Early retirement ‘biggest cause’ of labour shortages, warns Lords committee

A
wave of early retirement following the pandemic is the “biggest cause of labour shortages” across the UK, according to the House of Lords Economic Affairs Committee.

The committee said the labour outlook for the UK was “bleak” and it was critical for the Government to consider how inactivity across the labour market can be addressed to help support the economy.

A report by the influential committee has examined the jump in economic inactivity – the number of people not in work or looking for work – and rising vacancies since 2020.

Economic activity has increased by 565,000 people since the start of the pandemic, according to the analysis.

The report highlighted that retirement, increased sickness, changes to migration and the UK’s aging population have all contributed to the current tightness in the labour market.

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However, Lord Bridges of Headley, chair of the committee, told the PA news agency that the report, titled Where Have All The Workers Gone, found that the pandemic seemed to spark increased early retirement.

“We are unable to say exactly why, but a lot of people over 50 who left work or were furloughed during the pandemic did not come back,” he said

“There are a number of reasons why people left the workforce but as we kept looking it became clear that retirement was the biggest factor, the biggest change from the start of the pandemic.

“We can’t hypothesise too much, but one potential explanation is that people experimented with different lifestyles during the pandemic – they were forced to stay at home or work fewer hours – and then changed their working lives as a result, even when the pandemic restrictions changed back.”

There was also a stark increase in long-term sickness since the start of the pandemic, with the Office for National Statistics (ONS) finding that 217,000 people not in the labour market in the year to July reported long-Covid.

However, the report highlighted that most of the rise in sickness-related inactivity was among people who were already inactive and those leaving the labour market were more likely to be ending their careers early.

It comes a week after the latest ONS figures found that economic activity dropped slightly in November as retirees returned to the workforce.

The ONS said there were 76,000 people considered economically inactive over the three months to November, adding that there

was a fall of 49,000 in people citing retirement as a reason for inactivity.

“It’s critical the Government does more to understand the causes of increased inactivity, and whether this trend is likely to persist

Nevertheless, the committee said the Government must do more to understand the current pressures facing labour supply across the UK.

Lord Bridges added: “Taken together these findings are, like mid-winter, bleak.

“The rise in economic inactivity makes it harder to control inflation; damages growth, and puts pressure on already stretched public finances.

“That’s why it’s critical the Government does more to understand the causes of increased inactivity, and whether this trend is likely to persist.”

A spokesperson from the Department for Work and Pensions said: “Older workers are a huge asset to our economy and jobs market. That’s why we are investing an extra £22 million in employment support for the over 50s – expanding our Jobcentre Mid-Life MOT service and providing tailored support through our Older Worker Champions.

“As set out at the autumn statement, the Department for Work and Pensions will thoroughly review workforce participation to understand what action should be taken on increased economic inactivity.

“The recommendations from the Committee’s report will be considered as part of this work.”