

Section 2

Jobs, skills and pay

Although the years preceding Covid-19 were characterised by high employment rates across all age groups, the pre-pandemic structure of the UK labour market left younger generations substantially more exposed to the disruptions that economic lockdowns and social distancing restrictions have had on people's jobs and pay. Before the onset of Covid-19, younger generations were more likely than their predecessors to work in lower-paid and insecure jobs, and they were more concentrated in sectors that offered in-person services, like hospitality, entertainment and leisure.

Therefore, when Covid-19 hit, it was young people who experienced the highest rates of furlough and unemployment. As the pandemic progressed, however, the relative risk of employment disruption shifted up the age range. The re-opening of much of the UK economy from early summer 2021 brought good news for youth employment, with the employment rate rising faster among 16-24-year-olds than any other age group between the winter lockdown and July 2021. This meant that, by August 2021, the share of older employees on furlough was larger than the share of younger ones that were on the scheme. And those older workers whose employment had been negatively affected were also more likely to have been so for the longer term: workers age 50 and older who were unemployed or on full furlough during May 2021 were more than twice as likely than their younger counterparts to have been in that state for six months or more.

The relative good news story from the past 18 months is that unemployment has risen to a much lesser extent than previously forecast – thanks in part to the Job Retention Scheme. Growth in the share of young people participating in full-time education also helped attenuate the rise in unemployment.

The pandemic has made it hard to interpret many of the indicators usually used to track intergenerational differences in the labour market. It is too early to tell whether policies like the Job Retention Scheme and the Kickstart youth jobs programme have ameliorated the scarring effects felt by young people who have spent much of the

past 18 months out of work. But there is so far little evidence to suggest young people are any less exposed to poorly paid and insecure jobs than before the pandemic. Moreover, the effect of the pandemic on education, employment and earnings could impede social mobility for today's young people and children who are from disadvantaged backgrounds.

As support measures like the furlough scheme are wound down, there is a risk that older workers will find themselves falling into unemployment and out of the labour market altogether. Our Spotlight analysis finds that falling employment among workers aged 50 and older risks undoing decades of growth, particularly among older women, since the 1990s. It also discusses the challenges that older workers face after becoming unemployed. This includes the fact that, compared to their younger counterparts, it takes older workers longer (on average) to return to work, and when they do, they are more likely than younger counterparts to be paid less than in their previous job.

The shape of the pre-pandemic labour market helped determine the profile of those most likely to lose work when Covid-19 struck

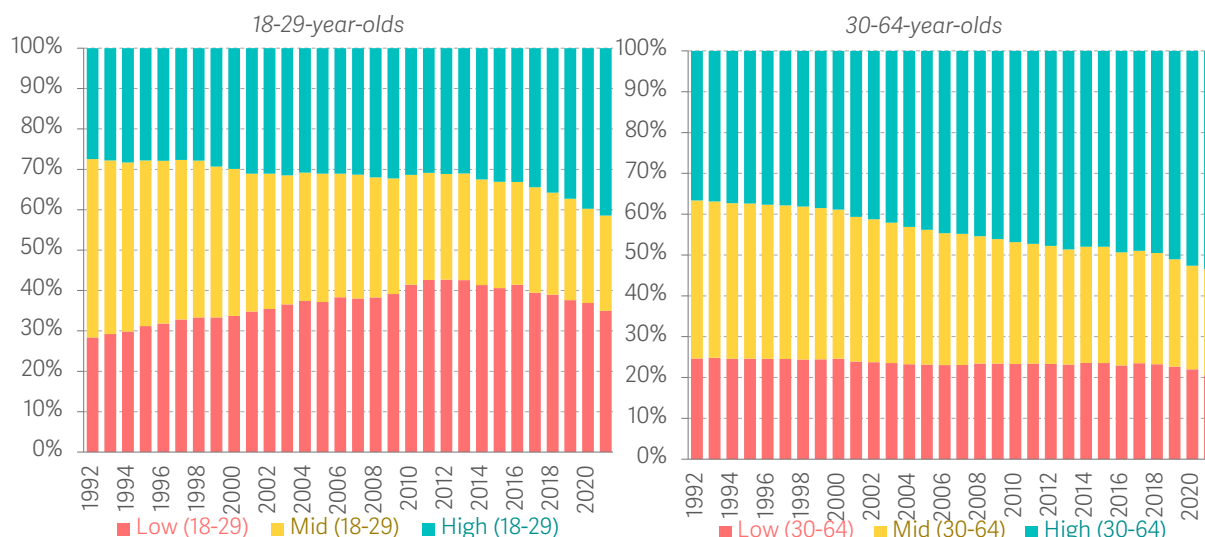
The Covid-19 pandemic arrived in the UK during a period of record-high employment, with the 16-64-year-old employment rate reaching 76.6 per cent at the end of 2019. The last 18 months, by contrast, have seen significant labour market disruption affect millions of workers, and with a clear intergenerational skew, as we will show later in this section. But the way that the pandemic had different impacts on different cohorts reflects changes in the labour market over the past decade or so.

For example, despite the high employment rate that prevailed in the years immediately preceding the pandemic (as we show further in Box 1), the quality of that work had begun to deteriorate – especially for the young. Figure 3 shows that 28 per cent of working 18-29-year-olds worked in one of the three lowest-paying occupations during 1992;⁴ this peaked in the aftermath of the financial crisis (at 43 per cent during 2011-13), before falling back to 38 per cent on the eve of the pandemic, in 2019. Although it is worth celebrating the reduction in lower-paid working that occurred since 2012, by 2019 18-29-year-olds in the labour market remained more likely to work in a lower-paid occupation than did previous cohorts at the same age (the share in these occupations rose from 28 to 38 between 1992 and 2019); in contrast, workers aged 30-64 doing so reduced slightly, falling from 25 to 23 per cent over the same time period.

⁴ Figure 3 also shows the changes since the pandemic hit – we discuss those at the end of this section.

FIGURE 3: Over recent decades, young people have become disproportionately more likely to work in lower-paid occupations

Proportion of people in employment working in low-, middle- and high-paying occupations, by age group: UK



NOTES: Occupations are categorised based on average hourly earnings. The three lowest-paying occupational groups are elementary occupations, sales and customer service occupations and caring, leisure and other service occupations. Middle-paying occupations are administrative and secretarial occupations, skilled trades occupations, and process plant, and machine operative occupations. The three highest-paying occupational groups are managers, professionals, associate professionals and technical occupations.

SOURCE: RF analysis of ONS, Labour Force Survey.

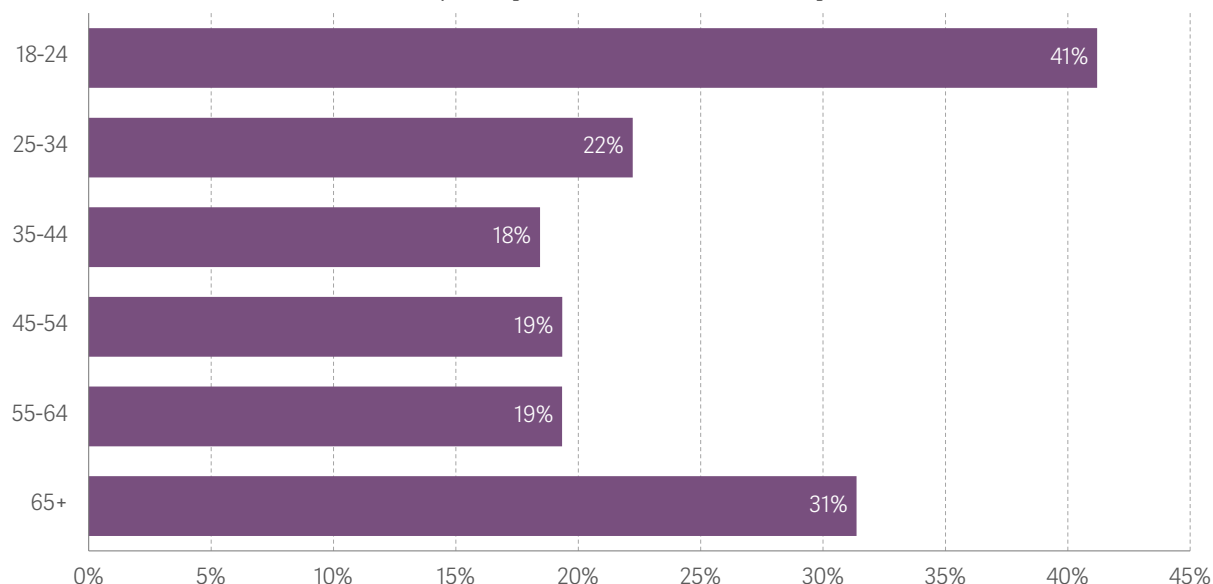
Furthermore, although the share of workers aged 18-29 that worked in one of the three highest-paying occupational categories rose from 1992 to 2019, this 'occupational upgrading' occurred to greater extent among 30-64-year-olds than among 18-29-year-olds (+10 percentage points compared with +14 percentage points).

And this in turn helps explain why, on the eve of the pandemic, the youngest and the oldest people in the labour market were more likely than others to work in sectors that would sustain hits to customer demand as a result of sector shutdowns, social-distancing restrictions and the reduced number of workers commuting into city centres. A Resolution Foundation commissioned survey from YouGov⁵ found that in February 2020, more than four-in-ten (41 per cent) working 18-24-year-old respondents and three-in-ten (31 per cent) working respondents aged 65 and older worked in one of the sectors that would experience the highest rates of furlough and job loss: non-supermarket retail, hospitality, administrative services and leisure (see Figure 4).

⁵ The survey undertaken by YouGov from the 3rd – 8th June 2021, has a sample size of 8,030 adults aged 18+. Results are weighted so as to be representative of the population of that age group.

FIGURE 4: On the eve of the pandemic, the youngest were most likely to work in sectors that would be exposed to shutdowns or reduced business due to working from home

Proportion of working respondents who worked in non-supermarket retail, administrative services, hospitality and leisure in February 2020: UK



NOTES: Base is all respondents who were working in February 2020, by age group. Sample size is as follows, 18-24: 394; 25-34: 1,094; 35-44: 1,124; 45-54: 1,049; 55-64: 706; 65+: 297. All figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), June 2021 wave.

As well as being in lower-paying, customer-facing occupations, young people had been increasingly likely over the past decade to work in jobs with insecure working conditions or insecure contracts. For example, Figure 5 shows that the proportion of workers classed as 'involuntary part-time' (meaning they work part-time but would like to work full-time) rose steadily from 2008 and peaked in 2013, at just over 8 per cent of younger workers and 4 per cent of their older counterparts. And, although the share of workers that were involuntarily part-time had fallen by 2019, roughly 5 per cent of younger workers were still classed as such (as were just under 2 per cent of their older counterparts).

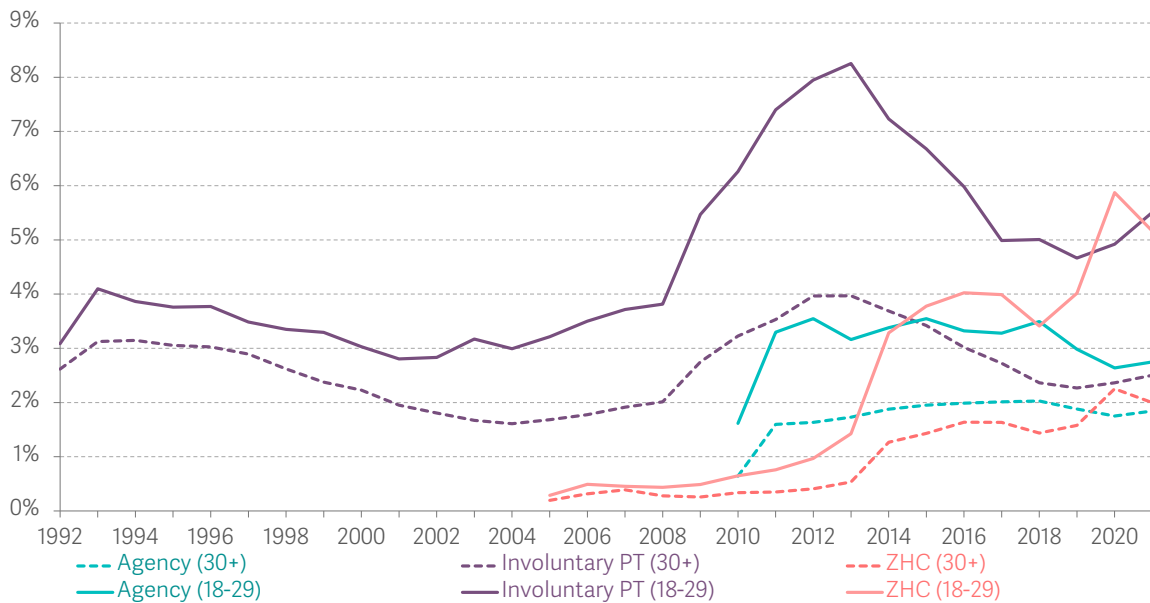
Figure 5 also shows the proportion of workers on a zero-hours contract; this rose sharply between 2012 and 2016 (at which point 4 per cent of 18-29-year-old workers and 1.6 per cent of workers aged 30 and over were employed on one), before plateauing and then falling slightly in 2017.⁶ However, this form of work picked up again from 2018 such that, in the year before the pandemic hit, 4 per cent and 1.5 per cent of younger workers and their 30+ counterparts were employed on one. Finally, Figure 5 also shows the proportion

⁶ Previous Resolution Foundation analysis pointed to increasing amounts of media coverage, and thus awareness, about zero-hours contracts during 2015-17 as one reason for an increase in the number of LFS respondents reporting that they work on one. See: C D'Arcy, *Workers on zero-hours contracts hits a record high – but have they reached their peak?*, Resolution Foundation, March 2017.

of workers that worked for an agency: the gap between the share of younger workers and those 30+ that worked for an agency has narrowed over recent years, although in 2019, those age 18-29 were slightly more likely to work for one (2.9 per cent) than their counterparts aged 30 and older (1.9 per cent). (Figure 5 also shows atypical working rates since the pandemic hit, which we discuss at the end of this section.)

FIGURE 5: Heading into the pandemic, younger workers remained more likely than their older counterparts to be in atypical work

Proportion of working people working atypically, by age group: UK



NOTES: 'Involuntary' refers to those who are in temporary work or work part time, but report that they would like to work in a permanent or full-time role.
SOURCE: RF analysis of ONS, Labour Force Survey.

Workers on atypical contracts would have been in a weak position when the pandemic arrived. Previous Resolution Foundation research found that flexible contract workers comprised a disproportionately large share of those who had lost their job during the first six months of the pandemic. Although just 15 per cent of respondents to a Resolution Foundation-commissioned YouGov survey who were in work in February 2020 had been on a on insecure contract at that time, they comprised 40 per cent of respondents who reported losing their job, and half of those who reported having lost hours (including those on furlough) between February and September 2020.⁷

⁷ M Brewer et al., *Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market*, Resolution Foundation, October 2020.

The youngest and oldest workers have been most likely to experience employment disruption during the first 18 months of the crisis

It has been clear since start of the pandemic that the labour market disruption caused by Covid-19 has had a U-shaped pattern across the age distribution, with younger workers (aged under 25) being the most heavily affected, but with older workers (aged 55 and above) also hard-hit.⁸ We update that work in Figure 6, which tracks the proportion of respondents who were in work during February 2020 but who experienced a form of worklessness over the course of the crisis – either fully furloughed, unemployed or self-employed and not working. The left-hand panel shows this for workers from all sectors, and the right-hand panel focuses on respondents who in February 2020 worked in non-supermarket retail, hospitality, administrative services and leisure ('hard-hit sectors').

From each month between March 2020 and May 2021, the youngest (18-24-year-old) and oldest (those 65+) respondents were the most likely to have experienced worklessness. For example, in May 2020, nearly half (44 per cent) of previously-working 18-24-year-olds and just over a third (34 per cent) of previously-working adults aged 65 and older were fully furloughed, unemployed, or self-employed without work, compared with roughly 20 per cent of previously-working 35-55-year-olds. As the crisis progressed, and more sectors were able to open up, these age differences began to narrow: by May 2021, 15 per cent of previously-working respondents aged 65 and older were experiencing worklessness, as were 13 per cent of 18-24-year-olds, and between 4-6 per cent of 35-55-year-olds.

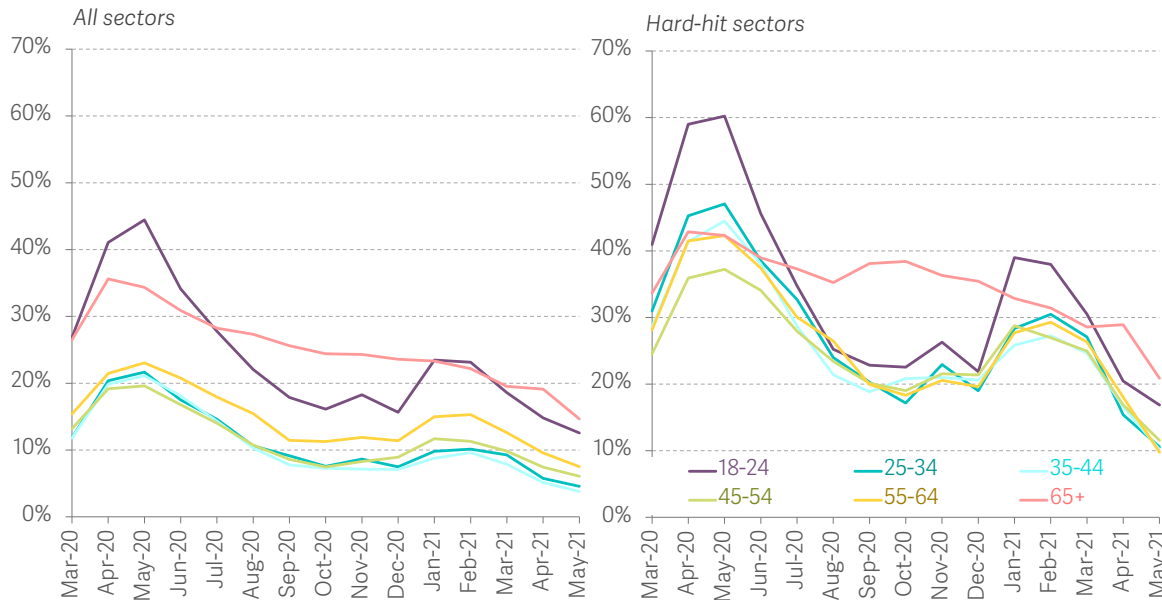
As covered in many previous reports, this pattern by age largely reflects the sectors that different people work in.⁹ But that is not the only factor: the right-hand panel of Figure 6 focuses solely on respondents in February 2020 worked in one of the hard-hit sectors, and the patterns are very similar: although during the first 2020 lockdown it was the youngest workers who were most likely to be fully furloughed, unemployed or self-employed without work (60 per cent in May 2020, compared with between 42 and 47 per cent of all age groups), by May 2021, it was workers aged 65 and older who were most likely to be in one of these states (21 per cent), followed by the youngest (17 per cent). (As we discuss in Box 1, however, many of the age-related employment trends that both preceded the pandemic and played out during it mask significant variation within people of different ages.)

⁸ See: M Gustafsson, [Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020; M Brewer et al., [Jobs, jobs, jobs & Evaluating the effects of the current economic crisis on the UK labour market](#), October 2020; D Tomlinson, [The beginning of the end](#), Resolution Foundation, July 2020.

⁹ See: N Cominetti, et al., [Long Covid in the labour market: The impact on the labour market of Covid-19 a year into the crisis, and how to secure a strong recovery](#), Resolution Foundation, February 2021; M Brewer et al., [Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market](#), Resolution Foundation, October 2020.

FIGURE 6: The youngest and oldest were most likely to have lost work during the pandemic

Proportion of respondents who were working in February 2020 but subsequently fully furloughed, unemployed or self-employed but not working, by age group and the sector they previously worked in (all sectors, left-hand panel and hard-hit sectors, right-hand panel): UK



NOTES: Base = All UK adults aged 18+ who were in work during February 2020 and had non-missing data for employment status in each month. Sample size for all sectors is as follows: 18-24: 411; 25-34: 1,112; 35-44: 1,156; 45-54: 1,066; 55-54: 726; 65+ 305. 'Hard-hit' sectors refer to: non-supermarket retail, hospitality, administrative services and leisure. Sample size for hard-hit sectors is as follows: 18-24: 156; 25-34: 236; 35-44: 194; 45-54: 199; 55-64: 129; 65+: 85. All figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, Adults Age 18+ and the Coronavirus (COVID-19), June 2021 wave.

Official employment figures from the ONS suggest that the trend of faster improvements in employment among the young compared the older continued over summer. Between December 2020-February 2021 and June-August 2021 the employment rate grew more quickly among 16-17-year-olds (6.9 percentage points) and 18-24-year-olds (1.9 percentage points) than among either 50-64-year-olds (0.4 percentage points) or those aged 65 and older (0.2 percentage points).¹⁰ We see a similar pattern of older workers experiencing slower returning-to-work rates when we focus specifically on furlough, next.

¹⁰ The 16+ employment rate grew by 0.6 points over the same time period. See: ONS, [A05 SA: Employment, unemployment and economic inactivity by age group \(seasonally adjusted\)](#), October 2021. Data on the number of payrolled employees does show that the number of 16-24-year-olds that are employed only returned to pre-pandemic (February 2020) levels in July, whereas the number of 25-34-year-old employees remained somewhat lower. Differences between the two can also be explained by education participation, which we discuss late in this section. See: ONS, [Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted](#), October 2021.

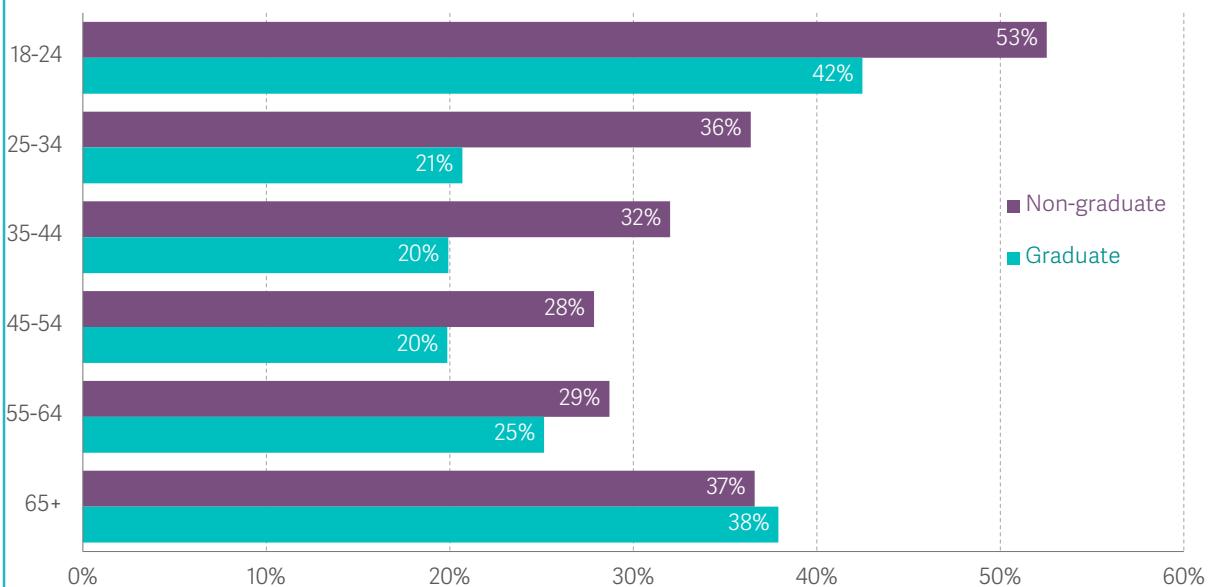
BOX 1: There are important within-generation, as well as between-generation, employment impacts

Although the pandemic has had an outsized effect on younger people’s employment, some groups of young people were affected more than others. For example, figures from a Resolution Foundation survey conducted in June by YouGov show that more than half (53

per cent) of 18-24-year-old non-graduate respondents who were in work before the pandemic (i.e. in February 2020) had experienced a period of furlough or unemployment between March 2020 and May 2021, whereas 42 per cent of graduates had.

FIGURE 7: Across all age groups, the odds of a person losing work during the pandemic are related to their educational qualifications

Proportion of respondents who were employed in February 2020 that experienced unemployment or furlough between March 2020 and May 2021, by education level: UK



NOTES: Base = All UK adults aged 18+ who were in work during February 2020 and had non-missing data for employment status in each month. Sample size for graduates is as follows: 18-24: 132; 25-34: 644; 35-44: 594; 45-54: 500; 55-64: 294; 65+: 130. Sample size for non-graduates is as follows: 18-24: 279; 25-34: 468; 35-44: 562; 45-54: 566; 55-64: 432; 65+: 175. All figures have been analysed independently by the Resolution Foundation.

SOURCE: RF analysis of YouGov, adults age 18+ and the Coronavirus (COVID-19), June 2021 wave.

These differences grow as we move up the age distribution: more than one-in-three (36 per cent) of 25-34-year-old non-graduate respondents lost work during the pandemic, compared with

just over one-in-five (21 per cent) of their graduate counterparts. In fact, a larger share of non-graduate middle-aged respondents (29 per cent of 45-54-year-olds) lost work than did

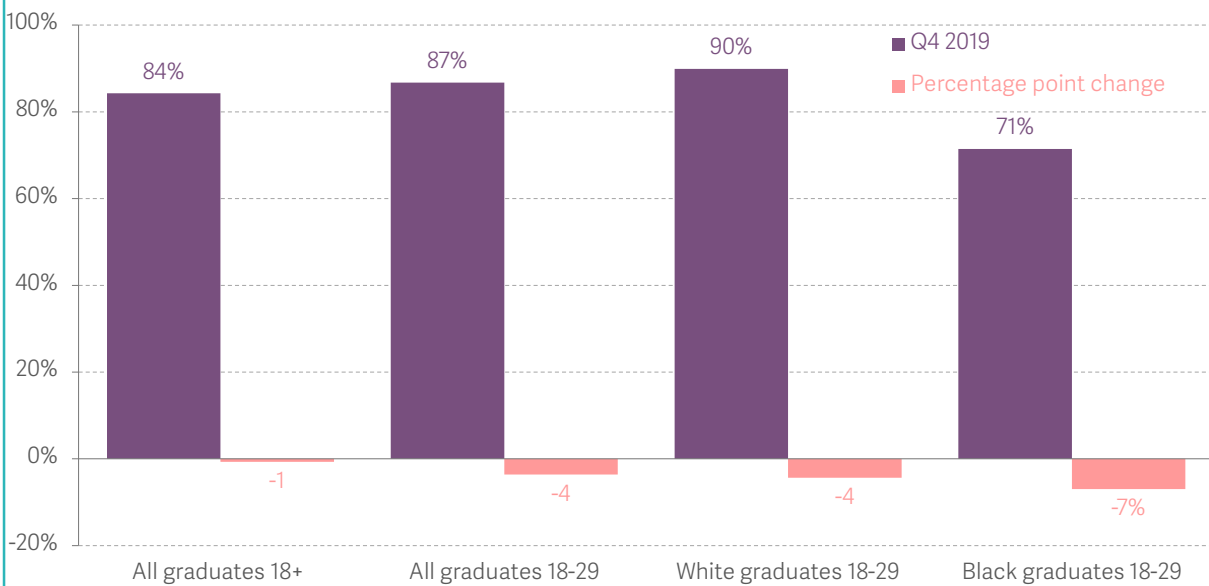
25-34-year-old graduate respondents (21 per cent).

Figure 8 shows that the pandemic has also had a differential employment impact among similarly-aged people with similar qualifications. Although employment among all graduates aged 18 and older was just one percentage point lower in September to December 2020 than in September to December

2019, the first year of the pandemic had a larger impact on employment for younger graduates (18-29-year-olds), among whom employment fell by 4 percentage points. Even among young people there were differences: employment fell four points among younger White graduates, compared to 7 percentage points among their Black counterparts.

FIGURE 8: Employment falls have been larger among young Black graduates than their White counterparts

Employment rate among graduates in Q4 2019 and percentage point change in employment rate between Q4 2019 and Q4 2020, by selected ethnicities: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

The effects of the pandemic, and downturns in general, on youth employment are not only limited to young people losing their jobs, but also experienced by recent education leavers struggling to find their first job. Between 2019 and 2020, the

unemployment rate among graduates and non-graduates who had left full-time education within the previous year grew by 4 percentage points each, to 18 and 14 per cent, respectively.¹¹ These patterns align with previous Resolution Foundation research that

¹¹ For further discussion, see: K Henehan, *Uneven steps: Changes in youth unemployment and study since the onset of Covid-19*, Resolution Foundation, April 2020.

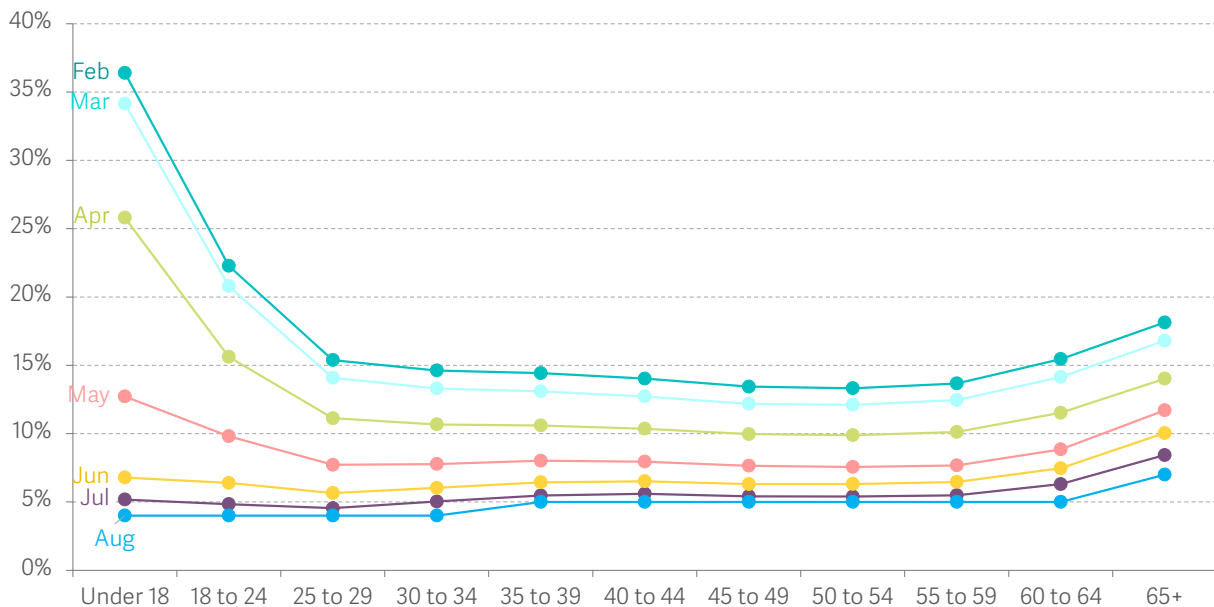
found that leaving education during the midst of an economic downturn can ‘scar’ a person’s employment and pay prospects (relative to their counterparts who left education during normal economic conditions), and that these scarring effects can last for several years.¹²

As the economy started to open up in 2021, the risk of negative employment impacts has begun to shift up the age range

As Figure 6 showed, younger people are much more likely to have experienced furlough or unemployment over the course of the pandemic, but these age differences have attenuated over recent months. For example, the latest HMRC Coronavirus Job Retention Scheme statistics (Figure 9) show that during the winter 2021 lockdown, the share of younger employees on furlough (36 per cent in February) was significantly larger than all other age groups, including older workers (15 and 18 per cent among those aged 60-64, and 65 and older, respectively). These gaps all but evaporated by June and, by the end of August, the share of employees aged 60-64 (5 per cent) and 65 and older (7 per cent) on furlough were both larger than the share of employees aged under 35 (4 per cent).

FIGURE 9: By summer 2021, older employees were more likely than their younger counterparts to be furloughed

Proportion of employees furloughed, by age: February 2021 to 31 August 2021, UK



SOURCE: HMRC Coronavirus Job Retention Scheme statistics: 14 September 2021.

¹² See: S Clarke, *Growing Pains: The impact of leaving education during a recession on earnings and employment*, Resolution Foundation, May 2020, and E Del Bono & G Morando, *For Some, Luck Matters More: The Impact of the Great Recession on the Early Careers of Graduates from Different Socio-Economic Backgrounds*, IZA Discussion Papers 14540, for UK evidence from the financial crisis.

A previous Resolution Foundation report found that older respondents furloughed in May were spread much more evenly across different sectors than younger furloughed workers, who were overwhelmingly represented in sectors that were just coming out from under capacity restrictions, like hospitality, leisure and retail. In fact, older furloughed respondents were over-represented in sectors like manufacturing, construction, and IT and communications, which have been less affected by pandemic-related constraints.¹³ That work also showed that older workers are at high risk of being out of work for a long time: 69 per cent of 55-64-year-olds who were furloughed or unemployed in May had been so for at least six months (that is equivalent to 270,000 55-64-year-olds who were fully furloughed or unemployed for six months or more, and equivalent 619,000 45-64-year-olds as a whole). These factors are worrying because, as previous Resolution Foundation analysis from July (which is summarised in this section's Spotlight analysis) showed it tends to take longer for older workers to return to work compared with their younger counterparts, and then when they do, they are more likely to experience a pay reduction. (Interestingly, there is also suggestive evidence that older women have been more heavily affected by the pandemic than they were by previous crises: we discuss this more in Box 2.) Indeed, it's well established that unemployment spells can lead to employment 'scarring,' wherein a person finds it difficult to secure work in future, and where they do find work, they experience a pay penalty.¹⁴

The key question, in the aftermath of the furlough scheme closing, is what has happened to those who were on furlough in its final days of operation – and how policy makers can ensure they do not flow into unemployment, and especially long-term unemployment.¹⁵ In the run up to the end of furlough, there were an estimated 1 million people on the scheme. There are two pieces of good news. One is that, of the estimated 1 million workers still on furlough in its final month, about half of workers were only furloughed on a part-time basis (i.e. they were doing some work), which suggests that they might not have lost their jobs after the scheme closed.¹⁶ Another is that the latest official redundancy figures, which run to the end of July, do not suggest that employers were increasing redundancies as the end of the furlough scheme neared: in fact, the

¹³ K Handscomb et al., [The Living Standards Audit 2021](#), Resolution Foundation, July 2021.

¹⁴ This scarring could in part be down to a person's skills depreciating while they are out of work, but it could also be attributable to signalling effects, wherein employers are less likely to take on someone with a gap in their work history. To the extent that scarring is caused by the former, we might worry that respondents who have been either unemployed or furloughed over the course of the crisis will find experience some level of scarring in future. Research shows that that a person's susceptibility to unemployment is heightened by factors like having lower-level qualifications, financial deprivation and behavioural problems in childhood. See: P Gregg, [The impact of youth unemployment on adult unemployment in the NCDS](#), *The Economic Journal* 111(475), April 2008; P Gregg & E Tominey, [The wage scar from male youth unemployment](#), *Labour Economics* 12(4), August 2005. Other research finds that all else being equal, after having an unemployment spell Pakistani and black African women, and black Caribbean and Bangladeshi men, are substantially more scarred than their white British counterparts. See: Y Li & A Health, [Persisting disadvantages: a study of labour market dynamics of ethnic unemployment and earnings in the UK \(2009–2015\)](#), *Journal of Ethnic and Migration Studies* 46(5), November 2018.

¹⁵ For a fuller discussion of the possible impact of Job Retention Scheme's closure on unemployment, see: H Slaughter & G Thwaites, [Labour Market Outlook Q3 2021: Prospects for unemployment after the Job Retention Scheme](#), Resolution Foundation, September 2021.

¹⁶ D Tomlinson, [Job well done: 18 months of the Coronavirus Job Retention Scheme](#), Resolution Foundation, September 2021.

redundancy rate between May-July 2021 was, for every age group except 30-49-year-olds, lower than period immediately preceding the pandemic. Among 16-24-year-olds, the number of redundancies per 1,000 employees was 4.4, well below its peak of 16.9 (during July-September 2020) and lower than the period immediately preceding the crisis (December-February 2020, when it was 6.4 per cent). Among workers age 50 and older there is a similar story: the redundancy rate during May-July was 3.7, below its pandemic peak of 14.7 per cent (reached during September-November 2020) and lower than the period immediately preceding the pandemic (4.3 per cent in December-February 2020).¹⁷

BOX 2: The Covid-19 crisis has had a worse impact on older women's employment than previous crises

As well as the employment impacts of the pandemic becoming more skewed to older workers during 2021, there is also suggestive evidence that older women are more heavily affected than in previous crises. Figure 10 compares the impact of the Covid-19 crisis on older employment to the impact of the four main downturns the UK has experienced since the 1980s (by showing the change in the employment rate, the inactivity rate, and the unemployment rate for those aged in their 50s in the four years from the start of each of the previous four recessionary periods).¹⁸

During previous crises, the employment rate of men in their 50s has tended to fall, whereas female employment has either fallen only slightly (as in the case

of the 1980s crisis) or continued rising.¹⁹ So far, the impact of the pandemic on female employment has been worse than the first year of any of those previous crises. Although there are signs that the fall in older women's had begun to improve and then level off by April – June 2021, the effect of the pandemic on employment still remained more severe than the effect of the 1980s recession at a similar point in time. (We will need to wait for figures that cover October 2021 before understanding whether the end of furlough will have a further negative impact.) For older men, a recent improvement in employment means that the impact of the pandemic is now less severe than the 1980s and 1990s recessions, but more severe than the financial crisis. (Employment among

¹⁷ ONS, [RED02: Redundancies by age, industry and region](#), 14 September 2021. Furthermore, additional, and more recent, data sources suggest that the scheme's closure is unlikely to have resulted in a rise in redundancies, with Insolvency Service data shows that the number of firms making redundancies was close to a record low in September. Google searches for 'redundancy' increased slightly in September but were well below the levels reached at various points in the pandemic. See: Ben King, [Businesses welcome back workers as furlough ends](#), BBC News, October 2020.

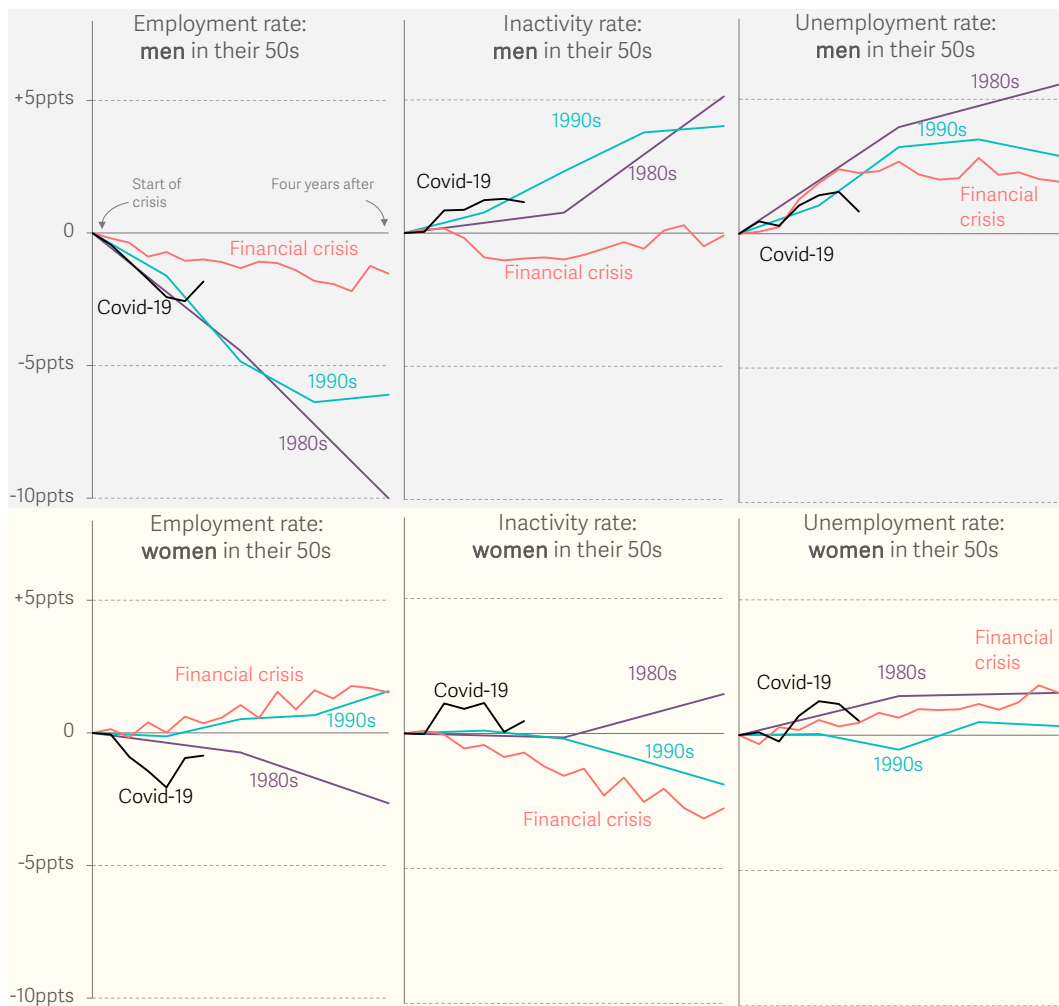
¹⁸ We focus on workers in their 50s to avoid trends being affected by the changing state pension age. However, there is little reason to suggest that including those in their early 60s would significantly change the trends set out here.

¹⁹ This doesn't mean female employment wasn't affected by those crises – they may have slowed long-term growth in female employment even if they didn't lead to a reduction in the level of female employment.

men in their 50s fell from 83.7 per cent – March 2021, before rising slightly to 81.9 per cent in April – June 2021).
 in October – December 2020 and
 bottomed out at 81.1 per cent in January

FIGURE 10: So far, among those in their 50s, the Covid-19 crisis has been worse for women’s employment than the 1980s and 1990s downturns, and the late 2000s financial crisis

Percentage point change in employment, inactivity and unemployment rates among men and women in their 50s, in the four years after the start of recent economic crises: UK



NOTES: Charts show four years from the start of each period. Periods covering the 1980s and 1990s do not perfectly align with the start of those downturns due to data availability. Periods shown date from: 1979 full year (1980s crisis), 1990 full year (1990s crisis), 2008Q1 (financial crisis) and 2019Q4 (Covid-19). The employment and inactivity rates are expressed as a proportion of the population; the unemployment rate is expressed as a proportion of the economically inactive, i.e. those that are either employed or unemployed. The latest data runs to Q2 2021. This is an updated version of F4 in: N Cominetti, A U-shaped crisis: The impact of the Covid-19 crisis on older workers, Resolution Foundation, April 2021.

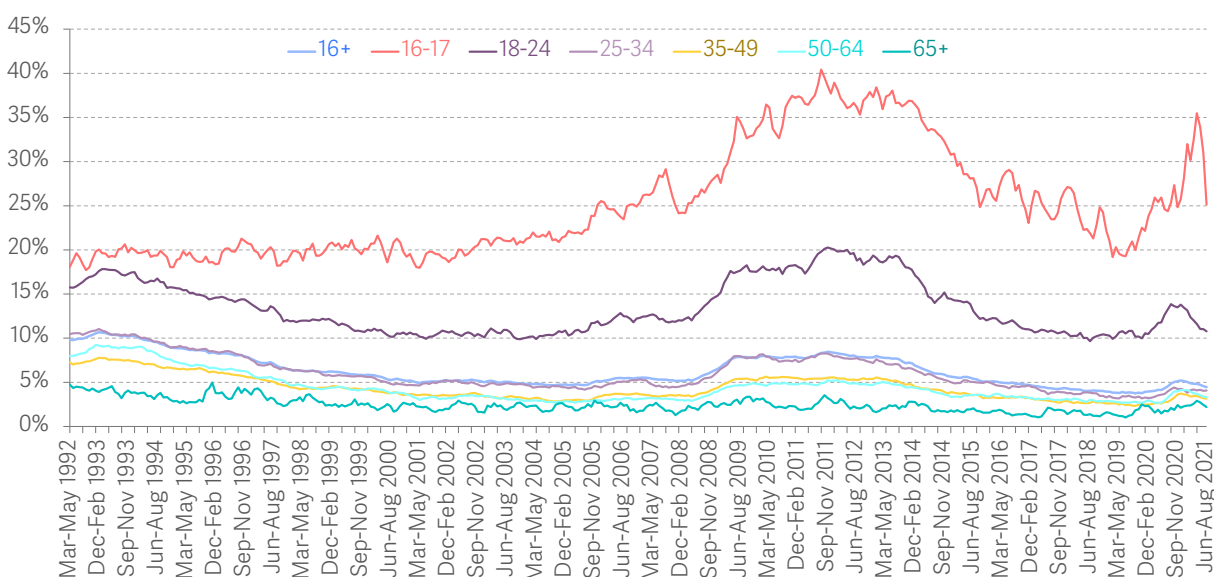
SOURCE: RF analysis of ONS, Labour Force Survey.

Unemployment rates have remained below those in the financial crisis, thanks in large part to the Job Retention Scheme, as well as younger people moving into full-time study

Despite the extensive labour market disruption, the rate of unemployment has remained remarkably low, thanks to the considerable economic support package. This is particularly good news for young workers and others who have a weak position in the labour market as, when economic downturns arise, it is typically workers with the least experience or the lowest-level qualifications that are first in line for redundancies. For example, Figure 11 shows that in the wake of the financial crisis, the unemployment rate for young people (aged 18-24) peaked at 20 per cent (up from 12 per cent before the crisis), as compared with a post-financial crisis peak of just over 8 per cent among all those aged 16 and older (up from just over 5 per cent).

FIGURE 11: Unemployment rates for all age groups remain well below those reached in the aftermath of the financial crisis

Unemployment rate by age group: UK, March-May 1992 – June-August 2021



SOURCE: RF analysis of ONS, Labour Force Survey.

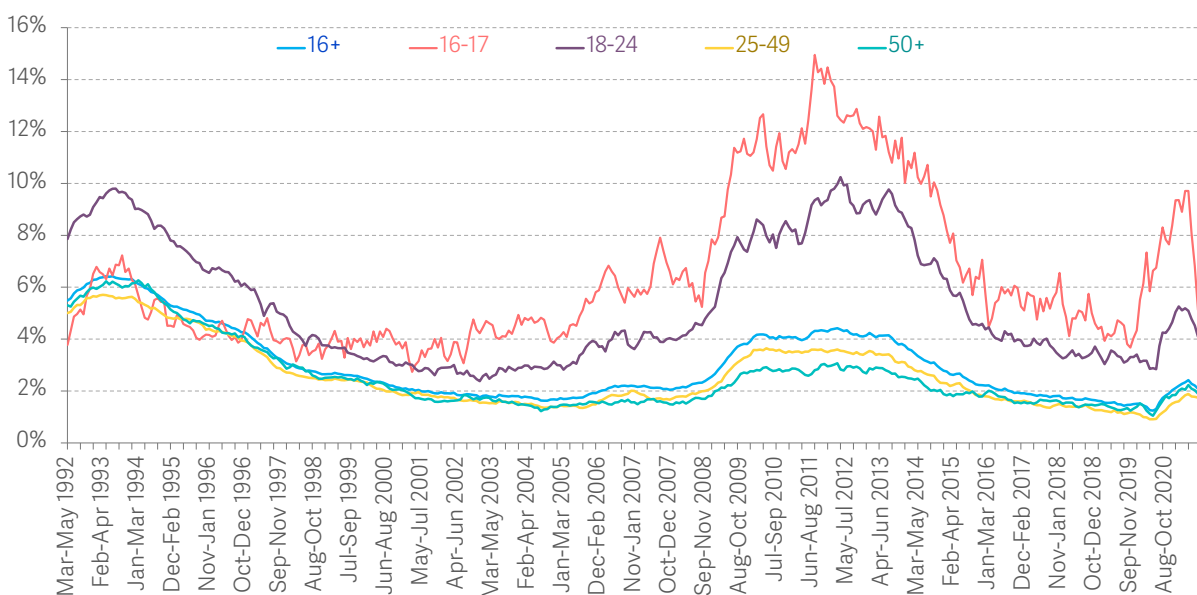
And unemployment rates did rise among all age groups when the pandemic hit (see Figure 11). Among 18-24-year-olds, the unemployment rate reached its pandemic-era peak during October-December 2020, at 13.8 per cent (up from 10.9 per cent before the pandemic, at the start of 2020). Unemployment among all adults aged 16 and older also peaked at the end of 2020, at 5.2 per cent (up from 4 per cent in the period immediately preceding the pandemic). During 2021, the unemployment rate has fallen, particularly from April when social distancing restrictions started to be eased, reaching 4.5 per cent

during June-August 2021, only slightly higher than its pre-crisis level (4 per cent during January-March 2020). The 18-24-year-old unemployment rate has come down markedly: at 10.8 per cent during June-August 2021, it is now marginally lower than during the pre-crisis level (10.9 per cent in January-March 2020).

Focusing on the long-term unemployed, Figure 12 shows that younger people are the most likely to be unemployed for six months or more. Since the onset of the pandemic, the proportion of economically-active people in this state has increased across all age groups, but that increase has been larger than average for those who are younger and older. Across the workforce aged 16+, the share who were unemployed for six months or more increased by a percentage point (to 2.4 per cent) between the quarter immediately preceding the pandemic (January-March 2020) and the winter lockdown period (March-May) of 2021, before falling back to 2.1 per cent during June-August. Rises in longer-term unemployment were sharper among younger age groups, with those aged 16-17 and 18-24 experiencing slightly more than 2 percentage point increases (to 9.7 and 5.3 per cent, respectively) over the course of the pandemic, before falling back (to 5.1 and 4.1 per cent, respectively) during June-August of this year.

FIGURE 12: The share of people unemployed for six months or more has risen most for both younger and older workers, although it has been falling in recent months

Proportion of the economically-active population unemployed for six months or more: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

The increases in unemployment and in long-term unemployment over the past year are lower than many forecasts had anticipated, including our 2020 Intergenerational Audit, and are considerably smaller than the increases that occurred in the years after the financial crisis.²⁰ By contrast, between 2008 and 2010, the share of economically-active adults aged 16+ that were unemployed for six months or longer increased by 2 percentage points, and the share of the 18-24-year-old workforce unemployed for more than 6 months rose by 4 points – roughly twice the size of the rises set out above.

The smaller-than-anticipated growth in unemployment is mainly due to the Coronavirus Job Retention Scheme (JRS), alongside other policies to provide support directly to firms affected by lockdowns or social distancing restrictions. With almost 9 million people on the scheme at some point over the course of the pandemic, the JRS has helped preserve large numbers of viable jobs while firms dealt with lockdowns and other restrictions that limited consumer demand or firms' capacity to meet it.²¹

Additionally, full-time education has played a role in sheltering younger people from unemployment, with many continuing on, or returning to, full-time study.²² Among those aged 16-17, this could include opting for classroom-based study instead of taking on an apprenticeship; among those aged 18 or over, this could include opting to progress onto higher education, rather than entering the jobs market. And, the proportion of 18-year-olds that entered university reached a record high in the autumn of 2020, with 43 per cent having applied by June (up from 41 per cent at the same point in 2020).²³ On the other hand, young people experienced a disproportionately large drop in apprenticeship starts between August-April 2018-19 and August-April 2020-21. Among 16-18-year-olds starts fell by 30,300 (36 per cent); among 19-24-year-olds they fell by 17,600 (19 per cent) and among those aged 25 and older they fell by 10,100 (7 per cent). Some of these age differences will have been driven by sector: older apprentices are more likely to work in sectors that were able to transition to home working whereas younger apprentices are disproportionately likely to work in in-person services, many of which were temporarily shut down at various points over the pandemic.²⁴

The left-hand panel of Figure 13 shows that the overall increase in full-time study essentially offset the decline in the number of young people who were employed (but not also studying) so that the crisis has had almost no impact on the fraction who are not in education, employment or training (NEET). For example, the share of 16-17 and 18-24-year-

²⁰ For example, in April 2020, the Office for Budget Responsibility (OBR) projected the 16+ unemployment rate to reach 10 per cent in Q2 2020, up from 3.9 per cent in Q2 2019. See: OBR, [Coronavirus Reference Scenario](#), April 2020.

²¹ For further discussion of JRS take-up, see: D Tomlinson, [Job well done: 18 months of the Coronavirus Job Retention Scheme](#), Resolution Foundation, September 2021.

²² The role of the education system in previous crises is discussed in: K Henehan, [Class of 2020: Education leavers in the current crisis](#), Resolution Foundation, May 2020.

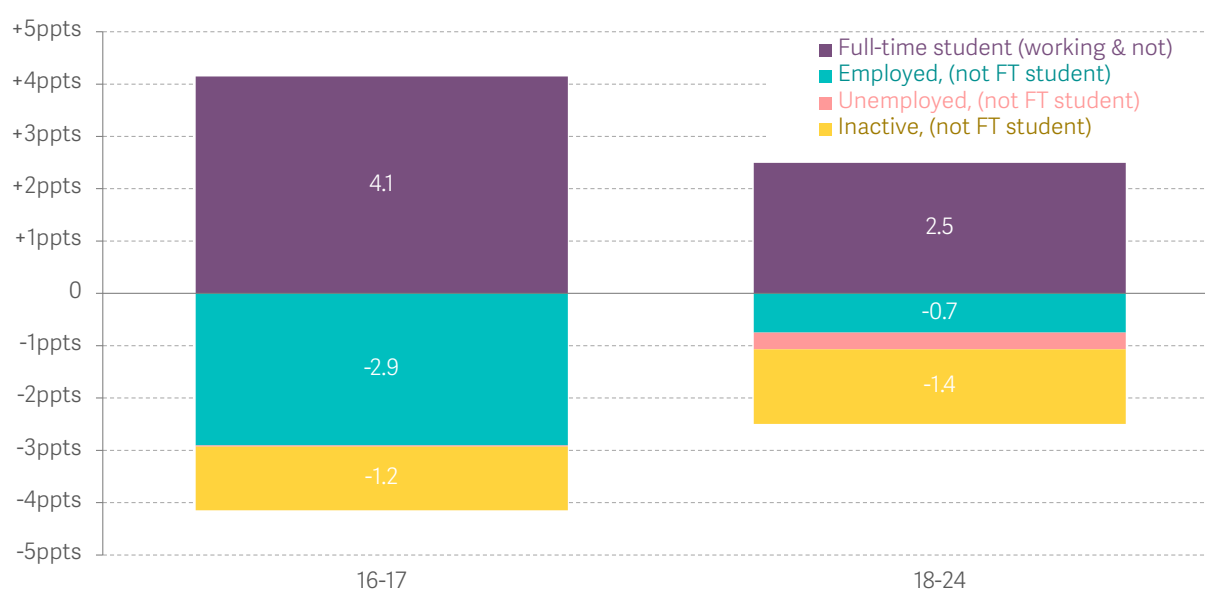
²³ Universities and Colleges Admissions Service, [2021 Cycle Application Figures – January Equal Consideration Deadline](#), 2021.

²⁴ See: Department for Education, [Apprenticeships and Traineeships](#), October 2020.

that were employed (but not in full-time study) fell between May-July 2019 and May-July 2021 (by 2.9 points among 16-17-year-olds and 0.7 points among 18-24-year-olds), and the proportion of young people in full-time study rose by 4 points among 16-17-year-olds and 2.5 points among 18-24-year-olds. Although some full-time students will have lost jobs during the pandemic, it is welcome that young people in education will at least be able to build up human capital and qualifications during the downturn.

FIGURE 13: Full-time education has helped to limit a rise in youth unemployment

Percentage point change in proportion of young people in various economic activities between May-July 2019 and May-July 2021: UK



NOTES: Categories are mutually exclusive: Full-time student includes those who are employed, unemployed or inactive while in full-time study. 'Inactivity,' 'Unemployment' and 'Employment' all refer to those who are outside of full-time study.

SOURCE: RF analysis of ONS, A06: Educational status, economic activity & inactivity of young people: People aged 16 to 24 by educational status, economic activity and inactivity (seasonally adjusted).

The pandemic has made it hard to interpret our core indicators of intergenerational progress in the labour market, but there is little improvement in the quality of work that young people are taking up

Normally, we would also look to employment rates and median pay as core metrics for understanding the availability and prosperity of jobs taken up by different cohorts. However, as we discuss in Box 3, the interpretation of some of these metrics during the pandemic has become difficult.

BOX 3: It is not clear whether the pandemic has affected the trend for cohort-on-cohort rises in employment but stalled pay progression for younger workers

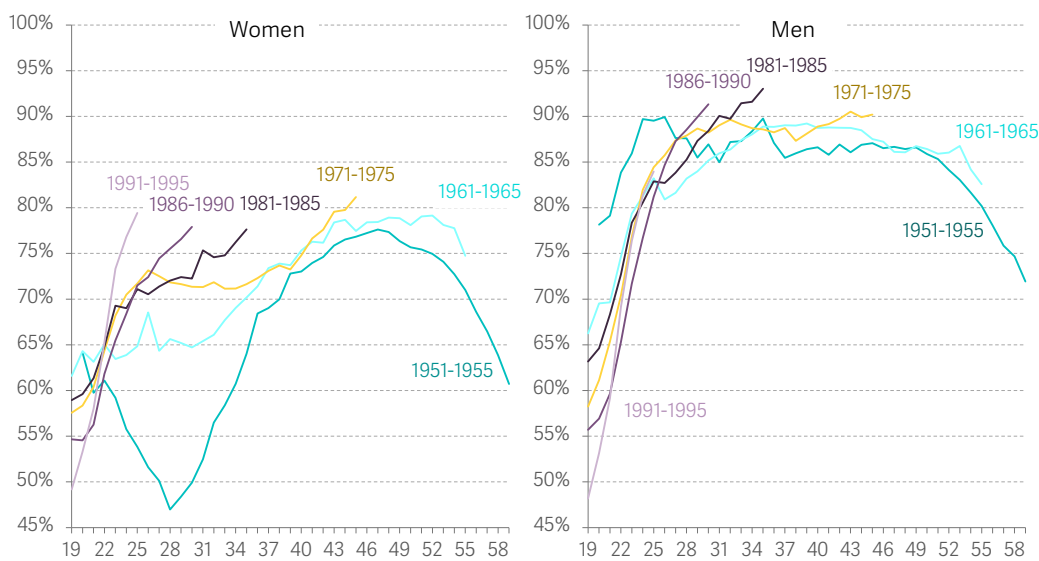
Before the Covid-19 pandemic, employment among UK adults had reached a record high. Importantly, these improvements fed through to most age groups, with successive birth cohorts having benefited from employment increases. This has particularly been the case for women, with those born in the 1980s to 1990s having experienced higher employment rates in their 20s and their early 30s than their predecessors, and those born in the early 1960s more likely to work into their 50s than those born during the early 1950s. (For further discussion

of employment among older people, see the Spotlight at the end of this section.)

As Figure 14 shows, these cohort-on-cohort improvements still hold when we include employment data for 2020 and 2021, which is positive news. But we should take interpret these figures with care, as the measure of employment also includes people who were on full furlough who had an employment contract and were being paid, but were not actually doing any work. A true impression won't be available until we have data from after the end of the JRS.

FIGURE 14: Employment has risen among successive cohorts of young women

Employment rate, by age, cohort and sex: UK, 1975 – Q2 2021



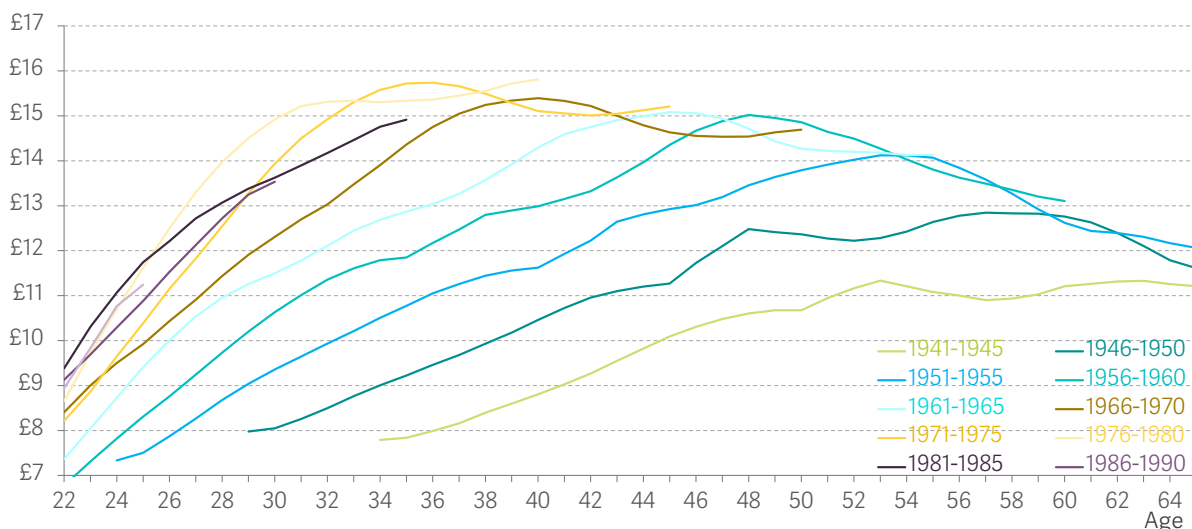
NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data.
SOURCE: RF analysis of ONS, Annual Labour Force Survey (1975-1991); ONS, Labour Force Survey (1992-2021).

In contrast to the positive story on employment, the years before Covid-19 had also been characterised by a lack of generational pay progress for millennials and their successors: cohorts born up until the late 1970s could expect to be paid more than their predecessors (when at the same age), but this cohort-on-cohort progression has stalled for those born in the 1980s

(Figure 15). This is in part explained by the fact that those born in the early 1980s (1981-1985) will have been in their early careers (and those born in the late 1980s (1986-1990) will have just left education) when the financial crisis hit, putting them at particular risk of experiencing the post-crisis pay squeeze.²⁵

FIGURE 15: Generational pay progress has stalled for those born after 1980

Median real (CPIH-adjusted) hourly employee pay (2020 prices), by age and cohort: UK, 1975-2020



NOTES: Figures for each cohort are derived from a weighted average of estimates by single year of age; cohorts are included if at least five birth years are present in the data. Data is smoothed using three-year rolling averages.
 SOURCE: RF analysis of ONS, New Earnings Survey (1975-97); ONS, Annual Survey of Hours and Earnings (1997-latest).

As with Figure 15, the effects that the pandemic has had on the labour market make it difficult to interpret pay trends in 2020 and 2021. In particular, the fact that lower-paid workers have been more likely to lose their jobs will

automatically skew typical pay rates up, but the presence of workers on furlough getting 80 per cent of their previous wage will have skewed pay rates down.²⁶

²⁵ For further discussion, see: G Bangham et al., *An intergenerational audit for the UK: 2019*. Resolution Foundation, June 2019.

²⁶ See: T Bell et al., *Understanding the labour market: Pandemic not pandemonium The labour market is normalising, not overheating*. Resolution Foundation, July 2021.

Finally, Figure 3 (earlier in this section) showed that, since Covid-19 took hold, the share of workers in lower-paid occupations has continued to fall over 2020 and into the first half of 2021: to just over 35 per cent of 18-29-year-olds and 21 per cent of workers aged 30 and above. This will have been driven by the fact that the types of sectors most likely to shed jobs during the pandemic were lower-paid ones (although, as with Figure 14, this data includes workers who are on furlough), rather than reflecting a strengthening of young

people's relative position in the labour market. In previous audits, we have shown the proportion of young people who voluntarily change jobs each year, an important indicator because job mobility is a key mechanism through which young people attain a pay boost: the pandemic has made this indicator close to meaningless in 2020 and early 2021. We have also tracked measures related to job quality, like the proportion of workers in lower-paid industries, and the share working on insecure contracts, which we show below.

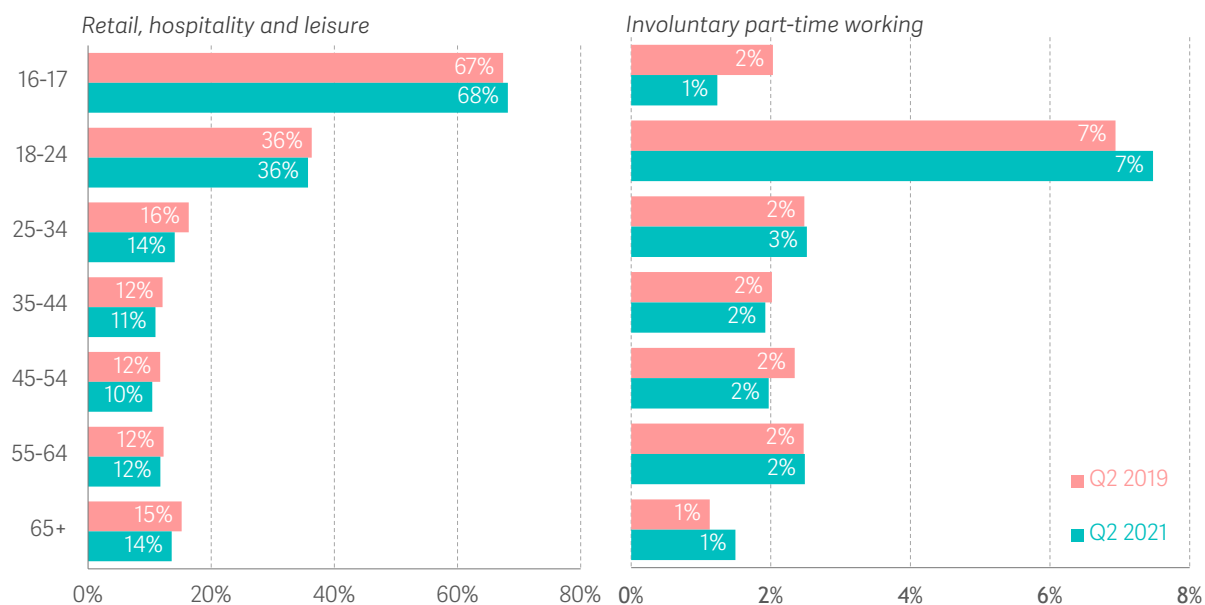
Two indicators that are worthwhile examining relate to the quality of work on offer (although our data runs only to the first half of 2021, so doesn't fully capture the re-opening of the UK economy²⁷). The left-hand panel of Figure 16 shows that the proportion of workers working in industries that are generally lower-paid, like retail, hospitality and leisure have shifted very little so far in the recovery (as noted elsewhere, this data will count furloughed workers as being employed). We also find few signs of improvement when we turn to involuntary part-time working (the right-hand panel of Figure 16), which captures the proportion of workers who say they work part-time because they cannot find a full-time job. 7 per cent of 18-24-year-old workers reported this in both Q2 2019 and Q2 2021; 2 per cent of 25-34-year-olds reported this during Q2 2019 and 3 per cent did in Q2 2021.

Other indicators of the quality of work include the fraction of workers on zero-hours contracts. Figure 5 (earlier in this section) showed that, although the proportion of 18-29-year-olds working on a zero-hours contract had fallen somewhat between 2020 and the first two quarters of 2021 (from 5.9 to 5.2 per cent), it remains higher than in 2019 (when 4 per cent of 18-29-year-olds reported working on one).

²⁷ For example, in England, mass gatherings including theatre productions, sporting events and nightclubs opened, without social distancing restrictions from 19 July 2021.

FIGURE 16: The share of younger workers in lower-paid industries, and the share working part-time involuntarily, was just as high in June 2021 as it was before the pandemic

Proportion of workers in retail, hospitality and leisure (left-hand panel) and proportion of workers who report working part-time because they cannot find a full-time a full-time job (right-hand panel), by age group and quarter: UK



NOTES: Retail, hospitality and leisure includes: Retail trade excluding motor vehicles and motorcycles, accommodation, food and beverage, travel agency and tour operator activities, creative arts and entertainment activities, sports activities and amusement and recreation. Involuntary part-time refers to the share of employees and self-employed who report working part-time because they cannot find a full-time job.

SOURCE: RF analysis of ONS, Labour Force Survey.

Obviously, all of these indicators would have been affected by the changes in the labour market caused by the employers' responses to the pandemic. For example, the drop in the share of younger workers on zero-hours contracts in 2020 could reflect that younger workers in lower-paid service sectors (who are most likely to be on a zero-hours contract) were among the first to be furloughed or lose their jobs, rather than being a sign of improved job quality in lower-paid sectors. Over recent months, however, there are signs that both the absolute number – and the proportion of young people – in this position is rising. Between January-March and April-June 2021, the number of 16-24-year-olds on a zero-hours contract rose by over 10 per cent (to 313,000), equivalent from 8.3 to 9.1 per cent of workers in that age group. This suggests that, as the economy re-opens, there is little sign of improvement in some aggregate measures of job quality. In other words, we cannot expect the recovery and a large number of job vacancies alone to improve the job quality and pay prospects for future generations.

But one of the most important intergenerational consequences of the pandemic will be the long-term impacts it has on the life chances and social mobility of young people currently in education or in the early part of their employment careers, long after

the most acute effects of the virus pass us by. Although it is very good news that the employment rate has already rising, and that rates of long-term unemployment are so far well below those seen after the financial crisis, those young people who experienced unemployment over the past 18 months remain at risk of employment and pay scarring over the longer-term. And research shows that employment scarring is particularly prevalent among people with lower-level qualifications, and those from with lower-income or ethnic minority backgrounds, so any long-term impacts could exacerbate pre-existing intra-generational inequalities in employment and pay, as well as inter-generational differences.²⁸

Other research has shown that school closures, isolation policies and a variation in the accessibility and quality of remote learning or home schooling have all resulted in a substantial amount of learning loss among pupils – with those from disadvantaged backgrounds having on average lost the most learning time of their peers.²⁹ The sharp fall in the number of people starting apprenticeships during the first year of the pandemic was also concentrated among younger people on programmes at lower-equivalent levels of study, who are more likely to come from lower-socioeconomic backgrounds.³⁰ The loss of education stemming from both of these occurrences is likely to deepen socioeconomic inequalities, with implications for intergenerational social mobility over the longer-term.³¹ Finally, research has found that job loss (either among a child or young person's parents or a young person themselves) has been more prevalent among those from lower socioeconomic backgrounds, another event that could widen pre-existing gaps within younger generations and serve as a further stumbling block to intergenerational mobility in the coming years.³²

Going forward, policy will need to improve the number and quality of opportunities for both younger and older adults who lost work in the pandemic

The Covid-19 pandemic has generated several employment-related challenges for workers of all ages, but especially for the oldest and the youngest in the labour force. These challenges have come on top of a number of pre-pandemic headwinds that have

²⁸ For further discussion, see: J Cribb, A Hood & R Joyce, [Does leaving education in a recession have a lasting impact on living standards?](#), Institute for Fiscal Studies, November 2017; P Gregg, [The impact of youth unemployment on adult unemployment in the NCDS](#), *The Economic Journal* 111(475), April 2008; P Gregg & E Tominey, [The wage scar from male youth unemployment](#), *Labour Economics* 12(4), August 2005, and: Y Li & A Health, [Persisting disadvantages: a study of labour market dynamics of ethnic unemployment and earnings in the UK \(2009–2015\)](#), *Journal of Ethnic and Migration Studies* 46(5), November 2018.

²⁹ For example, the average number of lost learning days that occurred between March 2020 and April 2021 was 61 in England and Northern Ireland, 64 in Scotland and 66 in Wales. See: L Elliot Major, A Eyles & S Machin, [Learning loss since lockdown: variation across the home nations](#), Centre for Economic Performance, London School of Economics, July 2021.

³⁰ K Henehan, [Apprenticeships: why new starters are so important](#), TES, January 2021; K Henehan, [Trading up or trading off? Understanding recent changes to England's apprenticeships system](#), Resolution Foundation, August 2019.

³¹ R Blundell et al., [Inequalities in education, skills, and incomes in the UK: The implications of the COVID-19 pandemic](#), Institute for Fiscal Studies, March 2021.

³² See for example: L Elliot Major, A Eyles & S Machin, [Unequal learning and labour market losses in the crisis: consequences for social mobility](#), Centre for Economic Performance, London School of Economics, February 2021.

particularly affected the young, like a rise in atypical forms of work, growing occupational segmentation, declining job-to-job moves, and stalled generational pay progress.

The good news is that policy, and specifically the JRS, has helped to prevent what could have been a spectacular hike in unemployment – and one that would have had a disproportionately large impact on younger workers, who are concentrated in sectors most affected by lockdowns and social distancing restrictions. The capacity for the UK's education system to take in additional students has also played a role in protecting (mostly younger) generations from the scarring effects of unemployment. As the UK recovers from the pandemic and emergency support measures like the JRS are shut down, policy makers need to keep a close eye on those groups that are most likely to fall into unemployment, and longer-term unemployment at that. This will include disadvantaged young people and those with lower-level qualifications, but also older workers – who are more likely to have been furloughed or unemployed for a significant period of time.

To that end, they should continue putting resources into programmes to help young people at risk of longer-term unemployment find work experience, such as the Kickstart Scheme, and to help younger people with mid-to-lower level qualifications find quality work and training programmes, such as Sector-based Work Academy Programmes (SWAPs) and quality job search support through Job Entry Targeted Support (JETS) and Youth Hubs. And if the Government wants to ensure that apprenticeship funding is used to help people access routes to a new career (and not spent on standard work-related training), it should also put into place policies that reorient the apprenticeship system towards young people and new starters.

Older workers will be in need of support in the aftermath of the pandemic too, and it's important that Government puts into place measures that address many of the specific risks older workers face when falling out of work. To that end they should continually evaluate the quality of support older workers are receiving through the 'Restart' employment support programme, in order to ensure that they are not being put to one side. They should also consider additional incentives to help older people back into work (for further discussion, see this section's Spotlight).

But employment and training policy shouldn't be focused on meeting pandemic-driven problems alone. Coming out of this crisis, policy makers should be focused not just on how to get people back into jobs, but on improving the quality of those jobs and the ability for younger generations to achieve the same levels of employment and pay progress that their predecessors have. In fact, making headway on earnings growth and job quality is a necessary (but not sufficient) requirement for the Prime Minister's vision of moving the UK towards a high-wage, high-skill economy over the coming years. We

will explore these strategic challenges more widely in our work, along with the Centre for Economic Performance at the London School of Economics, on the Economy 2030 Inquiry over the next two years.³³

³³ See: Resolution Foundation, [About the Economy 2030 Inquiry](#)

Spotlight: Employment trends among older workers³⁴

This section has shown that the employment impact of the crisis have been felt most severely by younger and older workers. This Spotlight analysis puts that short-term hit into context by considering the longer-term trends in employment among older workers. In so doing, it raises questions about what comes next for those older workers that have lost work in this crisis, given that older workers take longer than their younger counterparts to return to employment after losing work, and on average face larger earnings reductions compared to their counterparts when doing so.

Over the past five decades, older-age employment has improved markedly

The long-run patterns in older-age employment show a key change from the early 1990s (see Figure 17). Between 1975 and 1990, employment rates among older men fell drastically (by almost 30 percentage points among those near to the state pension age), with those for older women falling too, but the decline was limited to those aged over 60 and was smaller in magnitude than for men.³⁵ From the early 1990s, though, older-age employment rates have been growing, something that has been linked to the overall strength of the economy (at least, before 2008), the rise of service sectors, and tighter regulations around ill-health related retirement in public pension programmes.³⁶ Since 2010, it has also been pushed along by increases in the state pension age for women, which rose incrementally from 60 to 65 over the past decade.³⁷ In 2019, the female 50-64-year-old employment rate was 15 percentage points higher than at the turn of the century, which was nearly twice the 8 percentage point increase in the male 50-64-year-old employment rate over the same 19-year period.

³⁴ This is a summary of a longer Spotlight which was published during April 2021. This summary abbreviates that original publication. In addition to the material set out here, the longer version of this Spotlight looked at the how employment for different age groups had changed during the pandemic; we update and summarise that work elsewhere in this report. It also examined, in greater detail, patterns and trends in older-age employment over recent decades and how older employment in the UK compares on an international basis. See: N Cominetti, [A U-shaped crisis: The impact of the Covid-19 crisis on older workers](#), Resolution Foundation, April 2020.

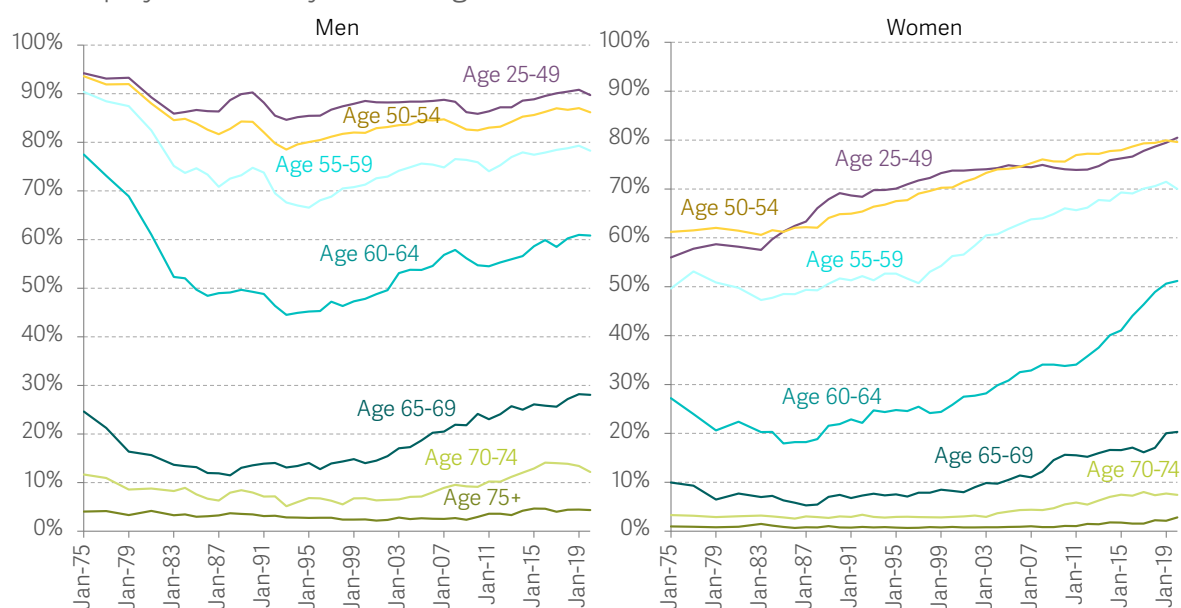
³⁵ A mix of industrial decline and employment policy were at play: older men were more likely to be working in the industries hit hardest by the early 1980s recession, employers used early access to pension schemes as a way of making redundancies among older workers, and a 'Job Release Scheme' 'released' older workers an allowance which was higher than the state pension and unemployment benefits, and was conditional on the employer hiring a young unemployed person. For further details on this and the Job Release Scheme, see: J Banks et al, [Releasing jobs for the young? Early retirement and youth unemployment in the United Kingdom](#), Institute for Fiscal Studies, March 2010.

³⁶ R Disney & D Hawkes, [Why has employment recently risen among older workers in Britain?](#), published in 'The Labour Market under New Labour: The State of Working Britain II' (eds) R Dickens, P Gregg & J Wadsworth, Palgrave, October 2003.

³⁷ Research has shown that the higher female state pension age increased employment among women in their early 60s independent of broader employment growth. See: [J Cribb et al., Signals matter? Large retirement responses to limited financial incentives](#), Institute for Fiscal Studies, 2016.

FIGURE 17: Employment among older workers has been rising strongly since the mid-1990s, after two decades of falling employment among older men

Employment rate by sex and age band: UK



SOURCE: RF analysis of ONS, Labour Force Survey.

These post-1990s increases in employment rates among older workers, combined with the demographic bulge of the baby boomer generation, mean that older workers now comprise a greater share of employment today than at any point since 1975 (the period from which we have consistent data). In 2020, 21 per cent of the workforce was aged 55 or above, up from 13 per cent in 2000.

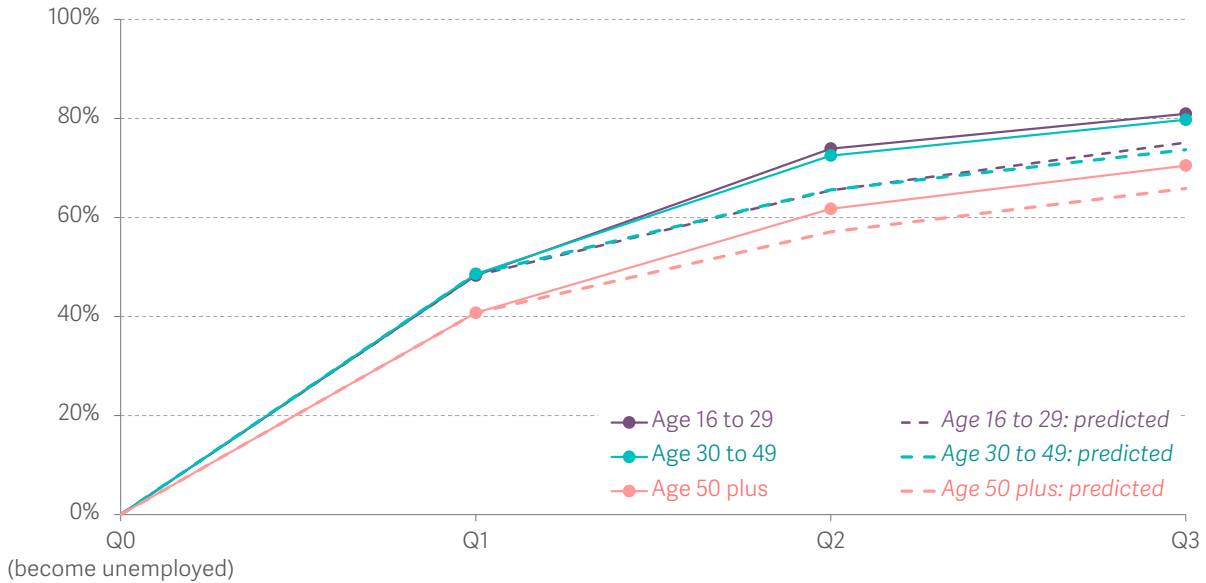
History shows that the short-term impacts of job loss on employment and pay are greater for older workers than for other workers

As we showed earlier in this section, the employment impacts of the pandemic began as a U-shape with age, and have shifted towards being skewed towards the old. And this is problematic because evidence shows that, having fallen out of work, older workers take longer to return to employment after becoming unemployed than their younger counterparts. Figure 18, based on a long span of pre-pandemic data, shows the proportion of adults who, having moved from employment to unemployment in previous quarters, then moved back into employment in the following quarters. On average across the 1998 to 2020 period, 74 per cent of 16-29-year-olds and 72 per cent of 30-49-year-olds had returned to employment two quarters after becoming unemployed, compared to 62 per cent of those aged 50 or over. The gap between workers aged age 50 or over and those aged 30 to 49 narrows (from 10 percentage points to 7 percentage points) once we control for various personal characteristics, but does not disappear. (The predicted rates

of return based on non-age factors like sex, qualifications and pay are shown with dotted lines).

FIGURE 18: After losing work, older workers take longer to return to work – even if we control for factors like pay and qualification level

Proportion of adults in employment by the number of quarters after becoming unemployed, by age group: UK, 1998-2020



NOTES: The chart shows the proportion of individuals who, after becoming newly unemployed in quarter 0 (that is, they were employed in quarter -1 and unemployed in quarter 0), had re-entered employment by the following quarters. People having re-entered employment in those quarters do not necessarily stay in employment. Predicted values are based on the results of an ordered logistic regression on the above outcomes, including sex, highest qualification level, within-age-band and within-period hourly pay quartile, a period dummy, along with the interaction of the age group variable with those other variables (apart from the period dummy).

SOURCE: RF analysis of ONS, Five-quarter Longitudinal Labour Force Survey.

When returning to work, older workers earn substantially less, on average, than they did in their previous job, and this pay penalty is greater than those who are younger. Figure 19 shows the median change in individuals' earnings among all workers who were currently employed at the time of the survey and were also employed a year earlier, as well as those who were employed at the time of the survey, and a year earlier, but who had also experienced a period of unemployment within the past year (data availability means the analysis only includes those in employee jobs, which is significant, as the self-employed comprise an important part of the older age workforce).

FIGURE 19: Older workers are particularly likely to face a pay penalty on returning to work

Median annual change in hourly pay, by whether have experienced some period of unemployment in the past year: UK, 1995-2020



NOTES: Pay data in the Labour Force Survey is only available for employees, so this figure does not include the self-employed.

SOURCE: RF analysis of ONS, Five-quarter Longitudinal Labour Force Survey.

The typical annual pay growth experienced by individual workers that had experienced a period of unemployment in the past year was still strongly positive for the youngest workers (5.1 per cent, not much below the overall rate of pay growth) over the 1995-2020 period; among those aged 30 to 49, it was negative (-4.0 per cent), 6 percentage points below the overall rate of pay growth among that age group. But among those aged 50 and over, the earnings hit for work returners is greater still, with those returning to work after unemployment facing a typical change in hourly pay of -9.5 per cent. Moreover, the impact of an unemployment spell on subsequent weekly pay is greater because older workers returning to work after a spell of unemployment tend to work fewer hours in their next job. On average, the median change in weekly pay for those aged 50 and over who return to work after a spell of unemployment is a fall of 17 per cent.³⁸

It is also possible that some older adults will drop out of the labour market altogether after a spell of unemployment: analysis from 2020 found that 5 per cent of older workers (age 50 and above) in paid employment immediately before the crisis planned to retire earlier as a result of the Covid-19 crisis, although 8 per cent said the crisis had caused

³⁸ Among those aged 50 and above that experienced a period of unemployment in the prior year (across the period 1995 to 2020), median hours worked were 37 in the pre-unemployment job, and 32 in the post-unemployment job. By contrast, hours worked pre- and post-unemployment for those in the middle of their careers (age 30 to 49) were the same (36 hours), while young people (age 16 to 29) tended to increase their hours after a spell of unemployment (from 33 to 35 hours) on average.

them to postpone retirement. Planning to delay retirement was more common among those who had been working from home in the crisis, and among those on higher incomes (although there was also an association with the value of an individual's pension having fallen, implying a choice forced on them by outside circumstances).³⁹

Flexible working can help older workers stay in work, and employment support programmes should be tailored to meet their needs

For many older workers in the current crisis, falling out of work will have negative implications for their income and retirement savings (especially if they are not among the older families who experienced significant wealth gains during the pandemic, which we discuss in Section 5). Policy levers should therefore continue to be used to promote employment among older workers. Given that around half of workers over the age of 50 said the option to work part-time or flexible hours would encourage them to work longer, workers should be offered the right to request flexible working from day one in a job, rather than after from six months, as at present.⁴⁰ And since caring responsibilities and health problems are major reasons for early retirement, workers should be offered a 'right to return' to work following periods of absence for caring responsibilities or for health problems.

Policy makers should also ensure that employment support programmes, including the new 'Restart' scheme which is intended to help long-term unemployed adults find work, cater to the specific needs of older workers⁴¹ and ensure that older adults receive a quality of support that is equal to that of their younger counterparts.⁴² Finally, policy makers may also want to minimise the earnings reduction facing older work-returners by trialling a 'return-to-work' bonus; one such scheme existed during the 2000s as part of the 'New Deal' for the over 50s, wherein older workers who returned to work after having been unemployed for six months were paid a tax-free 'Employment Credit' of £60 a week (£40 if the work was part-time), with payments continuing for a year.⁴³

³⁹ R Crawford & H Karjalainen, [The coronavirus pandemic and older workers](#), Institute for Fiscal Studies, September 2020.

⁴⁰ Policy proposals summarised in: L Gardiner et al, [A New Generational Contract: The final report of the Intergenerational Commission](#), Resolution Foundation, May 2018. Based on a policy paper submitted to the Resolution Foundation by the Centre for Ageing Better: P Thomson, [A silver lining for the UK economy: The intergenerational case for supporting longer working lives](#), Centre for Ageing Better, February 2018.

⁴¹ See: P Thomson, [A silver lining for the UK economy: The intergenerational case for supporting longer working lives](#), Centre for Ageing Better, February 2018.

⁴² The Restart Scheme features a 'payment-by-results' funding model which can leave providers with less incentive to focus on older participants, who have a lower probability of finding work, as occurred under the Work Programme, an employment support programme that ran through 2011-17. See: Learning and Work Institute, [A mid-life employment crisis](#), August 2020.

⁴³ The effectiveness of that scheme is unknown, as evaluations did not include control groups. Studies of the scheme indicate the programme helped recipients cope with any costs associated with returning to work. See: S Vegeris, D Smeaton & M Sahin-Dikmen, [50+ back to work evidence review and indicative guide for secondary data analysis](#), Department for Work and Pensions Research Report No 615, 2010.

At the onset of the Covid-19 crisis, employment among older workers had been on a strong upwards trajectory for the best part of 25 years. It has now taken a step back. The Government's response to this crisis must ensure a successful end to the furlough scheme, and that any employment support provided to older adults is tailored to meet their needs, and is of as good a quality as that provided to younger adults.