

COVID-19 Recovery Committee

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

Summary of responses to the call for views

Background

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](#) was issued on 30 June 2022 and closed on 9 September 2022. There were 7 key questions asked and a total of 42 online responses received.

This paper aims to summarise these responses and draw out key themes.

Summary of Responses

Of the 42 responses, 22 were from organisations (52 per cent) and 20 were from individuals (48 per cent). The following aims to break down the responses to each of the 7 questions posed.

1. What are the key factors driving the increase in labour market inactivity?

There were 32 responses to this question.

Many respondents highlighted that it is difficult to pinpoint exactly what has driven an increase in labour market inactivity in Scotland.

While respondents often cited the post-pandemic rise in inactivity as being attributable to increasing rates of chronic illness and early retirement, various factors have potentially contributed to an increase in labour market inactivity.

As the **Fraser of Allander Institute** highlighted:

“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.”

Skills Development Scotland in their response highlighted the impact that the pandemic has had on the labour market, but that it is important to analyse these trends in the context of “economically inactive” people rather than “unemployed” people, stating:

“Despite Scotland’s low unemployment rate and relatively high employment rate, labour market participation declined as the number of people in employment decreased compared to pre-pandemic levels, whilst there has been a notable increase in the number of economically inactive people in Scotland. Economically inactive people are not in employment, but do not satisfy all the criteria for unemployment. The group is comprised of those who want a job but who have not been seeking work in the last 4 weeks, those who want a job and are seeking work but not available to start and those who do not want a job. For example, students not working or seeking work and those in retirement are classed as economically inactive. It can be useful for

some purposes to consider only those who are both economically inactive and not of state pension age.”

They further state that interest in working is at its lowest amongst the inactive population, with fewer than one in five (17.6 per cent) of those inactive indicating they would like a job despite not currently looking, below the 18-year average of 24.1 per cent. However, again they state these trends may only be indicative of the impact of the pandemic highlighting:

“The number of inactive people ‘discouraged’ has risen sharply during the pandemic but is starting to fall. The long-term trends for those ‘discouraged’ suggest this group is fluid and reactive to labour market conditions. The only category of economic inactivity that contracted over the duration of the pandemic was those looking after their family or home.”

The National Association of Schoolmasters Union of Women Teachers (NASUWT) also highlighted the difficulty of assessing factors contributing to the rise in labour market inactivity, stating:

“The current absence of a rich, research-informed evidence base does create difficulties in accurately assessing the weight and distribution of factors generally and across groups with protected characteristics, which can lead to a persistently high number of economically inactive people.”

The Royal Society of Edinburgh, while identifying three main factors for labour shortages across Scotland, echo this notion that analysing these shortages is difficult, stating:

“The RSE understands that the current key factors driving labour shortages are not solely driven by labour market inactivity. The current labour market shortages are complex and not fully understood. We have identified three main factors:

- The direct and indirect impact of the COVID-19 pandemic on labour market inactivity.
- Recent trends in migrant labour
- Demographic trends and the impact of a more rapidly ageing population in Scotland than in most of the UK.

We should note that there are interactions between these three factors.”

Various local authorities also submitted responses to this question, such as **South Lanarkshire Council, Aberdeen City Council, East Ayrshire Council and Stirling Council**.

These local authority submissions vary considerably as to the levels of economic inactivity at local level, highlighting again the difficulties in assessing the factors which have driven a rise in economic inactivity across Scotland more broadly.

Stirling Council for example, stated:

“The % of Stirling residents aged 16-64 who were economically inactive as of March 2022 was 22.9%, compared with the Scottish figure of 23.5%. Of those, the numbers who are retired or studying are higher than the national averages and the number who are long term sick are significantly lower than the Scottish average – Stirling 25.3%, Scotland 29.7%.

In the year to March 2020 (i.e pre COVID-19) the economically inactive rate was 25.5% (Scotland, 22.9%), suggesting that the rate of economic inactivity in Stirling has gone down by 2.5% since the beginning of the pandemic. In terms of long-term sickness, there are around 1000 fewer people economically inactive for this reason.

So it would seem based on the data that economic activity and long-term sickness have both reduced in Stirling and across Scotland since the beginning of the pandemic. However, anecdotal evidence suggests that the most significant impacts have yet to be felt, and this may lead to increased inequality without focused interventions. ”

In contrast, **East Ayrshire Council** state that labour market data for the area shows a significant proportion of the economically inactive are long-term sick, accounting for around 32 per cent of all inactive residents. They identify a number of factors behind this, namely:

- Health reasons – a combination of both Covid, Long Covid, and the impact this has on individuals with caring responsibilities not wishing to expose themselves to the virus.
- Lockdowns associated with COVID-19 resulting in many businesses making workers redundant – particularly in hospitality. This also contributed to many displaced older workers, particularly those in their 50s and 60s, deciding to not look for further work.
- Flexible and home working encouraging some to take early retirement as a lack of skills or ability to work in ‘traditional’ office-based settings leading to disillusionment and alienation.
- Other factors unrelated to the pandemic – such as potential loss of benefits or difficulties accessing transport to work, below average wages, and a prominence of part time rather than full time employment.

Aberdeen City Council state similar factors outlined above in contributing to inactivity, but with regards to flexible employment, state:

“Some employers may have chosen to discontinue flexible working practices that may have been put in place during the pandemic, meaning some workers are choosing not to continue in work as this would mean a return to the status quo which may no longer suit their work life balance or preferences.”

The number of young people staying in education for longer was identified as a potential factor to inactivity amongst this demographic in their submission.

This was echoed by **South Lanarkshire Council** citing that the data for 16–24-year-olds coincides with an increase in the number of young people becoming students and therefore not available for work – and deduce therefore that the economic inactivity for this group is temporary. This is also echoed by the **Society of Personnel and Development Scotland (SPDS)**.

Health and Social Care Alliance Scotland (the ALLIANCE) also highlighted two key factors contributing to labour market inactivity in Scotland. The first of these being Long Covid impacting some people's ability to return to work in ways identified by the above submissions i.e reduced hours, health conditions, or caring responsibilities.

The second factor identified, with specific regard to the health and social care sector, is burnout. They state:

“Burnout has been a recurring theme since the start of the pandemic – and in many cases, even earlier. Health and social care in a variety of areas was experiencing recruitment and retention issues even prior to the pandemic, as a result of a compound of factors including Brexit, increasing workload, and persistent undervaluing of the social care sector. These factors were compounded by the pandemic, the subsequent recession, and the current cost of living crisis....

...Staff across the health and social care sector have increasingly reported feeling undervalued, overwork, and under significant pressure, with a substantial minority considering leaving the profession. The [UNISON Burnout Pandemic report](#) indicated that 10% of respondents are “actively looking to leave” their current employment, with a further 24% stating they are considering leaving if the pressures don't ease. Similar concerns have been raised in the [Setting the Bar for Social Work in Scotland Report](#), the [GP Worklife Survey](#), and by the [Royal College of Midwives Scotland](#).”

The **Scottish Women's Convention** also cited mental health concerns as being a large contributor for some women not wanting to return to work – which has been heightened by anxiety around the pandemic and the associated 'lack of support' felt by some women surveyed.

They also highlight the need for active support for women to enter the labour market. Caring commitments including childcare, caring for elderly relatives or family members, of which women are often the primary carers of these groups, mean they are unable to meet the requirements of full-time employment. They identify a need for more support to enable a flexible approach in the workplace and for employers to offer better childcare support.

Q.1 - Common Themes

As shown above, a common theme amongst submissions is that tracking labour market inactivity generally, and identifying the root causes or factors for a rise in inactivity, is difficult.

While there is a common theme that long-term sickness, an ageing population, and early retirement can be described as ‘constant’ factors impacting the labour market, and trends which predate the COVID-19 pandemic – the lack of a substantive data base makes it a challenge to readily identify specific factors influencing certain demographics, as in many cases economic inactivity in sectors and local areas can be attributed to a range of issues and circumstances which impact everyone differently.

However, a recurring element in the submissions is that the COVID-19 pandemic has, at the very least, augmented a number of these factors which has led to an increase in economic inactivity – not least to do with changes in working, the wider economic impact of the pandemic, increases to health anxiety as a result of the COVID-19 virus, and a further portion of the workforce who previously contributed to the labour market being unable to do so due to the effects of Long Covid.

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?

There were 32 responses to this question.

Long Covid Scotland state they believe this has been a factor. They highlight in their submission that their Scottish families report shows that at least one parent must be available to care full time if their child is suffering from Long Covid. They state:

“Until Scotland recognises the impact of Long Covid in children and young people, and the wider impacts on the family and society, the trend will continue. Furthermore, the more children and young people are infected and reinfected, the more cases of Long Covid we will see. It is an ongoing situation that requires urgent intervention.”

Public Health Scotland in their submission highlighted that, according to the ONS, almost 2 million people in the UK had Long Covid by the end of May 2022 – with the number steadily rising since mid-2021. They also note that the impact of Long Covid is felt unequally, with sufferers more likely to have a pre-existing condition, be female, or middle aged and economically disadvantaged.

On Long Covid’s impact on the labour market they state:

“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).

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.”

The Royal Society of Edinburgh also concurs with this, stating recent data also suggests Long Covid is most prevalent amongst disadvantaged communities.

The same conclusions in terms of Long Covid's disproportionate impact on specific demographics within the labour market can be drawn from submissions from the four local authorities. **East Ayrshire Council** also highlighted:

“One of the challenges in this area for employers surrounds the profile of this illness, which is still being understood. Many Long Covid sufferers can be fit to work one day but debilitated by the condition at short notice the next day. Some sufferers, such as those working remotely in sedentary occupations, may be better equipped to deal with their symptoms whilst continuing to work from home at the same time.”

The **Construction Industry Training Board (CITB)** state that, at a UK level, higher economic inactivity is particularly due to more older people leaving the labour force and more people off work due to long-term ill health – with economic inactivity due to long-term ill health being at its highest level for twenty years. This, they state, is a combination of factors including Long Covid.

However, regarding whether this will be a permanent feature of the labour market, they state:

“It is difficult to determine whether this is a permanent feature of the labour market. Some commentators suggest that high levels of inflation and the cost-of-living crisis will draw more economically inactive back into the workforce, however, this is not evident in labour market statistics at present.”

NASUWT also expressed difficulty in assessing the impact of Long Covid on the teaching workforce, highlighting:

“Given that most people are not willing to disclose Long Covid to their employer (through fear of punitive action) it will be difficult to correlate absence levels with the condition. However, one can infer that it is both highly probable that Long Covid has been a factor in current levels of labour market inactivity and, further, that it is likely to be a permanent feature of the labour market.”

Contrary to this, the **Society of Personnel Development Scotland (SPDS)** stated:

“It is too early to tell from the available data at area level, indications from Council's workforce show a small number of Long Covid cases and this is unlikely to be a driver of economic inactivity. There are employees still in the workforce with a diagnosis linked to COVID-19, for whom adjustments have been made.

Other long term health issues, arising out of diagnosis and intervention delays due to Covid, are evident amongst council absence figures and it is reasonable to assume that this may also be apparent more generally in the inactivity figures.”

#MEAction Scotland state in their submission they believe that Long Covid is a significant, and growing, factor in economic inactivity – citing evidence that one in four employers now include Long Covid among the main causes of long-term sickness absence.

They also state that studies suggest at least half of those with Long Covid meet the diagnostic criteria for Myalgic Encephalomyelitis (ME) - which impacts neurological performance – and thus poses a significant threat to the economy in terms of prolonged illness preventing Long Covid sufferers from re-entering the labour market, care costs and productivity losses. They state that the cost to the economy is likely to grow until action is taken to address the issue.

Tom Waters, Senior Research Economist at the Institute for Fiscal Studies, in his response highlighted that the IFS has written a [briefing note on the impact of long COVID on labour market outcomes](#). He states:

“Broadly, getting Long Covid seems to cause about 1 in 10 workers to stop working while they have the condition. This is largely accounted for by them going on sick leave, rather than losing their job altogether; since they still have a job, they would appear in the official labour market statistics as “employed” rather than “inactive”. Thus, our research suggests that the effect of Long Covid is not primarily to increase measured inactivity, but still to reduce the size of the effective workforce. At current rates of Long Covid, our estimates imply about 110,000 people missing from work at any one time across the UK as a whole.”

Eileen Gilmour, responding as an individual, stated that she has had Long Covid for over 28 months. She states that she has made very slow progress in recovery and is still unable to leave the house independently. Her symptoms also mirror those outlined by #MEAlliance in their submission, indicating it has impacted her ability to do her job. While she was receiving full pay under ‘special COVID policies’ this has now ended, and she is subject to normal sickness management policies.

Q.2 - Common Themes

As outlined by the above submissions, there is a common theme that Long Covid has added to the proportion of long-term sick currently in the workforce. The symptoms significantly impair most sufferers from completing tasks and impair their ability to enter, or re-enter, the labour market.

However, there is also a common theme amongst organisations that data as to the actual impact of Long Covid on the labour market is difficult to readily assess. This is due to many sufferers being inactive in the labour market, yet still classified as being in employment. Furthermore, there remain many in employment suffering from COVID diagnosis through which adjustments have been made in order for them to remain active.

As such, while respondents agree that Long Covid is having an impact on labour market inactivity to some degree, it is difficult to assess whether this will be a permanent feature in the labour market in the future at this stage – at least until clearer data is available and the long-term impact of the condition is known.

3. What has been the labour market impact of the pandemic on people with pre-existing health conditions?

There were 26 responses to this question.

The **Fraser of Allander Institute** said that the extent to which this question can be answered is limited, stating:

“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...this does account for a modest proportion of the increase in inactivity.

It is more difficult to answer the question about how the pandemic has affected the labour market status of people who had a pre-existing health condition. 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.”

The **Office for National Statistics (ONS)** highlighted that NHS waiting list times (UK wide) has been growing and is likely a factor for the increase in long-term sick inactivity. However, further work is required to look at conditions and geography to consider any relationship between waiting lists and inactivity. They go on to state that:

“The second wave of the ONS Over-50s Lifestyle Study (OLS) should provide helpful insights later in September.”

This [study has since been published](#), and a detailed [summary of the main findings of the report](#) by the ONS has also been published.

Long Covid Scotland noted that many people with pre-existing health conditions have had to, or continue to, shield due to the threat of Covid – likely impacting their ability to return to work or enter face-to-face employment due to the associated risk. They further state:

“We are also aware of a number of parents who have had to become unpaid carers for their children with pre-existing health conditions who now suffer from worsened health following infection. Single parents have been particularly affected as are those who had pre-existing caring responsibility for other family members.”

NASUWT also state that people with underlying health conditions and existing disabilities have been significantly impacted by the pandemic, with many older people and younger people with serious health conditions being the most vulnerable to severe health impacts if they contract COVID-19. They have expressed concerns to the Scottish Government that the practices of some employers do not ensure that their staff are adequately protected from risk, even if they are deemed vulnerable.

Q.3 - Common Themes

The level of detail contained in the responses to question 3 was limited, with many choosing not to address it at all. It is likely, as some respondents highlight, that this is due to a lack of concrete data illustrating the number of people who had long-term health conditions in the labour market already.

As the FAI point out, there is no sufficient data or analysis available into the status of people with pre-existing health conditions, who are also present in the labour market throughout the pandemic, to be able to sufficiently answer this question.

However, anecdotal evidence would suggest that the pandemic by its very nature would make individuals with pre-existing health conditions less likely to engage in the labour market or restrict their ability to return to work to limit potential exposure to the virus.

4. What factors have influenced some people to take early retirement?

There were 31 responses to this question.

Age Scotland state in their submission that a range of factors have contributed to older workers taking early retirement. They identify these as -

1. Many older workers may have re-assessed what is important to them and decided to re-prioritise.
2. Retired due to poor health, particularly if they work in an environment that put them at risk of catching COVID-19.
3. Some may have felt inadequately prepared or supported with new ways of working or felt they lacked the digital/technical skills required for remote working.
4. Many older workers have caring responsibilities, with this intensifying over the pandemic due to gaps in services.
5. Ageism – some older workers may have been made redundant over the pandemic and unable to re-enter the labour market due to ageism in recruitment practices or a lack of flexible opportunities.
6. Some workers being placed on furlough may have sped up their decision to retire early, as it showed what the flexibility of not working brought.

However, they note that with current economic pressures, some may be forced to continue to work or re-enter the labour market, stating:

“More recent analysis suggests that some older workers will need to put their retirement on hold due to the cost-of-living crisis in order to afford their

outgoings. Many of those who retired early over the course of the pandemic, but who cannot afford to sustain this in light of rising energy bills and inflation, will need to return to work – and must be supported to do so.”

It is worth noting that the [average age of exit from the labour market](#) rose between 2021 and 2022 for both men and women across the UK.

The **Fraser of Allander Institute** echo the points made by Age Scotland regarding the factors influencing early retirement, but go on to state that:

“It is also worth noting however that the latest UK-level data indicates that the rise in inactivity of older people observed during the pandemic may be beginning to reverse. This potentially reflects the impact of the cost-of-living crisis. If so, that would lend justification to the conclusion that increases in inactivity during the pandemic largely reflected voluntary decisions to exit the labour market rather than an exit induced by health problems or redundancy.”

The **Society of Personnel and Development Scotland (SPDS)** state that many local authorities conduct exit interviews and the intelligence gathered is shared. Broadly speaking, the main reasons found for taking early retirement in recent years is -

1. Negative experience of Covid and working from home.
2. Reluctance to travel and return to the office.
3. Burnout in some roles.
4. Employees feeling undervalued.

The evidence submitted by SPDS also suggests that more people in the 50-70 age group are taking early retirement mainly from higher skilled occupations working full time hours. This analysis is also reflected in the submissions by the four local authorities to the Call for Views.

Q.4 - Common Themes

From the evidence submitted, it is clear that a number of factors may influence a person’s decision to retire early. It is also clear that many of these factors are directly correlated to the impact the pandemic has had on workplace practices, with many in older demographics feeling unable to adapt to these new ways of working.

However, it is also a common theme that many organisations anticipate those who have taken early retirement will likely need to re-enter the labour market in order to cope with the ongoing costs crisis and rising levels of inflation. It is suggested by most respondents that support for these individuals will be needed to enable them to re-enter the workforce, with particular concern given to recruitment practices of employers and a perceived reluctance of some to hire an older workforce.

5. Thinking about labour market participation, have certain groups of society and parts of the country been impacted more than others?

There were 32 responses to this question.

From evidence submitted to previous questions, the vast majority of respondents believe that certain groups of society have been impacted more than others.

The ALLIANCE state in their submission that, in terms of sectoral impact, health and social care workers have been disproportionately affected by the pandemic both in terms of workplace pressures and increased exposure to COVID-19 generally. The state:

“Healthcare workers accounted for between 10% and 19% of worldwide COVID-19 cases. In Scotland, the risk of healthcare workers testing positive for COVID-19 was seven times higher than for non-essential workers, and their households contributed to a sixth of cases admitted to hospital. Recent estimates found approximately 122,000 NHS workers in the UK were suffering from Long Covid...”

They also highlighted that, in terms of intersectional analysis, women have been disproportionately affected by the pandemic – particularly as women make up the majority of unpaid carers and the social care workforce.

Public Health Scotland state that, during the pandemic, disabled people were more likely to be worried about their health and safety and are at times unable to work due to shielding or self-isolation. They also cite figures found by the Department of Work and Pensions which state disabled people in work in the UK are almost twice as likely to fall out of work compared to non-disabled people. The social Metrics commission also found that disabled workers are at a substantially higher risk of being made redundant or having their hours reduced due to the pandemic, but PHS qualify this by stating increased access to home working may prove beneficial for desk-based workers by increasing accessibility and thus supporting job retention.

The Royal Society of Edinburgh also highlighted that the ageing population in Scotland is likely contributing to current economic inactivity. They note that, across the UK, the youngest and oldest workers were most likely to lose their jobs or be furloughed at the beginning of the pandemic. While employment levels amongst the younger demographics recovered, many older workers opted for early retirement or in many cases remain unable to re-enter the labour market.

This is similarly reflected in **Age Scotland's** response to this question, citing that those aged over 65 were the largest group placed on the UK Government's furlough scheme. By the end of the scheme, over 65s were more than twice as likely as workers under the age of 30 to be on furlough. They also state:

“Older women workers are among the most marginalised in the workplace due to the double discrimination of ageism and sexism. Women earn significantly less than men over their entire careers – often due to caring

responsibilities; being more likely to be in low paid work, part time work, or less senior roles; and underutilisation of their skills.”

This disproportionate impact on women particularly was also highlighted by the **Scottish Women’s Convention** citing inadequate financial and social support in the face of the ongoing costs crisis. They state this would also have a knock-on effect to children and families. Increased labour market participation for women would, they state, would guarantee an improved income, but unless workplaces become more welcoming to the needs of women then social security provisions must be improved.

They also state the pandemic has deepened structural issues that prevent minority groups from accessing essential services, saying:

“This lack of support has a knock-on effect on life quality: for example, through poor access to educational opportunities, individuals are less likely to enter the labour market at a higher level. However, an undercurrent of stigma exists across sectors resulting in these groups having less opportunities, regardless of qualifications or skill.”

Close the Gap, however, cited difficulties in accurately assessing the impact on certain groups of society; stating:

“There is a lack of intersectional data on experiences on employment, unemployment, and economic inactivity. In particular, there is no publicly available data on rates of inactivity for Black and racialised women or disabled women. The lack of intersectional labour market data makes it difficult to draw meaningful conclusions about the experiences of different groups. Improving the range of intersectional data and gender-sensitive sex-disaggregated data used in labour market policymaking must be a key priority for the Scottish Government if it is to realise its ambitions on women’s equality.”

Q.5 - Common Themes

A common theme amongst respondents is that those more likely to be exposed to Covid are more likely to have their participation in the labour market impacted – this could be due to being in a vulnerable category or having increased exposure to the virus as a result of their occupation.

Specifically, the elderly, disabled, women, and minority ethnic groups appear more likely to be impacted. With that said, as cited, there remains difficulty in appropriately analysing the specific impact on certain groups of society as there is a lack of intersectional data available.

More broadly speaking, however, respondents to this question (and other questions highlighted previously) agree that those who are more economically disadvantaged are likely to be greater impacted by the pandemic. Thus, the chances of increasing labour market participation for sections of society who find themselves economically disadvantaged is hindered. This applies across a broad spectrum of demographics, and it is accepted amongst respondents that the cost crisis will only serve to exacerbate this issue.

6. Have there been sectoral differences from economic inactivity – for example, have Health and Hospitality sectors been more exposed than, for example, Finance?

There were 30 responses to this question.

The **Fraser of Allander Institute** gave an extensive response to this question, highlighting that employment in some sectors, notably retail, manufacturing, and construction is lower than pre-pandemic. Employment in other sectors, such as finance, professional services, and public services are higher than pre-pandemic.

However, they note that these sectoral changes are not necessarily all the result of the pandemic, rather part of a continuation of a longer-term trend. They state:

“This 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. For example, of the 39,000 fewer people employed in retail, how many have found jobs in other sectors, and how many have become unemployed or inactive.

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 as the economy reopened, and that a higher than normal proportion of job movers moved industry, rather than moving job within the same industry.”

Skills Development Scotland indicate that:

“The supply of people in Scotland’s labour market has been impacted by high levels of economic inactivity during the pandemic, as well as the impacts of Brexit and demographic challenges. For example, sectors such as Accommodation and Food, Health and Social Care and Manufacturing have all been impacted by labour shortages.”

The **SPDS** highlight that, in terms of vacancies, UK figures show an increase across all Standard Industrial Classification (SIC) sectors – with the biggest increases between March 2020 and May 2022 being recorded in the wholesale and retail trade. They note, however, that the sectors showing the highest increases (e.g. retail, education, transport) have also showed the highest drops of employment since March 2022. They expand:

“Although there are no overall stats on economic inactivity linked to COVID-19 across the SIC sectors, there has been more detail research at national level on the impact of the pandemic on what was seen as vulnerable sectors...

...Here the evidence suggests that the rise in vacancies in selected sectors are being driven by a mixture of staff turnover due to lockdown and employees finding alternative employment during the period since 2020...”

The **Royal Society of Edinburgh** also noted that there is currently a demand for labour in various sectors across Scotland, stating:

“The shortage of labour has been felt in many sectors, with particular concern about the impact on agriculture, the health and social care, leisure and hospitality sectors. Some of these concerns predate the pandemic, with post-Brexit labour shortages resulting in further challenges for these industries. However, there is a complex picture across these industries in regard to the reasons for labour shortages. For example, in the Scottish agricultural sector, where 15% of the food and drink production industry workforce in Scotland are EU nationals, regional variations exist whereby some local seafood industries have as much as 58% reliance on migrant workers, and tougher immigration policy and uncertainty following Brexit have been cited as key drivers of labour shortages in this sector.”

With regards to the health and social care sector, however, some respondents state the impact of the pandemic is clearer. **The Alliance** state:

“The health and social care sectors have been substantially impacted by the pandemic – both by significant workplace pressures and associated burnout, and by sickness due to COVID-19 infection and Long Covid.”

The Scottish Women’s Convention also stated that the pandemic has caused sectoral differences across economic markets. They state the examples given of health, hospitality and finance are on “opposite ends of a spectrum”, which essentially values profitable and privatised companies above those which provide care and safety. They state that the past two years have evidenced that such services (i.e health and social care) were underfunded and overburdened.

They further state that the continued undervaluing of health and social services, as well as hospitality, is a result of structural sexism -

“These sectors are far more likely to have female staff members – 84% of social workers in Scotland are women, and over three quarters of NHS Scotland staff are women. Women we have spoken to who work in this sector feel underappreciated and taken for granted, and explain that despite the work they carry out, they do not have the wages which represent this.”

The **ONS** however, indicated that in terms of falls in the number of jobs in other industries, these shortfalls have been partially offset by increases in other industries – particularly health and social work which is up 28,000 (6.9%) in the Scottish labour market and administrative and support services which is up 16,000 (7.2%).

Broadly speaking, the ONS also indicate that business in Scotland report the lowest proportion of businesses currently experiencing a shortage of workers at 12.5%, compared to Northern Ireland (22.8%), Wales (15.6%) and England (13.7%).

Q.6 - Common Themes

There is a general consensus amongst respondents that certain sectors have been impacted more by economic inactivity more than others – such as retail and hospitality.

Notably, however, there is a feeling that while the pandemic has contributed to exacerbating these issues – the current levels of inactivity in these sectors cannot entirely be attributed to the pandemic. Other factors, such as Brexit, have contributed to labour shortages in certain industries more than others.

Furthermore, while figures indicate there is a higher level of employment in sectors such as health and social care, this does not necessarily indicate that these sectors are not also suffering from inactivity – as, in the view of many respondents, these sectors were already understaffed and undervalued at pre-pandemic levels and continue to be.

7. What policies might encourage people to re-enter the labour market?

There were 32 responses to this question.

The Royal Society of Edinburgh approached this question by highlighting that the reasons behind the increase in labour market inactivity is more complex than previously thought – with current labour shortages being unprecedented underpinning the need for more rigorous, objective and policy-related research. In the context of migration, however, they state:

“The RSE contends that one obvious means of increasing the labour supply would be for policies to be introduced to make it easier for people to work in Scotland and join the labour market in the first instance. RSE also acknowledges the importance of other changes in the nature of work which could encourage increased participation in the Scottish labour market, such as more flexible/remote working arrangements. Similar, the RSE notes the importance of other employer-side labour market responses which can be used to attract and retain workers, as highlighted by the recent widespread use of bonus payments.”

The **Fraser of Allander Institute** stated:

“People will be encouraged to re-enter the labour market if they see a healthy, buoyant jobs market. The diversity of openings available, and prospects for pay and career progression, are factors that can influence individuals’ decisions 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.”

Age Scotland also highlighted the need to encourage those who have been inactive in the labour market to participate, particularly regarding the older demographics. They state:

“In order to combat ageism and attract and retain older workers, employers should seek to embed age inclusive workplaces. These benefits employees of all ages and raises awareness of the importance of age inclusion to tackle ageism and discrimination...

...ensuring older workers can access opportunities for training and promotion and progression will also help to encourage people to re-enter or stay in the labour market. Genuine and meaningful opportunities for flexible working, such as flexitime, compressed hours, and job sharing, will ensure older Workers looking to re-enter the labour market can find the kind of job they want to. This will also benefit older workers with caring responsibilities and those looking to reduce their working hours in preparation for retirement. Employers must also do more to provide support, such as reasonable adjustments, for employees with disabilities and health conditions.”

Close the Gap also identified the need to support women specifically to re-enter the jobs market, with a need to develop gender-sensitive upskilling and reskilling support. They state:

“Evidence shows that women are less likely to have access to training, particularly women working in low-paid part-time jobs; less likely to undertake training that will enable them to progress or secure a pay rise; and more likely to have to do training in their own time and contribute towards the cost. Embedding gender mainstreaming approach in the development of skills and training interventions would give prominence to factors which influence women’s access to skills...”

The **SPDS** also identified various measures which would likely assist in tackling labour market inactivity, namely:

- Flexibility in hours and contracts; options to work from home (which would be of particular interest to those in rural areas, or people living with disabilities).
- Availability of childcare and employment close to home.
- Living Wage as a minimum for all employees
- Upskilling those in work and on low wages so that they can earn more – making work more attractive and viable.
- Personalised job roles, flexible over time to reflect the changing needs of employees – perhaps including seasonal opportunities, and home/hybrid working.
- More flexible retirement opportunities might keep more people with valuable experience in the workforce.

The Educational Institute of Scotland (EIS) has also suggested a number of policy interventions, underpinned by sufficient resourcing, which might encourage people to re-enter the labour market with a focus on education. These are:

- Addressing the long hours culture

- Empowering and entrusting teachers to deliver high quality education experiences
- Taking urgent steps to reduce teacher workload
- Sufficiently resourcing ASN provision, the inadequacy of which is currently one of the main stressors for the teaching profession
- Reducing class sizes
- Addressing the issue of low pay and awarding teachers a restorative pay rise.

Q.7 - Common Themes

While there is a general acceptance amongst respondents that specific industries are likely to need a tailored approach to reducing labour market inactivity to target specific demographics and meet the shortfalls in specific sectors, there are a number of common themes present.

Firstly, there is a desire for flexibility among the workforce and in potential opportunities. Home/hybrid working has the ability to increase accessibility for those who previously were unable to enter the labour market and expand opportunities; particularly for individuals in rural areas or people with disabilities.

Secondly, there is a general need continued upskilling and retraining – both to enable those who have been inactive to re-enter the labour market, and to expand opportunities for these individuals once they are in work.

Thirdly, there is a need to make vacancies more attractive. This, according to respondents, can be accomplished by increasing pay levels or wages; particularly in the context of the ongoing cost crisis.

However, there is also a need to address specific inequalities impacting certain demographics within the labour market – such as women. Introducing targeted policy measures aimed at reducing these workplace inequalities, it is said, will encourage more people to either enter or re-enter the labour market, thus reducing inactivity in the long run by changing current workplace structures.

**Scott Mackay, Researcher, Financial Scrutiny Unit, SPICe Research
26 October 2022**

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Annex A: Questions in call for views

The Call for Views in relation to the impact of the pandemic on the Scottish labour market are as follows:

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