

Almost 40% of adults are economically inactive: How governments are ignoring the UK's human potential

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The government must wake up to the "huge waste in human potential" as new research highlights that 40% or two in five adults aged 16+ are

economically inactive.

Research looking back over 30 years by Bayes Business School (formerly Cass) and the International Longevity Center (ILC) shows that the U.K. labor market will suffer because of factors including a shortage of active workers, too many inactive workers are long-term sick, men now work significantly less than they used to, and the gap between jobs and skills is growing.

The [report](#) adds that the government must focus on a joined-up plan to increase productivity, because of the impact of the cost-of-living crisis on workers income alongside rising health care costs. With 2.5 million of the 8.9 million inactive adults aged 16–64 registered as long-term sick and the U.K. population expected to grow by 7% to 72 million by 2040, the report says a workforce strategy focusing on incentivizing workers and resolving pay issues, plus issues surrounding skills and health inequalities, would make all the difference.

The report comes out as the Institute for Fiscal Studies (IFS) announced a rise in the number of 50- to 64-year-olds coming out of retirement, with the data showing 5% of economically inactive adults would look to return to workforce (up from 3.8%). It follows Chancellor Jeremy Hunt's plea to the one million non-students who have taken [early retirement](#) since the pandemic to return to work.

Professor Les Mayhew, report author, says the IFS findings buck the long-term trends as they are only based on the final three months of 2022.

"There is a danger in just looking at a couple of data points. The uptick is welcome but very small and is dwarfed by the increase and number of people that are inactive due to long-term sickness," said Professor Mayhew.

"Our research is a more reliable commentary on what has been going on in labor markets. Proportionally fewer men are economically active, there is a huge rise in [part-time](#) working, while the proportion of people working in manufacturing and manual occupations is very low and continues to fall. Add to this the rise in long-term sickness and I think the U.K. plc needs to be concerned."

Professor Mayhew says the increase in the number of older people working beyond state pension age following the removal of the default retirement age has plateaued, adding that this "worrisome trend" is despite the fact that the rate of economic activity is no higher now than it was in 1992.

"While economic inactivity has increased in most countries during the pandemic, the U.K. is one of the few developed economies where it has still not rebounded. The stagnation of the workforce is quite galling. This is despite the removal of the default retirement age and other work-friendly pension reforms in the interim period.

"Policymakers need to come up with a solution to support a rise in productivity. A narrow lens is not the way to uplift what is a dangerous trend towards increased inequalities and economic struggles."

More information: With nearly two in five adults economically inactive, is work no longer working? [ilcuk.org.uk/with-nearly-two-i ... k-no-longer-working/](https://ilcuk.org.uk/with-nearly-two-in-five-adults-economically-inactive-is-work-no-longer-working/)

Provided by City University London

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