

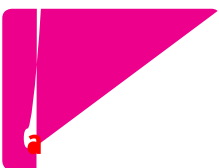


# The Missing Million

Illuminating the employment challenges of the over 50s



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 Interest in the Community









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



# 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**

## 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.

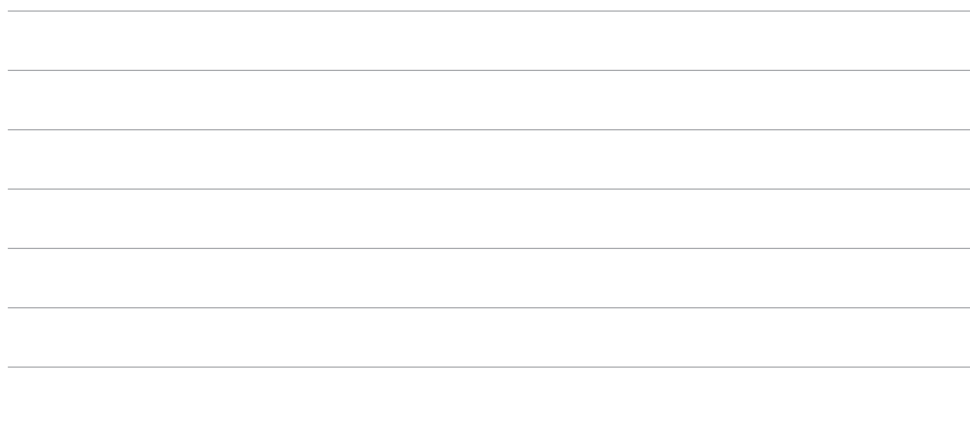
In addition, there remains a lack of current policy initiatives that seek to reduce early exit from the labour force. The DWP's Fuller Working Lives agenda is a start but must be complemented by a powerful set of policy initiatives.

## 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.<sup>1</sup> Today, just over 1 in every 2 men aged 60-64 is employed.<sup>2</sup>

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.<sup>3</sup>

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



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 5110 (and appraise various recent policy initiatives)*

### *Raising State Pension*

*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*

intended to reflect changes in life expectancy, and the Government aims to have people live no longer than

SPA (from 60-61) had the effect of boosting the employment rate by 7.2 percentage points for those women aged 60. It also had the unexpected effect of boosting the employment rate of men by 4.2 percentage points.

**Financial Incentives for longer working: State Pension (Contributory) - 17.3% (and National Insurance) 9.6%**

**Alongside the stick of raising the SPA, there are also a number of carrots that could influence the decision**

A second potential financial incentive for longer working lives is the fact that people who work past 67 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 effect on the 65-68 age range of retirement policy.

# 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.

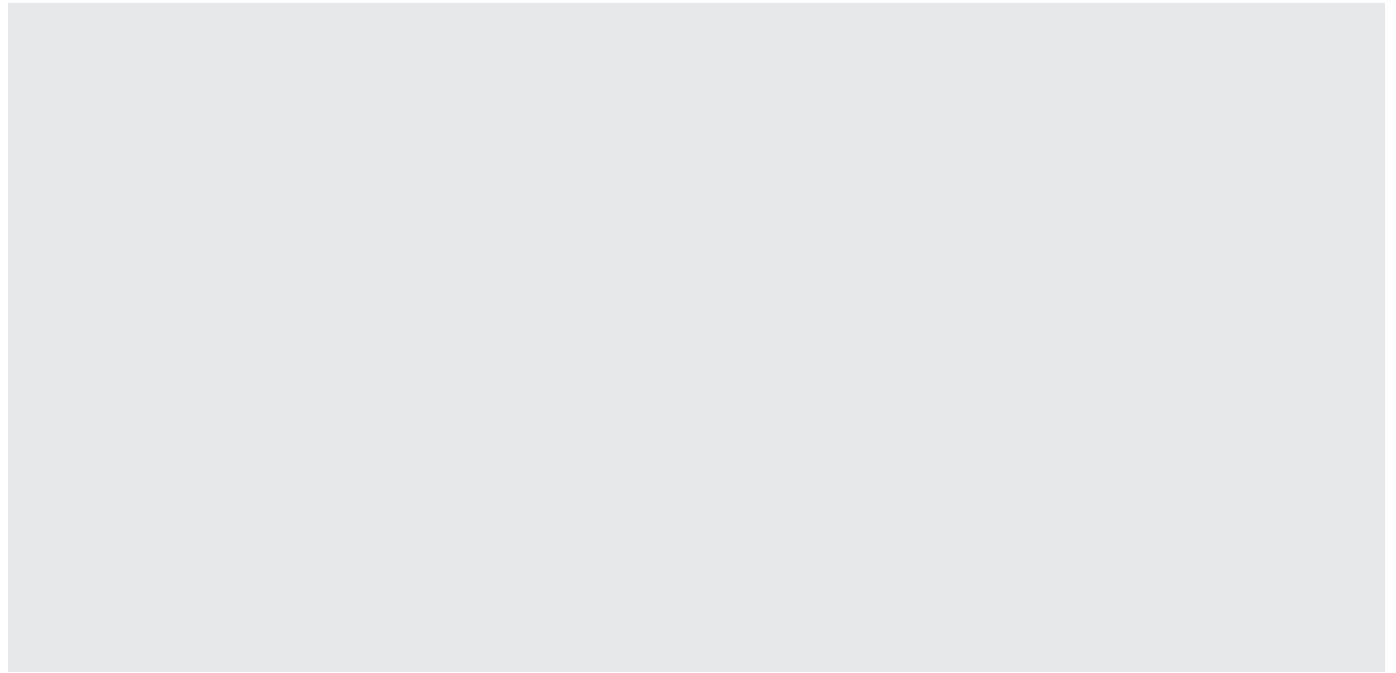
At worst, such a slowdown in the growth rate of the working age population *could* imply lower rates of growth in employment and a subsequent slowdown in economic output (or GDP as it is commonly known). To simulate the possible effect of anticipated population change on total employment in the UK, let 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


## 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, that 79, for example, has been estimated that 10 y tha. It has bnl



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.<sup>15</sup>

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'<sup>16</sup>.

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'.<sup>17</sup> 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.<sup>18</sup> 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.<sup>19</sup>

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



## 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.<sup>20</sup>

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.<sup>21</sup> However, other research has suggested that wellbeing can improve following an exit from paid work.<sup>22</sup>



## Key facts on the labour market status of older workers:<sup>23</sup>

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**.

**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.

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.

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**.

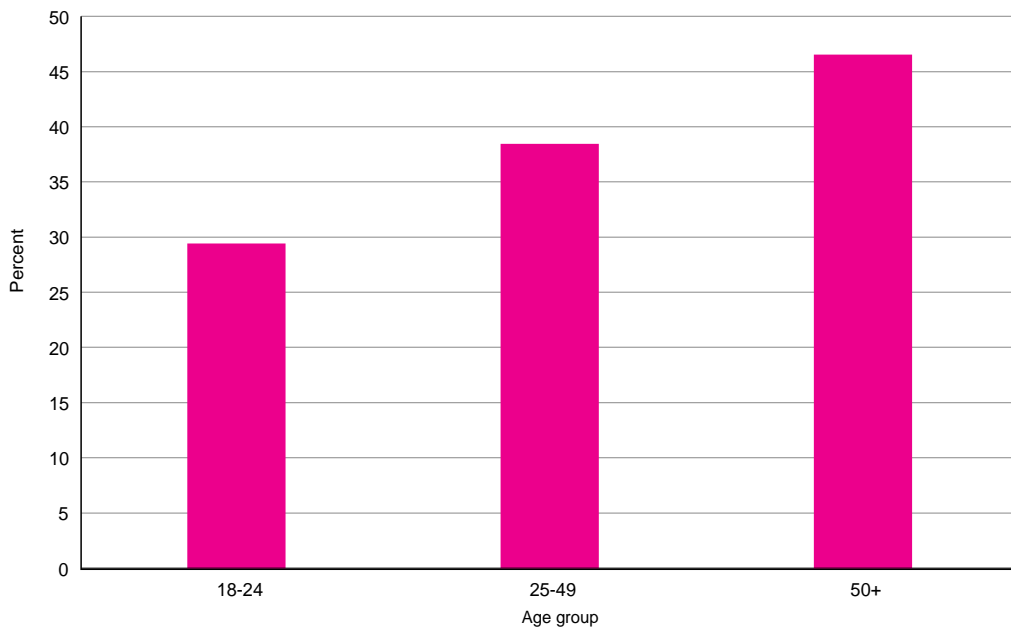
And it accounts for **40.8% of all workers aged 65 and older**.

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

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

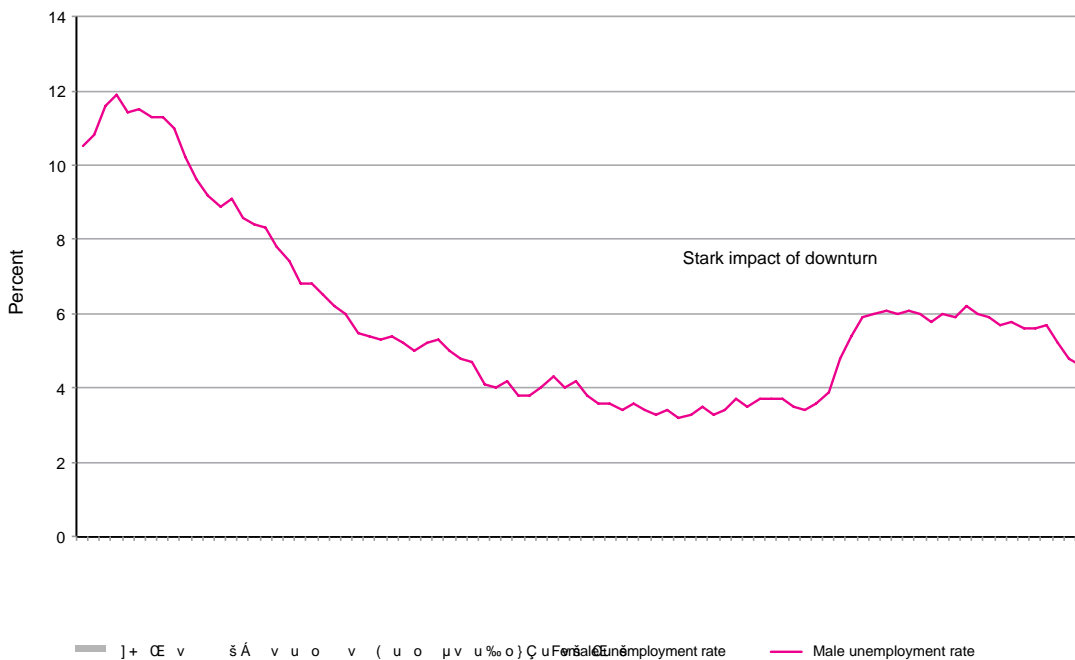


Source: ONS

### 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



## 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

# 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.<sup>26</sup> 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.<sup>27</sup>

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



# 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+.





**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

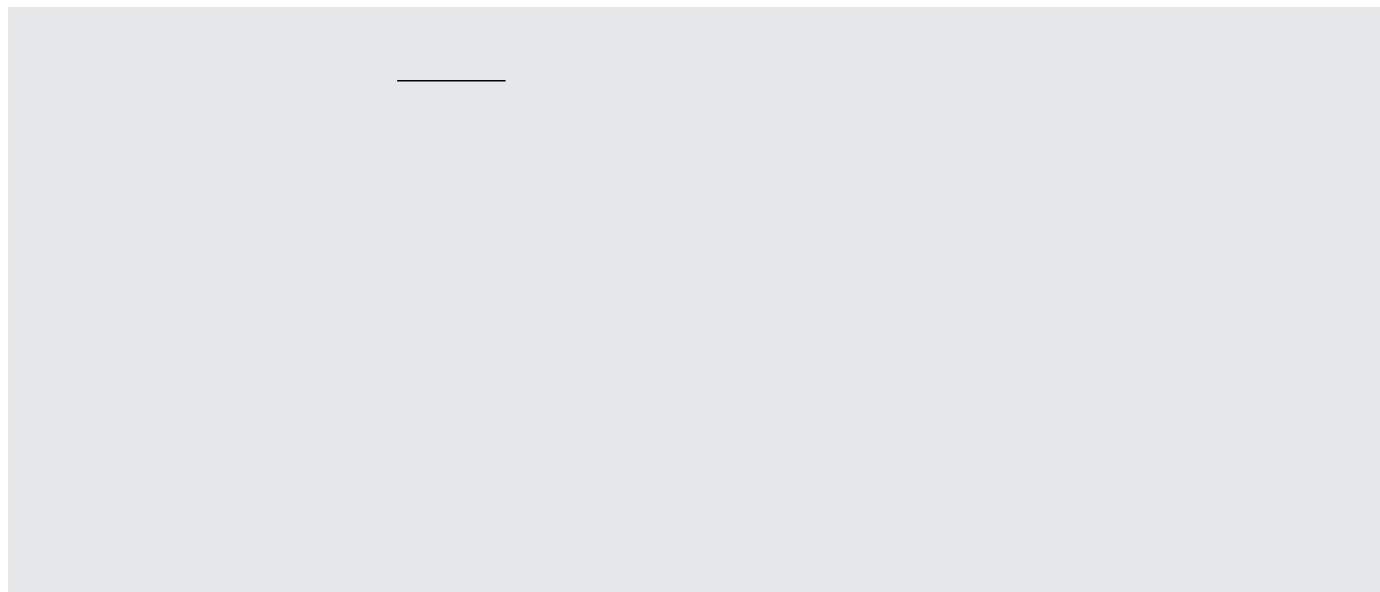
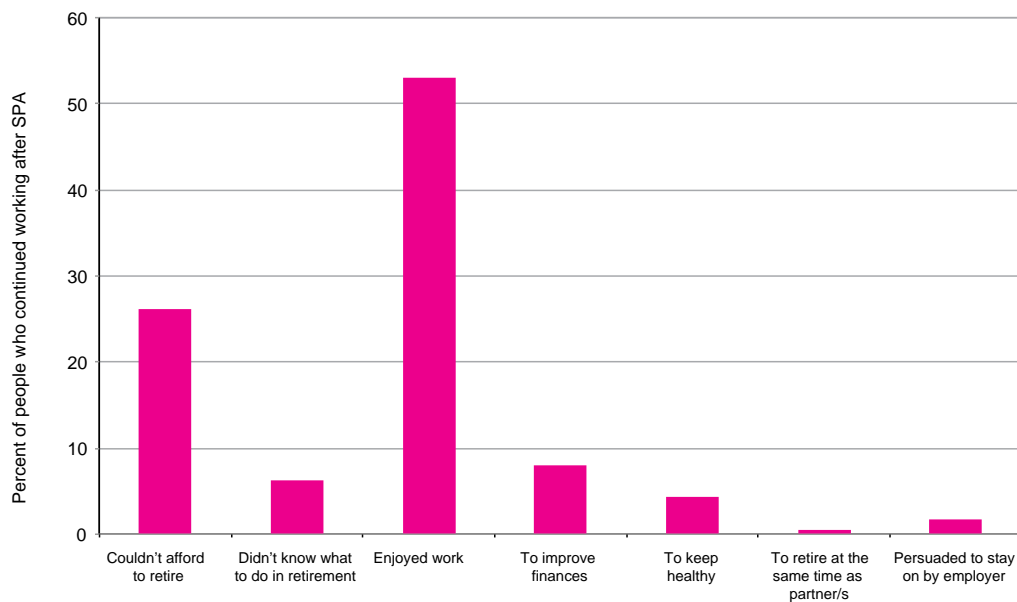


Figure 11: Reasons for continuing to work past State Pension Age



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



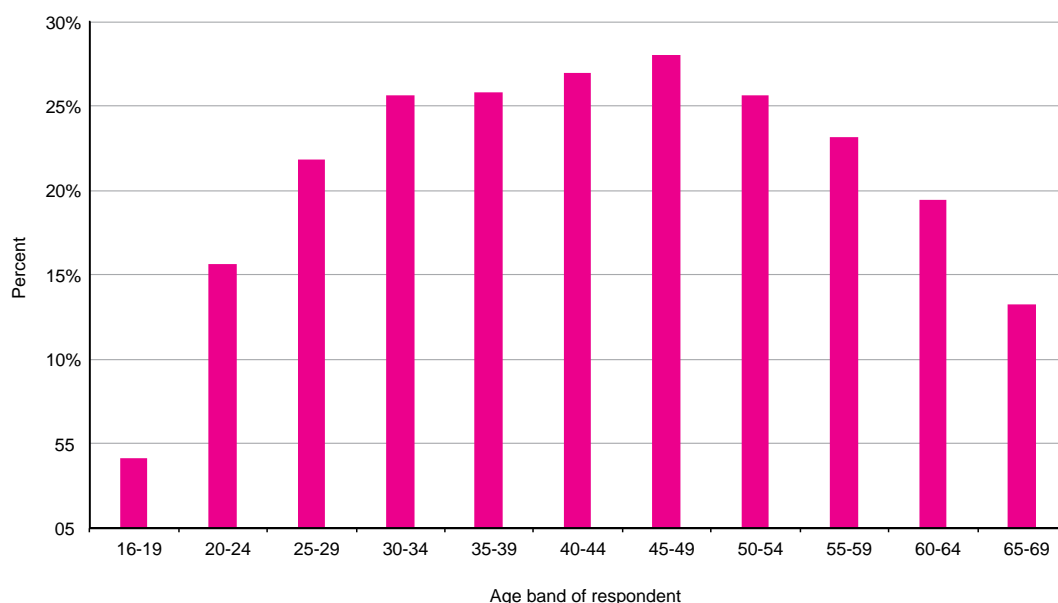


The data therefore implies that those people who work in particularly physically demanding jobs may be more likely to leave the labour force due to ill health than those whose work is less physically demanding. This reinforces the point that in order to address the impact of ill health on labour market 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.<sup>30</sup>

### 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.<sup>31</sup> 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).

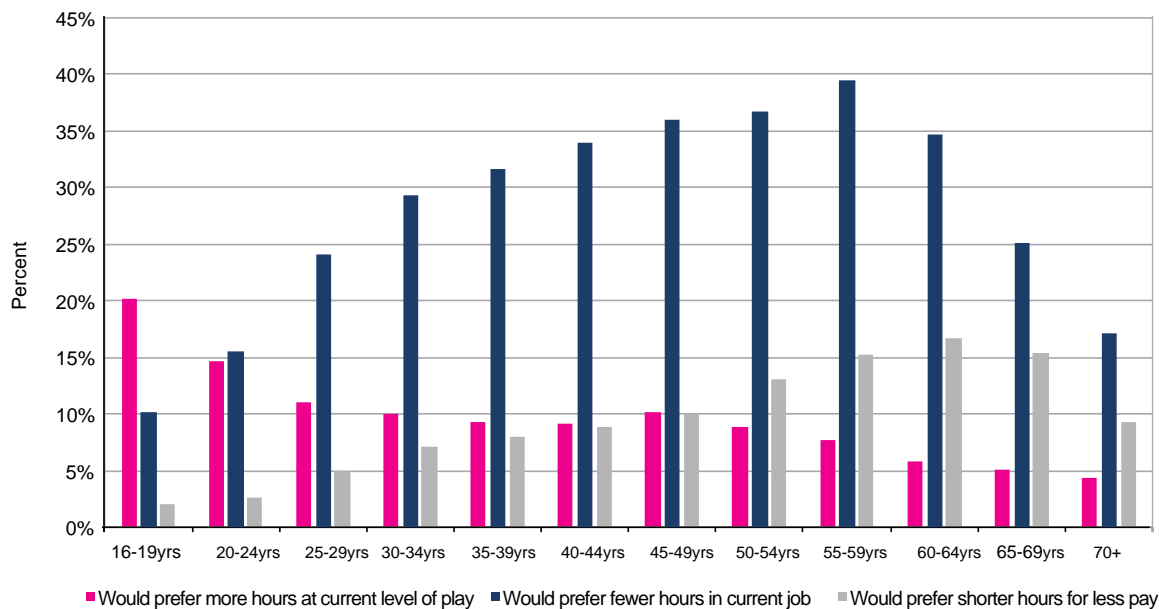
**Figure 15:** Proportion working 45 hours a week or more



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

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.<sup>32</sup> 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.

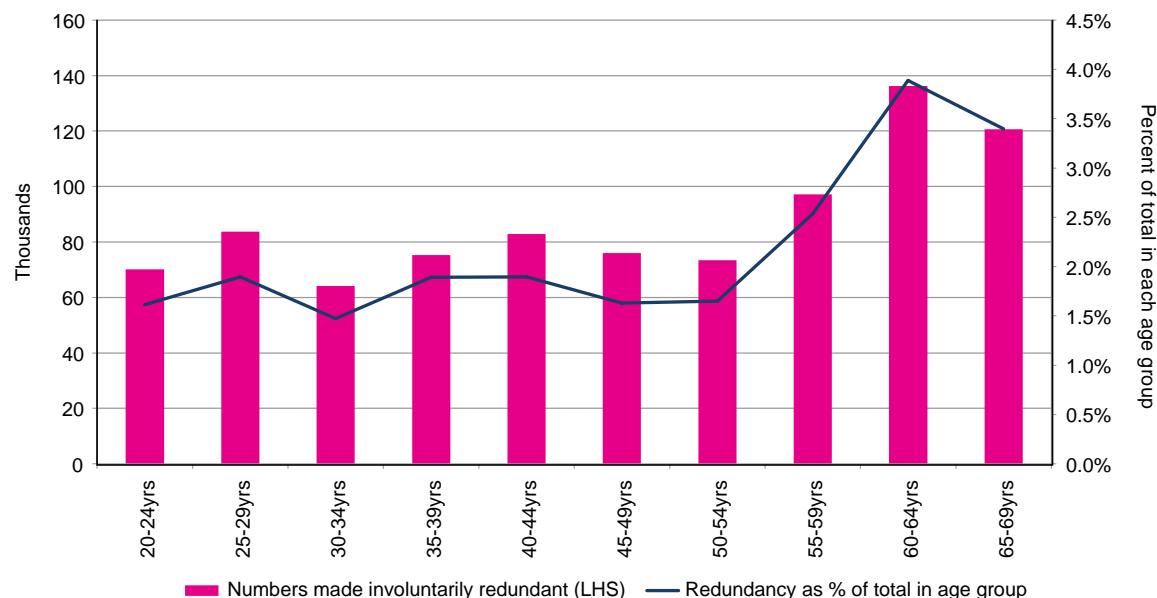
Christine is an occupational therapist who has worked in the NHS for many years. Christine has struggled to make work fit around caring for ageing parents and a disabled husband. With these demands her own health suffered and she found it hard to keep up with the physical demands of her job. Christine 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-a 39.6851 13ese

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

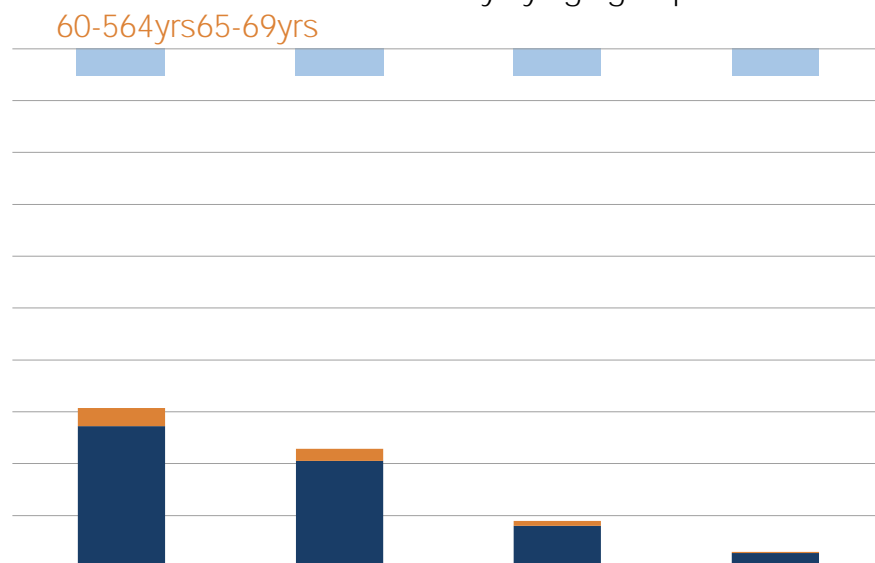


Source: ONS Labour Force Survey Q1 2014 and author's calculations

### 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





inactive but willing to work to what extent is joblessness facing the 60+ 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)

## 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.

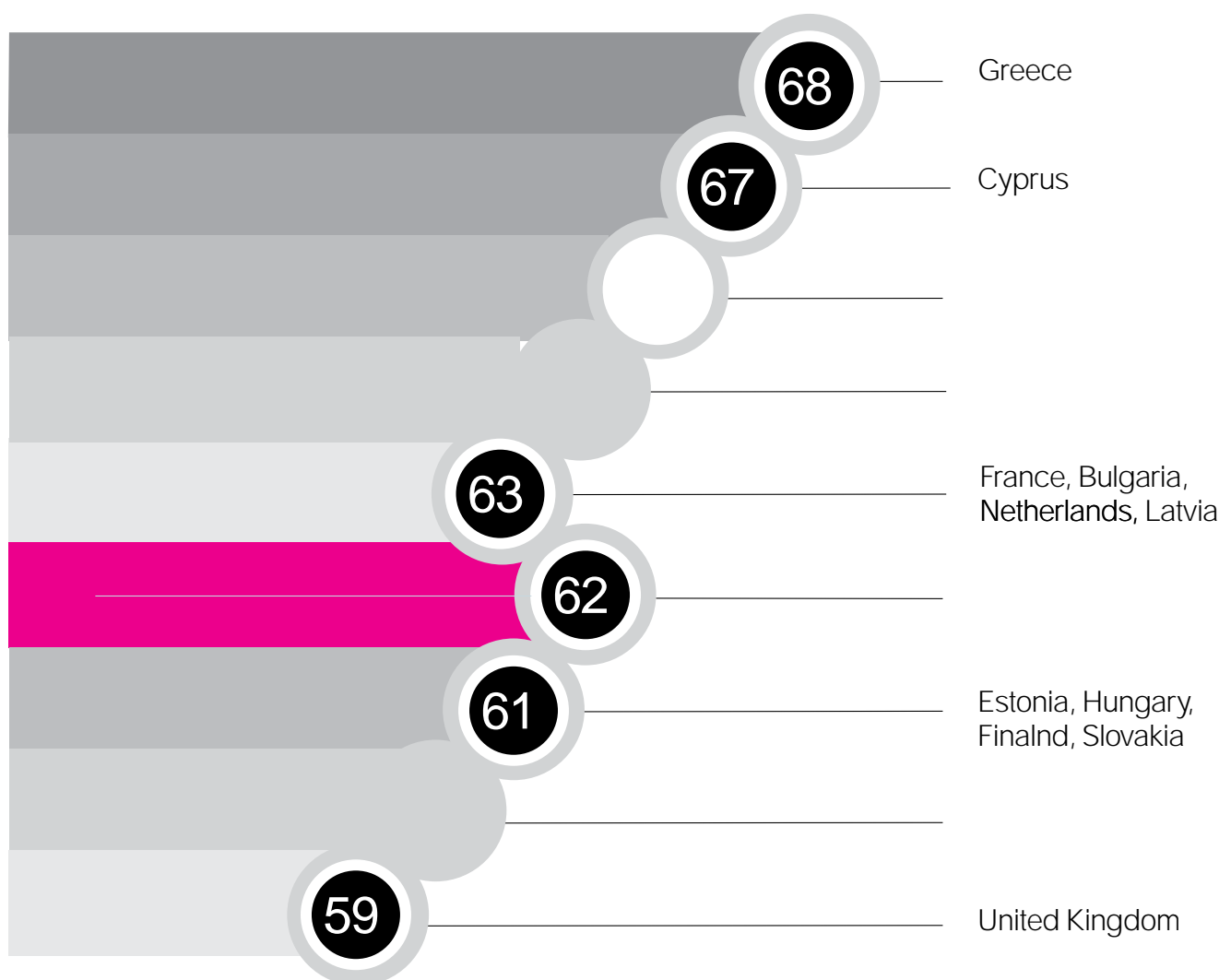
At the European level, the UK falls somewhere in the middle with regards to the employment prospects for older workers.

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)



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.<sup>37</sup> 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.<sup>38</sup> 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.<sup>39</sup> 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.<sup>40</sup>

### **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.<sup>41</sup> 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.<sup>42</sup>

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<sup>37</sup> Eichhorst et al. (2013)

<sup>38</sup> EuroStat and author's calculations

<sup>39</sup> EuroStat

<sup>40</sup> EuroStat

<sup>41</sup> EuroStat

<sup>42</sup> Anxo (2012)

## 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.<sup>43</sup> 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.<sup>44</sup> 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.<sup>45</sup> 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.<sup>46</sup>

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<sup>43</sup> National Institute of Population and Social Security Research (2012)

<sup>44</sup> Statistics Japan (2011)

<sup>45</sup> Williamson & Higo (2007)

<sup>46</sup> HelpAge International (2014)



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><b>Exit from the labour market due to poor health</b></p>	<p><b>For Government</b></p> <ul style="list-style-type: none"> <li>*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.</li> <li>*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.</li> </ul> <p><b>For Business</b></p> <ul style="list-style-type: none"> <li>*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.</li> <li>*The insurance and health sector should consider greater incentive systems whereby customers that improve their health can qualify for greater discounts.</li> </ul> <p><b>For Academia</b></p> <ul style="list-style-type: none"> <li>*More intelligence is needed on cost effectiveness of health prevention, particularly for at risk groups.</li> </ul> <p><b>Working together</b></p> <ul style="list-style-type: none"> <li>*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.</li> </ul>
<p><b>Redundancy</b></p>	<p><b>For Government</b></p> <ul style="list-style-type: none"> <li>*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.</li> </ul> <p><b>For Business</b></p> <ul style="list-style-type: none"> <li>*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.</li> <li>*Ensure older people receive ongoing training and support and opportunities to engage with new technologies.</li> <li>*Promote intergenerational fairness throughout the workplace for example encouraging mentoring programmes between older and younger workers.</li> </ul>

**Exit from the labour market due to inflexible working conditions and long hours**

**For Government**

\*Strengthen the Right to Request Flexible Working.

**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.

**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.

**Inactive and not looking for work**

**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.

**Working together - for Government, business and the voluntary sector**

\*



**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 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

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Published in October 2014