

Compendium

Participation rates in the UK - 2014 - 1.

Overview

Those who are participating with the labour market by being either in employment or unemployed and searching for work. It will look at specific groups, including women and the elderly to analysis the recent trends in participation rates.



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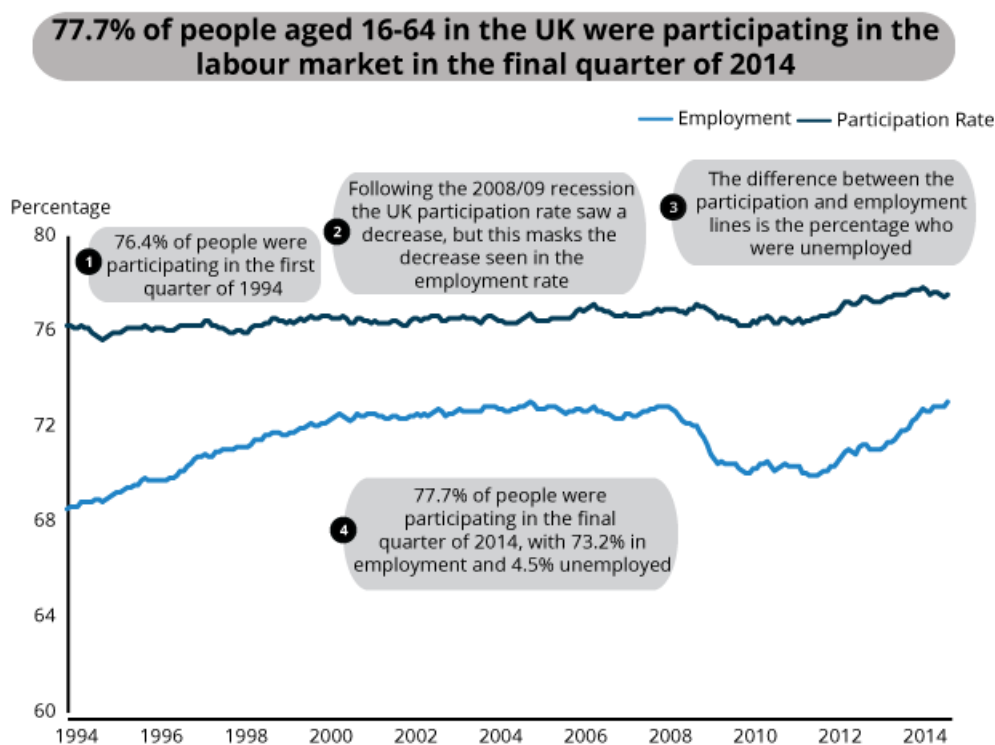
1 . Abstract

Provides information on changes in labour market participation rates over the last two decades in the UK. Movements in participation rates may reflect changes in individuals' propensity to participate, due to factors such as the surrounding economic conditions, and changes in the composition of the working age population.

2 . Introduction

The UK has seen an increase of 1.3 percentage points in labour market participation in the 16-64 age group since the beginning of 1994, with much of this increase seen since 2010. The long-term increase in participation has been driven mainly by large increases for women and older people participating in the labour market partly offset by falls in younger people participating in the labour market. This is mostly due to increased attendance, of the 16-24 age group, in further or higher education throughout the period. Analysis is also presented to adjust relevant age groups to account for changes to the State Pension Age for women since 2010.

Labour market status of all people aged 16-64, Jan-Mar 1994 to Oct-Dec 2014, UK



Source: Labour Force Survey - Office for National Statistics

This release provides information on changes in labour market participation rates over the last two decades in the UK. Movements in participation rates may reflect changes in individuals' propensity to participate, due to factors such as the surrounding economic conditions, and changes in the composition of the working age population. The composition is particularly affected if the definition of the group under consideration changes over time – such as those at or below State Pension Age from 2010 onwards. For example, it's possible to see a change in participation due to changing underlying demographics alongside changes within groups due to changes in definition.

The majority of this analysis adjusts the age range categories to reflect the changing State Pension Age rather than use a fixed upper age range. This allows for the gradual increase in State Pension Age for women in the UK which began in 2010 and better defines those people who may be expected to be working.

3 . Economic Context

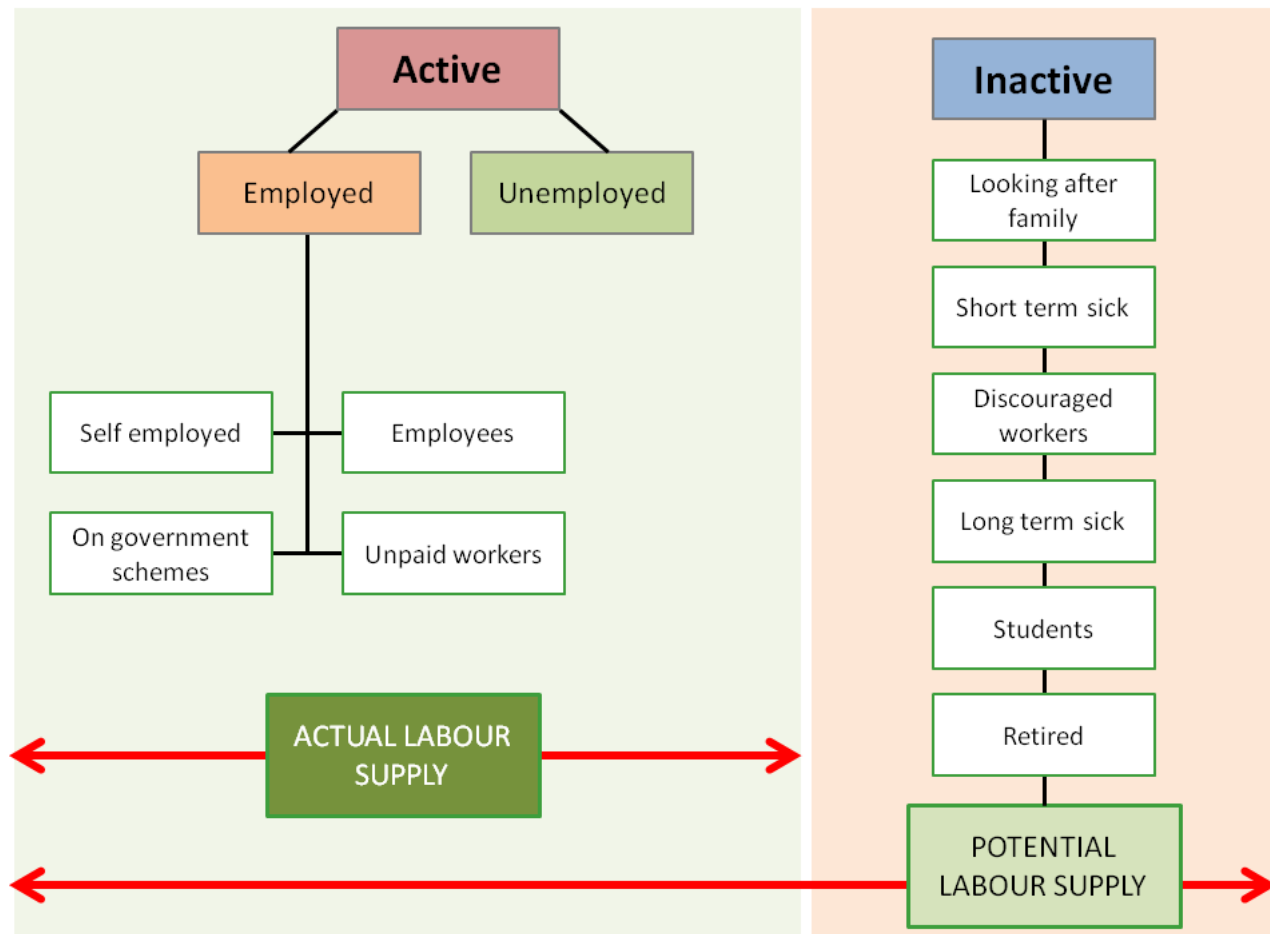
The degree of participation in the labour market is an important determinant of labour supply alongside overall population size and average hours worked. Labour supply in turn has an important effect on output growth, productivity and real wages.

Participation rates are influenced by a range of factors such as age, gender, availability of jobs and wages, work incentives, whether households are supporting dependent children, costs of childcare and other financial considerations. Many of these factors are affected by government policies on State Pension Age eligibility, work programmes and incentives for those with child-care responsibilities, changes to the school-leaving age, adult skills and training programmes, and policies towards those with disabilities. Some of these issues are discussed in more detail in the sections on women and older people.

On aggregate, participation rates increase when a greater proportion of the population engages in the labour market than previously. An increase in participation will usually arise when there is a greater net inflow to the labour market from previously inactive groups such as students, those looking after the home, those having already retired, and those with short-term illnesses or longer-term sickness and disability. In addition, demographic factors, including the pattern of migration, which can alter the age and skill profile of the population will also influence aggregate participation rates.

The diagram shows how the inactive groups can represent a source of potential labour supply, some of which may act as a source of spare capacity in the economy to add to the actual labour supply. ONS has discussed the flows from inactivity to employment in the November Economic Review (2014) and finds for example that students are more likely to leave inactivity but have found it harder than in the past to find employment straight away.

Labour market status breakdown



4 . Key points

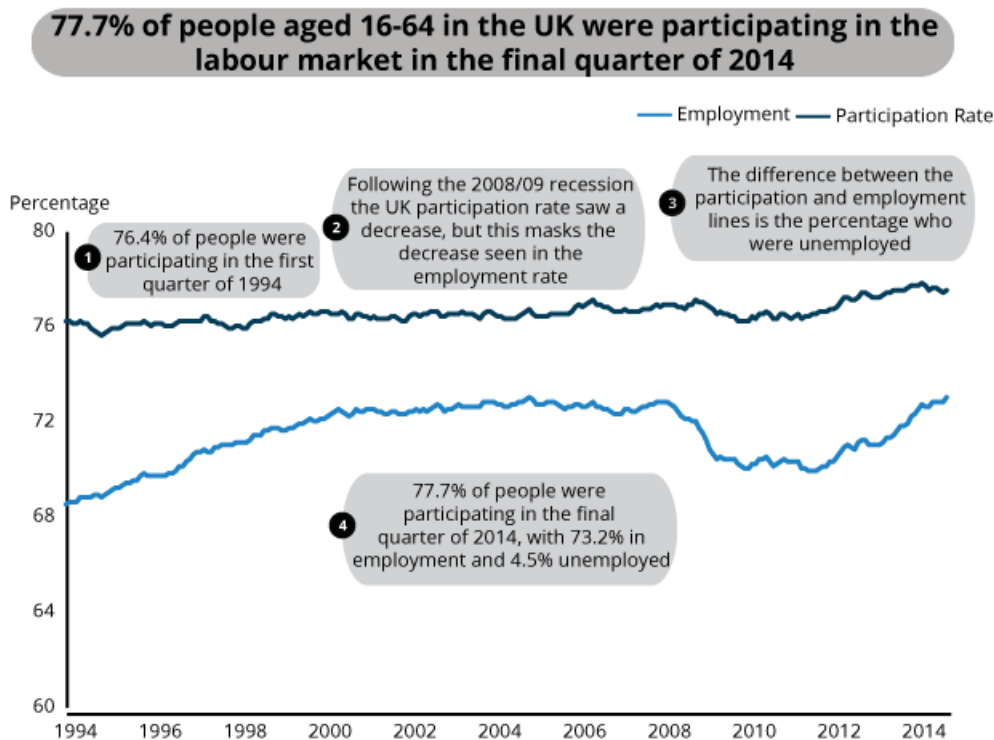
- The participation rate of those aged 16-64 was 77.7% in the final quarter of 2014 and has remained broadly flat over the last two years. Within this total, there has been a move from unemployment to employment as the economic recovery has taken hold
- Adjusting the age group to account for the changing State Pension Age (16 to State Pension Age), the participation rate for the final quarter of 2014 was 79.0%. This is higher than the rate for the population up to age 64 years as the 16-64 age group will include women who are already inactive and retired which brings down the average participation rate
- Over the last two decades, the participation rate of men aged 16 to State Pension Age has been decreasing while the rate for women has been rising. As a result, the difference between the two has shrunk considerably – although the rate for men remains higher relative to the rate for women
- Broken down by age, the rate of participation was highest amongst those aged 25 to 49, at 86.3% in the final quarter of 2014. The rate was lowest for those aged over the State Pension Age. However, along with that of those aged 50 to State Pension Age, this age group's participation rate has increased over the last two decades
- Conversely, the participation rate for the youngest age group of 16-24 has been decreasing, due in part to the increased number of young people continuing into further education
- Of the regions of England and devolved nations of Great Britain, the South West had the highest labour market participation rate, of 81.7%. It was closely followed by the East of England and the South East. Participation was lowest in the North West and Wales
- Amongst the EU28, the average participation rate of those aged 15 to 64 was 72.2% in the second quarter 2014. This was 4.3 percentage points lower than the UK's estimate of 76.5% for the same quarter.

Notes for Key points

1. State Pension Age here, takes into account the incremental increases in female State Pension Age since 2010.

5 . Overall Participation

Labour market status of all people aged 16-64, Jan-Mar 1994 to Oct-Dec 2014, UK



Source: Labour Force Survey - Office for National Statistics

In the final quarter of 2014, 77.7% of people aged 16-64 in the UK were participating in the labour market. In order to participate, also known as being economically active, an individual must be either in work ([in employment](#)) or actively looking for work ([unemployed](#)). Therefore, an unchanged participation rate may not reflect the flows between employment and unemployment. The participation rate of those aged 16-64 is the main headline rate published within the [ONS' Labour Market Statistical Bulletin](#).

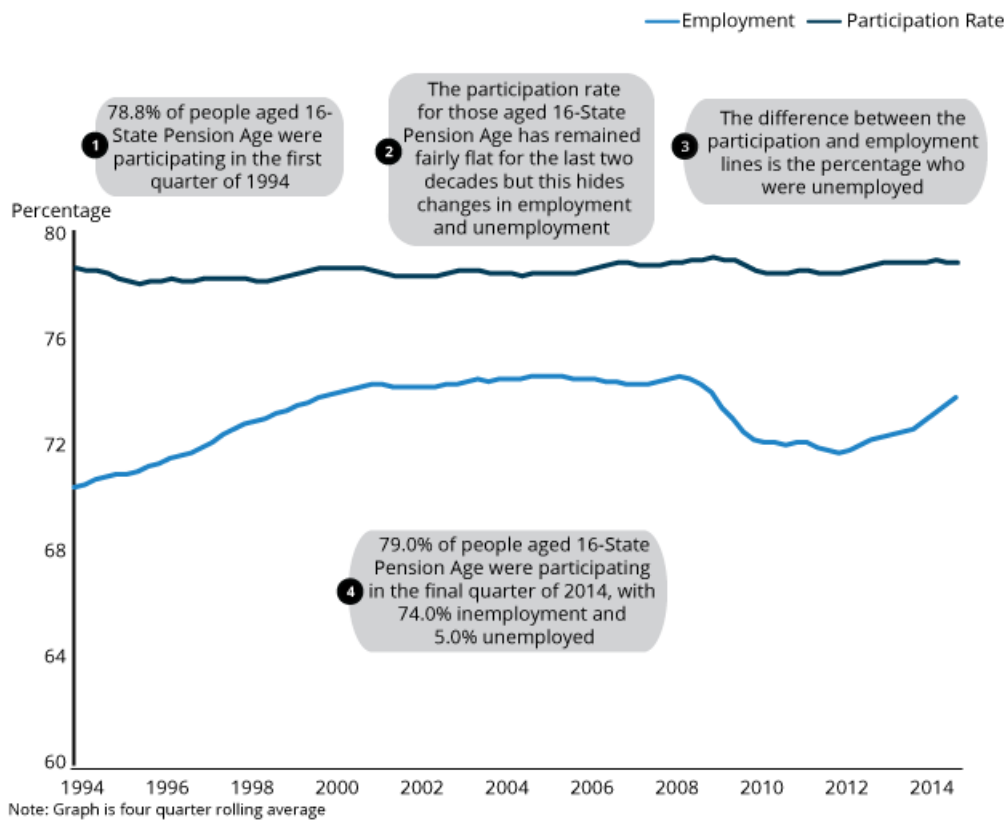
Prior to the 2008-09 economic downturn, the participation rate of those aged 16-64 had been on a general upwards trend, increasing from 76.4% in first quarter 1994 to 77.0% in the first quarter of 2008. Then, with the onset of the recent downturn, the total participation rate began to fall as individuals left the labour market and became [inactive](#).

The participation rate in the UK fell to a trough of 76.4% at the start of 2010 then has increased in recent years, exceeding its pre-downturn peak and standing at 77.7% in the final quarter 2014.

The recent improvement in the UK labour market participation rate is likely to reflect a wide range of different factors, including changes to benefits, pensions and work incentives, broader economic conditions, and education participation rates. We can also alter our initial analysis to look at those aged between 16 and their State Pension Age and this will also take into account the gradual increases in the State Pension Age for women since 2010.

Labour market status of all people aged 16-State Pension Age, Jan-Mar 1994 to Oct-Dec 2014, UK

79.0% of people aged between 16 and State Pension Age in the UK were participating in the labour market in the final quarter of 2014



Source: Labour Force Survey - Office for National Statistics

Notes:

1. The use of 16-State Pension Age, takes into account the incremental increases in female State Pension Age since 2010

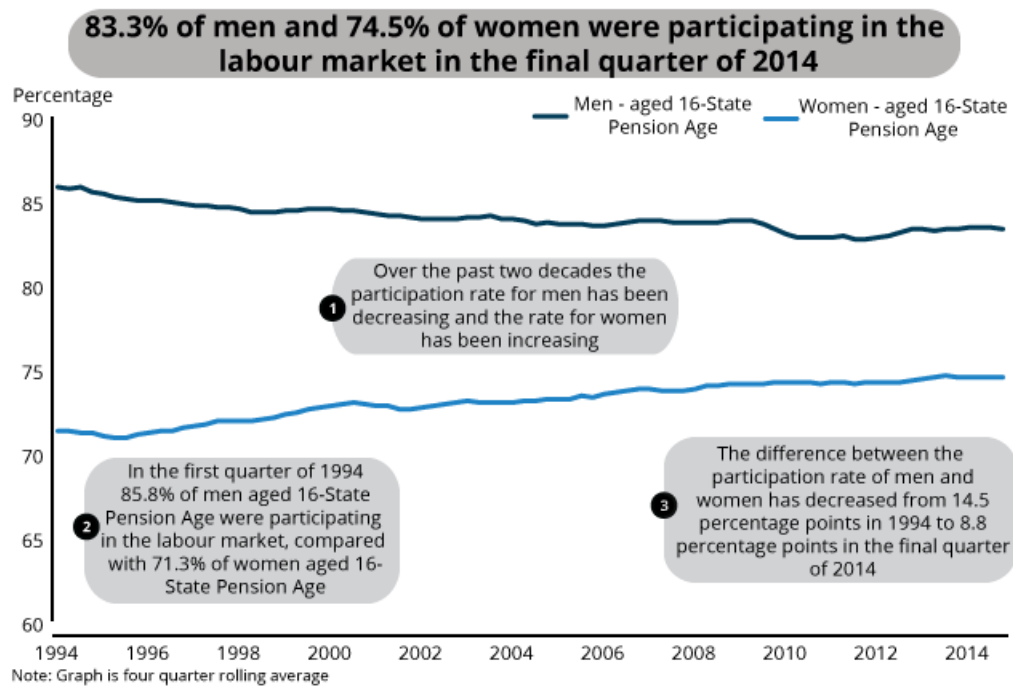
In the final quarter of 2014, 79.0% of people in the UK aged 16 and over but below their [State Pension Age](#) were participating in the UK labour market. This is unchanged from the participation rate in the previous quarter and, similarly, unchanged from a year previous. Despite this there have been considerable improvements within the UK labour market with increases in the employment and decreases in the unemployment.

Up until the early 2000s, there was a steady improvement in the labour market as employment experienced consistent increases while unemployment fell. Then with the onset of the 2008/09 economic downturn, the relationship reversed as the unemployment rate increased to a high of 6.7% and employment fell to a trough of 71.9% in the first quarter of 2012.

Since the start of 2012, the slight improvement in participation has been as a result of large falls in unemployment, which have been more than matched by increases in the number of those in employment.

6 . Characteristic breakdown of overall participation

Participation rates for people aged 16-State Pension Age by gender, Jan-Mar 1994 to Oct-Dec 2014, UK



Source: Labour Force Survey - Office for National Statistics

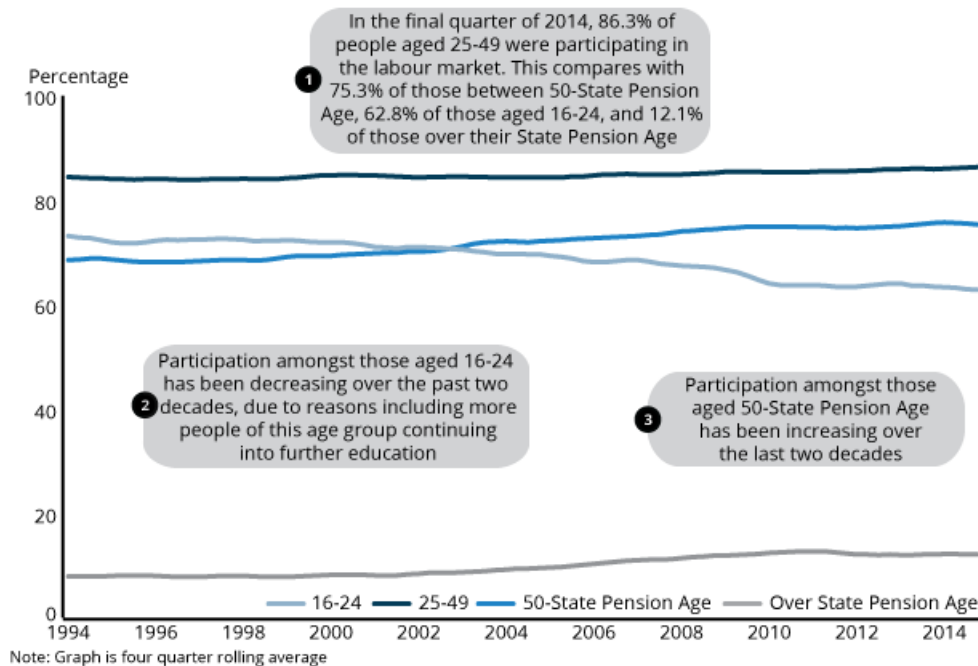
Notes:

1. The use of 16-State Pension Age, takes into account the incremental increases in female State Pension Age since 2010

Breaking down participation by gender, in the final quarter of 2014, 83.3% of men and 74.5% of women were either in employment or actively seeking it and therefore participating in the labour market. Looking back over the last twenty years, the participation rate for men has been gradually decreasing from 85.8% at the beginning of 1994, a fall of 2.5 percentage points. This is in contrast to the participation rate of women – taking into account the incremental increases in female State Pension Age since 2010 – which has been increasing gradually over the same period, from around 71.3% in 1994 to 74.5% in 2014. As a result, while the participation rate for men is around 8.8 percentage points higher than that of women, the difference has shrunk considerably from 14.5 percentage points seen in 1994.

Participation rates for people aged 16-State Pension Age by age groups, Jan-Mar 1994 to Oct-Dec 2014, UK

Participation rates highest in the UK for those aged 25-49



Source: Labour Force Survey - Office for National Statistics

Notes:

1. The use of 50-State Pension Age, takes into account the incremental increases in female State Pension Age since 2010

In the final quarter of 2014, 86.3% of people aged between 25 and 49 in the UK were participating in the labour market. This compares with 75.3% of those aged between 50 and State Pension Age and 62.8% of those aged 16-24. Looking at those individuals who are over their State Pension Age 12.1% of people were participating in the labour market.

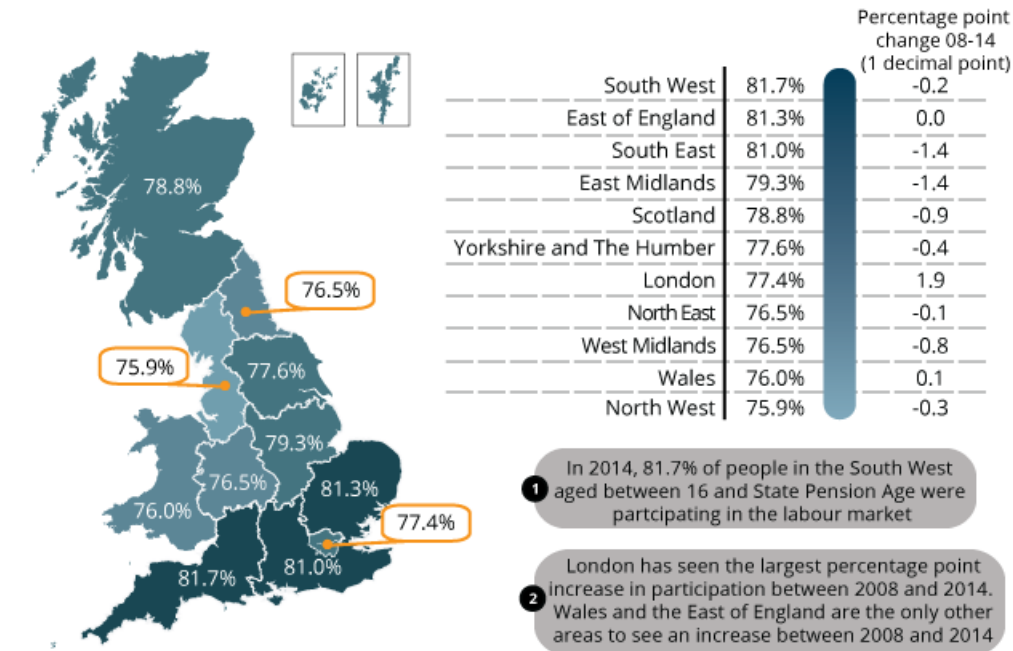
Overall, participation for those aged 25-49 has remained fairly constant over the last two decades, increasing by 1.9 percentage points since the start of 1994. The largest increase in participation rates over the last two decades, was seen by those aged 50-State Pension Age. The rate for this group has increased from 68.5% to 75.3% between 1994 and 2014. Conversely, there has been a large decrease in the participation rate for the youngest age group of 16-24 falling from 73.1% to 62.8%. It is worth noting that the increased number of young people continuing into further education will have had an effect on the participation rate for this age group. While not a focus in this release, ONS publish regular statistics on the participation of 16-24 year olds in or not in full-time education (FTE) . [These provide additional context to recent changes](#).

While low when compared to their younger counterparts, participation of those over their State Pension Age has seen noticeable change in the last 20 years. Between 2000 and 2011, participation increased by 4.5 percentage points to a peak of 12.7% in the first quarter of 2011, having been relatively flat and stable beforehand. While this increase has lessened somewhat, it remains elevated relative to its historic average with 12.1% of those aged State Pension Age or over participating in the labour market in the final quarter of 2014.

7 . Regional and international comparisons

Participation rates for people aged 16-State Pension Age by regions of England and devolved nations of Great Britain

In 2014, labour market participation highest in the South West of England at 81.7%



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 Note: Excludes Northern Ireland due to small sample sizes

Source: Annual Population Survey (APS) - Office for National Statistics

Notes:

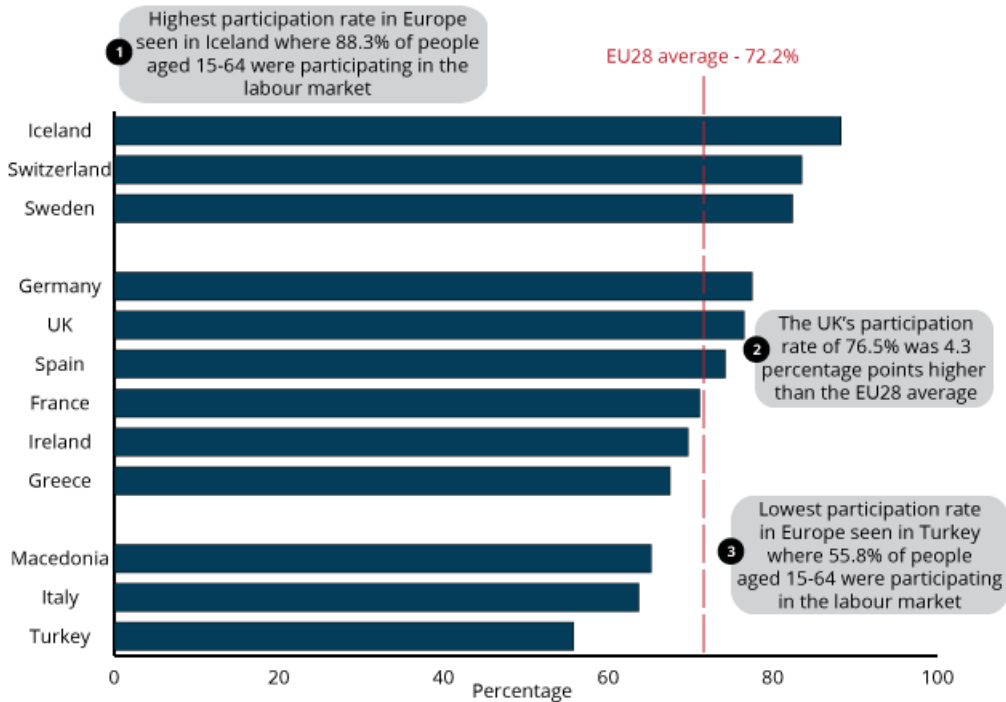
1. The use of 16-State Pension Age, takes into account the incremental increases in female State Pension Age since 2010

Looking at participation by regions of England and devolved nations of Great Britain, the South West of England had the highest labour market participation rate, of 81.7%. The South West was closely followed by the East of England and the South East which saw participation rates of 81.3% and 81.0% respectively, while participation was lowest within the North West (75.9%) and Wales (76.0%).

London, however, has seen the largest rise in participation rate, increasing by 1.9 percentage points between 2008 and 2014. Wales and the East of England were the only other regions to see an increase over the period. The largest decrease was seen in the East Midlands and the South East, both decreasing by 1.4 percentage points.

Participation of all people aged 15 to 64 by European country, 2014

Participation rate average for EU28 countries was 72.2% in 2014, 4.3 percentage points below the UK rate



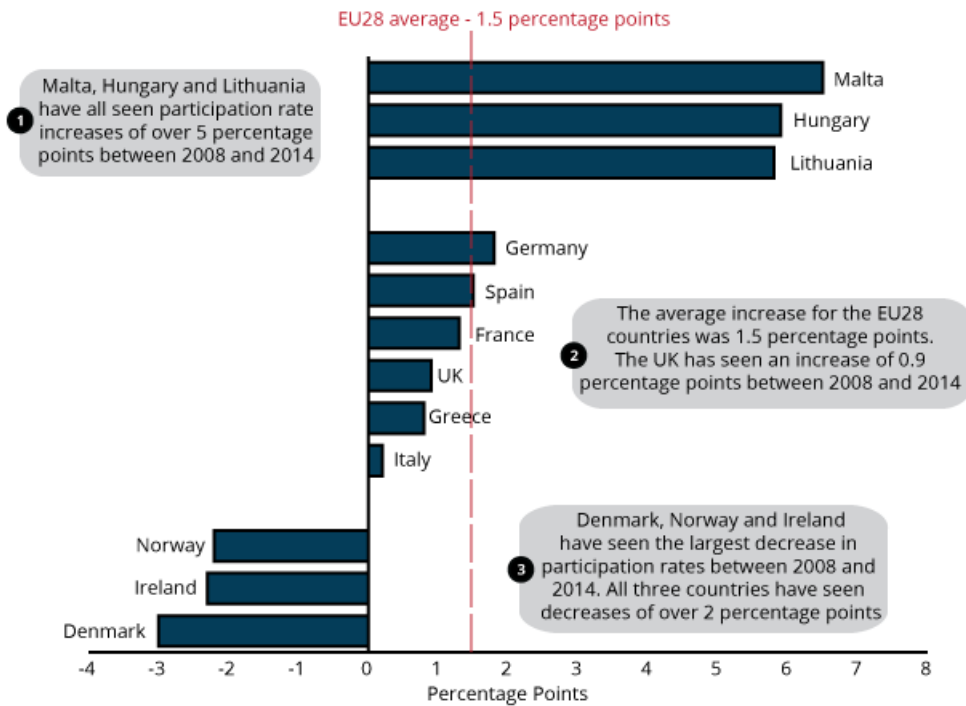
Source: Eurostat

Looking beyond the UK's borders, we can do similar analysis to see how the UK participation fares when compared with other European countries. It is worth noting however that analysis here is not comparable with that in other parts of this report, as this covers those aged 15-64.

Iceland had the highest participation rate at 88.3%. For the UK, this percentage was 76.5%, a similar percentage to Germany, at 77.5%. The average for the European Union was 72.2%.

Participation rate change between 2008 and 2014 for European countries, 2008 & 2014

Malta has seen the largest percentage point participation rate increase between 2008 and 2014



Source: Eurostat

However, looking at the changes in the participation rate since the second quarter of 2008, the UK has seen a 0.9 percentage point increase, which compares with the European Union average of 1.5 percentage points. The highest increase has been seen in Malta where there has been an increase of 6.5 percentage points, and the largest decrease was seen in Denmark where there was a decrease of 3.0 percentage points. These changes, however, should be taken into context with their respective participation rates in 2008, as the initial rate will undoubtedly influence their scope for improvement.

8. Background notes

1. All single period UK analysis (such as occupation, full time/part time breakdowns) use the quarterly Labour Force Survey person datasets for April to June 2014 (except for information on why workers are working past their State Pension Age which uses the Annual Population Survey Jan-Dec 2014).

The analysis of flows in and out of retirement uses the 2 Quarter Longitudinal Labour Force Survey 2003-2014 and are four quarter rolling averages.

All UK time series analysis uses the quarterly Labour Force Survey person datasets and are four quarter rolling averages.

Further information about the Labour Force Survey (LFS) is available from: [The LFS User Guide](#) and analysis of women with and without dependent children utilises the LFS Household datasets April-June quarters 1996-2014.

The Labour Force Survey household datasets are to be used for analysis at a household or at family level. Household datasets are weighted differently to person datasets, in that each person in a household is given the same weight. This ensures that weighted estimates at the household level are consistent. When using the household datasets to give estimates of the total number of people, the different weighting procedure will give marginally different estimates to those from the person datasets.

All regional analysis uses the Annual Population Survey datasets for January to December 2014.

All European analysis uses the European Labour Force Survey datasets for Quarter 2 for 2008 and 2014.

2. Labour Market Participation includes all those who are employed or unemployed and activity seeking work. The participation rate, also known as the activity rate, shows the percentage of a given population that are engaging with the UK labour market.
3. State Pension Age change information: State Pension Age for women was originally set to be equalised with men's by the Pensions Act 1995, with it proposed to increase gradually from 60 to 65 between 2010 and 2020. Subsequent Pensions Acts (2007, 2011 and 2014) and the Chancellor's Autumn statement in 2013 then sped up this process and raised State Pension Age even further, with SPA now scheduled to increase to 65 for women by 2018. State Pension Age will then be raised for both men and women to 66 by 2020 and 67 by 2028. The government has indicated SPA will continue to be reviewed every 5 years (2017 first review).

To illustrate what the changes mean, for women born in 1950 or before, State Pension Age remained 60, for women born after 1950 their State Pension Age gradually increases depending on exactly when they were born, for example, for women born in late 1951, State Pension Age is likely to be 61, if born in 1952, State Pension Age likely to be 62.

4. **The following link provides details of [what qualifications classify an individual as a graduate](#).**
5. Occupation group is based on the Standard Occupation Classification (SOC) 2010 major and minor groups.
6. For European comparisons of participation between Q2 2008 and Q2 2014. Note for analysis of the participation rate for those aged 65 and over no information was available for Malta in Q2 2008.
7. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from the Media Relations Office email: media.relations@ons.gsi.gov.uk