



# Resolution Foundation

## *Unfinished Business: Barriers and opportunities for older workers*

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## *Executive summary*

Older workers are a significant and growing part of the UK workforce. More over-50s are working now than in the recent past and many are working for longer. This is a welcome trend as many older people want to work beyond state pension age. However, there are also strong financial imperatives to extend working lives. The cost of living is high and rising. People are living longer, healthier lives but pension schemes are no longer offering generous provision for older age, placing an onus on people to provide for themselves. Given that the majority of household saving for retirement is done after people reach age 50, extending working lives is critical to avoiding poverty in later life. Put these factors together and longer working lives become vital for many households to maintain a decent standard of living into retirement.

There are clear signs that the UK could improve the employment situation of older people. The over 50s are less likely to be employed than younger people and we know internationally that this does not need to be the case. They are also more likely to be long-term unemployed than younger workers and face greater barriers to finding a job than their younger counterparts. Furthermore, there is a large employment gap for older people between the UK and some of our international competitors. The average employment rate for 55 to 64 year olds in the five best performing countries – Iceland, New Zealand, Sweden, Norway and Switzerland - is around 15 percentage points higher than in the UK. If we were to match the average employment rate of older people in those countries in the OECD that currently outperform us, 1.5 million more 50 to 64 year olds would be in work.

Two groups of older people in the UK face particular barriers to employment and have benefited less from the recent growth in employment rates. Over 50s living in low to middle income households (LMIs) are less likely to be in work than those living in higher income households. However, they face greater financial pressures to remain in work in order to keep saving for later life. Older women are less likely to be employed than older men. Though this partly reflects a difference in the state pension age, the gender gap widens for people in their 50s, well before either sex reaches pensionable age.

Planned increases in the state pension age over time, particularly for women, will create new financial incentives for older workers to remain in employment. However, without parallel changes to tackle the other barriers to older employment, this change will hinder rather than help some older women who are unable to find or keep employment. The employment gap between the UK

and our international competitors for those in their 50s suggests that other factors work against employment among the over fifties.

Poor health and caring responsibilities are two of the major factors that push older people out of the labour market. Better access to flexible working opportunities will be critical to tackling both barriers but women and those on low to middle incomes who most need flexibility are least likely to benefit from it. A lack of targeted support for older unemployed people to find work coupled with age discrimination in the workplace can also prevent or disincentivise longer working lives. Beyond the state pension age, there are a series of other financial incentives, such as the availability of alternatives to retirement benefits such as Employment Support Allowance and the structure of age-related national insurance contributions, that could be strengthened or better aligned to promote longer working lives.

As the population ages and both the proportion of older workers and the demand for informal care rise, the need for government and employers to facilitate extended working lives will only become greater. The barriers to older employment are not insurmountable. A second report, to be published later this year, will give detailed policy recommendations designed to increase opportunities for older people to have longer working lives.

## Introduction

Older workers are a significant group within the UK's workforce. Over the last two decades, employment among the over 50s has grown by a third with many of those who choose to work, working for longer.<sup>1</sup> Although the recession has seen unemployment among the group double, with an aging population, we would expect the number of older people in work to continue to increase in the future.

There are many reasons to suggest that longer working lives are the result of positive changes – longer, healthier lives, improvements in healthcare and a more skilled workforce. But beyond the good news, there is also a pressing need to extend working lives. For many people on low to middle incomes, a longer working life is simply a necessity to maintain a decent standard of living, rather than a choice.<sup>2</sup> The cost of living is rising, while wages have stagnated for all but the richest households<sup>3</sup> and long-term growth in salaries for 50 to 59 year olds is lagging behind that of 30 to 49 year olds.<sup>4</sup> Most importantly, for many, the majority of their saving for retirement is done after they turn 50 which makes the later working years critical to building sufficient savings to avoid poverty in retirement.<sup>5</sup> This is especially important because income from the state pension is low relative to other comparable countries<sup>6</sup> and two in three are not contributing to a private pension<sup>7</sup>. In fact, only one in four people in work aged between 50 and SPA are likely to be able to meet their target income in retirement if they stop working at SPA.<sup>8</sup>

From a national rather than a household perspective, long working lives are equally critical. An aging population and rising life expectancy will put a strain on the taxpayer-funded public pension system. Public spending on pensions more than doubled between 1980 and 2010<sup>9</sup> in real terms and is projected to rise further to £250bn by 2050.<sup>10</sup> However, the forecast for public spending on pensions in the UK is favourable when compared to some of our nearest neighbours. The comparatively high

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<sup>1</sup> ONS, "Labour market statistics", June 2012

<sup>2</sup> Adults in low to middle income households (LMIs) have a household income that is below the median but are broadly independent of state support

<sup>3</sup> Resolution Foundation, "Growth without gain? The faltering living standards of people on low-to-middle incomes", 2011 <http://bit.ly/N0adsj>

<sup>4</sup> Resolution Foundation analysis of ASHE: Refers to gross weekly pay for full-time employees, 1975 – 2010

<sup>5</sup> Cabinet Office, "Winning the generation game", 2000

<sup>6</sup> OECD, "Pensions Outlook", 2012

<sup>7</sup> Resolution Foundation analysis of the Family Resources Survey 2009/10; Private pension refers to personal or occupational pension

<sup>8</sup> Pensions Policy Institute, "Retirement income and assets: the implications for retirement income of Government policies to extend working lives", 2012

<sup>9</sup> DWP, "A sustainable state pension", 2010

<sup>10</sup> ONS, "Pension trends", Chapter 5: State pensions, 2012

replacement rates afforded by state pensions in much of Western Europe coupled with faster rates of population aging leave these countries worse off.

It is, therefore a concern that employment for the over 50s still lags behind that of core ages and behind many of our international competitors. Although the UK is a good performer by continental European standards, we fall behind in comparison to Scandinavian and North American countries. The average employment rate for the over 50s in the top five performing countries for older employment is 72.3 per cent, around 15 percentage points higher than the UK rate. Over a million more older people would be in work if the UK matched the employment rate for 50 to 64 year olds of better performing countries in the OECD.<sup>11</sup>

Of course, some of this gap in performance is linked to the low female state pension age that the UK has had up until now. Raising the state pension age will no doubt increase employment among older people by creating a strong financial incentive to remain in work. However, it is not a panacea. Without parallel changes in the employment support on offer for older people, this change will hinder rather than help some older women. Furthermore, the presence of significant employment gaps between the UK and the best performers in the OECD for those in their fifties, five to 10 years before state pension age, suggests that ill-health, caring responsibilities, access to employment support and the availability of flexible working are also important barriers. The majority of older people want to work past state pension age, yet too many are faced with major barriers to working in later life.

Barriers are particularly high for certain groups. Although the growth in employment rates among older women has outstripped that of men over the last twenty years, there is still a significant gender gap in employment for this age group and a large gender pay gap.<sup>12</sup> Older people in the low to middle income group also fall behind their more affluent peers, with potentially severe consequences for standards of living in retirement.<sup>13</sup> The majority of this group are not eligible for means-tested pension benefits yet are unable to build sufficient savings to maintain a comfortable standard of living in retirement. As a consequence, more than one in three low to middle income households is worried about managing financially in retirement.<sup>14</sup>

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<sup>11</sup> Resolution Foundation analysis based on OECD data

<sup>12</sup> ONS, "Labour market statistics", June 2012

<sup>13</sup> Resolution Foundation analysis based on the Family Resources Survey 2009/10

<sup>14</sup> Unpublished: polling for Resolution Foundation of 2,000 British adults carried out face to face by Ipsos MORI during 30 March – 5 April 2012. Data are weighted to the national profile. Other results from the poll can be found in Resolution Foundation's press release, 25 April 2012 <http://bit.ly/LIHtVe>

The overall policy framework for older people, whether working or retired, has evolved in a highly piecemeal fashion and much of it feels dated. High levels of poverty in the 1980s and much of the 1990s still forms the back-drop to the way older people are treated in the tax and benefit system. This approach was successful in reducing poverty among this group – pensioner poverty is now at its lowest level since 1984<sup>15</sup>. And it is of course the case that for many pensioners poverty remains a pressing problem that needs to be addressed. But it is also the case that the economic position of older people, including pensioners, is dramatically more diverse than it was in the past. Yet aspects of benefits policy still treat pensioners as if they were a relatively homogenous group. And the rise in state pension age and abolition of the default retirement age, though welcome developments, have not been coupled with a wider labour market policy that reflects and promotes longer working lives. Current reforms to the employment support system, predominantly through the Work Programme, and to the benefits system through the introduction of Universal Credit, are an opportunity to address the barriers faced by older workers – but they risk being an opportunity missed. The social care system is yet to be reformed – or a new funding system agreed – so that it is able to meet the impending increase in demand and support more people to stay in employment. The challenges we face in extending working lives will only become more profound as the nation ages. In fact, there is a risk of exacerbating current inequalities in retirement incomes if we fail to address barriers to older employment, particularly for women and those on low to middle incomes.

This report is the first of a major study into the older workforce who are a critical to maintaining living standards now and into the future. This report describes the older workforce, with a particular focus on older people in low to middle income households who have the greatest need to remain in work and also face the highest barriers. A second report, with detailed policy recommendations, will be published later this year.

This report is structured in three sections. Section 1 sets out the situation for older workers in the UK. Section 2 compares the employment of older people in the UK with that of other, similar countries in the OECD. Section 3 identifies the key barriers to employment for older workers in the UK.

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<sup>15</sup> IFS, “Living standards, poverty and inequality in the UK: 2012” for JRF, 2012

## Section 1 – The level of older employment has risen, but there is room for improvement

There are currently 8.4m people over the age of 50 in work, making up 29 per cent of the workforce.<sup>16</sup> Following a strong trend to early retirement in the 1970s and 80s, the employment rate of older people (aged 50 to 64) rose steadily until 2003. From 2003 to 2008, the employment rate improved only slightly, before falling in 2008 as shown in Figure 1. The number of older people<sup>17</sup> in employment increased from 5 million in 1992 to 7.5 million in 2012, a rise of 50 per cent. The corresponding rise in the employment rate from 56.5 per cent to 65.7 per cent was less stark because the number of over 50s in the population was simultaneously increasing as the baby boomers moved towards retirement. Not only are more people in work, but many are also working for longer: the average retirement age rose by a year for men and by two years for women between 1984 and 2010.<sup>18</sup> Men now retire on average a few months before the male state pension age (SPA) at 64 years 7 months, and women retire more than two years after the female SPA, at 62 years 4 months.<sup>19</sup>

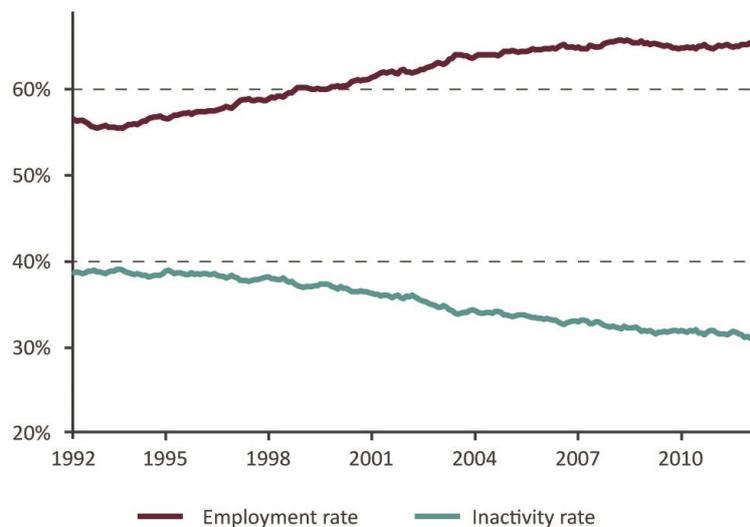


Figure 1: Employment and inactivity rates for 50 to 64 year olds from 1992 to 2012 (UK)

Source: ONS, "Labour market statistics", June 2012

<sup>16</sup> Resolution Foundation analysis based on the Labour Force Survey

<sup>17</sup> Older people refers to those aged 50-64 unless otherwise stated

<sup>18</sup> ONS, "Pension trends", Chapter 4: The labour market and retirement, 2012; Refers to the effective retirement age, which is the age at which someone retires rather than the official retirement age or state pension age (SPA)

<sup>19</sup> ibid

Around two in three older people are in work, compared to four out of five of the 25 to 49 year old age group. Figure 2 shows the employment rates of each age group for men and women. While some of the difference in employment levels is the result of retirement decisions, particularly the sharp drop in employment post-65, retirement does not account for the entire employment gap between the generations. The majority of those leaving their jobs between 50 and 64 move into unemployment or onto disability benefits rather than retirement.<sup>20</sup> The employment gap between older and younger people is partly explained by factors that take older people out of the labour market – the nature of work-related financial incentives including pensions, caring responsibilities and poor health – as well as factors that form barriers to entry for older jobseekers, including inadequate back-to-work support, age discrimination and lack of training opportunities. These barriers are discussed in more detail in Section 3.

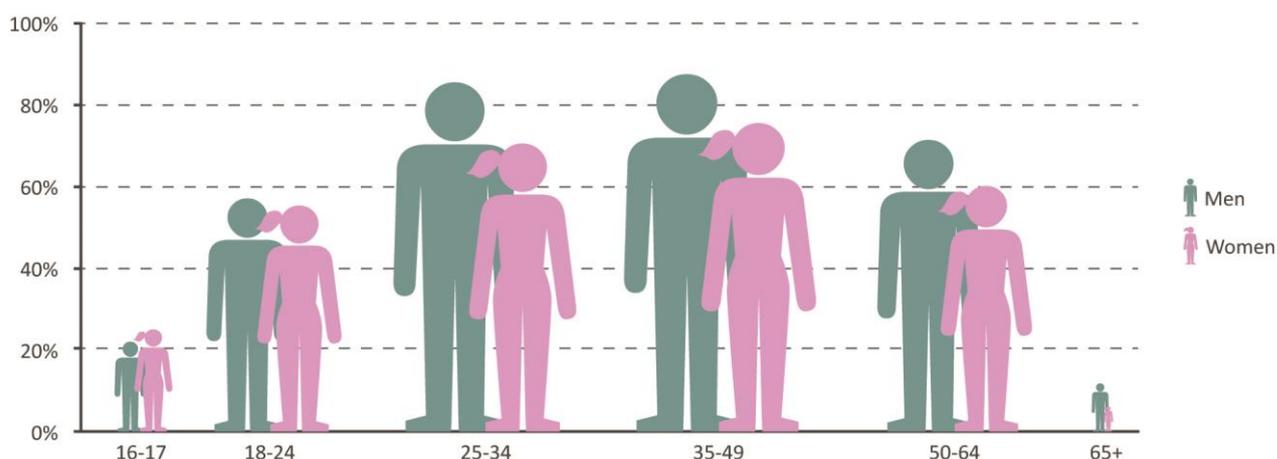


Figure 2: Employment rate by age and gender (UK)

Source: ONS, "Labour market statistics", June 2012

<sup>20</sup> OECD, "Pensions at a Glance: Retirement-income systems in OECD and G20 countries", 2011

As well as the likelihood of being in work, the nature of work also varies with age. Figure 3 shows the share of different types of employment by age. As we might expect, the proportion of workers who are full time employees falls with age, while the proportion in part time employment rises. Full and part-time self-employment is more common among older groups.

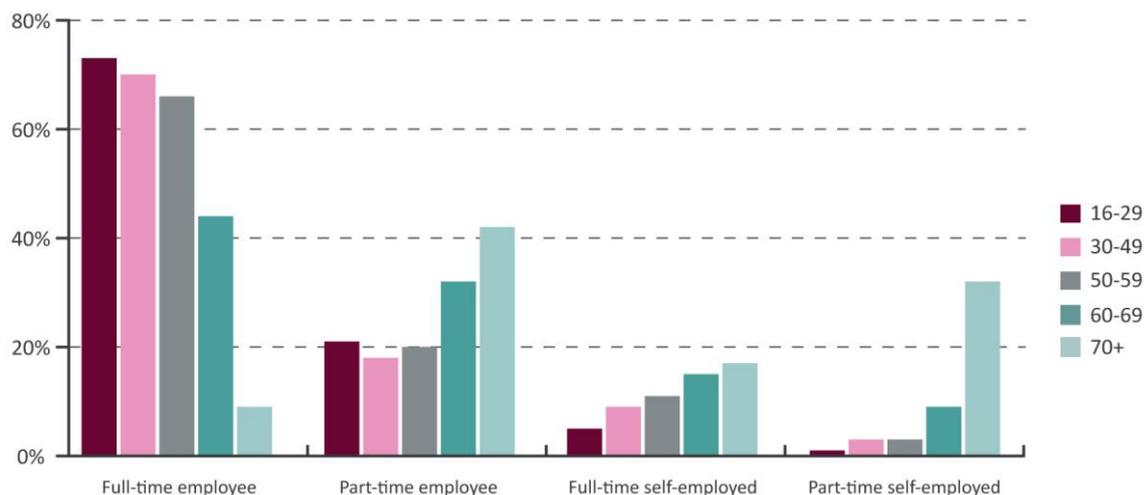


Figure 3: Share of employment by whether full or part time employed or self-employed, by age (UK)

Source: Resolution Foundation analysis based on the Family Resources Survey 2009/10

There are also significant regional differences in the employment levels of people aged 50 to SPA as shown in Figure 4. The regional employment rate for this group varies from 60 per cent in the North East and Northern Ireland to a high of 77 per cent in the Eastern region.<sup>21</sup> This level of regional variation is more than twice that of 16 to 49 year olds.

The prevalence of different types of employment also varies significantly between regions. For example, self-employment is most common in the Southern and Eastern regions, and lowest in the North East and North West. Unsurprisingly, the areas with the lowest employment rates also have the highest permanent sickness and disability rates as well as the highest proportion of retired people.

<sup>21</sup> Resolution Foundation analysis based on the Family Resources Survey 2009/10; Employment includes full-time and part-time employed and self-employed



Figure 4: Employment rates for those aged 50 to SPA for each Government Office region of the UK

Source: Resolution Foundation analysis based on the Family Resources Survey 2009/10

Notes: Employment includes full-time and part-time for both employment and self-employment

## Unemployment among older workers

The proportion of the group that is unemployed has fallen over recent decade and appears low compared to younger generations. However, it is notoriously difficult to measure unemployment among older people. The normal way to understand unemployment is by looking at the unemployment rate, which is a measure of people who are not in work and are actively seeking it. Amongst the young, this rate encapsulates the vast majority of people who are not working but would like to be. The same cannot be said of the over-50s. This is because some older people do not classify themselves as unemployed, despite wanting to work. Considering the difficulties older people face in finding work, some chose to associate themselves with a less stigmatized label. One estimate finds one in four older people (50 to SPA) who aren't in work want to be, despite not seeking it.<sup>22</sup> These people are not counted in the official unemployment rate, making it artificially low.

Although the true level of unemployment among older people is difficult to quantify, it is clear that finding a new job is tough. In fact, the older a person is the less likely they are to find a job.<sup>23</sup> This is reflected in the high proportion of older jobseekers who are unemployed for more than a year. Around half of older unemployed people are in this position and, as Figure 5 shows, this is a higher proportion than for any other age group for both men and women.



Figure 5: Proportion of the unemployed that have been so for over a year, by age group

Source: ONS, "Labour market statistics", June 2012

<sup>22</sup> A. Humphrey, P. Costigan, K. Pickering, N. Stratford, M. Barnes, National Centre for Social Research with IFS for DWP, "Factors affecting the labour market participation of older workers", 2003

<sup>23</sup> P. Stam and K. Long for ONS, "Explaining exits from unemployment in the UK, 2006–09", 2009

While this long term unemployment rate is high, it does not give the full scale of the difficulties older people face finding work. This is because it does not include the significant proportion of older people who have effectively given up their job search. In fact, one in two older unemployed people become economically inactive (retirement or ill-health status), rather than moving back into work.<sup>24</sup> Modelling by Herbertsson (2001) suggests that a 5 percentage point increase in the rate of older unemployment results in a 2.5 percentage point fall in the participation rate of the group. In other words, half of those who become unemployed give up their job search and leave the labour market entirely.

Long-term unemployment has an immediate and significant impact in the form of loss of income and status and an associated drop in standard of living, as well as its long-term effect on the likelihood of future employment.<sup>25</sup> Recent analysis by Policy Exchange shows that for those who do eventually find work after a period of long-term unemployment in later life, the negative effect of unemployment on future wages is considerably greater than it is for younger or middle-aged workers.<sup>26</sup>

### **Older workers in recessions**

Unemployment among older people soared at the onset of the financial crisis. Since 2008, the number of unemployed people aged 50 to 64 has risen by 53 per cent. Over the course of the economic slump, it has also become more difficult for the older unemployed to find work. The proportion of the older unemployed group that is unemployed for over a year has risen from 33.2 per cent to 44.5 per cent as shown in Figure 6.<sup>27</sup> Older workers have also seen the biggest increases in redundancies over the course of the recession.<sup>28</sup>

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<sup>24</sup> OECD, "Pensions at a Glance", 2011

<sup>25</sup> S. Machin and A. Manning, "The Causes and Consequences of Long-Term Unemployment in Europe", 1998

<sup>26</sup> Policy Exchange, "Too Much to Lose: Understanding and Supporting Britain's Older Workers", 2012

<sup>27</sup> ONS, "Labour market statistics", June 2012

<sup>28</sup> *ibid*

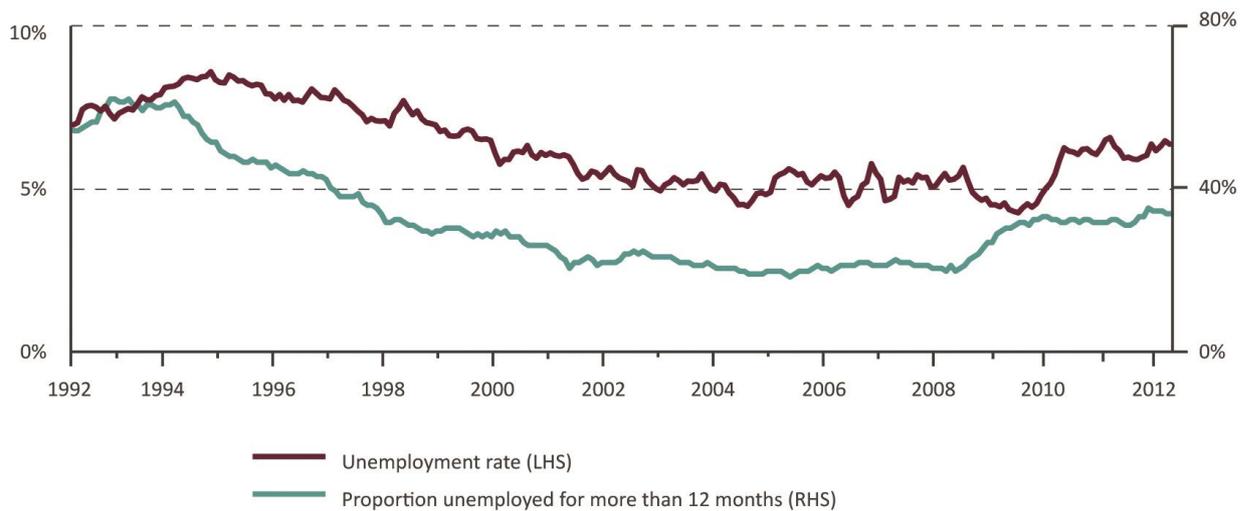


Figure 6: Unemployment rate and proportion that are long-term unemployed for 50-64 year olds

Source: ONS, "Labour market statistics", June 2012

However, the impact of the current recession has been less severe than that of previous ones for several reasons. Industrial change and the predominance of older workers in part-time roles have limited the adverse impact of weak labour demand. Conversely, greater job protection and the reduced value of pension pots have led to older workers remaining in work for longer. A summary of these factors is given in Table 1.

As Figure 7 shows that the proportion of workers of all ages in traditional industries has fallen from nearly three in ten to one in ten since 1978. As older workers are more likely to be in these industries, it is likely that this long-term decline has mostly affected the older workforce. Thousands of older workers have become skilled in roles and industries that no longer exist, leaving a legacy of high unemployment and inactivity among older people in some parts of the country. However, there is also a more positive outcome of this shift. These sectors are vulnerable in recessions and tend to see high levels of unemployment.<sup>29</sup> A fall in the proportion of older workers in these industries suggests a parallel fall in the vulnerability of the cohort to unemployment during recessions. Overall, this shift from manufacturing to services should leave the older cohort less affected during recessions.

<sup>29</sup> The Work Foundation, "Recession and the Knowledge Economy", 2009

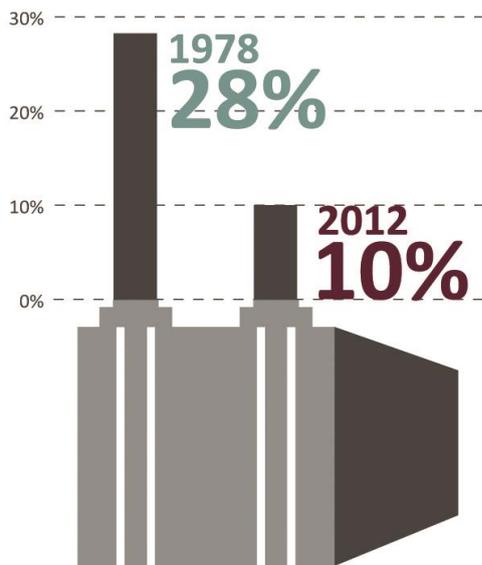


Figure 7: Proportion of workforce jobs in traditional industries, 1978 and 2012

Source: ONS, "Labour market statistics", June 2012

Note: Traditional industries are defined here as agriculture, forestry & fishing, mining & quarrying, and manufacturing

The increase in the prevalence of part-time work among older people may also partly mitigate against the impact of a recession. Over the last twenty years, it has become much more common for older workers to be in part-time roles. As these are also the type of roles that have shown the most growth in the recent recession, it is not surprising that older workers have fared better than in the past.

Third, older workers have more employment protection now than in the past (see table 1). Although major concerns about age discrimination remain, the UK no longer has a default retirement age and has gained anti-discrimination legislation.

Finally, poor economic conditions reduce the value of pension savings. This in turn tends to affect the retirement decisions of some would-be-retirees and can act as a countervailing force to weak labour market demand. Left with a smaller pension pot than anticipated, some people chose to stay in the workplace to bolster their savings. This effect is partly behind the fall in the number of people retiring since 2008.<sup>30</sup> These four factors do not act alone. However they are likely to be key in explaining the impact of the current recession on older employment as summarised in Table 1.

<sup>30</sup> ONS, "Labour market statistics", June 2012

**Table 1. Comparison of selected factors in 1980s and 2010s.**

	<b>Then and....</b>	<b>Now</b>
<b>Industrial change</b>	28 per cent workers in traditional industries (1978)...	...Falling to 10 per cent in these industries in 2010
<b>Job protection</b>	The predominant measure affecting employment decisions of older workers at this time was the Job Release Scheme (1977-88), intended to stimulate demand for younger recruits by encouraging older people to retire early. <sup>31</sup> Employees had no specific rights against age discrimination.	The removal of the default retirement age in October 2011, which was introduced in 2006 so that employees could be dismissed on reaching the state pension age, means older workers can no longer be made redundant solely on the grounds of age. Anti-discrimination legislation also protects older workers by making it illegal to discriminate in recruitment or training on the grounds of age.
<b>Part-time roles</b>	21.2 per cent of 55-64 year olds were in part time roles (1983)...	...rising by a third to 28.3 per cent in 2012.

Sources: ONS, "Labour market statistics", June 2012

### **What do older workers want?**

There is a considerable demand from employees to work beyond state pension age. Over half of working age adults (56 per cent) want to continue working once they reach pensionable age.<sup>32</sup> When they do come to retire, many older people would like their retirement to be phased in rather than a single event. Four out of five would find it appealing to combine part-time work with taking a partial pension.<sup>33</sup>

<sup>31</sup> Though since recognised to be a misguided attempt at easing the high youth unemployment of the time, the scheme, had a significant effect on older employment rates which fell considerably over the period.

<sup>32</sup> European Commission, "Active Ageing: Special Eurobarometer 378", 2012

<sup>33</sup> D. Smeaton, S. Vegeris and M. Sahin-Dikmen, Policy Studies Institute for the Equality and Human Rights Commission, "Older workers: employment preferences, barriers and solutions", 2009

Women and men have very similar preferences about working past SPA. Two thirds (64 per cent) of older employed women would like to retire after 60. The same proportion of men would like to retire at or after 65. However, this reflects SPA as it has been, not as it will be. With the female state pension age rising, it is instructive to look at women's attitudes to working beyond their mid-sixties. Two thirds of older women would like to retire before the equivalent male SPA of 65.<sup>34</sup> However, this still leaves significant room for progress on older employment given the large numbers who want to continue to work between 60 and 65.

Whatever older workers may want, many are not able to meet their preferences. For example, a significant minority of retirees feel that they were forced to retire early. Conversely, some people have to work longer than they would like out of financial necessity. Around one in ten of those intending to retire after SPA felt that they had been forced to do so because they could not afford to retire any earlier.<sup>35</sup> This diversity of experience shows that older workers are not a homogenous group. This reinforces the need to enable people to work or to retire, given their needs and preferences.

### **Which groups of older workers are most affected?**

While there are barriers to employment for older workers in general, people in low to middle income households and women face particular challenges.

### **Older people in low to middle income households**

Differences in employment within the older age group are more marked than those between age groups.<sup>36</sup> One quarter of adults living in low to middle income households are aged 50 or over. These three million over-50s are less likely to be in work than those living in higher income households of the same age, as Figure 8 shows. Older people in low to middle income households are also more likely to be unemployed and, of the unemployed, are more likely to be long-term unemployed. Of those who are not in work, the majority are in poor health or looking for work rather than retired.<sup>37</sup>

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<sup>34</sup> *ibid*

<sup>35</sup> A. Humphrey, P. Costigan, K. Pickering, N. Stratford, M. Barnes, National Centre for Social Research with IFS for DWP, "Factors affecting the labour market participation of older workers", 2003

<sup>36</sup> D. Smeaton, S. Vegeris and M. Sahin-Dikmen, Policy Studies Institute for the Equality and Human Rights Commission, "Older workers: employment preferences, barriers and solutions", 2009

<sup>37</sup> Resolution Foundation analysis based on the Family Resources Survey 2009/10

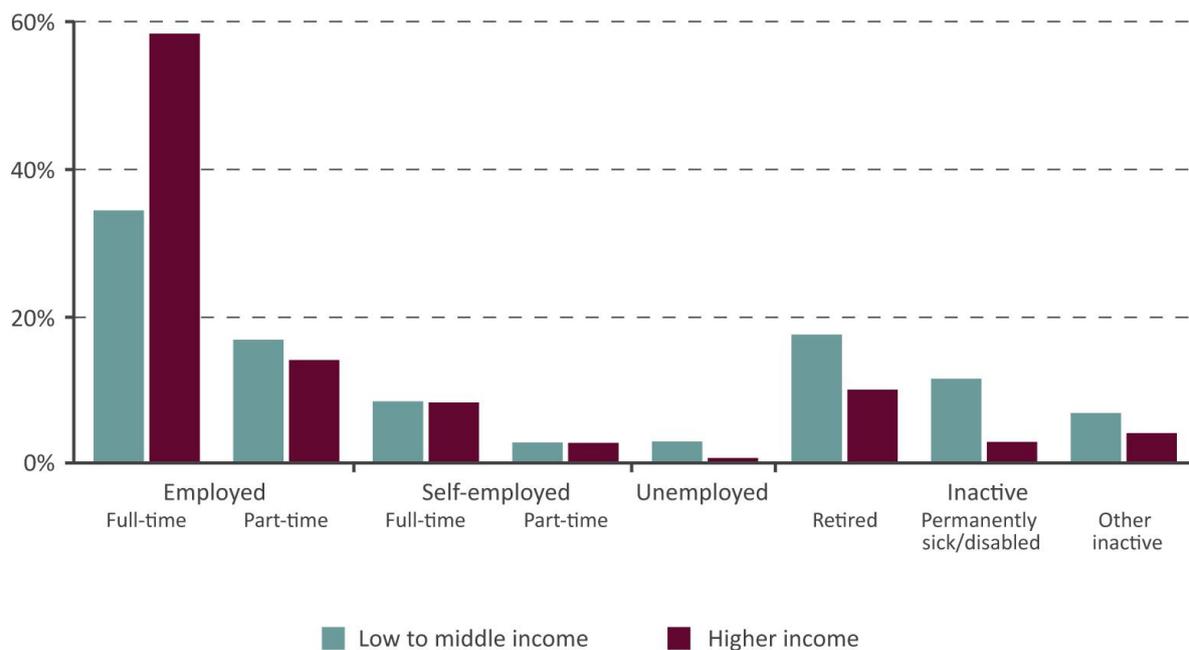


Figure 8: Employment status for over-50s in low to middle income and higher income households

Source: Resolution Foundation analysis of the Family Resources Survey 2009/10

As well as the likelihood of being employed, the nature of work for low to middle income older people is distinct from that of older people in higher income households. Older workers on low to middle incomes are over-represented in traditional industries and are, therefore, more likely to face unemployment during a recession.<sup>38</sup> Furthermore, they are likely to be more directly affected by projected falls in public sector employment over the next five years than their higher income peers.<sup>39</sup> Many in the group, especially women, work in the public sector in areas such as education, health, social care and public administration.<sup>40</sup>

Older people in the higher income group tend to be in more senior positions and in professional occupations, partly reflecting higher level skills and qualifications.<sup>41</sup> Older low to middle income workers tend to be in routine or semi-routine, sales and service and administrative and secretarial roles<sup>42</sup>, jobs in which a higher proportion of workers feel that their job is less than ideal.<sup>43</sup> The benefits of high quality work are significant across all age groups. However this issue is particularly

<sup>38</sup> Resolution Foundation analysis of the Family Resources Survey 2009/10

<sup>39</sup> OBR, "Economic and fiscal outlook", March 2012

<sup>40</sup> Resolution Foundation analysis based on the Family Resources Survey 2009/10

<sup>41</sup> *ibid*

<sup>42</sup> *ibid*

<sup>43</sup> D. Smeaton, S. Vegeris and M. Sahin-Dikmen, Policy Studies Institute for the Equality and Human Rights Commission, "Older workers: employment preferences, barriers and solutions", 2009

relevant to extending working lives given that the employment rates of older people are related to the quality of their employment.<sup>44</sup>

## Women

Overall around 60 per cent of the growth in older employment over the last three decades has been due to a rise in female employment.<sup>45</sup> Over the last twenty years, older women's employment rates rose by 28 per cent while older men's employment rates grew by only 8 per cent. It is to be expected that older women's employment rates have grown proportionately more than older men's as each successive cohort of women since the middle of the last century has had a greater degree of labour market attachment than its predecessors, raising female employment rates at all ages. As with the current younger generation, the movement of older female workers into the labour market has made a significant contribution to household living standards. However, despite this growth, older women remain less likely to be employed than older men: 60.1 per cent are employed compared to 71.6 per cent of men.<sup>46</sup>

The UK gender gap – the difference between the employment rates of men compared to women – is greater for the over-55s than for any other age group. In part, this reflects changing attitudes to female employment over time. As it becomes more acceptable and possible for women to have a career and a family, more women will move into and stay in work. This means that the gender gap among older people will always be larger than among younger age groups. It is, therefore, more relevant to look at differences between similar age groups.

The employment gap between men and women between 60 and 64 years old is particularly large, at 20 percentage points. In part, this reflects differences in the state pension age. With the female state pension age previously 60 and the male SPA 65, it is not surprising that the gender gap in employment for 60 to 64 year olds is so high. However, there is still a 10 percentage point gap in employment between men and woman before SPA, between 55 and 59 years.<sup>47</sup> The gender gap shown in Figure 9 reflects differences in overall employment rates for men and women and does not take into account differences in hours worked. As older women (much like those in their 30s and

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<sup>44</sup> L. Davoine "The Employment rate of "seniors" and employment quality throughout the life cycle: A comparative approach", 2005

<sup>45</sup> Resolution Foundation analysis based on the Labour Force Survey

<sup>46</sup> ONS, "Labour market statistics", June 2012

<sup>47</sup> Resolution Foundation analysis based on the Labour Force Survey

40s) are much more likely to be in part-time roles than men, the gender gap in full-time equivalent employment would be much greater.

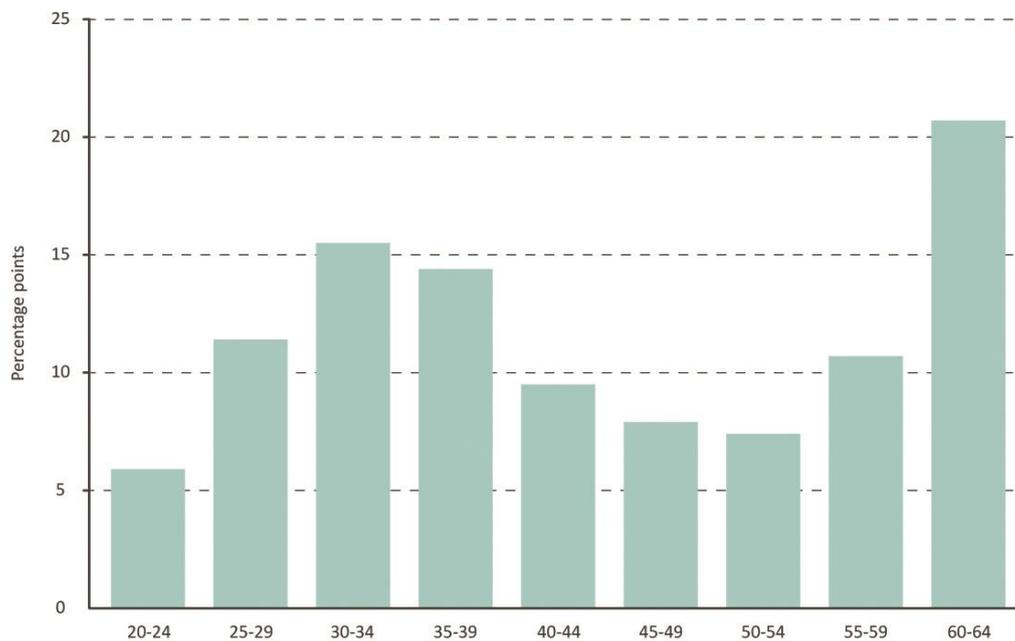


Figure 9: UK gender gap for employment rates (percentage point addition for men)

Source: Resolution Foundation analysis based on the Labour Force Survey

Notes: Data refers to 2010

The female SPA is currently rising to equalise with the male SPA at 65, after which both will increase incrementally to 68 by 2046.<sup>48</sup> As there is a strong correspondence between the pension age and labour market exit<sup>49</sup>, the rise in female SPA is likely to significantly increase the level of older participation among women. This will also have a knock on effect on older men’s participation as employment decisions tend to be taken on a household, rather than an individual, level, with men more likely to work if their female partners also work. Around one third of the increase in participation among married men aged 55 to 64 from the late 1990s to the late 2000s can be explained by an increase in the labour market participation of their wives.<sup>50</sup>

However, the presence of a substantial employment gap before age 60 suggests that equalising the SPA alone will not close the gender employment gap and several other important factors are at play.

<sup>48</sup> The Government have suggested that this may be bought forward to 2036.

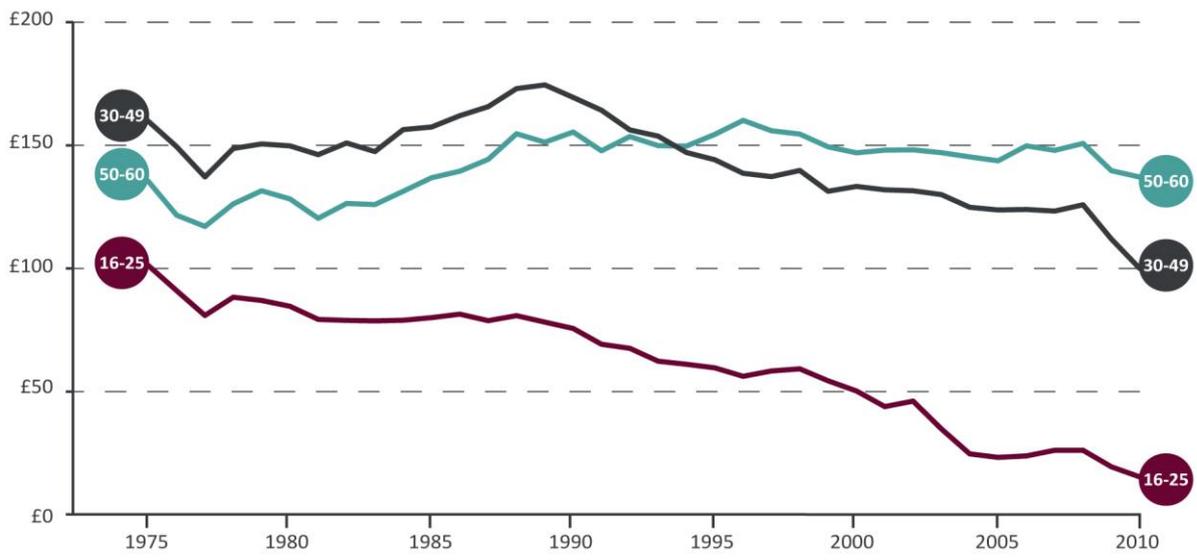
<sup>49</sup> J. Gruber and D. Wise for NBER, “Social Security and Retirement Around the World: Micro-Estimation”, 2004; Blundell 2004

<sup>50</sup> T Schirle, “Why have the labour force participation rates of older men increased since the mid-1990s?”, 2008

First, women tend to have greater caring responsibilities which can contribute to decisions to stop working. This is discussed in more detail in Section 3. Second, the income to be gained from a longer working life tends to be less for women than for men due to the typically weaker labour market attachment of working in part-time (and usually lower-skilled and lower paid) jobs.<sup>51</sup> This is reflected in a gender pay gap for older workers. The pay gap among older people remains higher than for younger groups, and more stubborn, as Figure 10 shows. Since 1975, the pay gap has nearly disappeared for 16 to 29 year olds and has shrunk for 30 to 49 year olds (in real terms, 2010). However, for 50 to 60 year olds, the gap increased throughout the 1980s and early 1990s, and has remained broadly constant since. However, it is important to note that this is a raw pay gap covering all earners within each age group and does not take into account the relative skill level of earners or the nature of their jobs. This raw pay gap persists for older workers in part because older women are more frequently found in lower skilled roles than older men.

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<sup>51</sup> Resolution Foundation, "Growth without gain? The faltering living standards of people on low-to-middle incomes", 2011 <http://bit.ly/N0adsj>



**Gross weekly pay gap (2010 real terms)**

Age group	1975	2010	Change
16-29	£101	£15	−£86
30-49	£160	£100	−£60
50-60	£135	£137	£2

Figure 10: Raw pay gap at median earnings, relative to male earnings

Source: Resolution Foundation analysis based on ONS Annual Survey of Hours and Earnings

Notes: Pay refers to gross weekly pay for full-time employees

As well as being less likely to be in employment than older men, for those women who are in work, the nature of employment in later life is very different to that of older men. This is particularly the case for older women in low to middle income households. As Figure 11 shows, those aged 50 to 59 are less likely to be in full time employment than men, and they are less likely to be in the higher quality form of flexible work: self-employment.

Older women are much more likely to be in part-time work than older men (this gender divide in part-time work is apparent throughout the generations). Though many older workers want to work flexibly in later life, part-time work in and of itself is not flexible work if it does not meet the needs of the employee. Many of the part-time roles taken by older women in low to middle income

households are likely to be part-time to fit the needs of employers. Where an employee's circumstances are taken into account in job design, part-time employment is to be welcomed.

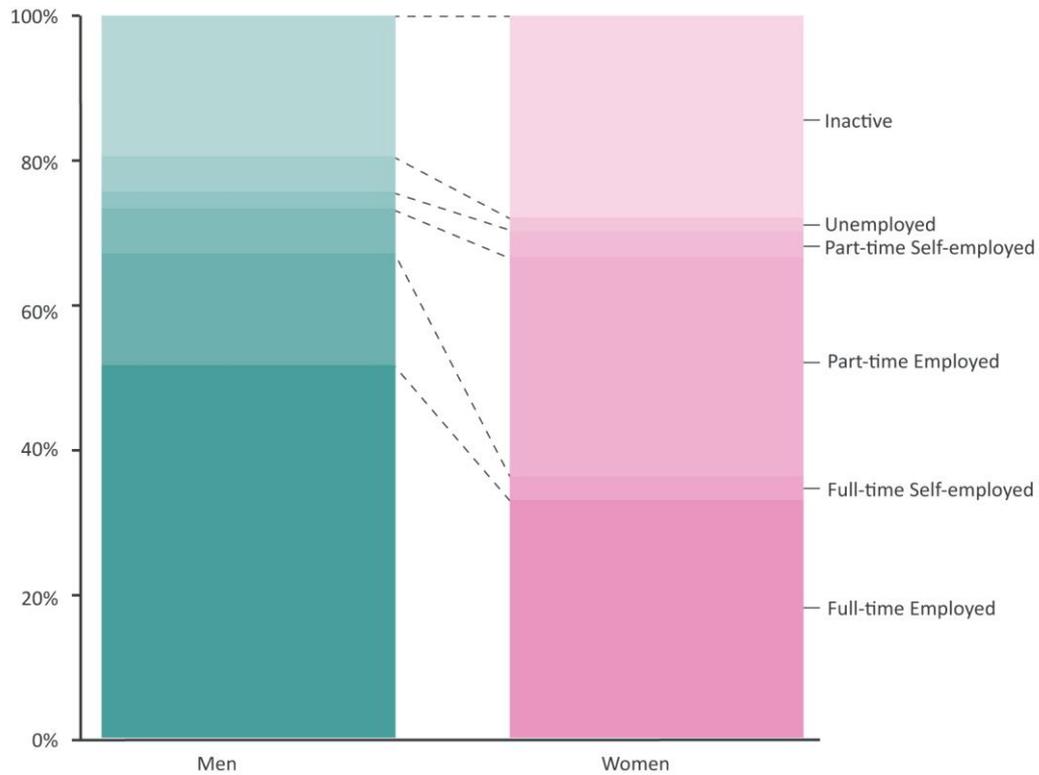


Figure 11: Employment status for men and women aged 50 to 59 who are living in low to middle income households

Source: Resolution Foundation analysis of the Family Resources Survey 2009/10

Note: The 50 to 59 age group are used here, rather than 50 to SPA

There are three factors that indicate that the UK could improve the employment situation of older people. First, the older employment rate is still below that of 25 to 49 year olds. Second, finding a job is particularly difficult for unemployed older people resulting in significant levels of long term unemployment among older people. Third, the rise in employment over the last three decades has not benefited all groups of older people equally. To provide some indication of the magnitude of progress that we could make on older employment, the next section looks at how the UK compares to other developed countries.

## Section 2 – The UK lags behind similar countries

The UK ranks 15th out of 34 OECD countries for employment among 55 to 64 year olds. It lags behind Scandinavian and North American countries while out-performing much of continental Europe.

Figure 12 shows the 55 to 64 year old employment rates for selected OECD countries.

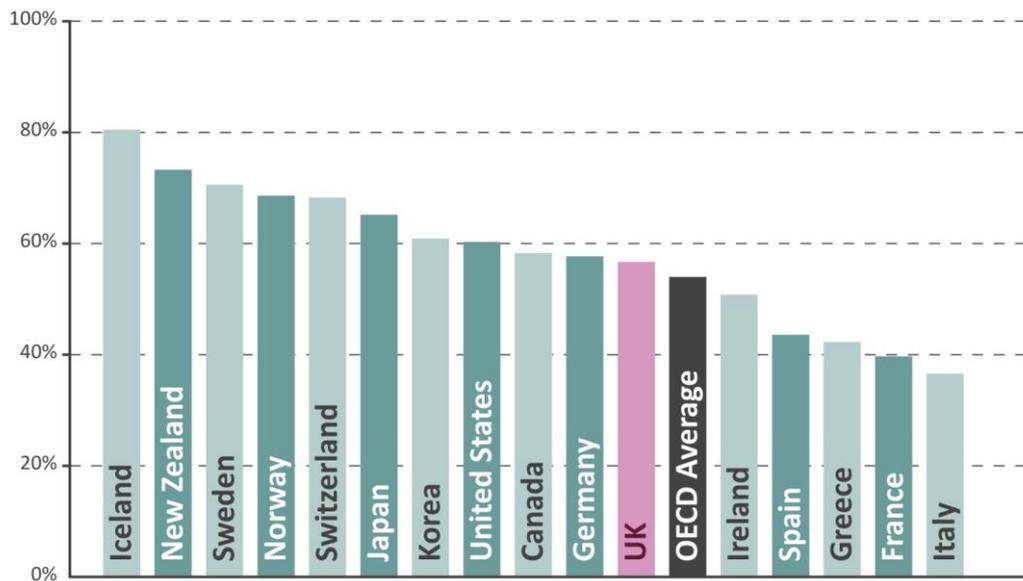


Figure 12: Employment rates for 55 to 64 year olds for selected OECD countries

Source: OECDStat

From 2003 to 2008, the employment rates of 55 to 64 year olds in the UK remained fairly stagnant. Since the financial crisis of 2008, older<sup>52</sup> employment rates have fallen. This trend has been in contrast to some other comparable economies which saw stronger growth in older employment rates over the same period, such as Canada, Germany and Australia. The result has been a fall in the relative position of the UK in terms of older employment rates since 2008. This suggests that older employment has been more affected in the UK than elsewhere during the economic downturn.

To understand how the UK compares to other countries in terms of older employment, two comparator groups of countries are used:

- The “**better performing countries**” are those that outrank the UK on older employment. These are (in descending order of employment rates): Iceland, New Zealand, Sweden, Norway, Switzerland, Japan, Korea, Australia, United States, Israel, Canada, Chile, Germany and Denmark.

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<sup>52</sup> Within this section, “older employment rates” refer to the 55 to 64 age group unless otherwise indicated

The average older employment rate of these countries is 64.3 per cent compared to 56.7 per cent in the UK.

- The “**best performing countries**”, those that rank in the top five for older employment have an average older employment rate of 72.3 per cent. They are (in descending order of employment rates): Iceland, New Zealand, Sweden, Norway and Switzerland. These countries older employment rates are 12 to 24 percentage points higher than that of the UK.

Looking at the top performing countries, Table 2 shows that they share some similar characteristics such as high overall employment rates and relatively high life expectancy. A high level of older employment goes hand-in-hand with good overall employment and a healthy population. Any measure to further either of these goals is likely to promote extended working lives. However, the top performers also have much to distinguish them from each other. The countries have very different levels of GDP per capita as well as different demographic circumstances and stark differences in rates of pensioner poverty, as shown in Figure 13. Nearly one in five pensioners live in poverty in Switzerland, while this number is less than one in fifty in New Zealand. This brief comparison indicates that countries with differing underlying characteristics can arrive at the similarly strong levels of older employment. This should provide strong motivation for policymakers in the UK that improvements in older employment can be made and are not entirely dependent on a particular set of labour market institutions that the UK lacks and is unlikely to create.

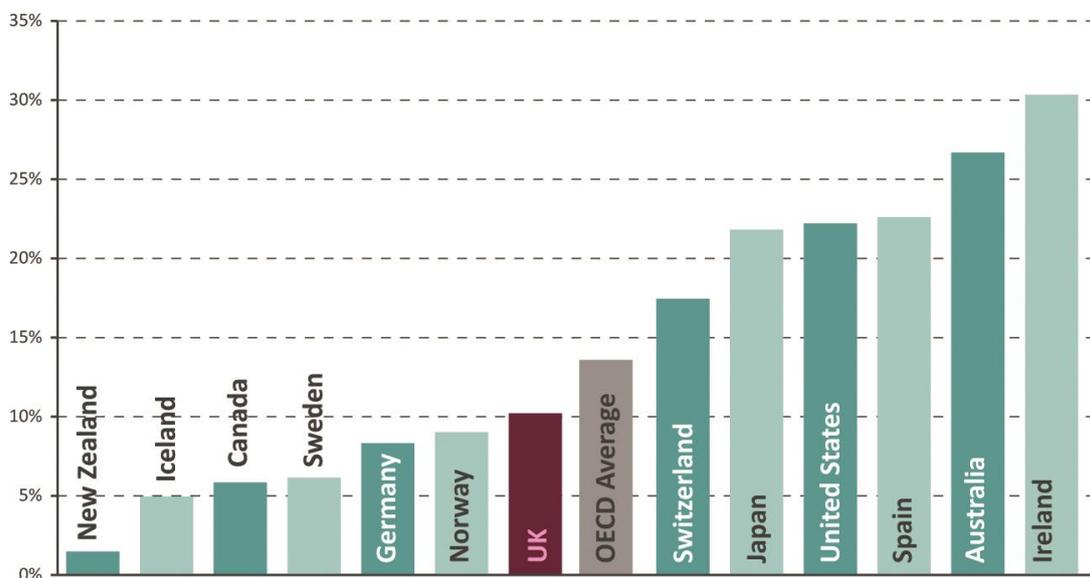


Figure 13: Rates of pensioner poverty (Percentage of people 65+ with incomes less than 50% of median household disposable income)

Source: Resolution Foundation analysis based on OECD data

## The size of the employment gap

There is a substantial gap between the older employment rate of the UK and that of better performing countries. On average, these countries have an employment rate 3.6 percentage points above that of the UK for 50 to 54 year olds, rising to 12.5 percentage points for 60 to 64 year olds. Using the more ambitious comparator group of the best performers, the gap grows to 6.6 percentage points and 20.3 percentage points for 50 to 54 year olds and 60 to 64 year olds respectively. This comparison provides an indication of how much room for improvement the UK has, recognising that closing the gap entirely may not be practical given other policy priorities and constraints.

Figure 14 shows the gap between the employment rate in the UK and that achieved by the best performing countries in the OECD for each age group (therefore the comparator group may not be the same for each age band). While it is well known that the UK lags behind the best performers for the 30 to 39 year old age group largely because of poor maternal employment, Figure 14 shows that this gap is smaller than the gap for those over 55.

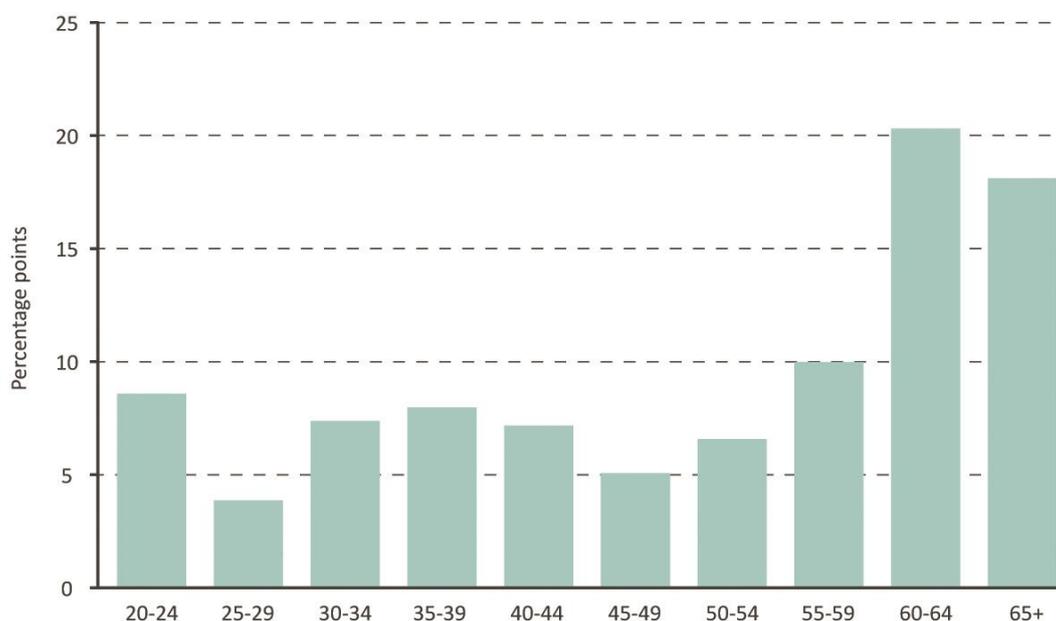


Figure 14: Performance gap in comparison to top 5 countries

Source: Resolution Foundation analysis based on OECD data

Note: The comparator groups vary for each age band

### Who are the “missing” workforce?

For the older age group, as for all age groups, women would make up the majority of the “missing” older workforce. In Figure 15, the male and female employment rates in the UK are compared to the average male and female employment rates of the best performing countries in each age band. This shows us that the performance gap for men is greater than that for women for all age groups other than the over-65s. However, given that there are more older women in the population than older men, just over half of the performance gap for those aged 50 to 64 years is in female employment.

In contrast to the best performing countries in the OECD, the UK has had a relatively low female state pension age, although a similar male state pension age. For women in the five years before the female SPA of 60 years, the UK ranks 8th in the OECD for employment, while for men of this age we are further behind at 14<sup>th</sup>. However, for women in the five years following their SPA, the UK falls behind to rank 13<sup>th</sup>, a similar rank to men of this age. This considerable difference in the relative position of the UK for women aged just before and after their state pension age suggests that this comparatively early entitlement threshold is behind much of the performance gap of 60 to 64 year old employment. In fact, the UK has a high employment rate of 60 to 64 year old women (relative to the overall employment rate) of all countries with similarly low female state pension ages.

However, as discussed earlier state pension entitlement is not a cure all and does not fully explain the employment gap we see for older workers. First, most women want to work beyond 60, and many do. The actual retirement age of women is higher than the official retirement age.<sup>53</sup> This suggests that other factors beyond SPA are significant in explaining why many women want to but do not work and that bringing the female SPA into line with the best performers will reduce rather than eliminate the gap. Second, looking five years before SPA, female employment in the UK is 10 percentage points behind that of the top five performers. Third, the performance gap for 60 to 64 years olds is larger for men than women, and this is before men reach state pension age.

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<sup>53</sup> ONS, “Pension trends”, Chapter 4: The labour market and retirement, 2012



Figure 15: Performance gap of UK in comparison to top 5 countries by gender

Source: Resolution Foundation analysis based on OECD data

Note: The comparator groups vary for each age band

### Counting the “missing” older workforce

If the UK matched the older employment rates of the best five performing OECD countries, around 1.5 million additional 50 to 64 year olds would be in work. This would bring 14 per cent of the UK’s 11.2 million 50 to 64 year olds into work. Though it cannot be assumed that all of this “missing” workforce would want to move into work, this gives an indication of the magnitude of the progress we could make.

This analysis includes both full- and part-time employees and the self-employed. The share of part-time work is another important factor in assessing our position internationally. The UK has a relatively high level of older people in part-time employment, 35 per cent compared to an OECD average of 27 per cent. Therefore, the gap in full-time equivalent employment would be even greater than that shown. However, just as it cannot be assumed that the “missing” workforce will all want to work, it cannot be assumed that most older part-time workers would move to full-time work. Most are in this type of work voluntarily, rather than because they could not find full-time work. The OECD reports that only 3.7 per cent of those aged 55 and above who work part-time are doing so involuntarily compared to 9.6 per cent for 15 to 24 year olds and 6.7 per cent for the overall population. However, the true proportion is likely to be higher. The UK Office for National Statistics estimates that 15 per cent of part-time workers could not get a full-time job.

Although this analysis is purely indicative, it demonstrates the significant gains to the workforce that could be made through increased employment of older people. In fact, increasing older employment

is an important and necessary factor in achieving higher employment overall and will be important to living standards over the next decade, especially in the likely scenario that wage growth continues to be muted. To illustrate this, we can also calculate the rise in the overall employment rate in the UK to match the average overall employment rate of the top five performing countries for older workers. Were the UK to mimic the average overall employment rate of the top five countries for older employment, the overall employment rate would rise from 70.3 per cent to 75.6 per cent and over 2 million more people would be employed (of course this hypothetical example assumes there are sufficient jobs to absorb these new entrants). Of this 2 million, older workers would make up the majority of the total missing workforce.

Increasing older employment could make a significant contribution to overall employment as well as maintaining the living standards of individual households. The next section looks at the major barriers to getting more older people working. This report will be followed by a more detailed exploration of the latent characteristics and policy mechanisms that drive high rates of older employment.

**Table 2. Background characteristics for top performing countries and the UK**

Country	Overall employment rate <sup>54</sup> (%)	Older employment rate <sup>55</sup> (%)	60 to 64 gender gap <sup>56</sup> (%pts)	State pension age <sup>57</sup>	Average age at labour market exit <sup>58</sup> (yrs)		Proportion of population over 50 <sup>59</sup> (%)	Life expectancy at official entitlement age <sup>60</sup> (yrs)		Older people living in poverty <sup>61</sup> (%)	Long-term care beds per 1 000 of 65+ population <sup>62</sup>
					M	F		M	F		
Iceland	78.9	80.5	10.8	67	69.7	65.4	29	16.8	19.2	5.0	69.3
New Zealand	72.3	73.3	16.8	65	67.1	65.0	31	18.1	20.9	1.5	60.9
Sweden	72.7	70.6	10.3	65	66.0	63.6	37	17.9	21.1	6.2	81.7
Norway	75.4	68.6	8.1	67	64.7	64.5	34	15.7	18.9	9.1	62.9
Switzerland	78.6	68.3	22.1	65 (63)	65.7	63.5	37	18.9	24.1	17.6	67.8
UK	70.3	56.7	20.7	65 (60)	64.3	62.1	34	16.9	24.5	10.3	55.1
OECD average	<b>64.6</b>	<b>54.0</b>	<b>16.1</b>	<b>63.3 (61.9)</b>	<b>63.9</b>	<b>62.4</b>	<b>33</b>	<b>18.5</b>	<b>23.3</b>	<b>13.5</b>	<b>49.5</b>

<sup>54</sup> OECD, "Employment Outlook 2011", 2011: Data refers employment to population ratio of 15 to 64 population in 2010

<sup>55</sup> OECD, "Employment Outlook 2011", 2011: Data refers employment to population ratio of 55 to 64 population in 2010

<sup>56</sup> Resolution Foundation analysis data from the OECD Family database (LMF1.4.A: Age-employment profiles by gender) and refers to 2010. Data gives the difference in employment rates of men and women aged 60-64 (a positive difference indicates employment rates among men are higher than among women)

<sup>57</sup> OECD, "Pensions outlook 2012", 2012: state pension ages given for 2010. Numbers in brackets refer to female SPA where different from male

<sup>58</sup> OECD, "Pensions at a Glance 2011: retirement-income systems in OECD and G20 countries", 2011

<sup>59</sup> Resolution Foundation analysis based on OECDstat data

<sup>60</sup> OECD, "Pensions at a Glance 2011: retirement-income systems in OECD and G20 countries", 2011: life expectancy in 2010

<sup>61</sup> OECD, "Pensions at a Glance 2011: retirement-income systems in OECD and G20 countries", 2011: Percentage of people aged 65+ with incomes less than 50 per cent of median household disposable income

<sup>62</sup> OECD, "Health at a Glance 2011", 2011: data refers to 2009 or nearest year

## *Section 3 – There are significant barriers to employment for older people*

For those who are not in work and would like to be, there are a number of barriers to employment in the UK:

- lack of adequate financial incentives to remain in, or return to, work;
- poor health;
- caring responsibilities;
- age discrimination
- the lack of employment support to move back into work, including training;
- limited access to flexible working opportunities.

### **Financial incentives to work**

Financial incentives have a significant impact on work decisions for 55 to 70 year olds.<sup>63</sup> Incentives operate through the tax system, for example exemptions from national insurance contributions and until recently, age-related personal allowances and tax credits, and through the benefit system, for example pensions, means-tested old age benefits (such as the savings guarantee) and wage subsidies for older workers. Whatever their format, financial incentives can affect three distinct groups in different ways. They can encourage older workers to stay in work, motivate older unemployed or inactive people to move into work and incentivise employers to hire or retain older workers.

The state pension in particular has a strong impact on the employment decisions of people nearing or at state pension age.<sup>64</sup> Since there is strong correspondence between the pension age and labour market exit, the rise in the female state pension age is likely to significantly increase the level of older people's participation.<sup>65</sup> This is a clear and powerful mechanism to extend working lives and is a step in the right direction. However, incentives are only one element of a broader picture. The SPA increase will benefit older women only if it is coupled with greater support to find and stay in work.

Other financial incentives also play a role to influence work decisions in later life, such as the tax treatment of pension income, the availability of alternatives to retirement benefits such as Employment Support Allowance, and the structure of age-related national insurance contributions. National insurance contributions stop being payable by employees and self-employed people when they reach the state

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<sup>63</sup> J. Gruber and D. Wise for NBER, "Social Security and Retirement Around the World: Micro-Estimation", 2004; Blundell 2004

<sup>64</sup> *ibid*

<sup>65</sup> *ibid*

pension age. This effectively increases the take-home pay for an employee as they pass this age and increases the potential financial reward of staying in work.

Where financial mechanisms act as a disincentive, this can be a barrier to employment. Three mechanisms in particular can act as disincentives to work in older age:

- **Perceived or actual financial disincentives to gradual retirement:** Gradual retirement (a transition from work to retirement through flexible working) can help older workers to adjust to retirement and enables a longer working life for those who cannot or do not want to continue in a full-time role. Those who wish to have a gradual retirement need access to flexible work, which will be discussed later on in this section. Many people also need another source of income to compensate for lost earnings due to reduced hours. This can come in the form of a partial pension, and much has been done in the UK to facilitate partial pension drawdown. However, barriers remain, particularly in terms of information and guidance. A significant proportion of older people are not aware that partial drawdown options are available to them, or they believe these are financially punitive when this is not the case.<sup>66</sup>
- **Access to early retirement pathways:** Benefits, such as Employment Support Allowance (previously Incapacity Benefit) can act as alternative pathways to retirement. By providing an alternative source of income, these benefits can permit discouraged older workers or those with particular barriers to employment to exit the labour market. This is a particular problem for those who are not offered appropriate support to get back into work in parallel with these benefits, and for those for whom income from work would be too low to act as an incentive.
- **Lack of financial incentives for employers to take on older workers:** As has been said, older people (especially those on low to middle incomes) may lack the skills needed in growing sectors, such as basic IT literacy. For businesses recruiting new staff, the cost of training older workers can be a disincentive. Coupled with age discrimination, this can make it very difficult for unemployed people to find work in later life.

These disincentives can be avoided by better design of the tax and benefits system. The introduction of Universal Credit in 2013 is an opportunity to better incentivise older people to stay in work.

## Poor health

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<sup>66</sup> S. Vickerstaff, "What do older workers want? Gradual Retirement?", Social and Public Policy Review, 2007

Poor health is a major barrier to work for many older people. In a survey by Humphrey (2003) around half of over-50s that had taken early retirement did so because of ill health.<sup>67</sup> It is also common for people with health problems to be pushed out of the labour market. More than a third of respondents with health problems reported being forced to leave a job or retire because of their health. Despite these barriers, a survey by Smeaton (2009) shows that more than half of unemployed older people in poor health are interested in going back to work.<sup>68</sup>

As Figure 16 demonstrates, poor health is much more common among older people in low to middle income households than among those in higher income households. More than one in ten over-50s living in LMI households is permanently sick or disabled compared to less than one in thirty older people in higher income households.<sup>69</sup> This stark difference is a reflection of both health inequalities across the income distribution and the income penalty of being in poor health. Figure 16 is likely to underestimate actual levels of ill health as it uses the International Labour Organisation’s definition of permanent sickness or disability, and so does not include those who may not classify themselves this way despite being in poor health.

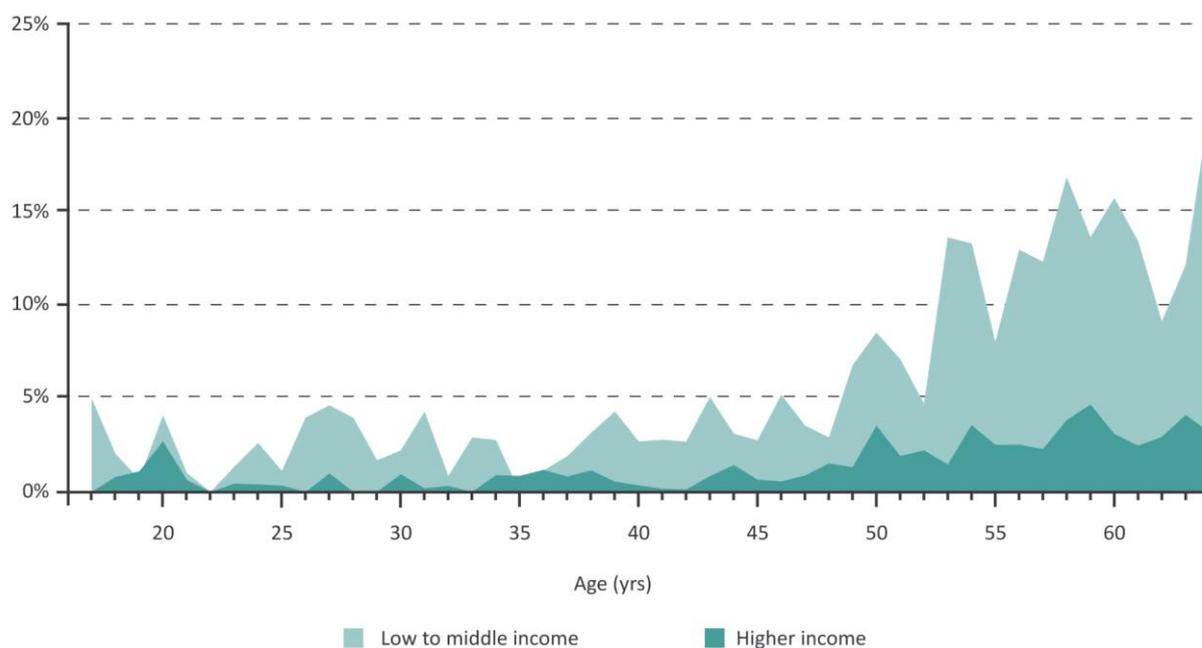


Figure 16: Rates of permanent sickness and disability among people living in low to middle income and higher income households

Source: Resolution Foundation analysis of the Family Resources Survey 2009/10

Note: This uses the International Labour Organisation’s definition of “permanent sickness or disability”

<sup>67</sup> A. Humphrey, P. Costigan, K. Pickering, N. Stratford, M. Barnes, National Centre for Social Research with IFS for DWP, “Factors affecting the labour market participation of older workers”, 2003

<sup>68</sup> D. Smeaton, S. Vegeris and M, Sahin-Dikmen, Policy Studies Institute for the Equality and Human Rights Commission, “Older workers: employment preferences, barriers and solutions”, 2009

<sup>69</sup> Resolution Foundation analysis of the Family Resources Survey 2009/10

### Caring responsibilities

One in seven over-50s in the UK provides informal care, more than the OECD average of one in nine.<sup>70</sup> Of all carers, around half are over 50<sup>71</sup>, and they are disproportionately female.<sup>72</sup> These older carers are predominantly caring for parents or a partner.<sup>73</sup> Figure 17 shows that, of those in low to middle income households, people over 50 are much more likely to be informal carers than those under 50.

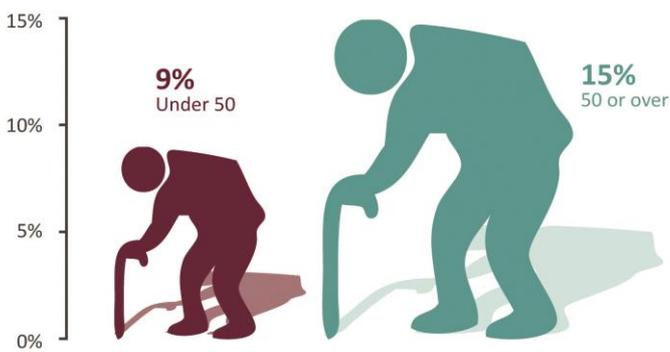


Figure 17: Proportion of people living in low to middle income households who provide informal care, by age band

Source: Resolution Foundation analysis of the Family Resources Survey

Caring responsibilities and employment decisions are intricately connected in the UK: informal caring is associated with an increased likelihood of stopping work or moving to a part-time role.<sup>74</sup> As Figure 18 shows, low to middle income adults who have caring responsibilities are less likely to be in full-time work and more likely to be economically inactive.

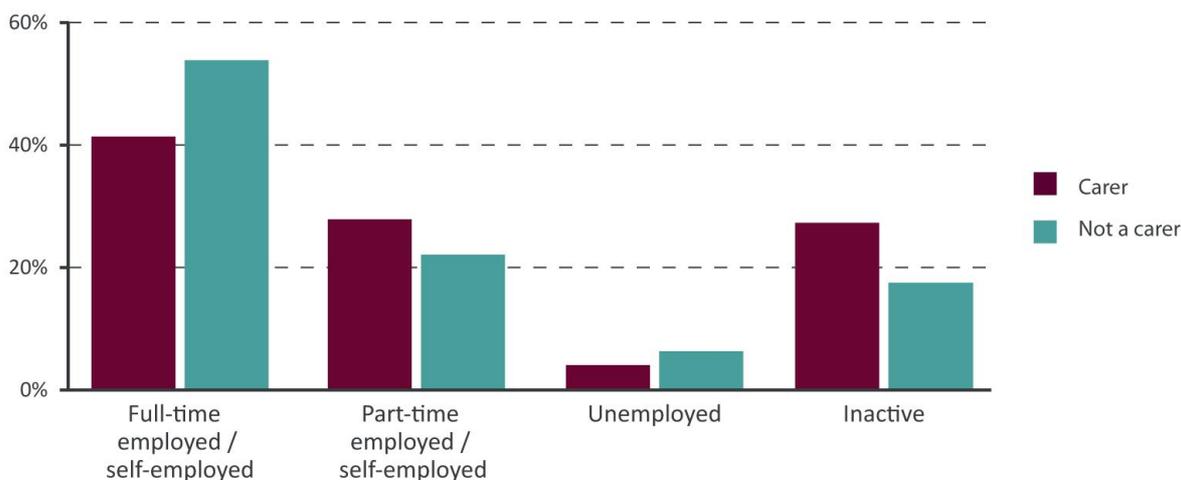


Figure 18: Employment status of people living in low to middle income households for carers and non-carers

Source: Resolution Foundation analysis of the Family Resources Survey 2009/10

Note: This refers to people of all ages who are living in low to middle income households

<sup>70</sup> OECD, "Health at a Glance 2011", 2011; OECD estimates based on the 2005-07 data for Australia, 2007 for the UK and 2004-06 for other European countries

<sup>71</sup> Carers UK, "Facts about carers", 2009; Based on data from the 2001 census

<sup>72</sup> Resolution Foundation analysis of the Family Resources Survey 2009/10

<sup>73</sup> H. Hooker, F. Neathey, J. Casebourne and M. Munro, Institute of Employment Studies for DTI "The Third Work-Life Balance Employee Survey: Main findings", 2007

<sup>74</sup> OECD, "Help Wanted? Providing and Paying for Long-Term Care", 2011

As well as its impact on work decisions, caring also has a significant financial impact on households. Those in their late 50s and early 60s experience the biggest loss in earnings due to caring, and caring for a parent or partner is associated with a greater earnings loss than caring for other relatives or friends. On average, adult carers lose over £11,000 in annual earnings due to either a cut in hours or a change in role, or both. The carer's penalty is slightly larger for older carers at more than £12,000 for 55 to 59 year olds and £13,000 a year for 60 to 64 year olds. Moreover, these older carers face forced early retirement and a reduced pension.<sup>75</sup>

Given the relationship between caring and employment, it is not surprising that countries with high older employment rates tend to have a relatively low proportion of over-50s acting as informal carers. For example, Sweden has one of the highest rates of older employment in the OECD and around half the UK's proportion of people acting as informal carers: 8 per cent compared to 15.2 per cent in the UK.<sup>76</sup> Figure 19 shows the percentage of the over 50s population that reports providing informal care in a range of OECD countries. Within these better performing countries, those who care do so less intensively than in the UK. This is significant, as the more hours spent caring, the less likely the carer is to be in work.<sup>77</sup> Over-50s in low to middle income households are more likely to provide intense care (more than 20 hours per week) than people in higher income households.<sup>78</sup>

The importance of recognising and addressing the needs of informal carers in the workforce is crucial, and will become more important as the demands made on them continue to grow. The OECD predicts a shrinking potential pool of informal carers resulting in a greater proportion providing more time-intensive care.<sup>79</sup> This issue is particularly important for women. The increased likelihood that older women will need to provide informal care compared to older men combined with women's weaker labour market attachment throughout their lifetime put older women at increased risk of dropping out the labour market. Providing care to family and friends is an important and often over-looked role. Support from government for carers to fulfil this role while continuing in work is vital to improving rates of older employment.

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<sup>75</sup> Carers UK, "Out of pocket: a survey of carers' lost earnings", 2007

<sup>76</sup> Resolution Foundation analysis based on the Family Resources Survey 2009/10

<sup>77</sup> L. Crespo, "Caring for parents and employment status of European mid-life women", 2007

<sup>78</sup> Resolution Foundation analysis of the Family Resources Survey 2009/10

<sup>79</sup> OECD, "Health at a Glance 2011", 2011

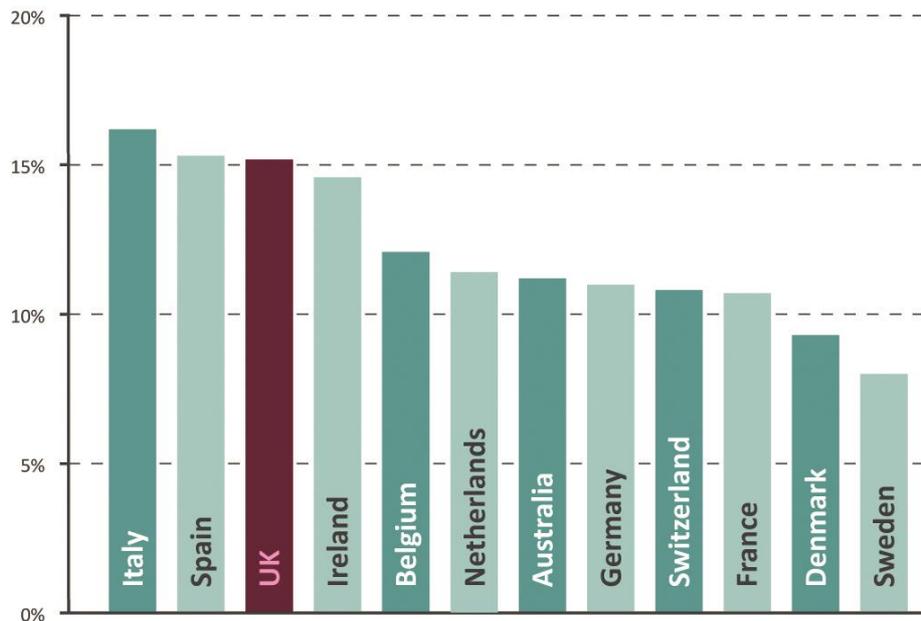


Figure 19: Population aged 50 and over reporting to be informal carers

Source: OECD, "Health at a Glance 2011", 2011

Notes: Data is from around 2007

Many of the countries that perform better than the UK on older employment also have more comprehensive state care systems, with relatively high proportions of formal carers and long-term care facilities.<sup>80</sup> This suggests that another key route to improving older employment in the UK is through the care system. This is supported by Colombo (2011), who found that a better care system coupled with more recognition and flexibility for carers is required to avoid rising employment and health inequalities.

At present, the formal care system in the UK is a patchwork of inadequately funded services and the overall standard of care is poor: a recent inquiry by the Care Quality Commission found that less than one in two (48 per cent) care homes and hospitals met essential standards. Plans for reform following the Dilnot commission have made some progress but cannot move further forward without confirmation of the funding available for reform.

### Age discrimination

Over the last decade, there has been significant change in the rights and protections of older workers in the UK. The voluntary approach to age diversity in the form of a code of practice (launched in 1999) was

<sup>80</sup> The proportion of long-term care beds in institutions and hospitals relative to the 65+ population is used as a proxy for long-term care facilities

superseded by legislation to create a default retirement age in 2006. This allowed employers to dismiss workers when they reached 65. The default retirement age was removed in 2011, making it illegal to dismiss employees on the grounds of age alone. Despite this legislation, age discrimination is still prevalent in the UK<sup>81</sup> and many employers see the over-50s as less suited to their vacancies<sup>82</sup>.

### **The lack of employment support for older workers**

Unemployment, particularly long term unemployment, is a problem for older people, as discussed in Section 1. As is the case at any age, older people need support to get back into work. Despite these needs, little targeted support is available to the over-50s. While pockets of local best practice exist, no national schemes (or accompanying funding) are targeted at this group. Older unemployed people can access Job Centre Plus support, the Work Programme or Work Choice in the same way as those aged 25 to 49.

However, many of those that are unemployed after 50 face additional barriers to returning to work given their skills profile. The over-50s are less qualified (though not necessarily less skilled) than any other age group: one in five 50 to 64 year olds have no qualifications compared to less than one in ten 35 to 49 year olds. However, training opportunities are limited and tend to reinforce disadvantages for the over-50s.<sup>83</sup> Industrial change exacerbates the need for training as dislocated workers do not have the skills they need to find good quality, sustainable employment in growing sectors.

Older people in low to middle income households are both less likely than those on higher incomes to have any qualifications, or any advanced qualifications, and are more likely to have been affected by industrial change, suggesting that older people in low to middle income households are particularly vulnerable to being trapped in long term unemployment.

As we have seen, for many older people poor health remains a barrier to sustainable employment. Back to work support is essential for those in poor health who want to work but may need specialist support and rehabilitation to find and stay in work. The UK has a relatively high rate of individuals claiming ill-health or disability benefits and spent £8.5bn in 2011/12<sup>84</sup> covering 2.6 million claimants.<sup>85</sup> These claimants tend to be older, have no formal qualifications and are more likely to have previously worked in manual occupations at a low grade.<sup>86</sup> Although only a minority say that they cannot work, most see their poor health as an

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<sup>81</sup> DWP, "Attitudes to age in Britain 2010/11", 2012

<sup>82</sup> NIESR for BIS and DWP, H. Metcalf with P. Meadows, "Second survey of employers' policies, practices and preferences relating to age", 2010

<sup>83</sup> S. McNair, "Older people and skills in a changing economy", 2011

<sup>84</sup> DWP, "Annual Report & Accounts 2011-12", 2012

<sup>85</sup> DWP, "DWP quarterly statistical summary", July 2012: refers to ESA and IB claimants

<sup>86</sup> R. Crisp, S. Fothergill, T. Gore and D. Platts-Fowler, "Sheffield Worklessness Study: The characteristics, aspirations and skill needs of Incapacity Benefit claimants and Lone Parents on benefit", 2009

obstacle to work and the majority do not actively seek out work. As older people in low to middle income households are more likely than those in more affluent households to be permanently sick or disabled, they will be most in need of this type of support.

### **Limited access to flexible working**

The prevalence of both poor health and caring responsibilities among older people also highlights the importance of flexible working options and good condition management in the workplace. Flexible working arrangements enable workers to alter their working pattern (such as hours or location) based on their circumstances through effective job design. Flexible working can include part-time work, job-sharing and compressed hours. However, these options are not always flexible and may not be particularly desirable routes for many older workers who need greater flexibility. For example, many of the part-time jobs on offer are overwhelmingly of low quality with limited opportunity for progression.<sup>87</sup>

Access to flexible working is important to facilitate longer working lives as it allows older workers to continue in the workforce when they would otherwise not: many older workers say they would work for longer if they could work flexibly.<sup>88</sup> Lack of opportunities to retire gradually is one of the main reasons older people give as to why the over-55s would stop working.<sup>89</sup> Flexible options are also crucial to support older unemployed people back into work: half of older unemployed women and more than a third of men say they need flexible arrangements to move back into work.<sup>90</sup>

Between 2005 and 2010, the proportion of employees over 50 with such an arrangement rose from around 30 per cent to 38 per cent.<sup>91</sup> The incidence of flexible working arrangements is likely to rise further under the government's proposed extension of the right to request flexible working to all employees in 2014. At present, mothers of dependent children and carers living with the care recipient are able to request flexible working from their employer. Extending this right to all employees is a positive step and will go some way to open up opportunities to flexible working.

However phased retirement opportunities (progressively reducing hours, or moving into other forms of flexible work before full retirement) remain limited and restricted to highly skilled, high value workers<sup>92</sup>. A reduction in hours while remaining in permanent full-time work is more common for managers and professionals and among those with higher-level qualifications. Men with intermediate-level qualifications

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<sup>87</sup> S Lissenburgh and D Smeaton for JRF, "The role of flexible employment for older workers", 2003

<sup>88</sup> HSBC, "The future of retirement in a world of rising life expectancies", 2005

<sup>89</sup> European Commission, "Active Ageing: Special Eurobarometer 378", 2012

<sup>90</sup> D. Smeaton, S. Vegeris and M. Sahin-Dikmen, Policy Studies Institute for the Equality and Human Rights Commission, "Older workers: employment preferences, barriers and solutions", 2009

<sup>91</sup> AgeUK, "Agenda for later life", 2012

<sup>92</sup> W. Loretto, S. Vickerstaff and P. White, "Older workers and options for flexible work", 2005

are more likely to move into self-employment, while women with higher degrees are more likely to move into temporary employment such as fixed term contracts (for which they earn more than comparable full-time employees) compared to people without those qualifications.

Older workers in low to middle income households are less likely to have access to flexible working than those in higher income households. Moreover, for many low to middle income workers with poor qualifications who do have access to flexible working arrangements, this is more likely to be through poorly paid and low quality employment compared to those who are more qualified.<sup>93</sup> The lack of access to high-quality flexible work options is in part due to a scarcity of good quality part-time jobs, caution among workers to request such arrangements and a hesitation among employers to offer them despite strong worker preferences for flexibility.<sup>94</sup> Many younger women also find a lack of good quality flexible working opportunities to be a major barrier to re-entering the labour market after having children.<sup>95</sup> Solutions to increase the availability of flexible working options will benefit this younger generation as well as older workers.

Older people are not a homogenous group and do not all want the same things. A significant minority would rather have more responsibility rather than less as they reach (and pass) retirement age, and underemployment is a problem for some. However, access to opportunities that fit older people's needs is key. Older people should have the option to work flexibly where possible, without the presumption by employers or government that all will want to take it up, or will be financially able to do so.

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<sup>93</sup> S Lissenburgh and D Smeaton for JRF, "The role of flexible employment for older workers", 2003

<sup>94</sup> S. McNair, M. Flynn, N. Dutton, the Centre for Research Into Older Workers for DWP, "Employer responses to an ageing workforce: a qualitative study", 2007

<sup>95</sup> Resolution Foundation, "The price of motherhood: women and part-time work", 2012

## *Conclusion: The need to support longer working lives*

Extended working lives are fast becoming a necessity for many households. Stagnating wages, the rising cost of living and longer lives are putting a renewed emphasis on the importance of staying in the workplace in later life. However, not all older people have access to employment. As the population ages and both the proportion of older workers and the demand for informal care rise, the need for government and employers to facilitate extended working lives will only become greater. The planned increases in the state pension age will help. But they are not the entire solution to boosting employment among older workers and will only serve to exacerbate current inequalities in older employment between those on higher incomes with few impediments to employment and those in the low to middle income group who face greater challenges, if other drivers and barriers are not addressed.

Though successive UK governments have made significant efforts to address the needs of the older workforce, significant barriers remain:

- More could be done to sharpen financial incentives for extended working lives.
- Poor health takes many people out of the workforce, and both preventative programmes and rehabilitation are limited.
- Many older people provide informal care and need flexible working arrangements to enable them to work. However, flexible working options are limited and tend to be particularly inaccessible for lower income people.
- Age discrimination persists, exacerbating difficulties for older unemployed workers to get back into work.
- Unemployed older people struggle to find re-employment and many drop out of the workforce for good.

The next report will put forward a policy prescription to respond to these barriers that can move the UK closer to the top performers in the OECD when it comes to employment for older workers. The policy recommendations put forward will draw on lessons from the top performers as well as an assessment of the impact of recent policy initiatives in the UK.

## *The Resolution Foundation*

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

- Undertaking research and economic analysis to understand the challenges facing people on a low to middle income;
- Developing practical and effective policy proposals; and
- Engaging with policy makers and stakeholders to influence decision-making and bring about change.

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