

The Missing Million

Illuminating the employment challenges of the over 50s



A part of



In partnership with



Foreword from Stephen Howard, Chief Executive, Business in the Community

Government policies and institutions related to the ageing agenda have traditionally focused on health and well-being, but there has been less attention paid to how we keep older workers engaged with the workforce, helping them remain or return to fulfilling and sustainable employment. As a result, we have created a 'silent majority', where millions of over 50s are not working and are not receiving the help they need. We are not utilising their vast amount of skills and experience for the benefit of the economy – this is a terrible waste.

Working with The International Longevity Centre, Business In The Community (BITC) and The Prince's Initiative for Mature Enterprise (PRIME) have embarked on a campaign to tackle this issue and this report is the first of three research papers that will look into the economic barriers facing the over 50s, employment solutions, and the benefits of maintaining an older workforce.

The results of this first report are extremely important. Our research shows that employing older people does not mean that younger people are 'crowded out' of the labour market and that there is room in our labour market for a diverse, intergenerational workforce. The research shows that of the 3.3 million economically inactive people aged 50-64, approximately 1 million people have been made 'involuntarily workless' - pushed out of their previous job through a combination of redundancy, ill health or early retirement, and we must work together to help these people remain in the workforce, where they want to be. Our economy needs older people to stay in work for longer and indeed, we have identified a potential £88 billion boost to the UK GDP by doing so.

Successful, profitable businesses play a crucial role in transforming society to address both immediate and long term economic and social challenges and having welcomed PRIME as our newest campaign, we call on our members to heed the findings of this report and ensure older people are at the heart of their business decisions.

This research will help us to start the investigation into practical ways to ensure older peoples' participation in the labour market, be it through employment or enterprise, and in doing so, achieve a better future for the over 50s, build a stronger economy and create vibrant communities.

Foreword by Baroness Greengross, Chief Executive of the International Longevity Centre, UK

The case for working longer has never been stronger - extending working lives is essential for delivering economic growth, maintaining a sustainable and vibrant business sector and harnessing the potential and capacity of the older worker. As the Chief Executive of the International Longevity Centre-UK, an independent non-partisan think tank dedicated to exploring demographic change and preparing society for an ageing population, we are passionate that we need to support people who want and are able to continue working.

While undoubtedly we have witnessed greater advancements through public policy interventions to support the working longer agenda – it is clear further coordinated action is needed by Government, the business sector and indeed the wider community. As the UK Pensions Commission, led by Lord Turner, concluded when considering the future of pensions in the context of demographic change, we need to ensure future generations can sensibly plan for their retirement – the choice is not between the status quo and reform; it is a question of how we act – not whether or when.

Set against this backdrop I am extremely pleased to endorse this very special report on *'The missing million: illuminating the employment challenges of the over 50s'*, the ILC-UK has come together with the Prince's Initiative for Mature Enterprise and Business in the Community to explore collectively how we tackle this pressing agenda. We are delighted to have been commissioned by BITC and PRIME to produce this report and believe such partnerships symbolise the type of coordinated action that is required by the voluntary sector, the business community, Government and wider civil society to support longer working lives.

This report will form part of a series of reports to be published during 2014-15 which will: analyse new evidence on the labour market challenges and opportunities facing the over 50s in the UK; outline new policy measures to address these; and explore ways in which entrepreneurship can support longer working lives. We hope these reports will provide an evidenced based platform to stimulate actionable, timely and targeted policy initiatives and interventions.

The longevity revolution is a testament to our great endeavours and progress as a society. We need no longer refer to ageing in the form of simply 'cost' 'consumption' and 'burden', rather we need to embrace and harness the great potential of older workers, not only for themselves but for the future sustainability of our societies.

About the organisations involved

PRIME

The Prince's Initiative for Mature Enterprise (PRIME) was first established by His Royal Highness, The Prince of Wales, in response to letters he had received from people over the age of 50 who were desperate to work but because of their age, were unable to find anyone to employ them.

We are a charity that helps people over the age of 50 into self-employment. We achieve this by facilitating workshops, events and mentoring relationships and by providing aspiring mature entrepreneurs with the tools and networks to build successful and sustainable businesses. We also campaign on behalf of the over 50s for a fairer labour market, free from age discrimination.

PRIME is now part of Business in the Community and will complement the charity's work in the enterprise and employment agendas, leading to strong local economies and vibrant communities.

Business in the Community

Business in the Community is a business-led charity committed to shaping a new contract between business and society.

We have over 30 years' experience forging better relationships between business and society, driven by a unique collaboration of business leaders. We stimulate action by challenging and supporting thousands of businesses to create a fairer society and a more sustainable future - through our local, national and international campaigns.

Business in the Community is one of The Prince's Charities, a group of not-for-profit organisations of which The Prince of Wales is president. www.bitc.org.uk

ILC-UK

The International Longevity Centre-UK is the leading think tank on longevity and demographic change. It is an independent, non-partisan think tank dedicated to addressing issues of longevity, ageing and population change. We develop ideas, undertake research and create a forum for debate. Much of our work is directed at the highest levels of government and the civil service, both in London and Brussels. We have a reputation as a respected think tank which works, often with key partner organisations, to inform important decision-making processes. We are aided in this work by our Chief Executive, Baroness Sally Greengross, former director-general of Age Concern and now a cross-bench peer. Our policy remit is broad, and covers everything from pensions and financial planning, to health and social care, housing design, and age discrimination. We work primarily with central government, but also actively build relationships with local government, the private sector and relevant professional and academic associations.

Acknowledgements

PRIME and ILC-UK would like to thank the authors of this report in particular Ben Franklin, Brian Beach, Sally Marie Bamford and Helen Creighton. We are also extremely grateful for the support and contributions of Jessica Stone, Adam Sharples and Steven Fifer. Finally we would like to thank PRIME's Thought Leadership Group whose donations of time, money and expertise have made this research project possible.

Contents

Executive Summary	7
Introduction	9
Current Policy	10
Why do we need more older workers?	13
Supporting economic growth.....	13
Supporting UK businesses.....	14
Supporting younger workers.....	14
Supporting personal wellbeing.....	16
Key facts on the labour market status of older workers.....	17
What are the key employment challenges facing the 50+ age group?	18
Out of work and not looking for work.....	18
The financial implications of catastrophic early retirement	19
The gender divide on economic inactivity.....	19
Long-term unemployment	19
50+ unemployment remains at high levels.....	20
Edging closer towards the cliff-edge of retirement?.....	21
Why older people leave the labour market	22
Exit before State Pension Age.....	22
Exit after State Pension Age.....	23
The evidence: Voluntary versus involuntary exit for the over 50s	24
Is early retirement a voluntary act?	25
Retirement after State Pension Age.....	26
The UK in an international context	34
Ageist attitudes across the EU.....	34
Employment prospects.....	35
What can be learnt from policies elsewhere?.....	35
Conclusions and recommendations	38
Appendix A: assumptions and data sources underpinning economic cost calculations.....	42
Appendix B : secondary data sources.....	43
Bibliography.....	44

Executive Summary

Age-old assumptions about when working life should end are rapidly changing. Increasing numbers are choosing to work beyond State Pension Age (SPA) and many are having to work longer than planned to assure their income in retirement, particularly in light of recent changes to SPA. As a society we have failed to grasp and respond, not only to the needs of an ageing workforce but also, and perhaps most critically, to its vibrant potential. We need to rethink the employment needs of older people to help ensure that individuals have increased choice about when to stop work. But we also need to make full use of the potential of older workers if the economy is not to be choked by a shortage of labour.

Of the 11.6 million people in the UK aged 50-64 there are 3.3 million who are 'economically inactive' (not seeking work) while another 347,000 are unemployed. Some of those out of work will have chosen to retire or stay at home while others will have been forced out through some combination of factors. It is this last group of individuals that this report is devoted to.

This report firstly explores the extent to which older workers have been forced out of their jobs through factors outside of their control. We conservatively estimate that almost 1 million people aged 50-64 have been made 'involuntarily jobless' - pushed out of their previous job through a combination of redundancy, ill health or early retirement. Those aged 55-59 are particularly exposed to involuntary exit of this kind, with 57% of all exits amongst this age group the result of factors pushing them out of work.

We also explore why such a high proportion of people aged 50-64 leave the workforce completely. When we investigate the reasons that people are not looking for work amongst this age group, a similar pattern emerges with long-term sickness, looking after family members and early retirement explaining the majority of inactivity amongst the pre-State Pension Age group. Looking specifically at those in their 50s, long term sickness dominates, with half of all inactivity put down to poor health amongst those aged 50-54 and nearly 40% amongst those aged 55-59.

All is not lost. There is a sizable cohort of jobless people aged 50+ who are still willing to work. We estimate that approximately 1.2 million people aged over 50 would be willing to work if the right opportunity arose and efforts must be taken to ensure that these individuals do not end up permanently inactive. In total, 26% of people aged 50-64 who are currently out of work would like to work – this rises to 45.8% of all those out of work aged 50-54.

Involuntary exit from the labour market can often be preventable. For example, mobility issues in some cases could be circumvented by being able to work from home, without necessarily incurring any additional costs for the employer. Furthermore, assuming or choosing to care for a partner, family member or friend should not mean complete withdrawal from the labour market. The extension and promotion of flexible working in this regard, may enable many of those with ill health or providing care the ability to combine work and care. And people over 50 want to see more flexible working options afforded to them, 15% said they would even take less pay in order to work fewer hours – indicating that there is a large contingent of older workers who would like additional flexibility but who are locked into working long hours.

Our research suggests that employers are still not doing enough to meet the demand for flexible working, and that this lack of employer support is likely to remain a significant contributing factor that ultimately pushes older employees out of work. A continued lack of employer support for older workers also feeds through into the evidence on involuntary redundancy which shows that older workers are significantly more likely to be made redundant than younger workers.

Thirdly our research shows that supporting greater workforce participation for this age group makes economic sense. Unless measures are taken now to support working longer, the size of the UK's workforce is likely to flat-line, projected to increase by just 4.5% over the next 20 years by comparison to an 18.2% rise over the last two decades. We estimate that, if the skills and abilities of the 50-64 age group were fully utilised and the employment rate matched that of those in their 30s and 40s, UK GDP could be £88.4bn higher in 2014 (equivalent to an uplift of 5.6% of GDP). And contrary to some popular views, a higher proportion of older workers does not "crowd out" the labour market for younger workers as there are not a fixed number of jobs. Our analysis shows that, on average, those local authorities that do well with regard to the employment of older workers also do well in terms of employing younger workers.

Finally there are also potential benefits at an individual level to working for longer. Leaving the workforce early means forgoing a number of years' worth of earnings and pension contributions which can have catastrophic effects on potential income over a lifetime. In addition, there are also benefits to be gained in terms of health and wellbeing by staying in employment, particularly through maintaining social connections which act as a protective factor against isolation and loneliness.

In summary, while current and future UK public policy is likely to impact on the number and proportion of older workers, and demographic change is likely to force employers to look again at their approach to older workers, more must be done. The missing million are already with us, struggling to make do as they sit in no-man's land, waiting to reach the relative safety of State Pension Age. The catastrophic cost that these individuals are paying alongside the potential economic and social benefits to be gained from them re-joining the workforce, cannot be ignored and warrants urgent action from policymakers and employers. This is our call.

Introduction

This report '*The missing million: illuminating the employment challenges of the over 50s*' forms part of a series of reports to be published in 2014-15. This compelling new policy series will analyse new evidence on the labour market challenges facing the over 50s in the UK; outline new policy measures to address these challenges; and explore ways in which entrepreneurship can support longer working lives. Business in the Community and The Prince's Initiative for Mature Enterprise (PRIME) are working with the International Longevity Centre UK to produce a series of reports which expose the employment issues facing the ageing workforce and provide a voice to all those who want to work but are unable to do so, for the benefit of the individuals concerned and for the economy as a whole. We hope this policy series will provide an evidence-based platform to raise awareness for opinion formers and the general public of the issue and to contribute practical and tangible policy ideas that will help shape the labour market environment facing older people.

This first report is particularly concerned with analysing new evidence about the challenges facing the over 50s. More specifically, it assesses the scale of involuntary joblessness facing this group, how this changes with age, its underlying drivers and some high level recommendations to policymakers. To achieve this aim, the report synthesises existing evidence and includes new analysis of two large surveys of the population, as well as evidence from focus group sessions with the target demographic.

The UK is not alone in needing to respond to the challenges and opportunities of an ageing workforce. Across the world Governments and Societies are trying to reconcile how to create adequate policy frameworks and initiatives to support old workers. Furthermore, the pressures are likely to become more acute and pronounced as life expectancy improves and State Pension Age rises. The pressures on individuals to go on working will get stronger as society needs more people working and paying taxes for longer to moderate the expected rise in the dependency ratio. Yet aside from this pressing economic case, the over 50s are being squeezed out of the job market despite wanting to remain part of it – the group that we term the 'missing million'.

This report is structured in seven sections:

Section 1 outlines the current state of public policy with regard to working longer and the extent to which the existing policy framework is fit for purpose.

Section 2 discusses why we need older workers, reflecting on the implications for UK GDP and business, personal wellbeing and the impact of older people in the workforce on younger peoples' employment prospects.

Section 3 highlights the scale of the labour market challenges facing the over 50s by exploring the long term trend data on employment, unemployment and economic inactivity facing this age group.

Section 4 introduces some of the possible reasons for joblessness amongst the over 50s by assessing previous evidence about challenges facing the over 50s and introducing a conceptual framework to make sense of our new statistical findings.

Section 5 outlines the hard evidence on joblessness facing this group through our original analysis of secondary data including an analysis of those who have left work for involuntary reasons.

Section 6 compares the UK's performance on older workers with other advanced economies and explores the measures being taken elsewhere to facilitate longer working lives.

Section 7 provides concluding remarks and some high level recommendations for policy makers, employers and industry groups.

Current Policy

Key points

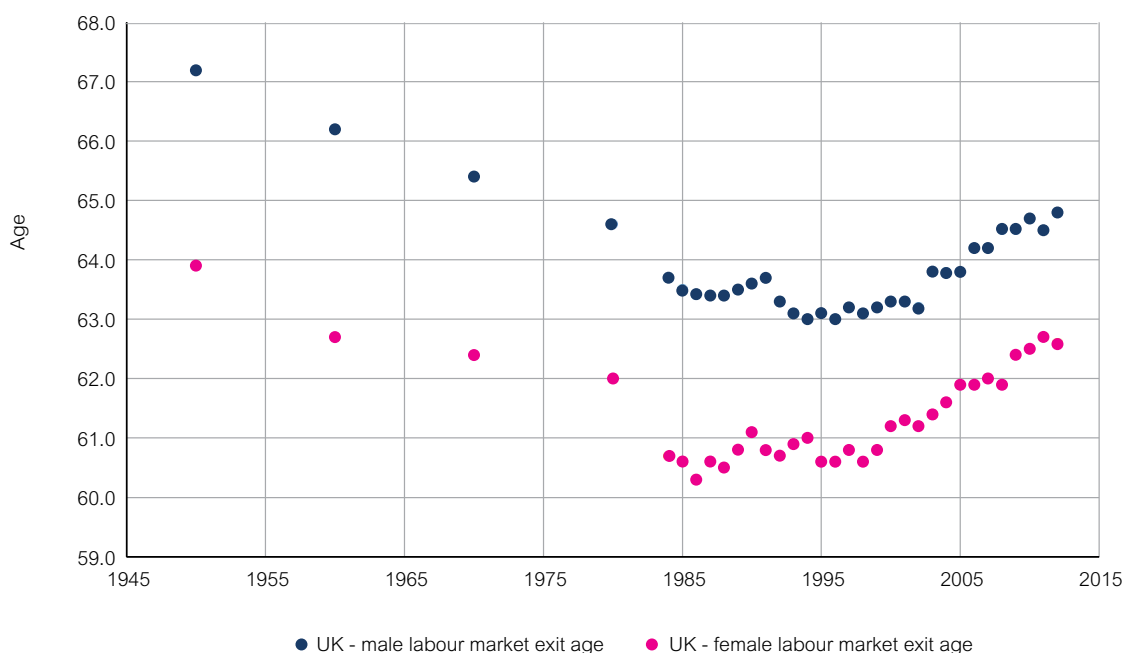
- The public policy agenda is only just beginning to respond to the financial and social consequences of an ageing population.
- With life expectancy rising and the implied burden on public expenditure expected to increase as a result, the Government has embarked on a number of policy initiatives intended to temper the anticipated growth in age-related spending.
- An increasing part of this agenda is about extending working lives but barring the impact of raising State Pension Age on female employment rates (as well as male) there is little evidence that government policy has yet made a significant impact on working longer.
- In addition, there remains a lack of current policy initiatives that seek to reduce early exit from the labour force. The DWP's Fuller Working Lives agenda is a start but must be complemented by a powerful set of policy initiatives.

The changing nature of public policy on retirement

How we view employment in later life has changed over time in light of demographic, economic and wider environmental forces. In the 1960s for example employment rates of older workers were at a record high, with 9 out of 10 men in employment aged 60-64 in 1961.¹ Today, just over 1 in every 2 men aged 60-64 is employed.²

In the 1970s and 1980s, however, the age of labour market exit among men dramatically fell as a combination of industrial decline, increased incapacity benefit and the erroneous assumption that older workers were filling younger workers' jobs led to a policy framework that incentivised early exit from the labour market.³

Figure 1: Average age of labour market exit 1940-2015



Source: Department for Work and Pensions, Fuller Working Lives - Background Evidence

¹ Phillipson & Smith (2005)

² Author's calculations based on ONS Quarterly Labour Force Survey Q1 2014. Calculations included all men who were employed and self-employed as proportion of total population aged 60-64.

³ cf. Phillipson & Smith (2005)

The importance of retirement as a period of leisure became stronger, representing a period of life between career and the frailty of old age. This cultural shift played a significant role in shaping people's expectations regarding personal obligations to work and perceptions of life in retirement.

But over time, as life expectancy has continued to rise, the implied burden on private and public sector pension schemes, as well as on the State Pension and therefore the public finances has increased. A growing older population also implies more public spending on areas such as health care and adult social care. In response, governments – in the UK and abroad - have begun to realise that it is not sustainable for working life to end at 60-65 and have started to develop policy measures that are designed to support longer working lives and reduce the anticipated burden of age-related spending on the public purse. We are just at the beginning of this evolution in public policy but it forces us to rethink our assumptions about when we should expect to stop working. In this context, we briefly outline and appraise a number of recent policy initiatives.

The Abolition of the Default Retirement Age

In partial response to EU requirements on age discrimination in employment, the UK introduced legislation in 2006 that meant that employers could not dismiss workers under the age of 65 based on age. In 2011, this default retirement age was eliminated completely. Research for the Department for Business Innovation and Skills (BIS) suggests that compulsory retirement age may have had an impact on preventing people from working longer, so its abolition may lead to greater employment for those past State Pension Age (SPA).⁴ While certainly a positive development, it should be recognised that other forms of age discrimination, especially stereotyping in attitudes, may still persist without a formal retirement age.

Raising State Pension Age

Another major policy shift that could have a long-term impact on extending working lives relates to the changes in SPA. For women, SPA will rise to 65 by 2018, when it will be the same age as for men. SPA for both genders will then rise to 66 by 2020, 67 by 2026/28, 68 by the mid-2030s, and 69 by the 2040s.⁵ These changes are intended to reflect changes in life expectancy, and the Government aims to have people spend no longer than one-third of their adult lives in receipt of State Pension.

There are contrasting arguments for whether an increase in SPA will result in real increases in working life. A later SPA could result in people working longer, as a high number rely on the State Pension to finance retirement, especially when private savings and pensions do not provide sufficient financial security. On the other hand, as we shall see later in this report, ill health, caring responsibilities, and involuntary redundancies are associated with a great deal of labour market exit prior to SPA; simply changing SPA will not address these reasons and could even result in greater later life poverty as people must exit work without having the financial resources they need. Research from the Institute for Fiscal Studies estimates that recent changes to female SPA (from 60-61) had the effect of boosting the female employment rate by 7.3 percentage points for those women aged 60. It also had the unexpected effect of boosting the employment rate of male partners by 4.2 percentage points.⁶

Financial Incentives for longer working: State Pension Deferral & National Insurance Exemptions

Alongside the “stick” of raising the SPA, there are also a number of “carrots” that could influence the decision to work longer in the form of financial incentives. The first is State Pension deferral whereby people can benefit from extra state pension or a one-off lump sum payment when they defer receiving the pension at SPA. For every five weeks of deferral, the State Pension will increase by 1% (or 10.4% per annum). Alternatively, if the individual defers claiming their State Pension continuously for at least 12 months, they can choose to receive a one-off taxable lump sum payment along with their State Pension paid at the normal rate.⁷ This deferral also comes with potential tax advantages. Critically however, deferral is “not necessarily linked to carrying on working after State Pension Age, but it is more valuable for those who go into a lower tax bracket after they finish work a year or more after State Pension Age”.⁸ There is little evidence that people know about the benefits of deferral or if deferral is effective at promoting working longer and there are Government plans to reduce the benefit to 5% per annum and eliminate the lump sum option.⁹

⁴ BIS (2010)

⁵ More detail on the timetable is available in Sinclair et al. (2014).

⁶ Cribb et al. (2014)

⁷ Govuk (2014)

⁸ PPI (2006)

⁹ Thurley (2010); Lokhandwala (2013)

A second potential financial incentive for longer working lives is the fact that people who work past SPA do not have to pay National Insurance contributions on their earnings. Like State Pension deferral, this can incentivise people to work longer by allowing them to keep more of the money they earn through work. Indeed, one of our focus group participants noted that this exemption was a significant factor for him staying in work past age 65. But like deferral there is limited evidence to show the effectiveness of this policy in terms of facilitating longer working lives.

Recent Policy Developments

In addition to the above developments, other initiatives and legislation have recently been announced that may improve older workers' ability to stay in the labour market for longer.

From 30 June 2014, workers have an extended right to request flexible work. Previously, employees could only meet eligibility requirements by having care responsibilities for a child or older adult. Under the new rules, employees only need 26 weeks of continuous service and not to have made a request in the previous year. As a number of the factors that lead to early exit could be mitigated by flexibility in achieving work-life balance, this extended right has great potential to allow older workers to stay in the labour market. One criticism, however, is that the right only gives employees the right to request flexible working, while employers are only obligated to consider the request in a reasonable manner and no statutory evaluation procedures are in place.¹⁰

Under the auspices of DWP's Fuller Working Lives programme, another potentially positive development to help older workers stay in employment is the development of the Health and Work Service, expected to begin in late 2014. The service will provide occupational health guidance along with general health and work advice to employees, employers, and GPs through two main elements:

- **Assessment:** after four weeks of sickness absence, employees will be referred by their GP for assessment by an occupational health professional, who will look at the issues preventing the employee from returning to work.
- **Advice:** employers, employees and GPs will be able to access advice through the service via a phone line and website.

Following the assessment, the service will provide a Return to Work Plan to the employee, employer and GP, which will contain advice and recommendations about actions to get the employee back to work, along with evidence of fitness for work for the purposes of receiving Statutory Sick Pay.

Again, the impact of ill health and disability play an important role in early exit among older workers, so this service could have a substantial impact on helping people work into later life. In order to do so, however, the advice provided must be useful and actionable, and uptake of the service needs to be promoted on a scale that makes a difference.

¹⁰ CIPD (2014)

Why do we need more older workers?

Key points

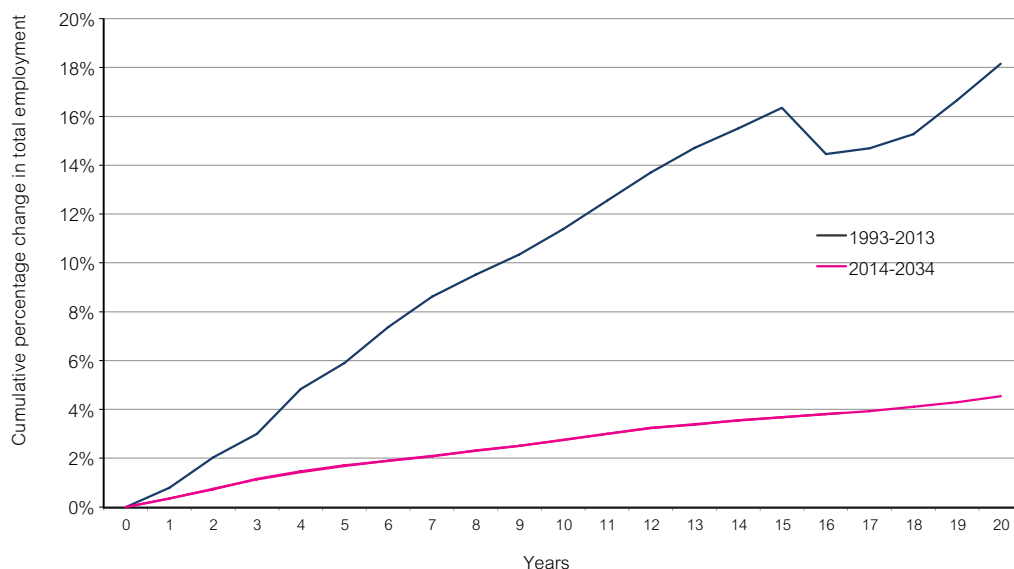
- Population change means that the UK will need an increasing number of older people in work in order to sustain economic growth over the next 20 years.
- Given these demographic trends, businesses will need to tap into this increasing pool of older workers in order to thrive and grow rather than stagnate and decline.
- Not only do the over 65s have lower employment rates than the rest of the UK, but so do those approaching State Pension Age. Lower employment rates amongst the 50-64 age group are estimated to cost the UK economy over £88bn in terms of lost economic output in 2014.
- Higher employment for older workers is associated with higher employment for younger workers debunking the “Crowding out” argument.
- Working longer helps to reinforce individual financial wellbeing and may also have a positive influence on overall wellbeing.

Supporting economic growth

The UK faces a problem. While the population is expected to increase from 63.7 million in 2012 to 72.4 million by 2034, its traditional “working age” population (that is people aged between 15-64) is expected to rise by just 1.5 million (or 3.5%). This compares to a rise of 6.2 million (or 57.3%) for those aged 65 and over. The 50+ age group as a whole is projected to rise by 6.9 million or 30.9% over the same time period.

At worst, such a slowdown in the growth rate of the working age population *could* imply lower rates of growth in employment and a subsequent slowdown in economic output (or GDP as it is commonly known). To simulate the possible effect of anticipated population change on total employment in the UK, let us suspend disbelief for a moment and assume that today’s age-specific employment rates continue for the next 20 years. As Figure 2 shows, in this scenario, the proportion of people in employment rises by just 4.5% during the years 2014-2034, in comparison to a rise of 18.2% over the previous 20 years (1993-2013).

Figure 2: Percentage change in total employment during 1993-2013 and 2014-2034



Source: ONS Labour Market Statistics, Population Projections and author's calculations

This simple scenario demonstrates the economic importance of securing greater participation in the workforce by people of all adult ages and particularly amongst those aged 65 and over in order to boost overall levels of employment. As we shall see, progress is being made on this front. There are already, for instance, more than 1 million people aged 65 and over in employment today, flying in the face of any traditional notion of a strict working age where people automatically leave work at 65. But this still only accounts for 10% of this age group.

Supporting UK businesses

“My exit...from the workforce was not a thing that I planned or indeed wanted. It boils down to poor business economics” (focus group participant)

The demographic case for older workers is compelling. It has, for example, been estimated that over the next 10 years there will be 13.5 million job vacancies which need to be filled and only seven million young people are projected to leave school and college over that time.¹¹

In addition to the demographic case, older workers also provide unique skills and experiences that can add value to businesses.¹² Older workers build up an extensive bank of experience, networks, and knowledge, particularly if they have stayed within the same organisation for an extended period of time. By not valuing older workers, businesses risk losing this knowledge and experience, which can potentially lead to a shortage in necessary skills and the loss of valuable relationships these employees have developed. Businesses should therefore foster the loyalty of their older workers by recognising their value, welcoming their engagement, and providing appropriate opportunities, including training and flexibility. In particular, businesses should recognise the benefit in offering phased retirement options. Employees approaching SPA are often interested in this and it enables the organisation to retain critical skills at a reduced cost.

In order to engage effectively with older workers, employers must accept that new strategies and adaptations are needed.¹³ The benefits of older workers – particularly the return on investment from training – require a long-term perspective. Open discussions with older employees regarding their desires and expectations as they approach retirement are also useful and can enhance the development of long-term strategies. Businesses should recognise that formal qualifications cannot always represent an employee’s true skill set, especially given that many older workers have developed their most valuable skills on the job.¹⁴

The economic cost of early exit

The 50-64 age group have a significantly lower employment rate than those in their 30s or 40s. The lower employment rate of this age group can be viewed as an economic cost to the UK economy. The simplest way to estimate the economic cost of labour market exit amongst the 50-64 group is to calculate the size of the potential boost to economic output if the employment rate for this age group caught up with that of the preceding age group (35-49). The core assumption here is that employment rates are artificially lower for the 50-64 group due to a host of different factors that could be addressed through policy initiatives and better support from different stakeholders (which we discuss later). We also make the assumption that economic output per worker amongst the 50-64 age group equals the UK average output per worker (for details of the data sources used for these calculations please see Appendix A). Under these assumptions, the lower employment rate for the 50-64 age group will cost the UK economy £88.4bn in terms of lost economic output (or 5.6% of GDP) in 2014. In other words, if the employment rate of the 50-64 age group matched that of the 35-49 age group, this would boost UK GDP by 5.6% - a substantial uplift. Now such a large shift in the employment rate of the 50-64 age group is unlikely any time soon, but if current trends continue, it could still rise from 68.5% today to 75.8% by 2020. To give the reader an idea of what that might mean for UK economic output, if such a rise in employment occurred in 2014, this would result in a boost to GDP of £43.6bn or 2.8% of GDP.

Supporting younger workers

One common argument against greater labour market participation in older age is that it will somehow prevent younger people from entering paid employment by taking all the jobs from them – something economists call “crowding out”. This argument is, however, built on the false assumption that there are a fixed number of jobs in an economy. Indeed, an increasing number of older people in employment can help support employment across all age ranges in a number of ways. First, increased employment at older ages should boost overall demand for goods and services within an economy, meaning more labour is needed to meet demand and hence more jobs are created. Second, a high proportion of older workers are self-employed,

¹¹ Job openings created by those who leave the labour market are projected to generate around 12 million openings between 2010 and 2020, versus 1.5m openings from the creation of new jobs. The net requirement or total number of job openings

excludes job openings created by people transferring from one occupation to another or other outflows due to migration. For more details see: Wilson & Homenidou (2012)

¹² cf. CIPD (2012); DWP (2013)

¹³ cf. CIPD (2012)

¹⁴ CIPD (2012) provides extensive details on the myths and the evidence refuting them.

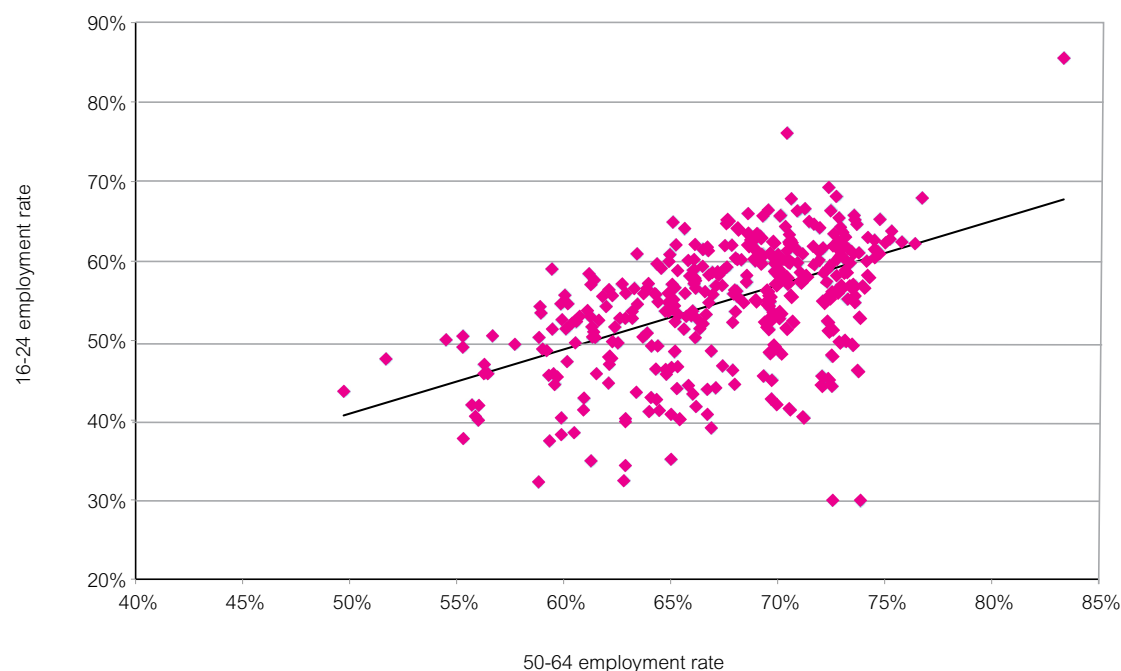
setting up businesses which employ others regardless of their age. Academic research supports this claim, with evidence that increased employment amongst older age groups is associated with greater youth employment and reduced youth unemployment.¹⁵

Research across the OECD by Kalwij et al (2010) also supports these findings. Using data spanning almost 50 years, from 22 countries, Kalwij et al find that old and young workers are complements to one another rather than substitutes. This makes sense when we consider the fact that young and old workers are likely to have very different skill sets. As a result they state that 'encouraging later retirement will have no adverse effect on youth employment'¹⁶.

Jousten et al (2010) use Belgian data to address the issue head on. In the mid-2000s Belgium had severe youth unemployment, where 1 in 5 young people were without a job. Jousten et al find that the key factors underpinning this unemployment were; 'A lack of professional training, mismatching, unemployment compensation combined with family arrangements [and] Minimum wages and employment regulation'.¹⁷ In light of this, they propose that simply increasing the number of jobs available for younger workers, perhaps by decreasing labour market participation of older workers, will not increase youth employment. They argue that the young need unemployment insurance and educational reforms, and that they will not derive any benefits from the encouragement of early retirement.

To further illustrate this point within a UK context, Figure 3 shows the relationship between the employment rates of older and younger people across English and Welsh local authorities. On average, those local authorities that do well with regard to the employment of older workers, also do well in terms of employing younger workers.¹⁸ More specifically, Figure 3 indicates that, on average, a 1 percentage point rise in the 50-64 employment rate across a local authority is associated with a 0.8 percentage point rise in the 16-24 employment rate.¹⁹

Figure 3: Relationship between older and younger employment rates by local authority (2011)



Source: ONS Census 2011 and author's calculations

¹⁵ Munnell & Wu (2013)

¹⁶ Kalwij et al. (2010)

¹⁷ Jousten et al. (2010)

¹⁸ Eichhorst et al. (2013) found a similar trend in their analysis of data covering the EU-27.

¹⁹ The finding is robust to the inclusion of other variables. For example, even after controlling for a variable measuring an area's social grade, higher employment rates amongst the 50-64 age group is associated with a higher employment rate amongst 16-24 year olds.

Supporting personal wellbeing

“I most definitely miss the social aspect of working and I am finding it difficult to adjust to mundaneness” (focus group participant)

Alongside the powerful economic argument for working longer, there are also potential benefits at an individual level. Earnings gained and pensions saved would certainly improve financial wellbeing but there may also be benefits for individuals in terms of their health and wellbeing. Some have argued that those who work longer are healthier, and that, as a consequence, working to later ages can benefit individuals' health. But the empirical evidence from studies across a number of countries is mixed, suggesting that paid work can increase the probability of better health, although transitioning to retirement may also be related to improved health.²⁰

One of the challenges in establishing a clear picture on the relationship between health and work in later life is that people in good health are better suited to continue working, whereas ill health, mobility issues, or diminished physical capacity can play a major role in a person's need to exit the labour market. The effect of poor health pushing people out of the labour market is a theme we discuss in further detail later in this report.

Going beyond health, working longer can have a positive impact on overall wellbeing. Work in later life provides a sense of purpose and meaning, is associated with better life satisfaction, and fosters social connections that can prevent isolation and loneliness.²¹ However, other research has suggested that wellbeing can improve following an exit from paid work.²² Overall, the influence of working longer on health and wellbeing depends on the work context. Leaving poor work environments can have a positive influence on people and as such promoting employment among older workers must take into account the nature of the work they do and the jobs they fill, in order to foster good health and wellbeing.

Case study

Sarah – unexpected exit from work due to a workplace accident

Sarah was a teacher for a charity and retired due to an accident at work. Before retiring Sarah felt she had been passed over for promotion and that the focus of her employer was very much the under 40s. After a work related accident Sarah was “sacked” as she was no longer able to continue with her duties. The impact of leaving work so suddenly has been immense. “I am still trying to get my head around the fact that something happens at work and you lose everything”. The loss of income unexpectedly has been a significant hardship, as has the sense of lost identity since leaving her job: “you spend so much time at work, when you stop it is like a part of you is missing” “It's like one day you were never there”. Sarah is not able to work full time but she would love the opportunity to work part time or self-employed, however, she is unsure how to go about either of these options.

²⁰ e.g. Calvo (2006); Bound & Waidmann (2007); Westerlund et al. (2009); Coe & Zamorro (2011)

²¹ cf. de Jong Gierveld (1998); Kim & Feldman (2000); Calvo (2006); Victor & Bowling (2012)

²² Kim & Moen (2002)

Key facts on the labour market status of older workers:²³

Employment



There are **7.9 million** people aged 50-64 in employment – **68.5% of this age group**.

And there are **1.1 million people** aged 65+ in employment – **10% of this age group**.

Taken together, the 50+ age group accounts for **29.4% of total employment in the UK**.

Economically inactive (those not working or looking for work).



3.3 million people aged 50-64 are economically inactive – **28.6%** of this age group.

This accounts for **41%** of the total number of people who are economically inactive aged 18-64 (as at Q1 2014).

Of those aged over 65, **9.7 million are economically inactive** – **89.7%** of this age group.

Taken together, there are **13 million people economically inactive** over the age of 50.

Unemployed (out of work but looking for work)



There are **347,000 people** unemployed aged 50-64 – **4.2%** of this age group.

And there are **27,000 people** aged 65 and over who are unemployed.

46.6% of all people aged 50+ and unemployed have been out of work for 12 months or more (174,000). This compares with **35.5%** of all UK adults.

Self-employment



More than **1 in every 7** people in the workforce is self-employed.

Self-employment accounts for **19.4% of all workers aged 50-64**.

And it accounts for **40.8% of all workers aged 65 and older**.

Taken together, the 50+ age group accounts for **42.9% of all self-employment in the UK and 2 million people**.

23 All figures as at Q2 2014 unless stated otherwise. We have used the ONS (2014) Labour Market Statistics Database to obtain latest figures.

What are the key employment challenges facing the 50+ age group?

“I feel as a group that [the over 50s] are ignored, too young to retire and not young enough for new challenges and training. The experience they have accrued is not valued enough”

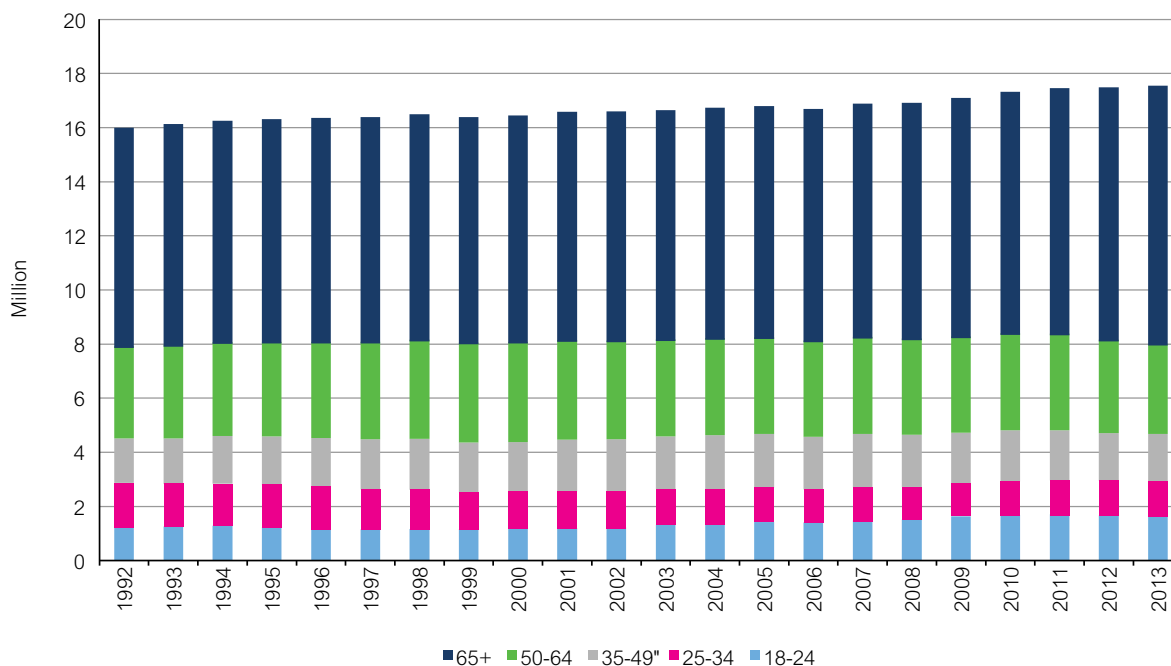
(focus group participant)

- The 50+ age group has high levels of joblessness with a total of 13 million people not in work or looking for work.
- Over 3.3 million of this group are aged 50-64, many of whom have exited the labour market in advance of State Pension Age (SPA). This is sometimes termed catastrophic early retirement because of the big impact exit can have on someone’s personal income over their remaining lifetime.
- Early exit from the workforce is driven, in part, by high rates of long-term unemployment. Once out of work, the over 50s find it more challenging to return to paid employment than any other age group which may result in them leaving the labour force altogether.
- Reaching SPA appears to have a dramatic effect on the decision to leave the workforce. As individuals approach their SPA, their chances of remaining in work dramatically falls. There is a 64.4 percentage point drop in the employment rate between people aged 53 to 67.

Out of work and not looking for work

There are more people aged 50+ out of work **and** not looking for work (economically inactive) than any other age group and this has remained consistently the case over the last twenty years. As a result, the over 50s account for more than 70% of total economic inactivity among adults in the UK today (see Figure 4). There are still some 3.3 million people who have left the workforce between the ages of 50 to 64 – a phenomenon that some have termed “catastrophic early retirement” .²⁴

Figure 4: Number of people not looking for work by age band



Source: ONS Labour Market Statistics

²⁴ Unless otherwise stated, all trend analysis in this chapter is based on our analysis of ONS (2014) Labour Market Statistics: Time Series Dataset

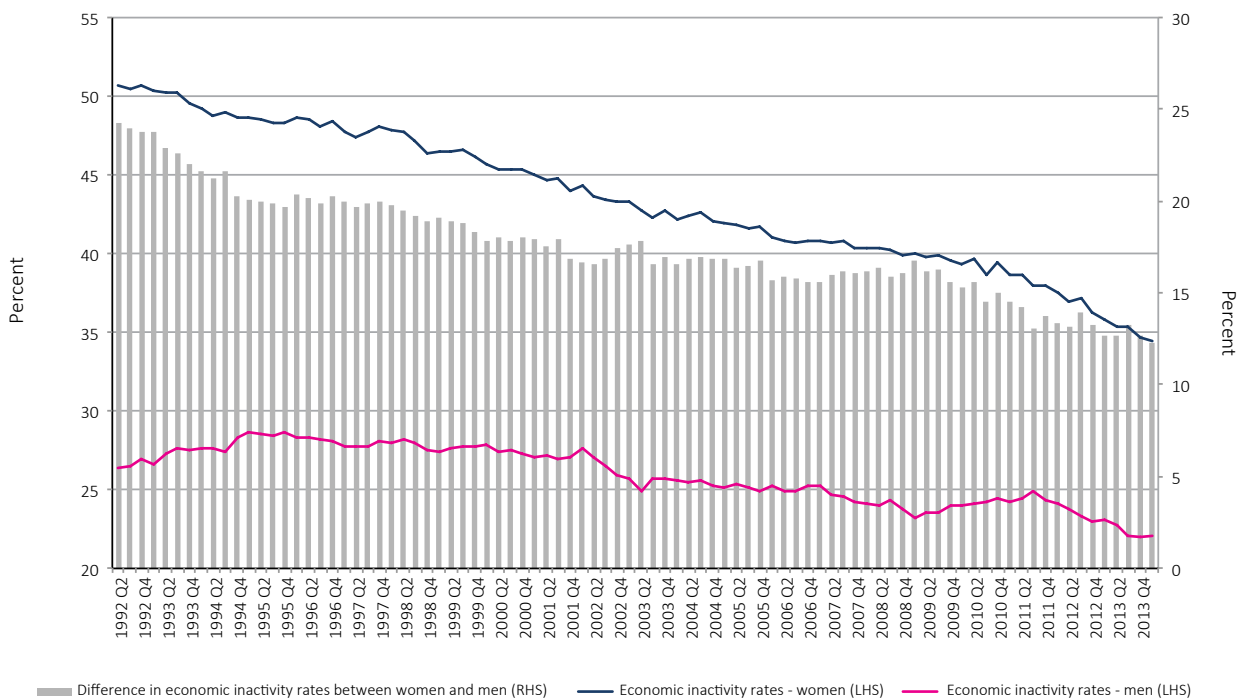
The financial implications of catastrophic early retirement

By exiting the workforce before State Pension Age, individuals forgo a number of years' income and pension contributions while also being too young to claim any income through the State Pension. Modelling undertaken by the Department for Work and Pensions shows what effect this early exit can have on peoples' retirement income. Based on assumptions regarding the income and pension contributions of an average man, they estimate that leaving the workforce at age 55 rather than 65 could result in a private pension pot that is 37% smaller than if he had continued working. In this scenario, his income in retirement will be around £13,800, which is £4,300 less per year than if he retires at age 65.²⁵

The gender divide on economic inactivity

While there is evidence of increasing convergence between male and female inactivity amongst 50-64 year olds, employment rates are still 11% higher for men than women aged 50-64, while economic inactivity rates are 12% higher for women than men. Until the female employment rate rises to match the male rate, women are likely to remain worse off in retirement than men and reliant on their partner or spouse for income in retirement. The equalisation of State Pension Age is likely to see further falls in female inactivity but women are also more exposed to certain key factors pulling them out of the labour market, such as caring for family members and relatives.

Figure 5: Economic inactivity rates by gender age 50-64 (Q2 1992-Q1 2014)



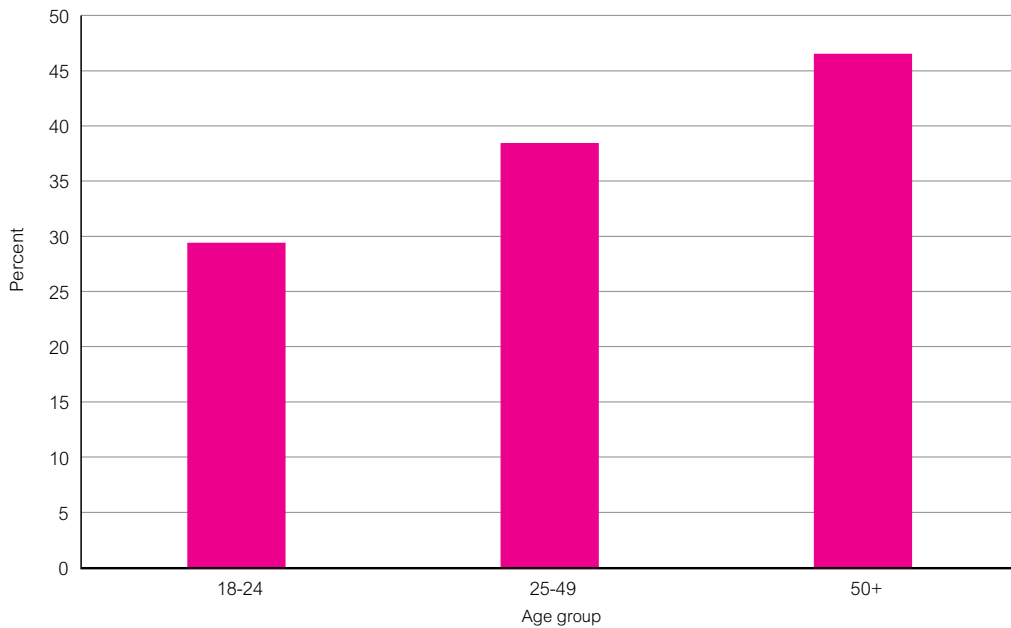
Source: Office for National Statistics and author's calculations

Long-term unemployment

Long-term unemployment is also a particularly prevalent challenge facing the over 50s, suggesting that older workers find it harder to return to the labour force after becoming unemployed than younger workers. Long-term unemployment (which is defined as a period of unemployment lasting 12 months or more) accounts for nearly half of all unemployment amongst the 50+ age group by comparison to 35.5% of all UK adults. The added difficulties in returning to work after becoming unemployed for this age group may ultimately lead to individuals leaving the workforce altogether if they become disaffected through lack of a successful job search. The prevalence of long-term unemployment amongst this cohort also implies that job agencies and employers may be neglecting the challenges of this age group.

25 DWP (2014a)

Figure 6: Long term unemployed as percentage of total unemployed by age group

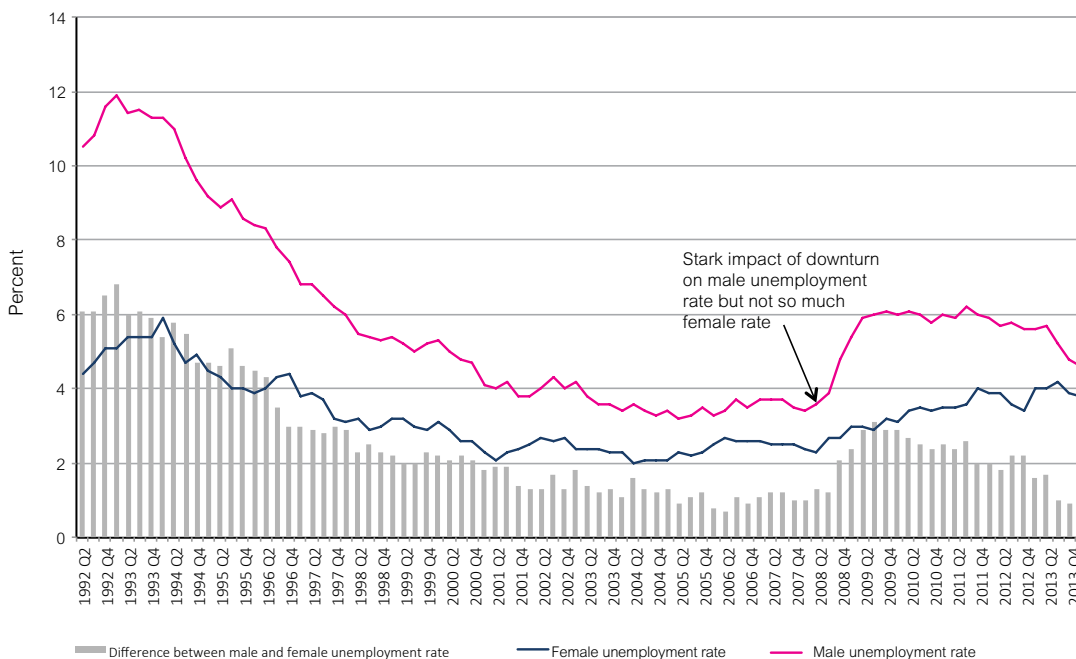


Source: ONS

50+ unemployment remains at high levels

The unemployment rate amongst the 50-64 age group remains high relative to the level it was before the financial crisis of 2008. Men, in particular, appear to have been adversely affected by the 2008 crisis and subsequent recession with the male unemployment rate rising sharply in the aftermath. By comparison women aged 50-64 have only experienced a gradual rise in the unemployment rate. The nature of the rise and persistence of male 50-64 unemployment is concerning because it is perhaps less reflective of population change or increasing participation in the labour force, both of which could lead to rising unemployment, and more a function of sudden shocks affecting this group, such as redundancy.

Figure 7: 50-64 unemployment rates by gender



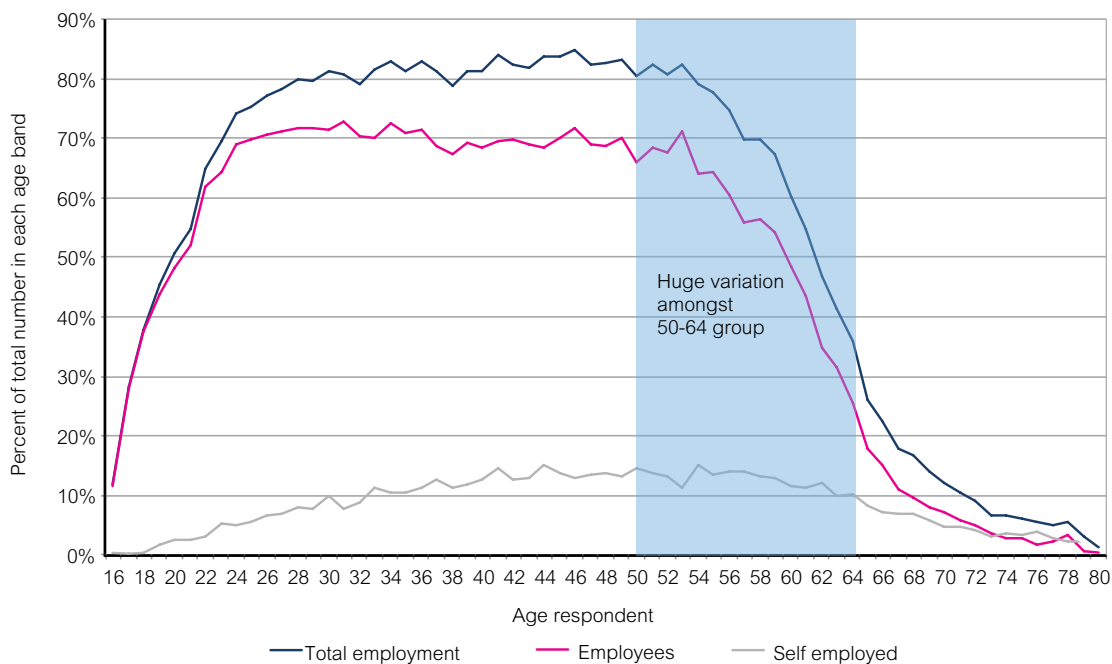
Source: Office for National Statistics and author's calculations

Edging closer towards the cliff-edge of retirement?

Alongside the persistent challenges associated with exiting the workforce before State Pension Age and historically high rates of long-term unemployment amongst the 50+ group is the sudden drop in employment after State Pension Age. While the employment rate for those aged 50-64 is 68.5%, for those aged 65 and over it is just 10%. This has been edging up in recent times and is far higher than in the late 1990s when it was less than 5%, but there is clearly room for further shifts in labour force participation for this age group.

Detailed analysis of the Labour Force Survey illustrates how swiftly the employment rate drops as people approach State Pension Age. Figure 8 shows that the percentage of people in employment in their early 50s is quite high (over 80%) but then there is a steep decline in the employment rate between people in their mid-50s to mid-60s so that by age 67, the employment rate is just 18%. That means there is a 64.4 percentage point drop in the employment rate from people aged 53 to 67.

Figure 8: Employment rate by type of employment and by age



Source: ONS Labour Force Survey (Q1 2014) and author's calculation

Why older people leave the labour market

Key points

- The factors underpinning the labour market exit of older workers can be viewed in terms of push factors that involuntarily push people out of work, and pull factors, where people voluntarily choose to leave, often as a consequence of some financial incentive.
- In our conceptual model of retirement decisions, leaving the workforce before SPA is more likely to be involuntary as people are pushed out through a combination of shocks and a lack of support from their employer.
- Reaching SPA changes the dynamics of the decision to exit through the universal provision of the State Pension. This gives people more freedom to choose whether or not to continue working.

So far, this report has discussed the economic benefits to be gained by working longer as well as some of the key labour market trends for the over 50s. While significant improvements in labour force participation have been achieved over the last twenty years, there are two particularly pertinent questions that must be addressed:

1. How do we reduce high levels of inactivity amongst the pre-State Pension Age group?
2. How can we soften the cliff-edge of State Pension Age to prevent such a sudden drop in the employment rate during and after reaching SPA?

To answer both questions, it is important to understand the possible causes for economic inactivity amongst the pre-State Pension Age group as well to understand why so many people decide to leave the workforce at or around State Pension Age. To do this we introduce a simple framework which seeks to highlight the reasons why someone aged over 50 might leave their job and ultimately join the millions of people across this age group who are economically inactive. It is rooted in our knowledge of previous literature and evidence on the factors driving labour market exit amongst older workers.²⁶ This approach therefore helps us understand and interpret the empirical evidence that follows in the next chapter.

Our conceptual approach

The core assumption underpinning our conceptual approach has a long history in economic thought. It is the idea that individuals try to smooth their consumption of goods and services over their lifetime. This means that people are willing to forego some additional consumption today in order to be able to consume a similar amount tomorrow.²⁷

Under this core assumption, individuals will only *voluntarily* leave the labour market and retire once they are sure that they can secure their desired replacement income after they stop working. The level of this desired replacement income will vary from person to person, depending on the level of income they have been accustomed to during their working lives and the extent to which they prefer working over not working. The closer they are to securing this prospective level of income in retirement, the more likely it is that they will leave the labour market as the economic value of continuing to work relative to the desired replacement income diminishes.

Exit before State Pension Age

Before SPA, the factors that could *voluntarily* pull people out of the workforce are related to private financial wealth or social security benefits that allow individuals to maintain a similar standard of living without going to work. Within the context of the UK, these groups are likely to be relatively small, given the current level of private pension provision and the conditions attached to out of work benefit.²⁸ Voluntary exit may also result from situations where an individual is confident that their partner can provide the desired level of income if they do not work, allowing them to undertake other activities such as caring for family members rather than working.

²⁶ As part of the research exercise we undertook a brief literature review into the labour market exit of older workers. If you would like more details about this review please contact the authors.

²⁷ Consumption smoothing as it is called by economists, is used to express the desire of individuals to secure a stable path of consumption over their lifetime. Milton Friedman's permanent income theory (1956) and Modigliani and Brumberg's (1954) life-cycle model were some of the first attempts at formalising this idea though it has since gained broad acceptance.

²⁸ cf. Crawford & Tetlow (2012)

In contrast, *involuntary* exit will be triggered by some sort of shock such as redundancy, ill health or caring responsibilities – each of which may require a sudden change to working patterns. But the transition to exit will depend on what happens next and the particular combination of push and pull factors for each individual. If all individuals want to maintain living standards over their lifetime, each of these three groups will want to continue to work after the initial shock has occurred. Those made redundant will look for other jobs, while those in poor health or with caring responsibilities may seek greater flexibilities including perhaps reduced hours or working from home.

At this point, the interventions made by job agencies, employers, charities and other stakeholders can make a critical difference – raising or lowering the likelihood of labour market exit. Local job centres may, for example, need to focus on retraining those who have been made redundant if their skills do not fit with the available jobs, while employers may need to allow for part-time working for those with ill health or caring responsibilities. The worse these stakeholders are at meeting these demands, the more likely it is that it will lead to labour market exit as individuals are unable to secure the type of employment they require and therefore become deterred or discouraged from continuing to seek or stay in work.

In other words, older workers who are involuntarily out of work may have an incentive to continue working, i.e. the pull factors are not strong enough to entice them to stop working altogether. But stakeholders such as employers play a crucial role in mitigating the consequences of push factors like redundancy or ill health, or the experience and productive potential of these workers will be lost for good.

Exit after State Pension Age

After SPA, the factors impacting labour market exit shift slightly in importance, as the availability of the State Pension and other possible pensioner benefits alters the structure of pull factors. For some, the level of income generated through the State Pension, other benefits and any private savings will be similar to what they were accustomed to during their working lives, while for others it will fall short. Those with retirement incomes similar to what they were accustomed to during work will be more inclined to exit the workforce *voluntarily*. There will also be those who *voluntarily* stay in work because, while the State Pension and any private savings might be sufficient to live off in retirement, they prefer work over not working. In other words, reaching State Pension Age suddenly affords a greater number of individuals a *choice* about whether or not to stay in the labour market.

There will, however, remain a section of the population whose decision to leave the workforce at State Pension Age might best be described as *part involuntary*, such as those whose ill health may have led them to cut back on their working hours before reaching SPA, and who accept a lower level of replacement income because health issues reduce their preference for work over non-work. And there may also be those who continue to work after SPA only for some combination of factors to *involuntarily* drive them out of the work force in later years. But for a great many, reaching SPA is likely to be a decisive factor in making a *voluntary* choice to exit the labour market.

The evidence: Voluntary versus involuntary exit for the over 50s

“It suddenly felt my real life had ended and I was on the scrap heap”

(Focus group participant)

Key points

- Those leaving work before age 65 are driven out through a combination of factors that involuntarily push them out of employment, including redundancy, ill health and early retirement. Early retirement is often involuntary – with ill health and redundancy critical factors underpinning this decision.
- We conservatively estimate that up to 1.4 million people aged 50-69 have **involuntarily** left employment over the last 8 years and almost 1 million between the ages of 50-64.
- Looking across age bands, while the 60-64 age group has the largest **number** of people who have been pushed out of work in the last 8 years, the 55-59 age group has the highest **proportion** of people who have left work for involuntary reasons. Of all those aged 55-59 who left their job in the last 8 years, 57% left as a result of factors that pushed them out of employment. This falls to 26.9% for all leavers aged 65-69.
- Involuntary exit is not just a function of some shock such as ill health or redundancy but also the reaction of employers to the evolving needs of older workers. Our analysis implies that employers are failing to respond to calls for flexible working and retraining, preferring to keep the status quo by locking older workers into long hours while continuing to make older workers redundant on a more regular basis than their younger counterparts.
- Leaving your job is one thing, leaving the workforce altogether is another. When looking at reasons for economic inactivity by age, a similar pattern emerges of push factors such as long-term sickness, looking after family members and temporary sickness explaining the majority of inactivity amongst the pre-SPA group, while “retirement” becomes the overwhelming determinant of inactivity amongst those at SPA or beyond.
- Nevertheless, there is a sizable cohort of jobless people aged 50+ who are out of work but still willing to work. We estimate that approximately 1.2 million people amongst this age group would be willing to work if the right opportunity arose and efforts must be taken to ensure that these individuals do not end up permanently inactive. In total, 26% of people aged 50-64 who are currently jobless would like to work.

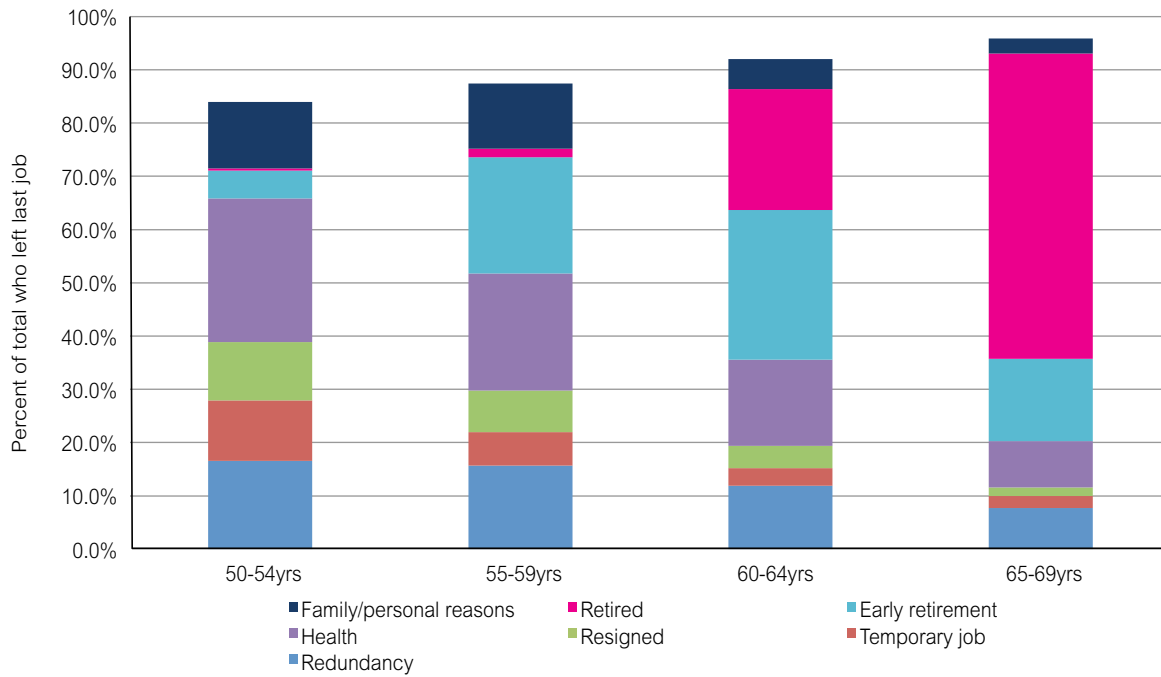
Previous chapters have identified economic inactivity as the most pressing challenge facing the 50+ age group, while we have also outlined some possible reasons why the motivations for exiting the labour market might be different before and after State Pension Age. In particular, we argued that voluntary inactivity can only occur if individuals are confident of generating something approaching their desired level of income in retirement. In cases where the decision is voluntary, it is likely to be because an individual's (or their household's) private wealth plus any welfare spending they are entitled to meets their desired income level. Involuntary inactivity, on the other hand is likely to be the result of some sort of shock such as a sudden health problem combined with a lack of support from their employer and other stakeholders, ultimately leading to full withdrawal from the labour market.

To assess the extent to which labour market exit amongst the over 50s is voluntary or involuntary, we have conducted our own analysis of the Labour Force Survey (LFS) and the English Longitudinal Survey on Ageing (ELSA) (see Appendix B for more details on these data sources).

Why do the over 50s leave work?

There is evidence that a significant proportion of people aged 50+ who have left work in the last 8 years have done so due to factors that are likely to have pushed them out against their will. For those aged 50-59, health, enforced redundancy and early retirement are the three most commonly cited reasons for leaving their last job. Sizable proportions also said that they left because they were caring for others or because they had resigned.

Figure 9: Reasons for leaving last job by age

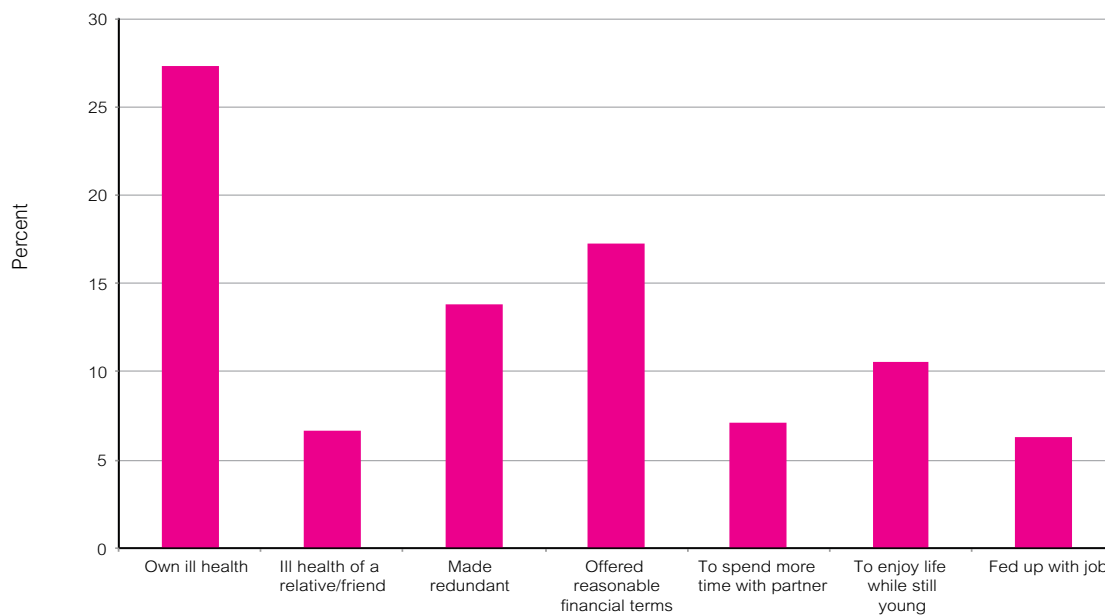


Source: ONS Labour Force Survey Q1 2014 and author's calculations

Is early retirement a voluntary act?

As mentioned in the previous chapter, enforced redundancy and ill health can be viewed as factors that push people out of the workforce, while the motivations behind early retirement as well as some of the other factors, including care, are slightly more ambiguous. Our findings suggests that those who cite early retirement as the main reason for leaving work are likely to be masking a whole array of other factors that combine to ultimately force them out of work. According to our analysis of a broadly representative sample of early retirees across England (ELSA), 27.4% said they took early retirement due to their own ill health, while 13.8% took early retirement because they were made redundant. Only 17.2% of the sample retired early because they were offered favourable financial terms.

Figure 10: Main reasons for taking early retirement



Source: ELSA Wave 6 2012-13

Case study

Derek (over 65) – retired earlier than planned due to changes in his office

Derek is a retired University lecturer living in the North of England. He is retired but does some consultancy work. Derek retired from his post 6 years earlier than planned because his department “wanted to recruit a beginner”. Whilst Derek enjoyed the atmosphere of working with younger people and interacting with students, he felt that he was at times “invisible in a group of younger people”. Derek has kept working part time as he was “desperate to keep the grey cells going” but often feels “surplus to requirements”. Overall, he feels he made a sacrifice by giving up work earlier than planned for the good of the department he developed over 40 years. “I think my boss is happy I made way for a newbie”.

What about those who are older than State Pension Age?

For those who were over the age of 65 but who had left their job in the last 8 years, the majority cited “left at State Pension Age” (57.4%) as the key reason for leaving, though there remained sizeable proportions who had left due to early retirement, health or redundancy. These initial findings do therefore indicate that reaching SPA changes the dynamics of the decision to leave employment, but more information is needed in order to understand the extent to which leaving at State Pension Age is itself a voluntary or involuntary decision.

Retirement at State Pension Age as a voluntary decision

“The State Pension allowed me to have the freedom to retire, and choose when and where I wanted to work” (focus group participant)

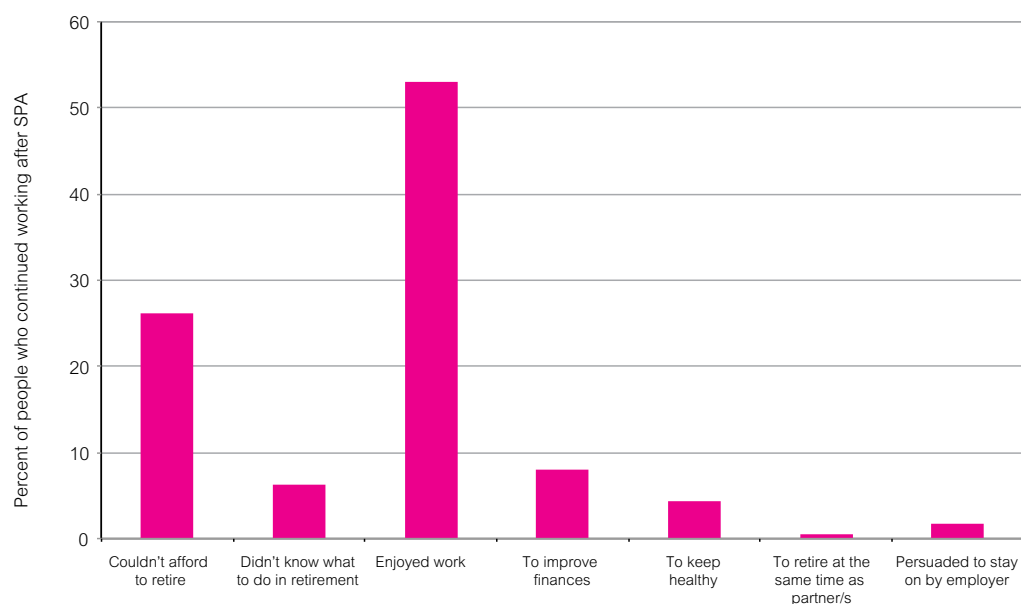
To shed more light on this issue, we conducted additional analysis of ELSA which asks people in England why they decided to retire. Of all those in the sample, by far the highest proportion (41.1%) said they retired because they reached SPA. A further 8.7% said they retired in order to spend more time with their partner/family, while 8% said they retired to enjoy life while young and fit – all of which might broadly be seen as voluntary paths to exiting the labour market. An additional 12.4% retired due to ill health, 10% due to redundancy and 4.7% due to ill health of a relative or friend. In other words, out of all those who retired in England after SPA, more than half did so for reasons that might best be described as voluntary which contrasts with the findings regarding those who take early retirement.

To what extent is working beyond SPA a voluntary decision?

According to the conceptual framework set out in the previous chapter, people can only voluntarily work beyond SPA if they choose to work longer despite already having sufficient resources to meet their desired level of income in retirement. They may do this because, for whatever reason, they prefer work over not working so continue working even though they do not have to. We argued that those who work beyond SPA will therefore do so because they either 1) enjoy working (voluntary) or 2) because they have insufficient income to meet their desired level even after becoming entitled to a state pension (involuntary).

The ELSA survey asks a sample of people in England why they worked beyond SPA. The vast majority said they worked longer because they enjoyed it (53%), which is substantially higher than the proportion who said they worked longer because they could not afford to retire (26%). A further 8.1% said they continued working to improve their finances, while 6.2% said they didn't know what to do in retirement. It does therefore appear as though both voluntary and involuntary factors are at play in driving people to work longer but that a greater proportion of those that do work longer do so voluntarily.

Figure 11: Reasons for continuing to work past State Pension Age



Source: ELSA Wave 6 (2012-13)

Towards an estimate of involuntary exit

Based on these findings it is possible to develop a very simple measure for the total number of people who have involuntarily left their job across all ages in the UK in the last 8 years. To construct this measure, we exclude all those who have left their previous job where their reason for leaving is too ambiguous to explicitly count as voluntary or involuntary. For this reason we only include those who have left their job for the following reasons:

- All those who cite dismissal
- All those whose cite redundancy (not voluntary redundancy)
- All those who cite ill health
- Half of all those who cite early retirement. This approach reflects our earlier findings that a high proportion of early retirement is involuntary – due to ill health or redundancy.

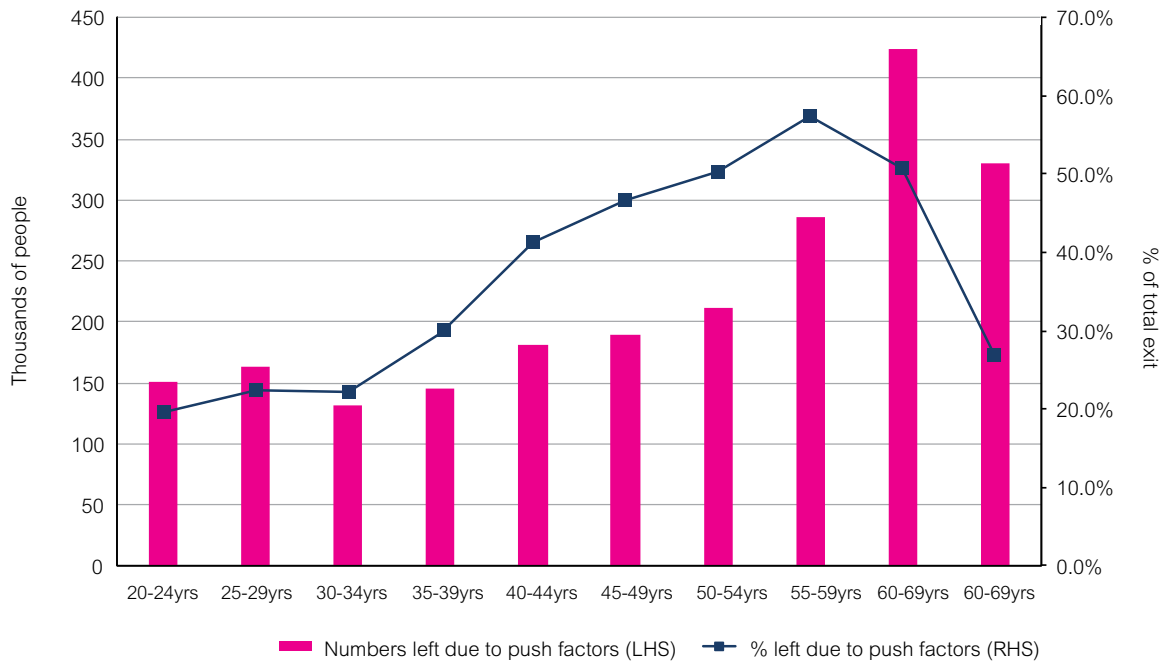
It must be noted, that by only including these measures of involuntary exit we have excluded a number of other powerful reasons for leaving work, including caring for friends or family as well as leaving at State Pension Age, both of which may be voluntary or involuntary in nature depending on the specific circumstances. But we have excluded these and other measures in order to ensure our final numbers err on the side of caution and do not sensationalise the issue and therefore undermine the credibility of the figures obtained. For these reasons, the final numbers should be seen as a very crude proxy to highlight the issue rather than an accurate estimate of the “real” total.

According to these methods, we calculate that there are 1.4 million people aged 50-69 who left their job in the last 8 years for involuntary reasons²⁹. Looking across 5 year age-bands, the 60-64 age group appear to have experienced more involuntary exit than any other age group, with nearly 450,000 people of this group having left for involuntary reasons in the last 8 years. Numbers then drop-off after State Pension Age.

While the 60-64 age group has the largest number of people who have been pushed out of work in the last 8 years, the 55-59 age group has the highest proportion of people who have left work for involuntary reasons. 57% of all those aged 55-59 who left their job in the last 8 years, left as a result of factors that pushed them out of employment. This falls to 26.9% for those aged 65-69. See Figure 12 on page 28 for a full breakdown of results by age-band.

29 We calculate numbers of people using the LFS survey results regarding proportions from each age group who have left work for a specific reason and then combine this with the ONS' UK Population Projections for the year 2014 (ONS 2013).

Figure 12: Adjusted push factors across ages



Source: ONS Labour Force Survey Q1 2014 and author's calculations

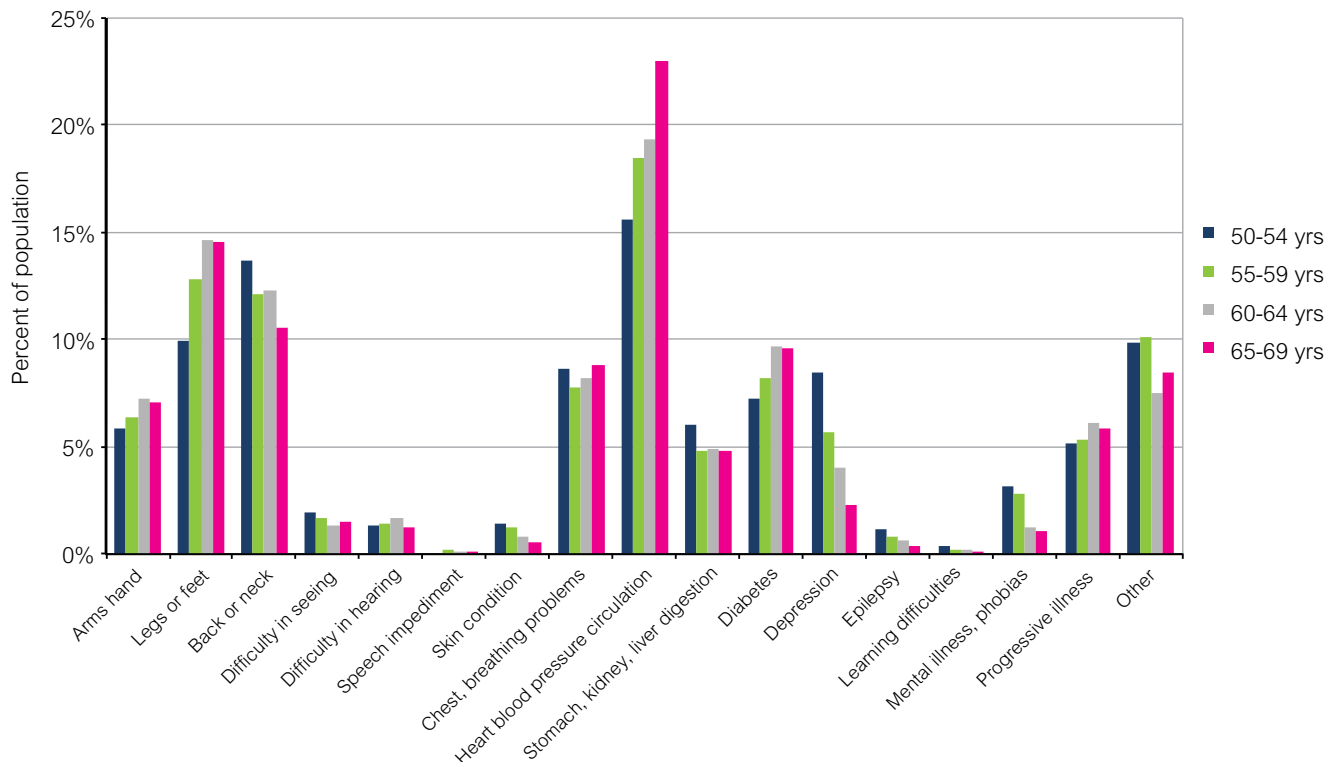
Preventable exit? The journey to leaving the labour force for the over 50s

While the data outlining the reasons why individuals left their last job is compelling, it only provides us with one piece of the jigsaw. Ultimately, an individual's decision to leave the workforce is likely to be based on the interaction of many different factors over time including how different institutions (such as employers or employment agencies) respond to the "shocks" that people face (such as ill health or redundancy). Crucially it does not provide evidence as to whether labour market exit was preventable. In order to explore this issue further, we look in more detail at health challenges facing older workers, speculate on the responses of employers based on our original data analysis and explore the redundancy risks facing older workers.

Mobility not mental ability: health problems facing the over 50s

According to our analysis of the LFS, the three biggest health challenges facing the over 50s in the UK are: 1) heart, blood pressure and circulation, 2) back or neck and 3) legs or feet. Chest or breathing problems as well as diabetes are also quite prominent health problems affecting this age group and affect an increasing proportion of older groups (see Figure 13).

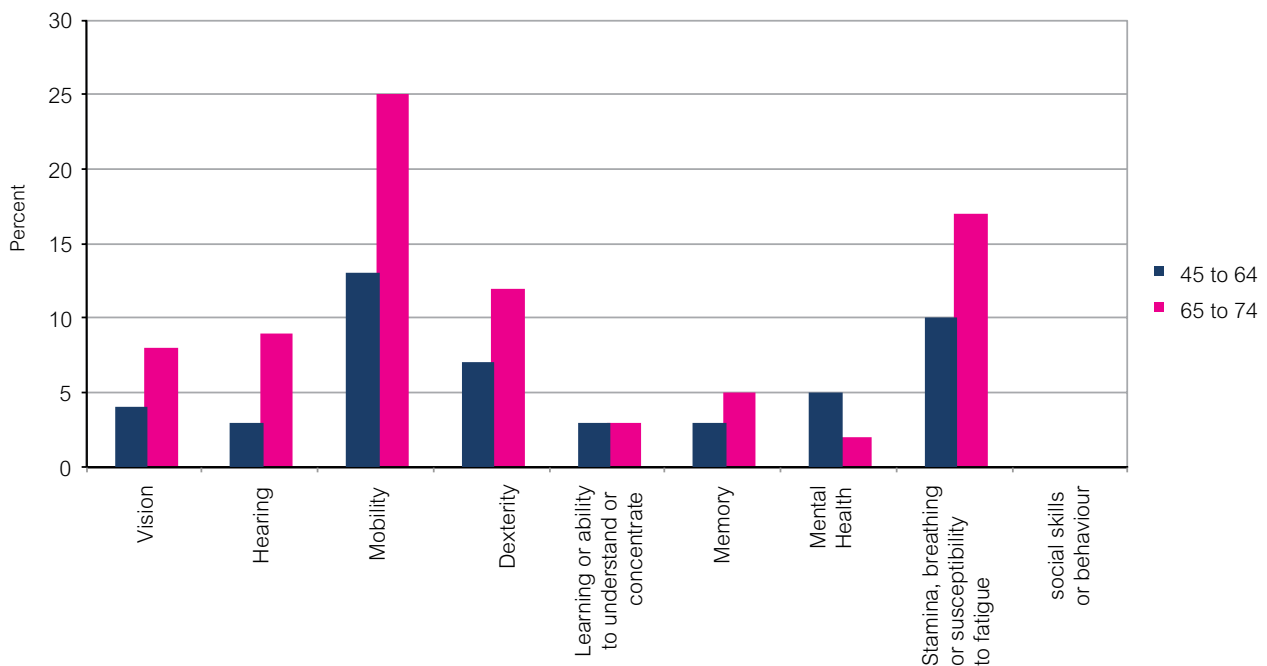
Figure 13: Main health problem by type across age groups



Source: ONS Labour Force Survey (Q1 2014) and author's calculations

Arguably, each of these health issues is more likely to impact an individual's physical wellbeing, including mobility, than their mental capabilities. Indeed, evidence from a separate survey of Great Britain suggests that **mobility, dexterity and stamina** are the main side effects of significant physical and mental health conditions facing the middle-to-older age groups. By comparison, **learning and ability to concentrate, memory, and social skills and behaviour are not so significantly affected** (see Figure 14).

Figure 14: Effects of Physical or Mental Health Conditions Lasting for 12 Months or More



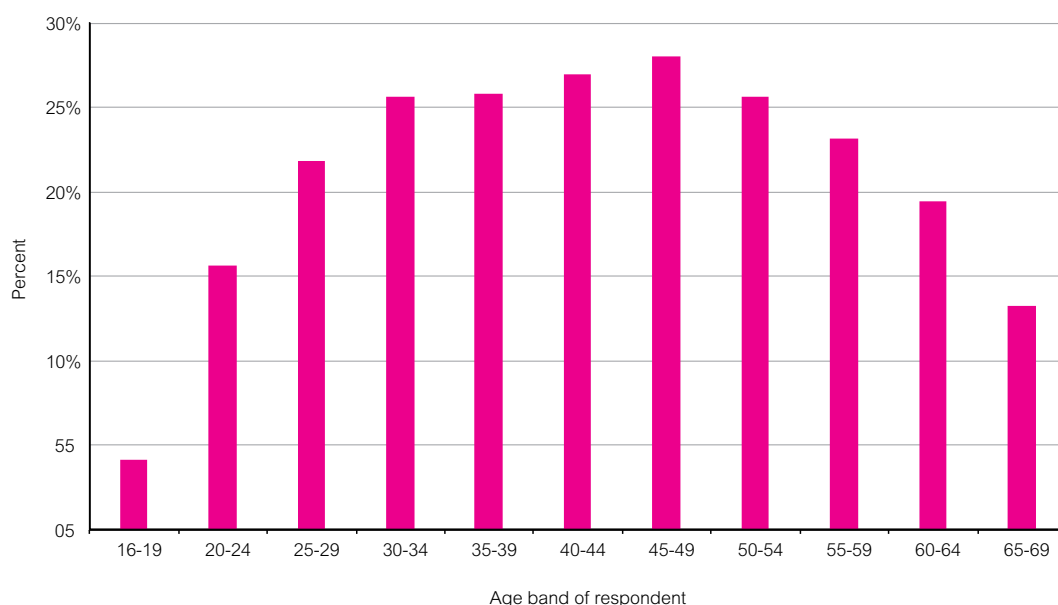
Source: ONS Opinions and Lifestyle Survey 2012

The data therefore implies that those people who work in particularly physically demanding jobs may be more likely to leave the labour force due to ill health than those whose work is less physically demanding. This reinforces the point that in order to address the impact of ill health on labour market exit, it is important to reduce the proportion of time that older workers spend on the more physically demanding aspects of their working lives. There is some empirical support for this assertion. Research conducted for the DWP found that half of workless older men had previously worked in one of just four sectors: Manufacturing, Construction, Transport, and Wholesale/Retail.³⁰

Working long hours with no flexibility

Given the prevalence of health issues alongside the other commitments of older workers, employers need to be flexible in order to prevent older employees from leaving work. But it turns out that far from scaling back on work, those approaching retirement age are actually working as hard as anyone else. Our analysis of LFS shows that those who are in work aged 50-54, work an average of 37.8 hours per week and those aged 55-59 work an average of 36.6 hours per week. While those in their 50s do not therefore work quite as many hours on average as those in their 40s the number of hours worked remains relatively high by comparison to all other age groups.³¹ Indeed, out of all those in work aged 50-59, we estimate that almost 1 in 4 work for 45 hours or more per week (see Figure 15).

Figure 15: Proportion working 45 hours a week or more



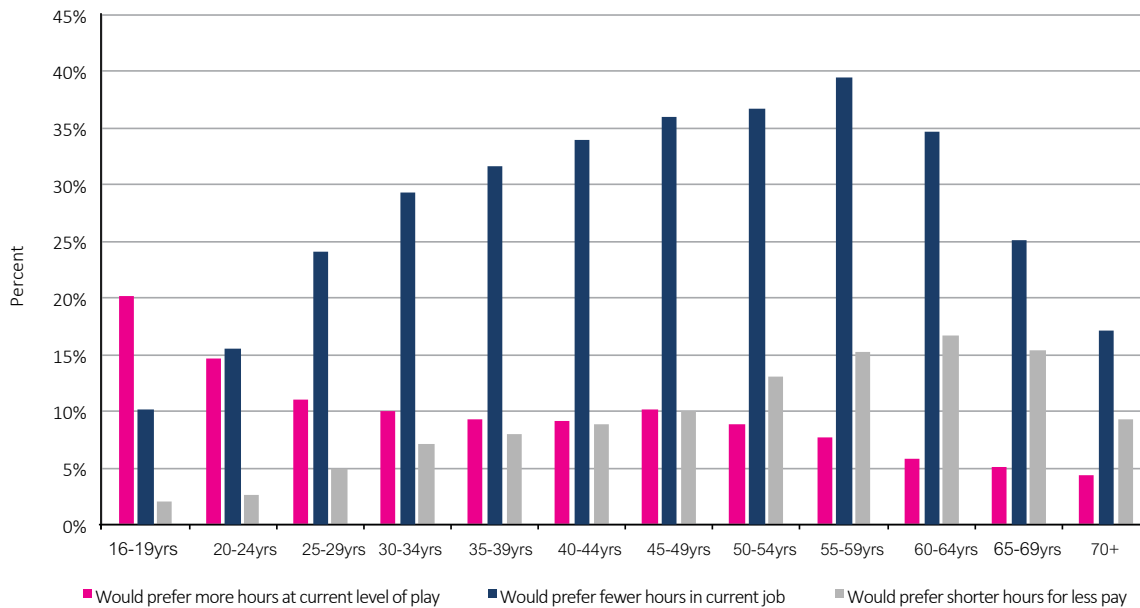
Source: ONS Labour Force Survey and author's calculations

The fact that so many are working so many hours is concerning given the range of other personal commitments and challenges facing older workers. It is not, therefore, surprising that a high proportion of those in work in their 50s actually want to reduce their working hours. By age 55-59, nearly 40% of all those in work want to reduce their working hours compared to 7.7% who wish to increase them. In addition, 15% of all those in employment amongst this age group would take shorter hours even if it meant less pay. Overemployment, as it is often termed, is therefore more prevalent amongst this older age group than any other in the UK. It implies that there is a large cohort of people in their 50s who are locked into long hours against their will. Without additional flexibility from their employer they may leave their job and ultimately the workforce altogether.

³⁰ DWP (2014a)

³¹ Author's analysis of ONS Quarterly Labour Force Survey Q1 2014. We have used the variable: *TTUSHR - Total usual hours worked in main job (including overtime)* to estimate working hours across different age bands.

Figure 16: Underemployment/overemployment as a % of total employed by age



Source: ONS Labour Force Survey (Q1 2014) and author's calculations

Unhealthy and working long hours

More detailed analysis of working hours shows that approximately 8% of all those employed aged 55-64 working over 45 hours per week are also experiencing a physical or mental health condition or illness lasting (or expected) to last for 12 months or more.³² Working so many hours per week alongside experiencing significant health issues is likely to act as a powerful incentive to reduce working hours, or if this is not possible, to leave the workforce altogether.

Case study

Christine has struggled to make her hours fit the demands of caring for her family.

Christine is an occupational therapist who has worked in the NHS for many years. Christine has struggled to make work fit around caring for ageing parents and a disabled husband. With these demands her own health suffered and she found it hard to keep up with the physical demands of her job. Christine felt a strong sense of guilt and also pressure about reducing her hours at work. She felt that her employers were “not happy” about her attempts to work part time and she also felt that she was letting her team down in reducing her hours. Christine had to “fight for a reduction in hours” against a number of barriers which made it difficult for her to continue with her role. Christine’s employers allowed her to take annual leave and change her working pattern but she still needed to fulfil her contractual hours. When she managed to cut down her contract, Christine felt that she had “tried to keep everyone else happy but had no time for myself”.

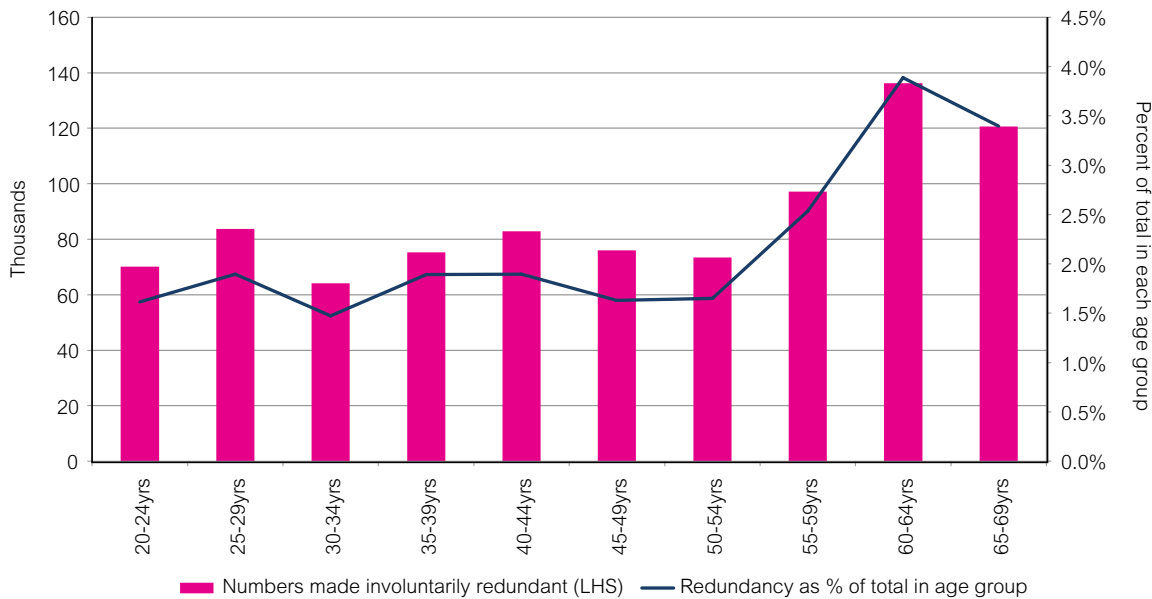
Redundancy

The apparent lack of employer support for older workers through increased flexibility also feeds across into the story on redundancy. The risk of being made involuntarily redundant is greater amongst the 50+ age group than it is for younger age groups. For every 100 people 60-64, 4 people will have been made redundant in the last 8 years. This compares to an average of less than 2 people for every 100 people aged 16-49. The high prevalence of forced redundancy for the over 50s is clearly cause for concern, suggesting that employers are particularly unwilling to find continued employment for this age group and are reluctant to invest in reskilling and training that this might require. In total, 427,000 people aged 50-69 left their job due to redundancy in the last 8 years. It is important to note that these redundancy figures **do not** include voluntary

³² Author's analysis of Q1 2014 Labour Force Survey

redundancy so they are a good indicator of involuntary rather than voluntary exit. Voluntary redundancy in many cases may include offers that are not worth refusing while compulsory redundancy is likely to be on significantly worse terms.

Figure 17: Redundancy by age group

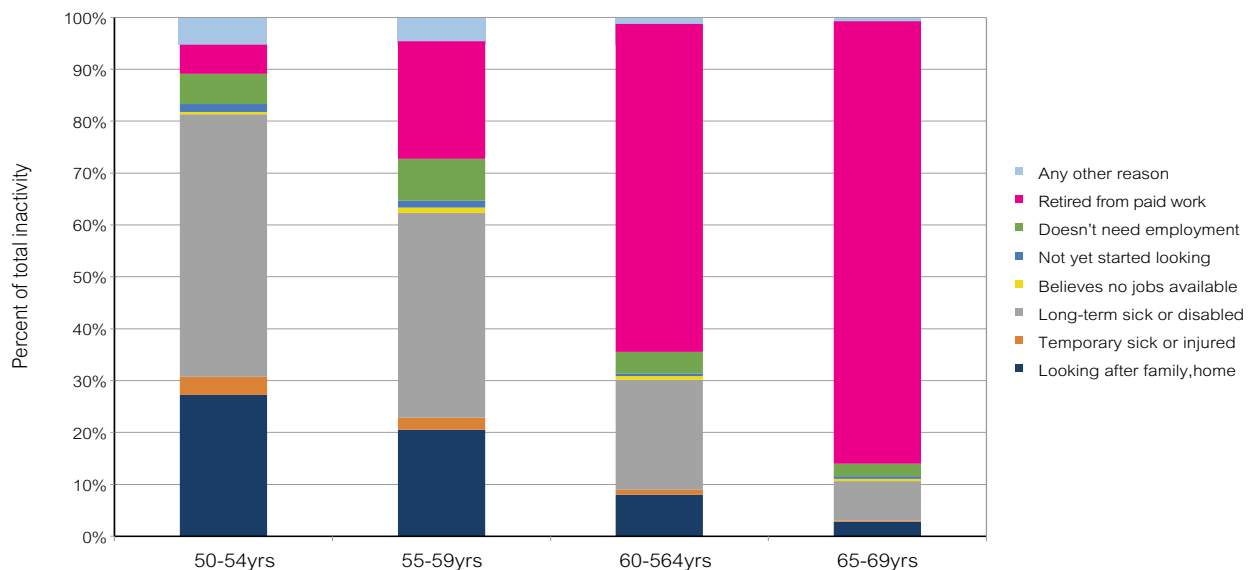


Source: ONS Labour Force Survey Q1 2014 and author's calculations

From unemployment to inactivity

Leaving work is one thing, leaving the workforce altogether is another. Failure to re-join the workforce after leaving employment is a particularly significant problem facing the over 50s as evidenced by such high levels of economic inactivity amongst this group. When looking at reasons for economic inactivity by age, in other words why people say they are not looking for work, a similar pattern emerges of push factors. These include long-term sickness, looking after family members and temporary sickness explaining the majority of inactivity amongst the pre-SPA group, while “retirement” becomes the overwhelming determinant of inactivity amongst those at SPA or beyond. Looking specifically at those in their 50s, long term sickness dominates, with half of all inactivity put down to poor health amongst those aged 50-54 and nearly 40% amongst those aged 55-59.

Figure 18: Reasons for economic inactivity by age group



Source: ONS Labour Force Survey Q1 2014 and author's calculations

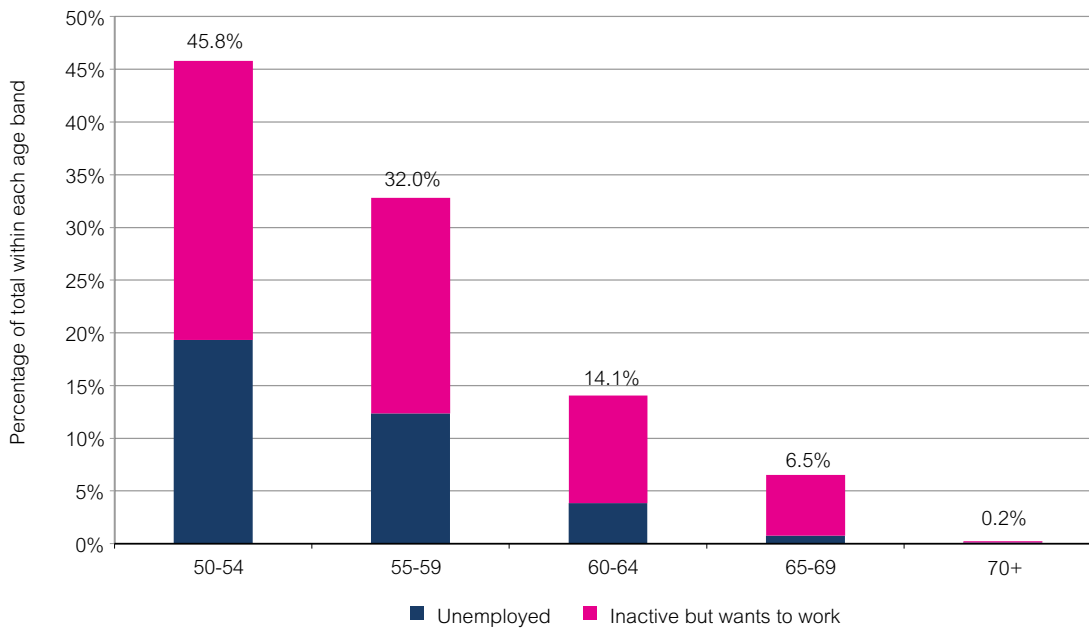
Inactive but willing to work: to what extent is joblessness facing the 50+ group reversible?

“I certainly think there needs to be more options for the over 55s....not everyone wants to stop work... but some do, or have to through poor health etc.” (focus group participant)

There is a group, which includes over 50s where some are technically unemployed and some are not currently seeking work, who would still be open to the possibility of returning to work. To shine a light on these individuals, we have combined a number of indicators from the Labour Force Survey. As well as providing data on unemployment and total inactivity, the survey also identifies whether those who are not currently seeking work would like to work in future or whether they are seeking work but currently unavailable for some other reason. By combining the unemployment indicator with the relevant inactivity indicators, we can create a crude measure for the overall numbers of people that would work if they could.

Using these methods, we estimate that almost half of those in their early 50s who are jobless would like to work if they could, falling to 1 in 3 of those in their late 50s. By age 60-64 just 3 in 20 of all those who are jobless would like to work and this falls even further for those aged over 65 (see Figure 19 for full breakdown). Taken together, we estimate that there are approximately 1.2 million people aged 50+ who would be willing to work and that this is particularly prevalent amongst those aged early-to-mid 50s which perhaps reflects the importance of continued working for those furthest away from the safety net of the State Pension.³³ For those closer to their SPA, continuing to work is likely to be less of a financial necessity or they may have become so disgruntled by a lack of successful job searches that they have lost hope of ever returning to work. In total, 26% of people aged 50-64 who are currently out of work, would like to work. These results are suggestive of a silent cohort who are currently out of work but could still make a significant contribution if the right employment support was in place.

Figure 19: Proportion of people who are keen to work out of total joblessness by age band



Source: ONS Labour Force Survey Q1 2014 and author's calculations

³³ To calculate the 1.25 million figure we use the LFS survey results regarding proportions from each age group who are inactive but would like to work in addition to those who are unemployed and then combine this with the ONS' UK Population Projections for the year 2014 (ONS 2013).

The UK in an international context

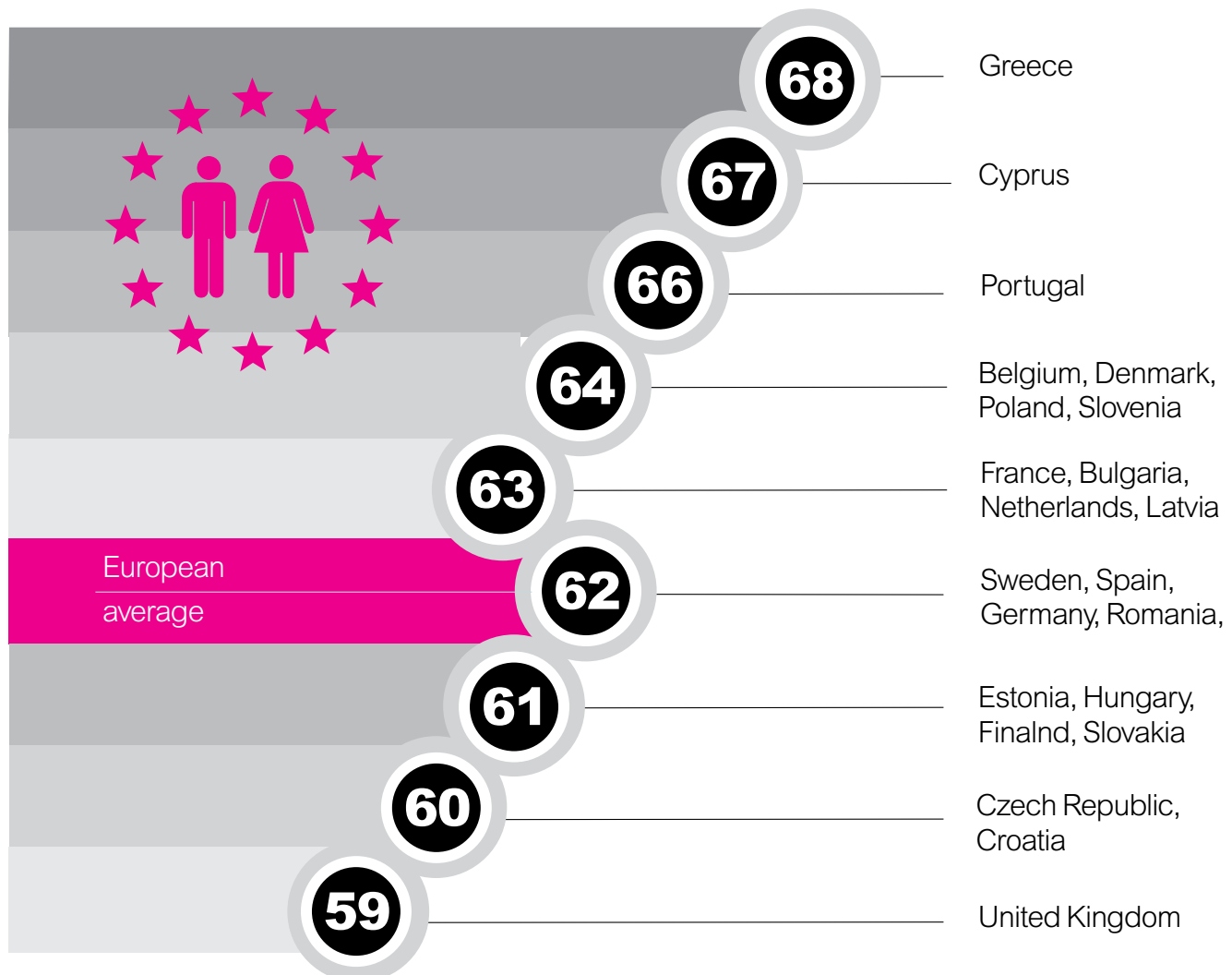
Key points

- Ageing populations are a feature of all advanced economies though some are ageing faster than others.
- Ageing is perceived differently across cultures with some evidence to suggest that those in the UK view old age starting earlier than other countries across the EU.
- At the European level, the UK falls somewhere in the middle with regards to the employment prospects for older workers.
- Germany, Sweden and Japan are interesting case studies which provide lessons about how the UK might be able to facilitate an environment more supportive to working longer. In particular, Sweden is a beacon for adult education, with 73% of the population aged 25-64 in formal and non-formal adult education.

Ageist attitudes across the EU

Advanced economies around the world all face similar problems when it comes to demographic change. However, cultural perceptions of the ageing process vary. A 2011 Age UK survey asked people when they thought old age began and found that while people in Greece believe it starts at 68, those in Turkey believe it starts at 55. The European average was 62 years of age. According to the same survey, the UK perceives old age to begin earlier than the rest of Europe, with the average British person reporting that old age begins at 59. This is a full 6 years before the British retirement age.

Figure 20: Perceived start of old age



Source: Age UK (2011) A Snapshot of Ageism in the UK and across Europe. Adapted from Figure 1: Perceived start of old age within ESS countries (mean estimated age)

Employment prospects

In 2013, 59.8% of those aged 55-64 in the UK were in employment. This compared favourably to other European countries such as France, Italy and Austria, whose employment rates for this age group were well below 50%. However, the UK did not compare so well to the Nordic countries, whose employment rates are over 70% for this age group.

European League Table 2013 - Individuals aged 55-64				
Country	Employment Rate %	Unemployment Rate %	Activity Rate %	Rank
Sweden	73.6	5.1	77.5	1
Switzerland	71.7	3	73.9	2
Norway	71.1	1.3	72.0	3
Germany	63.5	5.8	67.4	4
Estonia	62.6	6	66.6	5
Denmark	61.7	5.1	65.0	6
Netherlands	60.1	6.3	64.1	7
United Kingdom	59.8	4.8	62.8	8
Finland	58.5	7	62.9	9
Latvia	54.8	10.5	61.3	10
Czech Republic	51.6	5.8	54.8	11
Ireland	51.3	10.6	57.4	12
European Union	50.2	7.6	54.3	-
Bulgaria	47.4	12.4	54.1	13
Portugal	46.9	13.7	54.4	14
France	45.6	7	49.1	15
Austria	44.9	3.5	46.5	16
Spain	43.2	20	54.1	17
Italy	42.7	5.7	45.3	18
Belgium	41.7	5.4	44.1	19
Poland	40.6	7.7	44.0	20
Hungary	38.5	7.7	41.7	21
Greece	35.6	16.2	42.4	22

Source: Eurostat

What can be learnt from policies elsewhere?

Germany

The situation for older workers

There are roughly 17 million Germans aged 50-64, representing 21.1% of the population.³⁴ Of these 17 million, roughly 4.5 million were inactive and just under 1 million were unemployed. At the start of 2014, 72% of those aged 50-64 were in employment.³⁵

The demographic challenge

Germany has seen a rapid rate of demographic change in recent years. Indeed, in 2013 its median age was the highest in Europe. Projections show Germany continuing to grow older, with the proportion of the population aged over 65 increasing from around 21% today, to 28% by 2030.³⁶ Consequently, if Germany is to

³⁴ EuroStat

³⁵ EuroStat

³⁶ EuroStat

sustain its economic growth, it is imperative it makes use of its older workers.

Germany currently has some of the highest employment rates in Europe, yet Germany was not always a success story. A decade ago the unemployment rate among its older workers was over double what it is today.

The intervention

The German Government implemented a number of labour market reforms in the early 2000s. Some were targeted directly at older workers and included: cutting the maximum duration of unemployment insurance benefit receipt for older unemployed people from 32 months to 24; an exemption for employers from contributing to unemployment insurance when hiring a worker over 50 who was previously unemployed; and a topping up of workers' wages if they are over 50 and re-entering the labour market to a job which pays less than their previous one. There were also subsidies for training low skilled workers over 45.

It is difficult to assess the extent to which these reforms directly contributed to the improvements made in Germany. Eichhorst et al. (2013) for instance, state that the rise in employment for older workers has been driven partly by skills shortages in the German economy which has led to employers keeping their older workers on by way of necessity and partly by general increases in flexibility in the German labour market which have led to an overall rise in employment.³⁷ Indeed, over the same period, there were wider labour market reforms which could have contributed to an increase in older worker employment rates. For example, the German government provided job seekers with additional support and liberalised flexible working arrangements. As a result there are now more temporary jobs and there has been an increase in part time labour.

The result

By 2013, the unemployment rate among those 50-64 had fallen from 12.1% to 5.3% in the space of a decade and the inactivity rate was 30% lower.³⁸ However, it is very hard to extract the effects of labour market reforms from an overall improvement in Germany's economic outlook.

Sweden

The situation for older workers

There are around 1.75 million Swedes aged 50-64, representing 18.3% of the population.³⁹ Of these 1.75 million, just 318,000 were inactive in 2013 and around 87,500 were unemployed. Sweden has one of the highest employment rates of older workers in the world, with 77.2% of those aged 50-65 in employment at the beginning of 2014.⁴⁰

The demographic challenge

Like many advanced economies, Sweden is projected to see its population age. By 2030 it is estimated that 22.3% of its population will be over 65.⁴¹ However, its demographic challenge is not as stark as those of other European nations, partly because its ageing more slowly than other countries, but mainly because it already has high employment rates among its older workers.

The employment success

A number of factors may contribute to Sweden's success regarding older workers. As early as 1994, the Swedish government introduced a mandatory defined contribution pension scheme with a flexible retirement age, which gave incentives to work longer. In 2001, the government made mandatory retirement before the age of 67 illegal and in 2007 they introduced tax incentives for those working past 65.

In addition, Anxo (2012) suggests that the Swedish focus on lifelong learning, whereby adult learning and on the job training courses are encouraged, helps older workers remain productive. Indeed, 73% of the Swedish population aged 25-64 years in 2006 participated in formal and non-formal adult education over a twelve-month period.⁴²

³⁷ Eichhorst et al. (2013)

³⁸ EuroStat and author's calculations

³⁹ EuroStat

⁴⁰ EuroStat

⁴¹ EuroStat

⁴² Anxo (2012)

Japan

The situation for older workers

In 2010 there were over 26 million people in Japan aged 50-64, representing around 20% of the national population.⁴³ In 2013 66.8% of those ages 55-64 were employed, while just 3.8% were unemployed.

The demographic challenge

Japan faces the most extreme demographic challenge of any developed nation. Its population is shrinking and in 2010, 23% of the population was aged over 65.⁴⁴ To sustain living standards it is essential that workers are encouraged to stay in their jobs for longer.

Facilitating Participation

In 2004, the Japanese Government raised the mandatory retirement age, and the effective pension age, from 60 to 65. At the same time they introduced support for the employers of older workers through the provision of consultants and financial aid. The Government has also established the Silver Human Resource Centre which provides employment opportunities for over 60s as well as skills training and job interview preparation.

However, Williamson and Higo (2007) argue that it is not only government policy which allows people to work longer. They argue longer participation is in part due to the relatively high rate of self-employment among older workers in Japan. In 2005, of those in employment, 20.8% of those aged 55-64 and 51.9% of those over 65 were self-employed.⁴⁵ They also attribute it to the good health of Japanese workers. In 2014, Japan had the world's longest healthy life expectancy. At age 60 the Japanese are expected to live, on average, a further 20.3 years in good health.⁴⁶

⁴³ National Institute of Population and Social Security Research (2012)

⁴⁴ Statistics Japan (2011)

⁴⁵ Williamson & Higo (2007)

⁴⁶ HelpAge International (2014)

Conclusions and recommendations

This report has highlighted the plight of the missing million aged over 50 who have left the workforce involuntarily. We have shown that despite recent notable policy changes, such as the abolition of default retirement age, the over 50s continue to face a unique set of challenges. There is evidence that more people over the age of 50 are involuntarily pushed out of work through a combination of ill health, redundancy and early retirement than any other age group, with potentially disastrous implications for their long-term financial wellbeing. Much of this labour market exit could be prevented through increased support from employers but we have revealed a high proportion of older workers are locked into long working hours, often against their will and sometimes while suffering from serious health conditions, while the risks of being made redundant are significantly higher for the over 55s than any other age group. Once forced out of work, the over 50s face a struggle to get back in, with long-term unemployment higher amongst this age group than any other implying that employment agencies are not fit for purpose when addressing the needs of the older jobless and employers are ignoring the benefits of hiring older people. As a result, many leave the workforce altogether, never to return, while a sizeable contingent remain in hope of work but without any support may also fall onto the scrap heap before too long.

Boosting the supply of older workers can only be a good thing. Far from crowding out the labour market for younger workers, this report has shown that a higher proportion of older workers supports working at younger ages. In addition, far from being a burden on employers, we have shown that tapping into the talent pool of older workers is absolutely essential if businesses want to grow and thrive over the coming years rather than stagnate and decline. And far from reducing the productive potential of the economy, this report has shown how harnessing the power of older workers could boost economic output by up to 5.6% of GDP. Action is needed and it is in all our interests.

The winds of demographic change are strong. Over the coming decades the UK's "working age" population is expected to rise by just 3% compared to a rise of over 39% for those aged 65 and over. The economic and social imperative of working longer can no longer be ignored. Individuals' lives as well as the future of industry and society as a whole may well hinge on our ability to support fuller and longer working lives.

It is time to do away with age-old stereotypes. Policymakers and employers need to understand the challenges facing older workers and take measures to deliver a transformation in their employment prospects – for the benefit of us all.

Recommendations

Below we set out a table with high level recommendations for areas requiring critical further action from key stakeholders.

Key Finding / Challenges	Solution/Innovation Needed
<p>Exit from the labour market due to poor health</p>	<p>For Government</p> <ul style="list-style-type: none"> *The roll out of the Health and Work Service will need to be targeted and tailored to the health needs of the over 50s with age appropriate adaptations introduced. *Agencies such as Public Health England should examine the cost implications of withdrawal from the labour market due to ill health and the efficacy of preventative health based interventions. <p>For Business</p> <ul style="list-style-type: none"> *Businesses should play a greater role in encouraging good health in the workforce and develop tailored health based support packages for the over 50s, where possible. *The insurance and health sector should consider greater incentive systems whereby customers that improve their health can qualify for greater discounts. <p>For Academia</p> <ul style="list-style-type: none"> *More intelligence is needed on cost effectiveness of health prevention, particularly for at risk groups. <p>Working together</p> <ul style="list-style-type: none"> *The Building Health Partnerships Programme, which aims to maximise the potential collaboration between CCGs and local voluntary and community and social enterprise organisations to improve health in local communities, should have defined streams of work to prevent and manage ill health in the over 50s.
<p>Redundancy</p>	<p>For Government</p> <ul style="list-style-type: none"> *Explore the viability of wage subsidies/tax incentives to support and reward businesses for retaining older employees for example, reducing the social security contributions payable by employers for older workers. <p>For Business</p> <ul style="list-style-type: none"> *Greater age management programmes may be needed to promote the benefits of older workers and to help find age appropriate jobs within organisations. 'Age neutral' assessment and solutions would also be valuable including 'mid-life' career reviews. *Ensure older people receive ongoing training and support and opportunities to engage with new technologies. *Promote intergenerational fairness throughout the workplace for example encouraging mentoring programmes between older and younger workers.

<p>Exit from the labour market due to inflexible working conditions and long hours</p>	<p>For Government *Strengthen the Right to Request Flexible Working.</p> <p>For Business *Organisations should consider the full range of progressive flexible options including compressed working, job share, self-rostering, working from home and split shifts.</p> <p>For industry bodies *It is essential that industry bodies communicate the essential role that older workers have to play in business and the value of staff retention. They should also provide practical support to their members in terms of educating them about how to manage an ageing workforce.</p>
<p>Inactive and not looking for work</p>	<p>For Government *Need to develop targeted support and outreach for the over 50s through extension of JobCentre Plus. *Consider the viability of offering financial incentives for companies taking on older workers, for example employers who recruit older workers on long term contracts are entitled to a subsidy of some sort to help make up the worker's salary.</p> <p>Working together - for Government, business and the voluntary sector * There is a strong case for some sort of outreach programme that specifically targets those who are inactive, run collaboratively by government, industry and other sectors including charities and community groups. Such a scheme could, for example, identify regional inactivity hotspots and coordinate the efforts of local authorities, local businesses and charities to reach out to those who have withdrawn from the workforce to meet the labour supply needs of local employers. Employers could be offered financial incentives to take on someone who was previously inactive.</p>
<p>Combining work and care</p>	<p>For Government *The Treasury and the Department for Business, Innovation and Skills should explore and investigate further the business benefits of supporting carers to combine work and care and potential initiatives to incentivise and accelerate growth in the care and support sector.</p> <p>For business *Employers should 'carer proof' all relevant policies and practices and promote and enable flexible working. Employers should also seek to promote a carer friendly culture.</p> <p>Working together *Local Enterprise Partnerships and Health and Wellbeing Boards should encourage local businesses to support their employees to combine work and care.</p>

**Promoting
work after
SPA**

For Government

*Government should review the fiscal incentives of working longer. Deferral should be explicitly linked to working longer and not just because individuals have chosen not to take their State Pension.

*The financial benefits of the National Insurance exemption for those who work beyond State Pension Age should be far better communicated and may require a public information campaign.

For business:

*In order to retain staff after they reach State Pension Age, enjoyment of work is critical, far outweighing all other factors keeping people in the labour force including financial incentives. Employers therefore need to better understand the needs and wants of this group in order to get clever about retaining their older staff.

Appendix A: assumptions and data sources underpinning economic cost calculations

Total number of people aged 50-64	Sources and explanatory notes for calculations
11,604,000	2014 Q2 figures, ONS Labour Market Statistics, ONS Identifiers:LF26+LF28+LF2A
Proportion of those employed	
69%	2014 Q2 figures, ONS Labour Market Statistics, ONS Identifier: LF2U
Employment rate for those aged 35-49	
83%	2014 Q2 figures, ONS Labour Market Statistics, ONS Identifier: YBUJ
Numbers of people unemployed as a result of age	
7,948,740	Estimate of number of people employed aged 50-64
9,666,132	Estimate of number of people employed if employment rates equivalent to 35-49 age group
1,717,392	Estimate unemployment due to age
GDP per employed person in the UK as at Q2 2014	
1,574,516,000,000	Total UK GDP for Q2 2014 annualised (chain volume measure: ONS identifier ABMI)
30,597,000	Total UK in employment as an Q2 2014 (ONS identifier;MGRZ)
51,460	GDP per person employed
Annual GDP uplift if all those unemployed due to age found work	
88,376,676,873	Estimate of lost economic output (£)
5.61%	Estimate as proportion of GDP

Appendix B: secondary data sources

This report uses data from the Quarterly Labour Force Survey (Q1 2014) and Wave 6 of the English Longitudinal Study of Ageing (ELSA). The data were made available through the UK Data Archive (UKDA). The developers and funders of the LFS and ELSA as well as the Archive do not bear any responsibility for the analyses or interpretations presented here.

About the Labour Force Survey

The Labour Force Survey (LFS), which began in 1973 as an annual survey, is a unique source of articulated information using international definitions of employment and unemployment and economic inactivity, together with a wide range of related topics such as occupation, training, hours of work and personal characteristics of household members aged 16 years and over. From March 1992, quarterly data were made available and the survey became known as the Quarterly Labour Force Survey (QLFS). As well as the main survey, several sub-sample and derived datasets are also produced, including longitudinal series and a Eurostat version of the dataset.

About the English Longitudinal Study of Ageing

ELSA was developed by a team of researchers based at the NatCen Social Research, University College London and the Institute for Fiscal Studies. The data were collected by NatCen Social Research. Funding is provided by the National Institute of Aging in the United States, and a consortium of UK government departments co-ordinated by the Office for National Statistics.

Bibliography

- Anxo, D. (2012) 'EEO Review: Employment policies to promote active ageing, 2012, Sweden.' Luxembourg: Publications Office of the European Union.
- Bound, J. & Waidmann, T. (2007) 'Estimating the Health Effects of Retirement.' University of Michigan Retirement Research Center Working Paper, No. 2007-168.
- Calvo, E. (2006) 'Does Working Longer Make People Healthier and Happier?' *Work Opportunities for Older Americans, Series 2*. Center for Retirement Research at Boston College.
- Chartered Institute of Personnel and Development (CIPD) (2014) 'Right to request flexible working: Overview' <http://www.cipd.co.uk/hr-inform/Employment-law/Family-friendly-and-flexible-working-rights/Right-to-request-flexible-working/Overview.aspx>
- Chartered Institute for Personnel and Development (CIPD) (2012) 'Managing a Healthy Ageing Workforce: A National Business Imperative.' <http://www.cipd.co.uk/publicpolicy/policy-reports/managing-healthy-ageing-workforce.aspx>
- Coe, N. & Zamarro, G. (2011) 'Retirement effects on health in Europe.' *Journal of Health Economics*, 30(1): 77-86.
- Crawford, R. & Tetlow, G. (2012) 'Expectations and experience of retirement in Defined Contribution pensions: a study of older people in England.' London: The Institute for Fiscal Studies. <http://www.ifs.org.uk/comms/r73.pdf>
- Cribb, J., Emmerson, C. & Tetlow, G. (2014), 'Incentives, shocks or signals: labour supply effects of increasing the female State Pension Age in the UK.' Institute for Fiscal Studies Working Paper No. 13/03.
- de Jong Gierveld, J. (1998) 'A review of loneliness: concept and definitions, determinants and consequences.' *Reviews in Clinical Gerontology*, 8(1): 73-80.
- Department for Business, Innovation and Skills (BIS) (2010) 'Phasing out the Default Retirement Age.' <https://www.gov.uk/government/consultations/phasing-out-the-default-retirement-age>
- DWP (2014a) 'Fuller Working Lives – Background Evidence.' https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/319948/fuller-working-lives-background-evidence.pdf
- DWP (2014b) 'The Health and Work Service.' https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/337904/health-and-work-service-specification.pdf Additional information available at: <https://www.gov.uk/government/policies/helping-people-to-find-and-stay-in-work/supporting-pages/co-ordinating-the-health-work-and-wellbeing-initiative#health-and-work-service>
- DWP (2013) 'Employing older workers: An employer's guide to today's multi-generational workforce.' <https://www.gov.uk/government/publications/employing-older-workers-an-employer-s-guide-to-today-s-multi-generational-workforce>
- Eichhorst, W., Boeri, T., de Coen, A., Galasso, V., Kendzia, M., & Steiber, N. (2013) 'How to Combine the Entry of Young People in the Labour Market with the Retention of Older Workers?' IZA Discussion Paper, No. 7829.
- Eurostat. Statistics Database from the European Commission. http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database
- Friedman, Milton (1956). "A Theory of the Consumption Function." Princeton N. J.: Princeton University Press.
- Gov.uk (2014) 'Defer your State Pension.' <https://www.gov.uk/deferring-state-pension/what-you-may-get>
- HelpAge International (2014) 'Global AgeWatch Index 2014.' Available at: <http://www.helpage.org/global-agewatch/>
- Jousten, A., Lefèbvre, M., Perelman, S., & Pestieau, P. (2010) 'The Effects of Early Retirement on Youth Unemployment: The Case of Belgium,' in J. Gruber & D. Wise (eds.) *Social Security Programs and Retirement around the World: The Relationship to Youth Employment*. University of Chicago Press: pp. 47-76.
- Kalwij, A., Kapteyn, A., & Vos, K. (2010) 'Retirement of Older Workers and Employment of the Young.' *De Economist*, 158(4): 341-359.
- Kim, J. & Moen, P. (2002) 'Retirement Transitions, Gender, and Psychological Well-being: A Life-Course, Ecological Model.' *The Journals of Gerontology, Series B*, 57(3): P212-P222.
- Kim, S. & Feldman, D. (2000) 'Working in Retirement: The Antecedents of Bridge Employment and its Consequences for Quality of Life in Retirement.' *Academy of Management*, 43(6): 1195-1210.
- Lokhandwala, T. (2013) 'Govt to remove lump sum benefit for state pension deferral.' Article for *Professional Pensions*. <http://www.professionalspensions.com/professional-pensions/news/2279744/govt-to-remove-lump-sum-benefit-for-state-pension-deferral>
- Modigliani, F. & Brumberg, R. (1954): 'Utility analysis and the consumption function: An interpretation of cross-section data'. In: Kurihara, K.K (ed.): *Post-Keynesian Economics*
- Munnell, A. & Wu, A. (2013) 'Do Older Workers Squeeze Out Younger Workers?' Stanford Institute for Economic Policy Research Discussion Paper, No. 13-011.

- National Institute of Population and Social Security Research (IPSS) (2012) 'Population Projections for Japan: 2011 to 2060.' http://www.ipss.go.jp/site-ad/index_english/esuikai/gh2401e.asp
- Office for National Statistics (ONS) (2012) 'Adult Health in Great Britain'. <http://www.ons.gov.uk/ons/rel/ghs/opinions-and-lifestyle-survey/adult-health-in-great-britain--2012/rft-health-2012.xls>
- Office for National Statistics (ONS) (2013) 'Table A2-1, Principal Projection - UK Population in Age Groups, 2012-based' Available at: <http://www.ons.gov.uk/ons/rel/npp/national-population-projections/2012-based-projections/rft-table-a2-1-principal-projection---uk-population-in-age-groups.xls>
- Office for National Statistics (ONS) (2014) 'Time Series Dataset: Labour Market Statistics'. Available at: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/october-2014/dataset--labour-market-statistics.html>
- Pensions Policy Institute (PPI) (2006) 'The Gain from Deferring State Pensions.' PPI Briefing Note Number 19.
- Phillipson, C. & Smith, A. (2005) 'Extending Working Life: A review of the research literature.' Department for Work and Pensions Research Report No. 229.
- Sinclair, D. Moore, K., & Franklin, B. (2014) 'Linking State Pension Age to longevity: Tackling the fairness challenge.' London: International Longevity Centre – UK.
- Statistics Japan (2011) 'Population Estimates by Age (5-Year Age Group) and Sex - Total population, Japanese population.' <http://www.e-stat.go.jp/SG1/estat/ListE.do?bid=000001036209&cycode=0>
- Thurley, D. (2010) 'Deferred retirement increments.' Note for House of Commons Library. Available from: <http://www.parliament.uk/briefing-papers/SN02868.pdf>
- Victor, C. & Bowling, A. (2012) 'A longitudinal analysis of loneliness among older people in Great Britain.' *The Journal of Psychology*, 146(3): 313-331.
- Westerlund, H., Kivimäki, M., Singh-Manoux, A., Melchior, M., Ferrie, J., Pentti, J., Jokela, M., Leineweber, C., Goldberg, M., Zins, M. & Vahtera, J. (2009). 'Self-rated health before and after retirement in France (GAZEL): a cohort study.' *The Lancet*, 374(9705): 1889-1896.
- Williamson, J. & Higo, M. (2007) 'Older Workers: Lessons from Japan.' *Work Opportunities for Older Americans, Series 11*. Center for Retirement Research at Boston College.
- Wilson, R. & Homenidou, K. (2012) 'Working Futures 2010-2020: Main Report.' UK Commission for Employment and Skills Evidence Report 41.

Business in the Community

137 Shepherdess Walk

London N1 7RQ

T: +44 (0)20 7566 8650

F: +44 (0)20 7253 1877

E: info@bitc.org.uk

Published in October 2014



Registered details: 137 Shepherdess Walk, London N1 7RQ, Telephone 020 7566 8650
Registered Charity No: 297716, Company Limited by Guarantee No: 1619253