

The sick man of Europe? The UK and worklessness

By:

[David Prosser](#)

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The UK has a peculiar problem with worklessness. Although unemployment remains relatively low, economic inactivity has shot up in the past few years. Why has this happened, and what should the government do about it?



Britain isn't working. Not in the sense of the famous 1970s Conservative Party advertising campaign; today, the UK's unemployment rate remains low by historical standards, despite ticking up in recent months. Rather, the UK's worklessness challenge in 2025 is economic inactivity. More than one in five Britons are not looking for work or are unable to work, very often because they're sick.

Sir Charlie Mayfield, the former boss of retail giant John Lewis, describes this as a "quiet but urgent crisis". Asked by the government to lead the Keep Britain Working review, Sir Charlie published a damning final report in November, prompting ministers to announce a raft of initiatives with employers and other groups. "Ill-health has become one of the biggest brakes on growth and opportunity," he warns.

One alarm bell sounded especially loudly by Sir Charlie relates to Labour Force Survey data suggesting the UK is the only G7 nation – and one of only a handful of OECD

countries – where rates of economic inactivity have risen since the pandemic, rather than fallen back to pre-Covid levels.

In fact, Xiaowei Xu, senior economist at the Institute for Fiscal Studies, says this might be misleading, citing widely held concerns about the quality of the LFS. “In 2022, we did start to see this huge rise in inactivity in the LFS, but it didn’t tally with what we were seeing in other sources, such as payroll data,” she says. “Since then, there have been improvements to the LFS; it no longer seems like the UK is an outlier.”

It’s also worth pointing out that the UK is still outperforming many of its peers. The UK’s economic inactivity rate hit 22% in 2024 – that was below the US (25%), Italy (33%), Spain (25%) and France (25%). Other countries are doing much better – the Nordic nations typically have economic inactivity rates well below 20%, while the figures for the Netherlands and Germany are 17% and 20% respectively – but the UK is mid-table rather than at the bottom.

Nonetheless, no one is arguing that a country where more than one in five people of working age are economically inactive is in a good place. “Making it easier for people to participate in the labour force, especially disabled people and people with health conditions, is a hugely important policy issue,” adds Xu.

Indeed, statistics often dehumanise debates, but that 22% economic inactivity rate equates to around 9.1 million Britons aged between 16 and 64, up from around 8.5 million before the pandemic in early 2020.

The latest LFS revealed 2.4 million of those Britons aren’t looking for work because they’re students; a further 1.5 million people aren’t working because they have caring responsibilities; and 1 million Britons in this cohort have retired. But there are also 2.8 million Britons today who say they can’t work due to long-term sickness or ill-health; before the pandemic, just 2.1 million Britons were in this position.

This 700,000 increase has been accompanied by large rises in the number of people with work-limiting health conditions. Between 2015 and 2024, the number of Britons aged 16 to 34 with such conditions rose by 1.2 million – a 77% surge – including a 530,000 increase in those with a mental health-related problem. There are now also 900,000 more older Britons, aged 50 to 64, with work-limiting problems, including 140,000 more with musculo-skeletal complaints.



The cost of inactivity – both to individuals and the country as a whole – is too high to ignore. Government data suggests inactivity at this level represents a loss of productive capacity for the UK economy equivalent to £150bn. Growth in working-age health and disability benefits could add £25bn to welfare spending between now and 2029–30. Employers are losing £85bn a year from sickness, employee turnover and lost productivity.

Sir Charlie describes this as an “avoidable crisis”. The government has a role to play, through targeted support for employers, welfare reform and improvements to data collection, he argues, but employers will need to take the lead. “Employers are uniquely placed to make a difference, preventing health issues where possible, supporting people when they arise, and helping them return to work.”

To move employers in that direction, Sir Charlie will co-lead a taskforce with ministers, working with health experts, trades unions and disabled people – as well as a group of around 60 “vanguard” employers. These vanguards, ranging from large businesses such as Tesco and Nando’s to smaller firms and public sector employers, will trial interventions to identify the most effective strategies for tackling economic inactivity related to ill-health.

Many businesses are eager to play their part, says Matthew Percival, director of people and skills at the CBI. “The conversation within companies has already shifted from the focus on keeping people safe and healthy while they’re in work to addressing the health problems that people may bring into work,” he says. “Employers recognise it may be more cost-effective to keep your people healthy for longer through an intervention than to support them being out of work or trying to get them back from a period of sickness.”

However, Percival argues, employers are struggling to fund such interventions while juggling other increasing costs – including higher national insurance contributions and rises in the national minimum wage. “It’s also the case that some of the tax incentives designed to encourage employers to invest in health interventions now look out of date,” he adds.

Examples include requirements to disclose what help employees are getting from employee assistance programmes – many workers naturally want this to remain confidential – and very low caps on the value of health support employers can offer before this counts as a taxable benefit.

In this context, whether Sir Charlie’s proposals can shift the dial is questionable, warns Louise Murphy, senior economist at the Resolution Foundation. “There was very little discussion about how to improve standards at the lowest performing employers,” she says. “There’s a focus on this group of high-performing employers, but not every employer is a John Lewis; are there going to be incentives or penalties aimed at employers that do very little?”

For now, it looks as if the type of practices identified by the “vanguard” businesses will be entirely voluntary. Progressive employers – and those in sectors where employee turnover is particularly costly, such as high-skilled industries – will no doubt be enthusiastic. Others may be less so.

The other area worrying Murphy is the implicit trade-off between encouraging employers to retain and rehabilitate staff with health problems and nudging them towards hiring more people struggling with problems. “There was more on the former, but there is also room for policies that make it easier for employers to hire young people with poor health who need to get a foothold in the labour market.”

Rachel Casey, a policy adviser at the Joseph Rowntree Foundation, shares this concern. The Keep Britain Working review follows the Get Britain Working white paper published a year ago, she points out. The latter’s focus was on getting people into employment – particularly younger people – through initiatives such as the Youth Guarantee and the Right to Try schemes.

“There were lots of small-scale suggestions for how to improve outcomes for young people, particularly those furthest away from work,” Casey says. “But that white paper was followed by proposals to change the benefits system, with huge cuts designed to incentivise young people to work; our research suggests those cuts would just increase the barriers to working – you’re talking about people who are struggling with the basics, like the cost of getting to an interview, or even washing the clothes they would wear.”

One danger is the current buzz around Keep Britain Working overshadows Get Britain Working, particularly since the initiatives and pilots proposed by the latter were more labour-intensive and granular. November's Budget announcements of more support for apprenticeships and an extension of the Youth Guarantee scheme may provide reassurance, but Casey thinks more work is required.

"We need a real emphasis on active labour market policies," she adds. "Those are policies that enhance basic skills in English and maths, and digital literacy, that provide work-related, paid training, but that also take a more holistic approach, with support such as health services or even help to find somewhere to live."

That's not to suggest there is no role for welfare reform. The IFS's Xu thinks the current system is too binary. "You're [seen as] either able to work and look for a job or you're sick and unable to work at all," she says. "Other countries recognise there is more of a spectrum and structure benefits accordingly."

It's a nuanced view that rejects kneejerk suggestions people are somehow malingering – or that young people coping with mental health challenges just need to be a little more resilient. Casey is also keen to push back on such perceptions. "There are a wide range of social and economic factors driving the growth of mental health problems, from economic insecurity to the impact of social media," she says.

More broadly, health is only one piece of the inactivity puzzle, points out Dr Katy Jones, head of the Decent Work and Productivity Research Centre at Manchester Metropolitan University. "There are other barriers to the labour market," she says. "Caring responsibilities represent one of the biggest, so while the focus on youth is welcome, we need to broaden that out to other groups."

One problem, Dr Jones argues, is the UK's old-fashioned view of work. "We're still centred on the model of the full-time week," she says. "That doesn't work for carers, and it doesn't work for many people with health conditions and disabilities."

Comparisons with other European countries are instructive. In the UK, 24% of working Britons are in part-time roles; in the Netherlands and Austria, the figure is 39% and 31% respectively.

It's no coincidence that the Netherlands, with its very low rate of economic inactivity, is flagged up as an exemplar in Sir Charlie's review, Dr Jones believes, but she says the lessons from such countries are broader than realised.

"Countries such as the Netherlands and Denmark have simultaneously got higher levels of investment in public services and higher levels of employment regulation," she says. "They have a stronger social partnership model." For example, employers in the Netherlands are legally obliged to pay sick pay for up to two years, providing a strong incentive to keep workers healthy or to help them back to work.

In the end, tackling economic inactivity is likely to require both carrots and sticks for employers – and employees. But it's vital to be more ambitious, insists Dr Jones. "If you look back to the Get Britain Working white paper, it focused on a shift away from an 'any jobs' approach to getting people into 'good jobs'." That will boost both recruitment and retention, but progress has been slow. "A year on, the government still hasn't even defined what good jobs look like."