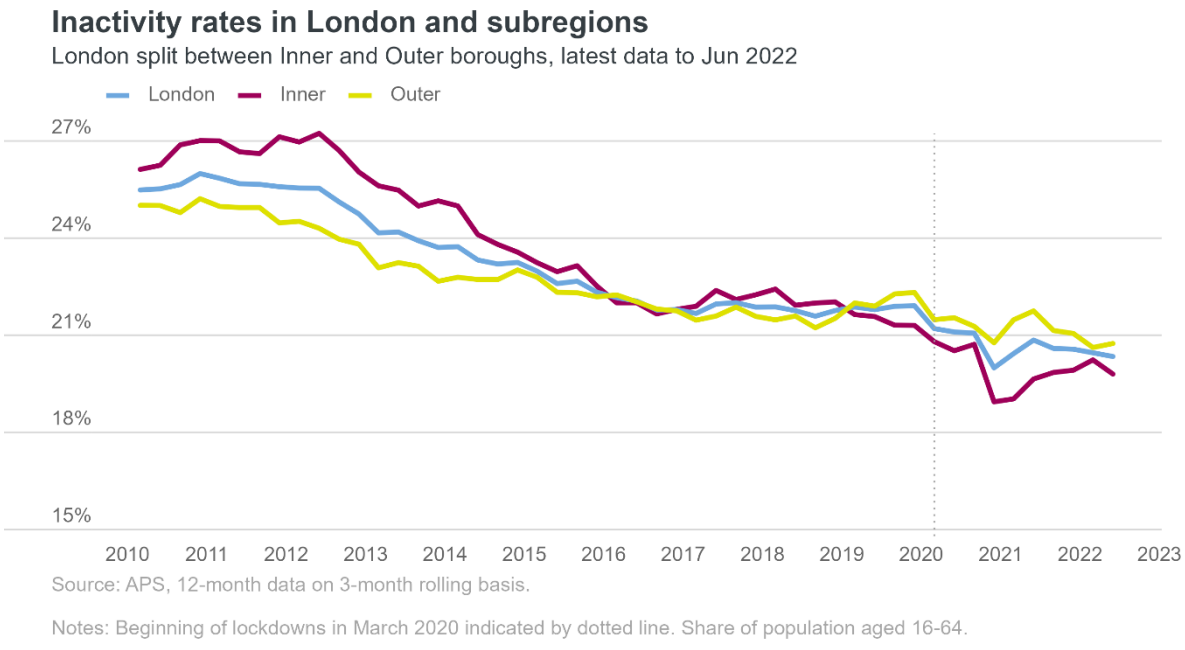
Much of the decline in the capital's inactivity rate appears to be accounted for by falling rates of inactivity among Londoners living in inner London (Figure 3.3). The average rate of inactivity in inner London started the last decade above the London average but was lower than the regional average in the most recent estimates. The number of inactive people in inner London decreased by 94,000 from 2010 to 2021, while the number decreased by 79,000 in outer London, despite the latter having a larger population overall.

At the borough level, the pre-pandemic period saw Lewisham (-11.7pp), Newham (-11.2pp) and Haringey (-10.9pp) record the largest reductions in inactivity rates (Figure 3.4). The only boroughs to see increases in the rate of inactivity during this period were Harrow (5.5pp), Hounslow (3.2pp) and Hackney (0.1pp).

While 12 boroughs saw an increase in the rate from 2019 to 2021 (Figure 3.5), several boroughs saw further decreases, most significantly Hackney at -10.3pp.

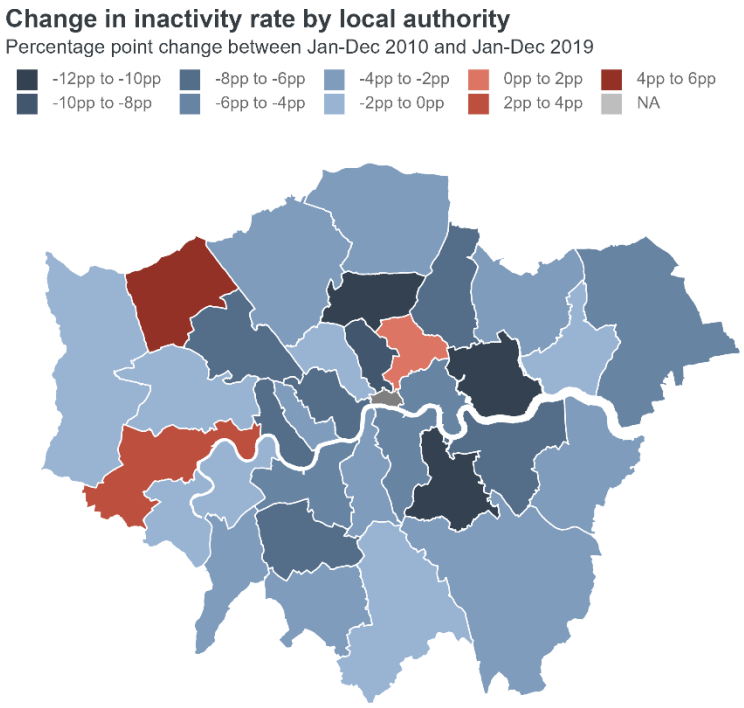
The decrease in the number of inactive people in London between Jan-Dec 2019 and Jan-Dec 2020, and particularly in inner London boroughs (by around 59,000), is largely due to decreases happening towards the end of 2019. London and the UK both saw the highest employment rate on record during this period, while the UK recorded its lowest ever inactivity rate. These trends were attributed to the increasing levels of employment of women, partially due to the increase in the state pension age for women.[21]

Figure 3.3



[21] See ONS (2020) Labour market overview, UK: April 2020.

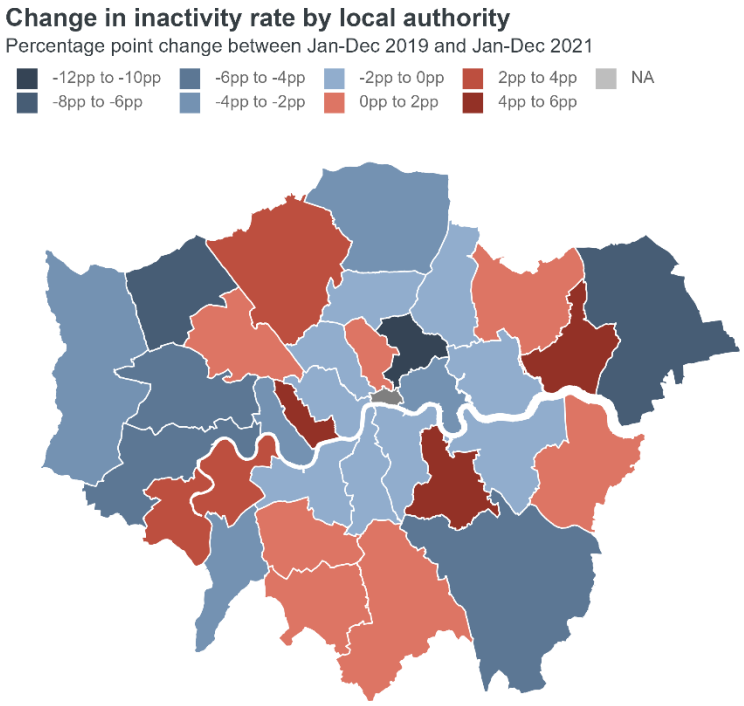
Figure 3.4



Source: APS. Contains Ordnance Survey data, Crown copyright and database right [2015]

Notes: Rate measured as share of total population aged 16-64.

Figure 3.5



Source: APS. Contains Ordnance Survey data, Crown copyright and database right [2015]

Notes: Rate measured as share of total population aged 16-64.

A snapshot of the economically inactive population

Table 2 shows the inactive population in London by individual characteristics using the latest annual data, for 2021.

Young Londoners were heavily represented in the inactive population, as many were in full-time education and not looking for work. While full-time students made up 10% of the working-age population, they accounted for a third of all inactive Londoners. The economic inactivity rate for Londoners aged 20-24 years was not much lower than for people aged 60-64 years (31% and 38%, respectively).

Inactivity rates for Londoners with lower-level qualifications were also relatively high. Those with NQF level 2 qualifications made up a fifth of all inactive Londoners despite making up just a tenth of the population.

The inactivity rate for female Londoners was 8pp higher than that for male Londoners.

Table 3 explores the reasons working-age Londoners gave for being economically inactive in 2021. Almost four-fifths of London's economically inactive population said that they did not want to work, which corresponded to 16% of the total working-age population. For many people in this group, this was a temporary stance: only 15% said they would definitely not work again in the future while a further 8% said they were unlikely to work in the future.

Among the reasons for being economically inactive, the most common (main) reasons cited by Londoners were being a full-time student (34%); looking after family or home (21%); and being long-term sick or disabled (19%). Londoners who had retired from work were the fourth largest group at 7% of the inactive working-age population.

Table 2: Inactivity for selected groups in London, 2021

Type of category	Category value	Share of population (16-64)	Share of total inactive (16-64)	Inactivity rate
Age*FT status	FT student, 16-17yrs	3%	13%	86%
	FT student, 18-24yrs	5%	17%	69%
	Not FT student, 18-24yrs	7%	5%	15%
Age	16-19yrs	6%	22%	74%
	20-24yrs	9%	13%	31%
	25-49yrs	60%	36%	12%
	50-54yrs	9%	8%	17%
	55-59yrs	8%	9%	21%
	60-64yrs	7%	13%	38%
Disability	Equality Act Disabled	17%	32%	40%
	Not Equality Act Disabled	82%	66%	17%
FT status	FT student	10%	34%	70%
	Not FT student	90%	66%	15%
Ethnicity	Bangladeshi	4%	7%	36%
	Black	11%	14%	26%
	Chinese	2%	2%	25%
	Indian	8%	6%	17%
	Mixed/Multiple ethnic groups	4%	5%	28%
	Other Asian	4%	4%	22%
	Other ethnic group	5%	7%	28%
	Pakistani	2%	4%	30%
	White	60%	51%	17%
Qualification level	No qualifications	5%	15%	57%
	Below NQF Level 2	6%	9%	32%
	NQF Level 2	10%	20%	42%
	NQF Level 3	12%	16%	27%
	NQF Level 4 and above	59%	30%	10%
	Other qualifications	7%	8%	24%
	Trade Apprenticeships	1%	1%	25%
Sex	Female	49%	59%	25%
	Male	51%	41%	17%

Table 3: Reasons behind inactivity, 2021

Type of category	Category value	Share of population (16-64)	Share of total inactive (16-64)
Will work in future	Definitely will work in future	11%	52%
	Definitely won't work in future	3%	15%
	Don't Know / Can't say	2%	12%
	Probably will work in future	3%	12%
	Probably won't work in future	2%	8%
Reason for not job searching	Any other reason	1%	6%
	Doesn't need employment	1%	3%
	Long-term sick or disabled	4%	19%
	Looking after family / home	4%	21%
	Not yet started looking	0%	2%
	Retired from paid work	1%	7%
	Student	7%	34%
	Temporarily sick or injured	0%	2%
	Waiting for job application results/ ET assistant	0%	1%
Whether wants to work	No	16%	78%
	Yes	4%	17%

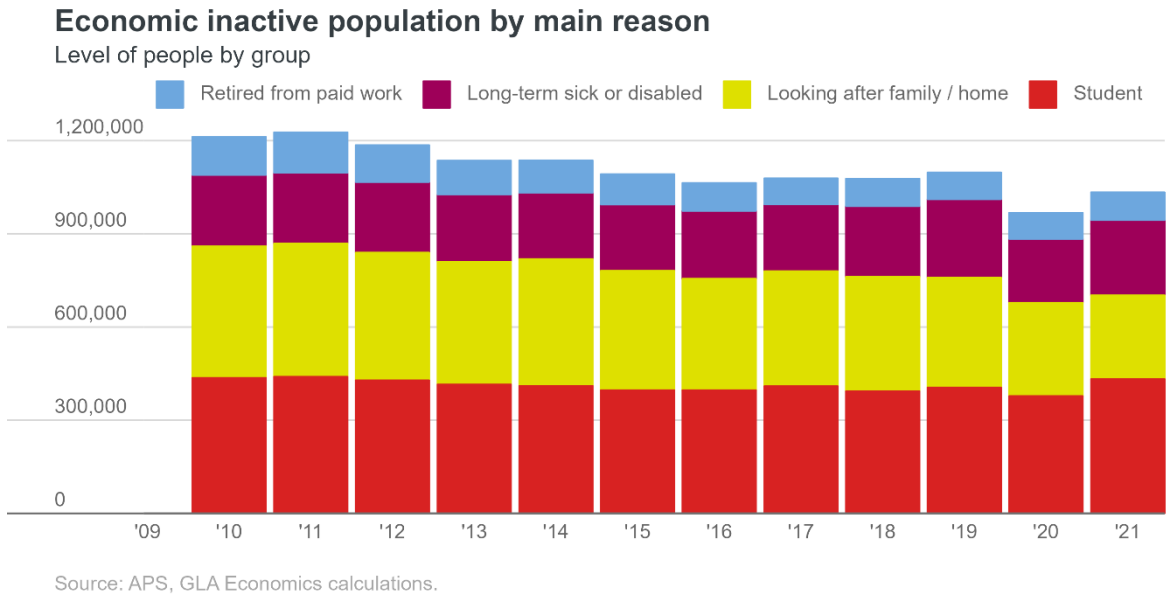
Changes in reason for inactivity over time

Though the relative position of the four most common reasons for economic inactivity have remained the same throughout the period 2010-2021, the share of inactive Londoners who cited each reason has fluctuated (Figure 3.6).

The number of inactive Londoners who cited being full-time students as the main reason remained steady relative to overall inactivity levels over most of this period. Though the level slowly decreased from the high of 436,000 in 2010 across subsequent years, it rebounded in 2021 to 432,000. In contrast, the number of Londoners looking after family or home decreased throughout the period. The level was close to that of students in 2010 but had fallen to 270,000 in 2021.

The share of Londoners who are inactive due to long-term sickness or disability has instead been rising steadily. The number of working-age Londoners in this group increased from 230,000 in 2011 to 242,000 in 2021, just under the level of those looking after family.

Figure 3.6



Inactivity rates for selected groups over time

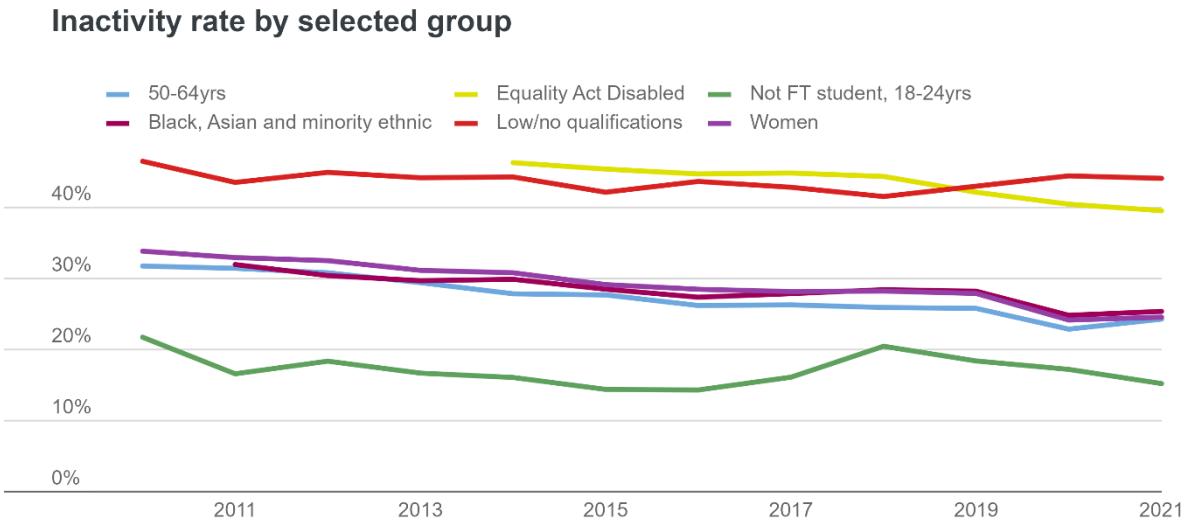
Figure 3.7 shows the inactivity rates within selected population groups, including some disadvantaged groups, from 2010 to 2021. There has not been a universal decrease in inactivity rates across all the groups, though some have seen improvements.

Inactivity rates for women, Londoners aged 50-64 years, and for Londoners from Black, Asian and minority ethnic groups have been tracking closely throughout the period, starting above 30% in 2011 and ending up around 25% in 2021. These groups experienced a rate decrease to 2020 before increasing again in 2021.

The inactivity rate for disabled Londoners also decreased, from around 45% in 2014 (the earliest year with data on a consistent basis) to 40% in 2021. The inactivity rate for Londoners with low or no qualifications fluctuated more across this period: falling from 46% to 40% between 2010 and 2018, before rising again to 44% in 2021.

The group of Londoners aged 18-24 years who were not full-time students also experienced a fluctuating inactivity rate, starting above 20%, falling to around 15% in 2015, rising again to 20% in 2018 before again decreasing to 15% in 2021.

Figure 3.7



Source: APS, GLA Economics calculations.

Note: Inactivity rate measured as share of total population aged 16-64 in category.
Data on ethnicity and disability available from 2011 and 2014, respectively.

4 Notes on the data

The data in this report is from the Annual Population Survey (APS), a continuous household survey, covering the UK. The APS is the recommended source of data for employment-related statistics at local levels and covers a large range of topics, such as employment and unemployment, ethnicity, health, and education.

The APS has the largest sample size among regular UK surveys on employment and is the most likely to provide statistically robust information on the characteristics of out of work Londoners. However, as the data is provided for 12-month periods, it is less useful for analysing short-term changes in the status of the workforce. Readers should also be cautious in interpreting how shocks to the economy, such as the coronavirus pandemic, have impacted the data collected within that period.[22]

In addition, while the annual datasets of the APS are useful for providing snapshots of the total population, it is more difficult to account for changes in the composition of groups over time. When labour market outcomes change across years for a given group, say people with high qualifications, it could be due to new people entering the group (people gaining new qualifications) or changing circumstances for people already in the group. It is not possible to assess how big an impact either development had without digging deeper into the underlying characteristics of the people within the groups, which is beyond the scope of this report.[23]

[22] For example, the first the coronavirus pandemic related lockdown in the UK began towards the end of March 2020, at which point a quarter of the data for 2020 had already been collected. Any immediate impacts on employment would be dampened in the results by the pre-lockdown data, and conversely some pre-lockdown trends may continue to be visible.

[23] Say the unemployment rate is 5% and 8% for people with and without a degree, respectively. A few years later, the rate is 6% for both groups. This may indicate that people with degrees are now more likely to be unemployed than before but may also reflect that more people have now obtained a degree who are more likely to be unemployed for unrelated reasons.

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