

# A LEARNING INSIGHT

INTO ECONOMIC  
INACTIVITY

prepared by BMG Research for

DYSGU ac ADDYSGU CYMRU

**ELWa**  
EDUCATION and LEARNING WALES

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# 1. Summary and discussion

## Introduction

- 1.1 The availability of sound intelligence and analysis is important for the development of evidence-based policy. Learning Insights have been designed so as to provide considered, robust and accessible overviews of subject areas and key issues relevant to the development of learning in Wales.
- 1.2 BMG Research was commissioned by ELWa to write a series of three 'Learning Insight' papers. The purpose of these papers was to review existing research and statistics relating to three thematic areas as the basis for assessing ELWa policy on learning and skills development in Wales. The three thematic areas were the *demography* of Wales, the phenomenon of *economic in activity* in Wales, and *basic skills* issues in Wales.
- 1.3 Each Learning Insight comprises a technical paper setting out some key statistics and analysis. This forms the main part of the document. However, the Insight begins with a general *summary and discussion* of findings which is sufficiently self-contained to be read on its own by those who do not wish to consider the more detailed findings on which it draws.

## Inactivity in Wales

- 1.4 Inactivity in Wales can be summarised as below (mainly by drawing on information presented in the technical sections of this document):
  - There were around 470,000 people in Wales aged between 16 and State Pension Age who were economically inactive – neither working nor seeking work – in Wales in 2001.
  - The rate of inactivity was broadly stable between 1984 and 2002, rising from 26.9% of the working age population to 27.1%, but then falling during 2002 to around 24%.
  - Wales has the second highest inactivity rate in the UK (after Northern Ireland), at around 5 percentage points above the UK average.
  - Within Wales, economic inactivity rates are highest in West Wales and in the Valleys. Merthyr Tydfil has the highest rate (at around 35%). Powys has the lowest rate (at around 20%).
  - The main reasons for economic inactivity in Wales include long-term illness (36%), remaining in education (25%), looking after the family home (21%), 'other' (11%), and early retirement (7%). These reasons for economic inactivity differ between men and women. For men, who are less likely to be economically inactive overall, the main reasons are (1) long-term sickness (2) early retirement (3) being a student. For women, the main reasons are (1) looking after the home (2) long-term sickness and (3) being a student.
  - Fairly stable overall inactivity rates conceal the fact that inactivity of women is falling, whilst that of men is rising.

- Wales has a much higher proportion of its inactivity attributable to long-term illness than in the UK as a whole. Compared with South East England (the UK's most 'active' region), Wales' proportion of inactivity attributed to long-term illness is over twice as high.
  - In the Valleys, ill-health accounts for half of economic inactivity but for only around 40% of inactivity in Wales' 'most active' Unitary Authorities, Monmouthshire and Powys.
  - 'Permanent sickness' is a rising phenomenon for men. According to the 1971 Census, fewer than 3% of all men in Wales reported the condition. By 1991 that had risen to 10%, much higher than in the rest of Britain. There were declines in the later 1990s as benefit rules were changed, but the number of claimants has since risen again.
  - In terms of age, the distribution of inactivity shows high rates in the 16-24 year old age groups (mainly but not exclusively students), falls in middle years, and rises in later years (early retirement and ill-health).
  - Of all inactive people in Wales, only 27% want to work. Willingness to work declines the longer people have been inactive and/or on State benefits.
- 1.5 These simple statistics hint at various complexities in consideration of the inactivity issue.

### **Is inactivity a problem?**

- 1.6 The first of these concerns the distinction between groups for which inactivity is seen as a 'problem' and groups for which it is not.
- 1.7 In the *latter* group are....
- Students: generally, being 'in learning' is regarded as a positive status.
  - People caring for the home or family and not receiving State benefits: this is usually perceived as non-problematic (though when the labour market is tight some individuals in this state may take up work).
  - Early-retired people with private means or private pension: here there is no particular cost to the state.
  - People who are clearly incapable of work through ill-health, incapacity or disability: no humane society would expect these people to work.
- 1.8 The 'problem' groups, include....
- Younger people who are not in education, employment or training: though not eligible for benefits and not in receipt of them, some members of this group may be associated with alternative ways of funding their lifestyles – involving the black economy, crime and drugs – and, hence, have a significant social cost.
  - Lone parents who are in receipt of benefit: there has been some social and political disapproval of single parents, usually young women, who remain for long periods on benefits. Hence, programmes (involving training and advice through New Deal and tax credits) have been introduced to encourage employment of this group.

- Greatly increased numbers, particularly of older men, who claim incapacity benefit. If their previous high-wage jobs in mining, the steel works, or engineering were still open to them, many might still be working. But as they are not, receipt of incapacity benefit provides a more socially acceptable and a more stable long-term income than unemployment benefit. Some of these people may actually want to work (and, hence, represent 'hidden unemployment') but not in low-paid menial jobs where the financial advantage over benefits is marginal.
- 1.9 Public concern over the problem of inactivity focuses on its cost to the benefit system, the social cost (and particularly a potential link with crime and drugs amongst young men), and the loss to the labour market of potential workers at times of high employment.

### **Cost/Benefit Calculations of Inactivity**

- 1.10 A key question is whether for particular groups inactivity is 'voluntary' or 'involuntary'. That is, do individuals choose to be inactive or do they simply lack the ability to obtain a job? The report describes some of the calculations involved for older men on incapacity benefit, but much the same calculations apply to inactive lone parents, predominantly lone mothers. In its simplest terms, for some of these people, benefits + not having to work + their own 'free' childcare implicit in not working > low wage + tax credits + having to work in a routine job – childcare costs. Even some of those early-retired people on private pensions, (a 'non-problem group' from the state's perspective), may actually want to work because their pension is quite low. They may do so 'informally' or may be prevented from doing so by their low-level or redundant skills. For the young 'NEET' group (not in employment, education or training) the calculation is, perhaps, brutally simple. Without skills or qualifications, the attractions of employment in a menial low-paid job may be, for some, less than those of casual non-tax-paying labour or the proceeds of criminal activity.
- 1.11 Essentially, therefore, economic inactivity is a phenomenon which affects different groups in different ways. For some such as students or housewives raising a family, inactivity may be acceptable. But for others lacking economic opportunities or taking advantage of the tax-benefit system, it may not be so.
- The level of inactivity is influenced by economic trends and employment opportunities. For some older workers it is the product of the decline of heavy, traditionally 'male' industries, not just in Wales but across the UK – Wales' higher-than-UK rate simply reflects its recent economic history. However, what differentiates Wales' overall position is not simply the concentration of 'ill-health' inactivity in the Valleys and areas subject to steel closures but also the fact that in Wales ill health is more likely to result in inactivity than elsewhere.
  - It is then further influenced by the fact that for many people with redundant skills (e.g. ex-miners or steelworkers) and/or with poor qualifications/skill levels, the only work available is low-paid, routine and sometimes insecure. This affects the work/non-work choice. Three-quarters of inactive people, particularly older individuals with health problems, claim that they do not *want* to work.

## Public policy and inactivity

1.12 From a public policy point of view, it is important to identify those who are more likely to enter the labour market, and, therefore, be more amenable to modest policy intervention, and those who express themselves as not willing to work and, therefore, require a re-orientation of their attitudes to work.

The latter may involve...

- More frequent and more rigorous health checks on those in receipt of incapacity benefits.
- The New Deal programmes (mainly for young people and for those 25 or over).
- Tax Credit systems for those on low wages to alter the benefits vs. wages equation.
- Childcare schemes.
- Various regeneration and other local initiatives to assist the 'unwaged' with various employment, travel, and training costs.

1.13 The effectiveness of such measures is much debated. New Deal has been particularly contentious, with the principal argument being whether its achieved transition-to-work rates are a measure of success or whether they are largely 'deadweight', simply counting people who would have got jobs anyway. More widely, the recent downturn in economic inactivity in Wales (as across the UK) may be a result of public policy or may be a product of relative economic buoyancy – the recent report to the Welsh Assembly Government by Swansea University (Identifying Barriers to Economic Activity in Wales, 2003) makes the point that 'Inactivity is strongly related to the business cycle and demand-side factors'.

## A role for ELWa?

1.14 What should ELWa's role be in contributing to a reduction in the inactivity rate? One view is that ELWa's job is simply to provide a post-16 learning infrastructure which is able to develop the skills of those who want to progress, while the coercive/persuasive powers with respect to the inactive are issues for the Treasury/welfare arms of government.

1.15 However, an alternative view is that ELWa can (and in some ways already does) take a more proactive role. If a more explicit strategy towards inactivity were to be developed, then a number of possibilities can be identified.

1.16 First, the development of *explicit* objectives towards economically inactive groups in ELWa's national and regional strategy documents would give greater focus to the issue.

1.17 Such an approach might *distinguish and prioritise* different economically inactive groups and might, in principle, take a geographical focus, with specific targeting of different localities.

1.18 Second, evidence suggests that economic inactivity is much harder to deal with once it has become entrenched, and this implies that early intervention is required.

- 1.19 With regard to the young NEET group, the objective must surely be to restrict as far as possible the numbers of young people who drift out of the educational system at a fairly early age not to be seen again 'in public' until they end up in court or in drug rehabilitation. The identification of 'at risk' individuals in school and their subsequent mentoring – reducing truancy, dealing with early offending, and easing them into post-16 productive activity – are implied. Can ELWa, albeit with a post-16 focus, develop a role within a co-ordinated effort involving schools, Careers Wales, and the justice system?
- 1.20 The risk with *older* inactive people, is that, following redundancy, they move straight from employment into long-term inactivity. What can ELWa offer businesses by way of support to the counselling and re-skilling of older workers who are *at risk* of going through that process? Can an early warning be given, so that adaptive programmes are available as early as possible?
- 1.21 Even after leaving employment, there may be scope for intervention. Some areas (internationally as well as in the UK) have developed networks of centres which supply packages of counselling and re-skilling to older workers who want to remain economically active. One of the most notable is the 'Experience Works' programme in the East Midlands region (funded, amongst others, by the East Midlands Development Agency). Could this type of model be usefully adopted in Wales?
- 1.22 A further question is of how far existing programmes can best be delivered in order to make them more effective in countering economic inactivity....
- Could the *Modern Apprenticeship* Programme be developed so that the numbers of young people who complete their programme – and hence, stand a better chance of progressing into employment – are increased?
  - Could the *Adult Continuing Education* budget be used to provide courses more likely to attract inactive people – as a means of keeping learning interests active and, perhaps, as a stepping stone into more formal re-skilling?
  - Could the *Individual Learning Account Wales* be marketed or packaged so that it achieves its objectives of encouraging vocational training amongst the least skilled?
  - Could the *Basic Skills Strategy* develop effectively so that it improves employability amongst groups such as young offenders - so that employment has a better chance of competing as an alternative to re-offending?
- 1.23 Finally, there is the question of the relationship of ELWa's remit to that of Jobcentre Plus and specifically to the New Deal programmes. The latter are currently either specifically devoted to those in receipt of Jobseekers Allowance – those who are not formally inactive – or they attract relatively few inactive clients.
- 1.24 What scope is there for policy change in Wales to allow New Deal programmes to bear more directly on inactive groups and to increase participation rates – with ELWa taking a more significant role in supporting the education and training option?

**Caution: the intractability of inactivity**

1.25 Economic inactivity has proved to be difficult to reduce, even when significant taxation/credit incentives are available and benefit threats are wielded. Thus, while education and training have a role to play in influencing the wage vs. benefit balance for individuals by making a higher wage (or even any wage) a possibility, expectations need to be moderate.

1.26 Whatever ELWa does needs to be co-ordinated, coherent and significant. Recently the UK government's Social Security Advisory Committee (Annual Report, 2002-2003) commented on welfare-to-work schemes that...

*'As the number of pilots, pathfinders and local initiatives proliferate, evaluation becomes more complex and programme outcomes harder to pin down.'*

*'We also feel that the comprehensibility of the system – and thereby its accessibility to the department's customers (who include lone parents, the unemployed and the disabled) – may become compromised.'*

*'There must be a case for streamlining and convergence of provision across the working age client group.'* (The system often remains) *'...dauntingly complex for staff and customers alike.'*

1.27 The general message must be that any serious attempt to respond, with a specifically 'skills' contribution, to the problems of inactivity would require substantial resources to make a difference. Minor local projects would have little to add and might well muddy the waters further.



## 2. Technical report: introduction

### Scope of report

- 2.1 It is assumed that readers are familiar not only with Wales's main geographic and economic features, but also with labour market concepts and dynamics, learning motivation, and established patterns of participation.

#### *What is meant by 'economic inactivity'?*

- 2.2 'Economic activity' means participation in the labour force (paid employment or self-employment, or unemployment involving an active search for work in the last 4 weeks). Hence, people who are '*economically inactive*' are those who are not working and not currently seeking work. (For brevity, the terms 'inactive' and 'inactivity' are used.)
- 2.3 People who are *unemployed* (claiming the Jobseeker's Allowance, or receiving other unemployment-related benefits, or not receiving benefits, but actively seeking work) *are* active, as their joblessness is viewed as temporary. The term 'ILO unemployed' includes both claimants and non-claimants who are actively seeking work<sup>1</sup>.
- 2.4 In contrast, people who are *inactive* neither work, nor are likely to seek or start work in the immediate future. Thus, they do not form part of the labour force in employment or unemployment. However, Guinea and Betts (2003) do note that answering the question whether people are actively seeking work is subject to interpretation and some who are looking for work, but only passively, may answer in the negative, while others may not.
- 2.5 Normally, economic activity rates are based on people aged 16-59/64 (retirement age) only. However, some published statistics use a wider age range (e.g. the 2001 Census tables are based on 16-74 year-olds). Thus, apparent inconsistencies between different sources may arise, due to different age definitions.

#### *Geographic analyses*

- 2.6 Much is already known about spatial variations across Wales. The main variations are set out in the Welsh Assembly's 'The Wales Spatial Plan: People, Places, Futures'; 2003.
- 2.7 Statistics are presented at national, regional, unitary authority (UA) and occasionally ward-level, as appropriate.

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<sup>1</sup> The ILO definition of unemployment comprises people aged 16 and over, who are without a job, are available to start work in the next two weeks and who have been seeking a job in the last four weeks, or were waiting to start a job already obtained in the next two weeks.

## **Sources and references**

2.8 Statistical data are drawn mainly from the 2001 Welsh Local Labour Force Survey (WLLFS) and the 2001 Census of Population, supplemented from other sources as necessary. Sources are referenced, where relevant and as appropriate. Crown Copyright is acknowledged.

### *Acknowledgements*

2.9 Extensive use is made of Statistical Bulletin SB 14/2003, '*Economic Inactivity in Wales*', published by The National Assembly for Wales (Cath Mitchem, Education, Training & Economic Statistics, e-mail: [economic.stats@wales.gsi.gov.uk](mailto:economic.stats@wales.gsi.gov.uk)). The Bulletin assembles a range of information mainly from the Welsh Local Labour Force Survey (WLLFS) and offers some supporting commentary. The Statistical Bulletin provides an invaluable contribution to this 'Insight'.

2.10 Reference is also made to '*Left out, Left Behind – the people lost to Britain's workforce*' (Willets D, Hillman N & Bogdanor A; Policy Exchange<sup>2</sup>, London July 2003). This provides a useful summary and critical analysis of many of the key labour market and political issues concerning inactivity.<sup>3</sup>

## **Structure of report**

2.11 This technical report is arranged as follows:

- Economic inactivity - background
- Inactivity in Wales
- How unequal is inactivity in Wales?

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<sup>2</sup> [www.policyexchange.org.uk](http://www.policyexchange.org.uk)

<sup>3</sup> Other useful references are C Barham, Economic Inactivity and the Labour Market, *Labour Market Trends*, February, 2002; A McIntyre, People Leaving Economic Inactivity, *Labour Market Trends*, April, 2002, and D Guinea and P Betts, How People Answer Labour Force Survey Questions about Economic Inactivity, *Labour Market Trends*, October, 2003.

## 3. Economic inactivity - background

### Introduction

- 3.1 This Chapter provides a summary of what is already known about economic inactivity, looking at national (GB) trends in employment, unemployment and inactivity. It examines the kinds of people most likely to be affected by inactivity, which provides an insight into the causes of inactivity and the needs of inactive people.
- 3.2 Much of this background information and discussion derives from '*Left out, Left Behind – the people lost to Britain's workforce*' (Willets D, Hillman N & Bogdanor A; Policy Exchange<sup>4</sup>, London July 2003). Thus, although inactivity is viewed from a national (GB) perspective, most of the general issues are relevant to Wales.

### Is inactivity rising?

#### *A decade of steady growth*

- 3.3 Since emerging from the recession of the early 1990s, Britain has enjoyed a remarkable period of more-or-less steady growth. Although punctuated by occasional setbacks and uncertainties, the economy has remained largely free of the wilder fluctuations of 'boom and bust' so characteristic of the 1970s and 1980s.
- 3.4 Despite steady growth across most of the UK's economy, manufacturing industries have continued to become proportionately less important providers of jobs, whereas most service sectors have grown. Wales (and certain other parts of the country) has been badly affected by job losses from its traditional manufacturing and primary industries. Conversely, growth has tended to favour service-based sub-regions, especially the South East of England.
- 3.5 Retrospectively, it is evident that the 'steady growth' of the past decade has been accompanied by substantial industrial, technical and social changes, but these changes have occurred without the great dislocations that so often accompanied them in the past. Although GB *national* output has grown steadily, this conceals significant *local* change and turbulence. In the sense that the labour market has adapted to fundamental changes more easily than in the past, there may be some truth in claims that Britain's labour market has become more flexible and adaptable.
- 3.6 One puzzle has been the continuing fall in unemployment, despite economic setbacks and sporadic announcements of large-scale job losses. One possible reason is that some of those affected have simply left the labour market entirely and become inactive, either because they see little realistic prospect of a job or because benefit rules impede or disqualify them.

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<sup>4</sup> [www.policyexchange.org.uk](http://www.policyexchange.org.uk)

- 3.7 What is not in doubt is that, at the GB level, employment has risen and unemployment has fallen, year after year. What is less widely known is that *economic inactivity* has *risen* (by about 0.4m between 1992-2002, to over 7.7m). Thus, despite rising national prosperity, more people than ever before now stand outside the labour market, implying 'losers' as well as 'winners' in the continuing process of economic change. Furthermore, this increase in inactivity has occurred *despite* government policy that has introduced initiative after initiative (notably, but not exclusively, various 'New Deals') intended to cut inactivity – and thus, social security costs – substantially.
- 3.8 Although the *number* of inactive people has risen, the *percentage* (as a proportion of working age adults) appears more stable, because the working age population has grown. (Willett's reports the current figure as 21.4%, and fluctuations within a range of 21.1% to 21.8% during the last six years.)

*Why is inactivity rising, despite steady growth?*

- 3.9 Rising inactivity conceals several quite different phenomena, at least one of which (increasing numbers of young people staying on in FE and HE) is actually to be welcomed. (However, paragraph 4.15 suggests that increasing student numbers make less difference to inactivity rates than might be expected.)
- 3.10 '*Left out, Left Behind – the people lost to Britain's workforce*' (Willett's et al, 2003), citing the Winter 2002-03 LFS, reveals that 7.722m people of working age are inactive (GB), an increase of 134,000 (+1.8%) over the 5½ years since Spring 1997. Of this increase:
- 219,000 (+12.7%) is attributable to young people (aged 16-24);
  - 17,000 (+0.7%) is attributable to older people (aged 50-RA);
  - 119,000 (+3.7%) is attributable to people with disabilities;
  - inactive lone parents have actually *fallen* by 25,000 (-3.5%).
- 3.11 Thus, the greatest (GB) proportionate and numerical increases in recent years are due to *more young people* being, or becoming, inactive, followed by *more people with disabilities*.
- 3.12 As shall be seen later (Table 1), people of different ages (and sexes) have different reasons for being inactive:
- young people are inactive mainly because they are in full-time education;
  - males aged 25-64 are inactive chiefly because they are long-term sick or disabled;
  - females aged 25-49 tend to be inactive due to 'looking after family or home' and those aged 50-59 more because of long-term sickness or disability (although over another one-quarter of this age group are also 'looking after family or home').

### Should we be concerned about inactivity?

3.13 As the Willetts et al paper (Policy Exchange, 2003) remarks:

*'Not everyone should be in the workforce. No civilised society would expect people with severe disabilities to work and most people would recognise the right of a parent to spend their time caring for a young child. However, there are many other causes of economic inactivity and it is surprising that so many remain outside the labour market at a time of sustained economic growth.'*

*'There are 4.7 million women and 3.0 million men of working age outside the labour market. Most of them are in four overlapping groups: young people; people aged between 50 and state pension age; lone parents; and people with disabilities.'*

3.14 Reasons for inactivity, by sex and age are summarised in Table 1 below.

**Table 1** Reasons for inactivity, by sex and age (percentages, working age only)

Percentages	16-24	25-34	35-49	50-59/64
<b>Males</b>				
Long-term sick or disabled	5	43	64	55
Looking after home/family	1	11	15	4
Students	83	21	5	0
Retired	0	0	1	29
Other	11	25	16	12
<b>Females</b>				
Long-term sick or disabled	3	11	25	39
Looking after home/family	24	72	60	28
Students	66	8	4	1
Retired	0	0	0	15
Other	7	9	11	18
Source: C. Barham, 'Economic inactivity and the labour market', Labour Market Trends, February 2002, Table 2, page 72				

3.15 Table 1 above shows clear differences between age groups and between men's and women's reasons for inactivity. Full-time education and 'caring' accounts for most inactivity amongst the younger age groups. Traditional family roles keep significant proportions of inactive women out of the labour market, continuing into their 30s and 40s. Older people suffer more long-term sickness and disability, due to natural aging processes. Thus, some inactivity is desirable (e.g. full-time education), some is freely chosen and appropriate (e.g. 'caring') and some is unavoidable (e.g. long-term sickness and disability). However, these are generalisations – some young women may be 'caring', but would prefer to be working; some older people may be 'retired', but would rather be working; some long-term sick or disabled people could be capable of work, but are unable to find anything suitable for their needs.

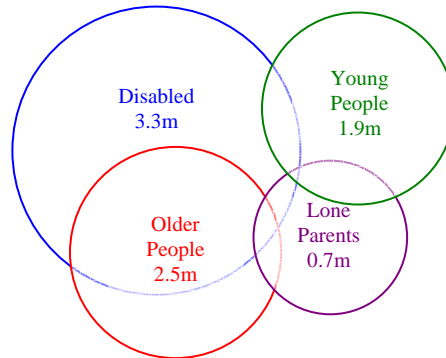
- 3.16 Inactivity that is wholly voluntary and freely chosen gives little cause for concern (provided its costs do not fall substantially on the public purse). However, as has just been suggested, there are grey areas. Some inactivity may be only semi-voluntary (e.g. enforced early retirement) or chosen as the least bad option available (e.g. 'caring' because no suitable jobs can be found). The rules of the benefit system might also divert some individuals from unemployment to disability, especially if the local labour market does not offer many opportunities for people who are less than fully fit but otherwise capable and desirous of some sort of work.
- 3.17 In short, the most worrying feature of rising inactivity is that it is growing at a time of such high labour demand (GB employment has reached all-time highs), suggesting mismatches or inefficiencies are preventing or discouraging certain individuals from working and earning. Inactivity may therefore actually represent hidden unemployment.
- 3.18 Willetts raises other concerns about the rise in inactivity.

*'Economically inactive people are less job-ready than people registered as unemployed. Any increase in their numbers poses a much greater challenge to Jobcentre Plus than a comparable increase in unemployment and it is more likely to lead to sustained periods of poverty for the individuals concerned. In the words of the Office of National Statistics, changes in inactivity rates are "a key part of the impact of labour supply on potential output growth". They can present an enormous cost to the Government both in terms of foregone labour, services and taxes and in terms of public expenditure on benefits.'*

*'The increase in economic inactivity has also deepened the divisions between particular disadvantaged groups and the rest of the population. Most economic inactivity is concentrated amongst four groups: young, unskilled people; people aged between 50 and state pension age (SPA); lone parents; and those with disabilities or other health difficulties. In Autumn 2002, the economic inactivity rate amongst people with disabilities of working age was 46 per cent, whilst for other people it was 15 per cent. Some groups of the population are work-rich and others are work-poor. The recent growth in activity has widened this gap.'*

## Inactivity amongst different groups

3.19 Willetts identifies four overlapping groups of inactive people (GB):



The biggest overlap is between older and disabled people, as disability rises with age and between young people and lone parents as the young are more likely to have children out of wedlock.

## Young people

3.20 Young people (aged 16-24) make up 25.1% of the inactive total (representing 1,938,000 individuals). However, two-thirds of these (67.2%, or 1,302,000 individuals) are in full-time education and need not concern us here. This still leaves 636,000 young people (9.7% of all aged 16-24) who are neither working (61.6%), unemployed (8.7%), nor studying (19.9%).

3.21 Willetts argues that little is known about the 636,000 16-24 year olds, who are not working, not actively seeking work and not in education. He concedes that small numbers amongst this total may be in some sort of part-time education or study, or may be young mothers caring for children, or could be taking a 'gap year' (estimated at around 40,000 individuals). However, the majority of the total, 'appear to be seriously disengaged from mainstream society'.

3.22 Willetts believes that many of these inactive, 'disengaged' young people are former truants, who have low educational achievements. Some may be involved in crime and drugs. ('Thus, inactivity ties in with a deeper social problem.') Willetts acknowledges that, 'there is unlikely to be any simple way to reduce the enormous number of young people who have no contact whatsoever with the labour market'.

3.23 Willetts's proposals include:

- addressing the low educational achievements of disadvantaged young people and offering more vocational education and training (e.g. via Modern Apprenticeships);
- abolishing or radically reforming the New Deal for Young People, whose success Willetts believes is greatly overstated for political purposes;
- acquiring more information about the one in ten 16-24 year olds who seem to have rejected education and training and abandoned the labour market, so that better policies can be devised for them.

## People aged between 50 and state pension age

- 3.24 People aged between 50 and state pension age make up 32.8% of the inactive total (representing 2,535,000 individuals, of whom just over one-half are males). As a proportion of all people aged 50-59/64, an astonishing 39.9% are inactive.
- 3.25 Comparing 1997 with 2002 reveals that inactivity has risen more amongst men than women. Research by the ONS also suggests that male inactivity, especially amongst older men, could increase still further in the years ahead.
- 3.26 Labour Market Trends<sup>5</sup> reports that both older men and women tend to move straight from employment to inactivity, without an intervening spell in unemployment. Of these, a few are taking early retirement, but the majority are becoming long-term sick or disabled. Willetts notes:
- '... although some early retirement does occur, the main cause of inactivity for 48 per cent of older inactive people is long-term sickness or disability. Half of all Incapacity Benefit claimants (1.2m people out of a total of 2.4m) are aged between 50 and State Pension Age. In one area of South Wales [Merthyr Tydfil], more than half of all men aged between 50 and State Pension age are out of work and claiming sickness-related benefits.'*
- 3.27 Besides sickness and disability, there are two other important causes of inactivity amongst older people: *low educational achievement* and *early retirement*. Willetts cites research to show that as many as two-thirds of those taking early retirement do not *choose* to do so (i.e. it is involuntary). Thus, for the majority of non-working older people, their inactivity is forced upon them (by ill-health, compulsory early retirement, and difficulty competing in the labour market) – it is not freely chosen.
- 3.28 Willetts criticises existing schemes and benefits for inactive older people. He argues that the New Deal 50plus ...
- '... attracts few economically inactive older people, that the most successful participants are the easier ones, such as those at the younger end of the eligible age range, and that people who are not able to find work soon after joining the scheme tend to stay out of work.'*
- 3.29 Willetts believes existing support for older, inactive people should be reformed. However, his main criticism is that many promising ideas are being ignored and he accuses the government of a lack of political will to address the problem. ('We need a far more proactive approach to removing the barriers that stand in [older, inactive people's] way.')

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<sup>5</sup> Catherine Barham, 'Patterns of economic inactivity among older men', Labour Market Trends, June 2002



## Lone parents

- 3.30 Around one-quarter of families with dependant children are headed by a lone parent and, as might be expected, the majority (about nine in ten) of these parents are . women.
- 3.31 Inactivity amongst lone parents has fallen significantly in recent years (e.g. 25,000 fewer inactive, between 1997 and 2002). At present, 41.3% of all lone parents are inactive (about 688,000 inactive individuals, from a total of 1,665,000 lone parents; source: LFS, Autumn 2002).
- 3.32 The main factors that influence the economic status of lone parents include:
- the age of the youngest child;
  - the parent's level of educational achievement;
  - the parent's economic status when they become a lone parent.
- 3.33 Intuitively, it is easy to see how each of these factors affects a lone parent's ability to secure work. In particular, research shows that *poor qualifications* adversely affect lone parents' economic status more severely than parents in two-parent households (presumably because lower paid jobs are less financially attractive for a single parent when the additional child care and other costs are taken into account). More than two-fifths (44%) of all non-working lone parents have no qualifications.
- 3.34 The route into lone parenthood also affects the likelihood of working (perhaps indirectly, as a result of age and work experience differences, as well age differences in children's age). Single mothers are less likely to be working than those who are widowed, separated or divorced.
- 3.35 Although the government attributes much of the fall in inactivity among lone parents to New Deal policies structural labour market changes are probably at least as important. For example, much of the recent growth in employment has been part-time and in service sector organisations, making it easier for female lone parents to find suitable work. (Willets is sceptical of the claims made and is critical of the New Deal for Lone Parents and associated benefit and tax credit schemes.)

## People with disabilities

- 3.36 People with disabilities comprise the largest group of inactive people (3,338,000 individuals, representing about 43.2% of the total of all inactive people). However, besides this total of 3.3m, another 3.5m people with disabilities are employed or actively seeking work.
- 3.37 Just under one in five of all working age people is disabled (within the terms of the Disability Discrimination Act 1995). Since illness and disability are closely related to age, the incidence rises from 10% (16-19 year olds) to over one-third (50-retirement age). The incidence also varies across the country (lowest in the SE of England, highest in the NE).

- 3.38 Fewer than one-half (46.5%) of all working age people with disabilities are active. Of the inactive, two-thirds *do not want* to (or cannot) work. However, this leaves well over one million inactive people with disabilities who would like to work.
- 3.39 In 1995 the government reformed benefits for working age people with disabilities, trying to contain their growing cost. Consequently, there were substantial falls between 1995 and 2000, although the number of claimants has since risen again (and the average length of time people are on Incapacity Benefit is also rising). Further changes to Incapacity Benefit rules were made early in 2000 (which Willetts claims have created perverse incentives to remain on Incapacity Benefit, rather than accept work and risk losing benefit if a new job does not work out).
- 3.40 Current government policies to reduce sickness and disablement inactivity have been to *restrict eligibility to Incapacity Benefit, establish New Deal for Disabled People* and introduce *compulsory work-focused interviews*. Willetts claims none of these measures has been effective and some have been counter-productive.
- 3.41 Willetts's proposals to reduce inactivity amongst people with disabilities are:
- give people with disabilities a higher priority in Jobcentre Plus;
  - improve the linking rules, so that disabled people already on benefit are not discouraged from trying out a new job;
  - provide rehabilitative help for disabled benefit claimants, 'possibly through an Incapacity Benefit fundholder'.

## 4. Inactivity in Wales

### Introduction

- 4.1 Wales has lost thousands of jobs from mining, steel and other traditional industries over the last two decades. Farming and tourism have had several difficult years and some 'new economy' jobs have recently been lost (e.g. call centres being transferred overseas). What effect has this had on inactivity in Wales?
- 4.2 This Chapter uses data from Statistical Bulletin 14/2003 (*'Economic Inactivity in Wales'*, published by The National Assembly for Wales, by Cath Mitchem), taken mainly from the Labour Force Survey (LFS) and the Welsh Local Labour Force Survey (WLLFS – from 2001). Unless otherwise stated, statistics are from SB 14/2003.
- 4.3 The 2001 Census of Population also contains information on economic inactivity. Where appropriate, data from this source is used to supplement SB 14/2003.
- 4.4 The WLLFS is based on working age people only (16-59/64), whereas inactivity data from the 2001 Census of Population are based on people aged 16-74. *The WLLFS and the Census are therefore incompatible, hence figures from these two sources should not be compared.*
- 4.5 In addition, reference is also made to the Executive Summary of *'Identifying barriers to economic activity in Wales'* (Blackaby, D et al, Dept. of Economics, University of Wales Swansea & WELMERC).

### Inactivity 1984-2002

#### *Overall trend – Wales compared with the UK*

- 4.6 It has long been held that inactivity follows the economic cycle – high growth reduces inactivity (by drawing more inactive people into work) while a recession raises it (because people least able to compete against increasing numbers of job seekers withdraw from the labour market). Data from the Labour Force Survey show that this relationship held true up to the mid-1990s. For example, during the 'Lawson Boom' of the late 1980s, inactivity fell (to its lowest point in 1990), but when the economy went into recession (e.g. 1990-92), inactivity rose.
- 4.7 More recently, however, UK inactivity has *not* fallen in response to steady economic growth from mid-1992 onwards, as past experience might lead us to expect. Indeed, as remarked in paragraph 3.8, the inactivity rate has remained steady within a narrow range over the last six years. (The *numbers* of inactive people have actually risen, because the working age population has grown.)

- 4.8 From reference to SB14/2003, four other points stand out:
- inactivity in Wales has been *consistently higher* than the UK average, by about 4-6 percentage points, throughout the last 18 years (1984-2002);
  - inactivity in Wales is slightly higher in 2002 than in 1984 (27.1% compared with 26.9%), whereas the UK percentage is slightly lower, therefore *Wales's relative position has worsened*;
  - inactivity in Wales appears more volatile compared with the UK (i.e. rising and falling more sharply), although some of this variability may simply reflect Wales's greater sample error (before 2001, Wales's LFS sample comprised only 4,600 cases, until boosted to 21,000 for the WLLFS);
  - Wales's most recent figures show an encouraging fall in inactivity between 2001-02, to 24.1% of working age adults in the three months to December 2002.

#### *Gender differences*

- 4.9 Although inactivity rates have remained fairly stable over the last 18 years, notwithstanding small fluctuations in response to the economic cycle, this stability conceals a substantial change in the relative positions of men and women.
- 4.10 SB 14/2003 also shows that, both in Wales and across the UK, *female* inactivity has been *falling*, whilst *male* inactivity has been *rising*.
- 4.11 Key messages from SB 14/2003, applicable both to Wales and the UK, are that:
- male and female activity rates are converging, thus the activity gender gap is closing;
  - a fundamental, long-term structural change is taking place in the relative labour market positions of men and women.

#### *Full-time students*

- 4.12 It was noted earlier that full-time students make up around two-thirds of all inactive young people (aged 16-24). Willetts's paper (p.20) reports that the number of inactive young people in full-time education increased by about 178,000 between 1997 and 2002.
- 4.13 If full-time students are excluded, inactivity in Wales falls by 3.4 percentage points (from 27.1% to 23.7%, Spring 2002; source: SB 14/2003, p.8). (For comparison, the corresponding UK inactivity rate falls by 3.0 percentage points, from 21.5% to 18.5%, thus the effect of students on inactivity rates is similar across Wales and the UK.)
- 4.14 Naturally, at a more local level, the presence of universities and colleges affects inactivity. Hence, in Wales, full-time students account for a higher proportion of the inactive total in areas that have universities and other large educational institutions (i.e. Ceredigion, Cardiff, Gwynedd and Swansea).

- 4.15 Rising educational staying on and participation rates over many years might be expected to have increased the proportion of inactivity attributable to full-time students. However, SB 14/2003 suggests otherwise. Mitchem remarks:

*'Between 1984 and 2002, the effect of excluding those in full-time education remained fairly consistent throughout the period for both Wales and the UK.'*

## **Variations across the UK**

### *UK Regional variations*

- 4.16 SB 14/2003 further shows that Wales has the second highest proportion of inactive working age residents of any UK region; only Northern Ireland has a higher economic inactivity rate (NI 28.8%, Wales 26.6%, UK average 21.6% – Spring LFS, 2001).
- 4.17 Thus, Wales has the highest economic inactivity rate in Great Britain<sup>6</sup>, five percentage points above the national (UK) average. Other regions that are also above the national average are the North East of England, London, the North West of England, and Yorkshire & Humberside.

### *Regional variations in the reasons for inactivity*

- 4.18 The most frequent reasons for inactivity are *long-term sickness or disability, caring for a home or family, and full-time education*. In total, in all UK regions, these three reasons account for around three-quarters of all inactivity amongst people of working age. [Source: SB 14/2003, Chart 5, p.10, based on LFS 2001.]
- 4.19 'Caring' is the most frequent reason for inactivity in eight out of the twelve UK regions, but in Wales (and the other three) it is *long-term sickness or disability*.

### *Inactivity, excluding full-time students*

- 4.20 When full-time students are excluded, economic inactivity in Wales falls to 23.6% of the working age population (UK 18.8%). [Source: SB 14/2003, Chart 6, p.11, based on LFS 2001.]
- 4.21 Excluding full-time students brings Northern Ireland's inactivity percentage (24.4% of working age residents) closer to Wales's (23.6%), a difference of only 0.8 percentage point.

### *Desire to work*

- 4.22 Of those who are inactive (excluding full-time students), between one-quarter (24%, East Midlands) and just over one-third (36%, Scotland) *would like to work*. [Source: SB 14/2003, Chart 8, p.13, based on LFS 2001.]

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<sup>6</sup> 'Great Britain' comprises England, Scotland and Wales.

- 4.23 Wales has the fourth lowest proportion of inactive people in the UK wanting to work (27% of all inactive people, excluding full-time students). Hence (as the WELMERC report on inactivity in Wales also notes), roughly three-quarters of inactive people are neither seeking *nor want* to work.
- 4.24 The WELMERC report also shows that when the Welsh Valleys (defined as the Unitary Authorities of Blaenau Gwent, Merthyr Tydfil, Neath Port Talbot and Rhondda Cynon Taff) are excluded the scale of inactivity in Wales is reduced relatively to the rest of Britain, though differences still remain. The contributions of ill health also declines, though its effect is still higher than in the rest of Britain.

## Variations within Wales

### *Unitary Authorities*

- 4.25 There are wide variations in inactivity between Unitary Authority areas (UAs), ranging from 19.8% of working age people (Powys) to 34.8% (Merthyr Tydfil). [Source: SB 14/2003, Chart 9, p.14, based on WLLFS 2001.]
- 4.26 Table 2 below compares UAs against the Wales average (26.6%). Immediately, it may be seen that the valleys and rural west Wales have a much higher incidence of inactivity than east Wales.

**Table 2** Percentages of working age population who are economically inactive, by UA (ranked)

<i>More than Welsh average (26.6%)</i>	<i>Inactive percentage</i>	<i>Fewer than Welsh average (26.6%)</i>	<i>Inactive percentage</i>
Merthyr Tydfil	34.8	Swansea	25.6
Neath Port Talbot	32.6	Bridgend	25.3
Rhondda, Cynon, Taff	31.7	Conwy	25.1
Blaenau Gwent	31.5	Torfaen	25.0
Ceredigion	29.9	Wrexham	24.6
Carmarthenshire	29.9	Newport	24.2
Caerphilly	28.9	Flintshire	22.3
Pembrokeshire	27.5	Denbighshire	22.2
Gwynedd	27.5	Vale of Glamorgan	21.7
Isle of Anglesey	27.4	Monmouthshire	20.3
Cardiff	26.7	Powys	19.8
Base: Working age residents. Source: SB 14/2003, Chart 9, p.14, based on WLLFS 2001.			

4.27 Though useful and informative, UA level analyses are somewhat broad. It is entirely possible to find considerable differences *within* particular UAs. To demonstrate such differences, SB 14/2003, further analyses the WLLFS data at Assembly Constituency level. From maps in the Statistical Bulletin, for example, wide differences within Cardiff and Swansea are evident. It may therefore be necessary to target measures to reduce inactivity quite specifically, at wards or groups of wards known to have particular problems. (The WLLFS data is insufficiently robust at ward level to highlight such areas. Partnership working with local organisations might help to identify such areas.)

*Why does inactivity vary so much?*

4.28 There are two main reasons for these wide variations in inactivity:

- full-time students;
- long-term sickness and disability.

These may be supplemented by variations in other factors such as availability of transport, childcare facilities and ignorance of in-work benefits.

*Full-time students*

4.29 As noted earlier, there are far more students in Ceredigion, Cardiff, Gwynedd and Swansea, which have universities and other large educational institutions. Consequently, about 45% of all inactivity in Ceredigion is due to full-time students. Full-time students also make up a higher than average proportion of total inactivity in Cardiff (31%), Gwynedd (27%) and Swansea (22%). [Source: SB 14/2003, Chart 10, p.15, based on WLLFS 2001.]

*Long-term sickness and disability*

4.30 Long-term sickness and disability is the second, main reason for the large variations in inactivity visible in Table 2 above. ('Caring' and 'Other' reasons [e.g. early retirement, whilst still of working age] are fairly consistent between UAs.)

4.31 Table 3 below *excludes* full-time students, to offer a more meaningful understanding of inactivity.

**Table 3** Percentages of working age population who are economically inactive, excluding full-time students, by UA (ranked)

<i>More than Welsh average (23.6%)</i>	<i>Inactive percentage</i>	<i>Fewer than Welsh average (23.6%)</i>	<i>Inactive percentage</i>
Merthyr Tydfil	33.5	Bridgend	23.4
Neath Port Talbot	31.0	Conwy	22.8
Blaenau Gwent	29.8	Gwynedd	22.4
Rhondda, Cynon, Taff	28.9	Wrexham	22.2
Caerphilly	27.2	Swansea	22.0
Carmarthenshire	26.9	Newport	21.6
Pembrokeshire	24.9	Cardiff	21.2
Isle of Anglesey	24.8	Ceredigion	20.1
Torfaen	23.7	Flintshire	20.1
		Denbighshire	20.0
		Vale of Glamorgan	19.6
		Monmouthshire	17.8
		Powys	17.4
Base: Working age residents. Source: SB 14/2003, Chart 11, p.16, based on WLLFS 2001.			

4.32 SB 14/2003 shows that, when full-time students are excluded, differences in economic inactivity between UAs are largely due to variations in the proportions who are inactive because of long-term sickness or disability.

4.33 In rank order, Neath Port Talbot, Merthyr Tydfil, Rhondda, Cynon, Taff, and Blaenau Gwent all have more than 15% of working age residents inactive due to long-term sickness or disability. Those in which 10% or more are inactive for this reason comprise: Carmarthenshire, Caerphilly, Torfaen, Bridgend, Swansea, and Pembrokeshire. (Wrexham and The Isle of Anglesey have just under 10%.)

*Desire to work*

4.34 Wales has the fourth lowest proportion of inactive people in the UK who want to work (27% of all inactive people, excluding full-time students). Hence, almost three-quarters would *not*. This may be related to the duration of inactivity. Work undertaken by WELMERC suggests that around half of men and nearly half of women among the inactive may not have worked for at least ten years.

4.35 The proportions of inactive people who *would* like to work varies widely between UAs. SB 14/2003 shows that around 40% of all inactive people (excluding full-time students) in Rhondda, Cynon, Taff, and Merthyr Tydfil *would* like to work. (These are amongst the highest in the UK.) In contrast, Wrexham, Conwy, Ceredigion, Gwynedd and Torfaen have the lowest proportions in Wales (all around 20% or fewer).



- 4.36 The WELMERC report also remarks that, 'There is some regional variation in the degree of willingness to work among the inactive which is related to the receipt of state benefits and the time spent in economic inactivity'. It implies that the longer inactive people remain on benefits, the more likely they are to accept and adapt to an inactive life, especially if they see few prospects of finding a job. The Report also notes that once economic factors that are likely to influence the incidence of long-term sickness have been accounted for, the incidence of sickness claimants in Wales remains significantly high. This finding could be consistent with either cultural differences existing in Wales that view one type of benefit as more socially acceptable than others or arise simply because over-worked GPs in Wales are more willing to sign-on individuals who otherwise are unlikely to find work.
- 4.37 To summarise (as percentages of inactive people, excluding full-time students) the
- *highest* desire to work (30% or more) is found in Rhondda, Cynon, Taff, Merthyr Tydfil, Caerphilly, Powys, Blaenau Gwent, and Swansea;
  - *average* desire to work (20-30%) in Denbighshire, Neath Port Talbot, Newport, Vale of Glamorgan, Pembrokeshire, Cardiff, Monmouthshire, Flintshire, Carmarthenshire, Bridgend, Isle of Anglesey, Torfaen;
  - *lowest* desire to work (fewer than 20%) in Gwynedd, Ceredigion, Conwy and Wrexham.

## 5. How unequal is inactivity in Wales?

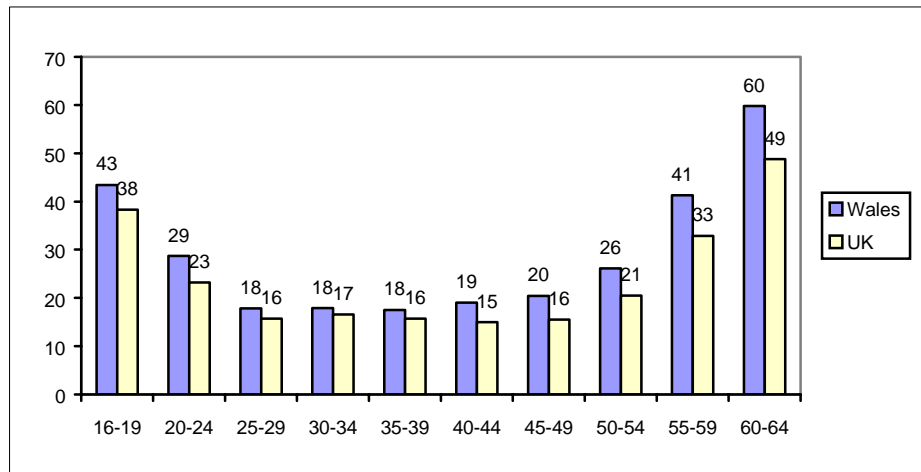
### Introduction

- 5.1 Section 3 considered David Willetts's paper, *'Left out, Left Behind – the people lost to Britain's workforce'* (Willetts D, Hillman N & Bogdanor A; Policy Exchange<sup>7</sup>, London July 2003), which identified four distinct but overlapping groups of inactive people (young people, older people, lone parents and people with disabilities). Each group has different circumstances and needs.
- 5.2 Statistical Bulletin 14/2003 also looks at the relationship between inactivity and age, gender, ethnic background and disability (under the heading, 'Equality issues').
- 5.3 In this Section, SB 14/2003's statistics for Wales are reviewed to discover how inactivity affects various groups unequally.

### Inactivity in Wales, by age

- 5.4 Inactivity in Wales is higher in every age group (Chart 1 below). The pattern clearly implies the different reasons for inactivity in each broad age group, discussed at length in Section 3 (full-time education, 'caring', increasing age, and long-term sickness and disability).

**Chart 1** Economic activity rates (percentages) for people of working age, by age (2001)



Source: SB 14/2003, Chart 14, p.22 (Annual Labour Force Survey, 2001)

<sup>7</sup> [www.policyexchange.org.uk](http://www.policyexchange.org.uk)

5.5 The higher percentages throughout all age groups shows that Wales has a more serious inactivity problem than other parts of the UK:

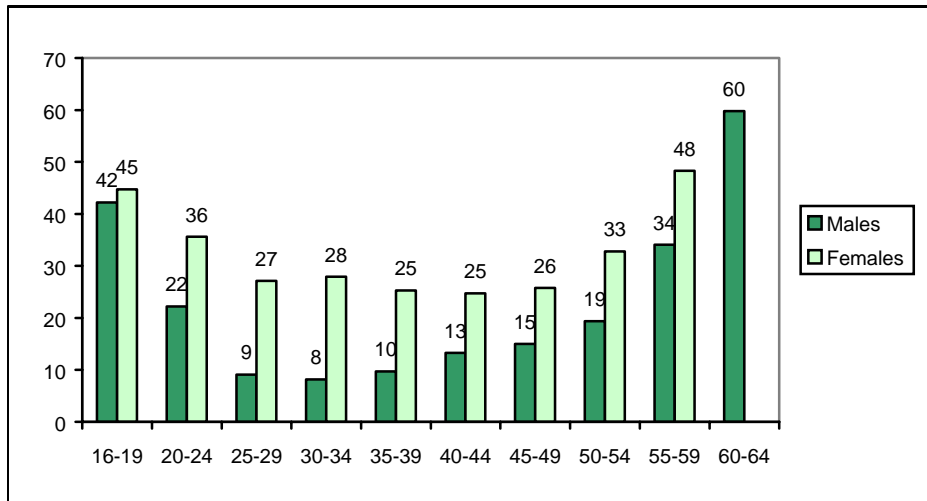
- although the majority of inactivity amongst 16-24 year olds is due to full-time education, SB 14/2003 points out that, ‘the excess inactivity in Wales for this age group was not due to students but to those looking after the family home’;
- inactivity in Wales begins to rise more sharply at an earlier age (from age 40, compared to around age 50 for the UK in general);
- the gap between Wales and the UK average increases especially sharply from age 55+, probably due to a combination of worse health and lower labour demand, which accentuates older people’s problems in finding jobs.

### Inactivity in Wales, by age and gender

5.6 Female inactivity is higher than male inactivity in all age groups, both in Wales and across the UK. This, of course, reflects women’s position as the primary home-makers and carers (and most inactive ‘lone parents’ are women, as noted earlier).

5.7 The following Chart summarises male and female inactivity in Wales, by age.

**Chart 2** Economic activity rates (percentages) for people of working age, by sex and age (2001)



Source: SB 14/2003, Chart 17, p.24 (Annual Labour Force Survey, 2001)

5.8 As may be seen in Chart 2 above, the inactivity gap between men and women is greatest at age 30-34 (twenty percentage points). It is also wide just below and just above this age group (eighteen percentage points at age 25-29 and fifteen percentage points at age 35-39). Naturally, this reflects women’s caring and family roles, at the ages they are most likely to have dependant children.

5.9 The WELMERC Report suggests that increases in female activity rates over time reflect increases in female relative earnings, reductions in family size and in the presence of children and improvements in childcare facilities. For some women the price of childcare is an inhibiting factor.

5.10 Workless households have become increasingly common as a result of an uneven distribution of employment among households with multiple earners and those with no earners. This has partly been caused by the increase in lone parents with high levels of inactivity and partly disincentives arising from the social security system.

### **Inactivity in Wales, by ethnic origin**

5.11 The Demography 'Insight' (a companion ELWa report) shows that, compared with England, a significantly lower proportion of Wales's total population is from an ethnic minority group (2.1% non-white, compared with 9.1% in England; source 2001 Census).

5.12 There is a need to be cautious about drawing inferences about inactivity variations between white and non-white people, because their population age structures are very different. (Non-white people are younger and, therefore, more likely to be in full-time education.) Moreover, the small number of non-white people of working age in Wales means that inactivity data cannot be analysed reliably, in any detail.

5.13 However, SB 14/2003 shows that:

- inactivity is significantly higher amongst working age non-whites, both in Wales and across the UK (which is almost certainly due in large measure to age-related differences);
- the differential between non-white and white inactivity is 15.2 percentage points across the UK and 18.5 percentage points in Wales (tentatively suggesting that non-white people in Wales may be at only a slight 'disadvantage' relative to those elsewhere in the UK).

5.14 To summarise....

<i>Inactive percentages</i>	Wales	UK
White	25.1	22.0
Non-white	43.6	37.2

5.15 It is therefore very hard to draw reliable inferences and conclusions about inactivity amongst non-white groups in Wales. If it is believed that they encounter particularly difficult or unique problems (e.g. language), which lead them to suffer greater inactivity than comparable white people, then further local research is needed in the few areas of Wales that have significant non-white communities.

### **Inactivity in Wales, by disability**

5.16 As already noted, across Britain, people with disabilities comprise the largest group of inactive people (about 43.2% of all inactive people), although many other people with disabilities are employed or actively seeking work.

5.17 In order to summarise and compare Wales and the UK ('disability' defined either according to the Disability Discrimination Act or as a self-reported work-limiting disability), the table below sets out the proportion in each of two groups who are inactive:

<i>Inactive percentages</i>	Wales	UK
No disability	17.3	15.4
Disability	59.0	48.7

Source: SB 14/2003, Chart 20 p.26 Annual Local LFS

5.18 It would seem that in Wales, people with a disability are significantly more likely to be inactive than people with a disability across the UK generally. People with a disability therefore make up a higher percentage of all inactive people: 50% of all inactive people in Wales have a disability, compared with 42% across the UK. (Source: SB 14/2003, p.26.)

### **Inactivity and qualifications**

5.19 For all key groups of inactive people, young people, older people and lone parents, there is a significant likelihood of poor qualification levels.

5.20 Older people, both active and inactive, are *most* likely to have poor qualifications (or none at all), as the educational system has been gradually improved over many years. However, inadequately qualified younger people are arguably of greater concern:

- unqualified young people are competing against their contemporaries who are increasingly better qualified;
- unqualified young people have difficulty getting their first job, thus they cannot develop skills and experience on-the-job and are more at risk of becoming seriously disengaged from mainstream society;
- older people are more reluctant to study, to gain or improve their qualifications for many reasons (not least because of the belief that potential employers place more emphasis on such skills, experience and track record as they have already gained than on paper qualifications).

5.21 SB 14/2003 shows that more inactive people in all age groups in Wales are unqualified than across the UK, especially in older age groups. Furthermore, the proportion of inactive people who have no qualifications increases as age rises (e.g. just under one-half of all inactive people in Wales aged 50-64 have no qualifications, compared with just under one-quarter of 16-24 year olds).

5.22 Thus, Wales's data not only confirm the link between inactivity, poor qualifications and age found across the UK, but also show that more inactive people in Wales have no qualifications.

## **Reasons for inactivity**

5.23 SB 14/2003's analyses of the reasons for inactivity in Wales confirm the pattern of reasons already discussed, in relation to the UK as a whole. These are that:

- 16-24 year olds are mainly inactive because they are full-time students;
- 25-34 year olds tend to be inactive because they are 'caring';
- amongst 35-49 year olds, 'caring' is also the most frequent reason for inactivity across the UK, although in Wales long-term sickness or disability is the main reason;
- long-term sickness or disability is by far the most frequent reason for inactivity amongst those aged 50-state retirement age, especially in Wales (and early retirement is the second most frequent reason).

### *Gender differences*

5.24 As already discussed, men and women have different reasons for being inactive. In *Wales* (as in the UK):

- although full-time education is the main reason amongst 16-24 year olds for both men and women, some women (about 11% in Wales) in this age group are inactive because they are 'carers';
- 'caring' is by far the main reason amongst inactive 25-34 year old females and is, of course, the chief reason that female inactivity is much higher in this age group;
- long-term sickness and disability is the main reason for inactivity amongst 35-49 year old males – and overwhelmingly so amongst men aged 50+;
- 'caring' remains the chief reason for female inactivity up to the age of 35-49, but long-term sickness and disability overtake it beyond age 50;
- early retirement accounts for more inactive males aged 50 – State Retirement Age, although we must remember that women retire at age 60 and that fewer women of that generation had life-long working careers, so both these factors may contribute to the lower female percentages.

5.25 Thus, SB 14/2003 confirms that the basic pattern of gender differences is similar both in Wales and the UK – but also show that inactivity is higher in Wales for each reason.

### *'Future Skills Wales' survey 2003*

5.26 Relevant key points from the 'Future Skills Wales' household survey include:

- The majority of current non-working residents were also not working last year, or 2 years ago, but just over one-fifth were in full or part time employment. The majority were either at home and not seeking work, were sick or disabled, or in education.
- A minority (38% of non-working people) would like to be in paid work, but the majority (60%) would *not*.

- The main reason for not working is *health* (35% of those who do not wish to work and 29% of those who would like to work, but more especially men).
- The other most frequent reasons for not working are caring for children or other family members (especially women) and full time education or training. About one in nine just does not want a job.
- Reasons for not working vary with age and life cycle stage. For younger residents (16-24) the main reason for not working is full-time education; for those aged 25-39, it is care for children or family members; whilst health and disability is more of a problem for those aged over 40.
- There has been little change in reasons for inactivity since the previous household survey (1998).
- Amongst those who are not working but would like to do so, 23% of men and 12% of women are not working because they cannot find a suitable job.

5.27 The 'Future Skills Wales' household survey also looked at the kinds of jobs and sectors in which unemployed and non-working people (who would like to work) would prefer. The *most frequent* choices are health and social work; wholesale and retail; community, health, social and personal services. The *least popular* choices are fishing, mining & quarrying, energy & water, finance & insurance, and public administration. This may reflect people's assessment both of the kinds of jobs they may realistically achieve and those that are most often available.

### **How much higher is inactivity in Wales?**

5.28 Finally, SB 14/2003 estimates the how much higher inactivity is in Wales than in the UK and attributes this to various reasons, analysed by sex and age.

5.29 The Statistical Bulletin shows (in relation to 2001) how many more inactive people there are in each age and sex category, than would be the case if Wales had identical inactivity rates to the UK, by age, sex and reason. In Cath Mitchem's words:

*'There were 470,000 people of working age economically inactive in Wales. If Wales had had the same inactivity rates as the UK, by age group, gender and reason, the figure would have been around 390,000 or 80,000 less.'*

*'These 80,000 in excess of UK average rates were principally in the older age groups (35 and over) and, ignoring students, were almost entirely a result of long-term sickness.'*

## **Conclusion**

5.30 The underlying *structure* of inactivity in Wales is similar to that of the UK as a whole. Thus, Willetts's evidence and analysis of inactivity across Britain and the general thrust of his proposed remedies are also relevant to Wales.

5.31 However, Cath Mitchem's evidence shows that inactivity in Wales differs in two crucial respects:

- Wales suffers from a *higher level of inactivity*, especially in former industrial areas;
- most of Wales's higher inactivity affects *older people* and is due to *poor health*.