

Bank of England

Long term sickness and labour market outcomes

(Joint work with Jonathan Haskel)

Josh Martin

Bank of England (views my own, not of the Bank or MPC)

Society of Occupational Medicine event, “Perspectives on
worklessness due to ill health” 13 October 2022, virtual



Labour market statuses



Notes: Not to scale.

Statistical definition of unemployment

Must have searched for work in past 4 weeks, and

Be available to start work in the next 2 weeks

How do we define the long-term sick?

Our definition

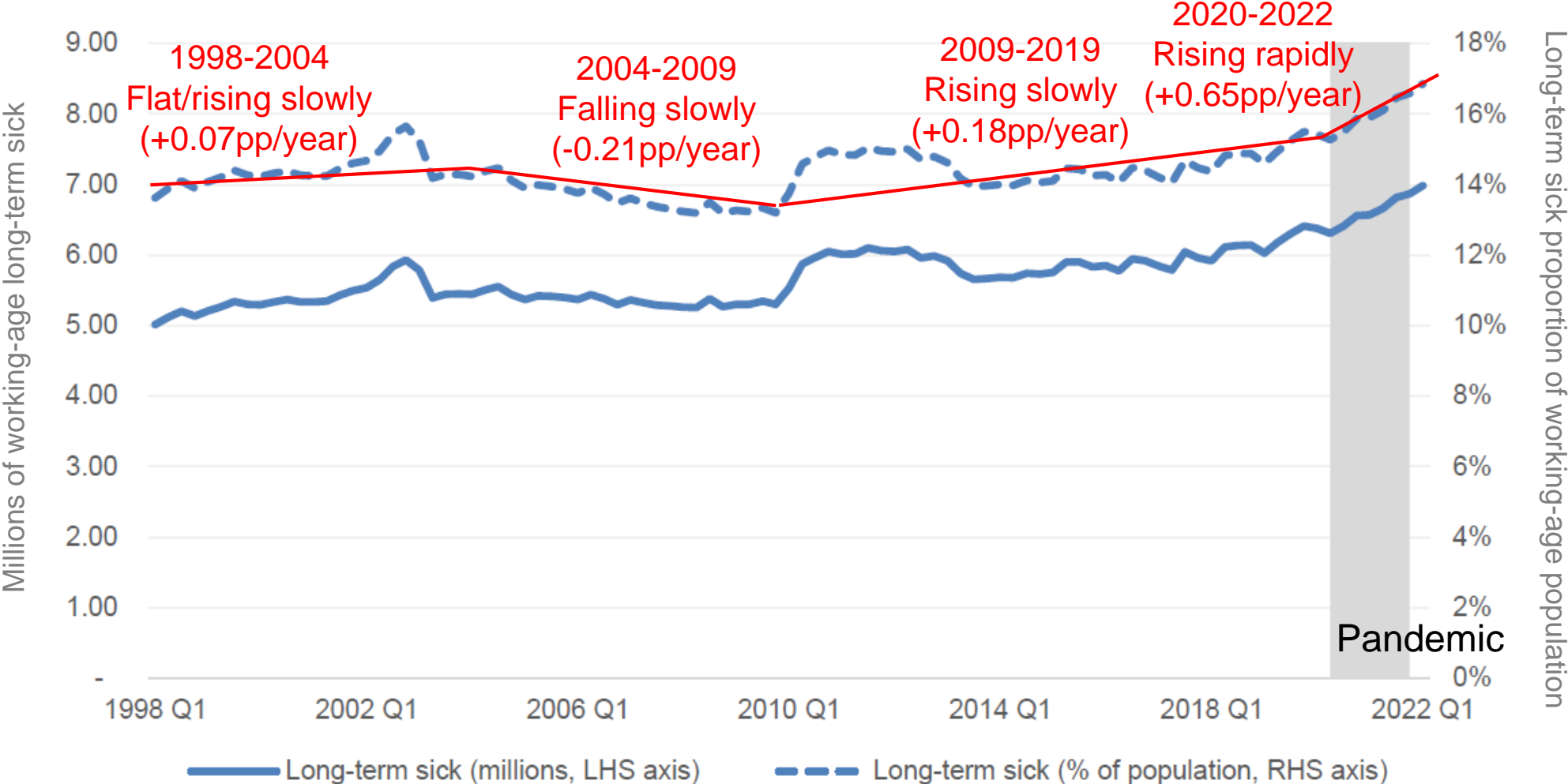
- Answers YES to “Do you have any physical or mental health conditions or illnesses lasting or expecting to last 12 months or more?”, *and*
- Answers YES to “Does this health problem affect the kind of paid work that you might do?”

ONS definition

- Answers “long-term sick or disabled” to “What was the main reason you did not look for work (in the last 4 weeks)”, *or*
 - Answers “long-term sick or disabled” to “Why would you not have been able to start within 2 weeks?”
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The number of long-term sick in the working-age population has been increasing over time

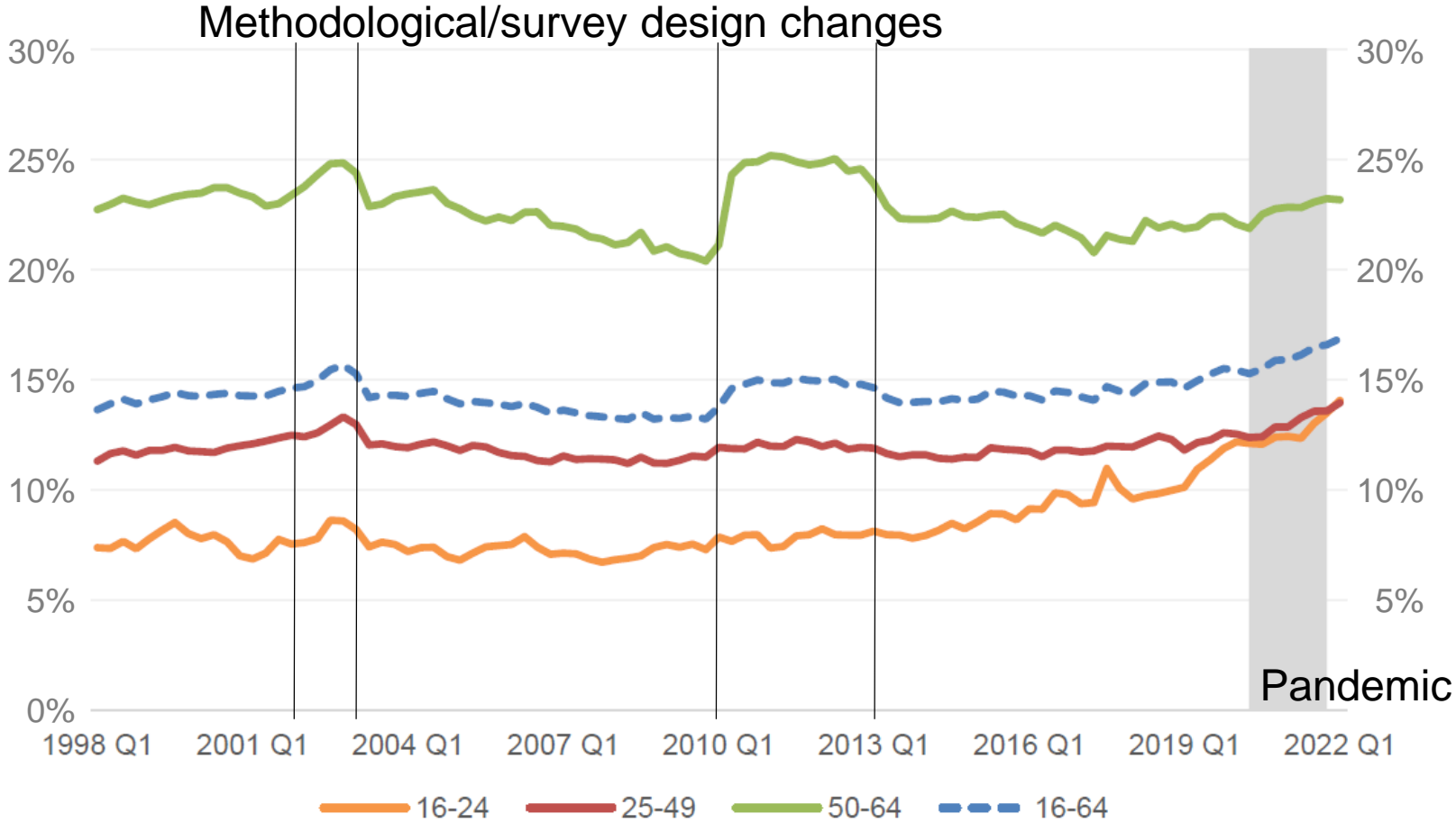
Number and proportion of working-age population that are long-term sick, NSA, UK



Source: Haskel and Martin (2022)

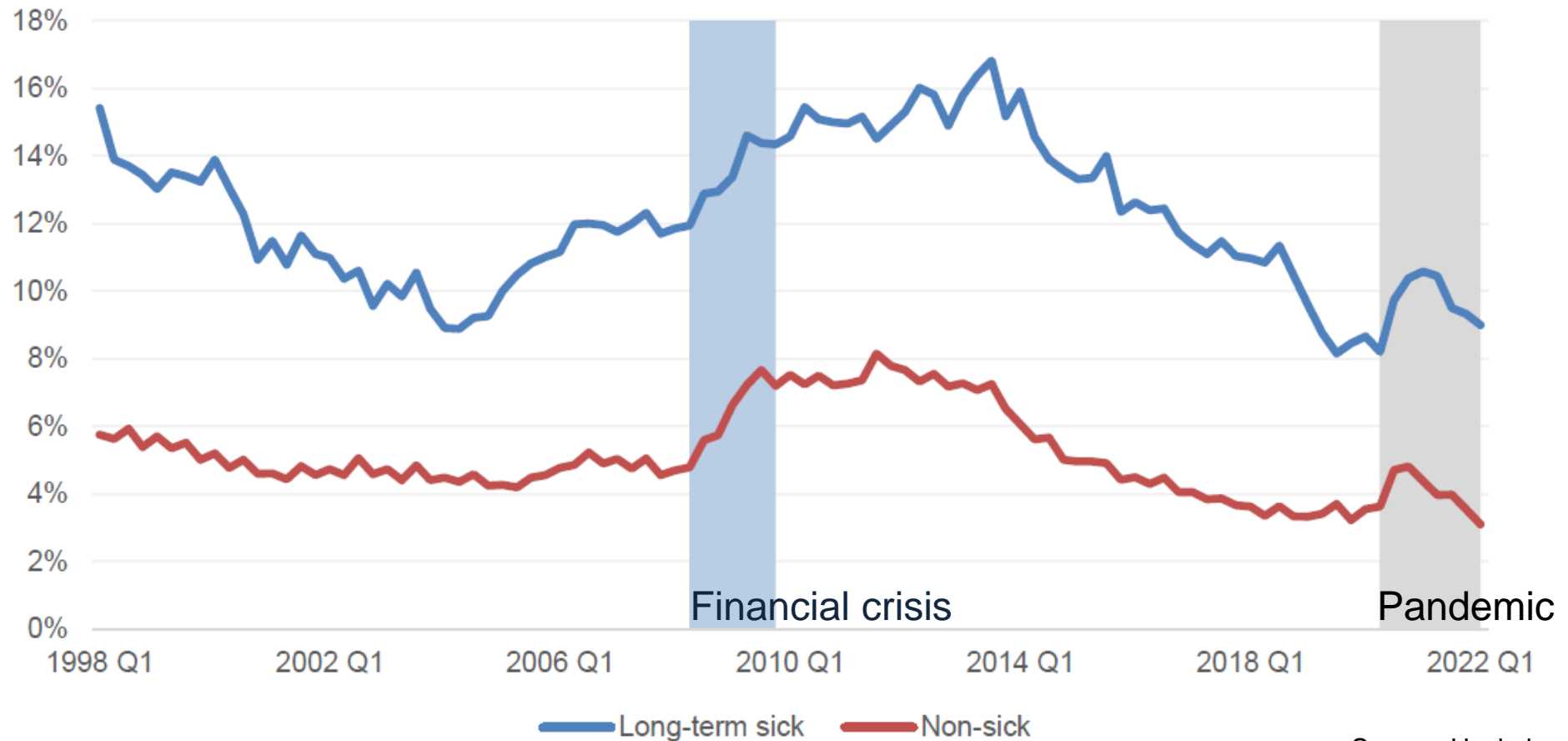
The increase pre-pandemic was mostly in young workers, but during the pandemic mostly in prime-aged workers

Proportion of long-term sick in working-age population by age group, NSA, UK



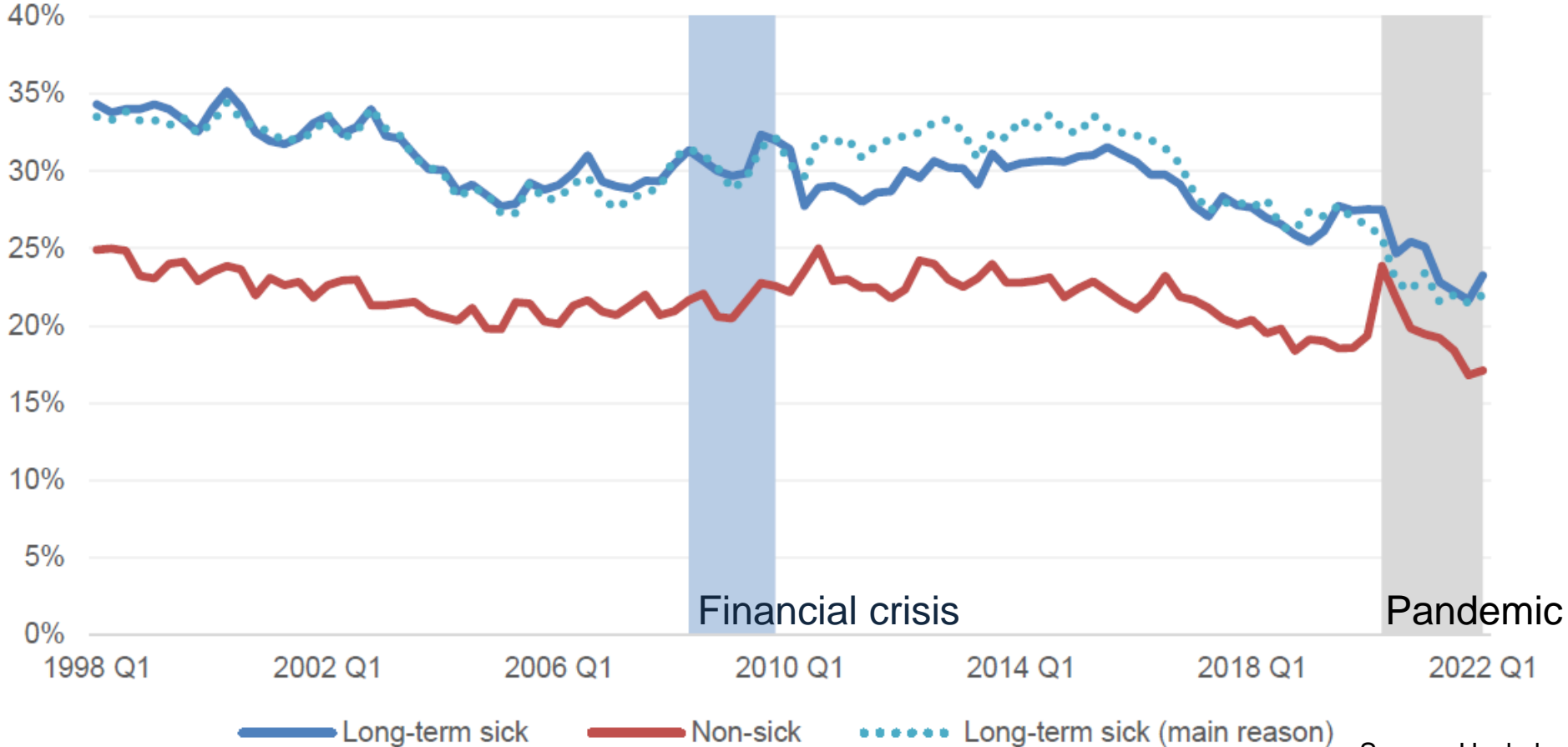
Long-term sick face persistently higher unemployment rates than the non-sick

Unemployment rate, long-term sick and non-sick, NSA, UK



Yet the long-term sick are more likely to want a job than the non-sick

Proportion of economically inactive who want a job, long-term sick and non-sick, NSA, UK



Source: Haskel and Martin (2022)

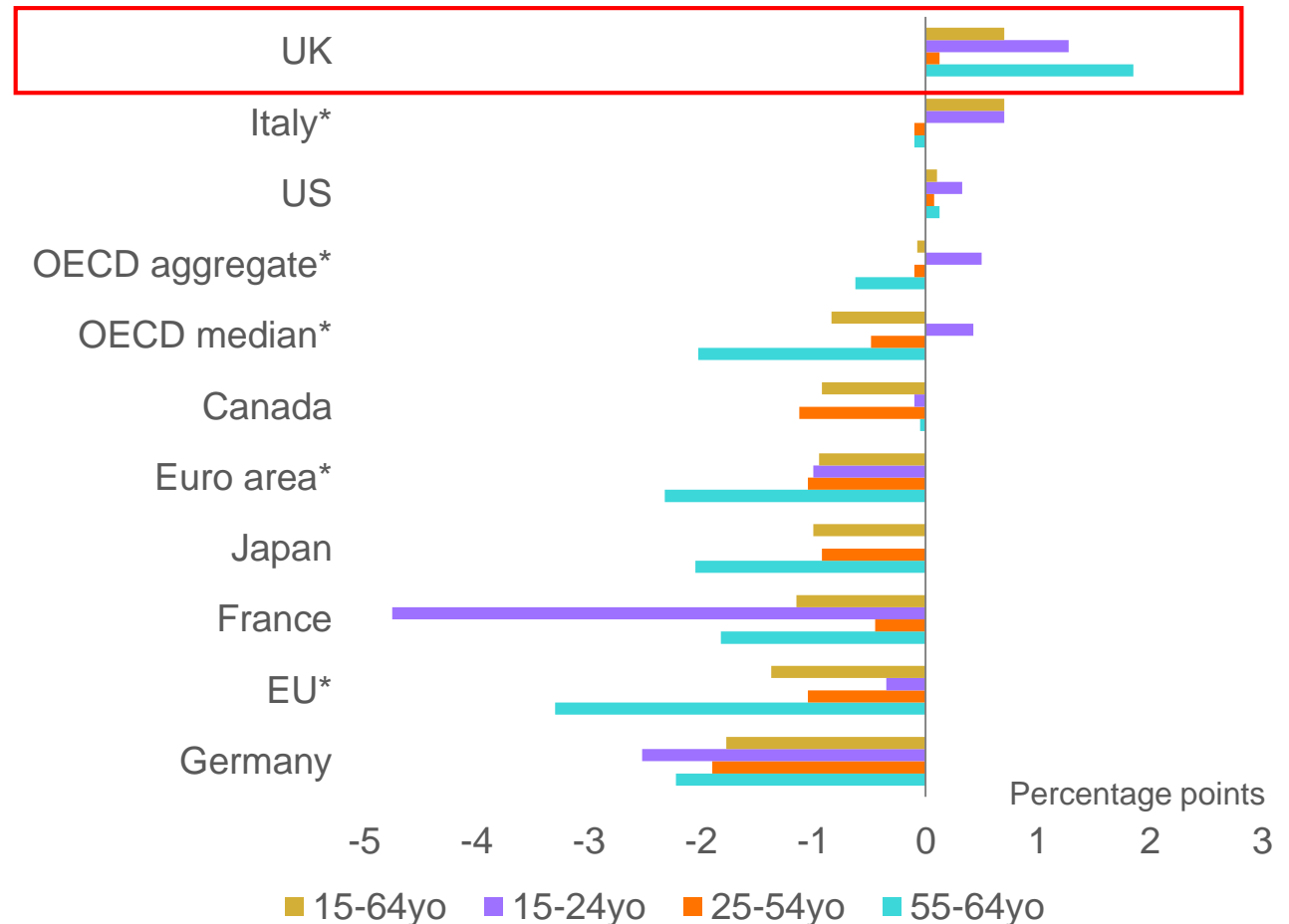
Summary of some facts

- The number of working-age long-term sick is large and rising
 - Around 50% of the long-term sick work, accounting for about 10% of the workforce
 - The labour market participation rate of long-term sick is much lower than the non-sick, but the unemployment rate is higher and the inactive are more likely to want a job
 - The long-term sick are less likely to get a job and more likely to lose a job (from any original labour market status) than the non-sick
 - The long-term sick are more likely to work part-time, and even after controlling for this, working fewer hours per week on average
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The UK has relatively low levels of inactivity compared to other countries...

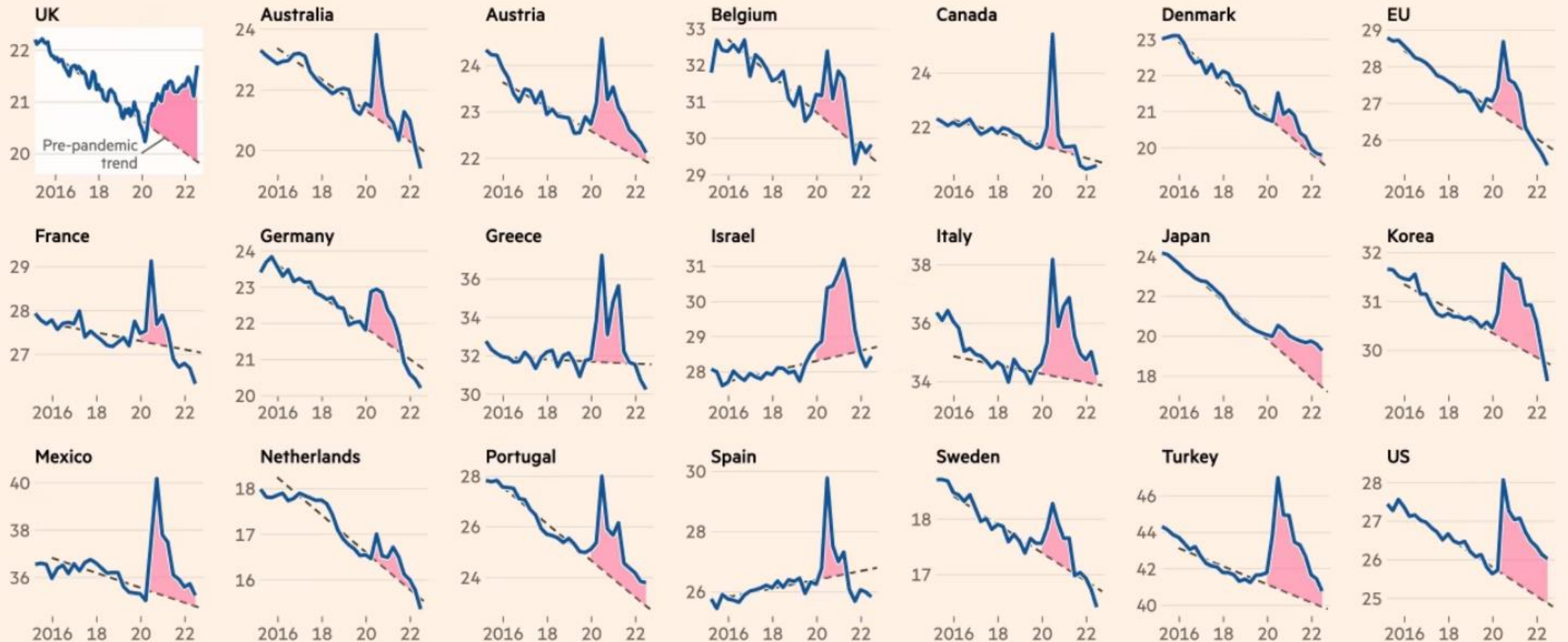
- UK has relatively low levels of economic inactivity compared to other developed countries
- But has seen a larger increase than others since the pandemic across all age groups
- Increase concentrated in younger and older workers in the UK

Change (pp) in inactivity rate by age group,
2019 average to latest period
Latest period = Q2 2022 for most, Q1 2022 for *s



...but remains the only developed country where the working-age inactivity rate has kept rising after the initial pandemic shock

Share of people aged 15-64 who are neither employed nor seeking work (%)

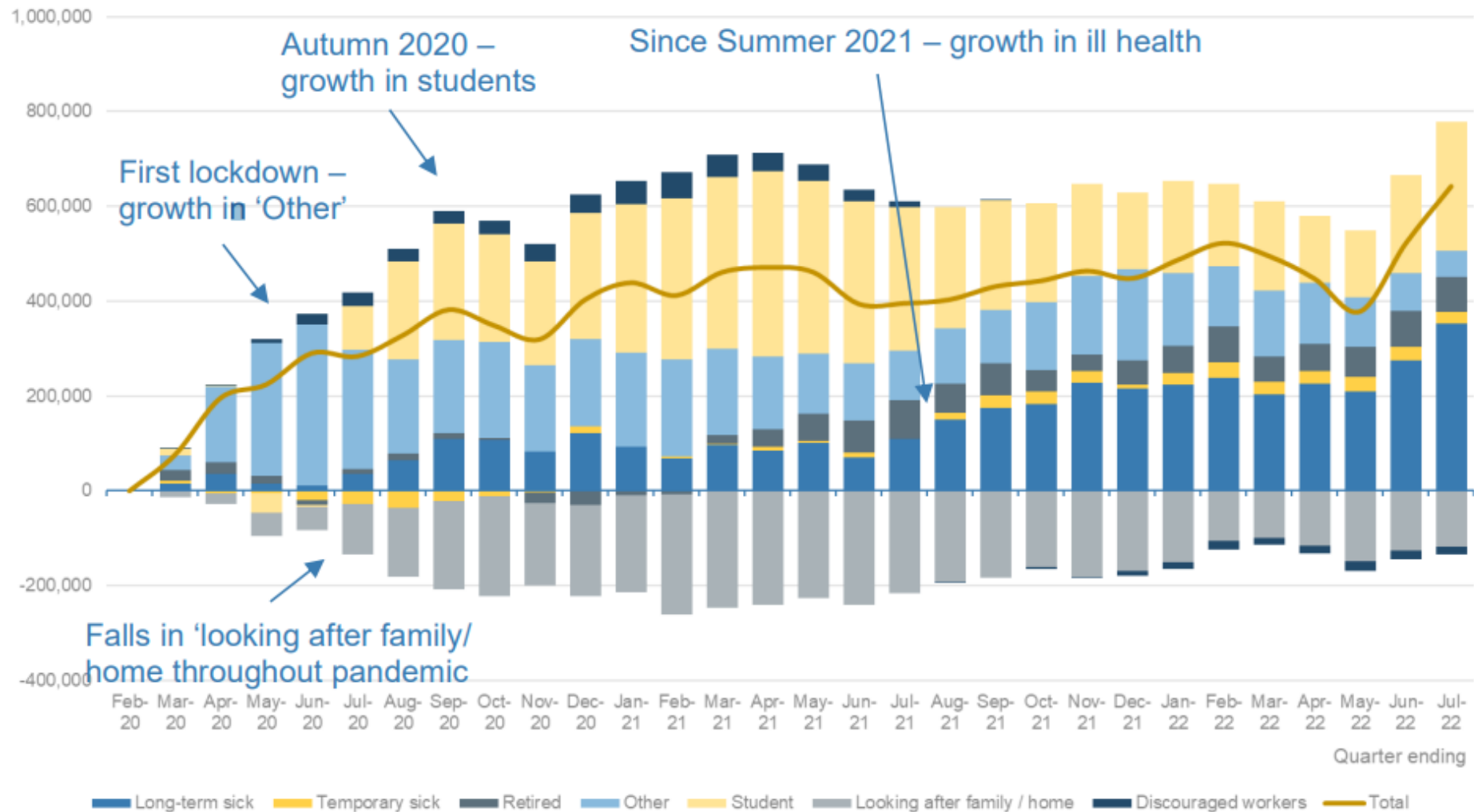


Source: FT analysis of OECD figures
FT graphic: John Burn-Murdoch / @burnmurdoch
© FT

Source: "Half a million missing workers show modern Britain's failings" - Financial Times 7 October 2022

Increase in inactivity due to long-term sickness and students

Changes in economic inactivity since start of pandemic (Dec-Feb 2020), by reason for inactivity and overall



Long-term sickness the primary reason amongst 50-69 year olds

Ill-health has increasingly become the main reason for inactivity

Change in number (1,000s) of 50–69 year olds who are inactive by main reason for inactivity and health as an additional reason: UK, Q1 2020 to Q2 2022

■ Total ■ Ill-health (main reason) ■ Retirement (main reason) + with ill-health ■ Other (main reason) + with ill-health
■ Retirement (main reason) + without ill-health ■ Other (main reason) + without ill-health



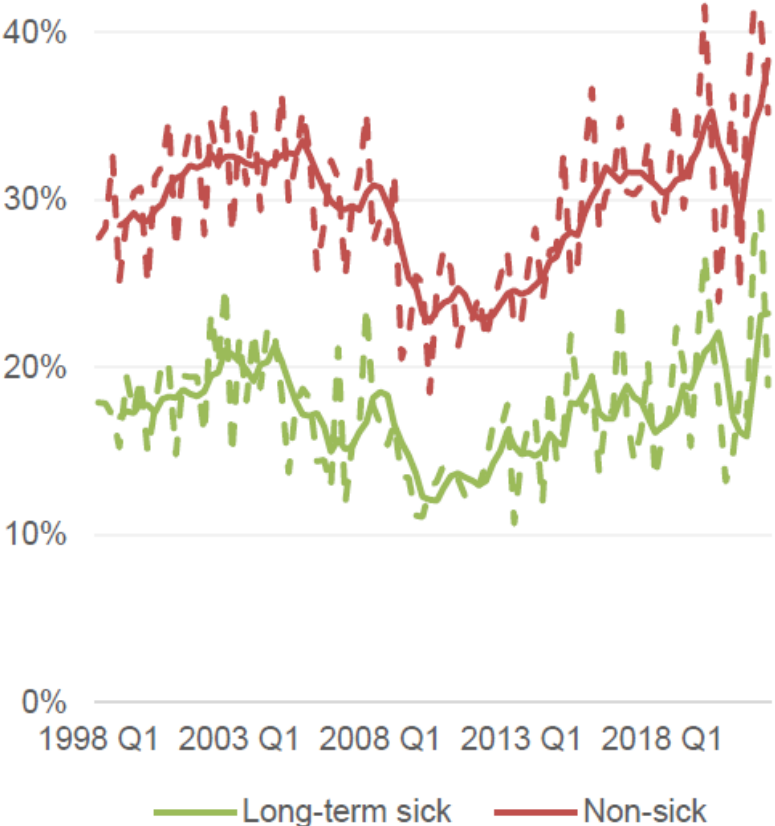
Source: Health Foundation analysis of the Labour Force Survey, Office for National Statistics, 2022 • There is a slight difference in totals with other charts that look at changes in reason for inactivity because they include people seeking work, but unavailable, who are not included in the multi response variable used for this analysis. Ill-health is defined as temporarily sick or injured or long-term sick and disabled.

Changes during the pandemic

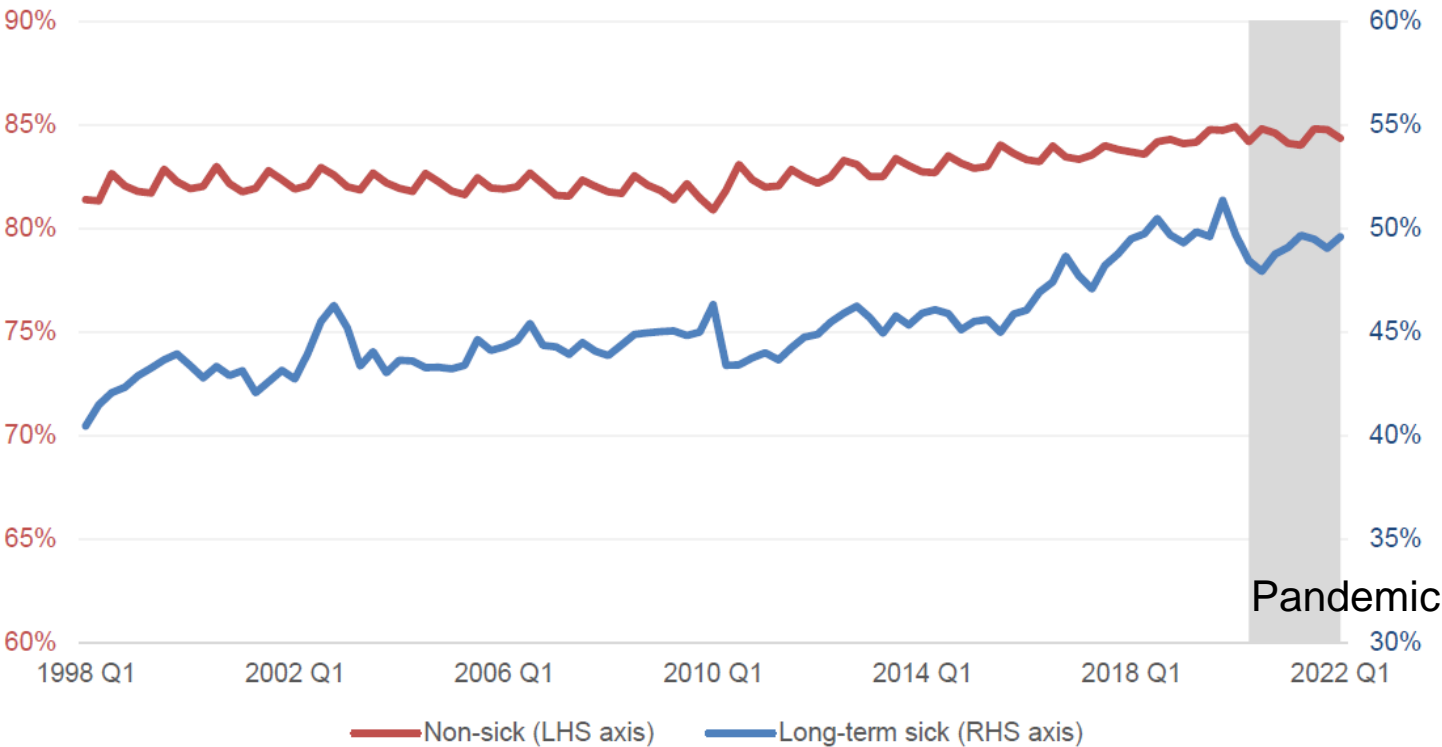
- Big increase in economic inactivity
 - Concentrated in younger and older workers
 - Driven largely by increased long-term sickness
 - Which has also increased amongst 25-49 year olds, but that hasn't materially affected inactivity
 - Unlike other developed countries
 - Suggests a UK-specific factor
 - Cannot all be explained by long-covid
 - We, and others, put the figure at about 100k, out of 500k more inactive
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Will the work from home revolution close the participation gap?

Flow rate from unemployment to employment, long-term sick and non-sick, NSA, UK



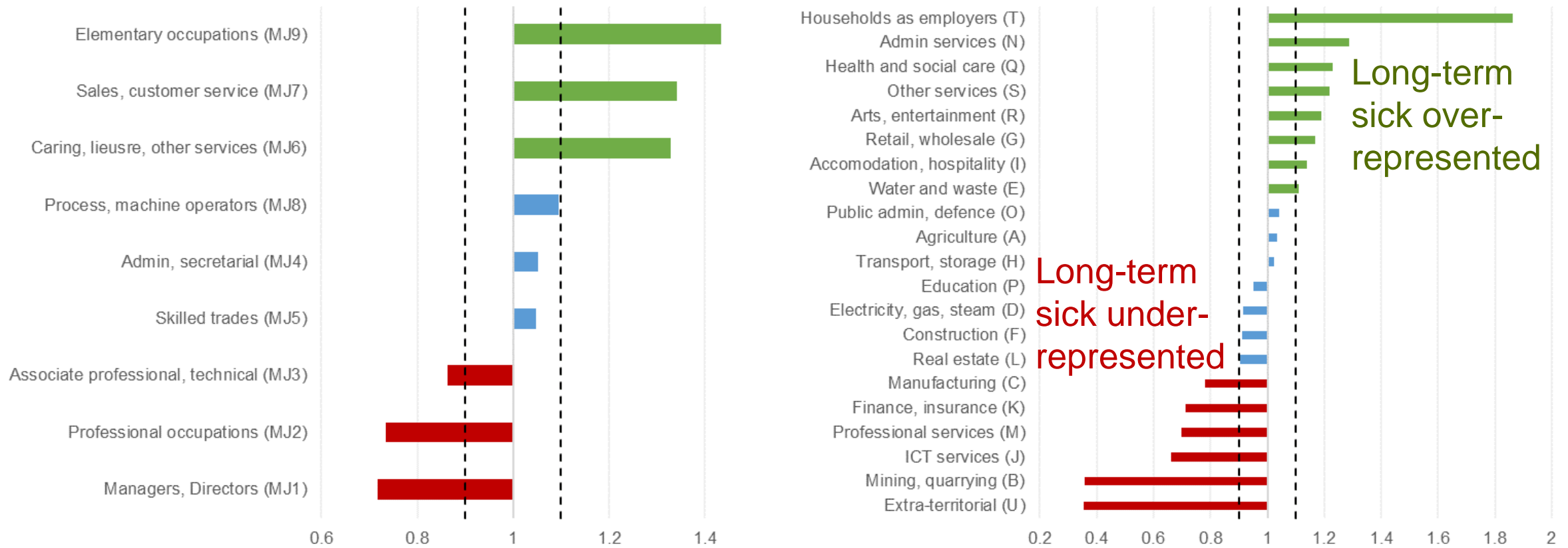
Participation rate, long-term sick and non-sick, NSA, UK



Solid lines show 4-quarter moving averages; dashed lines show single-quarter estimates.

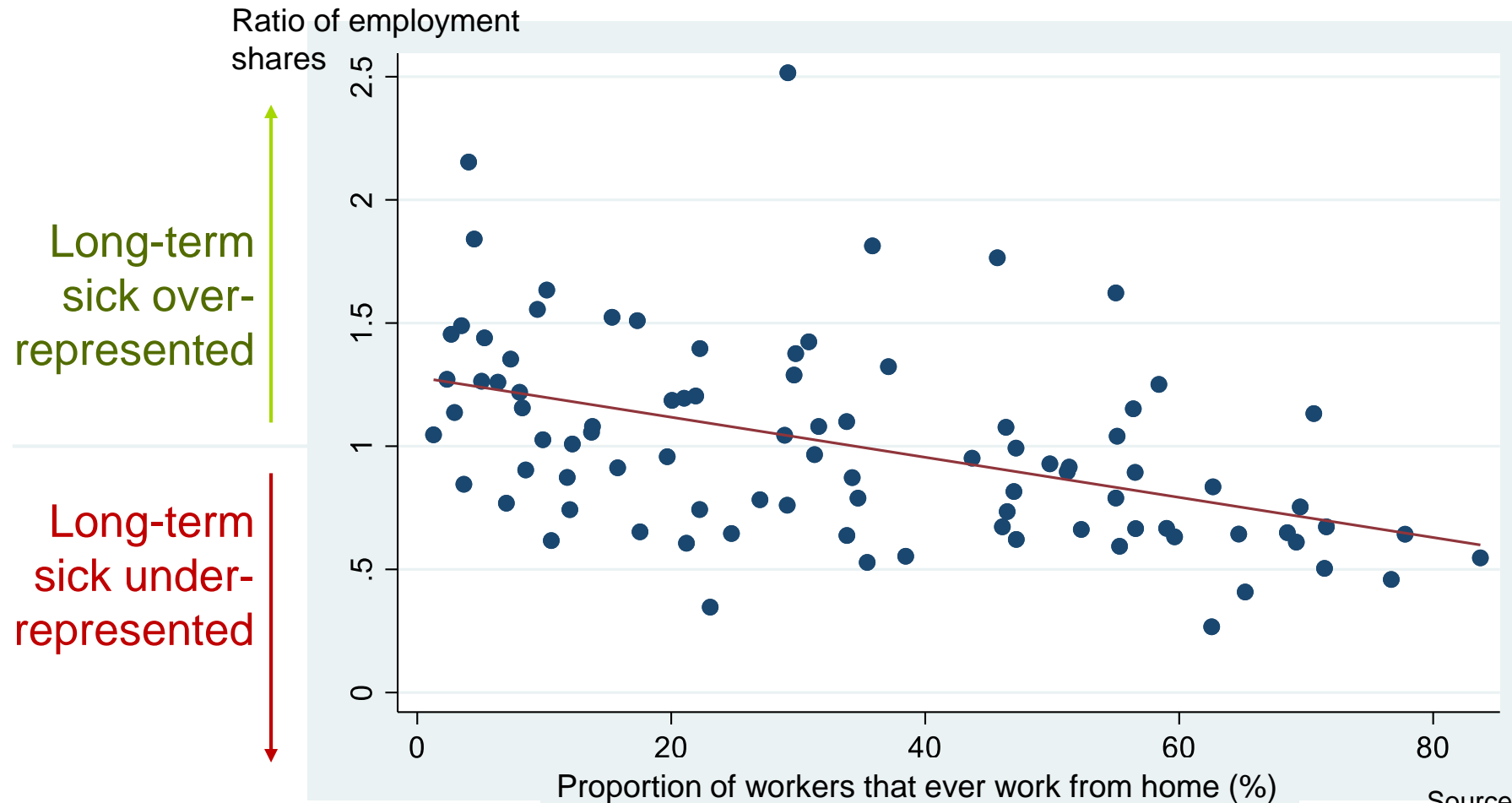
Long-term sick over-represented in low-skill (and low-paid) industries and occupations...

Ratio of long-term sick to non-sick employment share, UK, 2019, by SOC2010 major-group occupation (LHS) and SIC2007 section industry (RHS)



...which typically don't allow for homeworking

Ratio of long-term sick employment shares to non-sick shares, against proportion of workers who ever worked from home in 2019, 3-digit occupation codes (SOC 2010)



Source: Haskel and Martin (forthcoming)

To the future

- A population, and a labour market, with many more long-term sick
 - Coupled with a change in preferences, likely to lead to lower participation rates and fewer working hours
 - Potential impacts on productivity
 - Work from home will not resolve this, given current skill/job distributions
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Implications

- For measurement
 - More regular statistics on the long-term sick, including beyond the “main reason”
 - More than just a reason for economic inactivity – many in-work long-term sick
 - For analysis
 - Long-term sick have unique characteristics, important to include
 - Variations amongst inactive population helps us understand labour market tightness better
 - For policy
 - Out of work long-term sick have high rates of wanting jobs, but less success getting them – suggests cultural or structural barriers
 - Homeworking will not close the employment gap, given current skill/job mix
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Thank you

Josh Martin

Bank of England and Economic Statistics Centre of Excellence (ESCoE)

Twitter: [@JoshMartin_econ](https://twitter.com/JoshMartin_econ) 

References

Haskel, J. and Martin, J. (2022). “Economic inactivity and the labour market experience of the long-term sick”. Working paper. Available: <https://t.co/B06wJvPUJJ>

Financial Times. 7 Oct 2022. [Half a million missing workers show modern Britain’s failings](#)

Institute for Employment Studies. 13 September 2022. [Labour Market Statistics, September 2022](#)

The Health Foundation. 10 Oct 2022. [Is poor health driving a rise in economic inactivity?](#)

