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IMPROVING EMPLOYMENT PROSPECTS FOR THE OVER 50s

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A Report commissioned by the Prince's Initiative for Mature Enterprise (PRIME)
and The Prince's Initiative for Mature Enterprise in Wales (PRIME-Cymru)

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FOR THE OVER 50s

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Introduction

Recent years have seen a substantial increase in the numbers of people aged between 50 and state pension age (SPA) participating in the labour force. Achieving this outcome has been an important government priority, and 1.3 million more people from this age group are now in employment than was the case 10 years ago.

Impressive though this achievement is, however, it has to be set against the stark fact that there are nevertheless more people over 50 who are economically inactive now than there were in 1997. This reflects the strength of the demographic trends against which the policy of encouraging participation in the workforce by the over-50s has been struggling. The population is ageing, and the number of people in the 50+ age group is growing at twice the rate of the population generally. As a result, despite the progress made, the number of economically inactive over-50s is not falling and seems unlikely to over the foreseeable future without fresh initiatives. We have done well but we need to do better.

Apart from the pressing need to improve the welfare of the individuals concerned, it is crucially important for Britain's economic future that we should. Substantial economic benefits are associated with a growing workforce, mirrored by the severe economic problems which arise when a country's working population starts to decline. GDP growth over the longer term is the sum of the growth in the employed workforce and the rise in productivity of that workforce, so the faster the working population goes up, the more quickly, other things being equal, the economy grows. Over the past decade, the growth in working population has added well in excess of £50 billion to GDP, and swelled the Treasury's coffers by nearly half that. Since the number of under-50s is expected to drop by 2% over the next ten years, this sort of performance cannot be maintained unless the proportion of over-50s in the working population goes on rising.

Just as important, a growing workforce is needed to counter a rising "dependency ratio" – the number of economically inactive people expressed as a proportion of the working population. A rising dependency ratio leads to higher taxes on producers to finance the social spending which is necessary to support the unproductive parts of the population. Such additional tax burdens would depress economic performance.

There are of course a number of ways in which a growing working population can be achieved. It might come about as a result of a rising birth rate or increasing immigration instead of higher participation rates. The first however adds to the dependency ratio until the young population joins the labour force; and both result in a rise in Britain's population. By contrast, an increase in the participation rate of older people who already live here increases the working population just as effectively – perhaps more so, in light of their experience, skills and reliability – without generating the costs associated with the other two routes. Raising the participation rate offers the double benefit of reducing the inactive population at the same time as the numbers in the productive population are increased, further improving the dependency ratio, and of relieving rather than increasing budgetary pressures as those in the higher age groups who are on benefits come off them. Moreover many of the social and environmental costs generated by a rising population – the need for more housing, more cars, more roads, resulting in more congestion and pollution – do not arise if the existing population is being redeployed rather than increased.

So what do we need to do to up our game and finally get the numbers of inactive over-50s on a declining trend? This is the question which the report addresses. It was commissioned by PRIME – the Prince's Initiative for Mature Enterprise – a charitable foundation established by the Prince of Wales to help unemployed older people set up their own businesses, with the following aims:

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- to characterise the inactive population in the 50-64 age category – social groups, gender split, regional spread, racial mix, educational levels, sick versus healthy;
- to identify the barriers to employment faced by these groups in returning to the labour market;
- to evaluate the extent to which public policies and employer practices are aligned with the need to overcome these barriers – in fact, after some years of legislative activity, the need is much more to change attitudes and practices on the ground than make further amendments to government policy;
- to advance practical proposals to help increase the participation rate of the over-50 age group, identifying as part of this analysis the role which can be played by efforts to increase self-employment.

The authors have drawn on a wide range of published sources and benefited from a series of conversations with government departments, private sector employers, charitable organizations and university academics. We are

particularly grateful to the Department of Work and Pensions (DWP), the Department of Trade and Industry (DTI), the CBI, the TUC and the Chartered Institute of Personnel Development (CIPD); to HSBC and J Sainsbury plc; to Age Concern, The Age and Employment Network (TAEN), the Employers' Forum on Age (EFA), as well as PRIME; and to Professor McNair of Surrey University, for the time they made available and the assistance they gave us in relation to this project. Many others also commented, and we are grateful for their help.

The report is presented in four sections, mirroring the four aims set out above, with a brief final piece elaborating the economic and fiscal benefits of employing more over-50s already touched on. The remainder of this summary sets out our findings.

The inactive population between 50 and State Pension Age (SPA): who are they?

According to the Office of National Statistics, the rapid increase in the number of people aged 50 and over represents the most significant demographic trend affecting the size and composition of the labour force for at least the next 15 years. The number of people aged 50 and over is expected to rise from 19.8 million in 2005 to 24.5 million by 2020, an increase of nearly a quarter. By 2030, this number will have risen to 27 million or 40% of the total population. So strong is this trend that, despite there being well over a million more people within this age group in employment than 10 years ago, the number who are economically inactive is also higher than it was in 1997. At best, we have been racing to stand still.

2.4 million people in the UK in this cohort are economically inactive, 25% of men and 30% of women. There are significant regional variations in inactivity rates of older people. Section One of the report shows that whereas in Spring 2006 just over 20% of this age group in the South East were inactive, the equivalent figure in the North East was 35%. The North West and Merseyside, Inner London and Wales also registered inactivity rates of about one third. A series of factors contribute to this regional spread – relatively depressed manufacturing economies further north, together with larger numbers of sick and disabled people in these areas, and a concentration of ethnic minorities in inner cities.

Looking at these factors in more detail, the DWP has found that ill health is the single most common reason for which people in this age group disengaged from the labour market. One third of adults between 50 and 64 count as disabled, and about 1.2 million or nearly 15% of those aged between 50 and 64 are on Incapacity Benefit (IB) – half of those who are inactive. Half of this 1.2 million are likely to remain on IB

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indefinitely, since the chances of someone beyond the age of 50 returning to work once they have left it on grounds of ill health or disability are small, and decline as their period of unemployment increases. Two thirds of the IB claimants in this group are men. IB is more attractive than jobseekers allowance (some 160,000 are on benefits related to unemployment) as it is not means tested and does not require the claimant to be actively seeking work. However, one third of those on IB say they would like to be in paid employment.

Carers make up another substantial part of the inactive total. There are at least 6 million carers in the UK, and one person in five in their 50s is an informal carer. About 400,000 carers between 50 and SPA are economically inactive. Carers are far more likely to be women than men – a quarter of women who are not in paid employment are in this category. 1 in 3 carers not currently working say they would like to return to work if the right alternative care was available.

In terms of education and skills, many outside the workforce lack formal qualifications, which makes it difficult for them to compete. Older people are more likely to have skills related to declining industries. Half of inactive men aged 50-64 were previously employed in manufacturing and construction, whereas half of inactive women had previously worked in health and social work and wholesale and retail businesses.

Only a very small proportion of older people in the UK are from minority ethnic groups. These groups do suffer labour market disadvantages – for any given level of qualifications, such people are less likely to be employed than white people, so that it is fair to say that there is an “ethnic penalty” still to be addressed. But this is not an important part of the solution to the general problem of economic inactivity.

There are also of course the “affluent early retired”, the 22% of the age group identified by the DWP as financially secure and not wanting a job. There are obviously “two nations” in early retirement, but beyond the affluent group able to live on accumulated pension rights it is clear that large numbers of people are facing hardship and would like to return to work if they could see a way of doing so.

How many are willing and able to rejoin the labour force?

A number of attempts have been made to answer this question. According to Age Concern’s calculations, between 430,000 and 1 million older people could return to work. The bottom of this range includes only those inactive over-50s who match the profile of those currently in work. The top end includes all people who say they want to work if the barriers they face are tackled. The TUC has estimated that there are about 250,000 actively looking for work to which can be added 750,000 who may not currently be looking for a variety of reasons but who say they want work. These figures suggest that a realistic answer to the question is likely to be less than a million, but before driving the figure down too far it is as well to bear in mind the evidence which suggests that there is a considerable attachment to work in the UK. Across the country, 80% of people in work say that they would like to go on beyond retirement age, whilst half of those now retired report that they wish they had gone on longer.

The analysis in our report, based on an examination of the groups discussed above, suggests that about a third of the 2.4 million inactive over-50s could return to work given the right circumstances. It appears that about a third of those on incapacity benefit who say they want work may be capable of returning to employment. The same is probably true of about half those classed as early retired, including some of those with a health condition and “discouraged workers”. And it is probably realistic to think in terms of a third of carers who could make alternative arrangements if they saw themselves as employable once again. Our

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more micro analysis is therefore broadly in line with the estimates provided independently by Age Concern and the TUC, and it seems reasonable to think in terms of a “reserve army” of up to 800,000 people which might be mobilized to swell the workforce if the barriers to employment could be overcome.

From what has been written so far, it is fairly obvious what type of barriers these are. Disabled people need employers to give thought to whether the requirements of a job could actually be met by a person with disabilities and their willingness to organize work facilities to enable them to do so. Those with caring duties would benefit from a willingness among employers to facilitate flexible working arrangements. Poor skills and qualifications characterise many of the economically inactive: older people have lower qualifications and there is often a reluctance among employers to fund training for older staff because of shorter payback times. Hence providing direct and easy access to training and development is a key response to the problem of over 50s inactivity. Those in lower socioeconomic groups come up against benefit traps since the low-skilled low-paid work which may be their only option may not pay much more than benefits, especially after housing costs and travel costs are taken into account.

After a period of unemployment, people may come to see themselves as unemployable and give up. Or they may remain unemployed because they are not prepared to consider working in sectors where jobs are available – retailing say or call centres – either because they think their own work experience is not relevant, or because they are too selective in terms of status or salary. Some employers’ perception of older workers is also an important barrier. Research conducted by the University of Kent found that more people report facing age barriers than any other form of discrimination and that from age 55 people are nearly twice as likely to have experienced age barriers than any other form of discrimination. The National Audit Office has also reported that many employers have negative perceptions about the capabilities of older people.

The report argues that the barriers to employment faced by the 50-64 age group need to be tackled in the context of improved employer attitudes and practices. Our analysis is carried forward in terms first of what the government can do – both as legislator and employer - and then the response which is needed from private sector employers. The policies and practices of employers are scrutinised with a view to identifying and spreading best practice, so that as many as possible of those 800,000 people can be helped back to work. The outcomes of this analysis can be summarised as follows.

Is more legislation needed?

Section Two of the report reviews the Government’s approach in recent years towards improving the employment prospects of older workers. There has in fact been a clear recognition of the importance of increasing the participation of the 50 – SPA age group in the workforce, and the official aspiration is to achieve an 80% participation rate among this group, which would involve employing an additional 1 million older workers.

A battery of policies has been adopted in pursuit of this objective, which have contributed to the rise in the employment rate among the over 50s referred to earlier, although their impact has not been sufficient to bring about an absolute reduction in the number of the economically inactive.

The measures the government has pursued include legislation to combat age discrimination which has made compulsory retirement below the age of 65 unlawful on grounds of age alone. It encourages employers to recruit, train and retain in ways that do not discriminate against people on grounds of age. Part of the role of the new Commission for Equality and Human Rights (CEHR) is to discourage discrimination on grounds of age. The eligibility for Jobcentre Plus employment programmes has been

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extended to those receiving Pension Credit, allowing many inactive people aged 60 or over access to a range of back to work support. Tax rules have been changed to allow people to continue working for their employer while drawing an occupational pension and the age at which an occupational pension can be taken raised from 50 to 55. The Age Positive campaign was introduced to encourage a change in employer attitudes, making “Employer Age Champion” awards. The Train to Gain programme is the means by which the government attempts to assist older workers to improve their skills. Carers have been given a legal right to request flexible working. New Deal 50 Plus has supported the return to work of more than 150,000 people in the older age group since it was introduced in 2000, although its effectiveness appears to have reduced somewhat in recent years. Many other initiatives are detailed in our report.

Our conclusion therefore, on the public policy front, is there has been a commendable effort to alleviate the employment problems of the 50+ age group. There are of course criticisms, also set out in the report. For example, a report by the National Audit Office suggested that more should be done to tackle regional disparities. Age Concern disputes the effectiveness of the government’s policies to improve adult skills in helping older people gain qualifications. It also argues that the Pathways to Work programme is less effective for older people than other claimants, and that there are significant problems accessing self-employment support through Jobcentre Plus. New ideas are also appearing, such as the Freud Report’s proposal that Jobcentre Plus, having supported claimants for a period of time, should hand over back-to-work support to the private and voluntary sectors, which would be paid on a success-related basis.

Our report presents a list of fresh ideas like this which seem to us to be interesting and worth consideration. But in the opinion of the authors, it would be unrealistic to expect more progress to have been made in the area of public policy than has been achieved over the past 10 years. A pretty comprehensive legislative framework is now in place which is sufficient to enable improvements in the employment position of older age groups to continue to be made. The barriers to employment have been identified and efforts to overcome them are proceeding, albeit with varying degrees of success in different areas.

The problem is that while progress has been made in reintroducing good numbers of the over 50s to work as a result of these efforts, it has not been quick enough to bring down the absolute number of economically inactive older people, whose ranks are constantly replenished by demographic trends. And, given the efforts which have been made, it is not realistic to expect the rate of improvement achieved by public policy initiatives to be greater in the future than it has been in the past. The solution to this problem cannot be supplied by public policy alone; it requires a sea-change in the attitudes and practices of employers out there in the wider economy, together with greater emphasis on the possibilities for self-employment. It is to these two areas that the final two sections of the report are devoted.

How do employers’ policies and practices need to change?

The research we have reviewed in this report suggests that the attitudes and practices of employers towards older workers are critically important in determining the age at which many people stop work. Older workers make decisions about whether to continue or stop working within the constraints imposed by their employers. In terms of public policy, the success or failure of labour market programmes can depend on the extent to which they succeed in winning employers’ engagement and support. This is the area now where the greatest effort is needed. Buy-in is patchy at best.

For the majority of employers, the need to recruit, retain and retrain older workers is by no means front of mind. Research into the international experience in this area shows that age discrimination legislation is

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important but not sufficient in itself to prevent discrimination against older workers. There is a need for a far-reaching cultural change, just as in other areas where legislation has banned discrimination: research for the DTI in 2005 for example found that employers did not view the then impending age discrimination legislation as a major driver for change.

Policies and practices in the public sector, which employs about six million people, are ahead of most of the private sector, but far from perfect. Public sector employers are more likely to have formal procedures like appraisal schemes or equal opportunities policies in place to protect against discrimination, and in some areas are breaking new ground. HMRC, for example, has committed to helping potential surplus staff retrain, introducing a pilot scheme to help staff train for accredited qualifications such as nursing, teaching or social work. On the other hand, age diverse policies at the top are not always reflected in practice on the ground. Some parts of the NHS, for example, have shown little interest in the issue of age diversity. Moreover, although skills shortages appear to be more acute in parts of the public sector, research suggests that only a small minority of public sector employers encourage applications from people who are 50 and over.

As for the private sector, studies of employers' responses to skills gaps and labour shortages show that only a minority of businesses target older workers as part of their recruitment strategy. Other research findings reveal: a reluctance on the part of many employers to provide training for older workers; little evidence of strategies for knowledge retention or for managing the age balance of the workforce; few formal flexible retirement schemes; and a gap between policies and practice – age diverse policies adopted at the top of companies not carried through to ground level. Where policies are in place they are more effective in relation to retention than recruitment, and it is the recruitment of older workers which represents the most serious and intractable problem.

Section Three of the report illustrates these shortcomings by reviewing policies and practices in major sectors of the economy – retail, hospitality, construction, business services, manufacturing and logistics. Experience varies widely. Retail sales is obviously a good area for older workers, since flexible time schedules can be devised and employment opportunities provided for the low skilled, often reflecting a policy of matching customer and employee demographics. The jobs however are mainly at the bottom of the organizations concerned. The hospitality sector suffers from a high level of vacancies and skill shortages but employers are generally unsympathetic to the notion of extending working lives. Employers will have to focus much more on training and recruitment amongst older age groups as the number of young people continues to drop.

On the other hand, construction, where there are considerable skills shortages, employs a high proportion of workers over 55, although practices vary a great deal across the large number of small firms dominating the sector. These comments also apply to manufacturing, which seems less likely than other sectors to have anti-discrimination policies in place. The research suggests that recruitment and retention practices in logistics also militate against older workers.

One theme running through our sectoral analysis is the huge difference in policies and practices between large and smaller firms. Outstanding examples of excellent practice, for example by HSBC bank and J Sainsbury are illustrated in the report. But these are very big companies. Most people working in the private sector work for small and medium sized enterprises (SMEs). SMEs – firms with fewer than 250 employees – represent 94% of all employers in the UK. DTI surveys have shown that SMEs are less likely than large firms to use formal channels of recruitment, to have equal opportunities policies in place in their workplaces, or to provide flexibility for carers. Other research shows that small firms in sectors like

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manufacturing and construction are likely to offer little formal protection against discrimination although they are not necessarily 'ageist' and may, as Patrick Grattan of TAEN puts it, "employ the best person for the job without a thought for age though they may be unconscious of age legislation and such matters as fixed retirement ages".

More than a third of employees in the UK work for SMEs, and if there is to be a change of attitude to older workers across the economy, SME employers should be a particular target. Their potential impact in terms of the participation of currently inactive over 50s in the workforce is huge. For economically inactive people to find jobs, employers have to be prepared to offer them. To enable carers and disabled people to return to work, they have to be prepared to allow their staff to work more flexibly and adjust their workplaces helpfully. There are excellent companies which have understood that it makes economic sense to draw talent and ideas from all segments of the population, but many have a long way to go and the report sets out a number of suggestions for spreading best practice more widely particularly across the SMEs.

There is an urgent need to publicise age aware management practices and to help firms understand what constitutes age discrimination because the evidence suggests many employers are not clear about this. They need to undertake diversity training and to develop the skills required to manage a balanced workforce, not least in the area of performance management, helping older employees to maintain an up-to-date portfolio of skills. The gap between policy and practice, of which substantial evidence is displayed in the report, has to be bridged. Research shows that practice varies greatly, even within the same organizations. The Employers Forum for Age has suggested that the most effective means to do this is through an education programme aimed at all employees. More flexible working options need to be developed to enable carers and others with competing demands on their time to return to work. The right to request flexibility is now enshrined in law, but there is no obligation on employers to accede to such a request. Career structures need to allow for a shift to more suitable work as people age.

Part of the problem of course is that many of the part-time flexible jobs for the over 50s are low paid. This itself can be a barrier for some people who regard themselves as over-qualified for such jobs. A DWP study of people using Jobcentre Plus services reported disappointment with the quality of work on offer, particularly the lack of specialist and well paid vacancies. Employers need to address the tendency for senior and better paid roles to be offered mainly on a full-time basis, and job centres need to employ officers dedicated to the needs of the over 50s, who can reach out to local employers to advertise with them the sort of jobs which, increasingly, available over 50s are qualified to fill.

There is enormous scope to define and roll out best practice in this area, and now that a good legislative framework is in place, a comprehensive effort to do just this is what pre-eminently is needed now.

Expanding self-employment

It may take many years to reverse the culture of age discrimination, so there need to be real opportunities for people who want to work to create their own jobs through self-employment. Amongst other advantages, a self created job may be home based and can accommodate individual circumstances such as caring responsibilities or a disability. Self employment often provides an opportunity for self-fulfilment which might otherwise not exist.

One of the objectives of economic policy is to foster a robust start-up market for small businesses, and contrary to popular belief the majority of new businesses are created by people in their 40s and 50s.

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Moreover, with the decrease in the number of people under 30, the number of younger people starting a business will decline. It is important therefore to put in place policies and structures which support older people developing their own enterprises.

Older people who wish to become self-employed face a number of challenges including access to training, finance and post start-up support. The government's focus in this respect has very much been on young people: Economic Insight, an enterprise campaign receiving significant Treasury funding to encourage entrepreneurial spirit, specifically precludes investment in the encouragement of older entrepreneurs, and much more can be done for the older age groups. Moreover the New Deal self-employment programme, which helpfully allows people to take a course, develop a business plan and test trade for six months, has been cut back, so that in many regions there is less free provision of business support than there has been for several years.

What is needed to help more economically inactive people into self employment? Some people are knowledgeable and confident and can be helped by Business Link. But the majority, particularly the most needy, need support and assistance to get to the position where they can benefit from what organizations like Business Link have to offer. The Prince's Foundation, PRIME, offers support of this kind, which is complementary to mainstream provision. In Wales, PRIME Cymru supports older people wishing to become self-employed by employing a team of client advisers and outreach workers to engage with older people where there are high levels of economic inactivity. They also use unpaid volunteers. Again, the emphasis is on pre-business start-up support – raising awareness of self-employment as an option, workshops to explore self-employment ideas, mentors to provide encouragement and advice. Then, when they are equipped to see a business adviser, they can be passed on to the mainstream agencies. This is undoubtedly a gap in the market which government agencies have not filled and an important role which needs to be generalized across the country. The impact could be significant: independent research by the Welsh Assembly showed that some 40% of older clients who were assisted to become self-employed had previously been economically inactive.

Section Four of the report discusses the different types of support needed to encourage self-employment in some detail – awareness raising, mentoring, and personal development covering such areas as IT training and basic business knowledge in areas offering the best opportunities, such as franchises and direct selling. Business planning is vital: Barclays has shown it is the key factor determining the survival or otherwise of a new business. The sort of assistance provided by New Deal has already been mentioned in this respect. Finance is of course crucial – to fund market research, purchase of equipment or stock, marketing and working capital. Unfortunately, the DTI's Phoenix Fund which underwrites loans from banks for new enterprises was regionalised last year, and there are now many areas where loans for small businesses are not available for the over 50s. There is also a need for post start-up support. Business Link and its Welsh, Scottish and Northern Ireland counterparts offer some help in this respect. The Business Volunteer Mentor scheme ensured that those who wanted a business mentor after start-up had access to one, but government funding for this has also been withdrawn.

This section of our report makes a number of recommendations to help over 50s set up their own businesses which relate to all these areas – including more encouragement for training in the New Deal programme; improved guidance by trained Jobcentre Plus staff; post start-up support; improved access to finance, especially for market research; and research into appropriate outreach models for different regions, sub-regions and communities.

If these recommendations were implemented and a determined effort made to encourage and support self-

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employment in all the nations and regions of the UK, what could be achieved? There is no precise scientific answer to this question, but a number of positive observations can be made. According to Barclays, the number of businesses being set up by people in their 50s is on the increase. Older entrepreneurs account for 15% of all business start ups in England and Wales. Older entrepreneurs are also responsible for 50% more start ups than they were 10 years ago. Secondly, companies started by older people have a 70% chance of surviving the crucial first five years compared with only 28% for younger people: so the 50+ age group is worth supporting.

Thirdly, the proportion of people between 50 and 65 starting up new enterprises varies substantially across the UK, as does the share of the self employed in the employment totals (see tables in section four), suggesting that there is plenty of unexploited potential, especially in Wales and the northern regions where the economically inactive over 50s are particularly concentrated. Focused efforts to guide people, especially in these areas of the country, into self employment, to bring the rate of self-employment up more into line with the national average, could deliver impressive dividends. Each 1% off the economically inactive list and into self employment is at least 25,000 jobs – more, since some of these businesses will employ a number of people – and, given the size of the regional disparities, it should be possible to achieve more than this.

According to PRIME, the average annual cost of IB and other benefits for the 50+ age group is around £7,000 per person, so the saving in welfare payments associated with each 1% drop in the number of economically inactive over 50s is £175 million. Add to this saving the tax payments made by the newly self-employed, and it is clear that the benefits to the exchequer are such that it is likely to be worth putting significant funding behind the drive for more self-employment which our report proposes.

Postscript – the size of the prize

It is clear that, if we could succeed in transferring 800,000 people aged between 50 and 65, who say they want to work, from the economically inactive list to paid employment, the benefits in terms of the welfare of those individuals would be huge. It would be worth spending a significant amount of money to achieve this, just in those terms.

But if the policies proposed in this report are pursued effectively, they are likely to result not in additional net costs, but in substantial gains for both the economy and the exchequer. To model the economic and financial impact of such an addition to the labour force in detail is beyond the resources available for this study, but some basic figuring makes it quite evident what the scale of the benefits to Britain's economy might be.

The employed labour force is 29 million, so an additional 800,000 people represent a boost of some 2.75%. As explained earlier, GDP growth in the long term is the sum of the growth in the labour force and the growth of labour productivity, so with GDP currently £1,300 billion, an increase in the labour force of 800,000 would be associated with a rise in GDP of about £35 billion. It could be less than this to the extent that the productivity of the new entrants was below average. Over time however their productivity would improve, and even with some writedown to take account of this effect the resulting increase in national income remains large.

The government currently appropriates 37% of GDP in tax. Assuming that this order of tax take continues to be the norm, the rise in tax revenues, on the basis of a £35 billion increase in GDP, would amount to

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around £13 billion per annum, once the 800,000 were all back in employment. Again this might have to be written down to reflect a lower productivity performance, but again the figure will remain large.

Moreover, the gains to the exchequer would not be limited to higher tax revenues. The benefit savings which would arise as people came off IB and the other benefits they currently receive, must also be taken into account. According to PRIME, the welfare costs associated with the 50 – SPA cohort amount to almost £10 billion per annum. Hence if a third of this group returned to work, the proportion which 800,000 people represents, the saving would be more than £3 billion per annum.

Clearly it will take several years to achieve a return to work on this scale, but taking account of the progress achieved in the course of the last 10 years, it does not seem over-ambitious to assume that it might be accomplished on a 10 year timescale. In this case, the benefits to the exchequer would rise at the rate of about £1.5 billion a year.

Even though this figuring is crude, it is surely perfectly clear that it is worth putting substantial funding behind the two main sets of proposals in this report - a major effort to transform attitudes and practices relating to age discrimination across the bulk of the private sector, and a drive to raise the rate of self-employment – not just to generate social benefits, but on hard-headed financial and economic grounds.

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OVERVIEW OF THE REPORT

Introduction

Recent years have seen a substantial increase in the numbers of people aged between 50 and state pension age (SPA) participating in the labour force. Achieving this outcome has been an important government priority, and 1.3 million more people from this age group are now in employment than was the case 10 years ago.

Impressive though this achievement is, however, it has to be set against the stark fact that there are nevertheless more people over 50 who are economically inactive now than there were in 1997. This reflects the strength of the demographic trends against which the policy of encouraging participation in the workforce by the over-50s has been struggling. The population is ageing, and the number of people in the 50+ age group is growing at twice the rate of the population generally. As a result, despite the progress made, the number of economically inactive over-50s is not falling and seems unlikely to over the foreseeable future without fresh initiatives. We have done well but we need to do better.

Apart from the pressing need to improve the welfare of the individuals concerned, it is crucially important for Britain's economic future that we should. Substantial economic benefits are associated with a growing workforce, mirrored by the severe economic problems which arise when a country's working population starts to decline. GDP growth over the longer term is the sum of the growth in the employed workforce and the rise in productivity of that workforce, so the faster the working population goes up, the more quickly, other things being equal, the economy grows. Over the past decade, the growth in working population has added well in excess of £50 billion to GDP, and swelled the Treasury's coffers by nearly half that. Since the number of under-50s is expected to drop by 2% over the next ten years, this sort of performance cannot be maintained unless the proportion of over-50s in the working population goes on rising.

Just as important, a growing workforce is needed to counter a rising "dependency ratio" – the number of economically inactive people expressed as a proportion of the working population. A rising dependency ratio leads to higher taxes on producers to finance the social spending which is necessary to support the unproductive parts of the population. Such additional tax burdens would depress economic performance.

There are of course a number of ways in which a growing working population can be achieved. It might come about as a result of a rising birth rate or increasing immigration instead of higher participation rates. The first however adds to the dependency ratio until the young population joins the labour force; and both result in a rise in Britain's population. By contrast, an increase in the participation rate of older people who already live here increases the working population just as effectively – perhaps more so, in light of their experience, skills and reliability – without generating the costs associated with the other two routes.

Improving employment prospects for the over 50s

Raising the participation rate offers the double benefit of reducing the inactive population at the same time as the numbers in the productive population are

increased, further improving the dependency ratio, and of relieving rather than increasing budgetary pressures as those in the higher age groups who are on benefits come off them. Moreover many of the social and environmental costs generated by a rising population – the need for more housing, more cars, more roads, resulting in more congestion and pollution – do not arise if the existing population is being redeployed rather than increased.

So what do we need to do to up our game and finally get the numbers of inactive over-50s on a declining trend? This is the question which the report addresses. It was commissioned by PRIME – the Prince's Initiative for Mature Enterprise – a charitable foundation established by the Prince of Wales to help unemployed older people set up their own businesses, with the following aims:

- to characterise the inactive population in the 50-64 age category – social groups, gender split, regional spread, racial mix, educational levels, sick versus healthy;
- to identify the barriers to employment faced by these groups in returning to the labour market;
- to evaluate the extent to which public policies and employer practices are aligned with the need to overcome these barriers – in fact, after some years of legislative activity, the need is much more to change attitudes and practices on the ground than make further amendments to government policy;
- to advance practical proposals to help increase the participation rate of the over-50 age group, identifying as part of this analysis the role which can be played by efforts to increase self-employment.

The authors have drawn on a wide range of published sources and benefited from a series of conversations with government departments, private sector employers, charitable organizations and university academics. We are particularly grateful to the Department of Work and Pensions (DWP), the Department of Trade and Industry (DTI), the CBI, the TUC and the Chartered Institute of Personnel Development (CIPD); to HSBC and J Sainsbury plc; to Age Concern, The Age and Employment Network (TAEN) as well as PRIME; and to Professor McNair of Surrey University, for the time they made available and the assistance they gave us in relation to this project. Many others also commented, and we are grateful for their help.

The report is presented in four sections, mirroring the four aims set out above, with a brief final piece elaborating the economic and fiscal benefits of employing more over-50s already touched on. The remainder of this summary sets out our findings.

Improving employment prospects for the over 50s

The inactive population between 50 and State Pension Age (SPA): who are they?

According to the Office of National Statistics, the rapid increase in the number of people aged 50 and over represents the most significant demographic trend affecting the size and composition of the labour force for at least the next 15 years. The number of people aged 50 and over is expected to rise from 19.8 million in 2005 to 24.5 million by 2020, an increase of nearly a quarter. By 2030, this number will have risen to 27 million or 40% of the total population. So strong is this trend that, despite there being well over a million more people within this age group in employment than 10 years ago, the number who are economically inactive is also higher than it was in 1997. At best, we have been racing to stand still.

2.4 million people in the UK in this cohort are economically inactive, 25% of men and 30% of women. Inactivity rates are quite low during the early 50s, but rise sharply up to the early 60s. This is true for both men and women. There are significant regional variations in inactivity rates of older people. Section One of the report shows that whereas in Spring 2006 just over 20% of this age group in the South East were inactive, the equivalent figure in the North East was 35%. The North West and Merseyside, Inner London and Wales also registered inactivity rates of about one third. A series of factors contribute to this regional spread – relatively depressed manufacturing economies further north, together with larger numbers of sick and disabled people in these areas, and a concentration of ethnic minorities in inner cities.

Looking at these factors in more detail, the DWP has found that ill health is the single most common reason for which people in this age group disengaged from the labour market. One third of adults between 50 and 64 count as disabled, and about 1.2 million or nearly 15% of those aged between 50 and 64 are on Incapacity Benefit (IB) – half of those who are inactive. Half of this 1.2 million are likely to remain on IB indefinitely, since the chances of someone beyond the age of 50 returning to work once they have left it on grounds of ill health or disability are small, and decline as their period of unemployment increases. Two thirds of the IB claimants in this group are men. IB is more attractive than jobseekers allowance (some 160,000 are on benefits related to unemployment) as it is not means tested and does not require the claimant to be actively seeking work. However, one third of those on IB say they would like to be in paid employment.

Carers make up another substantial part of the inactive total. There are at least 6 million carers in the UK, and one person in five in their 50s is an informal carer. About 400,000 carers between 50 and SPA are economically inactive. Carers are far more likely to be women than men – a quarter of women who are not in paid employment are in this category. 1 in 3 carers not currently working say they would like to return to work if the right alternative care was available.

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In terms of education and skills, many outside the workforce lack formal qualifications, which makes it difficult for them to compete. Older people are more likely to have skills related to declining industries. Half of inactive men aged 50-64 were previously employed in manufacturing and construction, whereas half of inactive women had previously worked in health and social work and wholesale and retail industry. Only a very small proportion of older people in the UK are from minority ethnic groups. These groups do suffer labour market disadvantages – for any given level of qualifications, such people are less likely to be employed than white people, so that it is fair to say that there is an “ethnic penalty” still to be addressed. But this is not an important part of the solution to the general problem of economic inactivity.

There are also of course the “affluent early retired”, the 22% of the age group identified by the DWP as financially secure and not wanting a job. There are obviously “two nations” in early retirement, but beyond the affluent group able to live on accumulated pension rights it is clear that large numbers of people are facing hardship and would like to return to work if they could see a way of doing so.

How many are willing and able to rejoin the labour force?

A number of attempts have been made to answer this question. According to Age Concern’s calculations, between 430,000 and 1 million older people could return to work. The bottom of this range includes only those inactive over-50s who match the profile of those currently in work. The top end includes all people who say they want to work if the barriers they face are tackled. The TUC has estimated that there are about 250,000 actively looking for work to which can be added 750,000 who may not currently be looking for a variety of reasons but who say they want work. These figures suggest that a realistic answer to the question is likely to be less than a million, but before driving the figure down too far it is as well to bear in mind the evidence which suggests that there is a considerable attachment to work in the UK. Across the country, 80% of people in work say that they would like to go on beyond retirement age, whilst half of those now retired report that they wish they had gone on longer.

The analysis in our report, based on an examination of the groups discussed above, suggests that about a third of the 2.4 million inactive over-50s could return to work given the right circumstances. It appears that about a third of those on incapacity benefit who say they want work may be capable of returning to employment. The same is probably true of about half those classed as early retired, including some of those with a health condition and “discouraged workers”. And it is probably realistic to think in terms of a third of carers who could make alternative arrangements if they saw themselves as employable once again. Our more micro analysis is therefore broadly in line with the estimates provided independently by Age Concern and the TUC, and it seems reasonable to think in terms of a “reserve army” of up to 800,000 people which might be mobilized to swell the workforce if the barriers to employment could be overcome.

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From what has been written so far, it is fairly obvious what type of barriers these are. Disabled people need employers to give thought to whether the requirements of a job could actually be met by a person with disabilities and their willingness to organize work facilities to enable them to do so. Those with caring duties would benefit from a willingness among employers to facilitate flexible working arrangements. Poor skills and qualifications characterise many of the economically inactive: older people have lower qualifications and there is often a reluctance among employers to fund training for older staff because of shorter payback times. Hence providing direct and easy access to training and development is a key response to the problem of over 50s inactivity. Those in lower socioeconomic groups come up against benefit traps since the low-skilled low-paid work which may be their only option may not pay much more than benefits, especially after housing costs and travel costs are taken into account.

After a period of unemployment, people may come to see themselves as unemployable and give up. Or they may remain unemployed because they are not prepared to consider working in sectors where jobs are available – retailing say or call centres – either because they think their own work experience is not relevant, or because they are too selective in terms of status or salary. Some employers' perception of older workers is also an important barrier. Research conducted by the University of Kent found that more people report facing age barriers than any other form of discrimination and that from age 55 people are nearly twice as likely to have experienced age barriers than any other form of discrimination. The National Audit Office has also reported that many employers have negative perceptions about the capabilities of older people.

The report argues that the barriers to employment faced by the 50-64 age group need to be tackled in the context of improved employer attitudes and practices. Our analysis is carried forward in terms first of what the government can do – both as legislator and employer - and then the response which is needed from private sector employers. The policies and practices of employers are scrutinised with a view to identifying and spreading best practice, so that as many as possible of those 800,000 people can be helped back to work. The outcomes of this analysis can be summarised as follows.

Is more legislation needed?

Section Two of the report reviews the Government's approach in recent years towards improving the employment prospects of older workers. There has in fact been a clear recognition of the importance of increasing the participation of the 50 – SPA age group in the workforce, and the official aspiration is to achieve an 80% participation rate among this group, which would involve employing an additional 1 million older workers.

A battery of policies has been adopted in pursuit of this objective, which have contributed to the rise in the employment rate among the over 50s referred to earlier, although their impact has not been sufficient to bring about an absolute reduction in the number of the economically inactive.

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The measures the government has pursued include legislation to combat age discrimination which has made compulsory retirement below the age of 65 unlawful on grounds of age alone. It encourages employers to recruit, train and retain in ways that do not discriminate against people on grounds of age. Part of the role of the new Commission for Equality and Human Rights (CEHR) is to discourage discrimination on grounds of age. The eligibility for Jobcentre Plus employment programmes has been extended to those receiving Pension Credit, allowing many inactive people aged 60 or over access to a range of back to work support. Tax rules have been changed to allow people to continue working for their employer while drawing an occupational pension and the age at which an occupational pension can be taken raised from 50 to 55. The Age Positive campaign was introduced to encourage a change in employer attitudes, making “Employer Age Champion” awards. The Train to Gain programme is the means by which the government attempts to assist older workers to improve their skills. Carers have been given a legal right to request flexible working. New Deal 50 Plus has supported the return to work of more than 150,000 people in the older age group since it was introduced in 2000, although its effectiveness appears to have reduced somewhat in recent years. Many other initiatives are detailed in our report.

Our conclusion therefore, on the public policy front, is there has been a commendable effort to alleviate the employment problems of the 50+ age group. There are of course criticisms, also set out in the report. For example, a report by the National Audit Office suggested that more should be done to tackle regional disparities. Age Concern disputes the effectiveness of the government’s policies to improve adult skills in helping older people gain qualifications. It also argues that the Pathways to Work programme is less effective for older people than other claimants, and that there are significant problems accessing self-employment support through Jobcentre Plus. New ideas are also appearing, such as the Freud Report’s proposal that Jobcentre Plus, having supported claimants for a period of time, should hand over back-to-work support to the private and voluntary sectors, which would be paid on a success-related basis.

Our report presents a list of fresh ideas like this which seem to us to be interesting and worth consideration. But in the opinion of the authors, it would be unrealistic to expect more progress to have been made in the area of public policy than has been achieved over the past 10 years. A pretty comprehensive legislative framework is now in place which is sufficient to enable improvements in the employment position of older age groups to continue to be made. The barriers to employment have been identified and efforts to overcome them are proceeding, albeit with varying degrees of success in different areas.

The problem is that while progress has been made in reintroducing good numbers of the over 50s to work as a result of these efforts, it has not been quick enough to bring down the absolute number of economically inactive older people, whose ranks are constantly replenished by demographic trends. And, given the efforts which have been made, it is not realistic to expect the rate of improvement achieved by public policy initiatives to be greater in the future than it has been in the past. The solution to this problem cannot be supplied by public policy alone; it requires a sea-change in the attitudes and practices of employers out there in the wider economy, together with greater emphasis on the possibilities for self-employment. It is to these two areas that the final two sections of the report are devoted.

How do employers' policies and practices need to change?

The research we have reviewed in this report suggests that the attitudes and practices of employers towards older workers are critically important in determining the age at which many people stop work. Older workers make decisions about whether to continue or stop working within the constraints imposed by their employers. In terms of public policy, the success or failure of labour market programmes can depend on the extent to which they succeed in winning employers' engagement and support. This is the area now where the greatest effort is needed. Buy-in is patchy at best.

For the majority of employers, the need to recruit, retain and retrain older workers is by no means front of mind. Research into the international experience in this area shows that age discrimination legislation is important but not sufficient in itself to prevent discrimination against older workers. There is a need for a far-reaching cultural change, just as in other areas where legislation has banned discrimination: research for the DTI in 2005 for example found that employers did not view the then impending age discrimination legislation as a major driver for change.

Policies and practices in the public sector, which employs about six million people, are ahead of most of the private sector, but far from perfect. Public sector employers are more likely to have formal procedures like appraisal schemes or equal opportunities policies in place to protect against discrimination, and in some areas are breaking new ground. HMRC, for example, has committed to helping potential surplus staff retrain, following a pilot scheme helping staff train for accredited qualifications such as nursing, teaching or social work. On the other hand, age diverse policies at the top are not always reflected in practice on the ground. Some parts of the NHS, for example, have shown little interest in the issue of age diversity. Moreover, although skills shortages appear to be more acute in parts of the public sector, research suggests that only a small minority of public sector employers encourage applications from people who are 50 and over.

As for the private sector, studies of employers' responses to skills gaps and labour shortages show that only a minority of businesses target older workers as part of their recruitment strategy. Other research findings reveal: a reluctance on the part of many employers to provide training for older workers; little evidence of strategies for knowledge retention or for managing the age balance of the workforce; few formal flexible retirement schemes; and a gap between policies and practice – age diverse policies adopted at the top of companies not carried through to ground level. Where policies are in place they are more effective in relation to retention than recruitment, and it is the recruitment of older workers which represents the most serious and intractable problem.

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Section Three of the report illustrates these shortcomings by reviewing policies and practices in seven major sectors of the economy – retail, hospitality, construction, business services, manufacturing and logistics. Experience varies widely. Retail sales is obviously a good area for older workers, since flexible time schedules can be devised and employment opportunities provided for the low skilled, often reflecting a policy of matching customer and employee demographics. The jobs however are mainly at the bottom of the organizations concerned. The hospitality sector suffers from a high level of vacancies and skill shortages but employers are generally unsympathetic to the notion of extending working lives. Employers will have to focus much more on training and recruitment amongst older age groups as the number of young people continues to drop.

On the other hand, construction, where there are considerable skills shortages, employs a high proportion of workers over 55, although practices vary a great deal across the large number of small firms dominating the sector. These comments also apply to manufacturing, which seems less likely than other sectors to have anti-discrimination policies in place. The research suggests that recruitment and retention practices in logistics also militate against older workers.

One theme running through our sectoral analysis is the huge difference in policies and practices between large and smaller firms. Outstanding examples of excellent practice, for example by HSBC bank and J Sainsbury are illustrated in the report. But these are very big companies. Most people working in the private sector work for small and medium sized enterprises (SMEs). SMEs – firms with fewer than 250 employees – represent 94% of all employers in the UK. DTI surveys have shown that SMEs are less likely than large firms to use formal channels of recruitment, to have equal opportunities policies in place in their workplaces, or to provide flexibility for carers. Other research shows that small firms in sectors like manufacturing and construction are likely to offer little formal protection against discrimination although they are not necessarily 'ageist' and as Patrick Grattan of TAEN puts it “employ the best person for the job without a thought for age though they may be unconscious of age legislation and such matters as fixed retirement ages”.

More than a third of employees in the UK work for SMEs, and if there is to be a change of attitude to older workers across the economy, SME employers should be a particular target. Their potential impact in terms of the participation of currently inactive over 50s in the workforce is huge. For economically inactive people to find jobs, employers have to be prepared to offer them. To enable carers and disabled people to return to work, they have to be prepared to allow their staff to work more flexibly and adjust their workplaces helpfully. There are excellent companies which have understood that it makes economic sense to draw talent and ideas from all segments of the population, but many have a long way to go and the report sets out a number of suggestions for spreading best practice more widely particularly across the SMEs.

There is an urgent need to publicise age aware management practices and to help firms understand what constitutes age discrimination because the evidence suggests many employers are not clear about this. They need to undertake diversity training and to develop the skills required to manage a balanced workforce, not least in the area of performance management, helping older employees to maintain an up-to-date portfolio of skills. The gap between policy and practice, of which substantial evidence is displayed in the report, has to be bridged. Research shows that practice varies greatly, even within the same organizations. The Employers Forum for Age has suggested that the most effective means to do this is through an education programme aimed at all employees. More flexible working options need to be developed to enable carers and others with competing demands on their time to return to work. The right to request flexibility is now enshrined in law, but there is no obligation on employers to accede to such a request. Career structures need to allow for a shift to more suitable work as people age.

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Part of the problem of course is that many of the part-time flexible jobs for the over 50s are low paid. This itself can be a barrier for some people who regard themselves as over-qualified for such jobs. A DWP study of people using Jobcentre Plus services reported disappointment with the quality of work on offer, particularly the lack of specialist and well paid vacancies. Employers need to address the tendency for senior and better paid roles to be offered mainly on a full-time basis, and job centres need to employ officers dedicated to the needs of the over 50s, who can reach out to local employers to advertise with them the sort of jobs which, increasingly, available over 50s are qualified to fill.

There is enormous scope to define and roll out best practice in this area, and now that a good legislative framework is in place, a comprehensive effort to do just this is what pre-eminently is needed now.

Expanding self-employment

It may take many years to reverse the culture of age discrimination, so there need to be real opportunities for people who want to work to create their own jobs through self-employment. Amongst other advantages, a self created job may be home based and can accommodate individual circumstances such as caring responsibilities or a disability. Self employment often provides an opportunity for self-fulfilment which might otherwise not exist.

One of the objectives of economic policy is to foster a robust start-up market for small businesses, and contrary to popular belief the majority of new businesses are created by people in their 40s and 50s. Moreover, with the decrease in the number of people under 30, the number of younger people starting a business will decline. It is important therefore to put in place policies and structures which support older people developing their own enterprises.

Older people who wish to become self-employed face a number of challenges including access to training, finance and post start-up support. The government's focus in this respect has very much been on young people: Economic Insight, an enterprise campaign receiving significant Treasury funding to encourage entrepreneurial spirit, specifically precludes investment in the encouragement of older entrepreneurs, and much more can be done for the older age groups. Moreover the New Deal self-employment programme, which helpfully allows people to take a course, develop a business plan and test trade for six months, has been cut back, so that in many regions there is less free provision of business support than there has been for several years.

What is needed to help more economically inactive people into self employment? Some people are knowledgeable and confident and can be helped by Business Link. But the majority, particularly the most needy, need support and assistance to get to the position where they can benefit from what organizations like Business Link have to offer. The Prince's Foundation, PRIME, offers support of this kind, which is complementary to mainstream provision. In Wales, PRIME Cymru supports older people wishing to become self-employed by employing a team of client advisers and outreach workers to engage with older people where there are high levels of economic inactivity. They also use unpaid volunteers. Again, the emphasis is on pre-business start-up support – raising awareness of employment as an option, workshops to explore self-employment ideas, mentors to provide encouragement and advice. Then, when they are equipped to see a business adviser, they can be passed on to the mainstream agencies. This is undoubtedly a gap in the market which government agencies have not filled and an important role which needs to be generalized across the country. The impact could be significant: independent research by the Welsh Assembly showed that some 40% of older clients who were assisted to become self-employed had previously been economically inactive.

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Section Four of the report discusses the different types of support needed to encourage self-employment in some detail – awareness raising, mentoring, and personal development covering such areas as IT training and basic business knowledge in areas offering the best opportunities, such as franchises and direct selling. Business planning is vital: Barclays has shown it is the key factor determining the survival or otherwise of a new business. The sort of assistance provided by New Deal has already been mentioned in this respect. Finance is of course crucial – to fund market research, purchase of equipment or stock, marketing and working capital. Unfortunately, the DTI's Phoenix Fund which underwrites loans from banks for new enterprises was regionalised last year, and there are now many areas where loans for small businesses are not available for the over 50s. There is also a need for post start-up support. Business Link and its Welsh, Scottish and Northern Ireland counterparts offer some help in this respect. The Business Volunteer Mentor scheme ensured that those who wanted a business mentor after start-up had access to one, but government funding for this has also been withdrawn.

This section of our report makes a number of recommendations to help over 50s set up their own businesses which relate to all these areas – including more encouragement for training in the New Deal programme; improved guidance by trained Jobcentre Plus staff; post start-up support; improved access to finance, especially for market research; and research into appropriate outreach models for different regions, sub-regions and communities.

If these recommendations were implemented and a determined effort made to encourage and support self-employment in all the nations and regions of the UK, what could be achieved? There is no precise scientific answer to this question, but a number of positive observations can be made. According to Barclays, the number of businesses being set up by people in their 50s is on the increase. Older entrepreneurs account for 15% of all business start ups in England and Wales. Older entrepreneurs are also responsible for 50% more start ups than they were 10 years ago. Secondly, companies started by older people have a 70% chance of surviving the crucial first five years compared with only 28% for younger people: so the 50+ age group is worth supporting.

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Thirdly, the proportion of people between 50 and 65 starting up new enterprises varies substantially across the UK, as does the share of the self employed in the employment totals (see tables in section four), suggesting that there is plenty of unexploited potential, especially in Wales and the northern regions where the economically inactive over 50s are particularly concentrated. Focused efforts to guide people, especially in these areas of the country, into self employment, to bring the rate of self-employment up more into line with the national average, could deliver impressive dividends. Each 1% off the economically inactive list and into self employment is at least 25,000 jobs – more, since some of these businesses will employ a number of people – and, given the size of the regional disparities, it should be possible to achieve more than this.

According to PRIME, the average annual cost of IB and other benefits for the 50+ age group is around £7,000 per person, so the saving in welfare payments associated with each 1% drop in the number of economically inactive over 50s is £175 million. Add to this saving the tax payments made by the newly self-employed, and it is clear that the benefits to the exchequer are such that it is likely to be worth putting significant funding behind the drive for more self-employment which our report proposes.

Postscript – the size of the prize

It is clear that, if we could succeed in transferring 800,000 people aged between 50 and 65, who say they want to work, from the economically inactive list to paid employment, the benefits in terms of the welfare of those individuals would be huge. It would be worth spending a significant amount of money to achieve this, just in those terms.

But if the policies proposed in this report are pursued effectively, they are likely to result not in additional net costs, but in substantial gains for both the economy and the exchequer. To model the economic and financial impact of such an addition to the labour force in detail is beyond the resources available for this study, but some basic figuring makes it quite evident what the scale of the benefits to Britain's economy might be.

The employed labour force is 29 million, so an additional 800,000 people represent a boost of some 2.75%. As explained earlier, GDP growth in the long term is the sum of the growth in the labour force and the growth of labour productivity, so with GDP currently £1,300 billion, an increase in the labour force of 800,000 would be associated with a rise in GDP of about £35 billion. It could be less than this to the extent that the productivity of the new entrants was below average. Over time however their productivity would improve, and even with some writedown to take account of this effect the resulting increase in national income remains large.

The government currently appropriates 37% of GDP in tax. Assuming that this order of tax take continues to be the norm, the rise in tax revenues, on the basis of a £35 billion increase in GDP, would amount to around £13 billion per annum, once the 800,000 were all back in employment. Again this might have to be written down to reflect a lower productivity performance, but again the figure will remain large.

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Moreover, the gains to the exchequer would not be limited to higher tax revenues. The benefit savings which would arise as people came off IB and the other benefits they currently receive, must also be taken into account. According to PRIME, the welfare costs associated with the 50 – SPA cohort amount to almost £10 billion per annum. Hence if a third of this group returned to work, the proportion which 800,000 people represents, the saving would be more than £3 billion per annum.

Clearly it will take several years to achieve a return to work on this scale, but taking account of the progress achieved in the course of the last 10 years, it does not seem over-ambitious to assume that it might be accomplished on a 10 year timescale. In this case, the benefits to the exchequer would rise at the rate of about £1.5 billion a year.

Even though this figuring is crude, it is surely perfectly clear that it is worth putting substantial funding behind the two main sets of proposals in this report - a major effort to transform attitudes and practices relating to age discrimination across the bulk of the private sector, and a drive to raise the rate of self-employment – not just to generate social benefits, but on hard-headed financial and economic grounds.

Christopher Smallwood - January 2008

SECTION ONE: A characterisation of the inactive 50 - SPA population

Summary

This section of the report describes the inactive over-50s population showing the numbers of those who are inactive as a result of long-term sickness and disability; those who have caring responsibilities that prevent them from working, and those who are early retired. The population is analysed in terms of gender, ethnicity, geographic distribution, socio-economic status, and levels of human capital. The section includes an analysis of the various groups aimed at estimating the number of people who could potentially rejoin the labour force given that the barriers they face are tackled. The principal labour market barriers facing older people are ill health, low skills and employer attitudes and perceptions.

1. Demographic profile of the inactive 50 – SPA population

The ONS¹ say the most significant demographic trend affecting the size and composition of the labour force over the next 15 years will be the rapid increase in the number of people aged 50 and over. The number of people aged 50 and over is expected to rise from 19.8 million in 2005 to 24.5 million in 2020, amounting to an increase of 23.5 per cent. By 2031, the number of people aged 50 and over will be 27.2 million, representing 40 per cent of the total population. By 2022 it is projected that there will be 3 million more working-age people aged 50 and over.

The labour market activity rates of people in this age group are lower than average, although employment rates among those aged between 50 and SPA have been on the increase since the mid 1990s. It is with this in mind that the Pension Commission, in its First report reported that “to meet the growing demographic challenge, increasing the employment rates at all ages was essential, although the scope for increase in employment rates above 50 years old is greater than in the 25-49 year age group”.²

(1) Projections of UK labour force, 2006 to 2020, ONS

(2) Pension Commission First report pp32

Improving employment prospects for the over 50s

Fig 1

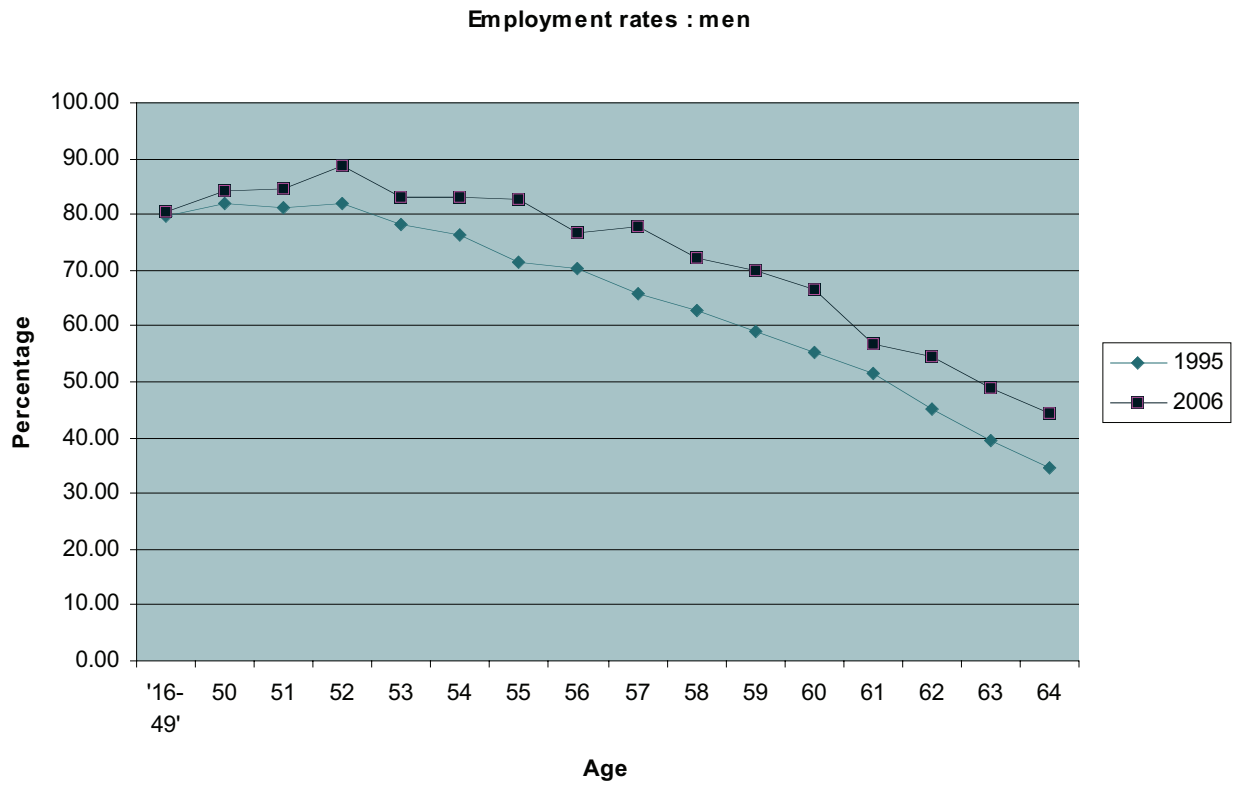
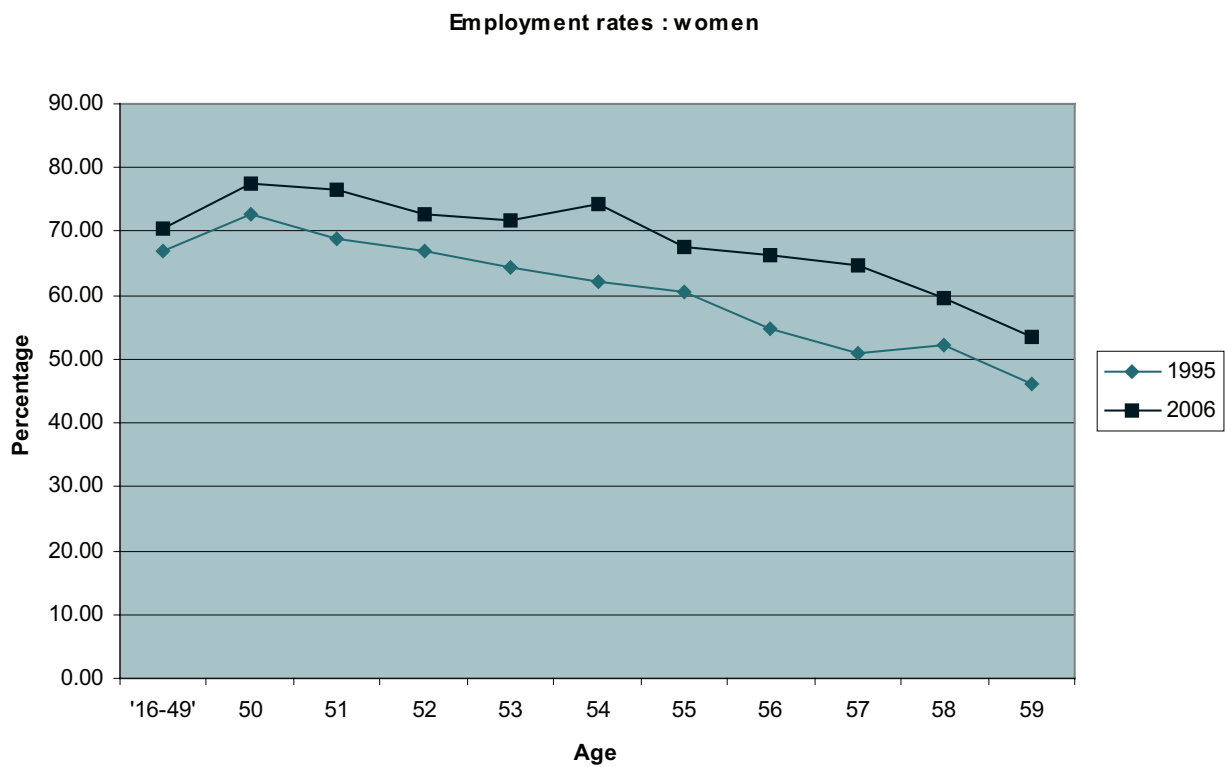


Fig 2



Improving employment prospects for the over 50s

Between 1997 and 2006, there has been a 7% growth in the employment rate of those aged between 50 and SPA³. This represents a 1.3 million increase in the number of people in work from this age group with 0.7 million of these being men and the other 0.6 million accounted for by older women. According to TEAN, had the mid-1990s labour market stood still and not absorbed the post war baby boom generation arriving at 50+, then the employment rate of over-50s would have fallen to 55 per cent from 64 per cent, as opposed to having risen to 71 per cent in 2006. This compares with an employment rate of 81 per cent for those aged 16-49 in the same year.

The increase in employment rates for older workers has been attributed to a number of factors including the absence of major macroeconomic shocks in recent years as compared to the upheaval created by recessions in the early 1980s and 1990s leading to redundancies amongst workers in their 50s; the absence of pension fund surpluses from which companies historically funded generous early retirement packages; and Government policies and initiatives to encourage people off Incapacity Benefit and into work.

For men aged between 50 and SPA, the upward trend in the employment rate is projected to continue into the future as Government policies aimed at helping people back into work continue to have an impact. There is a similar picture for women within the same age group with growth projections even stronger in line with the view that, as younger cohorts of women, who have been more active throughout their lifetime, enter older age groups, the activity rate of these older age groups will rise⁴. It is however important to recognise that older people's employment is very sensitive to economic conditions, and given a downturn in employment they face increased likelihood of being adversely affected.

The workforce is clearly near an all time high, but the fact remains that there are more people aged over 50 who are economically inactive than there were in 1997. Over the last decade there has been rapid growth in the over 50 population accounting for the increase in both workers and non-workers in this age group.

1.1 The inactive 50-64 year olds

Against a background of increased participation of the over-50s in the labour market, over the same period 1997 to date, there has been no reduction in the numbers of economically inactive people aged 50-SPA⁵. This is due to the increase in the growth rate of this age group as a subset of the total population. Although one and a half million older people have joined the workforce since 1997⁶, 32 per cent of all inactive people of working age are aged between 50 and 64. This represents 2.4 million people aged 50-64 who are inactive and equals 27 per cent of the total population of the 50-SPA age cohort.

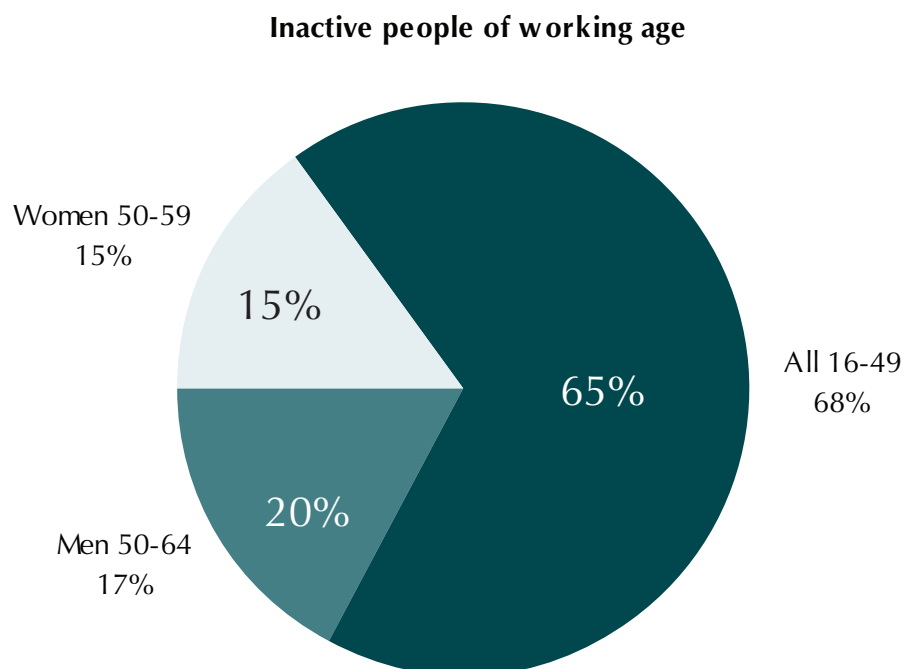
(3) Memorandum to the Select Committee on Work and Pensions, TAEN, 2006, TAEN

(4) Projections of UK labour force, 2006 to 2020, ONS

(5) Grattan, P, Ageing and employment: looking back, looking forward, 2006

(6) Response to the Green Paper on welfare reform, Age Concern, 2006

Fig 3



Source: Labour Force Survey, Spring 2006

Table 1

Inactive: Number of people (000s)

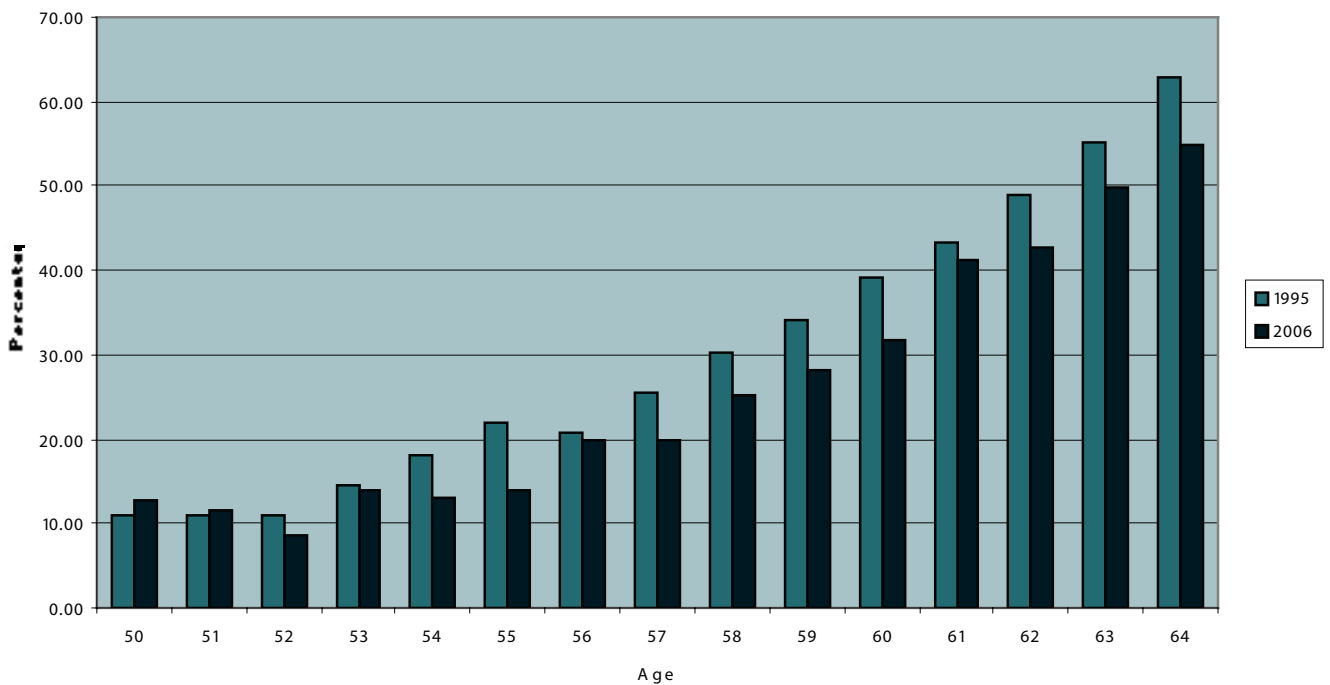
Details	Gender	Spring 2001	Spring 2002	Spring 2003	Spring 2004	Spring 2005	Spring 2006
50-SPA	Male	1359985	1386186	1295937	1322386	1320611	1314088
	Female	1250436	1232053	1178342	1177276	1164967	1149480

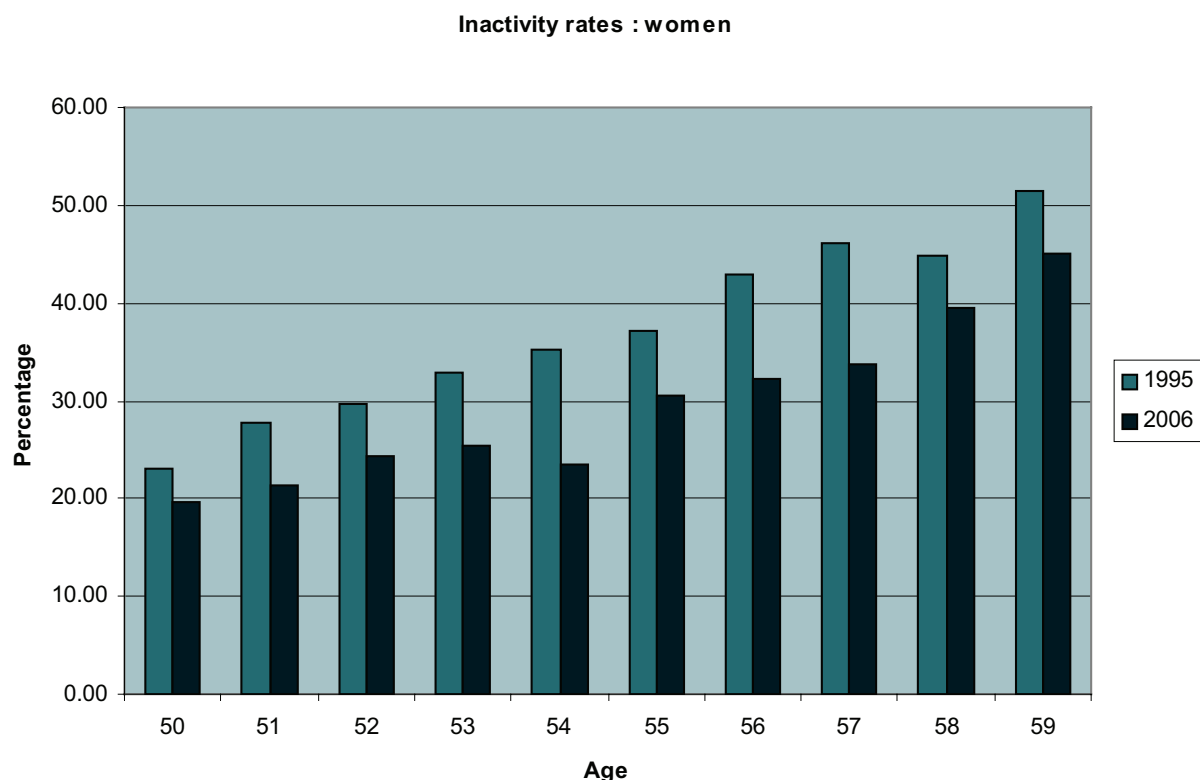
Economic inactivity rates differ for different age cohorts within the 50-64 age group. Economic inactivity rates are quite low for those in their early 50s, with rapid increases through the years up to the early 60s. Spring 2006 saw some of the lowest levels of inactivity amongst 50-64 year old men since 1995. 52 year old men had an inactivity rate of 8.6 per cent, down from 11 per cent in 2005 and 14.5 per cent at its peak in 1996. Similarly 55 year olds had, in 2006, the lowest inactivity rate, 14 per cent, down from 22 per cent

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in 1995. The inactivity rate for 57 year old men was below 20 per cent for the first time in the last 12 years, whilst 60 year olds had the lowest rate at 31.5 per cent since 2000. 61 year olds have had an inactivity rate of below 44 per cent for the last three years as opposed to having inactivity rates hovering around the 50 per cent mark from 1995 through to 2000. Remarkably, 64 year olds, one year away from state pension age also recorded the lowest inactivity rate in spring 2006 of 54 per cent from a high of 65 per cent in 1996.

Inactivity rates : men





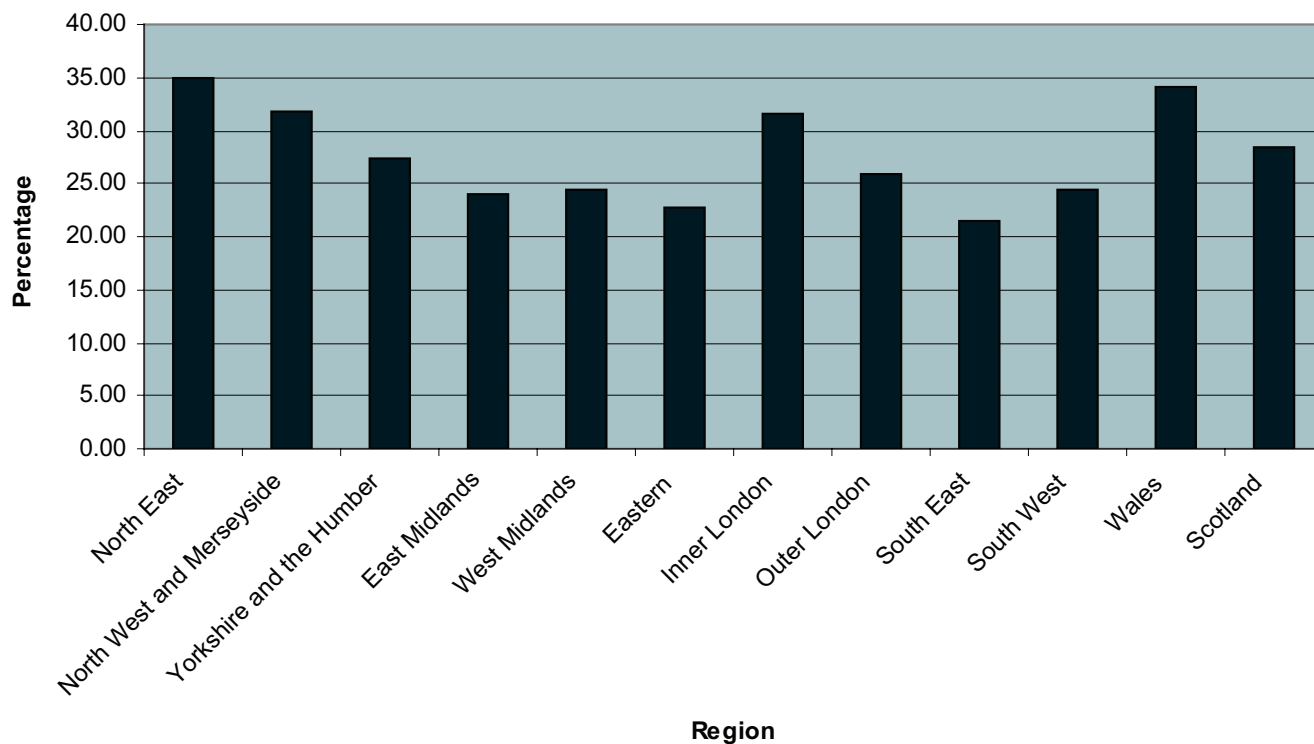
Inactivity rates for women aged 50 to SPA follow a similar pattern as those for men in the same age group. Women aged 50, 51, 56, 57 and 59 had the lowest inactivity rates in spring 2006 from 1995 to 2006 inclusive. 50 year olds had an inactivity rate of under 20 per cent for the first time in the last 12 years. 54 year olds saw their inactivity rate drop 12 percentage points to 23 per cent from the levels in 1995 and 1996. 59 year olds have had an inactivity rate of 45 per cent for the last 3 years from over 55 per cent in the late 1990s.

1.2 Regional distribution of inactive 50 – SPA

There are 2.4 million people in the UK aged 50 – SPA who are inactive. This represents 27 per cent of the age group. There are significant regional variations in the inactivity rate of older people. In Spring 2006, 21.5 per cent of the population of 50-64 year olds who live in the South East were inactive. This compares with 35 per cent for those in the North East. Three other regions had about a third of their 50 – 64 population categorised as inactive. These were the North West and Merseyside, Inner London, and Wales.

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Inactive people as a percentage of population by region



Region	% of inactives who are inactive due to sickness, disability or injury
Great Britain	47.8%
England	46.1%
North East	60.1%
North West and Merseyside	55.4%
Yorkshire and the Humber	47.7%
East Midlands	48.5%
West Midlands	49.0%
Eastern	32.6%
South East	33.9%
South West	39.6%
Greater London	49.6%
Inner London	57.1%
Outer London	44.9%
Wales	60.9%
Scotland	53.3%

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The reasons for the concentration of inactive people in these areas are likely to include among other factors the concentration of ethnic minorities in inner cities like Inner London. These people populate the inner city enclaves and have a high rate of inactivity when compared with their white counterparts. Other factors include the relatively depressed manufacturing economies of the North East, North West and Wales, and the relatively large number of sick and disabled people in these regions.

Region	% of claimants of IB or SDA by region
Great Britain	14.1%
England	13.1%
North East	20.7%
North West and Merseyside	18.7%
Yorkshire and the Humber	15.0%
East Midlands	12.8%
West Midlands	14.1%
Eastern	9.1%
South East	8.2%
South West	10.3%
Greater London	14.0%
Inner London	18.8%
Outer London	11.6%
Wales	23.4%
Scotland	18.7%

The reasons for regional variations in disabilities are likely to be associated with regional variation in: the distribution of industries; the availability of, and access to health care and adequate housing; lifestyle and dietary behaviour; and levels of education⁷. In addition to variations at regional level, there is evidence to suggest that there are also significant variations at local authority district level.

(7) Labour Market experiences of people with disabilities, ONS, 2002

1.3 Ill health

A DWP study found that the single most common reason for which people aged between 50 and SPA disengaged from the labour market was due to a health condition.⁸ This is consistent with other research. *McNair et al*, reported that “poor health and disability are the commonest reasons for early withdrawal from the labour market, although it is not always described as “retirement” and not always recognised at the time of leaving as “permanent”⁹. According to the DWP report, the respondents who had left work due to a health condition were broadly speaking those who had earned lower incomes and were currently reliant on benefits. This is also consistent with other research that suggest that those with disabilities are more reliant on state benefits than others and are also more likely to live in households with relatively lower income than those without disabilities.

About 1.2 million, 14 per cent, of those aged between 50 and 64 are on Incapacity Benefit (IB). This represents about half of those aged between 50 and 64 who are inactive. It also accounts for about half of all those of working age on IB. Half of this 1.2 million are likely to remain on it until they reach pension age or die as the chances of someone who leaves work through ill health or disability after the age of 50 returning to work are small, and decline very rapidly as the length of unemployment increases.

Claimants of IB or Severe Disablement Allowance (SDA) by age group, gender, and Country¹

	50-59/64 (SPA)		
	All	Male	Female
Great Britain	1,246	781	465
% of all in age band on IB/SDA	14.1%	15.2%	12.4%
England	992	623	369
% of all in age band on IB/SDA	13.1%	14.2%	11.6%
Wales	103	65	38
% of all in age band on IB/SDA	21.5%	23.4%	18.9%
Scotland	142	86	55
% of all in age band on IB/SDA	17.6%	18.7%	16.2%

63 per cent of IB claimants in this age group are men. The number of people claiming IB amongst over 50s has grown against a background of improving general health for the population as a whole. IB is more attractive than jobseekers allowance as it is not means tested, does not require the claimant to be actively

(8) Factors affecting the labour market participation of the over 50s, DWP, 2005

(9) McNair et al, Changing work in later life: A study of job transitions, 2000

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seeking work and is a more generous payment. The increase in the number of people on incapacity-type benefits has also been in evidence across Europe. According to another recent DWP report¹⁰, the UK is close to the OECD average with Northern European countries having slightly higher and other OECD countries (US, Australia) slightly lower proportions on benefit. They report that in most countries, a higher proportion of the population are now out of work claiming these benefits than claiming unemployment benefits and that the numbers leaving these benefits for work is low in all countries.

The DWP found, following a breakdown of the main reported conditions of those on IB, that “significantly greater numbers who claim benefit may be able to get back to work”. The Centre for Economic and Social Inclusion (CESI) reports that of those on IB, about 33 per cent say they would like to be in paid employment¹¹. According to the Centre, the number wanting work varies with the limiting condition, with over 40 per cent of those with skin and hearing conditions wanting to work.

1.4 Disability

Among people of working age in the UK, 6.8 million, one fifth of the total population, meet the Disability Discrimination Act (DDA) definition of disability. Compared to the average for both the EU and the OECD, older people in the UK are more likely to be economically inactive because of disability, and this is especially true for men in their early 60s. One third of adults aged between 50 and 64, about 3 million people, are disabled.

Approximately half of the disabled population in the UK are economically inactive. The National Employment Panel’s Employers’ Working Group on Disability estimate that there are one million inactive disabled people of working age who want to work.¹² One third of all economically inactive people aged 50 – 64 who are disabled say they want to work

Inactive due to sickness and disability: (000s)²

Details	Gender	Spring 2001	Spring 2002	Spring 2003	Spring 2004	Spring 2005	Spring 2006
50-SPA	Male	769118	785643	729897	716587	714473	675136
	Female	512114	528465	501339	522326	494262	507772

(10) Pathways to work: Helping people into employment, DWP, 200X

(11) Working brief, info@cesi.org.uk

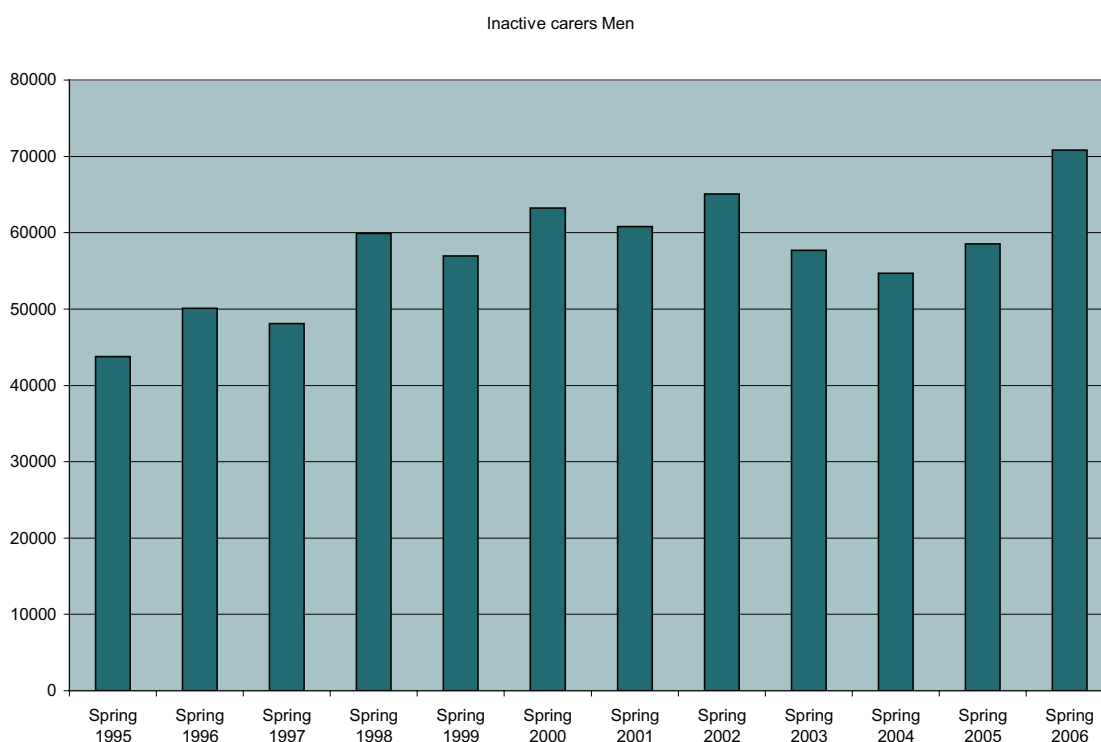
(12) Able to work, Report of the National Employment Panel’s Employers’ Working Group on Disability, 2005

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Economic factors have a strong association with self-assessed general health status and have been shown to have an adverse impact on health¹³. Glass et al (1998) showed that those who were economically active had “good” health rates 50 per cent higher than the economically inactive while people in higher managerial and professional occupations reported rates of “good” health 25 per cent higher than those in routine occupations. Similarly individuals with higher level qualifications reported higher rates of “good” health than those with lower or no qualifications.

1.5 Caring responsibilities

As people live longer, more adults will have older relatives to care for. Between 1998 and 2023, the number of people aged 85 and over is projected to rise by 47% to about 1.6 million and those aged 75 to 84 could total around 4.4 million.¹⁴ These people will need growing amounts of care which will fall on the shoulders of their children to provide, to a greater or lesser extent depending on whether they have serious or minor health problems. Many of these children will be people in their 50s and 60s.



(13) Kennedy B, Kawachi I, Glass R and Prothrow-Stith D (1998) Income distribution, socioeconomic status, and self-rated health in the United States: multilevel analysis. *BMJ* 317, 917-921

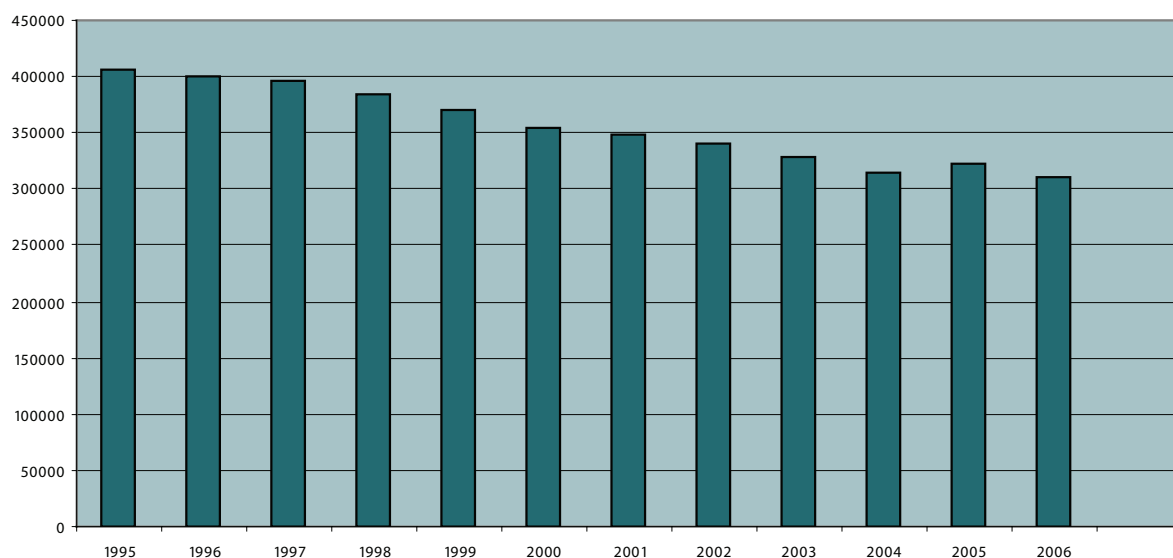
(14) Moynagh, M and Worsley, R, Reshaping retirement: The opportunity of a lifetime, 2003?

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The 2001 Census showed that there are 6 million carers in the UK. This represents 10 per cent of the population or approximately 12 per cent of the adult population. The peak age for unpaid caring is 50-59; at this age one person in five is an informal carer.¹⁵ This represents 1.5 million people in this age group across the UK. The 2001 Census showed that carers are more likely to be women than men, 25 per cent of women compared to 18 per cent of men in this age group are providing some care. The ratio of men to women who are inactive due to caring responsibilities is 1:4. Carers UK¹⁶ report that men aged 60-64 are considerably more likely to say they are retired if they are also carers. Carers UK also report that the geographical distribution of carers reveals patterns of poor health and socio-economic deprivation.¹⁷

About 400,000 carers aged between 50 and SPA are inactive. This represents 1.3 and 8 per cent of the total population for men and women respectively. As a percentage of the inactive population within the age cohort the corresponding figures are 5.4 and 27 per cent for men and women respectively. Recent research by Carers UK shows that 1 in 3 carers not currently working wanted to return to work if the right alternative care was available.

Inactive carers: women



(15) TUC 2005, "The Eighty per cent Solution"

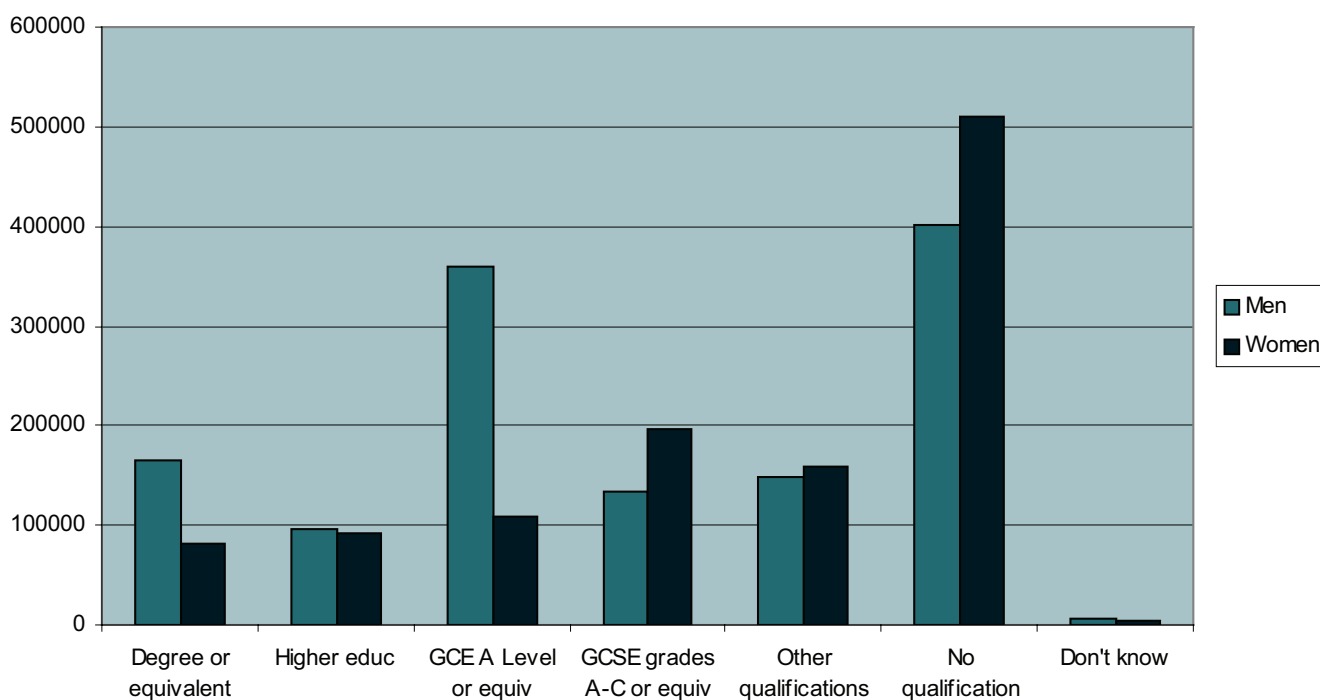
(16) Carers UK is an organization of carers, run by carers, for carers. See www.acecarers.org.uk

(17) "Who cares? Geographic variation in unpaid caregiving in England and Wales: evidence from the 2001 Census", Harriet Young, Emily Grudy and Stamatis Kalogirou Population Trends 120, 2005 ONS

1.6 Level of human capital¹⁸

There are strong links between educational attainment and economic activity status. Generally, people with higher qualifications are more likely to be in employment than those with lower qualification or those with none at all.¹⁹ Many over 50s lack formal qualifications, which can make it more difficult to compete in the labour market.²⁰ Older people are more likely to have skills related to declining industries.²¹ There has been an increasing divergence between the profiles of older and younger people in the labour market over the past three decades as the average age at which individuals leave full-time education has risen. Analysis of LFS data shows that whilst approximately one-half of men and women aged between 25 and 39 left full-time education before the age of 17, for those aged between 50 and SPA the figure is just under three-quarters.

Inactive 50 - SPA: qualifications



In 2005, over 70 per cent of inactive men aged 50-64 had been previously employed in five main sectors, namely, manufacturing (23%), construction (13%), public admin and defence (12%), real estate and business activities (12%) and wholesale and retail industry (10%). On the other hand, in the same year, inactive women aged 50-59 had been previously employed in health and social work (22%), wholesale and retail (20%), education (16%), and real estate and business activities (12%).

(18) Human capital is defined as the possession of high-level qualifications, vocational skills and real world experience of work.

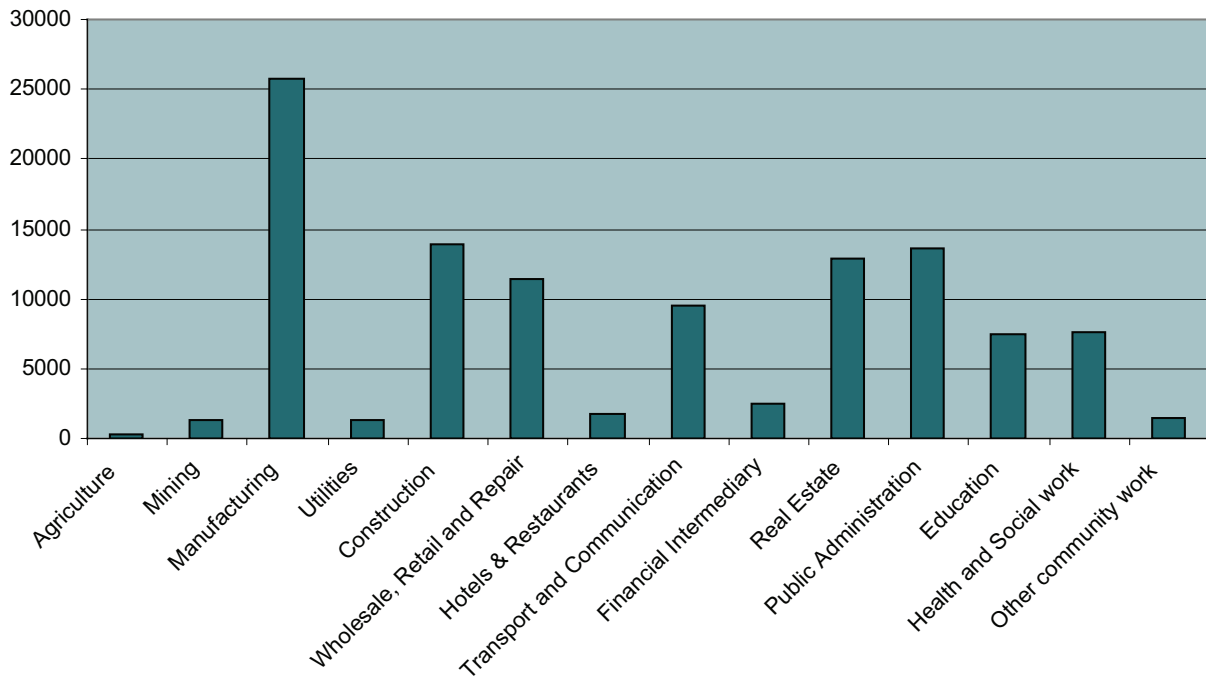
(19) Enduring Economic Exclusion: Disabled people, income and work, Tania Burchardt, Joseph Rowntree Foundation, 2000

(20) Welfare to work: Tackling the barriers to the employment of older people, 2004

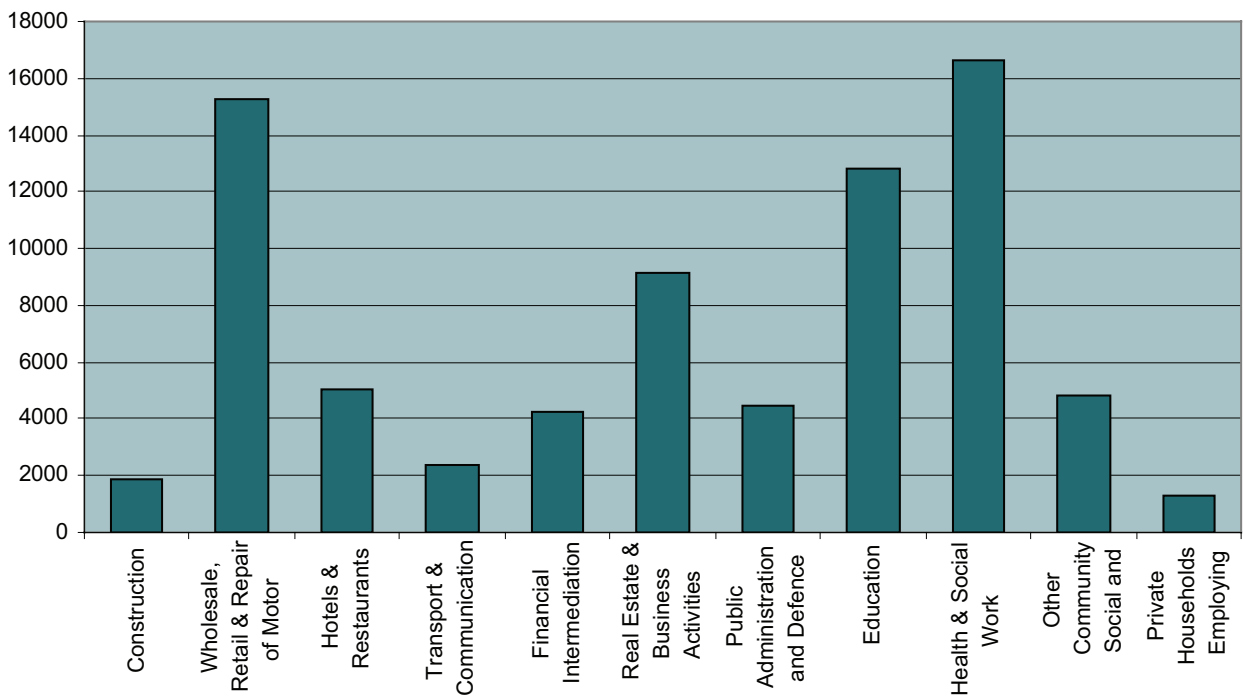
(21) Focus on Older people, 2005, ONS

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Inactive men: previous occupation (Spring 2005)



Inactive women: previous employment (Spring 2005)



1.6 Socio-economic class

Older people are not a homogenous group. Amongst this group of people, there are clear patterns which indicate increasing polarisation in both wealth and income status. Only one-third of those aged 50-64 who do not work receive income from a private pension. Two-thirds rely on the State.²² According to a Policy Innovation Unit Report, half of inactive people aged between 50 and 64 not working receive state benefits and live on the breadline²³. Older people who are not working are more likely to be from a lower socio-economic group²⁴.

There is also evidence suggesting that the type of work influences the likelihood of being in employment. In 2005, 72 per cent of over 50s in the higher managerial and professional group were employed compared to 58.6 per cent of people in the routine occupations.

Inactive: socio-economic group		
	Spring 2006	Spring 2006
	Men 50-64	Women 50-59
Higher managerial and professional	143095	20623
Lower managerial and professional	191302	124430
Intermediate occupations	34871	76408
Small employers and own account workers	95714	37300
Lower supervisory and technical	120195	41151
Semi-routine occupations	83055	130866
Routine occupations	107398	63184
Never worked unemployed and nec	538458	655518
Total	1314088	1149480

Life expectancy is influenced by previous occupation²⁵. Hence life expectancy varies significantly by socio-economic class. Lower social class tends to be associated with lower life expectancy and poorer health. Statistics show that lower wealth groups are far more likely to leave the workforce early for health reasons. A Government report²⁶ published in 2003 showed a link between the type of job and health. In other words, ones socio-economic status affects ones health. Research suggests that the differences in life expectancy do not materialise when people are older, but exist as people in these different social groups mature. The expected age of death for men in social class V who reach 65 is 81, and 86 for those in social class I²⁷.

(22) Family Resource Survey

(23) Winning the generation game: Improving opportunity for people aged 50-65 in work and community activity, 2000

(24) Focus on older people, ONS 2005

(25) Tackling health inequalities: A programme of action, 2003

(26) *ibid*

(27) "How big is the Life Expectancy Gap by Social Class? Pension Policy Institute, 2005

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Early inactivity for men aged 55-59 is concentrated in the lowest two and the highest wealth quintiles, with a large percentage of the lowest two quintiles describing themselves as sick or unemployed, while most of the richest quintile of earners who have left the labour force pre-SPA describe themselves as retired.²⁸ There is a broadly similar picture for women aged 55-59, but with higher levels of inactivity across all wealth quintiles.

There are parts of the country where life expectancy is no higher than the national average in the 1950s²⁹. Life-limiting habits and conditions such as smoking and obesity are more prevalent in the lower socio-economic classes than in the higher social groups. This factor as well as the continuing differences in the working conditions and factors such as stress may perpetuate the trends in life expectancy and health by socio-economic class.

1.7 Early retired

The average labour market exit age is 62.3 which is the fourth highest in Europe. In Spring 2006, 421,373 men and 153,440 women in the UK are described as early retired. This figure represents 8 per cent of men and 4 per cent of women of the total population of those aged between 50 and SPA. Of the number of men and women who are inactive in this age group, 32 per cent of men and 13 per cent of women are classified as early retired.

Gender	Total Population	Inactive Population	Early retired
Men	5290643	1314088	421373
Women	3836837	1149480	153440

DWP research, "Factors affecting the labour market participation of the over 50s, 2003, found that only 8 per cent of working age people aged over 50 who were not in employment were "actively seeking" employment. 50 per cent were not seeking work due to health problems and 20 per cent had become discouraged from seeking work. 22 per cent said they were financially secure and did not want a job. In 2000, the Performance and Innovation Unit reported that 12 per cent of the inactive 50-64s could be described as "affluent early retired", and that no more than a third of the entire population were people who had retired early.

(28) Turner report, pp34

(29) "The Eighty per cent Solution", TUC, 2005

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A 2004 study³⁰ identified two groups of older men who detached themselves from full time work early. The early retired – a group made up of middle class professionals and other white-collar workers. These men draw on accumulated pension rights and little if at all on benefits. The other group includes largely manual workers. This group are dependent on the benefits system, mainly Incapacity Benefit, most of them having no pension. The study found that a number of these men compared to almost none from the group of middle class professionals would like a job.

In *Age matters*³¹, the author reported evidence of “two nations in early retirement” suggesting that economic activity amongst those aged between 50 and SPA is particularly pronounced for men in the manual occupations that have left the labour market due to a lack of demand for their skills, but also for those in higher occupations who have chosen economic inactivity form a situation of relative financial stability. There is consensus in the literature therefore that there is a group of inactive over-50s who do not want to work. For this group, detachment is clearly voluntary. There is also a sizeable number, the TUC estimates about 18 per cent, who are involuntarily early retired. They say these people have been “encouraged” by their employers to leave work, and inflexible employment policies and pension rules force the others out.

Arguably a large number of the men and women who are early retired could potentially return to work. A CROW 2005 survey found that one-third of the early retirees in the South East (the region with the highest number of these people) said they would consider returning to work if the right job was available.

1.8 Ethnic minorities

A very small proportion of older people in the UK are from minority ethnic groups. The 2001 census showed 3.5 per cent of the population aged over 50 to be ethnic minorities, around 672, 000 people³². In 2006, 5 per cent of men aged 50 – SPA were from minority ethnic groups. This corresponds with 9 per cent of women in the same age group. The relatively small numbers is mainly due to the timing of past migration and the age structure of migrants. Carribeans came in the fifties and sixties, Indians and Pakistanis came in the sixties and seventies, explaining the predominance of Carribean and Indian older people when compared with other minority groups.

Around one-third of the ethnic minority working age population are economically inactive, compared with just one-fifth of the population overall.³³ Of this number, 173,325 are aged between 50 and SPA.

(30) “Moving older people into jobs”, Christina Beatty and Stephen Fothergill, Sheffield Hallam University and Third Age Employment Network, 2004, pp 4

(31) Employment relations research series No. 24, “Age matters: a review of existing survey evidence”, P Urwin, University of Westminster, 2004

(32) Focus on Older People, ONS 2005

(33) Worklessness and ethnicity”, www.renewal.net/Overview

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Spring 2006	White	Mixed	Asian or Asian British	Black or Black British	Chinese	Other	Total
Men	1248944	2081	38879	8830	2765	11666	1313165
Women	1040376	3354	68014	13750	4684	19302	1149480

Ethnic minorities experience severe labour market disadvantages in Britain. Employment rates for ethnic minorities vary between ethnic groups and by gender. Caribbeans, Africans, Indians and other minorities have an increased risk of non-employment compared with white people.³⁴ Pakistanis and Bangladeshis have a seriously increased risk, whilst Chinese have the same levels of risks as white people.

The trend suggests that they reflect different levels of skills and qualifications. In fact, they do not. The Government's Ethnic Minorities Employment Task Force has shown that for any given level of qualifications, a black or minority ethnic person will be less likely to be employed than a white person with the same qualifications. The term "ethnic penalty" has been coined to refer to all the sources of disadvantage that might lead an ethnic group to fare less well in the labour market than do similarly qualified whites of the same age. "Ethnic penalty" is a broader concept than that of discrimination, although discrimination is likely to be a major part of it.

1.9 How many are willing and able to rejoining the labour force?

Under-employment is mainly an issue for people in their 50s and early 60s, as most people stop working before State Pension Age.³⁵ In a recent publication, Age Concern³⁶ attempts a definition of underemployment with the aim of calculating the number of inactive over 50s who could potentially rejoin the labour force. The report distinguished four different but overlapping concepts, i.e.

- People looking for work or saying they want work
- People who are involuntarily retired and able to work
- People who need to work longer for financial security
- People who will benefit society by working longer

With the first group, the difficulty lies in the fact that any figure arrived at will be based on expressed preferences, which may result in over or under estimating the level of under-employment. Similarly, a figure of under-employment based on those who have left work involuntarily will be difficult to ascertain as apart from those who were made redundant, there is a considerable number who have chosen to leave because the circumstances of their work in their own estimation had become untenable. The problem lies in ascertaining whether these people would have continued to work given different circumstances.

(34) Multiple disadvantage in employment, ISER, R. Berthoud, 2003

(35) Age Concern, "The economy and older people", 2006

(36) Charitable organisation whose aim is

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Lack of information and data on how many people will suffer significant financial hardship by leaving work preclude an estimate based on those who need to work longer for financial security. The authors of the report recognise the controversial nature of the final concept as it attempts to link people's individual preferences and interests with economic needs.

Based on the above, Age Concern calculates that between 430,000 and 1 million older people could return to work. The lower estimate is a conservative one that identifies only those inactive over 50s who match the profile of those currently in work. The higher estimate on the other hand, includes people who say they want to work, but do not match the profile of existing workers. A proportion of this people would be capable of returning to work if the barriers they face are tackled.

The TUC suggests that there are about a quarter of a million people actively looking for work, and another three quarters of a million who may not currently be looking, but say they want work. They suggest that given the high numbers of inactive 50 – SPA people who say they want jobs, employment programmes for older people need to focus on those who are unemployed as well as those who are described as inactive.

Across the UK, 80 per cent of those in work say they would like to continue to work after they reach retirement age, whilst half of those who have retired (54 per cent) now wish that they could have stayed longer.³⁷ This shows a generally high level of attachment to work among older workers, which is not limited to those defined as “unemployed”, but extends to those who are inactive.

There are 2.4 million inactive men and women aged between 50 and SPA. These people are inactive for a number of reasons. It is possible to approximate, albeit only roughly, the number of people amongst these who might, theoretically, return to work given the right circumstances.

Amongst the 1.2 million people on incapacity benefit in this age group, there are those whose health conditions prevent them from continuing in their previous jobs or working at any other kind of job. There are however others, equating to about a third of the 1.2 million, who say they want to work and who may be capable of undertaking other kinds of employment. For these individuals advice and guidance, retraining and re-skilling may help them return to work.

For the early retired, of which there are about 575,000 of them, there are those who are inactive due to a health condition. According to a recent DWP publication, this accounts for about 50 per cent of these people. The same research found that 8 per cent were “unemployed” and actively seeking work, 20 per cent were discouraged workers, and 22 per cent were financially secure and did not want a job. Theoretically therefore, about half of all those described as early retired could rejoin the labour force if the right job were available.

(37) McNair et al, “Older workers in the South East”, 2005

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Of the 400,000 carers aged between 50 and SPA, given the findings from recent research carried out by Carers UK, it is once again possible to make a rough estimate of those who could theoretically return to work. Carers UK say 1 in 3 carers who are not in work want a job. Based on this, it is not unrealistic to estimate about a third of the whole group could rejoin the labour force if the right alternative care was available.

Based on the foregoing, it is reasonable to estimate that more than 800,000 of the whole group of inactive 50–64 year olds could return to work. The actual numbers that would return is largely dependent on whether employers act to organise work in ways that facilitate flexible working, as well as the extent to which Government programmes are responsive to the specific needs of these individuals.

1.10 Barriers to employment

Factors affecting the demand and supply of labour differ for subgroups of the inactive population. Different issues arise for older people depending on their age, gender, ethnicity, health and socio-economic status and previous work experience³⁸. Health, wealth and education are major factors in determining employability and motivation to work, and they have a major influence over an individual's labour market mobility and ability to choose when to retire³⁹.

People with disabilities and limiting long term illnesses (LLTI)

Economic inactivity rates are known to be higher amongst people with disabilities and LLTIs. Disabled people face a number of barriers to employment. The Report, *Enduring economic exclusion: disabled people, income and work*, identified that disabled people face a number of disadvantages including a lack of connection with the labour market, hailing from a lower social class, and possessing fewer educational qualifications. Similarly, people on IB experience a range of obstacles in getting a job. The impact of worklessness on health is well documented.⁴⁰ For the majority, being out of work has an adverse effect on both physical and mental health through social exclusion and stigma and changing health-related behaviour.⁴¹

Research carried out by the ONS⁴² identified that for people with disabilities, the factors which may affect their willingness to supply their labour include:

(38) Barnes et al, Forging a new future; the experiences and expectations of people leaving paid work over 50, 2004

(39) McNair et al, Older workers in the South East, CROW, 2006

(40) See Key Facts on Health, Employment and Age, TEAN, 2006

(41) Pathways to work: Helping people into employment, DWP, 2003

(42) Labour market experiences of people with disabilities, ONS, 2002

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- The severity of the disability
- Access to and within a potential workplace
- Beliefs about the likelihood of facing discrimination or the availability of suitable jobs; and
- The trade off between employment income and benefit receipt

Factors affecting demand include whether the requirements of the job could actually be met by a person with disabilities, employers willingness to carry out appropriate work organisation, limited workplace facilities, and access for disabled people. The demand and supply factors above are relevant for those people with LLTIs.

People with caring responsibilities

According to *Howard* (2002), carers face a number of barriers to employment. Carers can often be affected by a lack of skills and confidence, often the result of having been detached from the labour market for long periods. They may also face financial disincentives to work. Research shows there are still financial barriers in the benefits and tax system, which prevent carers from returning to work⁴³.

For those with caring duties, the factors which may affect their ability and willingness to supply their labour include:

- The number of hours care provided
- The financial cost of caring
- The impact of caring on their own health
- The trade off between employment income and benefit receipt

A significant factor affecting demand is the ability and willingness of employers to facilitate flexible working.

A lack of understanding by employers of carers needs to work flexibly is a major factor that prevents them from working. A poll for the Equal Opportunities Commission found that one carer in five has given up paid work for caring⁴⁴. According to research by Carers UK, 6 out of 10 carers responding to a survey who were providing substantial amounts of care, had given up paid work to care⁴⁵. Carers and their respective organisations have been saying for some time that a right to flexible working arrangements would enable many of them keep their jobs.

People with low level of skills and qualifications

Poor skills and qualifications constitute a major barrier to employment amongst older workers. There has been a steady decline in both skilled and unskilled manual jobs over the last two decades. This has led to falling demand for people with low or no skills. By 2020, it is estimated that the UK economy will only need 600,000 low skilled workers; 3.4 million low skilled workers are currently unemployed.

(43) Marilyn Howard, *Redressing the balance: inclusion, competitiveness and choice*, Carers UK, 2002

(44) "In Support for Working Carers", Marilyn Howard, JRF, 2005, pp 6-7

(45) Carers National Association (now Carers UK) (2000) *Caring on the Breadline: The financial implications of caring*

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Over the same period of declining demand for low skills, there has been a steady increase in technical and professional employment which has led to changes in the supply side of the labour market. The proportion of the working age population lacking any qualifications is decreasing as the staying on rates in education increase. This means that compared with their younger counterparts, older people have much lower qualifications. This factor explains in part why in almost all OECD countries, older people who lose their jobs are likely to stay out of work for longer than younger ones.

On the demand side, there is the issue of reluctance amongst a large number of employers to fund training for older staff because of shorter payback times or perceptions about older workers' ability to learn and gain new skills. On the supply side, skills obsolescence is common amongst older workers. Those who find themselves in this situation sometimes lack the confidence, or willingness, to embark on training. There is also the issue of access to information on training and funding options.

People in lower socio-economic groups

An individual's socio-economic status has far reaching consequences on all aspects of their life including educational attainment, income and asset accumulation, health and life expectancy. Those in the lower socio-economic groups fare less well than those in the higher socio-economic groups in employment outcomes.

For those people from the lower socio-economic groups, the factors which may affect their ability and willingness to supply their labour include:

- Level and appropriateness of qualifications and skills
- Access to education and training
- Access to information on benefits, jobs, education and training
- Access to transport facilities
- The trade off between employment income and benefit receipt

On the demand side, people from lower socio-economic groups often lack the skills and experience the market requires and are therefore less likely to gain employment than their counterparts from higher socio-economic groups. Low levels of business activity in deprived areas is another demand factor.

There are links between the poverty of people from lower socio-economic groups and the labour market discrimination and exclusion they face. In other words, there are links between social class, housing, health and employment. More 50-59 year olds from routine and semi-routine occupations compared with those from professional and managerial occupations reported a Limiting Long Term Illness (LLTI), 20 per cent as compared with 13 per cent.

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Where and how people live affects their health, which has an impact on their labour market status. In the 2001 Census, 30 per cent of over 50s living in council rented accommodation reported ill health. This compares with 22 per cent of those residing in privately rented or rent free accommodation and 14 per cent of owner occupiers. The proportion of those aged 50-54 who reported illness was 3.5 times greater for those living in rented council accommodation compared with owner occupiers⁴⁶.

People from lower socio-economic groups, particularly ethnic minorities, often live in areas of weak demand for labour. Factors such as access to transport facilities and confidence, often impact on their ability and willingness to travel outside their locality to look for work.

Those in the lower socio-economic groups often face another barrier to employment in the form of the Benefits trap where leaving benefits for the type of low-skilled, low-paid work that may be the only option for them, means not being much better off in work, especially after housing costs and work-related costs such as travel and clothing are taken into account.

Benefits provide the sort of security that may not be available from some of the work on offer to long term unemployed people. This can make it difficult for them to take the risk of going back to work, when apart from not being much better off financially, they have the additional worry of whether they will be able to return to benefits in the event of an unsuccessful foray into the world of work. The problem is compounded by a lack of awareness of how in-work benefits and tax credits affect their financial position in employment

How older workers perceive themselves and their attitude to work

The perceptions of people aged between 50 and SPA can hinder their employment prospects. They may perceive themselves as unemployable, believing there are a lack of suitable jobs for them. This can act as a demotivator, preventing them from seeking employment or training to improve their employability. The aspirations of older job seekers can also form a barrier to employment. Older workers face financial barriers to employment stemming from the fact that they often have a financial threshold below which it may be not be prudent to work. They are therefore unwilling to reduce their wage expectations in order to take a job.

According to TEAN, the majority of non-working men over 50 would not consider working in the sectors where job growth is currently strong – retailing, personal services and call centres. They attribute this to the impact that our initial training and work experience has on our perception of ourselves. Those who take jobs within these sectors face the problem of underemployment, a situation in which these older workers find that the jobs they are paid for do not utilise their skills and experience. *Gregg et al* (1998) reported that older workers could face a “pay gap” of between 25-35 per cent⁴⁷ between their previous earnings and potential earnings in a new job.

(46) Tackling health inequalities: A programme of action, Government Report, 2003

(47) Heaven knows I'm miserable now – job insecurity in the British labour market Gregg, Knight and Wadsworth, 1998

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Highly qualified over 50s may be too selective in the sorts of jobs they are willing to consider, both in terms of status and salary. Those who have been detached from the labour market for a long period may lack confidence and motivation. McKay and Middleton (1998) show in their research that successively younger age groups expect to retire at earlier ages⁴⁸. This aspiration to leave the labour market as early as possible, according to the authors of *Winning the generation game* is now culturally acceptable and plays a vital role in the detachment of older workers from the labour market.

Employers' perception of older workers

Employers' perception of older workers is a principal barrier. It dates back to the period when manual work in industries such as mining was often too physically demanding for older workers. The perception that older workers are slower, less able, and difficult to train, stems from this period. With the decline in manufacturing and the rise of the service sector, work that is more suited to older people as it does not involve physical rigour, a number of employers have recognised this and have targeted older workers during recruitment.

However, perception is still the reality for many people. Research conducted by the University of Kent in 2005 established that more people report facing age barriers than any other form of discrimination and that from age 55 people are nearly twice as likely to have experienced age barriers than any other discrimination. The NAO report, *Welfare to work: Tackling the barriers to the employment of older people* reported that many employers have negative perceptions about the capability in employment of older people.⁴⁹

Recent research shows that age represents a more significant barrier to work for men in their 40s and 50s and for some ethnic minorities, than for others⁵⁰. Age as a barrier, often forms the basis of multiple disadvantage by its natural link to health and qualifications. To illustrate the point, certain ethnic minorities, Pakistani and Bangladeshi men were found to be more likely to suffer multiple health problems which prevent them from working. Older men are also excluded from new forms of skilled employment mainly because they possessed limited skills, which are outdated and no longer relevant in the current labour market.

(48) Characteristics of older workers, S.McKay and S. Middleton, DfEE, 1998

(49) Welfare to Work: Tackling the Barriers to the Employment of Older People, 2004

(50) Barriers to employment for Pakistanis and Bangladeshis in Britain, (Research Report No 360)

1.11 Conclusion

There is evidence from recent research⁵¹ to suggest that should an individual experience a period of inactivity, this, more than anything else, will influence whether that individual will be inactive when next observed. In the literature this is described as *state dependence*. This implies that people can become trapped in inactivity. In another study, *McNair et al* found that the length of time outside the labour market also influences the likelihood of return, that is, the more time away from the labour market, the less likely a return to it. This refers to the concept of *duration dependence* which means that the longer an individual remains inactive, the more entrenched in inactivity that individual will become, making a return to the labour market more difficult and unlikely.

These findings suggest that policies to improve the participation rate of inactive over 50s need to be targeted and timely. Intervention should occur as soon after an individual experiences inactivity as possible, as to delay risks increasing the likely of duration dependence. This is consistent with findings from a recent DWP report⁵² on how a return to work for those on incapacity benefit may be facilitated. The report identified early ongoing support as critical to ensure these people remain focused on capabilities and expectations before more chronic health problems develop.

McNair et al also found in their study that the likelihood of the economically inactive considering work in retirement is influenced by qualifications, socio-economic status, and income⁵³. They reported that those who retired from managerial or professional occupations are more likely to consider returning to work than those who left semi-routine or routine jobs. This suggests that, providing direct and easy access to training and development for those aged between 50 and 64 is essential to achieving the twin aims of encouraging those in work to remain longer in employment while at the same time trying to encourage those out of work to return to the labour market.

A principal barrier to inactive 50-64s on low incomes is the disincentive to work based largely on financial considerations. This is referred to as the benefits trap. It is clear that an effective benefits system must be based around the key premise that all people on benefit should be encouraged to stay focused on their expectations and helped back to work where that is possible.

This report estimates that about 800,000 of the whole group of inactive 50 –64 year olds could return to work. To achieve the objective of returning those who are willing and able to work to the labour market, the barriers these individuals face must be tackled within a context of improved employer attitudes. The public, private and voluntary sector employers have a pivotal role to play and a clear opportunity to participate in achieving the aim of increasing the participation rate of the inactive 50-64s.

(51) Transitions between labour market states

(52) Pathways to work: Helping people into employment, DWP, 2003

(53) McNair et al, Changing work in later life: A study of job transitions

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Section 2 of this document appraises the legislative environment by firstly identifying the range of policies that impinge on the over-50s, and evaluating the extent to which these tackle the barriers these people face. Policy gaps are identified and recommendations to reinforce the policy framework are made accordingly. The report then turns the spotlight on the behaviour of employers, from both the private and public sector, to review their policies and practices as they impinge on older workers. The intention is to identify and spread good practice of active support for older workers. The section then concludes with practical recommendations aimed at employers through which they as vital stakeholders may participate in extending working lives.

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SECTION TWO: A review of the Government's programme

Introduction

In the last section, we characterised the inactive over 50 population by gender split, socio-economic group, geographical spread, ethnic mix as well as, on the basis of their personal characteristics such as whether they had caring responsibilities, were sick, i.e. on Incapacity Benefit or were disabled. The section defined the scale of the problem by indicating the numbers of men and women in each of these categories, and concluded with an analysis of the specific barriers each of these groups of people face in re-entering the labour market.

In this section we review the Government's strategy to tackle inactivity amongst older people. Increasing the rate of participation of older people in the labour market is, and has been, a priority for Government since the late 1990s. The Government acknowledges that reducing the levels of inactivity across all ages is the single most effective way of dealing with the effects of the demographic challenge facing the UK. It is against this background that the Government has stated their aspiration to achieve an 80 per cent employment rate. This aspiration includes the employment of an additional 1 million older workers.

What follows is a discussion of what the Government is doing to tackle the barriers that older workers face in rejoining the labour force, and an appraisal of the effectiveness of the specific policies, programmes and interventions, followed by some suggestions for possible improvements in public policies.

2.1 The Government's Programme

The Government has stated that a strategic response to ageing begins with employment.⁵⁴ The Government has a Public Service Agreement (PSA) target to increase the employment rates of people aged between 50 and 69 and to significantly reduce the difference between their employment rate and the overall rate by 2008. The Government has brought to bear a range of policies in order to achieve this. Their programme includes:

(54) Opportunity Age: Meeting the challenges of ageing in the 21st century, HM Government

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- Introducing new age equality legislation;
- Establishing a new Commission for Equality and Human Rights (CEHR) with the powers and resources necessary to support the effective implementation of the new employment rights;
- Running the Age Positive campaign and launching a new national guidance campaign aimed at achieving a cultural change in attitudes towards age and ageing with a particular focus on changing employer attitudes;
- Encouraging later retirement and flexible retirement and removing previous incentives for early retirement;
- Encouraging and supporting longer and fitter lives;
- Introducing new rights for carers;
- Tackling low skills and qualifications amongst older people by providing greater access to learning through the Train to Gain Programme;
- Providing guidance and training programmes targeting older workers to inform their decisions about careers, skills and planning for retirement;
- Facilitating return to work for people who have been on benefit through employment placements and the use of employment incentive schemes; and
- Supporting labour market intermediaries.

In 1998, the Prime Minister set up an Inter-ministerial Co-ordinating Group on Older people to bring together planning for older people's services more effectively and to provide oversight of the cross-government drive against social exclusion. It was replaced in 2001 by a Cabinet Committee on Older People, which oversees work on a wide range of related issues, including employment, life-long learning, leisure, housing, transport and volunteering. The Cabinet Committee is now Domestic Affairs (Ageing Population).

The Government's first response to the demographic challenge facing the UK was an important report by the Performance and Innovation Unit, "*Winning the Generation Game*", published in 2000. The report highlighted the implications of the trend towards inactivity by people between 50 and state pension age. The review made 75 recommendations, most of which have been implemented. The change of the tax rules to allow people to continue working for their employer while drawing an occupational pension introduced in April 2006 and raising the earliest age from which an occupational pension may be taken from 50 to 55 planned for 2010 are two recommendations adopted from the review.

The NAO report "*Welfare to Work: Tackling the Barriers to the Employment of Older People*" published in September 2004, focussed on examining the Government's understanding, at national, regional and local level, of issues relating to the employment of older workers. The study identified the barriers to employment facing those aged over 50 and reviewed what action the Government had taken to help older people overcome these barriers, and how successful it had been. The report acknowledged the Government's progress, for example, in setting up programmes to improve self-confidence and interpersonal skills; to provide work experience and financial incentives for older people to re-enter the labour market; to support older people into self employment; and to improve qualifications and vocational skills. The NAO also acknowledged the Government's work with employers to raise their awareness of the benefits of employing an age diverse workforce and tackle age discrimination.

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The report suggested that for continued improvement the Government needed to tackle regional and local variations. The recommendations were aimed at helping the Government achieve this and focused on the provision of appropriate services for older people, setting targets, ensuring employment programmes meet older people's needs, and providing training and support. For example, the report recommended that the DWP and Jobcentre Plus should develop performance measures that reflect improvements in the employability of people who have participated in programmes but not succeeded in gaining employment. This recommendation was in line with previous recommendations by the Committee of Public Accounts, the Works and Pensions Select Committee, and the National Employment Panel.

Another report, "*Opportunity Age: Meeting the challenges of ageing in the 21st century*" published in March 2005 reviewed all Government Policy relevant to older people and set out the Government's strategy for a successful ageing society. The report drew on evidence from a number of important publications including the following:

Principles for Reform: the National Pensions Debate, February 2005;

Pensions: Challenges and Choices, the First Report of the Pensions Commission, November 2004;

The Department for Work and Pensions 5 Year Strategy
Opportunity and security throughout life, Cm 6447, February 2005;

Better Health in Old Age, report by the Director of Older People's Services to the Secretary of State for Health, November 2004 (England),

Choosing Health, Cm 6374, November 2004;

Strategy for Older People in Wales, NAW 2003; *The Economic Contribution of Older People in Wales*, NAW 2004;

Review of the Rural White Paper: our Countryside, the Future, January 2004; and

Partnership for Care, Scotland's Health White Paper, 2003.

The recommendations from this report are reviewed in the next section.

2.2 What age range matters?

It is important to explain what age range matters. 50-State Pension Age appears an arbitrary group, women's average retirement age is already above their SPA, and the only expanding age group in the workforce at present is the over 65s.

Current data on employment by age cohort is quoted by Government sources in a variety of ways:

- 50 to current State Pension Age (65/60) either as an activity rate (i.e. including as active those who are registered unemployed, but not those who are unregistered job seekers), or an employment rate (i.e. not including the registered unemployed). There is a 3-4% difference between the two.
- 50 to the new State Pension Age of 65 for men and women in 2020.
- The 50+ population. A new approach (cf LFS July 2005). This assumes the entire population over 50 of 24m are potential workers.
- 50-69. This is a new DWP approach for their target to narrow "significantly" (but by an undefined amount) the gap between the 50-69 employment rate gap and the working age rate. It recognises the increasing trend to participation in work amongst the 65-69 age group.
- 55 to 64. This is the basis for the Lisbon targets built into the EU Employment Strategy. 55+ is widely used in the EU. It has merit for the UK in that the threshold for taking an occupational or personal pension is rising from 50 to 55 in 2010. Also, the age cohort 50-54 has an employment pattern more similar to the under-50s than the 55-64 age cohort. It is really from 55 that departure from the workforce picks up.

The employment rate of women of all ages is forecast to continue rising. Regarding the Government's target of an 80% employment rate, forecasts should make clear whether they build in this underlying trend only, or the impact of changing SPA as well. Including women up to 65 in the 80% target introduces a group whose current employment rate is 31%, thus diluting the overall average employment for people of working age and making it somewhat harder to reach the 80% target.

2.3 What is the Government doing?

Protecting older workers rights

The fact that the chances of leaving permanent full-time employment increase with age, even after controlling for a wide range of other factors, does not provide direct evidence of age discrimination but is certainly consistent with it. The employment rate of over-50s is significantly lower than the under-50s and surveys show age discrimination as the most commonly experienced barrier to opportunities in work and learning.⁵⁵ According to a DWP report, age discrimination is the most commonly reported form of discrimination, with some surveys showing up to 25 per cent of older people reporting age discrimination in employment.⁵⁶

(55) TAEN briefing: Government Programmes on Employment and Age, June 2006

(56) Evaluation of the Code of Practice on Age Diversity in Employment, DWP, 2001

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In its bid to combat age discrimination, the Government has moved from a voluntary approach with a code of conduct to employers to legislation requiring employers to comply. The new Employment Equality (Age) Regulations were approved by Parliament in March 2006 and came into force on 1 October 2006. The regulations cover age and age related issues in employment and vocational training and offer protection to people of all ages, both old and young. Specific provisions of the legislation which facilitate the recruitment and retention of older workers include:

- The introduction of a national default retirement age of 65 which makes compulsory retirement below age 65 unlawful in all cases with the exception of those cases in which the decision can be objectively justified. This provision will be reviewed in 2011 and a decision on whether the default retirement age is still appropriate and necessary will be made. (On 6th December 2006, the High Court heard a Judicial Review brought by Heyday, part of Age Concern, challenging the 'default retirement age' which allows mandatory retirement of employees over age 65. The Judge agreed to refer the case to the European Court of Justice (ECJ). If the ECJ agrees with Heyday's interpretation of the European law, some parts of the age regulations would have to be amended. Employers would not be able to rely on the 'default retirement age' of 65, from the date the law came into force).
- New rights for employees to request to work beyond the default retirement age of 65 or any other retirement age set by the employer. Employers are obligated to give serious consideration to such requests.
- Extending the same employment rights that younger workers have to workers aged over 65

ACAS has been commissioned to provide advice and training to organisations needing help with the new requirements. Also, as part of its "age capacity building" project the Department for Trade and Industry has funded a number of initiatives, (like the Age and Employment Network's Agebusters website) to provide general information on the regulations to employers and individuals. Going forward, the CEHR which was set up under the Equality Act in April 2006, and due to be established by late 2007, will promote equality and tackle discrimination in relation to age as well as gender, gender reassignment, disability, sexual orientation, religion or belief, race and promote human rights.

Helping people live longer and fitter lives

Ill health is the single commonest reason for people leaving work before their mid 50s and most people who leave on health grounds want to return. There are about 1.2 million inactive men and women aged between 50 and SPA claiming Incapacity Benefit, and 157,000 are on benefits relating to unemployment⁵⁷.

The DWP White Paper “Security in retirement: towards a new pensions system” published in May 2006 set out the Government’s programme for supporting and encouraging extended working lives. The White Paper highlights the Government’s commitment to promoting healthy workplaces and securing good management of occupational health. Of particular note is the Government’s recognition that working patterns and the barriers to longer working are not the same for everyone aged 50 and over. Based on this realisation, the Government has adopted specific strategies aimed at different age cohorts.

For those aged between 50 and 59 the strategy is one of early intervention to prevent people leaving work on the basis of ill health and then to subsequently support those who have left on this basis to return to work at the earliest opportunity to avoid becoming dependent on benefits. The eligibility for Jobcentre Plus employment programmes has also been extended to include those who receive Pension Credit, allowing many inactive people aged 60 or over unprecedented access to a range of back-to work support.

For those aged 60 and over, the most common time for change from employment to inactivity, the Government’s strategy is aimed at supporting this group to work for longer. For example, the Tax Simplification changes in April 2006 that allowed organisations to offer their employees more flexibility around drawing their occupational pension, initiatives such as the promotion of State Pension deferral to encourage people to work past State Pension Age, and the protection offered to older workers by the new Default Retirement Age (which proscribes the imposition of mandatory retirement on employees under 65 and encourages employers to consider seriously requests to work beyond that age). The Age Positive and Be Ready campaigns, while not exclusively focused on older workers, do work in partnership with employers to address the barriers faced by this group encouraging them to retain older workers and offer greater flexibility around retirement.

Changing retirement behaviour

The Government increasingly appreciates that its efforts to extend working life need to take account of people’s retirement behaviour, as well as the key role that employers play in determining this behaviour. Retirement behaviour is a product of the interaction between employers’ policies and workers personal choices. The Government’s recognition of the fact that people make retirement decisions within an organisational context has led it to focus resources on encouraging employers to reappraise their management of older workers. Introducing a national default retirement age of 65 along with proposals to review default retirement age practice in 2011, coupled with initiatives aimed at encouraging employers to adopt policies and practices that support longer working lives are levers aimed at creating an organisational context in which people delay retirement and work longer.

(57) Older workers: Statistical Information Booklet, Spring 2006

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The Government has responded to research which shows that many employees do not have a good understanding of pensions and that better financial education would help people plan their retirements more efficiently by providing guidance and training programmes targeting older workers to inform their decisions about planning for retirement. The Government is working with the Financial Services Authority, employers, private and voluntary sectors to raise the overall levels of financial education. They are also working with Age Concern and Citizens Advice to develop pilots to test the best approaches to prompting older workers to plan for retirement.

The Government's approach to changing mindsets about retirement is based on increased choice for workers. It is now possible following a change in the law for individuals to keep working for the same employer while starting to draw an occupational pension, although employers are not obliged to offer this option. Individuals are incentivised to defer taking their State Pension, with the Government offering a choice of a significantly higher pension for life or a lump sum payment.

Changing employer attitudes

In order to tackle the problems associated with employer perceptions, the Government continues to run the Age Positive campaign aimed at encouraging employers to realise the business benefits of an age diverse workforce. The campaign which was launched in December 2001 aims to raise employers' awareness of, and ability to adopt practical information and guidance on age diverse employment and retirement opportunities in order to remove considerations of age from decisions about recruitment, selection, promotion, training and retention. The campaign is a key source of free, unbiased guidance on age issues generally, and on the recent legislation, specifically. The Government's Be Ready Campaign to prepare employers for the introduction of Age Discrimination Legislation started in May 2005. The Age Partnership Group has produced free "Be Ready" products – developed in partnership with members including the British Chambers of Commerce and the Federation of Small Businesses. The materials include an Organiser, newsletter and CDROM – with information on age legislation, top tips, case studies, research and e-learning packages. Updated inserts were automatically sent to employers possessing organisers when legislation was implemented in October 2006.

The Age Positive campaign recognises employers who are committed to creating more diverse workforces by adopting age aware practices. Employers who demonstrate their commitment are awarded "Employer Age Champion" status and issued a certificate. These champions include Marks and Spencer, Nationwide and Npower. Age Positive Campaign also commissions Age Diversity awards, either through sponsorship of specific age categories at external events or during a specially commissioned age positive week. The awards are a useful way of recognising and sharing good practice. In May 2007, the campaign is sponsoring a category in the Greater Manchester Employer Coalition Awards. Greater Manchester is an area with a high density of employers and targeting areas such as these ensure press coverage raises awareness of the campaign's message amongst a large number of employers.

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Age Positive representatives give presentations at conferences targeting this endeavour at trusted intermediaries such as accountants as a means of getting the message of age diversity to small and medium sized employers.

The Employers Forum on Age (EFA) is another organisation that is supporting the Government's campaign on the value of an age diverse workforce. EFA is an employer funded body (with over 240 member organisations that collectively employ over four million people in the UK, more than 14 per cent of the UK workforce) which is committed to supporting employers in creating an age diverse workforce, through sharing good practice on age issues, influencing Government, businesses and trade unions, and campaigning for real and practical change. For example, in recruitment, EFA have championed an age neutral application form and a shift away from CVs. This is now being implemented by their members. EFA employers have also made an enormous contribution to ensuring age laws were workable by working in partnership with Government prior to their introduction.

Tackling low skills

Sixty-three per cent of people aged 16 to SPA are qualified to at least Level 2, compared to only 56 per cent for those aged 50 to SPA.⁵⁸ The Government's vehicle for upskilling older workers is the Train to Gain programme which caters for the needs of diverse employees of all ages. Train to Gain is a service to employers rather than a programme. It is designed to put business and skill development needs first and identify clear and comprehensive solutions. The range of Government funded provision available through Train to Gain includes Skills for Life (including literacy and numeracy) training, first full NVQ Level 2 qualifications, Apprenticeships and Advanced Apprenticeships. Train to Gain is designed to suit employers and employees' needs by delivering training in the workplace that is predicated on improving business performance.

Introducing new rights for carers

The right to request, and the duty on employers to consider, flexible working were included in a flagship employment law introduced in April 2003. In 2005, the Government consulted about extending rights to flexible working to make it easier for workers with care responsibilities to combine care with stable employment. The new Work and Families Act 2006 which got Royal Assent in June 2006 gives carers for the first time, the right to request flexible working. The Act came into force in April 2007.

(58) Labour Force Survey, autumn 2004

Employment Programmes and Employment Incentive Schemes

New Deal 50 Plus

This is the main programme for people aged 50 and over who have been claiming any of a number of benefits, including Jobseekers Allowance (JSA), Incapacity Benefits (IB), Income Support (IS) and Pension Credit for at least six months. In practice almost all ND50+ participants are JSA claimants. New Deal 50 Plus has supported the return to work of 167,000 people since its rollout in 2000.

The DWP carried out an evaluation of the programme in 2003. This showed that the New Deal 50 Plus programme, administered by Jobcentre Plus, supported about 100,000 people back into work in 2000-03, based on records of successful Employment Credit claims. Quoting earlier research into the programme (Atkinson, J. (2001b) Evaluation of the New Deal 50 plus: Summary Report, ESR 103, Employment Service), the DWP research report "A review of what works" for clients aged over 50 (DWP, 2003) estimated that this could translate into as many as 120,000 job starts for people who had registered for New Deal 50 Plus, as not all people who started work claim the Employment Credit.

It also found that the payment of the in work Employment Credit as an incentive to those who took on jobs with low pay was particularly successful. Since 2003 there has been a steady decline in both the number of people registering for New Deal 50 Plus and the number of individuals recorded as finding work with its support. Age Concern report that the number of people placed in jobs since 2003 has halved. This they attribute in large part to the April 2003 change from direct payment of a £60 per week (or £40 per week for part time work) Employment Credit, which was based on individual income to the household based in work financial support available through the 50 plus element of the Working Tax Credit (WTC) system. According to Age concern other contributory factors to the decline of the programme include the lack of transparency and clear information on WTC as well as the lower priority JobCentre Plus placed on ND50+ at the time.

According to the DWP, the decline in the programme is attributable to a number of factors. For example, direct comparisons between New Deal 50 plus job outcomes figures before and after April 2003 are difficult to make. Between 2000 and 2003, only a successful Employment Credit claim counted as a New Deal 50 Plus job entry. Since April 2003, a New Deal 50 Plus job entry is only counted as such if the individual concerned finds work while registered for New Deal 50 Plus. However, unlike the New Deal 50 Plus Employment Credit, the 50 plus element of Working Tax Credit may be claimed by anyone aged 50 or over who has been receiving benefits for 6 months or more, without any requirement for them to be registered with New Deal 50 Plus. The 2003 evaluation of the programme indicated that over half the people who claimed the Employment Credit would have moved into employment without it. Given this, the lack of a requirement for individuals finding work to register retrospectively with New Deal 50 Plus in order to be able to claim the 50 plus element of the Working Tax Credit may well have had the effect of depressing the recorded programme start and job entry figures.

HM Revenue and Customs figures indicated that there were 15,000 Working Tax Credit claimants benefiting from the over 50s return to Work element at the end of 2003/4.

New Deal 25 Plus

New Deal 25 Plus (ND25+) is a programme that provides job search assistance, training opportunities and work placements to people aged 25 and over who have been claiming Jobseeker's Allowance (JSA) for 18 out of 21 months. It comprises three stages:

Gateway – up to four months of intensive job search assistance;

IAP (Intensive Activity Period) – a variety of assistance (training, work experience etc.) lasting 13 to 52 weeks;

Follow-through – further job search assistance for up to three months.

At present, each stage is mandatory for people aged between 25 and 49. The Gateway is mandatory for people aged 50 to 59, but the IAP and follow-through are voluntary for this age group. However, as announced in the January 2006 Welfare Reform Green Paper "A new deal for welfare: empowering people to work", from Summer 2007, all three stages will become mandatory for qualifying jobseekers aged 25-59.

Pathways to work

Pathways to Work is an employment programme targeted at people on Incapacity Benefit⁽⁵⁹⁾ (IB). It comprises a Mandatory Work Focussed Interview (WFI) regime and the "Choices" package of back to work help and support, which features a unique new Condition Management Programme, developed in partnership with the NHS.

The Pathways to Work pilots began in seven Jobcentre Plus Districts from October 2003 and initially focussed on new and repeat IB customers, aiming to increase the number of IB recipients who moved towards, and into, paid work. The programme currently operated in 40 per cent of the country and is in the process of being rolled out nationally.

While the WFI regime is mandatory for many new IB claimants, participation in work related activity is voluntary. The January 2006 Welfare Reform Green Paper, "A new deal for welfare: empowering people to work", outlined further proposals for welfare reforms which will help refocus the benefit system on a person's capabilities, not incapacity, and encourage more people to engage in work related activity - actions which move an individual closer to the labour market. This next stage of reform will focus on replacing the various incapacity benefits with a new Employment Support Allowance, and the use of private and voluntary providers in the roll out of Pathways to the remaining 60 per cent of the country. They are being given flexibility in the way they provide advice and support to promote an eventual movement into work.

(59) Incapacity Benefit includes Incapacity Benefit, Income Support on ground of incapacity and Severe Disablement Allowance

Over 50s outreach Pilot

The Pensions Green Paper “*Simplicity, Security and Choice: Working and Saving for Retirement*” published by the Department for Work and Pensions in December 2002 set out Government proposals for supporting people in their 50s and 60s in work and for creating opportunity and choice to enable them to work for longer. The Green Paper also undertook a commitment to pilot new approaches to the delivery of welfare-to-work services. This commitment came as a response to the difficulties experienced by Jobcentre Plus in engaging people from the over 50s age group, particularly those on inactive benefits such as Incapacity Benefit and Income Support who do not normally have any contact with Jobcentre Plus.

The primary objective of the Over 50s Outreach Pilot was for external organisations to take an innovative approach to engaging with economically inactive people, to raise awareness and encourage the use of Jobcentre Plus back-to-work services among the over 50s. A report highlighting both the good practice and areas for improvement identified during the course of the pilot has been published and is available at www.dwp.gov.uk/asd/asd5/rrs-index.asp.

2.4 Evaluation of the effectiveness of the Government’s Strategy

The Government has set targets to deal with the effects of the demographic challenge facing the UK. The Government’s Strategy recognises the principal labour market barriers facing older workers, including ill health, employer attitudes, low skills and qualifications, personal circumstances such as caring responsibilities and diversity issues such as the employment penalties for being from a minority ethnic background. Despite these barriers, employment rates amongst this age group continues to rise mainly as a result of the growth in the size of age cohort; a generation of working women; older people who lost work in the early 90s moving past SPA; a strong economy and especially the absence of ‘shocks’; and the impact of problems with private/occupational pensions since 1998. The question of how effective the Government’s strategy is proving needs to take account of these factors.

Helping people live longer and fitter lives

Health is an important issue for everyone, but it is a critical issue for older workers given the statistics. Nearly 50 per cent of Incapacity Benefit claimants are aged 50 or over. Ill health is the single reason about 50 per cent of over 50s leave the labour market early. People over 50 with a limiting health condition have a significantly reduced employment rate of around 40 per cent. Of those over 50 who say they want a job, around 60 per cent of them have health problems.

Among people aged 50 to State Pension Age who want a job: 6 in 10 have a limiting health condition; 6 in 10 have low skills; and 4 in 10 face both these barriers. While people with good health aged between 50 and State Pension Age have a high chance of working (8 in 10 have jobs), of those with poor health, under half (4 in 10) are working. And of those with poor health and low skills, only 3 in 10 older people work.

The Government’s Strategy on welfare reform for people with poor health and disabilities, and its policy on extending working lives need to coexist more synergistically. Welfare to work support currently includes access to a job broker and Condition Management Programmes. A third element should be training. There is a significant absence of policy on skills in the Government’s proposals for IB reform despite the fact that low skills is a major barrier facing older people who may also have a health problem. There are a number

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of separate programmes/pilots aimed at reaching the same group of people i.e. low skilled IB claimants. These programmes need to be join-up in such a way that JobCentre Plus can offer support appropriate to the individual from across the full range of programmes.

The Government could therefore consider providing free Further education to IB claimants. The focus of Welfare to Work programmes also need to broaden to include supporting people in the workplace with retention, training and progression. The package of support should include access to personal advisers who have an understanding of the needs of employees and employers; advice and support in taking-up training; advice and support with health and well-being needs; and transparent financial incentives through return-to-work credits and tax credits.

It could be helpful for Jobcentre Plus to provide continuing help after clients have secured work. Very often people lose their new jobs quite quickly, but speedy intervention by a Personal Adviser can help make sure that a temporary problem does not become a route out of employment. This support should not be limited to work-related problems - personal issues can just as easily be the reason why someone feels unable to stay in a job. It is also important to consider the quality of work available to older people who are often the victims of under-employment – being employed in jobs beneath their abilities. Evaluations of the New Deal have shown that jobs that fit in with people's aspirations are much more likely to last. Research in 2003 with a group of Scottish older people found that they particularly resented being 'fobbed off' with jobs that weren't appropriate for their skills and experience⁶⁰.

Changing employer attitudes

From 1 October 2006 it became unlawful to discriminate against people at work because of their age. The new regulations cover recruitment, terms and conditions, promotions, transfers, dismissals and training. There are however many individuals for whom discrimination may only constitute a relatively small element of the disadvantage they face. Whilst overall rates of activity of various age groups may rise as a result of legislation, it is unclear whether the most disadvantaged groups will experience significant improvements in their chances of securing a job.

Disadvantaged individuals can be loosely defined as those who are inactive due to sickness or disability and possess low skills and qualifications. In contrast to these non-working older individuals, the evidence from other countries does suggest that older workers may benefit from the introduction of legislation to a greater extent. Horstein (2001) suggests that one of the major explanations for the relatively better employment position amongst older workers in the US stems from the effects of legislation on the reduction of outflows from employment, rather than higher probabilities of getting a job.⁶¹ Thus, it is possible that the US Age discrimination in Employment Act of 1967 limited employers' use of older workers for redundancy during the restructuring of the 1980s (Employment Gazette, 1995).

Given these findings and the central importance of education and training as a determinant of labour market performance, legislation on age discrimination can be seen as an important but isolated measure. This implies that for inactive older people, there is a critical need for active labour market policies, in

(60) "Out of Sight and Out of Mind: the older unemployed and their search for work", Loretto and White, paper for the 2004 'Work, Employment and Society' Conference, pp 12 - 13

(61) Horstein, Z. (ed.) (2001), "Outlawing age discrimination: Foreign lessons, UK choices", JRF

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addition to age discrimination legislation, to help them overcome the barriers they face in rejoining the labour market. The Government's Welfare to Work programme along with New Deal 50+ indicate a recognition of this fact.

It is important to point out the fact that with Age Equality Law introduced less than a year ago, it will take time for the Legislation to affect behaviours and have an effect on employer attitudes. It is therefore far too early to evaluate its success in tackling age discrimination.

Tackling low skills

The National Skills Strategy priorities are to fund those without basic skills and qualifications. The skills deficit is greatest in the older half of the working population who left school without basic skills and qualifications. A quarter of people over 50 have no formal qualifications. Cutbacks in the budget for adults over 25 are making this situation worse.⁶² By 2020, it is estimated that the UK economy will only need 600,000 low skilled workers; 3.4 million low skilled workers are currently unemployed. Half of the potential workforce of 2020 is already aged over 25 and therefore not a target for Government initiatives to boost young people's skills.

It is a commonly accepted finding that low skills later in life is directly related to the amount of investment in education and training earlier in life. The European Council commented in 2005 on the importance of taking a long-term approach to training and skills development reporting that "employability at later stages of working life is still to a large degree determined by investments in human capital earlier in life". The Council also emphasised the need to increase human capital investment and mobility during people's careers.⁶³

According to Age Concern, there is little sign that the Government's policies for adult skills have been helping mature adults gain qualifications. An analysis of the cohort aged 40 to 49 in 2000 (and 45 to 54 in 2005), over the last five years shows there has been no change in the share of people without qualifications (16 per cent). Age Concern report that there is little evidence of older people without work improving their skills and qualifications either while looking for work or once they have found a job. For example, take-up of the £1500 New Deal 50 Plus Grant has been extremely low. This is against a background where the Government claims a measure of success in helping older people who have jobs gain skills through the Train to Gain pilots and the Union Learning Fund. Age Concern and NIACE recently published a report *Learning in Later Life: A Public Spending Challenge* which provided a business case for investing in older people's skills. The report found that the DfES will miss its Public Service Agreement targets for basic skills and level 2 skills unless it increases the pace of activity to raise the skills level of people over 40 who make up half the target group.

According to EFA, the Government needs to do more to clarify what it is doing to improve opportunities for people in mid career to train. They report that there is a dearth of information on apprenticeships aimed at people over 26 years of age specifically, and on what funded training is available to this age group, generally. EFA suggests that the lack of apprenticeships for older people is due to the fact that providers are reluctant to run apprentice schemes with age restrictions for fear of being sued under the new Age Equality Legislation. They say this indicates that whilst the Government may have tackled the training problem at a policy level, there is still a problem to be resolved at the operational level.

(62) TAEN briefing: Government Programmes on Employment and Age, June 2006

(63) Employment in Europe 2005: Recent Trends and Prospects, European Commission

Employment Programmes and Employment Incentive Schemes

Pathways to Work

The DWP measures the number of claimants coming off benefits as a measure of the success of this programme. Age Concern report that they had concerns over statistics which showed that Pathways to Work was less effective for older people than other claimants in this regard as the rise in the share of claimants coming off the benefit within six months in Pathways to Work areas was less than half as great for over 50s compared to younger people. The statistics showed a 4 per cent improvement for over 50s compared to a 9 per cent rise for younger claimants. The All Party Parliamentary Group⁶⁴ on Ageing and Older People also reported similarly findings in their Inquiry Report of June 2006.

Age Concern report that having raised their concerns with officials they were provided with different statistics about the performance of the programme which paints a mixed picture. The statistics show

- Administrative data for benefit off-flow i.e. the numbers coming off benefits, at twelve months suggests that Pathways may have led to only a slight increase in the “gap” in outcomes between older and younger clients. The rate for the over 50s⁶⁵ has remained consistent at around 10 to 12 percentage points below the under 50s rate.
- The proportion of new claimants in Pathways areas who are recorded as moving into work is 15 per cent for under-50s and 12 per cent for over 50s.
- Choices take-up is only slightly lower for over 50s compared to under 50s (11 per cent compared to 12 per cent)
- A survey-based evaluation suggests that older people may have actually benefited more from the programme than younger adults. Age concern query the results of the survey stating that as these results control for other personal characteristics they may be misleading, since it is not age per se which cause most labour market disadvantage, but age related characteristics, such as low skills or more severe health problems.

Informed commentators including the APPG on Ageing and Older People and Age Concern are still quite concerned about the fact that there is no indication that the difference in outcomes between older age groups and their younger counterparts is reducing.

(64) The APPG on Ageing and Older People was set up nearly 30 years ago and is one of the largest APPGs with over 200 members. The Group’s remit is to focus on current political and legislative issues with affect older people.

(65) The age categories used with the administrative data are “under 50” and “over 50”.

New Deals

The various New Deal programmes have helped tens of thousands of people over 50 find a job. The table below shows their cumulative impacts (up to around the end of 2005) and their impact in the 2004/2005 financial year.

	Job entries Whole Programme	Job entries 2004/2005
New Deal for Disabled People	37,500	8,300
New Deal 25 Plus	44,300	5,500
New Deal for Lone Parents	10,150	6,100
Employment Zones	8,000	900
New Deal 50 Plus		
Pre April 2003	98,100	
Post April 2003	69,500 ³	19,400

New Deal 50 Plus

Since 2003 the way in which the programme participation is measured has changed. The number of individuals recorded as moving into work while registered to the programme has fallen by around 50 per cent to 1,000 people per month. 1,120 people were recorded as finding a job while registered on New Deal 50 Plus in January 2006. According to DWP figures, take-up on the programme has been steadily declining since 2003. The future of the New Deal 50 Plus is being considered as part of a wider review of New Deal programmes as a whole. The welfare reform Green Paper, "A new deal for welfare: empowering people to work" announced the intention to move towards a closer integration with careers guidance services in the promotion of the £1500 training grant, effectively incorporating the grant into the New Deal for Skills.

New Deal 25 Plus

ND25+ has helped more than 6000 long-term JSA claimants aged over 50 into work each year. The programme has had consistently moderate success for older clients. The thinking is that the programme has been more successful for younger adults partly because people over 50 have not been mandated to participate in the IAP. A recent DWP publication⁶⁶ (Research Report No 362) reported that on the basis of the data available, the indications are that mandating IAP increases movements into employment, but has a weaker effect on movements from JSA to other benefits. The report found that the probability of moving from ND25+ to unsubsidised employment within a year of entering ND25+ was estimated at just below 29.8 per cent for those mandated to participate in IAP and 23.4 per cent for those not mandated – a difference of 6.4 percentage points. These figures are from an interim report, the final report being due in 2007.

(66) Mandating IAP for older New Dealers: an interim report of the quantitative evaluation, DWP, 2006

Welfare to Work options

Self-employment

The Government recognises that self-employment provides the opportunity for self-fulfilment and independence for many people who face discrimination in employment which is why they provide specific support for people on New Deal 25 Plus, New Deal for Lone Parents, New Deal for Partners and New Deal for Young people who wish to try self employment. Provision for self employment comes in three stages, beginning with the preparation of a business plan, and culminating in a period of “test trading”. During test trading a customer is supported by the benefit system, tax credits or a combination of the two, depending on individual circumstances. Customers who are interested in self employment but who are not eligible for the above programmes are signposted by jobcentre Plus to the relevant bodies such as Business Link or HM Revenue and Customs.

Age Concern report significant problems with accessing self-employment support through Jobcentre Plus. According to them funding cuts have created a situation where large parts of the country are unable to provide help to clients in their areas. Age Concern also report that many personal advisers appear reluctant to promote self-employment, and Incapacity Benefit claimants have been unable to access “test-trading” through the self-employment option due to tax and social security regulations.

In the next section, this report explores the role that self employment can play in alleviating the problem of inactivity amongst those aged 50 and over, with an in-depth look at the challenges facing the key participants, i.e. the older entrepreneur, the business intermediaries and the Government.

Volunteering

The Government has persistently reiterated their support for volunteering as a route into work. Jim Murphy the Minister for Employment and Welfare Reform has said that the Government plans to make voluntary work easier for people receiving benefits to engage in because they realise what an important path it is for many people re-engaging in the labour market. A sign of this commitment is the DWP’s decision in 2006 to permit the payment of lunch expenses to volunteers receiving benefits. There have also been changes made to the hours of volunteering a customer can undertake each week with no loss of benefit. There is however more work to be done to convince Jobcentre Plus staff and customers of the benefits of volunteering. Jobcentre Plus staff need to have appropriate information on local volunteering options, working with agencies such as volunteering bureaux. Similarly voluntary organisations should be targeted with information to help them directly promote volunteering to benefit claimants and to overcome fears they may have about working with people with health conditions.

2.5 Suggestions for improvements in public policies

Following a detailed review of the Government's strategy above, below are a number of proposals to address the identified gaps in policy. These proposals are aimed at helping the Government realise its goal of improving the participation rate of older people in the labour market.

Helping people live longer and healthier lives

The focus of the Government's Strategy for extending working lives could expand to include the needs of middle-aged and younger workers. Promoting healthy workplaces for all is an essential part of reversing the current trend where the single most common reason people give for leaving work in their early 50s is poor health. The Government might consider adopting the Finnish approach which focuses on the promotion of well-being at work and has helped ageing workers maintain their work ability through lifestyle changes and work reorganisation. Finland, in response to concerns about labour shortages, has adopted the approach recommended by both the European Commission and the Organisation for Economic Co-operation and Development. Their recommendation is for an integrated, comprehensive policy approach to tackle the issues arising from the ageing labour force.

The Government could also explore how the complexity surrounding claiming disability-related tax credits may be reduced to make the transition from out of work benefits to in work tax credits as seamless as possible for claimants.

Increasing the level of human capital

The Government's New Deal for Skills programme delivered through Train to Gain provides funding for Skills for Life (including literacy and numeracy) training, first full NVQ Level 2 qualifications, Apprenticeships and Advanced Apprenticeships. Skills development is therefore mainly focused on securing an entry-level job. For older workers, more could be done to provide training aimed at mid-career occupation-change and long-term skills development.

The Government's response to a demand from employers for help to source higher level and non-qualification based training has been to fund Level 3 qualifications across England for learners aged 16-25 years through Apprenticeships and Advanced Apprenticeships and also from other funding sources. This entitlement to free tuition to a first Level 3 qualification could be extended from people under 25 to all adults. This is likely to cost the Government in the region of £50 million. This is a broad estimate on the basis that DfES has allocated £25 million to provide this training to 19-24 year olds. The estimate takes into consideration the likelihood of there being many more potential beneficiaries, but that take up is typically much lower for older learners.

The question of what sort of skills and qualifications older workers should receive is one that DfES is still grappling with. There is acceptance that 'full' level 2s are unattractive and unlikely to improve the labour market position of older workers. The evidence is that older people do not take full level 2 qualifications because they do not consider it a good use of time, resources and personal commitment. Employers share a similar view. Some commentators suggest that what is much more likely to make a difference is investment in smaller, more targeted and shorter training. Having said this, the fact remains that there are gaps in our knowledge as it relates to the training needs of older workers. The Government should therefore consider carrying out additional research on this subject.

Changing retirement behaviour

Flexible working

More could be done to make flexible working part of the mainstream employment culture so that everyone who wants or needs to work flexibly can do so. A joined-up approach that brings all the initiatives (which are currently targeted at specific minority groups) promoting flexible working under one umbrella could be adopted.

The right to request flexible working could be extended to all older workers. The cost of the policy is only for considering request and appeals, as it is for employers to decide whether requests make business sense. Research suggests that a major pull-factor which is often a key determinant of whether an older worker remains in or detaches themselves from the labour market before SPA is the extent to which they can access the flexibility of working whilst having time for other pursuits outside work. The impact of work organisation and design on older workers' capacity and motivation to work also remains relatively unexplored and should be investigated.

Advice on retirement planning

Information and education on retirement options in 'plain English' could be available to workers from middle age. The DWP could therefore offer periodic advice on retirement planning, starting several years before state pension age.

Disadvantaged groups

There are specific barriers facing different groups of older people including women, carers and people from minority ethnic communities. Research shows that different forms of labour market disadvantage are "additive". This means for example that the risks of being in a workless household for someone who is over 50 and from an ethnic minority background is the sum of the risk associated with either factor independently.⁶⁷

More research into the specific needs of older women, older carers and older people from ethnic minority backgrounds needs to be carried out to identify how best these groups may be served. More intensive support could be offered to these groups to enable them to overcome multiple obstacles to employment.

The labour market disadvantage or ethnic penalty that people from ethnic minority backgrounds suffer needs to be investigated and tackled. The Government's Strategy could include providing more intensive support for those who face multiple disadvantage specifically, women, carers, and older people from an ethnic minority background.

(67) Berthoud R., 2003, Multiple disadvantage in employment: a quantitative analysis, Joseph Rowntree Foundation

Benefit Reform

As part of the Incapacity Benefit reform the Government plans to create a 'support' group comprising around 15 per cent of current IB claimants for whom it would be unreasonable to require work related activity. The Government plans to pay the 'support' group a higher level of IB. The problem with this approach is that it could potentially create a perverse incentive so that people try to fall within the 'support' group claimants because they are worried about undertaking work related activities. It is recommended therefore that following a health assessment Employment Support Allowance be paid at the same rate to all claimants to avoid perverse incentives. It is also suggested that participation in work-related activities, rather than interviews, might not be compulsory for IB claimants, as there is no evidence that this will lead to increased job entries and considerable concerns that it will reduce claimants' trust in services.

The Freud report, *Reducing dependency, increasing opportunity: options for the future of welfare to work*, published in March 2007 concluded that the Government has made strong progress in its welfare to work agenda, but that further evolution is necessary. The report endorses intensive intervention, focused on assisted job search, at the start of a claim. It suggests that an outcome-based approach be adopted in which Jobcenter Plus having supported claimants for a period of time, hand over back-to-work support delivery to the private and voluntary sector. The report recommends that these contracts are outcome-based, long-term and operate in the 11 regions and counties of the UK.

Increasing the effectiveness of the various New Deal programmes

The various New Deal programmes are due for reform. The New Deal 50 Plus has seen a steady decline in its performance with the number of people recorded as placed into work halving since 2003. More could be done to promote take-up of the Training Grant and the 50 Plus tax credit. Informed commentators including Age Concern and Help the Aged recommend that the Welfare to Work support needs to be available earlier for older people whose profile match those of long-term claimants.

The Government might consider designing services to meet the particular needs of older workers – whether those services are delivered to people of all ages or are specifically targeted towards people over 50 years old. Caution must be taken in designing specific schemes taking account of findings from other programmes such as the Job Retention and Rehabilitation Pilots which were developed by the Department for Works and Pensions.

The project was targeted at people who were in work but had a health problem and sought to prevent people losing their jobs either by organising early medical intervention or by re-organising employment to minimise the consequences of the health problem for work performance. These initiatives ran in six areas from 2003 to 2005. Nearly a third of those who took part in the project were aged 50 and over. An evaluation of the pilots found no statistically significant difference in employment outcomes between those who took part and a control group who did not receive any intervention. It also found that for those people who accessed their chances of retaining their jobs as good at the start of the programme and those with mental health problems, the control group actually fared better.

Improving employment prospects for the over 50s

Informed commentators including TAEN, recommend that welfare to work policies need to be age-proofed. They want the DWP to demonstrate that programmes driven by other priorities such as IB claimants, low skilled adults, ethnic minorities, inner cities, etc. work equally effectively for all ages. The same approach should apply to training programmes like Train to Gain. According to TAEN, although this does not cost money, it is not being done at present.

Consideration may also be given to alternative measures of success for the New Deal programmes. Targets and funding decisions could take account of the extent to which people's employability has been enhanced, and not simply focus on whether they managed to secure a job.

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SECTION THREE: A review of the employer behaviour

This part of the report reviews the impact of employer attitudes and behaviour on the labour market participation of older people. Whilst there is more that the Government can do, it is clear that the biggest challenge is the cultural shift that needs to occur within the labour market to ensure that age discrimination becomes unacceptable in the same way that with the introduction of sex and race equality legislation, sex and race discrimination have become so. This will require a major change in the behaviour, attitudes and practices of employers and to a lesser extent a change in the behaviour and perceptions of older workers themselves.

This chapter provides an analysis of employer behaviour and how it impacts on the participation rate of older people. It discusses what needs to change in both the public and private sector to improve access to employment amongst older people.

3.1 Age and Work

According to the Employers Forum on Age (EFA) report *Age at Work*⁶⁸ workers “of all ages are motivated to change and develop, but are being held back by an outdated idea of careers where young people start at the bottom and retirement is a cliff edge at the peak”. According to the report people in their teens and twenties are “frustrated and bored”; thirtysomethings are struggling with trying to balance the demands of work and family; forty year olds despair about achieving their career aims; those in their fifties are unsure whether to keep on the career treadmill or come off; whilst those in their sixties have anxieties over retirement.

The good news is that according to the research people get happier at work as they get older (with people in their sixties being the happiest); and older people want to continue working. Nearly a third of people in their forties are happy to work until they are nearly seventy. However, they may be prevented from doing so because the study also shows that by the time people reach their forties, a significant number (25 per cent) say they left their last job because of a health problem. The report suggests that the evidence is that these individuals do not become economically inactive, instead they move on to other types of work. However, for those in their fifties, the picture is different. Nearly a third of fifty-somethings cite health problems as a reason for leaving their last job. In their case, rather than move on to another job, they exit the labour market. With early retirement becoming an option in this decade as many as 15 per cent of people in this age group chose it.

(68) *Age at Work* is the result of research which combines an analysis of the ONS Labour Force Survey 2003/04; 24 in-depth interviews with a cross-section of the working population; a pilot study among 47 respondents; and 1636 telephone interviews conducted between August and October 2004.

The study also reveals that “there is a clear demand for more sophisticated and sensitive management throughout people’s working lives, alongside ongoing investment and training.” People of all ages want training and development as well as a good work life balance that enables them spend time on other interests outside work. Arguable, the most important contribution of the study lies in its attempt to establish whether there is any basis for the stereotypes that abound. What it finds is that people of different age groups exhibit distinctive features, as much linked to life stage as age.

3.2 Employers Policies and Practices

Recent research among employers indicates that consideration of employers’ policies, practices and attitudes towards older workers is paramount in sustaining employment up to and beyond traditional retirement ages.⁶⁹ The Joseph Rowntree Foundation “Transitions After 50” programme commissioned research into the many facets of the experience of older workers including income, employment transitions, the impact of caring on working life, and the organisational context of retirement. The research concluded that older workers were made up of a diverse group of people facing multiple pressures, and often having only limited control over the timing of their labour market exit⁷⁰. Hirsch, (2005) also reported that older workers made decisions about whether to continue or stop working within the constraints imposed by their employers. The DWP’s report which explored the factors which cause older workers to either stay in or leave work, categorising them as “push” and “pull” factors concluded that individual factors such as health, caring responsibilities, and financial security interact with organisational pressures, such as restructuring, redundancy and discrimination, and lead to the circumstances in which individuals exit, stay or return to work.

In terms of public policy, employers’ attitudes are vital because the success or failure of active labour market programmes can depend upon the extent to which they succeed in winning employers’ engagement. A case in point is the recent review of the Job Retention and Rehabilitation Pilot for sick workers which showed that one reason for its limited success was that some employers avoided contact with JRRP staff, and were unwilling to make adjustments such as gradual returns to work.⁷¹

The Department for Trade and Industry (DTI) recently commissioned work to investigate employer policy with regard to older workers (McNair and Flynn, 2005).

McNair and Flynn carried out a qualitative research study aimed at investigating human resource practices across a range of employers and examining how well adapted they were to the requirements of the then forthcoming age discrimination legislation⁷². The study found that employers did not view the impending age discrimination legislation as a major driver for change.

(69) Employers’ attitudes, practices and policies towards older workers, Loretto and White, 2006 Forthcoming. The research was carried out among employers in Scotland.

(70) Hirsch, D. (2003), *Crossroads after 50: Improving Choices in Work and Retirement*, York: Joseph Rowntree Foundation

(71) *Ready, willing and able*, TUC, 2006

(72) The study began with a review of the literature, and interviews with key national informants: the Chartered Institute for Personnel Development (CIPD); the Employers Forum on Age (EFA); the Trades Union Congress (TUC); and the Confederation of British Industry (CBI). These interviews were followed by 14 case studies of individual organisations. In each case study, interviews were conducted at the firm with senior HR managers, trade union and employee representatives, and line managers. The study was carried out between July 2004 and January 2005.

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Wide recognition of ageism as a form of discrimination has only occurred within the last quarter century⁷³. According to Greengross and McEwan (1990) ageism is the unrecognised discrimination. Research (including surveys conducted on behalf of the DWP and its predecessor, DfEE) shows that most employers are receptive to the idea of tackling age discrimination in the workplace. In a survey conducted by the Chartered Institute of Management (CMI) (2003) 79 per cent of employers indicated a belief that legislation will lead to a more diverse workforce. The same survey, however showed that 53 per cent of employers did not understand how justified and unjustified age discrimination at work could be differentiated.

Taking account of all the factors which affect the employability of older workers, legislation on age discrimination on its own may have only minimal impact. Encel⁷⁴ (2003) researched, for the Australian Council of Trade Unions and the Business Council of Australia, the international experience in this area reporting that “age discrimination legislation is important but not sufficient in itself to prevent discrimination towards older workers . . . there is need for a far reaching cultural change”. Hornstein (2001) suggested that age discrimination laws in other countries have been more effective in helping older workers stay in, rather than to attain, employment.

The Government and other stakeholders continue to market the business case for age diversity to employers. Whether employers are sold on it is debateable. McNair and Flynn (2005) found that although the dominant HR issues for the case study organisations were skills gaps and shortages, and strategies to overcome these, few organisations saw age diversity as a major strategy for solving these problems. A CIPD study⁷⁵ conducted in 2005 showed that more than half of organisations did not target older workers as part of their recruitment strategy to deal with the challenge of labour shortages⁷⁶. Key findings from the research conducted by McNair and Flynn include the following:

(73) Bytheway, B., Flaws in ageist arguments – Philosopher acquiesces to prevailing social mores, *British Medical Journal*, vol 311

(74) *Age Can Work: the case for older Australians staying in the workforce*, Encel S, 2003

(75) CIPD research was carried out through a self-completion online and paper-based questionnaire which was sent in August 2005 to a nationally representative sample of 10,000 personnel practitioners who are members of the CIPD, and a stratified sample of 10,000 managers who are members of the Chartered Management Institute. The analysis was based on 2,682 replies, a 13 per cent response rate.

(76) *Tackling age discrimination in the workplace: Creating a new age for all*, CIPD 2005

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- Some form of performance management and appraisal system was found in most organisations, but their application was often patchy, with several HR managers reporting that systems were applied less firmly to people nearing retirement age.
- There was general agreement amongst case study organisations that current systems for identifying people no longer capable of carrying out their job were inadequate and would not provide a robust basis for handling significant numbers of unwilling retirees if contractual retirement ages were to be abolished
- The general trend for older workers to participate less in training than younger workers was due to a combination of factors, i.e. the reluctance on the part of employees to undertake training and a refusal by employers to provide training to older workers (Labour Force Survey (LFS) data showed a mixed picture (Urwin 2004). While workers aged between 50 and SPA are significantly less likely to take part in job-related training than younger workers, there is a much smaller gap between the proportion of younger and older workers who have been offered training by their employers. The discrepancy between offer and take-up appears to indicate that the low level of older worker participation may be more a product of the self perceptions of employees than of employers' unwillingness to train).
- There was little evidence of succession planning or strategies for knowledge retention and "explicit policies on managing the age balance of the workforce were rare".
- Evidence existed amongst case study organisations to suggest that "an age diverse policy at the top of the organisation might not be reflected in practice on the ground". On many issues it was often found that the key decisions were made by junior and middle managers who did not necessarily translate the organisations policy into practice in their decision making. (This gap between policies and practice is consistent with other research. McVittie et al. (2003) in interviews with managers of organisations with written policies reported that these managers often displayed ageist attitudes or at least a lack of understanding about age equality. DWP (2001b) noted that, where there are policies on age, these policies are not usually disseminated to line managers through training)
- Only two case study organisations had formal flexible retirement schemes. Awareness of the possibility of flexible retirement was found to be low among workers.
- There was "a strong divergence in focus and formality of HR management processes between public and private sectors and between large and small organisation in the private sector".
- There were indications of a spread of good practice with a trend in recruitment towards "age blind" procedures, with only a few case study organisations including age on application forms as seen by selectors

Keeping people in employment is crucial to extending working lives, seeing as it is much more difficult for older workers who become unemployed to get back into the labour market. It is critical to engender a more supportive and encouraging environment for older workers. Information based on DWP and DTI's joint national survey⁷⁷ of employers' policies practices and preferences, conducted by NIESR show that

(77) They interviewed the most senior person responsible for HR issues in 2087 firms employing more than five people in Britain. Each interviewee was asked 160 questions relating to recruitment, retirement, benefits, pensions, management practices and discrimination.

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the most likely to suffer discrimination in employment were young people and older people. They found that age played a direct role in a wide range of policies and practices and that “the effects of the use of age as a criterion in recruitment and the degree of compulsory retirement are particularly important for the employment and labour market participation of older people”.

Age discrimination at work is common. Metcalf and Meadows (2006) in their survey of 2,087 employers found that some features of age discrimination are common to most employers. The survey showed that indirect discrimination is more common than direct discrimination. They reported that one in five employers believe that some jobs are better done by people of particular ages. This belief reveals a prejudice that is likely to foster discrimination. The survey also showed that discriminatory attitudes are more likely to be found in private sector firms, and especially small ones in sectors like manufacturing and construction.

Small firms are described as those which employ less than 50 staff. It was found that it is these firms and sectors that are least likely to have formal procedures and policies to protect against unfair discrimination. There is evidence however to suggest that although small firms do not have formal policies, these employers are quite positive on flexible working and extending working life. It would appear that the lack of policies sometimes makes it easier for them to act quickly and decisively. The TUC’s suggestion that small employers are establishing informal networks between themselves in order to accommodate staff who want to work flexibly, corroborates this position. It is important to emphasise the fact that this positive approach in the main relates to retention, not recruitment, and it is in the latter that the most serious and intractable problem sits.

Metcalf and Meadows’ survey also identified two occupational groups which are particularly at risk from discriminatory practices. These are professional and associate professional/technician staff, both of whom are especially likely to be exposed to discrimination in relation to pay and access to training.

Crucial to extending working lives is the employer’s role – one in which they act as partners, supporting the Government who sponsor, facilitate and co-ordinate broad based initiatives to improve the labour market participation of older people. In the sections that follow, the report explores employer behaviour in the public and private sector separately and identifies what each group need to change to achieve good practice in workforce management around the life-cycle: good workforce planning, healthy workplaces and a learning environment throughout an employee’s working life to ensure optimum productivity and responsiveness in view of ongoing change processes.

3.1 Public sector – policies and practices

There are currently about nine million people aged 50+ who are below current state pension age (65 for men, 60 for women), and recent figures indicate that just over two-thirds of them are in some type of paid employment. Government publications have recently highlighted the fact that, between 1997 and 2003, the employment rate for the over fifties increased faster than the overall employment rate, although nevertheless some 17 per cent of all JSA (Jobseeker's Allowance) claimants are in the over-fifties group and, in September 2004, the National Audit Office estimated that lower levels of employment among older workers cost the economy £19–34 billion per year (in lost output, taxes and increased welfare payments), including Incapacity Benefit payments to around 1.3 million people in this group (Yeandle, 2005).

The public sector employs about 6 million people spread across central and local government and public corporations.

The public services employers are distinct from many of their private sector counterparts for two reasons:

- The public service workforce is on average already older than that of the private sector, with a significant number of employees due to retire over the next 10-15 years. The age profile of the public service workforce will increasingly pressure employers into limiting the loss of experience and expertise brought about by the departure of these older workers.
- As a result of constraints on public funds, many public service employers and providers of services of general interest are faced with changed circumstances, which often restrict their ability to recruit, and reduce the affordability of pensions.⁷⁸

The public sector has had to manage an ageing workforce for several years. Research shows that public sector employers are more likely than their private sector counterparts to have formal procedures like appraisal schemes or equal opportunities policies, to protect against discrimination. In saying this, there is evidence to suggest problems in age management within the public sector, including the significant union resistance to Government plans to raise the occupational pension age in local government and the Civil Service from 60 to 65, and according to Watson et al. (2003) the sluggishness of the NHS in embracing flexible working arrangements as a means of retaining older nurses.

There is therefore scope for the public sector to further age proof its practices. Public sector employers often express views and behave in ways that appear to contradict the aim of increasing the level of participation in the labour market amongst older employees, despite their professed commitment along with employee representatives to this goal. For example early retirement schemes are generally used to support reorganisations and cutbacks in the public sector. Since the announcement by the Chancellor in 2004 of a 100,000 cut in civil service jobs over three years, a number of government departments including HMRC, DTI and DEFRA have offered staff early retirement in order to realise their cost efficiency targets.

For critics, this illustrates that, in its role as an employer, the government acts in a way that contradicts the policy on older workers they prescribe for their partners – private and voluntary sector employers. Commentators see the trade union movement's attitude as ambivalent: on the one hand it backs policy

(78) Valuing Age: A guide for public service employers managing demographic change in the workplace, European Centre of Enterprise with Public Participation and of Enterprises of General Economic Interest

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directed at stimulating labour market participation among older workers and on the other it campaigns for “the right to retire” and accepts early retirement programmes.

Having discussed the seeming predisposition of public sector as employer to use compulsory and voluntary redundancies to achieve staff reductions, it is worth pointing out evidence of emerging trends which bode well for downsizing initiatives in the future. HMRC, a government department responsible for collecting taxes, remitting benefits and protecting the UK’s borders is in the process of reducing its staff numbers by 25,000 by 2011. The Department has committed to helping potential surplus staff retrain, following the results of a pilot scheme aimed at helping these staff train for accredited qualifications for medical work in the NHS such as nursing, or for teaching, or for youth or social work. The scheme is open to all permanent members of staff who have at least three years service and who are currently working in a location where the Department expects a surplus of employees at their grade. Successful staff will be able to leave the Department under the scheme.

The nature of occupational pensions has changed over recent years due to the increased costs of occupational provision. According to the Confederation of British Industry (CBI)⁷⁹, around one third (32 per cent) of companies offer a defined benefit (db) scheme to some or all of their employees, with almost a third of firms forced to close their db scheme in the last twelve months. This compares with over three quarters (82 per cent) of public sector employers offering a db scheme to their employees. Critics point to the unfunded public sector pensions deficit which currently stands at £700bn and call for further reform to bring this costs under control. They suggest that the decision to retain final salary provision for new entrants to the public sector while allowing all existing workers the right to retire at 60 sends the wrong message when private sector employees are having to adjust to longer working lives.

It is an accepted finding that the public sector scores highly in terms of formal policies and procedures for human resource management. It is also generally accepted that whilst formalised policies and practices go some way to prevent age discrimination, individual attitudes can play a major part in engendering an environment in which age discrimination can flourish. McNair and Flynn (2005) found that because a number of key decisions were taken by junior and middle managers, an age diverse policy at the top of the organisation might not be reflected in practice on the ground. For example, most employers offered staff some scope for working past retirement age, although the degree to which they encouraged employees to extend their working lives varied. Line managers normally played a determining role in decisions on whether individuals can stay in work. As a result practice could vary greatly within an organisation, sometimes despite central policy. A review of the literature suggests that the single most effective way of tackling the barriers that these attitudes create is to provide training to managers, which addresses their perceptions of older workers in a bid to overcome age stereotypes.

Skills shortages have a serious impact on a significant number of employers. Skills shortages measure employers’ experience of sustained difficulty in recruiting skilled and qualified staff. Skills gaps represent deficiencies within the skills profile of the existing employees. According to research carried out by the CBI,

(79) Employment trends survey 2006: People at the heart of competitiveness, CBI. The survey was conducted in May 2006. There were 508 respondents who employed approximately 900,000 employees in a wide range of organisations, of varying sizes operating in all sectors of the economy. 12 per cent of the respondents were public sector organisations. Service sector organisations – including public services – accounted for 49 per cent of the sample, and manufacturing 33 per cent. The survey was weighted according to the proportion of total employees in each business sector, in order to ensure it accurately reflects practices in all sectors of the economy.

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public sector organisations are twice as likely to report serious skills gaps amongst their existing workforce (13 per cent reported problems, in contrast to 6 per cent of those in the private sector). The survey also found that of those employers that reported skills shortages, 22 per cent of public sector employers felt it had a serious impact on their business. McNair and Flynn found that only one in six public sector employers encourage applications from people fifty and over when filling vacancies.

There is scope to embed work reorganisation and design techniques as a toolkit for retaining older workers up to and beyond SPA. According to EFA in their study *Age at Work*, people in more physically demanding work find it harder as they get older. This finding is consistent with other research. McNair and Flynn found that HR managers in the police force expressed concern over the feasibility of retaining older workers in physically demanding jobs. They said occupational health staff helped to make decisions about whether an employee should be medically retired or could continue in their job. No reference was made to seeking the advice of occupational health staff in deciding what other kind of work these staff could be redeployed to do.

Common practices within the public sector which impact on the labour market participation of older workers include:

- Using length of experience and qualifications as a selection criteria – this is often used as a substitute for assessing competence
- Providing information on age to recruiting staff – McNair and Flynn⁸⁰ found that a high proportion of employers in the public sector make date of birth information available to short listing and interviewing staff which increases the risk of discrimination
- Allowing staff the right to retire at the age of 60 if they choose to do so – this might play a part in creating the significant gap between what people consider to be the age of retirement for the average person in the future and when they expect that they personally will retire.
- Redundancy decisions based on length of service – this discriminates indirectly since length of service correlates with age
- Taking account of age and experience in determining starting salaries – in the education, an aging sector⁸¹, with nearly half of all employees in the sector over 45, 70 per cent of organisations take account of age and experience (which relates indirectly with age) in determining starting salaries. The effect is to make hiring older workers in the sector more costly and therefore less attractive. With the introduction of Age legislation it is now unlawful for starting salary to be dependent on age, and remains potentially discriminatory for starting salary to take experience into consideration.

(80) Managing an ageing workforce in the “other Community” sector, McNair and Flynn. CROW (Centre for Research on Older Workers) carried out a separate analysis of the data from the national survey for the DWP and DTI conducted in Spring 2005 by Metcalf and Meadows. The sample included 120 firms in the community sector. The community sector is extremely diverse and covers membership organisations, recreational, cultural and sporting activities, radio and television, theatres, libraries, museums, sporting and gambling and a range of miscellaneous activities.

(81) The education sector employs 2.5 million people (8 per cent of the national workforce) in 13,000 establishments. These include primary and secondary schools, further and higher education institutions, adult education and private training industries. A large proportion of this work is in the public sector, and subject to direct or indirect Government regulation.

NHS Employers – a case study

In order to give the reader an indication of the range of practice within the public sector, we interviewed Carole Smith, Age Diversity Programme Manager, NHS Employers to learn how employers within the National Health Service (NHS) are working towards creating an age diverse workforce.

NHS Employers is the employers' organisation for the NHS in England. The organisation works for employers by representing their views and acting on their behalf. The NHS is the largest employer in Europe with more than 1.3 million employees. It provides, in England alone, 50 million consumers with 24 hour service availability.

Carole Smith confirms that the extent to which employers display age aware human resource practices differs within the NHS. Some employers have clearly got the message of age diversity and show a strong commitment to creating an age-diverse workforce. There are others however, that need more help and support in embarking on that journey. For example, some NHS employers have abolished retirement ages altogether and many employ staff well over the default retirement age. One Acute Trust recently employed a 70 year old volunteer on a 2 days a week contract. Staff at the Trust say they had concerns about whether a 70 year old could cope with administrative work, but seeing an older worker doing a job competently has changed their perception of older people. Another Primary Care Trust (PCT) is monitoring the age profile of those attending training in order to better target training at older workers. The Trust has written new guidance for managers aimed at helping them incentivise older staff to undertake training and development.

Another example of good practice is the participation of a PCT (in the South East) in the Intergenerational Portfolio Management Programme (IPM). The IPM is a process of development of a portfolio of knowledge, skills and competencies with older and younger workers working in partnership. Partnerships between older (50-65 years old) and younger (20-35 years old) nurses and care assistants are established. The couples meet regularly to explore their knowledge, competencies and skills. The programme is aimed at promoting team work; enabling younger and older workers understand one another's knowledge, competencies and skills; developing mentoring skills; supporting young nurses in their development; and retaining older workers by demonstrating that their experience and skills are valued and providing them with ongoing professional development opportunities. The programme is EU wide.

There is also evidence that most NHS Trusts are embracing flexible working and flexible retirement in line with the NHS Improving Working Lives initiative. For example, Trusts are looking into offering care vouchers as an extension of the childcare voucher scheme. Other Trusts are carrying out staff surveys which gather information on age discrimination to inform HR policy. Carole Smith reports that some NHS employers on the other hand, have responded with apathy to the issue of age diversity. These employers are not doing enough to age proof their policies and practices. Some employers have made older people redundant and let go of workers who have reached the default retirement age (65) to meet what appears to be short term targets.

Carole Smith says she is optimistic that most organisations in the NHS are committed to creating an age diverse workforce. However, NHS employers will need to continue to raise awareness and change attitudes among staff. "This is not something that can happen overnight", says Carole Smith.

3.2 Private sector – policies and practices

This section looks at the behaviour of employers in the private sector and what impact their practices have on the employment and retention of older workers. Some sectors of the UK economy are predominantly made up of private sector establishments, notably the retail, hospitality, construction, business services, manufacturing and logistics sectors. To a large extent this report focuses on employer behaviour in these sectors to identify what needs to change in the private sector to improve the labour market position of those aged over 50.

The retail sector

The retail sector is very large, employing over 3 million people (10 per cent of the national workforce) in 202,000 firms. Employment is concentrated in two occupational groups: Sales and Customer Services and Managers, with very few workers in other groups, and very little self-employment. The sector has a very young workforce with nearly a third of all employees under 25, and despite prominent initiatives by some large firms notable B&Q and Tesco, retailing is less likely to employ people over 55 than firms in general. Other distinctive features of the workforce are high proportions who are part time, female, from ethnic minority groups, and with low qualifications⁸².

This is consistent with the fact that the retail sector tends to have a high capacity to create jobs for groups with low employment rates by providing flexible work-time schedule and employment opportunities for the low-skilled. The retail sales environment, with its focus on customer service has proven to be a strong niche for the older worker who desires a high level of social interaction and community involvement. The flexibility of the schedules that the industry has allows people to work just a couple of days a week or odd hours to man stores which are open from quite early in the morning to late evening.

A recent study conducted by the School of Public Policy and Administration in Canada, *The case for older workers at Tesco: An examination of attitudes, assumptions and attributes*, reported that of the 195,000 Tesco employees in the UK, just 2 per cent of staff aged over 50 were section managers, and 0.15 per cent of staff store managers. No store managers were over 60.⁸³ Just 6 per cent of employees joined after the age of 50, with over half of all male employees joining before their 21st birthday.

The paper puts forward a strong case for the use of older workers in Tesco (and in other companies) suggesting that older workers have some highly desirable characteristics. For example, key factors such as turnover rates and absence levels are lower among older staff and their dependability is augmented by greater experience and knowledge, intrinsic motivation and customer service. On this basis, the paper questions what “appears to be an irrational imbalance between the proliferation of younger workers employed compared to older workers”. The paper concludes that “the imbalance between old and young employees in Tesco, and the retail sector in general, may be explained by continued ageism due to the persistence of *de facto* myths about the older worker”.

(82) McNair and Flynn, Managing an ageing workforce in retail, A report for employers

(83) Stoney, C. (2006), *The case for older workers at Tesco: An examination of attitudes, assumptions and attributes*, Carleton University, Canada (Data is from Tesco’s Annual Report and Accounts for the year ended 2002)

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One of the most significant findings of the study is the self reported benefits by young and old employees alike, of working in a mixed-age environment. Younger workers report looking to older colleagues for advice and even counselling, whilst older workers report feeling younger themselves as a result of their interaction with their younger colleagues. Employers in retail are also increasingly adopting a strategy of matching customer demographics to employee demographics. Some employers report that regardless of age or race or gender, if their employees reflect the customer demographics, sales results are better. *Borders*, a global bookseller with about 90 stores in the UK, reports a deliberate company policy of employing older workers having identified that half of all sales come from people who are over 45. In order to truly cater for this customer segment, they are committed to employing people “who think like them, look like them and act like them”.

As we have seen, employers in the retail sector have more recently become appreciative of the inherent qualities of the mature worker who has had a significant amount of life experience which typically translates into a greater amount of knowledge and people skills for a well-rounded employee. There is however still scope to increase the participation rate of older workers in the sector by tackling ageism. There is evidence to suggest that at executive level, older workers in retail are marginalised with employers rejecting them with claims of their being over or under qualified.

Whilst the sector continues to create jobs for older people, there needs to be greater emphasis on job quality to reduce the incidence of under-employment i.e. being employed in jobs beneath their abilities. Research for the Joseph Rowntree Foundation on the role of flexible employment⁸⁴ for older workers, found that the quality of flexible employment varies according to its type with self employment rating highest in terms of quality, and part time employment offering the poorest job quality. Other research⁸⁵ suggest that there is a relationship between the “age pay gap” from which older workers suffer and the issue of under-employment. When older workers leave work, getting back into the labour market is often difficult. As a consequence, “bagging groceries” may be their only route in. This typically leaves older workers earning less than they used to and would otherwise be earning if they were not the victims of discrimination, and working in jobs which do not fully utilise their skills and abilities.

The Hospitality sector

The sector covers 14 industries from hotels and restaurants to events, gambling and travel services. It is dominated by small businesses with 81 per cent employing between 1-49 employees. However, they account for only 42 percent of the workforce. Businesses with over 250 staff account for 0.2 per cent of businesses, but represent 45 per cent of the workforce. Hospitality employs nearly two million people and has a higher proportion of young employees than any other sector, with just over a third of staff under the age of 25. The hospitality sector is much less likely to employ people over 55 than any other sector. The workforce is sharply divided between half who are in elementary roles and a fifth in managerial roles.

The Hospitality sector has the lowest labour productivity of any sector in the UK economy, with a similar service sector – retail – having double the labour productivity. Employers face real recruitment difficulties

(84) Employment transitions of older workers: The role of flexible employment in maintaining labour market participation and promoting job quality by Stephen Lissenburgh and Deborah Smeaton for the Joseph Rowntree Foundation 2003.

(85) Age Concern, Tackling Age Discrimination Beyond the Workplace

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with a high level of vacant posts, hard to fill vacancies, skill shortage vacancies, and internal skills gaps. The skills problem levels are more than three times the national average⁸⁶.

The generally held opinion that those sectors with the greatest skills shortages are more likely to have an age diverse workforce having been forced to be more proactive in looking to non-traditional labour pools, does not appear to be borne out by recruitment practices in this sector. This situation is not unique to the UK. Research conducted to examine age management practices and the attitudes of employers to older workers in the hospitality sector in Norway and Hong Kong showed that “few managers planned to actively recruit older workers”, and “utilizing older workers was not as popular as other available alternatives to cope with the labour shortage problem”.

According to McNair and Flynn, Hospitality, with its young workforce, high labour demand and turnover and increasing skills problems, is a sector that is particularly vulnerable to the effects of falling birthrates. As fewer younger people enter the workforce over the next decade, many employers will need to review strategies for recruitment and retention. Employers in hospitality are generally less sympathetic than others in extending working lives, with low degrees of flexibility over retirement dates, and small numbers allowing people to stay past normal retirement age. Firms in the sector are less likely than others to have protective systems in place (like equal opportunities policies, formal appraisal and assessment for promotion, and “age blind” recruitment systems) which could prevent unfair discrimination.

In 2006, prior to the introduction of Age legislation, McNair and Flynn found that two thirds of all employers in the sector were found to use length of experience as a selection criteria; about half provided age information on candidates to shortlisting and interviewing staff; a tenth used age as a selection criteria and one eighth specified age in job advertisements. Employers in the sector appear oblivious to the fact that they currently employ a large percentage of those age bands that have seen, and will continue to see, the largest drops in numbers as a result of demographic change.

According to Martin-Christain Kent, Research Director, People 1st (the Sector Skills Council⁸⁷ which supports the Hospitality sector), employers need to follow in the footsteps of other sectors who are tackling the problem of skills shortages, in part at least, by focusing on recruiting older workers. Mr Kent, suggests that the sector needs to increase the percentage of employees in their 50s (currently 16 per cent) by creating the right incentives to attract and retain these individuals. By doing this, employers could benefit from matching their employee profile to their customer base, a customer base which is also ageing.

Employers in the hospitality sector need to focus on retooling older workers so they continue to be valuable to their organisations. To do this, there needs to be increased commitment to providing the right support and development to those older workers they do have in order to retain them. (McNair and Flynn report that despite the evidence of skills problems, levels of training are below average on most indicators, although the proportion of staff who receive some training in a year is higher than average which probably reflects

(86) McNair and Flynn, *Managing an ageing workforce in hospitality*, A report for employers

(87) The government has established 25 sector skills councils to take the lead in driving up skills in the workplace in order to promote higher productivity and stronger competitiveness for UK businesses in the global market. Funded primarily by the government, sector skills councils are also supported by employers in their sectors, whose needs they represent when stimulating change among the providers of education and skills. Sector skills councils work closely with employers to promote greater commitment to improving skills in their workforces, and with schools, colleges, universities, and private training organisations to improve the provision of basic skills training and to make vocational and occupational training more relevant to the modern commercial climate.

statutory requirements combined with high turnover).

The construction sector

The construction sector has an ageing workforce, with a high proportion of workers over 55. It is dominated by a high proportion of very small firms employing 2.2 million people and concentrated in the East of England, Yorkshire, London and Wales. The sector includes a wide range of occupations with about half of its workforce in skilled trades. The attitudes of employers in the sector to older workers appear to be mixed. Whilst there are a number of firms in which employees continue in work beyond retirement age, there are those employers who are unwillingly to recruit older workers i.e. those aged over 50. This seeming reluctance on the part of employers may reflect the considerable amount of time it takes to up-skill a new entrant to the sector. The sector is currently facing considerable labour and skills shortages.

The construction sector has a poor reputation for diversity. The small firms which dominate the sector are generally associated with an informal approach to human resource management having neither formal business plans nor training plans. Even the large firms within the sector are less likely to have processes like equal opportunities policies and formal appraisal and assessment for promotion than firms in other sectors. The evidence suggests that these can help prevent discrimination. Distinctive features of the sector include a high proportion of workers who are white and male; in skilled trades; employed on full time and permanent contracts; and self employed.

Informal recruitment practices, advertisements and brochures which display images which reflect masculine values and interests, unstructured interviews, and discriminatory selection criteria account for the gender diversity i.e. predominantly male within the sector⁸⁸. These same factors to a large extent explain the age diversity of workers in the manual trades. The need for physical strength is used often by employers to explain their preference for younger male workers. This is despite the progressive move by the Health & Safety Executive (HSE) over the past decade to decrease the need for physical strength within the construction industry. Increasing injury levels prompted the HSE to introduce weight restrictions for manual lifting, with heavier lifting now being carried out with the use of mechanical equipment. This means that the need for physical strength as a barrier to the employment of older workers, men and women alike, within the construction industry is decreasing, yet the perception of the industry as one which is uniquely physically demanding, remains intact. A recent survey in Ireland showed that public sector organisations were most likely to consider age to be unimportant, whilst companies in the construction sector were most likely to consider it to be important (about a third).

The construction industry has a tradition of working long hours, including routinely working through weekends. A fifty hour week, i.e. ten hours a day is standard. This hours often stretch longer towards the end of a contract when employees work overtime to complete the contract on schedule. Often, little or no notice is given about such overtime work. Site based employees, both professional and manual workers, are usually subject to changing work locations. This can involve travelling substantial distances or periods away from home, a situation which can present serious difficulties for employees with caring responsibilities. Work-life balance is a concept especially relevant to older workers as they approach, plan for or achieve exit from paid employment, and move into the social status of retirement.⁸⁹ Limited flexible employment and retirement options within the sector make it difficult for older workers to exercise a choice about passing through a “retirement zone”, rather than “jumping off the cliff” into the territory of permanent

(88) Fielden et al, (1999), Women in construction: the untapped resource

(89) Yeandle, S. (2005), Older workers and work-life balance, Sheffield Hallam University

retirement.

The Sector Skills Councils have highlighted the significantly low training levels within the sector. They report that the proportion of staff trained in the year 2005 was well below the national average. It is important to remember that training from the perspective of the private sector organisation is simply a means to an end – better bottom line profits – rather than an end in itself. For these firms, if current skill levels allow adequate profits to be made they can be deemed ‘fit for purpose’, and making a case for further development may be difficult. This means that any attempt to increase employers’ training must involve expanding employers’ perceptions of benefits.

The Business Services sector

The sector defined by the Office of National Statistics as “Real Estate, Renting and Other Business Activities” is very large, employing 3.2 million people (11 per cent of the workforce), and 17 per cent of all those working after 65. The sector is extremely diverse, and includes real estate; renting of equipment and machinery; computing services; research and development; professional services in fields like law, finance, and management; advertising; personnel recruitment; security services and call-centres. Employment is heavily concentrated in London and the South East (38 per cent of its workforce), and the sector employs the largest concentration of professional, associate professional, and managerial staff, who form over 60 per cent of the workforce (McNair and Flynn, 2005).

The sector is dominated by a large number (92 per cent) of small firms employing under 11 people, with fewer than 1 per cent employing more than 50 staff. There is significant symmetry between the sectors age profile and the workforce in general, except for the high number of workers over 65. According to McNair and Flynn, averages mask the substantial differences within the sector. For example, 75 per cent of computing staff are under 45, and 42 per cent of research and development staff are over 45. There is also a high level of self employment in the sector when compared with others.

Levels of hard to fill vacancies and skills shortages are reported to be substantially higher than in other sectors, whilst skills gaps among the existing workforce are quite low. Employers in the sector are as good as those in other sectors in providing training, although training spend per employee is very much higher than average perhaps reflecting the need for very specialised professional updating (McNair and Flynn, 2005)

In a sector where training is particularly important and comes at what appears to be a high cost to the employer, knowing what we do about age discrimination, it is not hard to imagine that older workers may fare less well than their younger colleagues when it comes to accessing training. Research carried out by Metcalf and Meadows (2006) showed that two occupational groups, professional and associate professional/technician are particularly at risk from discriminatory practices in terms of access to training. McNair and Flynn (2005) also found that prior to the introduction of Age Equality legislation, some common practices amongst employers in the sector impacted adversely on the recruitment and retention of older workers. These include the common practice of using CVs rather than application forms in recruitment; using age or length of service to select for redundancy and refusing to consider job applicants who are thought to be approaching retirement age.

Using CVs rather than application forms in recruitment increases the risk of unfair discrimination since individuals often supply age information on their CVs and recruiters may be consciously or unconsciously influenced by the knowledge of this information in their selection decisions. This practice is in direct contradiction of age-blind recruitment.

The manufacturing sector

The manufacturing workforce is substantially older than the workforce in general, and although a high proportion of workers leave in their 50s, one firm in five employs someone over 65. The sector already faces serious labour and skills problems, and the level of skills required is rising (McNair and Flynn, 2005). The structure and size of the sector is changing, as are the working conditions. Modern manufacturing is often high-tech. Of course, the more high-tech a factory is, the fewer people it is likely to need. This is always a problem for manufacturing – better productivity often means fewer jobs.

The manufacturing sector is huge and includes a range of companies from the very large to the very small. The main industries are: Aerospace, (employing over 120,000 people, the UK aerospace sector is the second largest in the world); Automotive (around 787,000 people are employed in design and manufacture of vehicles/components, or the supply and distribution chain. Those employed in manufacture number 243,000); Biotech (in 2003, the UK had 455 specialist biotechnology companies, estimated to employ more than 22,400 people. This number is expected to increase fourfold in the next ten years); Chemical industry (employs more than 400,000 people throughout the country).

Other industries within the sector are clothing and footwear (employs about 220,000 people, the majority of whom are women. In many regions, the industry is the major employer); food and beverages (the single largest manufacturing sector in the UK, with turnover accounting for 17% of the total manufacturing sector. The industry employs some 550,000 people. This represents 12.9% of the manufacturing workforce in the UK. There are 30,000 food and drink businesses in the UK. The industry buys two-thirds of all UK agricultural produce); Paper and print (the industry structure reflects the diversity of its products and fragmented nature of its market. In 2002, there were 17,620 printing companies. These are mainly small firms – around 90% employ fewer than 20 people and only about 500 employ more than 50); pharmaceuticals (employs around 65,000 over half in research); plastics and polymers (employs 230,000 people); shipbuilding (around 74,000 engaged in shipbuilding and repair); Steel (employs about 50,000) and textiles (employs an estimated 90,000 people in 3650 firms).

According to McNair and Flynn (2005) manufacturing firms are less likely than others to have protective practices in place (like equal opportunities policies, formal appraisal and assessment for promotion, and age blind recruitment systems) which could prevent unfair discrimination. They report that discrimination is made more likely by a high proportion of employers who hold strong views about the age groups appropriate for particular jobs. To make matters worse, McNair and Flynn say that larger firms in the sector are generally unsympathetic to extending working lives, and tend to enforce retirement ages rigidly. In their report, the authors identify some of the common practices within the sector which may have an adverse impact on the employment of older workers. These include the selecting of new staff on the basis of length of experience; using physical strength as a recruitment criteria; providing age information to shortlisting and interviewing staff, giving local managers discretion over setting starting pay (in view of the attitudes expressed about the suitability of particular age groups to jobs, this may easily lead to discrimination), and setting contractual retirement ages below 65 (this was prior to the introduction of age discrimination law and is now unlawful).

The culture within the sector varies greatly by industry, and size of business. Smaller companies are prevalent in areas such as food and drink, paper and board, and textiles. It is not uncommon for staff to be expected to relocate on a number of occasions, as many companies have a number of sites around the UK and abroad. This practice may impact negatively on older workers who may be looking to slow down in

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terms of work demand or may simply be unable to accommodate the upheavals associated with this type of working due for example, to having caring responsibilities.

We have mentioned above how the demands for high level skills are increasing as the demand for low skills fall. We have also seen elsewhere in the report how older workers from the manufacturing sector are often victims of structural barriers to employment that stem from economic and industrial restructuring which changes the mix of skills needed. Many of these workers who live predominantly in the industrial heartlands of the North such as the North, South Wales and the East Midlands, where manufacturing and mining have declined, have been left trapped in deindustrialised locations, unable to afford to move, or to commute, to the distant parts of their local labour market. We have also seen how many older workers from the manufacturing sector leave work due to ill health and then suffer skills obsolescence as a result of their detachment from the labour market which then acts as a further barrier to their return.

All of this point to the existence of scope for manufacturing employers to do more to help older workers remain in their jobs, as well as, to recruit new ones. Recent research commissioned by *Improve*, the food and drink sector skills council, shows that opportunities such as shorter hours, working from home, or self employment, are more likely to entice employees aged 55 and over to remain in their jobs. The research highlights the fact that already 19 per cent of over-55's in the sector are in part time employment. "With the sector experiencing continued difficulty in recruiting younger workers, employers must make retention of older staff a priority," explained Jack Matthews, chief executive of *Improve*. "There are 56,000 workers expected to retire from the food and drink manufacturing sector over the next eight years, but at the current levels of recruitment there won't be enough new starters to fill the vacancies this creates. This will result in skills shortages, with not enough workers to do the jobs, and skills gaps, as the knowledge of these older, experienced workers is lost. "Our research suggests that many older workers want to continue working, but also want to enjoy more leisure time. It's clear that in order to maximise productivity and benefit from the expertise of older workers, employers have to find ways to become more flexible."

Employers could also play a significant part in helping older workers in the sector maintain market-related skills by committing to a programme of lifelong learning, especially given the pace of technology, its impact on jobs in the sector, and its role in skills obsolescence amongst workers, particularly older ones.

The logistics sector

The sector employs 1.3 million people in 64,000 firms. It covers land, water, air and space transport and logistics, together with supporting activities like storage and warehousing, and travel agencies. Over half the workforce is in driving and elementary occupations. Although firms are overwhelmingly in the private sector, some large ones were previously part of nationalised industries, and still retain some employment traditions from those days. This is significant since age related employment practices generally vary according to whether a firm is large or small on one hand, and in the public or private sector on the other (McNair and Flynn, 2005).

Skills for Logistics, the Sector Skills Council for Logistics report that the sector has a very high proportion of workers over 55 (17 per cent) a situation which poses a serious labour supply problem as this cohort approach retirement. According to McNair and Flynn, the sector is dominated by full time, male workers with low level qualifications (50 per cent have no qualifications above Level 2). Work in the sector (especially transport) is concentrated in London and the South East, where skills shortages are high, with employment in Logistics more evenly spread throughout the country. Skills requirements within the sector are rising, with McNair and Flynn asserting that unless training, retention, retirement and employer attitudes to older workers change, current labour shortages will get worse in the next decade.

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A large number of employers in the sector, like those in manufacturing, have strong views about appropriate ages for particular jobs. This as well as the reduced likelihood to have systems in place (like equal opportunities policies, formal appraisal and assessment for promotion, “age blind” recruitment systems and training) to combat indirect age discrimination increase the risk that workers in the sector face. McNair and Flynn report common practices in transport and logistics firms which have a negative impact on older workers include providing age information to shortlisting and interviewing staff; using age related measures, like years of experience, in selection and to fix starting salaries; using proximity to retirement and maximum recruitment ages to exclude job applicants; and using time left to retirement to exclude employees from training.

In Singapore where improving the labour market participation of older workers is a Government priority, recent research⁹⁰ shows that employers in the logistics sector can contribute to extending working lives through job redesign to make work more age-friendly, increasing the range of flexible working options available to older workers, and finding creative ways to utilise the experience and strengths of older workers. In one organisation where their fire service personnel retire at 50, they have developed a scheme to retrain these staff as prime mover drivers. The objective of the scheme is to provide them with the option of a second career (and thereby extend their employability), and at the same time ensure a steady pool of prime mover drivers to meet the organisations expansion requirements. Other companies are endeavouring to make the work less physically demanding through job redesign and work reorganisation.

HSBC: Creating an age-confident organisation

HSBC is a worldwide banking and financial services company, which provides a comprehensive range of financial services including personal financial services; commercial and investment banking and markets. It employs more than 300,000 employees serving more than 100 million customers globally.

In advance of the introduction of Age Legislation in October 2006, the bank organized a sustained communication campaign to raise awareness. The programme included a dedicated intranet site, Age in the Workplace, as well as an awareness raising pack for all business areas, consisting of posters, postcards and post-it notes. All communication materials contain the Age Aware logo launched by the Employer’s Forum on Age (EFA) and the EFA’s Being Age Aware materials have been incorporated within the Age in the Workplace intranet site.

HSBC’s landmark ‘Future of Retirement’ is the only global research that has been undertaken on attitudes to ageing and retirement. This research will help inform ongoing changes and attitudes within HSBC in the UK. To find out more about the Future of Retirement, please visit www.hsbc.com/futureofretirement

As part of its commitment to creating an age-diverse workforce, the bank plans to introduce flexible retirement, which will offer employees more flexibility around how they balance their work and personal life. The aim is not to focus on a wind-down approach, but on a different way of working, which meets the work life balance requirements of each employee. There are also plans to introduce a new process to manage pension arrangements for employees aged 55+. This will include the introduction of a number of pension options for those who choose to remain working over the age of 55.

(90) Report of the Tripartite Committee on the Employability of Older Workers, 2005, www.mom.gov.sg

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HSBC reports a steady increase in the number of employees aged 60+ choosing to continue working since it increased its retirement age from 60 to 65. The bank still offers the option to retire at 60 or earlier depending on pension scheme arrangements. HSBC expects the percentage of people choosing to carry on in work, which is currently over 55%, to increase, particularly with the introduction of a number of pension options during 2007, which will offer even more flexibility and choice.

Sainsbury's: Employing an age-diverse workforce

Sainsbury's is a national supermarket retailer, the third largest in the UK with over 700 stores spread across the UK, employing 145,000 people.

Sainsbury's are particularly proud of having an age diverse workforce. The supermarket retailer says this is, and has been, one of its strengths for many years. They report this as the reason why when the new age legislation came into force in October 2006, only minor changes to established policies and processes were required to comply. As a supermarket retailer operating around the clock to provide an ever-improving shopping experience to a diverse audience of customers, they have a genuine business requirement and desire to employ people of all ages.

Sainsbury's is very committed to providing opportunities for staff to work flexibly (76% of store staff work part time), with working arrangements including a variety of shift patterns and contracted hours. In Sainsbury's stores there is no 'default' retirement age and many staff choose to work well beyond traditional retirement age. The supermarket retailer also has a policy of recruiting new starters who are well into their 60s - and beyond. The oldest member of staff is 88 years old and has worked in Weedon Road store for almost six years as a part time checkout assistant. An 87 year old works full time on checkouts at the Islington store and he has worked for Sainsbury's for ten and a half years.

Sainsbury's employs 9,224 staff aged 60 or over. The average length of service of these staff is just over 10 years. This demonstrates the company's commitment to attracting colleagues aged 60+, as well as its ability to retain staff beyond the age of 60 by providing a great place to work.

3.3 A strategy for Small and Medium sized employers

At the beginning of 2004, there were 1.16 million private sector firms with fewer than 250 employees, representing 94 per cent of all employers in the UK economy. These SMEs (small and medium-sized firms) employed a total of 8.66 million employees (36 per cent of all employees in the UK) and they accounted for 47 per cent of private sector employers' turnover. The numerical importance of SMEs is therefore apparent. Despite this, there is little quantitative data on the employment practices of SMEs.

SMEs are considered by many to be a vital part of a healthy economy because of the role they can play in the creation of jobs and the fostering of innovation, together with their perceived ability to adapt to rapidly changing market conditions.

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A study⁹¹ conducted for the Department for Trade and Industry used the fifth Workplace Employment Relations Survey (WERS 2004)⁹² to describe employment practices in private sector workplaces belonging to SMEs. The survey showed that in SMEs it was much more common for employment relations to be dealt with by an owner-manager than a personnel specialist (SME managers with responsibility for employment matters were less likely to have a formal qualification in personnel management or a related subject than managers working in this area in large firms and SMEs made greater use of external advice on employment relations than workplaces which were part of large firms).

SMEs were also less likely to use formal channels of recruitment than larger firms (The extent to which this practice limits the ability of those older workers on employment programmes to access job opportunities is very questionable). The survey showed that on the issue of equality, diversity and work-life balance, workplaces in small firms were less likely to have a formal equal opportunities policy in place than workplaces which were part of larger firms. Workplaces within small firms were less likely to have practices in place to support employees with caring responsibilities than those which were part of larger firms. Despite the fact that managers in SME workplaces were more likely to believe that it was up to employees to balance their work and family responsibilities than those who worked for large firms, employees who worked for smaller firms were more likely to expect that they would have access to flexible working arrangements if required. Employees of SMEs were also more likely than those who worked for large firms to find managers understanding of their responsibilities outside of work and to report that managers treated employees fairly.

Metcalf and Meadows (2006) survey showed that discriminatory attitudes are more likely to be found in private sector firms, and especially small ones in sectors like manufacturing and construction. Small firms are described as those which employ less than 50 staff. It was found that it is these firms and sectors that are least likely to have formal procedures and policies to protect against unfair discrimination. According to the TUC, small employers are establishing informal networks between themselves in order to accommodate staff who want to work flexibly. Patrick Grattan of TAEN reports that “the position of the majority of UK businesses that have less than 50 employees is paradoxical. There is considerable evidence that they are less “ageist” than large businesses and public sector employers where grade-equals-status-equals-age rules. They will normally employ the best person for the job without a thought for age. At the same time, they may be unconscious of age legislation and such matters as fixed retirement ages.”

(91) Small and medium-sized enterprises – findings from the 2004 Workplace Employment Relations Survey, John Forth, Helen Bewley and Alex Bryson

(92) WERS 2004 consisted of interviews with 2,295 managers, 984 union and non-union employee representatives and 22,451 employees in workplaces with 5 or more employees. In addition to this, a Financial Performance Questionnaire was completed by managers in 1,070 of these workplaces. The cross-section survey was supplemented by a panel survey, in which 938 workplaces with 10 or more employees originally surveyed in 1998 were revisited. Fieldwork was carried out between February 2004 and April 2005. WERS 2004 provides a sample of 621 workplaces and 4,683 employees located in private sector SMEs. The WERS 2004 data is available from the Data Archive at the University of Essex (<http://www.data-archive.ac.uk>). A free publication, reporting the First Findings from the survey, is available at: <http://www.dti.gov.uk/files/file11423.pdf>, whilst the full publication reporting the primary analysis, *Inside the Workplace: Findings from the 2004 Workplace Employment Relations Survey*, was published by Routledge in July 2006.

According to Metcalf and Meadows (2006) the evidence shows that smaller employers show more scope for improvement in the area of age-aware human resource management. However, they also report evidence to suggest that these employers may be more difficult to influence. They concur with other research on the fact that small businesses generally do not have the kind of equal opportunities and diversity policies in place that larger organisations have, with evidence that these employers have a lower level of awareness of what would constitute discriminatory practice due, for example, to the absence of a dedicated Human Resources function.

There is the feeling that when compared with larger employers, smaller employers have less of an incentive to represent the communities that they serve from a business point of view. On issues such as predicting skills shortages and looking at ways of recruiting from wider sections of the community in an effort to pre-empt these, larger employers appear generally more forward thinking and more proactive than smaller businesses. The issue of resources plays a significant part, as smaller employers generally have less capacity than their larger counterparts to provide, for example, readjustments to workplaces for staff. Tighter financial constraints make smaller employers much more focussed on the day-to-day profit margin, limiting their capacity to take what they perceive as risks when recruiting their workforce.

SME employers need to be targeted for extra support in adopting age-aware human resources management practices. It is evident that the potential impact that a change in attitudes of these employers towards older workers, i.e. in terms of the labour market participation of these individuals, is huge.

3.4 Conclusions and Recommendations

In chapter 1, we identified the barriers to employment for those aged over 50. These barriers are ill health and disability, low level qualifications and skills, caring responsibilities, the attitudes of employers to older workers (and to a lesser extent the attitudes of older workers themselves). It is clear that what lies within the sphere of control of older workers to improve their labour market participation are the personal barriers which include health, caring responsibilities and skills. For example, these individuals can take steps to improve and maintain their workability by addressing their health and training needs. However, their endeavour needs to be matched by an increased availability of employers who are willing to offer them work. In other words, the extent to which older people can improve their ability to supply their labour and create real demand for it in the labour market is ultimately constrained by the response of employers.

Whether older people are living healthier, fitter lives and therefore can work for longer will be of little significance if employers continue to hold on to the stereotypical view of the frail and sickly older worker. Similarly, whether those older workers who have caring responsibilities are willing and able to balance their caring duties with paid work will remain unknown if employers are unprepared to introduce greater flexibility in working patterns to accommodate these individuals. If disabled older people are able to overcome the supply side barriers they face such as the severity of their disability and their own perceptions of their employability, what will determine whether they can and do find a job is whether employers will make the necessary adjustments to their workplaces to accommodate their disability and enable them make a positive contribution to productivity.

What all this illustrates is the fact that tackling the supply side barriers will go a long way in improving the labour market participation of older people. We have seen (in chapter 2) what is being done to achieve this. Critically however, real demand for the labour supply of older people will only increase by addressing

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the external barriers principal amongst which are labour demand and discrimination. This means that employers must be persuaded to embrace age-diversity and commit to creating a mixed-age workforce.

Research has shown that the most successful companies have understood that it makes best economic sense to draw talent and ideas from all segments of the population. Inclusive recruitment and promotion practices bring into the organisation segments of the workforce that may well provide competitive advantage in the increasingly global economy. Systematic exclusion of these segments denies these resources to the organisation and lessens the chances of eventual success. For these companies, pursuing diversity and equal employment opportunity is just as integral a business concept as increasing market share or maximising profits. In this way, diversity becomes not just a programme, or a separate department, but rather a way of life that is integral to all business activities of the company.

However, it is recognised that often it is not a simple matter for employers to comply with their obligations. It can be a complex legal terrain in which employers are subject to a myriad of regulations that govern the employment arena. This is why there is no substitute for strong and true commitment and hard work in this area. Employers need to take certain steps to ensure that they partake of the benefits to be reaped from creating a mixed- age workforce. The following are tentative recommendations about how this might be achieved.

Increase awareness

Findings from recent research aimed at measuring the readiness of employers for Age Equality Law indicate that there is a real need to increase awareness of age aware management practices. This view is reinforced when we consider the situation in many of the industrial sectors within the UK economy. Employers will increasingly need to take responsibility for knowing their circumstances i.e. the workforce and demographics – local, national and even global. To exhort employers in this way may appear trite. However, evidence from the hospitality sector where a staggeringly high number of employers seem oblivious to the fact that labour turnover is unusually high and as much as 70 per cent of recruitment is to replace existing staff, proves such advice may not be out of place.

Employers also need to gain a working knowledge of Age Equality law, the standards that define their obligations and the various barriers to diversity. There is evidence to suggest that a large number of employers lack clarity on what constitutes age discrimination and what does not. Employers can turn to the Government's Age Positive Campaign run by the DWP for guidance and support in creating an age-diverse workforce.

Improve performance management systems

Recently, some employers and their representatives have expressed concerns over the abolition of fixed retirement ages suggesting that this may impose on them difficult burdens in managing the exit of older workers. Here a key concern is that performance appraisal systems, primarily designed to facilitate effective arrangements for reward and promotion, may need to be reshaped to identify evidence of underperformance or low productivity in support of a case for dismissing an inefficient older worker who prefers to remain on the payroll. Employers argue that implementing revised systems to negotiate employee departures that are desired by employers but not by employees may damage workplace relations and create difficult experiences for workers at the end of working life (Yeandle, D., 2005).

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This concern indicates a genuine need for employers to improve their performance management systems to ensure they can cope with the challenge of managing a mixed-age workforce. Fears over how to deal with older workers who do not now have to retire as a result of the abolition of default retirement ages before 65 may stem from the unwillingness or inability of employers to actively manage older workers, in the same way they do the rest of the workforce. Employers can improve performance management systems by improving the quality of diversity training they provide. Managers need to undertake diversity training, as well as management training to ensure that they develop the skills and competencies required to manage a balanced workforce.

There is evidence that better management can also help address the mismatch between employer and employee perceptions. Older people often want to work longer in challenging roles. They also want to work flexibly as a strategy for phasing into retirement. Employers often say they would offer flexible working terms, but employees have not made any requests. Employees in turn say they do not ask for flexibility for fear of age discrimination. This indicates a clear need for improved management skills aimed at improving communications between employers and employees.

We have discussed how improving the labour market participation of older workers can be achieved by reducing economic inactivity amongst this age group, as well as, by increasing the retention rate of those older people in work. We have also established a relationship between early exit amongst older workers and the prevalence of skills obsolescence amongst this age cohort. This may indicate potential for employers to improve their management of older workers with the aim of ensuring that they maintain an up to date portfolio of skills. This can be achieved through effective performance management. Embracing the entire spectrum of performance management and improvement strategies for all employees will ensure older workers have their developmental needs identified and addressed. Employers can be creative about how the identified developmental needs are addressed, especially given the evidence that older workers are often less willing than their younger colleagues to undertake training. Bearing in mind that development is about increasing the capacity to perform, it can be achieved through mentoring schemes, assignments that introduce new skills, and improving work processes, for example.

Tackle policy-practice gap

Larger organisations tend to have formal policies and procedures for human resource management. The evidence is that in some organisations formalised age –diverse policies may not be reflected in practice on the ground. For example, in a study conducted by McNair and Flynn, most employers offered staff some scope for working past retirement age, although the degree to which they encouraged employees to extend their working lives varied. Line managers normally played a determining role in decisions on whether individuals can stay in work. As a result practice could vary greatly within an organisation, sometimes despite central policy.

This indicates that it is not enough to have written down policies aimed at creating a mix-aged workforce, without a means of ensuring that these policies get translated into practice. Employers can do more to tackle the policy-practice gap by reviewing the effectiveness of policy dissemination. Informed commentators, including Employers Forum for Age (EFA) suggest that the most effective means to address the policy-practice gap is via an education programme aimed at all employees. Employers should encourage the attainment of diversity by all managers, supervisors and employees and structure their business practices and reward systems to reinforce those corporate objectives. Linking pay and performance not only to technical competencies, but also to how much diversity awareness staff

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demonstrate, reinforces the message of commitment to diversity at the highest level within the organisation. Senior managers need to champion the cause of age diversity as a business imperative.

Utilise flexible working options

The DWP study *Factors affecting the labour market participation of older workers* identified the involuntary (push) and voluntary (pull) factors which account for the withdrawal of older people from the labour market. The desire for a better work life balance to enable them indulge in unpaid work and activities such as caring, volunteering, and lifelong learning was identified as a major factor. Caring was identified as a push factor or as a pull factor, with people tending to stop work when the combination of work and caring became too much, or when their own health or that of the person they were caring for deteriorated.

The study showed that some people's health problems and caring responsibilities had been taken into account by their employer and they remained in work. Those with positive experiences showed how redeployment, opportunities to negotiate flexible working conditions, retraining or a move into self-employment helped to keep people in work. Not all respondents had such positive experiences while trying to remain in work. Views among this group were negative, not only in terms of how their employer might or did respond to their changing circumstances, but also about their own contribution to the workplace. Some respondents felt that they were a burden and so did not think to ask for their needs to be accommodated.

Carers UK report that 1 in 3 carers who are inactive want to work. The fact remains that whilst there may be personal barriers to employment (such as lack of self confidence, low skills, etc.) that these individuals need help overcoming, there is potential for some of them to return to work given favourable working conditions which enable them combine their caring responsibilities with paid employment. The right to request, and the duty on employers to consider, flexible working were included in a flagship employment law introduced in April 2003. The new Work and Families Act 2006 which got Royal Assent in June 2006 gives carers for the first time, the right to request flexible working. The Act came into force in April 2007. Whether employees have their request granted will depend on whether employers decide that granting their requests makes business sense.

It is increasingly recognised that to achieve work-life balance for everyone will be challenging and may involve economic sacrifices on both the part of the employer as well as the employee. Evidence to embrace flexible working lies in the benefits which flow to the employer (as well as employee) from having a mixed-age workforce. Some employers have already got the message as the CBI's Employment trends survey 2006 showed that flexible working widely remains high on the employer agenda with about 91 per cent of firms offering employees at least one form of flexible working. Employers can achieve much more in this area by utilising all forms of flexible working including job-sharing, "flexiplace", special leave options, and outsourcing work to contractors or consultants (which create opportunities to develop self-employment or temporary contract options).

Tackle age-pay gap

There is no escaping the fact that many of the part time, flexible jobs in which over 50s are currently employed (especially in the retail and hospitality sectors) are low paid. This in itself can be a barrier to employment for some older people. The evidence is that the aspirations of older job seekers can form a barrier to employment. Some older workers face financial barriers to employment stemming from the fact that they often have a financial threshold below which it may not be prudent to work.

Patrick Grattan of The Age and Employment Network (TAEN) reports that “many of the most frustrated non-workers in their 50s and 60s are indeed the most qualified”. Many of them are simply the victims of age discrimination. At the lower end of the skills spectrum, Mr Grattan says “the majority of non-working men over 50 would not consider working in the sectors where job growth is currently strong – retailing, personal services and call centres”. This he suggests is largely to do with the impact of self-identity and self esteem in limiting imagination about career change – “once an assembly line fitter, always an assembly line fitter”. A DWP study⁹³ reported that people in the sample who had experience of using Jobcentre Plus services reported disappointment with the quality of work on offer, particularly the lack of specialist and well-paid vacancies.

Employing older people in part-time, low-paid work affords some the opportunity for gainful employment, whilst disadvantaging others who are want more senior and better paid jobs. According to Yeandle (2005) a problem lies in store if, in the future, those already employed within these sectors are looking for career progression as well as part-time work and flexible working patterns, unless employers address the tendency for senior and better-paid roles to be offered mainly on a full-time basis. (Differences between types of employer (size, sector, core business, organisational structure and management style) mean that no single model to achieve this will be suitable for all organisations.

Adopt age-management strategies

The single most common reason people aged over 50 cite for early exit from the labour market is a health condition. Given the large number of those who go on to claim Incapacity Benefit, rather than return to the labour market, there is plenty of scope to improve the management of health conditions amongst older workers. Employers could introduce processes by which they assess jobs to see that job tasks take proper account of the physical capabilities of individuals, with a particular focus on older workers and any possible adaptations, job redesign, changes in work hours or schedules or reassignment that might be beneficial. (France has a law requiring periodic review of measures by employers to address the impact of physical strains at work on the employability of older workers, with an explicit requirement to remedy problems identified).

Employers would benefit from ensuring that age management strategies target “ageing” rather than just “older” workers. Planning occupational health interventions and devising job redesign or alternative work in good time, with policies looking at workers in the 45+ age group, will provide greater scope for creating suitable and healthy work transitions. The main reason for this ‘early’ definition of ageing among workers from the occupational health point of view is that it gives better possibility for preventive measures. Career structures that allow a shift to more suitable work, where necessary or desirable are preferable. Effective implementation of workplace age management strategies will require training of managers and supervisors

(93) Factors affecting the labour market participation of older workers

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and a new mind set, focused on maintaining the positive contribution of older workers.

Older workers in the UK are more likely to be economically inactive on grounds of disability than in most other developed nations, suggesting far greater emphasis must be placed on providing support, “reasonable adjustments” and other measures to accommodate people with disabilities in the workplace. Disability discrimination legislation needs to be effectively applied.

Innovate in recruitment

Hall et al (2005) report that “the mechanisms used by older workers to re-enter the labour market were generally narrow”, for example, people in the sample had limited experience of Jobcentre Plus services. According to Patrick Grattan, few people have heard of the Government provision of adult career advice. Therefore, older people often seek career advice informally from friends and colleagues. Employers with skills shortages could consider offering work placements to older trainees in collaboration with training providers, Job Centres and vocational guidance services.

These suggestions are not exhaustive. Many employers are already committed to creating a mixed-age workforce and are being innovative about how that is achieved. The spread of good practice amongst employers in both the public and private sectors should over time bring the goal of age-diversity in UK Plc closer to being a reality. The economic impact of changing employer perceptions of older workers will be huge. We saw in Chapter 1 that there are about 800,000 older workers who are inactive but want to work. Other estimates range from between half a million to 2 million.⁹⁴ There is a proportion of these 800,000 individuals who will return to the labour market via the self-employment route. However, it is obvious that the greater proportion will need to access employment as employees. In order for that to happen, employers must be willing to offer these individuals work.

(94) Age Concern England say between half a million and a million, the Trade Union Congress suggests 1 million and PRIME say there are about two million

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SECTION FOUR: THE ROLE OF SELF EMPLOYMENT

Introduction

In chapter 3, we reviewed the impact of employer behaviour on the participation rate of older workers in the labour market. We saw that there is some evidence on which to conclude that employers are paying increased attention to their employment processes and procedures in response to the introduction of Age Discrimination Legislation in October 2006. But older people continue to face discrimination in employment. They often feel rejected and become discouraged when they try and fail to obtain work in the mainstream labour market. Self employment can be an important option for people who are workless and want a job. It is especially important for those aged 50+ who are inactive as research shows that self-employment and enterprise provides an excellent opportunity for self-fulfilment, offering greater flexibility and freedom and may help enhance older people's later years.

We saw in the chapter 2 that the Government recognises that self-employment provides the opportunity for self-fulfilment and independence for many people who face discrimination in employment. They have demonstrated this by providing specific support for people on New Deal 25 Plus, New Deal for Lone Parents, New Deal for Partners and New Deal for Young people who wish to try self employment. Age Concern England report significant problems with accessing self-employment support through Jobcentre Plus. According to them funding cuts have created a situation where large parts of the country are unable to provide help to clients in their areas. Age Concern England and PRIME also report that many personal advisers appear reluctant to promote self-employment, and Incapacity Benefit claimants have been unable to access "test-trading" through the self-employment option due to tax and social security regulations.

This chapter looks at the business case for self employment; how PRIME and PRIME Cymru, two charities, are able to help people aged 50 – SPA, and in many cases beyond SPA, to set up their own businesses; the challenges that face these older entrepreneurs and what needs to be done to ease their path to self employment to make it a viable option for those who are outside the labour market.

4.1 Welfare, health and political costs

It is actually difficult to find figures that calculate the average annual cost of Incapacity Benefit and other benefits (e.g. housing) for the 50+ age group. PRIME calculates the average cost to be £7,000 per annum (see PRIME Annual Report and Audited Accounts 2005-06). With 1.4 million Incapacity Benefit claimants, a £7,000 per annum per head welfare payment means the cost of the 50 – SPA age cohort alone is £9.8 billions per annum.

It is now well documented that the workless are more likely to seek medical help for physical and mental ailments than those who are in work, and that worklessness contributes to social exclusion. Worklessness amongst this age group is putting additional burdens on the health service, and will do so increasingly, as the number of those moving from worklessness to state pension increases.

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Table 1

ECONOMIC ACTIVITY AMONGST WOMEN AS A % OF 50-SPA WOMEN COHORT									
Region	Total FemalePop 50-SPA	ECONOMICALLY ACTIVE				WORKLESS			
		Working as Employee	%	Self employed	%	Econ Inactive	%	Re-gistered Unem-ployed	%
East	362,900	238,000	66	26,700	7	98,200	27	6,500	2
East Midlands	282,000	181,100	64	18,800	7	82,100	29	4,900	2
London	404,600	242,800	60	38,200	9	123,700	31	9,800	2
North East	168,200	98,200	58	7,300	4	62,700	37	2,100	1
North West	434,400	269,000	62	22,300	5	143,200	33	5,500	1
Northern Ireland	98,100	51,000	52	3,600	4	43,500	44	1,600	2
Scotland	337,800	220,100	65	15,500	5	102,200	30	3,900	1
South East	535,400	354,300	66	44,100	8	137,000	26	7,500	1
South West	345,700	218,000	63	30,600	9	97,100	28	6,600	2
Wales	198,400	117,800	59	12,100	6	68,500	35	2,500	1
West Midlands	339,900	214,200	63	20,400	6	105,400	31	5,400	2
Yorkshire and The Humber	322,800	210,200	65	15,600	5	97,000	30	7,000	2
Total	3,830,300	2,414,700	63	255,300	7	1,160,500	30	63,200	2

Source Nomis Annual Population Survey Apr 2005 - Mar 2006

SPA =men 50-65 women 50-60

The table above shows the significant different between the percentage of women who are registered economically inactive, as compared to those who are registered unemployed across the UK. It would be comforting to imagine that the workless was composed of 2 per cent of the population that wanted to find a job and the economically inactive, up to 44 per cent in Northern Ireland, did not need work. Other data (see table 2 below) suggest that a significant number of those registered inactive need to work. The situation is similar for men (See Table 3 below)

Table 2 What are the workless actually doing?

	% estimate in "Winning the Generation Game"	Estimate projected onto 2006 ONS data
Incapacity Benefit	49	1,323,000
Retired on adequate pension	9	243,000
Retired on inadequate pension	18	486,000
Caring	17	459,000
Registered Unemployed	7	189,000
TOTAL	100	2,700,000

While it is difficult to give precise figures, "Winning the Generation Game" (Cabinet Office 2000) probably made the best estimation of what the workless were actually doing.

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Table 3

ECONOMIC ACTIVITY AMONGST MEN AS A % OF 50-SPA MEN COHORT

Region	Total MalePop 50-SPA	ECONOMICALLY ACTIVE				WORKLESS			
		Working as Employee	%	Self employed	%	Econ Inactive	%	Registered Unemployed	%
East	500,100	299,200	60	93,500	19	107,400	21	9,000	2
East Midlands	394,600	233,500	59	68,800	17	92,300	23	8,500	2
London	529,300	297,800	56	107,700	20	123,800	23	22,900	4
North East	227,200	126,000	55	24,900	11	76,300	34	6,000	3
North West	602,500	326,600	54	82,900	14	193,000	32	11,900	2
Northern Ireland	136,800	66,100	48	27,100	20	43,600	32	3,700	3
Scotland	454,700	271,000	60	60,000	13	123,700	27	13,000	3
South East	732,800	448,900	61	146,400	20	137,500	19	17,800	2
South West	471,400	275,100	58	86,900	18	109,400	23	8,500	2
Wales	275,600	138,400	50	44,700	16	92,600	34	5,900	2
West Midlands	482,900	285,600	59	80,400	17	116,900	24	11,700	2
Yorkshire and The Humber	446,200	261,400	59	65,800	15	119,100	27	8,400	2
Total	5,254,100	3,029,600	58	889,200	17	1,335,500	25	127,500	2

Source Nomis Annual Population Survey Apr 2005 - Mar 2006

SPA =men 50-65 women 50-60

4.2 Self-employment: the economic and social case

Two policy imperatives suggest there is substantial scope for more public intervention into the promotion and support of 50+ business start-up. One is based on the broader economic requirements of the United Kingdom plc, and the other on the needs of the individual.

There appears to be general agreement that, in a competitive global economy, it is important that any country that wishes to remain a successful trading nation should have a robust start-up market for small businesses. A flow of new businesses will challenge existing businesses that have been in the market for longer and which may have grown complacent. New businesses will either be more efficient, provide a more effective service mix, put together products and services which make them more effective and profitable in the market-place, or will bring new products or services to replace older ones. Whatever the particular products or services, the new businesses will provide a spur for the established businesses, which must compete or die. Competitiveness within the UK will therefore create a more competitive UK in the global economy.

Contrary to popular belief, the majority of new businesses are created by people in their 40s and 50s. With the decrease in the number of people under 30, the number of younger people starting a business will decline. As this smaller age group works its way through the demographic profile there will be even fewer people in the peak age for business start-ups, and consequently fewer businesses started. It is therefore vital that the policies and structures that support older people into business are put in place as early as possible.

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Self employed: numbers, age gender, year (1999 – 2005)

Age	Males						Females					
	Year						Year					
	99-00	00-01	01-02	02-03	03-04	04-05	99-00	00-01	01-02	02-03	03-04	04-05
Under 20	13	17	22	26	29	33	4	4	..	4
20-24	69	82	95	110	126	143	25	28	32	39	44	39
25-29	189	195	193	192	197	219	76	85	86	84	79	80
30-34	328	354	313	324	317	311	152	162	158	150	149	141
35-39	372	400	404	418	416	417	157	164	188	191	197	200
40-44	388	417	411	414	429	441	166	178	181	196	202	210
45-49	380	380	373	391	391	411	161	160	164	164	174	175
50-54	419	428	408	389	376	366	170	176	183	166	169	174
55-59	340	376	389	414	409	404	122	135	146	163	165	161
60-64	237	252	236	250	262	290	75	81	77	84	86	85
65-69	134	150	124	125	128	132	41	48	43	42	45	45
70-74	60	71	57	61	61	61	20	24	22	27	26	25
75+	49	55	45	45	45	50	19	23	22	20	21	22

The table above shows the numbers of people in each age cohort who are self employed. The numbers of people in their 40s and 50s who are self employed are significantly higher for both men and women than those aged 40 and under. For men there are 1.6 million compared to 1.1 million respectively. Similar figures for women (720,000 to 464, 000) show that women in their 40s and 50s account for 35 per cent more businesses than their younger counterparts.

Source: Survey of Personal Incomes

There was a short period around 2004 when the New Deal self-employment programme was robust, when a number of national business support chains developed around the New Deal funding. There were signs that these chains were starting to expand into provision for everyone with an interest in or the need to pursue self-employment.

Three things changed this:

- (i) the cutbacks in New Deal self-employment programme funding in 2006:
- (ii) the new severely pruned contracts for New Deal self-employment programmes in 2007 which led to a curtailing and merging of the big chains of suppliers:
- (iii) the regionalisation and re-contracting of Business Link⁹⁵ in 2006-07 which created planning blight for business support providers in 2006-07.

In many areas of England the contracting for business support for 2007-08 was late, and the amounts of money involved reduced yet again. In many regions there is less free provision of business support than there has been for several years.

This has to be set against the investment being made through Local Enterprise Growth Initiatives (LEGI). The initiatives are being located in areas which are amongst the most run-down according to the government's multiple-index of deprivation. The amounts of money are significant. However the majority of the round 1 LEGI areas (funded from 2006) totally ignored the needs of the over 50s. There has been a slight improvement in the Round 2 LEGI contracts, but the majority are still determining exactly what they will be doing, and they are not prioritising the over 50s.

A number of RDAs have invested a small amount of money in contracts with PRIME to run awareness, recruitment and introductory courses for the over-50s, feeding into the new business support contract holders. It remains to be seen whether the new budgets will support the programmes that are required to follow on from PRIME's awareness raising and recruitment work. The evidence at this stage points to a reduction in the number of business support organisations, a retrenchment, with many areas of the country losing established provision, and the beginnings of a post-code lottery for business support.

With the welfare costs of worklessness running at just under £10 billion per year for those aged 50+ on Incapacity Benefit, it would be economically prudent to find ways of reducing this outlay from the public purse, and replacing it with an income to the Exchequer through taxable income. The issue is that of finding a successful way to invest some of the £10 billion into programmes that enabled some of the over 50s workless to become self-employed. What such programmes need to look like is discussed later under the PRIME business cycle model.

What conclusions can be drawn? On the one hand, therefore, it makes economic sense to invest in enterprise promotion for an older age group. However it is noticeable that the investment in Economic Insight, an enterprise campaign receiving significant Treasury funding to encourage the entrepreneurial spirit, specifically precludes investment in the encouragement of older entrepreneurs. As discussed above, it also appears that the range, the number of support agencies, the amount of free provision and the geographic spread of business support is diminishing. On the other hand there is a huge and growing cohort of workless over 50s for whom a conventional job is unsustainable or unattractive, who can be encouraged to explore the alternative of self-employment.

It is usually assumed that those who have any entrepreneurial aptitude will self-select into business and

(95) Business Link in England, Business Gateway in Scotland, Business Eye in Wales, Invest Northern Ireland in Northern Ireland, to save repetition the term Business Link is usually used. However the different organisations are responsible for different policies.

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generally find their own way with minimal help. Alongside this is a presumption that self-employment requires a rare and unique imagination and character. Unfortunately, television shows like “Dragon’s Den” or “The Apprentice” appear to feed this pre-conception. The result has been, consciously or inadvertently, that business support structures have been built up around a notion that there is a minimal core of support that is required, and if more help is needed it is suggestive of the fact that that individual would better not seek to be an entrepreneur.

PRIME (“*Towards a 50+ Enterprise Culture*” 2004) posited that the over 50s fell into one of three concentric circles.

The centre circle comprises those that have the knowledge, skills, networks, experience and access to funding to start a business. These are usually people who have held senior posts in industry, or who come from families with an entrepreneurial background. By and large they know where to go for help from Business Link but generally could manage quite well without it. These are usually the highly qualified managers who can also, in the main, find employment with another company.

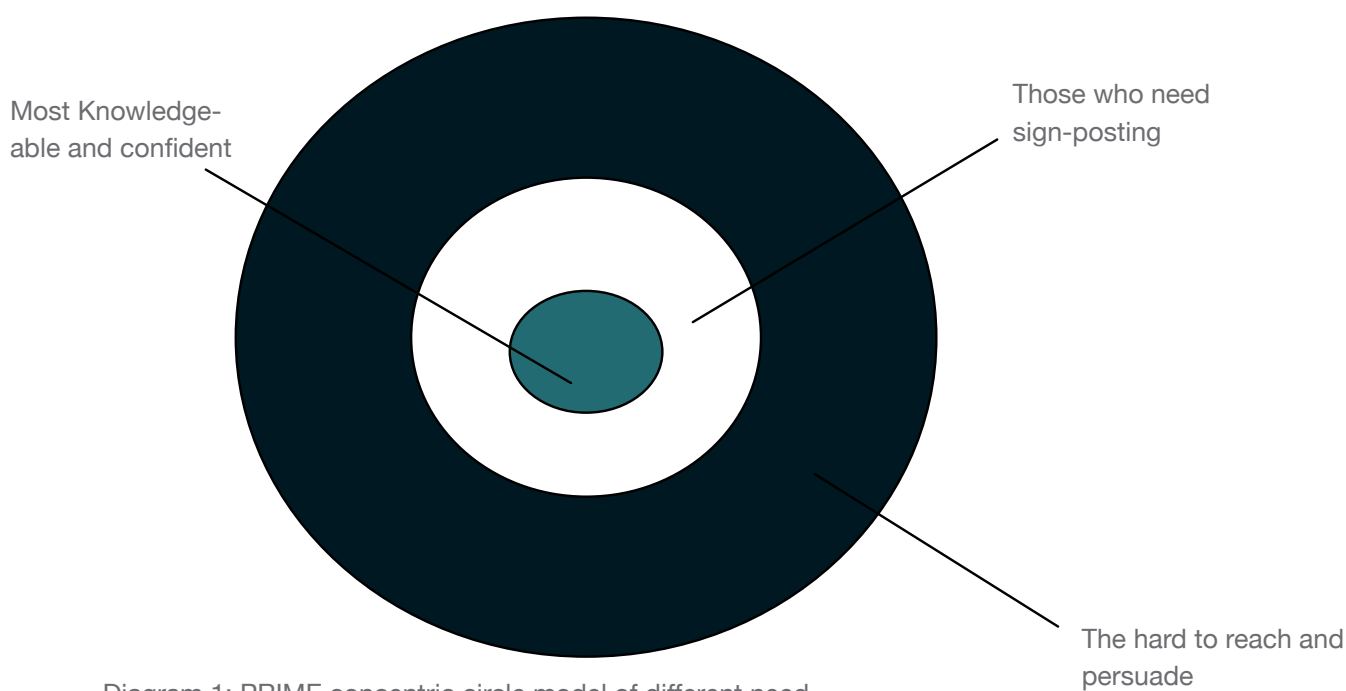


Diagram 1: PRIME concentric circle model of different need

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The middle circle is made up of people who, generally, do not have quite the same background. They could be people who have lost confidence after being made unemployed. They may not know where to go to seek enterprise support. However they can be helped once they are sign-posted or given a relevant workshop or course.

The outer circle is where those who have possibly spent 30 years in a factory before being made redundant are to be located. For these people there is a cultural jump to be made before they are ready to accept that they could start their own business. There is a period of awareness raising, understanding of self-employment, self-analysis and “cultural acclimatisation” that needs to take place before they are ready to benefit from anything available through Business Link. To move from an expectation of being an employee to an aspiration to become self-employed is a huge social, cultural and economic jump and many of this group need support and assistance, not least from a mentor, to make this transition.

This group are often overlooked as potential entrepreneurs because only a limited number currently make that transition. However these are the very people who are least likely to find a job, and who are least likely to have pension provision. To ignore the needs and the potential of those in this group is, in all likelihood, to ensure they never consider self-employment. Where employment is also not an available option, these people have no recourse other than to welfare dependence.

4.3 The PRIME Business Cycle Model

PRIME has developed a business cycle model which helps to conceptualise its delivery operations. In the model, those who need most help because they are least business ready are on the right-hand side. The most business unready correspond to the outer of the concentric circles in Diagram 1 (above). Those on the left-hand side are the most business ready, and correspond to the central concentric circle in Diagram 1.

The business cycle model suggests that for those on the left-hand side, i.e. those who are business ready, the first port of call should be Business Link. However for those on the right-hand side, there is every likelihood that that they would need to know more about self-employment and come to understand that it could be of relevance to them.

PRIME has been developing provision within this model, offering support which is complementary to mainstream provision. PRIME has therefore been meeting the particular needs of a section of the over 50s that requires extra support, and developing a range of provision and programmes that feed the over 50s into the mainstream Business Link when they are ready. The sheer scale of the task has meant that provision has developed incrementally as resources are secured. This “braided” system of meeting particular needs was adopted by the Enterprise for All Coalition (“Enterprise for All: progressing the agenda” Westall A. 2006).

In 2007 PRIME moved into Northern Ireland under a contract with Invest Northern Ireland. Despite the publication of an older persons strategy by the Scottish Executive in 2007 in which older persons enterprise was specifically mentioned, PRIME has not yet developed provision in Scotland.

Similarities and differences in Wales

The situation in Wales, however, was slightly different. While over 50s worklessness is amongst the worst in the UK in Wales, the size of the population means that Wales has the same population as one of England's smallest regions. The Welsh Development Agency experimented with funding a total package of business support which was aimed at groups (including older people) who might not traditionally consider self employment as an option. This package included outreach, training, business planning and mentoring, and was funded (in part by the EU) from 2001-2007. Funding came to an end in March 2007, when the Welsh Assembly Government sought to mainstream the delivery of all elements of the programme through Business Eye.

PRIME Cymru has continued to provide support to older people who wish to become self employed, using resources secured from a variety of sources. PRIME Cymru employs a team of paid client advisors, and outreach workers to engage with older people in areas where there are high levels of economic inactivity. They are also recruiting a team of unpaid volunteer mentors.

The network of business support agencies funded by the Welsh Assembly within Wales strictly ration the amount of business advisor time available to what are termed 'lifestyle' businesses. Many potential older entrepreneurs are seen as being in this category.

PRIME Cymru believe that there is a continued need for the pre-business start support which they are able to offer. This includes raising awareness of self employment as an option; workshops in which older people can explore their self employment ideas; and the provision of a mentor who is there to provide encouragement and advice as and when required. As with PRIME, PRIME Cymru takes the view that these activities are best carried out by organisations with the specialist skills to undertake 'outreach' and 'mentoring' to older people. Clients can then be referred to mainstream business agencies once they are ready to see a business advisor.

PRIME Cymru see the issue of economic inactivity amongst older people in Wales as a key issue facing the Welsh Assembly Government. Help for older people to create their own job through self employment is one part of a wider package of measures which are needed to reduce levels of economic inactivity. Independent research commissioned by the Welsh Assembly showed that around 40% of older clients who were assisted to become self employed had previously been economically inactive.

Awareness Raising & Recruitment

The importance of the PRIME model is to emphasis that awareness raising requires a repetition and an understanding of the message. In a project in South Tyneside funded by the DTI's Enterprise Promotion Fund, PRIME demonstrated that an outreach worker, operating with the formal and informal groups and organisations in the community, can come to touch the concerns and fears of the unemployed, and demonstrate that self-employment can be worth considering (see "*Reaching the Older Workless: an evaluation of PRIME's enterprise South Tyneside outreach project*" PRIME 2005 www.primeinitiative.org.uk).

Awareness raising and recruitment require, therefore, continued and continuous effort through a variety of vehicles and mechanisms. There is a clear justification for investment in this aspect of the business cycle, in the form of potentially reduced spending on welfare payments.

Mentoring

Most of the research have identified a fear factor associated with deciding to become self employed and have termed it “risk aversion”. This term rather trivialises the concerns of those who are voluntarily or involuntarily excluded from the labour market, and have to rejoin it through becoming self-employed. It is a huge cultural, social and economic leap.

These individuals need assistance and support. The best way of doing this is to provide a mentor, not at the point where the individual has started a business, but at the point where the individual is starting to consider self employment as an option. The mentor can help the individual handle the change, which can be quite threatening, without adequate and appropriate support. The implications of not investing in mentoring at this stage are that people might be overwhelmed by the scale of change, and by their lack of understanding of themselves and the processes, to the extent that they self-select out of self employment.

There are many people with the deep humanity and the capacity who, with training, can provide the mentoring that is required on a voluntary basis. It does require, however, that resources are available to recruit, train and co-ordinate the mentoring. It also requires an administrative structure in which the procedures can be managed efficiently and effectively, giving confidence to the mentees.

Personal development

Helping people deal with redundancy which can often be a traumatic experience is a crucial part of personal development for which very little help is afforded. Having supported people through the experience of redundancy, encouraging them to ‘move on’ and consider other options, helping them make a careful inventory of skills, experiences, knowledge, likes and dislikes, and then a gradual focus on the favoured areas of business is critical.

People hardly have all the qualifications they need for a particular business. This means they often need to undertake some form of training to gather the required knowledge and skills to make a success of their chosen business. Over 50s have to pay for training, whereas younger people do not. By erecting a financial hurdle around re-skilling for the over 50s, the opportunities that are available have been unnecessarily restricted.

There is a similar issue with information, communication and technology (ICT) skills. On the one hand a study by Barclays Bank showed that the over 50s were more likely to utilise digital technology in their business. On the other hand those without resources, and this includes many of the over 50 workless, do not have digital access. In this age it is very difficult to run a business without ICT skills and yet it is very difficult to gain the skills unless you possess the hardware, broadband links and some computer skills. For those without the funds to purchase the equipment, we are creating a digital catch 22. Once again hurdles are being erected against some of the workless over 50s, restricting their business options within self-employment.

Organisations like UK Online and Age Concern England have recognised the legitimate need of older people to learn ICT skills so that they can be put to practice in self-employment. Libraries are become palaces for digital research for those without access to a computer or broadband. Nevertheless those considering self-employment that do not have access to ICT, are in danger of being left behind. PRIME would like to see Jobcentre Plus developing a digital support function, or working in partnership with other organisations to provide that access.

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Many potential older entrepreneurs do not understand the advantages and disadvantages of franchises. A franchise offers the advantage of a tried and tested format which enables the franchisee to utilise the brand and the national marketing and reputation that goes with it. For those unable to determine what new business might be appropriate for them, a franchise might represent a viable way forward.

Similarly there are a range of quasi franchises and direct selling opportunities. These are generally cheaper than franchises but do not offer the same opportunities for growth. Some of the direct selling opportunities are more akin to pyramid selling, with multiple layers each of which takes a cut, but there are many others which are legitimate and genuine opportunities.

There are advantages and disadvantages to be understood and weighed. This is why it is important that part of personal development involves an exploration of these different vehicles for self-employment. Some of them are advertised in a “get rich quick” format which can seem attractive to the unwary. This is why organisations like PRIME offer workshops on franchising and direct selling.

The area of personal development is therefore a critical part of the business cycle. By neglecting this aspect we will be constraining the horizons, opportunities and life chances of many of our workless over 50s. PRIME is creating courses where it is appropriate and where resources are available. It is also developing partnerships so that it can, with confidence, signpost the over 50s to organisations that can help them. What cannot be in doubt is the central role of personal development in the enterprise journey.

Business planning

With the development of local enterprise agencies in 1970s and 80s, usually under the auspices of local authorities, and with the over-arching Business Link development, there has been an infrastructure through which people over 50 could find the mainstream support and advice to assist them in building their business plan. Until 2006 it could be confidently asserted that this support was within travelling distance of the majority of people who wanted it. There was sufficient stability for PRIME to be able to feed the over 50s into mainstream provision when they were ready since its own surveys showed people over 50 would not spontaneously seek Business Link support.

Business planning is now contracted out to enterprise agencies by newly regionalised Business Link, (and by Scottish Enterprise and the Highlands and Islands Enterprise Board in Scotland and by Business Eye in Wales). The idea is that the Business Link is the central point of contact and provides an information, diagnostic and brokerage service.

Delays in contracting in some areas have led to the demise of a number of enterprise agencies and changes in the range of free assistance that can be offered. It is extremely difficult at this point to provide an accurate national picture. In some areas it appears that the regional Business Link are intending to provide services themselves, and in others they are committed to contracting out services. There is a serious danger that what will result will be post-code lottery with some people having no free support within travelling distance. Travelling distance has to mean, of course, accessibility by public transport.

Nevertheless the idea of business planning is central to the idea of starting a business. Barclays Bank have undertaken research to show that those who garner support in their planning stage are more likely to survive.

Finance

Any business needs some capital to finance a start-up. Market research, purchase of equipment or stock, set up of financial systems, marketing, and working capital requirements all need to be financed until the business becomes self supporting. The amount of finance required depends on the nature and growth rate of the business. Careful business planning is important to get the amount of finance required right.

A number of over 50s have the financial capacity to fund their own business start-up. Others have the collateral to borrow from the banks and other money markets. Those whom PRIME seeks to help generally find themselves outside these two categories. Many have difficult or none existent credit records. PRIME's research on people with whom it has been in contact shows that eighty per cent were workless before approaching PRIME and about half were living in rented accommodation. For a significant number, then, raising the finance to start the business is a key issue.

PRIME did run a loan scheme for those rejected by the traditional banking systems with capital borrowed from a bank on commercial terms and underwritten by guarantees from the DTI under the Phoenix Fund, Age Concern England and Help the Aged. The challenge for PRIME was to ensure there was sufficient local support for individual entrepreneurs aged 50+, whilst running a scheme that could develop the financial size and efficiency that can only occur with a national scheme. The scheme had to close when the Phoenix Fund was regionalised in 2006, and there are now many areas where no micro-finance loan schemes are available for this age group. Just under 100 entrepreneurs benefited from the PRIME loan scheme. PRIME would not claim it was an unmitigated success but would maintain that the principle of national finance and local support was the correct pattern, and PRIME is now in a position to run an improved loan scheme based on the back of the experience and understanding gained from the first loan scheme.

The New Deal self-employment programme was designed to enable the long-term unemployed on welfare to traverse a bridge from welfare to self-employment. The scheme allows an individual to undertake a course, develop a business plan and test trade for six months. Any profits from test trading are retained by the agency providing support until the six months are up.

In 2006-07 funds for the New Deal self-employment schemes were drastically curtailed, leading to a position where it was impossible to know whether a place would be available: a true post-code lottery. There was then a period of re-contracting which has substantially reduced the availability of places. Confusion with Her Majesty's Revenue and Customs over whether people can train and trade at the same time has made it more difficult for some people to join these schemes.

The two greatest failures in the New Deal self-employment schemes have been firstly the assumption that individuals could move from unemployment to business planning with the minimum of help, and secondly that people on welfare could finance their own market research. The New Deal scheme was adversely affected by hurrying people into test trading. The agencies contracted to run the schemes attribute the seeming haste to the pressure they were under from the funding regimes to ensure test trading commenced as soon as possible.

One of the key elements of any preparation for opening a business is the quality of market research. Without undertaking market research a business will be trying to learn on the job. Someone on welfare is unlikely to have the finance to undertake market research. A small grant would have made all the difference. As it is, those who choose the employee focussed New Deal route are entitled to a training grant, paid through their employer, when they find a job. The self-employed are unlikely to have the time for this when

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their business starts. It would be much more sensible to use the training funds for a market research grant for those on the self-employment route. PRIME contends that this would make a significant difference to the quality, profitability and sustainability of the businesses.

PRIME is continuing to explore avenues that could lead to opening up a loan stream for those aged over 50 who are outside the banks' credit system. The Unclaimed Assets Fund and proposals for a social investment bank may provide a route, as might the EU Jeremie proposals for micro-finance through the Development Bank. However there is a distinct lack of urgency in government and Regional Development Agency circles.

Post start-up support

Not all enterprise support is front-end loaded. Business Link and its Welsh, Scottish and Northern Ireland counterparts do offer some help and support to businesses that have already started, but this support appears to be very specific. Equally, the Business Volunteer Mentor scheme did ensure that those who wanted a business mentor after start-up had access to one. Unfortunately the scheme has now been closed as government funding was withdrawn.

PRIME recognises that the first few years after start-up can be lonely for new entrepreneurs who will be making decisions on a daily basis, assessing their markets, considering new marketing ploys, and trying to survive and flourish. This is why PRIME is pioneering 50+ business clubs which is a network of peer support for older entrepreneurs.

There are a range of business clubs that run on a commercial basis. The problem is that commercial clubs cost money. At the stage in a business when that support is most needed, money is at a premium. There are some clubs and networks specialising in providing for women, others for Black and Asian minority ethnic groups. PRIME has recognised that older entrepreneurs require their own space, where they can network and find support with those with whom they can empathise. PRIME is therefore seeking to fill this need and is piloting different models.

Exit support

There is evidence that entrepreneurs continue running their businesses and working longer than those in employment. Some of this may be due to the imposition of retirement ages on employees by pension schemes. Some of it may be due to the satisfaction that older entrepreneurs get from being their own bosses. Another reason may be that few entrepreneurs appear to get around to considering their pension provision. The insurance industry statistics show that only about 40 per cent of business owners have made some or adequate retirement provision. This is backed by research from Barclays.

However it is noticeable that at some point, older entrepreneurs either start to let their businesses run down, or just walk away from them. While many businesses are dependent on the individual, many other businesses could be sold on as going concerns. PRIME, through Department for Work and Pensions Funding, has been publicising to business owners aged 50 and over the importance of making pension provision. However PRIME would like to go further when funds permit.

There is no doubt that the exit from business can be better managed than it is being at present and PRIME is pressing for more sensible and robust strategies that will avoid people leaving businesses only to be precipitated back into poverty in their old age.

4.4 Improved support for older workers

According to PRIME, eleven per cent of the 50- SPA age cohort are self-employed and running their own businesses.⁹⁶ It is important to distinguish between entrepreneurs who have simply reached the age of 50 versus those who start up in business after this age. There is consensus in the literature on the need for further research to better understand and support the latter group. It is important to emphasise how diverse the 50+ self employed are as a group. Older people may face similar issues as a result of being in the same stage of life in work, employed or self employed, yet they do not represent a homogenous picture of the age group.

Governments have an important role to play in encouraging entrepreneurial activity. The institutional environments that entrepreneurs operate in – political, legal, and cultural – directly influence their activity and hence the course of economic development of the country. Recent research⁹⁷ shows that older entrepreneurs are an increasing population in many western countries including the USA and New Zealand. They are described as “necessity entrepreneurs” (those who are pushed into entrepreneurship) as opposed to “opportunity entrepreneurs” (those who want to exploit a perceived business opportunity).

Research conducted by PRIME reveals that personal characteristics influence the self-employment outcomes of the over 50s and therefore different approaches are required to help people set up in business. PRIME refutes the common presumption that the same business solutions are appropriate across all regions of the country citing the fact that different regions have had very diverse economic experiences which shape the cultural experiences and expectations of the workforce very differently.

The data (see tables above) shows that self-employment is already an important route into the labour market for people aged 50+, but a deeper examination of the facts suggests that more could be done to enable a greater proportion of the age-group to pursue this course. The following proposals are made in order to create a business support environment for the 50+ age group which will take those first vital steps in creating an expanding 50+ entrepreneurial society.

Improve access to training

The New Deal programme has a very small element of preparation and training leading up to the six-month test trading period. Consideration should be given to extending this period, as well as to an agreed flexible enterprise curriculum. Consideration should also be given to waiving tuition fees and charges for longer courses that would enable those aged 50+ who are not economically active to increase the opportunities for self-employment. The concern that it will encourage perpetual students that do not want to work is minimal compared with the opportunities that dropping tuition fees would open.

(96) Towards a 50+ Enterprise Culture: a PRIME report, January 2004

(97) See de Bruin, A. & Firkin, P. (2001) Self-employment of the older worker. Auckland, New Zealand; Bruce, D., Holtz-Eakin, D. & Quinn, J. (2000) Self-employment and labour market transitions at older ages, Boston; and Third age entrepreneurs – Profiting from experience (2001) Barclays Bank PLC, London.

Improve guidance

The visibility and availability of adult guidance needs to be improved. This is to ensure that the 50+ age group are aware of Information, Advice and Guidance (IAG) partnerships, and that IAGs are aware of the routes to self-employment.

Jobcentre Plus staff should be fully trained and briefed on self-employment to ensure they are capable of providing potential New Deal Self-employment programme clients with full information of the self-employment opportunities that are available.

Provide lifelong and continuous business support

The Government should consider funding continuing business support beyond business start-up for new 50+ entrepreneurs, including business mentoring and free business health checks.

Improve access to finance

Consideration should be given to introducing greater flexibility into the welfare system so that those aged 50+ can feel secure that they can start a business but immediately access the same level of welfare support if that business falters.

The confusion with HMRC needs to be resolved very quickly. The current situation is that individuals on Incapacity Benefit (IB) have to revert to Job Seekers Allowance (JSA) to be able to test trade because HMRC does not recognise a transition stage between training and welfare. The problem is that JSA is paid at a lower rate than IB. Current attempts to use the Working Tax Credit to bridge the difference are confusing even to the advisers trying to explain the system.

Finance for market research is a continuing problem for majority of new businesses. The Government should consider providing a grant to clients to undertake market research. The thinking is that this would offset the training grant payable to those who become employees since it is not realistic for someone self-employed to undertake post start-up training.

Finally there needs to be an improvement in the availability of micro-finance for business start-up for this age group. Community Development Finance is under-developed in the UK compared to some other countries and the United States of America in particular, where the Community Re-investment Act helped demonstrate that the private sector could play an immense role in this sector. What is required is a public-private sector push.

Improve knowledge of older entrepreneurs

Funding should be provided to conduct research into 50+ self-employment. A number of areas need further research including:

- Concerns and aspirations of those aged over 50 who say they do not want a job (The number of people aged 50+ who are registered unemployed is around 2 per cent of the 50-SPA cohort, or about 200,000 people. There is anecdotal evidence to suggest that this low number is directly related to a poor and limited understanding by many people of the benefits system. Some older people feel the process of claiming benefits, for example, having to complete a fortnightly report of what they have done to find employment, is demeaning, and are therefore unwillingly to claim. There is also the fact that Job Seekers Allowance is paid at a lower rate than Incapacity Benefit (IB), coupled with the fact that IB claimants do not have to be actively seeking work. PRIME believes that a number of older people who say they do not want work may simply be demonstrating a concern about whether their benefits may be stopped);
- The consequences of different cultural experiences on enterprise awareness, awareness of business support and the differentiation of levels of business support. (EfAC - the Enterprise for All Coalition comprising PRIME, PROWESS, the Black Training and Enterprise Group, the Social Enterprise Coalition, the Community Development Finance Association and the National Federation of Enterprise Agencies - report that despite recent policy initiatives, evidence shows that differences in successful entrepreneurial activity between some groups in society are widening and disadvantaged areas are not necessarily catching up. EfAC recommends that the Government examines why certain groups, individuals or areas are unable or are unwilling to access available support to enable the start-up and success of different forms of enterprise⁹⁸);
- The effects of regional economies on expectations and aspirations;
- The appropriate outreach models for different regions, sub-regions and communities (Government can be a catalyst to appropriately understand needs in an area or across different groups and sectors, to enable targeting of resources and government support to help fill gaps);
- The need for pension schemes for 50+ start-ups and the solutions available.

Improve outreach

According to PRIME, outreach is an important part of developing an entrepreneurial society. Outreach involves a robust communications programme via the various media, as well as a range of confidence building initiatives, assistance in identifying skills, and help in assessing opportunities. This requires that an outreach worker forms a relationship of trust with a community, often working with established neighbourhood organisations and groups.

It is important that a financing stream for outreach work is developed. PRIME is already developing work with its partner agencies of enterprise, but is hampered by lack of finance. The costs of outreach would be met by the extra revenues generated by an increase in business start-ups and business sustainability, and a reduction of the number of people on benefits.

(98) Enterprise for All: progressing the agenda, A report by the Enterprise for All Coalition, written by Andrea Westall

4.5 Conclusion

PRIME's interim report, "Olderpreneur Outcomes" which looked into what happened to people aged over 50 who contacted PRIME about starting in business, showed that 43 per cent had gone ahead and started a business, 30 per cent were still considering it, and only 27 per cent had given up.⁹⁹ People who contact PRIME turn out overwhelmingly to be aged in their 50s. Only 15 per cent of the respondents were people in their 60s or 70s. According to Patel and Gray (2006) what this appears to indicate is that the older people are when they contact PRIME the more they are prepared to get on with it and start their business and the less inclined they are to delay. The authors of *Grey Entrepreneurs in the UK* (2006) comment that this clearly runs counter to expectations if one is used to thinking in terms of enterprise as being a preserve of youth.

The Barclays Bank report, *Third Age Entrepreneurs – Profiting from experience* reveals that the number of businesses being set up by people aged over 50 is on the increase. Their survey shows that older entrepreneurs account for approximately 15 per cent of all business start-ups in England and Wales. Older entrepreneurs are also responsible for 50 per cent more start-ups in absolute terms than they were 10 years ago. Many older people who have suffered redundancies, or been retired or who are simply dissatisfied with previous jobs have opted to start their own business. According to Patel and Gray (2006), nearly a fifth of older entrepreneur start-ups were founded using redundancy payments and more than half of them set up in the area the owner had worked in before.

The Barclays Bank research also shows in the UK that companies started by older people tend to have a 70 per cent chance of surviving the crucial first 5 years compared with 28 per cent for companies started by younger people. This finding is in line with earlier research. Storey (1994) found that the survival rate of new British firms started by people 50-55 years was more than double of those begun by 20-25 year olds.

The rationale therefore for encouraging Government investment in older people to enable them pursue self employment is based on the fact that people are living longer (as much as 20 years after SPA), as well as that older entrepreneurs have been shown to have a much better survival rate, as we have seen above. It is clear that not all inactive over 50s can become entrepreneurs. However, there appears to be a target population of older workers who the Barclays study describe as possessing the necessary attributes and potential, but not converting them into entrepreneurial activity. That there is plenty of scope to improve entrepreneurship amongst older people is beyond doubt. The proportion of people between 50 and 65 starting up new enterprises varies significantly across the UK. In some parts of the country entrepreneurship amongst older people is almost as high as in the younger age groups. In Cornwall and Devon, Dorset and Somerset, all in the South-west, just over 6 per cent of the Third Age group are involved in their own businesses, compared to 7 per cent of under-50s. This is far higher than in London and the South-east, where the overwhelming majority of young entrepreneurs are based, and is double the number of their older counterparts.

We have seen how inactivity amongst over 50s is concentrated in the North-east, North-west, Wales and London. Should the Government intervene and increase enterprise opportunities for the older workers in these areas by helping them overcome the barriers to participation they currently face, the economic gains could be significant. Assuming that only 2% per cent of the 2.4 million inactive older workers were helped into self employment, almost 50,000 new businesses would be created. Even if we accept the argument that older entrepreneurs tend not to be associated with growth businesses, a number of these businesses would certainly employ staff and create new jobs. On these rather conservative assumptions, 100,000 jobs could be created over a few years via the self employment route.

(99) The report was based on telephone and email polling of 283 people, the vast majority of whom were interviewed by phone. All had originally contacted PRIME between October 2003 and May 2005.

POSTSCRIPT – THE SIZE OF THE PRIZE

It is clear that, if we could succeed in transferring 800,000 people aged between 50 and 65, who say they want to work, from the economically inactive list to paid employment, the benefits in terms of the welfare of those individuals would be huge. It would be worth spending a significant amount of money to achieve this, just in those terms.

But if the policies proposed in this report are pursued effectively, they are likely to result not in additional net costs, but in substantial gains for both the economy and the exchequer. To model the economic and financial impact of such an addition to the labour force in detail is beyond the resources available for this study, but some basic figuring makes it quite evident what the scale of the benefits to Britain's economy might be.

The employed labour force is 29 million, so an additional 800,000 people represent a boost of some 2.75%. As explained earlier, GDP growth in the long term is the sum of the growth in the labour force and the growth of labour productivity, so with GDP currently £1,300 billion, an increase in the labour force of 800,000 would be associated with a rise in GDP of about £35 billion. It could be less than this to the extent that the productivity of the new entrants was below average. Over time however their productivity would improve, and even with some writedown to take account of this effect the resulting increase in national income remains large.

The government currently appropriates 37% of GDP in tax. Assuming that this order of tax take continues to be the norm, the rise in tax revenues, on the basis of a £35 billion increase in GDP, would amount to around £13 billion per annum, once the 800,000 were all back in employment. Again this might have to be written down to reflect a lower productivity performance, but again the figure will remain large.

Moreover, the gains to the exchequer would not be limited to higher tax revenues. The benefit savings which would arise as people came off IB and the other benefits they currently receive, must also be taken into account. According to PRIME, the welfare costs associated with the 50 – SPA cohort amount to almost £10 billion per annum. Hence if a third of this group returned to work, the proportion which 800,000 people represents, the saving would be more than £3 billion per annum.

Clearly it will take several years to achieve a return to work on this scale, but taking account of the progress achieved in the course of the last 10 years, it does not seem over-ambitious to assume that it might be accomplished on a 10 year timescale. In this case, the benefits to the exchequer would rise at the rate of about £1.5 billion a year.

Even though this figuring is crude, it is surely perfectly clear that it is worth putting substantial funding behind the two main sets of proposals in this report - a major effort to transform attitudes and practices relating to age discrimination across the bulk of the private sector, and a drive to raise the rate of self-employment – not just to generate social benefits, but on hard-headed financial and economic grounds.

(Footnotes)

1 DWP Work and Pensions Longitudinal Study (WPLS), 100 % sample at February 2006

2 Source: Labour Force Survey, Spring 2006

3 April 2003 – August 2006, New Deal 50 Plus – Job (Individuals) Source: DWP online Tabulation Tool (<http://www.dwp.gov.uk/asd/tabtoll.asp>)

