

# The Missing Million

Illuminating the employment challenges of the over 50s



A part of



In partnership with



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

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

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

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

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

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

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

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

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

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

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

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

# Executive Summary

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

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

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

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

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

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

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

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

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