



The Missing Million

Recommendations for Action



In partnership with



Foreword

from Stephen Howard, Chief Executive
of Business in the Community

**BUSINESS
IN THE
COMMUNITY**

This report is a call for action.

It is the third in the Missing Million report series produced in partnership with the International Longevity Centre (ILC-UK), and sets out practical recommendations for business and government to address the pressing issue of age at work.

Last October, when we launched the first report, we could not have predicted the scale of public debate on age at work we have seen in recent months. It has been encouraging to see the media coverage and the growing business engagement around how to prevent people from dropping out of work against their will before state retirement age, and how to support longer working lives.

Through the research we have found 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. 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 if more older workers were able to do so.

We know it is tough to get another job if you are pushed out of work over 50. Furthermore, some groups, such as the low paid, with few pension savings, and manual workers whose job is harder to do as they get older are at even greater risk of getting left behind as our population ages.

The first person to live to 150 has already been born. We simply cannot continue writing people off who have so much more to contribute. The nature of work needs to change now, so that people are better able to balance life responsibilities and commitments, manage health and wellbeing and support themselves and their families throughout their working lives.

Responsible businesses have a significant role to play to make change happen, and the recommendations in this report will galvanise action.

Business in the Community is committed to work with our members, to provide them with the tools, support and ideas they need to lead this agenda and ensure that everybody who needs to or wants to work in later life is able to succeed.

We hope this report will inspire you to play your part.

Stephen Howard
Chief Executive,
Business in the Community

Foreword

from Baroness Greengross, Chief Executive
of the International Longevity Centre-UK



The advances that our society has witnessed in recent decades related to longevity and healthy ageing represent an unprecedented opportunity for people to make substantial contributions well into later life.

Older people today provide so much to society in a variety of ways, and the knowledge and skills they possess offer massive potential for the world of work. Yet alongside these opportunities, challenges do still remain with respect to the extension of working lives in a fulfilling way.

As the Chief Executive of the International Longevity Centre – UK (ILC-UK), an independent non-partisan think tank dedicated to exploring demographic change and preparing society for the ageing of our population, I am excited to see this third and final report in our recent series, *The Missing Million*, which has further set out the issues around work in later life and the challenges that older people face with respect to employment. This report highlights the findings from the first two instalments in the series and expands into the discussion around why older workers are important for businesses and how they can capitalise on real benefits by acknowledging the ageing workforce and incorporating age management into the way they operate.

I want to commend the work that our researchers at ILC-UK have done to provide the detailed picture of the situation older people face with respect to work in later life. As featured in this report and the others as part of *The Missing Million* series, substantial numbers of older people face exclusion from the workforce as they approach State Pension Age. Many out of work would like to find appropriate employment, but significant barriers stand in their way. Changing this situation is vital for the future health of the UK economy, as forecast changes to the age structure of the population mean that older people will become an increasingly crucial part of our workforce.

The research that has gone into *The Missing Million* reports underscores the importance of action in changing the way that older people are able to identify opportunities in the labour market and make successful contributions within the field of work. Within this context, Business in the Community has contributed to this report through the development of recommendations that government and businesses can consider as they continue to craft solutions to the challenges around an ageing workforce. These ideas add to on-going debates and discussions around what can be done, but the message is clear that the time for action is now. Our society can ill-afford delay on this front if we seek to build a strong, competitive economy that provides support and opportunities for all its members.

Baroness Greengross

**Chief Executive,
International Longevity Centre UK**

About the Organisations Involved

**BUSINESS
IN THE
COMMUNITY**



Business in the Community

Business in the Community is the Prince's Responsible Business Network. Our members work together to tackle a wide range of issues that are essential to building a fairer society and a more sustainable future.

Responsible business is about how a business makes its money, not just how it spends its profit. It is about managing growth responsibly while reducing dependency on natural resources. It is about how the business operates as an employer, supplier and customer and how as a neighbour it helps to create vibrant communities where people can flourish.

We are a business-led, issue focused charity with more than 30 years' experience of mobilising business. We engage thousands of businesses through our programmes, driven by our core membership of over 800 organisations from small enterprises to global corporations.

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. BITC acquired the Prince's Initiative for Mature Enterprise (PRIME) in October 2014 and its work is now a part of BITC. We campaign on behalf of the over 50s for a fairer labour market, free from age discrimination.

Our aim is to have more people over the age of 50 in good work. We want fewer people retiring involuntarily before pension age and more people able to work beyond pension age, and for these to be recognised as opportunities by employers and employees.

We achieve this through: promotion and advice to employers of the benefits of employing older workers; promotion to the unemployed aged 50+ of the opportunity for re-employment; and improving the understanding of the 50+ labour market and its actors.

www.bitc.org.uk

The International Longevity Centre-UK

The International Longevity Centre-UK (ILC-UK) is the leading think tank on longevity, ageing, and population change. Independent and non-partisan, 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

The research team who contributed to this report include Brian Beach, Sally-Marie Bamford and Ben Franklin at ILC-UK, and Rachael Saunders from BITC. We are extremely grateful for the support and contributions from other colleagues at PRIME and BITC, in particular Adam Sharples and Lawrence Churchill. We also greatly appreciate the contributions of leaders from the business, government, and voluntary sectors who participated in two roundtables to discuss the recommendations developed in this report. Finally, we would like to thank PRIME's Thought Leadership Group whose donations of time, money and expertise have made this research project possible.

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Executive Summary

The Missing Million research, undertaken by ILC-UK with Business in the Community and PRIME, has identified more than a million people aged over 50 who are forced out of work involuntarily. The research has also found that barriers to returning to work, such as age-related bias and poor understanding among employers of the needs of older workers, are leading many to seek self-employment.

This, the third and final report in the series, highlights major themes and provides recommendations for business and government to help people to stay in work for longer.

Why it matters

Our population is ageing. Currently, 10 million people in the UK are over 65 years old and this number is projected to nearly double, to around 19 million, by 2050.

The first person who will live to 150 has already been born. As we all live longer and healthier lives, we will also need to work for longer to pay towards our pensions, health and social care in older age.

The changes that come with population ageing will leave some groups at a particular disadvantage – including the low paid, with few pension savings, and manual workers whose job is harder to do as they age.

Not only do we have the missing million people who have been forced out of work before retirement age, but we also have 1.1 million people who are currently working beyond state pension age. They are the second missing million – widely ignored in policy making and public discourse, yet vital as they set the precedent for the future model of working lives.

Older workers are vital for the future of the economy

The effects of an ageing population are apparent even in the short term. Between 2012 and 2022, an estimated 12.5 million jobs will be opened up through people leaving the workforce and an additional 2 million new jobs will be created, yet only 7 million new younger people will enter the workforce to fill these jobs.¹⁻³ We need to change the world of work now, to encourage and enable people to continue working in to later life.

We need to take action now

The need to develop a long-term strategic approach to recruiting and retaining older workers is crucially important for businesses. In particular, industries with a higher proportion of workers aged over 50 – including public administration, education and health, agriculture, forestry and fishing⁴ – will need to adapt their practices quickly to ensure they can retain and recruit the older workers who are fundamental to their workforce.

References

- 1 Wilson et al. (2014) *Working Futures 2012-2022*. Evidence Report 83. London: UK commission for Employment and Skills
- 2 McNair et al. (2012) *Managing a Healthy Ageing Workforce: A National Business Imperative*. London: CIPD.
- 3 Department for Work and Pensions (DWP) (2013). *Employing older workers: An employer's guide to today's multi-generational workforce*. London: DWP
- 4 LFS Q2 2014

Executive Summary

continued

The role that business and the next government must play

There has been a major public debate over recent months about working longer, not least following the excellent work of the Older Workers Business Champion, Ros Altmann. As the voice of responsible business, we have built on that debate.

Our call to action for government focusses on areas of policy where government can support employers to drive real change.

Our call to action for business is built on existing research, and drawn from the knowledge and experience of our business membership.

Recommendations for change

Recommendations for the next government:

- Better integrate health and social care services with employers and employment support services, which alongside enhanced statutory flexible working, will enable people to remain healthy in work for longer and later in life
- Legislate for a right to request flexible working prior to the commencement of a role, rather than after 26 weeks
- Implement a cross-government national skills strategy for older workers, including apprenticeships, IT skills training and adult learning support
- Introduce 5-10 days of paid care leave from paid employment and review potential of tax breaks to support families, to bring statutory support for carers on a par with that for parents

Recommendations for business:

- Address barriers to the recruitment of older people, for example by ensuring everyone involved in recruitment receives unconscious bias training and through opening up apprenticeships to older workers
- Innovate on agile work and job design, tailored benefits and new models of career success
- Adapt training and development to the needs of an age-diverse workforce
- Train line managers to provide the right support to people at all ages and career stages
- Introduce Mid Life Career Reviews and partner with other organisations to create more opportunities for greater personal fulfilment and social purpose at work
- Help people with disability to remain in work and carers to find a good work-life balance
- Harness the range of skills and perspectives that age diversity brings, for example by setting up intergenerational networks who share skills and perspectives

The comprehensive recommendations are shown further on in this report, see [Section 4, page 32](#).

Introduction

This report is the third and final instalment in a series looking at the labour market challenges facing people aged 50 and over in the UK. This policy series has examined various sources of evidence on how older people relate to the labour market, the kinds of employment they seek and find, and the main barriers that reduce their ability to continue working into later life, especially up to State Pension Age.

This third report reflects on the major themes to have emerged through the research project, emphasising how these elements relate to public policy and business. It also provides recommendations on how both government and the business community can take the appropriate action necessary to provide greater opportunities for later life working, benefiting older individuals, businesses themselves, and society at large.

As people live longer and healthier lives, the fundamental age structure of the labour market is changing, and this reality drives the need to put more thought and greater effort into promoting longer working lives. Not only are older members of the population likely to need more years earning in order to finance their own retirement, but businesses will need to tap into this talent pool in order to fill their own particular labour and skills needs. Government also has an interest in promoting work into later life given how the changing age structure will put ever increasing pressure on funding for pensions as well as health and social care.

A great deal of research on what is needed to help older people extend their working lives has been done in recent years, and this report draws on some excellent sources of evidence around the business case for older workers and the broader theme of age management. However, there are still questions around what actually works and the kinds of effective interventions and policies that can have a positive impact in this direction. To this end, this report contributes to the conversation with a range of recommendations refined through stakeholder roundtables that have tested the ideas and enriched the discourse.

The title of this series reflects the missing million people over 50, identified in the first report of the series, who are out of work but would like to be in it. Given this notable proportion of the population and the potential for this number to grow in the future, we hope this report can contribute to raising awareness among all the relevant stakeholders to help improve older people's experiences with respect to work and the labour market. There is a vast resource of skills, knowledge, and potential in the older population – the time has come to tap into this for the benefit of all.

This report is structured in the following sections:

Section 1 provides an overview of the demographic changes underway in the UK population and how this relates to the shifting structure of the labour force, along with the realities older people face with respect to work.

Section 2 examines why the ageing workforce is of particular importance for public policy, with commentary on how various aspects of policy in this regard can impact businesses.

Section 3 delves into the implications of an ageing workforce for business, benefits older workers can offer and considerations around why businesses should adapt their practices to listen to and accommodate the needs of older workers.

Section 4 presents recommendations for how businesses and government can respond to an ageing workforce.

Introduction

continued

Notes on Data Sources

The analysis included in this report draws extensively on the work done as part of our first two reports in this series, as well as other established literature. The research in this series has drawn on data publicly available from the Office for National Statistics as well as two large-scale surveys of private households: the Labour Force Survey (LFS) and the English Longitudinal Study of Ageing (ELSA), available from the UK Data Archive (UKDA).

LFS is a survey of private households in the UK intended to gather information related to the labour market behaviour of the population. It collects information each quarter and follows the same people across five quarters, so patterns of change can be observed. It is the largest household survey in the UK and provides the official measures of employment and unemployment.

ELSA is a nationally representative dataset of the population aged 50+ living in private households in England. 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.

The developers and funders of the LFS and ELSA, as well as UKDA, do not bear any responsibility for the analyses or interpretations presented here.

In addition to the secondary data, we organised two roundtables to discuss the recommendations we developed for this report. The first roundtable collected insights and perspectives from business leaders representing a range of industries, and acted as a forum for debating and refining our recommendations for businesses. The second roundtable invited leaders in academia, the civil service, and the voluntary sector to discuss possible recommendations regarding the government's role in improving the situation for older workers.

Section 1:

Understanding the Issue of an Ageing Workforce

People are living longer, and many remain healthy well into the later parts of their lives.

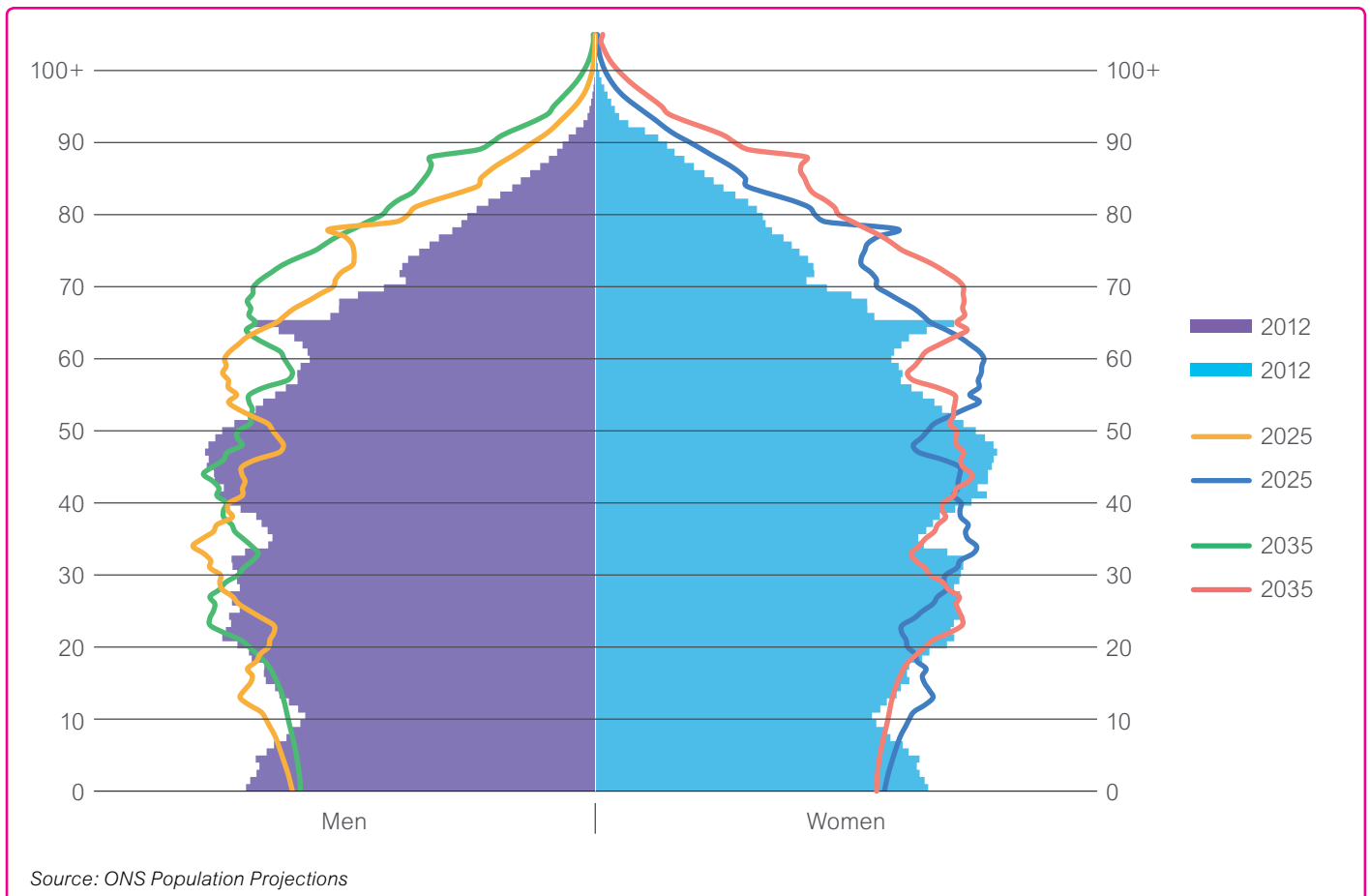
The Ageing of the Population

The increases in longevity that occurred across the 20th century throughout most of the world were partly the result of major advances in public health and technology. In many countries, especially developed countries like the UK, these phenomena have combined to create a fundamental shift in the structure of the population according to age.

Figure 1 shows the prevalence of people by age in the UK in 2012, along with projections for how age structure will change up to 2025 and 2035. The gaps between

the 2012 figures and the projections given by the lines in the upper half of the figure demonstrate how the absolute numbers of older people will increase in the next ten and twenty years. Proportionally, people aged 50+ made up 35.1% of the population in 2012; this is expected to increase to 40.2% by 2025 and to 42.7% by 2035. While projections far into the future should be treated with caution given the uncertainty of how things change, the current projections suggest that more than half of the UK population will be aged 50+ in 2071.

Figure 1: Distribution of the UK population by age in 2012 and projected changes over time



Section 1: Understanding the Issue of an Ageing Workforce

continued

This fundamental shift in the age structure of the population will have a significant impact on most aspects of society in the future. There are a number of areas where the effects are already being felt, like in the provision of health and social care to older people, but some effects will only be experienced in the medium to long-term. A prime example is how people living longer and generally healthier lives is likely to result in stark increases in the prevalence of older people living with dementia, with obvious consequences for social care provision. Taken together, these examples reinforce the importance of proactively developing appropriate and adequate responses to the opportunities and challenges of the population ageing which think beyond short-term needs and address the bigger picture.

The need to develop long-term strategic thinking around the concept of ageing is crucially important for businesses, particularly as shifts in the age structure will greatly impact the labour market. An ageing workforce carries a number of implications for the future. As the population ages, the traditional working age population decreases as a proportion of the total, which is likely to result in an absolute shortage of labour to fulfil the needs of the entire population. Potential workers who could fill this shortage will increasingly be over traditional retirement age and it is therefore crucial that businesses start taking action to accommodate an ageing workforce by putting in place measures that are attractive to, and can maximise the vast potential of, older workers.

A significant amount of research has been done in recent years on the types of issues that older people face when looking for work or approaching retirement, as well as what they want from employers.¹ Research has also examined the degree to which businesses are aware of changing demographic realities and how they have responded.²

¹ See for example several articles on this topic published in Volume 5, Issue 4 of the journal *Social Policy and Society*, published by Cambridge University Press in October 2006; see also Flynn (2010) for research on typologies of older workers and Vickerstaff (2007).

² See for example Loretto & White (2006); Appendix 1 also includes information on resources that businesses can use to better understand their ageing workforce.

Section 1: Understanding the Issue of an Ageing Workforce

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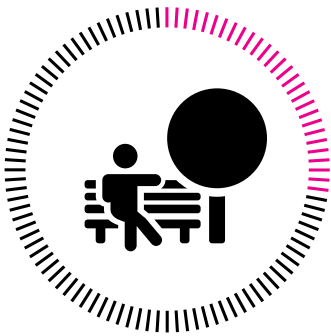
Key Facts on Older Workers and the Labour Market³



Employment

The 50+ age group accounts for 30% of total employment in the UK

There are 8.1 million people aged 50-64 employed in the UK and an additional 1.1 million people aged 65+ in employment.



Economically inactive (not looking for work)

3.4 million people aged 50-64 are economically inactive

This accounts for 41.5% of the total number of economically inactive people aged 18-64.



Unemployed (looking for work)

47.2% of people aged 50+ and unemployed have been out of work for 12 months or more

This is in contrast to 34.3% of all UK adults.



Self-employed

42.9% of all those self-employed in the UK are people aged 50+

14.3% of the entire UK workforce.
19.4% of workers aged 50-64.
40.8% of workers aged 65+.

³ All figures from ONS reflect Q4 2014 unless otherwise noted.

Section 1: Understanding the Issue of an Ageing Workforce

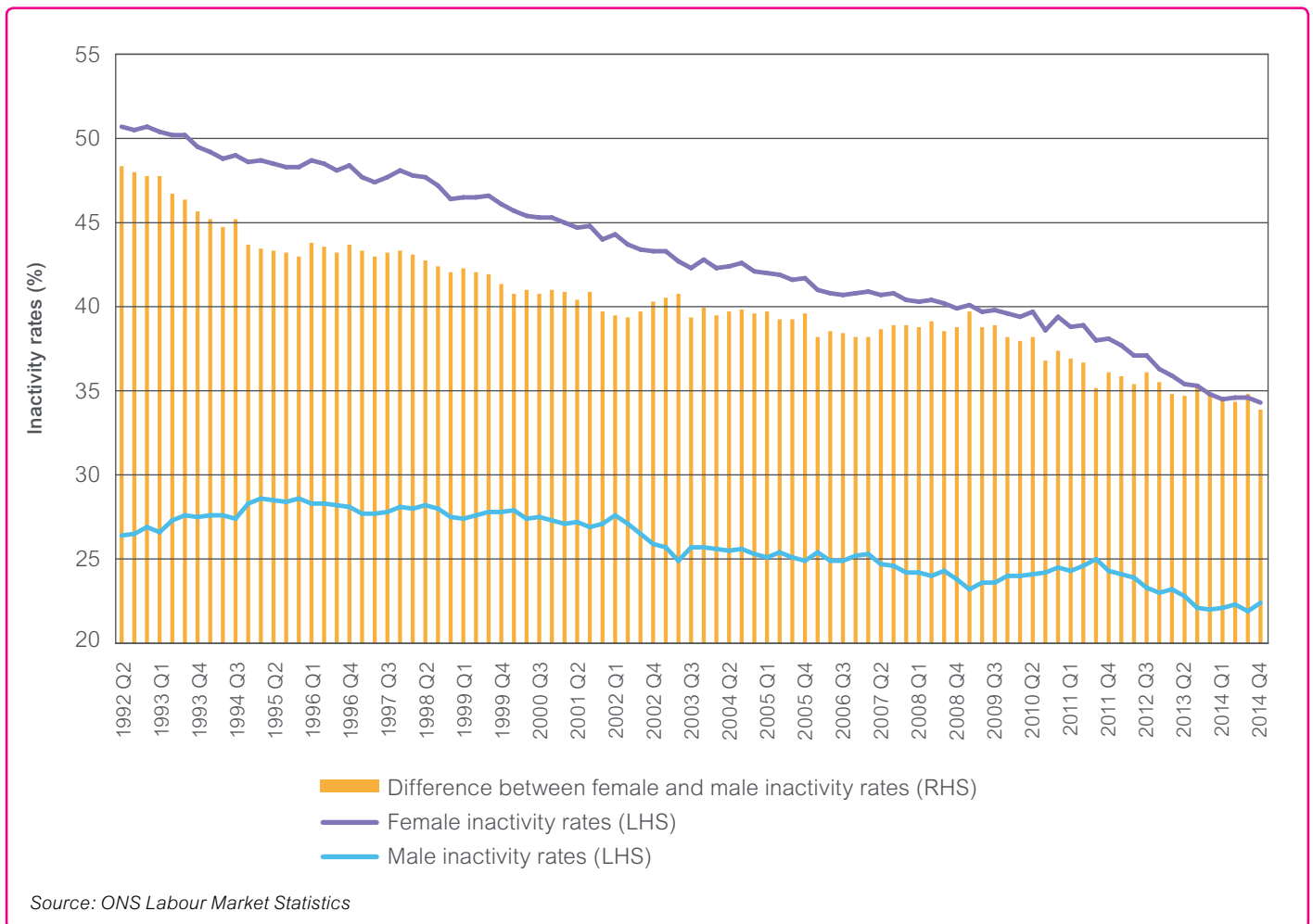
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Inactivity and Early Exit to Retirement

As highlighted and discussed in detail in our first report, the prevalence of early labour market exit – leaving work before SPA – is a major concern for older workers.⁴ Some 3.4 million people aged 50-64 were economically inactive at the end of 2014, and we conservatively estimated in the first report that almost 1 million people aged 50-64 had left the labour market involuntarily. In addition to affecting individuals' personal aspirations and wellbeing, this early exit has significant implications for both public and personal finances.

One model has predicted that the average man who retires at 55 would have a private pension pot that is 37% smaller than if he kept working to age 65; this would translate to a private pension income of £13,800 per year, £4,300 less than if he kept working to 65.⁵ This underscores the issue that a large number of people are living longer – and experiencing more time in retirement – but without the adequate finances to do so.

Figure 2: Change in economic inactivity among people aged 50-64 by gender



⁴ Franklin et al. (2014)

⁵ DWP (2013)

Section 1: Understanding the Issue of an Ageing Workforce

continued

Of course, a greater proportion of those aged 50-64 who are inactive are women, given that SPA for women is currently below 65.⁶ However, although the female SPA of 60 only began increasing from May 2010, economic inactivity rates among women aged 50-64 have more dramatically fallen than those of men across the period 1992-2014. Part of this can be associated with cultural changes that have seen more women become active in the labour market and less centred on domestic roles, as was historically the case. *Figure 2* shows how the inactivity rates of men and women in this age group are converging over time.

These differences between men and women underscore the importance of the gendered domestic context in influencing older people's exit from the labour market.⁷ Opportunities and preferences with respect to the labour market are structured by people's relationships and gender, meaning that retirement transitions are affected by divisions in labour within a household rather than individual context. As such, these divisions are shaped by traditional patterns in which women tend to have greater attachment to the domestic arena and men occupy work and market-related roles. In addition, when shocks related to exit – such as redundancy or ill health – are experienced, the interplay in the domestic context can either reinforce or fundamentally change the way traditional gender roles manifest. As a result, understanding the reasons that older people leave the labour market should consider the transition at the level of the household rather than the individual.

Willingness to Work among Older People

A large number of older people are out of work before SPA but eager to work, and this represents a waste of potential talent and skills that could benefit government, business and society alike. Our first report used existing data to estimate the number of people who are out of work but would be open to the possibility of returning to work.⁸ We found that:

- There are approximately 1.2 million people aged 50+ who are out of work but open to it.
- There is an especially high prevalence among those aged 50-54 (45.8%), likely due to the distance from the social protection of the State Pension.
- Overall, 26% of people aged 50-64 who are out of work would like to work, representing a sizable cohort of workers ready to contribute if only the proper employment support were in place.
- While a smaller proportion of those over 65 are out of work but interested to do so, the figure for those aged 65-69 is 6.5%, further supporting the idea that work beyond SPA is a desirable endeavour for at least a portion of post-SPA individuals.

But even with the concerns around early exit and the high proportion of older people out of work but wanting it, since the recession in 2008 there has been a steady increase among older people aged 50-64 and 65+ who are in employment. This is partly due to the simple increase in the numbers of people aged 50+, but the different trends identified in *Figure 3* show how the overall nature of the employed workforce has shifted to an older profile from 2008 to 2014. These shifts underscore how important older people already are to the labour market, strengthening the case for helping those out of work but wanting it.

⁶ The SPA for women at the beginning of 2015 is approximately 62.5, which will gradually rise to equalise male SPA at the end of 2018. Further details on the ongoing changes to SPA are provided later in this report.

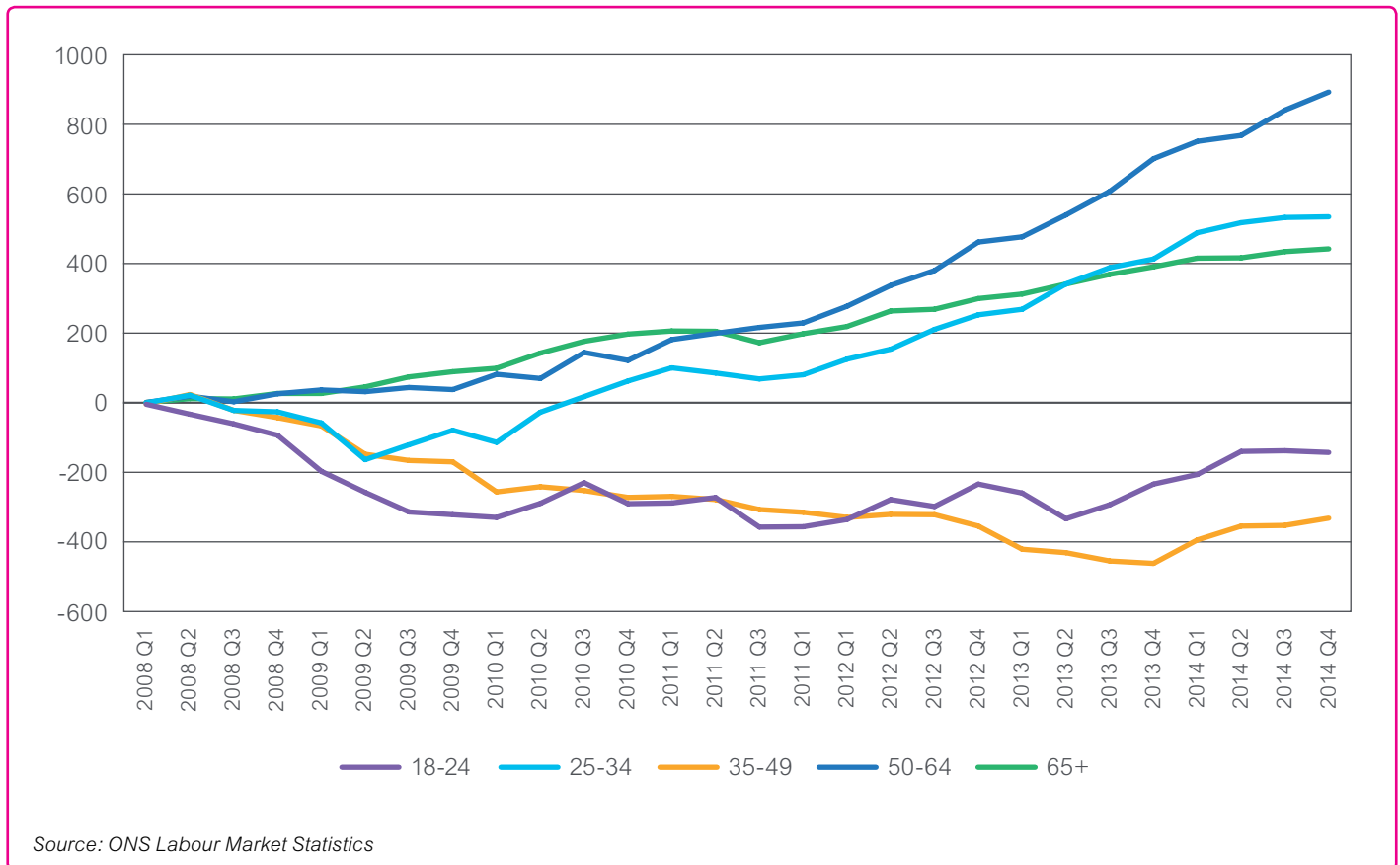
⁷ Loretto & Vickerstaff (2013)

⁸ Franklin et al. (2014)

Section 1: Understanding the Issue of an Ageing Workforce

continued

Figure 3: Cumulative change in number of employed people by age group (Thousands)



Section 2:

The Relevance of an Ageing Workforce for Public Policy

A significant concern for public policy regarding the ageing of the workforce is the potential impact on the public purse.

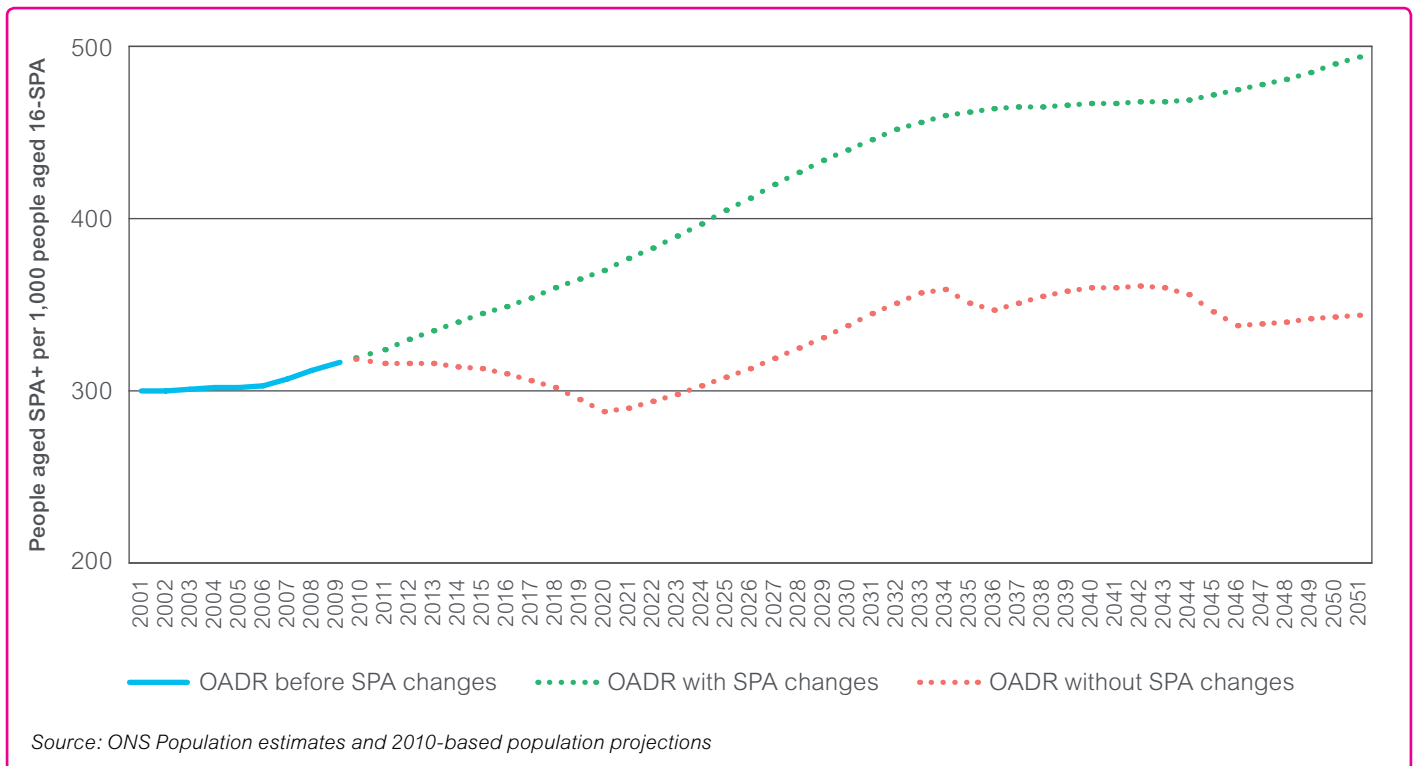
A great deal of spending on social programmes goes to support older members of society in the form of pensions, health care, and social care. This means that as the older population grows proportionally, spending will need to increase. At the same time, the primary source of revenue for government is through the taxation of working people. Consequently, government could face significant fiscal challenges as the proportion of working age people declines with respect to that of older people.

This difference between the older population and those of working age is generally represented with the old-age dependency ratio (OADR), which identifies the number of people at and above the State Pension Age (SPA) per 1,000 people aged 16-SPA. In 2009, when changes

to the SPA went into effect, the OADR was 314, which means there were approximately 3.2 people of working age for every person past SPA.

While available projections have not taken into account the legislated changes as a result of the Pensions Act 2014 – which shifted the date of a rise in SPA to 67 forward from 2036 to 2028 – they do demonstrate the remarkable change in the OADR from 2009 to 2051 by increasing SPA over time.⁹ Without any increases in SPA, the OADR in 2051 would reach 492, meaning that there would be only 2.0 working age people per person over SPA. In contrast, adjusting for the planned changes to SPA, the OADR will only be slightly higher than today at 342, or 2.9 working age people per person over SPA.

Figure 4: Projected change in the old-age dependency ratio



⁹ Current legislation has SPA increasing from 67 to 68 between 2044 and 2046.

Section 2: The Relevance of an Ageing Workforce for Public Policy

continued

In response to an ageing population and the implied rise in government spending, a number of policy initiatives have been undertaken which could result in longer working lives and which have implications for business. But are they going to be sufficient? In this section we briefly evaluate some of the key measures that have been taken so far and how they are relevant for UK businesses. These policy measures can be grouped into three categories that seek to:

1. Compel longer working lives through legislative changes around retirement timing.
2. Incentivise longer working lives through additional financial benefits for working longer.
3. Facilitate longer working lives by meeting the specific needs of older workers – such as flexible working and better support for those who are ill or disabled.

Compelling Longer Working Lives

Raising State Pension Age (SPA)

Previous research in this series has shown that reaching SPA can be an important contributory factor in determining when people decide to retire – acting as a pull factor to incentivise workforce exit. It follows that changes to State Pension Age may therefore have a significant impact on the labour force participation of older workers. The Government is committed to raising SPA so that it rises in line with life expectancy. Under current plans, female SPA will rise to 65 by 2018 so that it equalises with male SPA. Both male and female SPA will then rise to 66 by 2020, 67 by 2026-28, 68 by the mid-2030s, and 69 by the 2040s. The SPA figures, particularly those relating to the 2030s and 2040s are, at best, informed projections.

The Government has said that rises to SPA should be undertaken on the premise that people should spend no longer than one third of their adult life in receipt of the State Pension. Therefore, if life expectancy increases faster than expected for the UK as a whole, SPA could rise quicker than currently anticipated. *Table 1*, adapted from the Office for Budget Responsibility, demonstrates how future trajectories for SPA could be very different depending on the age structure of the population. Indeed, in one plausible demographic scenario called “old age”, SPA could reasonably rise to 70 by the mid-2030s.

Table 1: Projected changes in the State Pension Age over the next 50 years

| State Pension Age (SPA) | Year within which the rise is fully implemented | | | |
|-------------------------|---|-----------|---------|------|
| | Population variant | | | |
| | Legislated | Young Age | Central | Old |
| 66 | 2020 | 2020 | 2020 | 2020 |
| 67 | 2028 | 2028 | 2028 | 2028 |
| 68 | 2046 | | 2036 | 2031 |
| 69 | | | 2049 | 2034 |
| 70 | | | 2063 | 2037 |
| 71 | | | | 2040 |
| 72 | | | | 2045 |
| 73 | | | | 2051 |
| 74 | | | | 2057 |
| 75 | | | | 2064 |

Source: Adapted from OBR

Section 2: The Relevance of an Ageing Workforce for Public Policy

continued

Raising State Pension Age is likely to have an impact on the length of time people spend in work. Research from the Institute for Fiscal Studies (IFS) shows that recent changes to female SPA (from 60-61) had the effect of boosting female employment rates by 7.3 percentage points for women aged 60. The authors found evidence of rises in employment in both part-time and full-time work. It also had the unexpected effect of boosting the employment rates of male partners by 4.2 percentage points demonstrating that couples make joint decisions to cushion the impact of higher SPA for one partner.¹⁰ In total, the change is estimated to have led to 27,000 more women and 8,300 more men being in paid work. The IFS argue that the increase in employment rates is the result of two routes: first, a 'shock', with many women failing to adjust to the increase in the female SPA until they reach the age of 60; and, second, a 'signal', with the SPA indicating when labour market exit might be appropriate.

The extent to which future rises in SPA can have positive effects on employment will depend on a number of factors, not least healthy life expectancy, which tends to vary from region to region. This is important because, if people are too unwell to work, raising SPA will have little impact on overall employment rates. In this regard, increasing SPA into ages where disability rates are higher also raises concerns about transferring spending from the State Pension to disability and unemployment benefits. Crucially then, in order for SPA rises to lead to higher employment rates, it is vital to raise levels of health and increase the provision of support for those with disabilities in order to extend working lives in a fair way.

End of default retirement age

The Default Retirement Age was abolished in 2011. Implemented in 2006, Default Retirement Age (DRA) meant that employers could force their employees to retire at the age of 65. Employees could request to stay on after this age but employers could refuse these requests if they wished.¹¹ Clearly such a policy measure, that gives employers the power to retire someone even if they would like to continue working, is inconsistent with the extending working lives agenda and could have offset any benefits to be gained by raising State Pension Age beyond 65.

Research undertaken for the Department for Business Innovation and Skills (BIS) and the Department for Work and Pensions (DWP) suggests that compulsory retirement age may indeed have had some impact on preventing people from working longer. Of the employees surveyed, 1 in 10 of those expecting to retire at 65 or earlier reported the main reason was the expectation that their employer would not permit them to work any longer. Amongst employers, 39% felt it was important to either a greater or lesser degree to be able to legally retire their employees. 53% said it was not very important or not at all important. Larger employers and those operating with a compulsory retirement age were amongst those more likely to say it was important.¹²

Abolishing Default Retirement Age at 65 is therefore an important first step, making it harder for employers to remove an individual based on their age alone. However, this measure is no silver bullet. According to the BIS/DWP research, the vast majority of those expecting to retire at 65 (90%) were likely to do so for reasons other than their employer forcibly retiring them. In addition, abolishing Default Retirement Age will not prevent all forms of age discrimination – the harder challenge of changing attitudes and cultures must also be addressed.

¹⁰ Cribb et al. (2014)

¹¹ Age UK (2014)

¹² Carr (2010)

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continued

Implications for business

Future rises in State Pension age could be good news for business. It may well increase the overall pool of available workers and make retaining staff into their mid-60s, and beyond, easier than it has been in the past. But raising SPA alone will not be sufficient to avoid a brain drain of workers leaving the workforce too early. If individuals suffer from ill health, disability or need to care for a loved one, and they are not given adequate support by their employer and local authority to support them working longer, they may still retire early. Raising state pension age may therefore delay the positive incentive to retire, but it will not reduce the likelihood of individuals being involuntarily pushed out of the workforce due to a combination of factors outside of their control. Businesses will need to recognise the important role they have in helping people stay in work into later life as SPA increases.

Removal of an official way for employers to shed workers based on age is positive, but even before DRA was abolished, the majority of employers (68%) did not have a compulsory retirement age in place.¹³ Furthermore, even among those employers who did, over 80% of requests from older employees to stay in work were accepted. In this regard, the evidence suggests that abolishing DRA is far from a game changer for extending working lives either for individuals or for businesses. But it is perhaps an important move in the right direction – abolishing the legal right to discriminate based on age. Firms must now go further and look at their own human resource practices to breakdown the remaining cultural and behavioural barriers to working longer.

Incentivising Longer Working Lives

State Pension deferral

State Pension deferral is one potential way to encourage people to delay retirement. If an individual defers taking their state pension, they could benefit from extra state pension or a one-off lump sum payment. The state pension will increase by 1% for every five weeks (or 10.4% per annum) that the individual defers. 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 and their State Pension paid at the normal rate.¹⁴

There are also potential tax advantages of deferral. Tax can be saved if an individual's tax rate was higher while the person was working (and earning) than it is after stopping work. A deferred pension, or lump sum, taken after stopping work and dropping down a tax band will then attract a lower rate of tax. As noted by the Pensions Policy Institute, deferral does not require people to continue working after SPA, but it does offer greater value to those who drop into a lower tax bracket.¹⁵

There is little evidence in the public domain about the effectiveness of deferral. It has been argued that very few members of the public know about the benefits that can be gained by deferring a State Pension, with total numbers of people receiving a deferral reward having remained broadly constant since 2001, despite the fact that the benefits of deferral have become somewhat more generous since 2006.¹⁶ There is also no data showing the proportion of those that have deferred who were still working. While more evidence is needed on the take-up and impact of deferral, the principle behind it has potential to be a powerful incentive for extending working lives so long as its benefits are appropriately publicised and linked to longer working. Yet the Government is actually in the process of making deferral less generous. Under recent plans, the level of benefit from deferral will fall from 10% per annum of State Pension deferred to 5% and there are also plans to abolish the lump sum option.¹⁷

¹³ Carr (2010)

¹⁴ Gov.uk (2014)

¹⁵ PPI (2005)

¹⁶ Thurley (2010)

¹⁷ Lokhandwala (2013)

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National Insurance exemptions

Under current legislation, after reaching SPA an individual no longer has to pay national insurance on their earnings. The argument in support of this rests on the idea that the National Insurance system is meant to be insurance rather than taxation, so the contributions made through working life are intended to fund primarily their state pension entitlements.¹⁸ The exemption therefore provides a direct incentive to continue working after State Pension age. Unfortunately however, there does not appear to have been any attempt to measure the impact of the exemption. Some evidence does suggest that the majority of the population across all ages support it, despite many calling for it to be abolished. Indeed, according to representative polling of the population, the 25-34 age group were the most likely to oppose the proposal: 74% argued against the idea (compared to 67%, 68%, 70% and 64%, respectively, for the 35-44, 45-54, 55-64 and 65+ age groups).¹⁹

Implications for business

State pension deferral appears to be doing nothing in its current guise to incentivise longer working lives and it is therefore arguably irrelevant unless it is extended in some way. One measure that might work would be to make deferral more generous and directly linked to working longer, such that people deferring while continuing to work would reap a greater benefit. For businesses, it could be in their interest to ensure their employers are informed of this option in order to encourage people to work past SPA. In addition, employers that operate their own occupational pension schemes should consider how they might be able to confer other such incentives to workers who delay taking the pension at the first age of eligibility.

While there has been little analysis of the role of national insurance exemptions in extending longer working lives, it is reasonable to assume that it may have some role in the decision making process for some of those on the verge of retirement. In this regard, employers should actively promote the exemption to their staff to ensure that they are aware of it and the consequent net income benefits of continuing to work. Given that the exemption is still at risk of being abolished, industry and professional bodies should also actively support the current arrangement.

Facilitating Longer Working Lives

Extended right to request flexible working

From 30 June 2014 employees' statutory right to request flexible working was widened. Previously, employees needed to meet eligibility requirements such as having care requirements for either a child or an adult in need of care. In order to be eligible under the new rules, an employee just needs to have 26 weeks of continuous service and to have not made a previous request within the last year.

This is clearly a step in the right direction and should hopefully help more employees in their 50s to stay in work by making it easier to reduce their working hours. However, under the new framework, eligible employees only have a right to submit a request to their employer. On receipt of the request, the employer is under a duty to consider the request in a reasonable manner, but does not have to follow a specified statutory procedure.²⁰ In addition, employees are only available to make the request after a period of service; for those out of work, not having the right to request flexible work from the start could be a deterrent to looking for a new job.

¹⁸ Berry (2011)

¹⁹ Berry (2011)

²⁰ CIPD (2014) 0

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continued

Access to work

Access to Work (NI) is one programme aiming to help overcome the practical problems caused by disability. It can help towards the cost of communication at interview, special aids and equipment, adaptations to premises and equipment, support workers and travel to work. It can also provide a financial grant to employers to help meet the cost of support. According to the Department of Work and Pensions (DWP) statistics, Access to Work supported 35,450 people in 2013/14 at a total cost of £108 million. The caseload increased in each of the last two full financial years; however, this followed two years of decline, and the 2013/14 total is below the peak of 37,280 reached in 2009/10.

However this is likely to account for just a fraction of the support needed to help those working with a disability across the UK. With just 4% of the disabled working age population having additional disability-related needs at work, this would suggest a range of between 80,000 and 144,000 potential beneficiaries of Access to Work rather than the current level.²¹ A recent independent review of Access to Work argued that it was significantly underfunded and needed to rebalance its focus to include mental health issues, and that DWP must be much clearer and more transparent about the basis on which it makes award decisions and the processes by which applicants and service users can challenge decisions and make complaints.²²

While not specifically intended to support older workers, the success of programmes like Access to Work are going to be critically important as disability typically increases with age. Many employers have a duty to make reasonable adjustments, but it is important that the State also plays its part in supporting those who are disabled or unwell to work longer. There are good business reasons to support disabled people in the workplace.

Academic studies reveal a number of benefits, including:

- In specific sectors, people with disabilities have been found to stay on the job longer than participants without disabilities.
- People with disabilities have been found to have fewer scheduled absences than those without disabilities.
- Regardless of sector, people with and without disabilities have been found to have nearly identical job performance ratings.²³

The Fit for Work Service

The Fit for Work Service will be rolled out across Great Britain in 2015. It will provide free guidance in the form of an occupational health assessment as well as general health and work advice to employees, employers and General Practitioners (GPs). There are two main elements to the service:

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

Following the assessment phase, the proposed service will provide a Return to Work Plan, which will contain advice and recommendations about actions to get an employee back to work. The Return to Work Plan will be provided to the employee, the employer and the GP. The plan will also provide evidence of fitness for work for the purposes of receiving Statutory Sick Pay.²⁴

²¹ House of Commons Work and Pensions Committee (2014)

²² House of Commons Work and Pensions Committee (2014)

²³ Hernandez & McDonald (2007)

²⁴ DWP (2015)

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continued

Implications for business

The legislative changes on flexible working will not force businesses to grant their employees flexible working but will mean that they will at least have to consider it if requested by the employee. Firms will therefore have to use their own discretion about whether or not to agree with the request. We would argue that the onus should be firmly on firms to grant flexible working or risk losing valuable employees forever. Evidence gathered in the first report of the Missing Million series showed that 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, we found that nearly 1 in 10 people aged 55-64 working over 45 hours a week also had a physical or mental health condition lasting longer than 12 months. These findings imply that there is a large cohort of people in their 50s who are locked into long hours and that without additional flexibility may leave their job and ultimately the workforce altogether. For businesses the message is simple – embrace flexible working or face losing valuable older staff.

Access to work is based on good principles – helping individuals with disability back to work through a combination of state and employer led support. Yet evidence suggests that many who could benefit from it do not. Businesses can do a great deal to compliment such policy measures to support the needs of disabled people, especially through making reasonable adjustments to the workplace to support disabled workers. Businesses who do this effectively will find it easier to retain disabled workers across all ages.

The Fit for Work programme may be able to assist businesses in such efforts given the linking with occupational health specialists. However, it is difficult to speculate about the likely success of this initiative in advance of the service being rolled out. It is possible to argue that success will hinge on the extent to which the advice provided by the occupational health professionals is genuinely useful for all parties concerned, and not just a process by which people are signed-off and pronounced fit for work.

The contents and implementation of The Return to Work Plan is therefore going to be critical and must contain useful and actionable advice. For example, given the prevalence of long working hours and ill health amongst the 50+ age group, the Plan might advise employers that their employee requires access to more flexible working before they can come back to work, and then provide guidance on how the employer might realistically be able to accommodate this.

The Effectiveness of the Current Policy Landscape

This section has evaluated the main policy initiatives associated with encouraging longer working lives. Based on currently available evidence, we find that none of these initiatives appear to be a silver bullet, with the success of each measure ranging from small to insignificant. Raising SPA may be the only exception but unless future hikes in SPA are accompanied by support for those who have ill health or have to care for a loved one, this measure will not support longer working lives but push people out of work before they reach the relative safety of a state pension. This highlights the limited power than legislation has on changing attitudes and behaviour with respect to retirement and the labour market, and underscores how businesses have a significant role to play in helping people work into later life.

The next section goes on to explain why the concepts of longer working lives and an ageing workforce are important for business.

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continued

Case study 1: Concerted government action

Global Focus: Singapore – working together to promote working longer

Like many countries, Singapore is not unusual in changing its default retirement age. The Government has made it mandatory for companies to offer three more years of work to those turning 62, the official retirement age, and plans to extend that to five years by 2017. So far Singapore's employment rate for those between ages 55 and 64 is now 66%, among the highest of the 34 nations in the Organization for Economic Co-operation and Development and this is against the backdrop of a culture that traditionally expects children to look after elderly parents.

So why has Singapore done so well?

Rather than simply extending the working age, Singapore has gone a step further and the Government is encouraging companies to bring retirees back into the workforce.

- A system of subsidies and grants has also been introduced for companies to help defray the cost of ensuring that older workers remain “economically productive. These include for example the WoW fund, which is a \$20,000 work-life grant introduced to encourage employers to adopt and set-up family friendly policies, benefits and flexi-work arrangements for their employees.

- Support from trade bodies and unions – to facilitate the implementation of policy, The Singapore Workforce Development Agency (WDA), in partnership with the NTUC (National Trade Union Congress) and the Singapore National Employers' Federation (SNEF), offered to support companies' initiatives in the following areas: recruitment of new workers aged 40 and above; retention of existing workers aged 55-61; re-employment of existing workers aged 62 and above, and to implement HR systems for the retention and re-employment of mature workers.
- Changing perceptions through advertising – to help address the labour shortfall, a committee for the employability of older workers unveiled an advertising campaign last year showcasing a 65-year-old lifeguard, a 76-year-old assistant inventory manager and a 60-year-old fishmonger. Adverts appeared on the edge of buses with older people represented doing a range of jobs with the strapline “Tap into a wealth of experience”.

References:

Bloomberg 2015, www.bloomberg.com/news/articles/2015-01-06/what-retirement-singapore-older-workers-stay-on-the-job

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While the changing age structure has particular implications for public policy with respect to fiscal sustainability, the basic demographic realities also mean that businesses need to improve their awareness of ageing issues in order to better adapt for the future.

Older Workers Are Crucial to Meet the Future Shortage of Labour

There are real economic concerns with respect to the availability of workers, and businesses that do not tap into the potential advantages and opportunities of older workers will face a number of challenges in the future.

It has been recognised that the UK could face a significant shortage of workers in the future. A recent estimate suggests that from 2012-2022, 14.5 million job vacancies will become available.²⁵ Of these, nearly 12.5 million are due to replacement demand; that is, 12.5 million jobs are expected to open up as people retire, leave work to start a family, change jobs, or stop working for other reasons. However, it has also been estimated that only 7 million younger people will enter the labour market in this time.²⁶ Given that just under 2 million new jobs are expected to be created, there is certainly room within the labour market as it stands to accommodate both younger workers and those older workers who would like to stay in work until later age.

In fact, the figures on vacancies suggest that a primary source of workers in the future will need to come from preventing unnecessary exit from the labour market. In addition, changes in the age structure of the labour force mean that a greater proportion of workers will be aged 50+ in the future. These realities combine to illustrate the importance for businesses to recognise that their own staff on average will be growing older and that particular needs and issues arise with respect to working in later life. In particular, this means businesses will have a greater need to retain their workers as they age, yet at the same time a growing proportion of available labour will be older, so businesses need to understand the relevance that age has on the recruitment and retention process.

In order for businesses to understand why ageing is relevant for them, they need to understand the challenges around working into later life, such as the problem around persistent unemployment, the barriers stemming from age-related attitudes, and the concerns around health and care. They must also recognise that different types of employment carry certain appeal to older people, some of which is related to establishing a better work-life balance. The picture also looks quite different depending on industrial sector, inasmuch that certain businesses will need to put much higher priority in the short-term on awareness around ageing than others. However, the case for encouraging age awareness in businesses is more than what they can do for older workers; there are substantial business benefits that can be obtained through a proactive approach to managing an ageing workforce and creating greater opportunities for older workers.

The 7.5 million skills gap

By 2022: 12.5 million vacancies will be opened up due to people leaving the workforce

Plus 2 million new vacancies, but just 7 million younger people to fill them

²⁵ Wilson et al. (2014)

²⁶ cf. McNair et al. (2012); DWP (2013)

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continued

The Business Benefits of Employing Older Workers

Businesses should not only recognise the issues highlighted in this section, but also acknowledge and understand that there are concrete business benefits from employing and engaging older workers. In other words, by addressing the notion of an ageing workforce within a business, the business itself can reap rewards – adapting to ageing makes business sense.

Perhaps the most evident way that businesses can benefit relates to the returns that can be gained from higher retention of older employees. Staff members who have been engaged in a role for some time have developed an extensive amount of industry or firm-specific knowledge and expertise that can only be gained from years on the job. This kind of familiarity – in terms of processes, specific skills, culture, contacts and business networks – is not something that is readily available from new hires and is difficult and expensive to replace.²⁷ Furthermore, this familiarity can contribute economically, manifesting primarily through higher productivity or improved client and customer relations generating business. As a consequence, employers that do not look to keeping more of their older workers will be at greater risk in the future of losing this vital advantage and the real financial benefits it confers. Mentoring programmes are one opportunity for businesses to foster knowledge exchange, and older workers seems open to engaging in them.²⁸

Businesses can also benefit from raising awareness of age through the recruitment process. Specifically, by adapting hiring strategies to be age-neutral or age-friendly, businesses open themselves up to a wider pool of applicants when they seek to fill positions. In generating this broader scope of candidates, businesses are more likely to access a range of talents, which will increase the ease and likelihood of finding an optimal match between the requirements of the job and the person hired to do it. Moreover, generating a better

person-job fit will positively influence job performance, improving productivity and the economic returns of the worker. The idea of drawing on a large pool of applicants should already be a priority for businesses who seek talent, but taking concerted and definitive action in the recruitment process will ensure that it includes older people, who generally come with an extensive array of experiences from longer working lives.

Older workers can additionally confer personal elements to a business that makes them valuable members of the workforce. For example, older workers demonstrate greater commitment to their organisations than younger workers and are less likely to change jobs.²⁹ This loyalty and the motivation that accompanies it can be enhanced by employers through offering adequate positive recognition of older employees' contributions and professional development and training opportunities. Older workers are also considered to have better time management skills and to handle pressure more easily, qualities that generally make for better members of staff.

Fundamentally, much of the argument around why businesses need to pay attention to the ageing workforce comes down to concerns over costs and the economic impact that ignoring age is likely to have. While these costs will vary among specific businesses, losing the inherent knowledge and skills of older workers represents a cost in itself, and replacing such expertise is also costly. By opening recruitment to more older workers, businesses access a broader range of talent and can find good matches for the jobs they seek to fill, the benefits of which will manifest in economic terms. Finally, older workers possess characteristics that enhance their performance on the job and within the working culture. Businesses that want to be competitive and successful in the future would be wise to break down any barriers they have that negatively impact older people in their relationship to the labour market.

²⁷ McNair et al. (2012)

²⁸ Penna & CIPD (2008)

²⁹ McNair et al. (2012)

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continued

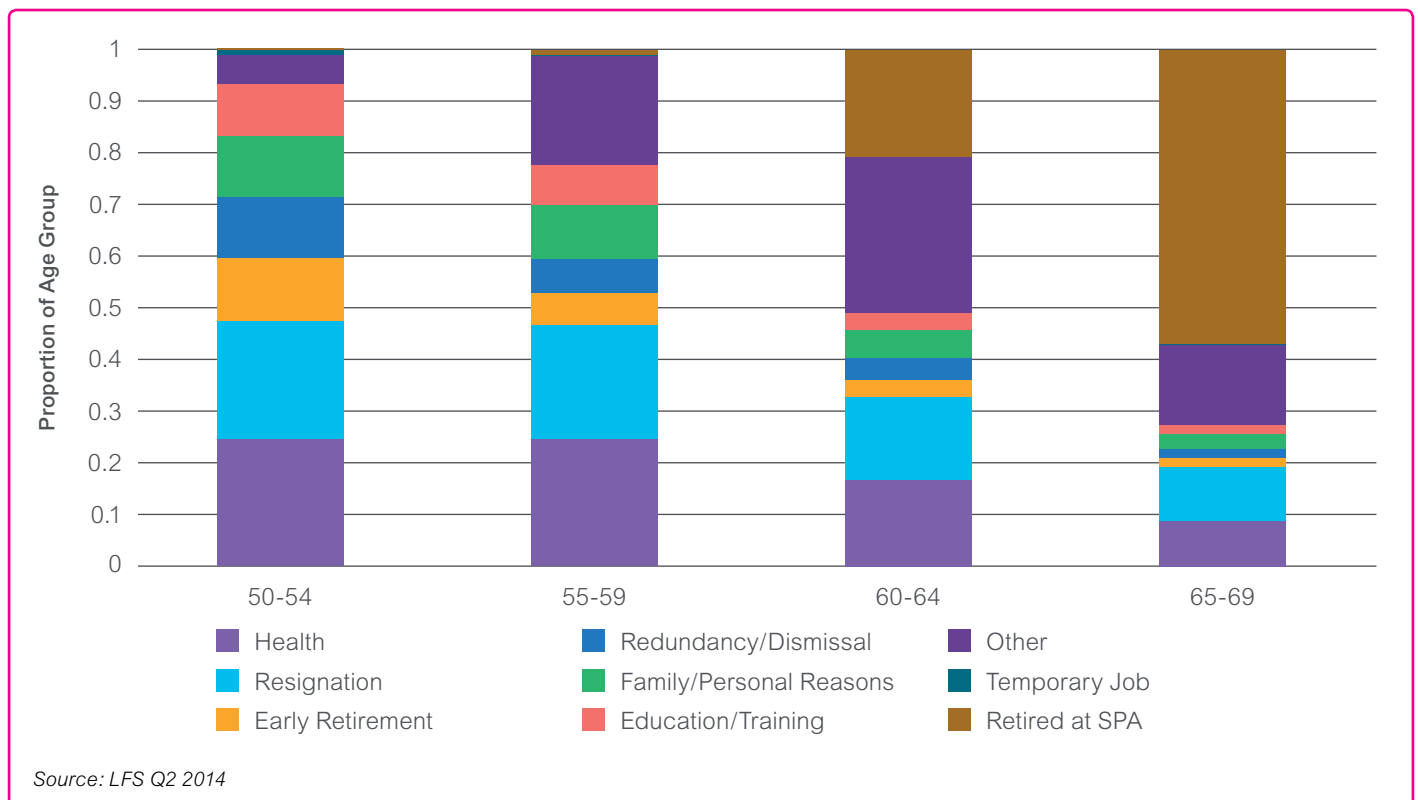
The Challenges around Longer Working Lives

The reasons people over 50 leave work

Our first report outlined the evidence around the drivers for early exit from the labour force among older workers. The overwhelming evidence suggests that those leaving work aged 50-SPA are doing so involuntarily. The main reasons for which people in their 50s say they left their last job are health and redundancy/dismissal, while for those in their 60s the main reasons are retirement, at or before State Pension Age (see *Figure 5*). Further insights into the reasons for early retirement based on analysis using the English Longitudinal Study of Ageing (ELSA) suggest that over a quarter of those taking early retirement did so mainly because of their own ill health, while redundancy and favourable financial terms drove them into early retirement.³⁰

Taken together, the evidence underscores how businesses can play an influential role in discouraging or preventing early exit. Of course, in cases where businesses differentially consider older workers for redundancy and dismissal, they should recognise that their workforces and the labour market at large are getting older, so older people will necessarily need to be an integrated and fully engaged part of the business in the future. In addition, as the next subsections discuss, redundancy or dismissal over the age of 50 can have a disproportionate and permanent impact on older people. Older people are also valuable workers, despite whatever age-based assumptions may abound. Employers also have a role to play in helping workers in ill health to find new ways of working to accommodate their specific condition and keep them engaged.

Figure 5: Reasons for leaving last job by age group



³⁰ See Franklin et al. (2014) for more information.

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continued

The long-term unemployment challenge

Older people have a harder time finding work after becoming unemployed than younger workers. This is reflected in the data around long-term unemployment, where people report being unemployed for a period of 12 months or more. Nearly half of all the unemployed people aged 50+ had been so for a year or more, compared to only 35.5% of all UK adults.³¹ Such a comparatively higher proportion of persistent unemployment is likely to exacerbate the frustrations among older people in the job search process – especially after persistent failed attempts to secure work – which can eventually lead them to abandon their aspiration to keep working, resulting in complete withdrawal from the labour market.

The difficulties that older unemployed people face in this regard may stem from a number of sources, such as age-related bias in the recruitment process or a poor understanding among recruiters or support service staff around how to accommodate the needs of the older worker, e.g. to adapt work to fit a health or mobility issue.³² This suggests that employment support services and employers need to develop a better understanding of how to avoid neglecting the unique challenges of this age group.

Age-related attitudes

Attitudes around age play a very significant role in older people's interactions with the labour market. The second report in this series goes into greater detail on this topic, highlighting results from the ELSA data that show how perceived experiences of discrimination among the group aged 50-69 are predominantly and increasingly associated with age.³³ And while age-based stereotypes permeate all aspects of society and consistently feature in media, they can play a particularly pernicious role when it comes to employment opportunities.

There are many assumptions around older workers that relate to business concerns, especially in terms of lower productivity, greater concerns around health and absenteeism, and lower dispositions to learn new things and adapt to change. However, there is little to no evidence that these assumptions reflect reality and in some cases the truth may be counter-factual to the stereotype (see *Table 2*).³⁴ For employers, these assumptions can negatively influence decisions around retaining or recruiting older workers when decisions are made based on the inaccurate application of stereotypes. Moreover, such treatment can negatively impact the older people themselves, leading to skills obsolescence if training or professional development is not offered equally or a lower sense of self-esteem and value placed on work.³⁵ In effect, the consequences of misapplied stereotypes within a business can actually be a negative impact on the business itself by failing to support this specific segment of the workforce.

Health and care

It is well recognised that with older age comes a greater likelihood for concerns around poor health and the need to provide care to loved ones. While people of any age have the same kinds of concerns around employment when poor health and care needs are involved, the increase in poor health and care needs for people later in life manifests as a particular challenge when thinking about labour force participation of older people. Poor health can contribute to early labour market exit, as can the poor health of a relative (such as a partner or parent) who needs care. It is important in the context of extending working lives that businesses recognise these particular concerns – and the fact that they are likely to grow as a significant issue facing the business – and develop appropriate strategies to help their workforce accommodate the particular needs arising from health and care concerns.

³¹ Franklin et al. (2014)

³² Beach et al. (2015)

³³ Beach et al. (2015)

³⁴ See Beach et al. (2015) for further information and a review of the evidence.

³⁵ Kooij et al. (2008)

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continued

Table 2: Dispelling common myths around older people in the workplace

| Fiction on Older Workers | Facts on Older Workers |
|--|---|
| 1. Fiction on Recruitment | 1. Fact on Recruitment |
| <i>“Older people do not put themselves in the running for jobs – if they don’t apply how can we interview them?”</i> | Older people are less likely to use the internet or recruitment agencies for job searches, relying more often on networks to find job opportunities. Employers should ensure they advertise vacancies to as wide a market as possible through a variety of formal and informal channels. Adverts should also include language that would not discourage older workers from applying. |
| <i>“Older people have unrealistic salary expectations given their experience.”</i> | While financial remuneration is clearly important for older workers, they also particularly relish the opportunity for social engagement and fulfilment. Research from the US shows that 90% of the Fortune 400 bosses feel that the return on investment of hiring mature workers is high, and any additional cost is offset by their quality, performance, retention and other factors. At the same time, a worker’s pay should be based on the job role rather than chronological age. |
| <i>“I am not really sure it is worth investing in an older person as would we get our money’s worth compared to a younger person?”</i> | The evidence suggests older workers are more likely to stay within an organisation than younger workers, who are more likely to seek promotion elsewhere. |
| 2. Fiction on attitudes and behaviour | 2. Fact on attitudes and behaviour |
| <i>“I am not really comfortable about managing someone that is older than me – I think an older worker is going to be difficult and more challenging.”</i> | Research reveals that younger managers have strong misconceptions on the potential challenges of managing older workers. However it is clear that potentially different approaches and management styles are needed – what will inspire and motivate a younger member of staff may not be the same for an older worker. More flexible management styles need to be developed to respond to an age diverse workforce. |
| <i>“I am just worried older workers are too set in their ways and will not be able to adapt to change or be flexible.”</i> | There is no evidence to suggest older workers are less adaptable or flexible in terms of mind set than their younger counterparts. One survey points out that 85% of employers with older workers say older workers are open to and adapt to change very well. |
| <i>“Surely older workers are just going to cruise along and are not really going to be that focussed on their career.”</i> | Many older workers are just as interested in upward mobility, wage increases and promotions as anyone else. There is no evidence to suggest older workers are less motivated than their younger counterparts. |
| 3. Fiction on skills and training | 3. Fact on skills and training |
| <i>“I am really not sure they are going to be up to date with the latest technology.”</i> | A recent poll found that not only did mature professionals keep up with changing technologies but 90% were internet users. Further research highlights that there is no overall difference between the job performance of older and younger workers. |

Note: Content derived from McNair et al. (2012) & Institute of Hospitality (2011)

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continued

Different Types of Employment in Later Life

Part-time work is often cited as preferable among older people as they approach traditional retirement age as a way to remain engaged in work but also begin to scale back their obligations. This can help make for a smoother transition into the retirement phase of life. Using data from the Labour Force Survey (LFS) covering the period April-June 2014, we found that almost 1 in 3 people in work aged 50-64 worked part-time.³⁶ The proportion increases to 48.7% among those aged 65+. With over half of people past SPA working part-time, there certainly seems to be an appeal for such arrangements among older people.

The appeal of part-time work among older people also relates to the broader notion of flexible work arrangements. Flexible work arrangements allow older people to stay engaged while accommodating a better work-life balance. Such agreements can also mitigate against shocks that can happen in later life, particularly around ill health and the need to provide informal care. Nearly 1 in 4 (23.9%) workers aged 50-64 reported some type of flexible work arrangement.³⁷ A similar proportion of people aged 30-49 had such arrangement, while around 1 in 5 working people (20.1%) aged 65+ had flexible work. There is also a big difference between the genders, especially for those aged 50-64. Fewer than 1 in 5 men (19.3%) in this age group worked with flexibility, while nearly 1 in 3 women aged 50-64 did (29.1%).

Sometimes the need for flexibility can lead older workers to pursue self-employment in order to create their own structured priorities around the intersection of work and life. Self-employed people aged 50+ account for 43.0% of all self-employment in the UK, and self-employment becomes much more common past SPA, with 40.8% of working people aged 65+ in self-employment rather than working for an employer.³⁸ Self-employment is also more

often taken as a route out of economic inactivity for those aged 50-64 than younger age groups.³⁹ Yet while older people are often cited as driving the growth in self-employment figures, the change in the composition of the self-employed with respect to age has been similar among employees.⁴⁰ This suggests that there is a sizable cohort of older people out there who are just as keen to be employees as they are to be self-employed entrepreneurs, so businesses should recognise that there are plenty of older people ready to become part of a new team and work culture.

Managing an Ageing Workforce in Different Sectors

Another area important to businesses when thinking about future labour market needs and population ageing is to consider the differential impact that an ageing workforce will have on various industries. *Figure 6* shows how different industries vary in the proportion of their workers in age groups from the age of 30.⁴¹ Specifically, the chart shows how a given industry is different from the average across all industries in the proportion of its workers in a given age group. We see that agriculture, forestry & fishing have a much higher proportion of workers aged 65+ than all industries combined, and the manufacturing and construction industries also have proportionally more workers aged 65+.

With respect to the group aged 50-64, the industry with the greatest comparative surplus is public administration, education & health. This is not surprising given the size of this industry, its relative security with regard to pensions, and the higher prevalence of jobs that have traditionally been taken up by women. Other industries with notably higher relative proportions of workers aged 50-64 are agriculture, forestry & fishing, energy & water, and manufacturing.

36 LFS Q2 2014

37 LFS Q2 2014

38 LFS Q2 2014

39 Beach et al. (2015)

40 D'Arcy & Gardiner (2014)

41 The age group 16-29 was removed from the chart to enhance readability. The 16-29 group was dominated by a much higher proportion of this age group than the average working in distribution, hotels, & restaurants.

Section 3: The Importance of an Ageing Workforce for Businesses

continued

Figure 6: Industries with higher/lower proportions of workers by age group compared to all 16+



For industries with a higher proportion of older workers making up its labour force, the issue of an ageing workforce should be high on their agenda, as its effects will be felt sooner rather than later. Not only is the impending retirement of their current employees a concern, but these industries may find that there are not enough workers at younger ages who have the right skills to fill the jobs they need done. A forthcoming analysis using different industry classifications highlights how the absolute number of older workers in an industry means that the health & social care and retail sectors may experience an acute shock in the near future, as both have over 400,000 workers aged 60+ who are likely to retire in the next 5-10 years.⁴² Such industries will struggle to meet their demand if they do not develop a sound strategy to address such structural changes before it is too late.

At the same time, there are industries for which an ageing workforce may not seem like an immediate concern: distribution, hotels & restaurants; transport & communication; and banking & finance. Although not featured in the figure above, the distribution, hotels & restaurants industry has a very high proportion of its workforce aged 16-29. Jobs in hospitality can be quite attractive to younger workers, for example, as they coordinate paid work with university studies. But the subgroup of the accommodation & food sector currently has over half of its workforce aged under 30; as the workforce ages, this industry in particular will need to put careful consideration into efforts to retain its workers as they age or face a potential shortfall in available labour supply.⁴³ Encouragingly, the hospitality sector has taken action to evaluate their situation with respect to an ageing workforce, possibly serving as an example for other industries to follow (see Case Study 2).

⁴² Franklin & Creighton (a) (forthcoming) – Joint research by ILC-UK & CIPD.

⁴³ Franklin & Creighton (b) (forthcoming) – Joint research by ILC-UK & CIPD.

Section 3: The Importance of an Ageing Workforce for Businesses

continued

Case study 2: A sector-based response

Sector focus – The hospitality sector: the case for recruiting and retraining older workers

A report commissioned in 2011 to examine the business case of employing older workers in the hospitality sector identified an imminent challenge to the future sustainability of the industry: a potential lack of workers. Why?

- Predicted decline in the number of younger workers – the traditional age cohort for the hospitality sector
- Predicted decline in the number of workers aged 35-44 – the main management cohort in the sector

The answer? Increase the number of 50+ year olds who are employed and respond to the growing grey market, i.e. more 50+ year olds spending money.

Response from the sector? Despite a predicted skills shortage and a growing older customer base, the hospitality industry has cautiously started to respond as they recognise the need to employ and retain older workers.

Some of the first to respond in this field are:

The Hilton Group (Hotels)

The employment of older workers forms part of the diversity principles, where they aim to have a workforce representative of their guest profile and support their local communities through providing job opportunities for all. In 2011 at the time of publication of the report, they employed 168 team members over the age of 70 in a number of different roles. The company will proactively support any worker to continue working by adapting their job role or working arrangements.

McDonald's (Restaurant Business)

McDonald's has 1200 restaurants across the UK and employs 85,000 employees, more than 1,000 of whom are over 60 (as of 2011). McDonald's has introduced a range of age friendly business practices including flexible working and a Family and Friends Contract – which allows family members working in the same restaurant to share and cover each other's shifts with no prior notice required.

They have also proactively championed the business benefits of employing older workers and in 2009 initiated a national campaign celebrating their older workers and was used as mechanism to encourage older people to apply for vacancies. They also commissioned research to explore the business case. Results included:

“In surveys, customer satisfaction levels were on average 20 percent higher in outlets that employed workers over the age of 60, compared to restaurants where no one aged over 60 is employed.”

Section 4:

How Business and Policy Makers Can Respond to an Ageing Workforce

Existing policies have gone some way in helping people stay at work as they get older. However, more can be done by the next government to prioritise policies which support people who want to continue working up to, or beyond, state pension age. There is only so much that government can do. The responsibility is with business to drive change on age at work.

In order to respond to the realities of an ageing workforce, businesses need to develop plans that will help them maximise the opportunities that come from older workers, while simultaneously addressing the challenges that are involved in this area. Action on this front must primarily take place in two specific aspects: retention and recruitment. Retention is important due to policy changes such as the increase in State Pension Age (SPA), as older people will work to later ages than before. However, there continue to be issues around exit from the labour market prior to SPA and disproportionate challenges for re-employment among older people, so recruitment strategies for older workers are also essential.

The responses that a business should make in retaining or recruiting workers should first be informed by a reflection of the current state of their own workforce. In particular, businesses should understand:

- **The age profile of the workforce:** What is the age composition of your business? Do you have a relative high proportion of employees approaching retirement? Do you know the average age of when your staff retire?
- **Retirement patterns of the workforce:** How many of your workers want to stay past SPA? Do you know what members of your work force want for their latter part of working life?
- **Think about skills and knowledge:** What particular expertise do your older workers possess, and you at risk of losing critical skills as they start to retire? Do they also possess expertise that is underutilised, and how could tapping this improve the business?

The Role that Business and the Next Government Must Play

Based on the findings of the Missing Million series, Business in the Community **calls on the next government** to prioritise the review and implementation of policies which enable more flexible working, support workers with health issues or caring commitments and facilitate ongoing skills development for people aged over 50.

We **call on businesses** to do more to recruit, develop and retain people aged over 50, through adapting internal practices to show people they are supported and valued at all ages and at all stages of their career.

To help make these changes happen, **BITC** will support responsible business to ensure that nobody is left behind as our population ages, and so that everybody who needs to or wants to work in later life is able to succeed.

Our commitment is that we will provide the tools, support and advice that business needs to drive change and implement these recommendations.

Section 4: How Business and Policy Makers Can Respond to an Ageing Workforce

continued

Recommendations for Action

Based on the findings of the Missing Million series, BITC call on business to take on the following recommendations – developed in collaboration with business leaders, academia, civil servants and the voluntary sector – to facilitate effective recruitment and retention of valuable older workers.

There has been a major public debate over recent months about working longer, not least following the excellent work of the Older Workers Business Champion Ros Altmann. As the voice of responsible business, we have built on that debate.

Our call to action for government focusses on areas of policy where government can support employers to drive real change. Our call to action for business is built on existing research, and drawn from the knowledge and experience of our business membership.

Recommendations for Business

Prioritise the development of excellent managers at every level of your organisation

- Establish a system of supportive and responsive line management, including performance reviews which flag up and tackle challenges early, and engage employees in regular dialogue about career progression.
- Ensure all line managers are offered adequate training and guidance relevant to managing the careers of people at all ages and stages of their careers.

Address barriers to the recruitment of older people

- Make a public statement about your commitment to recruit the best possible people, regardless of age.
- Implement regular unconscious bias training, including a section on age, for everyone involved in recruitment and promotion processes, and set up safe-guards against the challenge of 'like recruits like'.
- Extend apprenticeships to people of all ages; not just entry-level workers.

- Launch 'returnships' to harness and build on the skills and knowledge of people re-entering work after a period of absence.
- Monitor recruitment, progression and redundancy rates by age to identify areas of under-representation in your workforce.
- Issue a confidential monitoring form, which will not be seen by the review panel, to job applicants rather than including age on an application form.
- Extend the reach of advertised vacancies through additional marketing routes used by older people, e.g. open days in different venues, different media channels.
- Create different models of interviews for people who may not have had recent recruitment experience.

Enable flexible and agile working and job progression

- Enable based working or flexible hours, to support people working longer. With the state pension age rising over time, it is crucial to rethink conventional career trajectories.
- Support employees in managing their own career trajectories through access to tailored career coaching, advice, training and development opportunities.
- Develop and recognise new models of career success that allow for periods of plateau and career breaks or sabbaticals related to caring commitments or personal development.
- Introduce flexible benefits, with options for people at different stages in their lives.

Help your employees plan for the future through financial planning support, including:

- Review and clarify the language in the workplace pension scheme communications.
- Developing visibility of a range of role models across generations that demonstrate successful choices and planning.
- Sign-post employees to realistic forecasting tools.

Section 4: How Business and Policy Makers Can Respond to an Ageing Workforce

continued

Recommendations for Business

continued

Support people with disability to remain in work

- Half of all working people over 50 are living with a chronic health condition. Prioritise workplace wellbeing policies on preventative action and reasonable adjustments for people with health conditions and/or disabilities.

Accommodate age in a changing economy

Digitalisation, changing demographics, consumer expectations of transparency – the world of work is changing rapidly, and responsible businesses need to make sure that age does not stand in the way of supporting your workforce to adapt.

- Re-skill your workforce to future-proof the modern economy, including training in key digital skills.
- Leverage younger generations to reverse-mentor.
- Amplify the range of skills across your organisation through adapting to new expectations of networked rather than hierarchical use of power.

Provide opportunities for encore careers

- Broaden the range of career pathways within your organisation – or in partnership with natural business partners – to introduce more opportunities for greater personal fulfilment and social purpose.
- Implement Mid Life Career reviews to help people at particular milestones – a number of year's service, an age such as 50 – think through their options and provide space for broader conversations with managers about plans for the future.
- Review career aspirations, development needs and work life balance as a part of regular line management conversations.

Adapt training and development to the needs of an age-diverse workforce

Older people are less likely to be offered training and less likely to take it up.

- Proactively offer training to fill any skills gaps employees might have and be open to additional training requests.
- Offer different opportunities by level/capability so, for example, someone less comfortable with technology does not need to be embarrassed.
- Initiate open conversations about lifelong learning needs, and role models for continuous development and career shifts.
- Monitor access to training and development by age to identify any under-representation in your workforce.

Support carers in finding a good work-life balance

- Introduce carers networks, carers leave, and support for elder care as an employee benefit.
- Encourage carers champions to increase visibility of carers and role model the balancing of work and care.
- Embed carers in family friendly and work life balance policies and in health and wellbeing initiatives.

Harness the benefits of age diversity

- Make the most of four generations in work by harnessing the range of skills and perspectives, for example through mentoring, upward mentoring, skills transmission.
- Consider the diversity of perspectives and expectations that people of different generations bring.
- Intergenerational networks can improve cross generational understanding and employee engagement. Networks around issues for different age groups may allow you to understand thorny workplace issues.

Section 4: How Business and Policy Makers Can Respond to an Ageing Workforce

continued

Recommendations for Government

Better integrate health and social care services with employers and employment support

- Better integrate health and social care services with employers and employment support services, which alongside enhanced statutory flexible working, will enable people to remain healthy in work for longer and later in life.
- Create public services around the needs of the individual – join up health, social care and employment support services in local areas to drive change.

Implement a national skills strategy for older workers

- Support and facilitate the call to action from Dr Ros Altmann CBE for a cross-government national skills strategy for older workers, to include apprenticeships, IT skills training, adult learning support and the expansion of Mid Life Career Reviews.

Enable more flexible working

- Legislate for flexible working from day one so that employees have the right to request flexible working from the start of the job application process, rather than waiting 26 weeks.

Bring statutory support for carers to a par with that for parents

- Introduce 5-10 days of paid care leave from paid employment.
- Conduct a review of how tax breaks could support families to buy care or other services to help carers remain in work alongside their caring responsibilities.

Case study 3: Tapping potential with targeted programmes

Harnessing the Potential of the Baby Boomers – ‘Encore Career’

Struck by the untapped potential represented by the nearly 80 million US baby boomers rapidly approaching their retirement, Marc Freedman, the CEO and founder of a non-profit think tank called Civic Ventures, promoted the concept of an ‘Encore Career.’ (Freedman 2011)

Encore Career connects, retools and places individuals (ages 60+) in salaried work of great social, personal and economic value in the non-profit and public sector.

The value of encouraging older people to return to the labour market is clear – the social and economic dividends are substantial, both for the individual older adult and society. There is powerful data that supports the value of an Encore Career for the individual in terms of income, personal satisfaction as well as tangible health benefits.

More than 25 million Americans aged 50 to 70 years old are eager to share their skills, passions and

expertise in encore careers that address social needs: typically in education, health care, human services and the environment, according to a 2014 study by Encore.org and Penn Schoen Berland. Of this larger group, more than 4.5 million, or 6%, are already working for social impact. Another 21 million are ready to join them, nearly six in ten within the next five years.

The 2008 MetLife Foundation and Civic Ventures Survey estimated that “if just 5% of US baby boomers were to launch 10-year Encore Careers, that would amount to almost 40 million human-years of talent applied to solving problems in their communities and the world.” (Civic Ventures 2008, 2011).

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