



# WINNING THE GENERATION GAME

IMPROVING OPPORTUNITIES FOR PEOPLE AGED 50-65 IN WORK AND COMMUNITY ACTIVITY



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## FOREWORD



### *BY THE PRIME MINISTER*

Someone born this year can expect to live around 30 years longer than someone born a century ago. This rise in life expectancy is one of the great achievements of the modern world. But for too many people extra years later in life are not bringing the new challenges and opportunities they should. While people are living longer, they are stopping work earlier, often because they have felt under pressure to make way for 'young blood'. As a result one in three people between 50 and State Pension Age is not in work.

Some are undoubtedly enjoying having more time for themselves. But many would not have chosen to stop working, and suffer financial hardship and frustration at not being able to put their skills and experience to good use. Others would like to have the opportunity to make a really significant contribution through community activity.

One of the most important tasks for twenty-first century Britain is to unlock the talents and potential of all its citizens. Everybody has a valuable contribution to make, throughout their lives. Unless we encourage older people to remain actively engaged in socially valued activity, whether paid or unpaid, everybody in Britain will miss out on the benefits of their experience and social commitment.

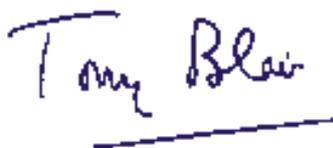
That's why I asked the PIU to consider the implications of the sharp decline in the number of people working in their 50s and early 60s. I wanted to establish what problems this might cause, and to consider the scope for action. Should we mind if people are retired for longer? And is there anything that the Government could or should do about it?

The powerful analysis presented in this report shows that we should indeed be concerned. Most people leaving work early are not doing so voluntarily; many are poor; many feel dislocated and excluded. Not only are we wasting the resource older people represent but there will be huge social and economic costs if present trends go unchecked.



So we need as a society to learn to recognise and use the huge talents of older people. This report identifies what the Government can do to make that happen and to ensure that we all have the opportunity, confidence and support to remain active in society as we grow older. Its conclusions, which the Government has accepted, are a challenging blue-print for action. I am delighted that Alistair Darling, in taking on a new role as Cabinet Champion for Older People and Chair of the Ministerial Group on older People, will be driving them forward.

I hope that our actions as Government will also promote a wider change in attitudes. This cultural change is a long-term project, with high stakes. In a century in which we can expect life expectancy to continue to increase, we will all suffer if we write people off on the grounds of age.



Tony Blair

# 1. EXECUTIVE SUMMARY

This report is about improving people's opportunity to contribute to society and to the economy in their later working years. It sets out a range of measures which have been agreed by Government to help reverse a damaging trend towards writing people off from ages as young as 50.

## The problem

In the past 20 years, the proportion of men between 50 and State Pension Age<sup>1</sup> who are not working has doubled. A third of men and women in this age range, 2.8 million people, are now not working. This matters, because:

- Most people leaving work early do not appear to have done so voluntarily. No more than a third of the fall in employment rates arises from people freely deciding to retire early.
- Most are far from rich. Almost half receive most of their income in state benefits. Early exits from work contribute substantially to poverty.
- People who leave work early often experience growing disillusionment and exclusion. They are not in general replacing paid work with community activities such as volunteering.
- The total economic cost is high. The drop in work rates among the over-50s since 1979 costs the economy about £16 billion a year in lost GDP and costs the public purse £3–5 billion in extra benefits and lost taxes.

- The problem could get much worse. With present employment rates, one million more over-50s would not be working by 2020, because of growth in the older population. There will be 2 million fewer working-age people under 50, and 2 million more over 50: a shift equivalent to nearly 10 per cent of the total working population.

## Causes

Economic restructuring and the creation of leaner firms over the past 20 years have done much to trigger the decline in job prospects of older people. But a more competitive economy does not, over the long term, make inevitable a shortening of working lives, at a time when people live longer and remain fitter than ever before. The problem is that people have been hindered from continuing to make a contribution as they grow older, by:

- a view among society, employers and many older people themselves that they have less to offer – often based on demonstrably false prejudices;
- perverse incentives in occupational pension regimes that encourage employees and employers to come to early retirement arrangements;
- assumptions in the benefits and employment services, which tend to 'write off' older workers;
- obsolete skills exacerbated by uneven access to lifelong learning;

<sup>1</sup> currently 65 for men and 60 for women.

- barriers that prevent those who have left work from making contributions through volunteering; for example, because they fear they might lose benefits or because they are poorly informed about opportunities.

## Solutions

The Government can do much to help and encourage people to remain actively involved in society through work and volunteering. The conclusions in this report focus on giving real choices and opportunities rather than putting pressure on older people to give way to 'young blood'. The vision set out here rejects firmly the notion that improving job opportunities for people over 50 must be at the expense of the younger generation. Job growth that is linked to improvements in the labour supply, by making the most of people's talents, is not limited by a fixed long-term level of labour demand.

The report recommends action under four headings:

- Changing the culture to raise expectations of older people and stop making judgements based on their age rather than their true value and potential. The Government can take a lead in stimulating this change. First, through its words, it can prominently set out the case for valuing the skills and experience of older people in work and beyond. Second, through its actions, the Government can show that it means what it says: by accepting that age discrimination must be tackled, with legislation needed unless a voluntary code produces demonstrable results; and by taking steps as an employer to retain older Civil Servants and to give them flexibility in their working lives.
- Enabling and encouraging over-50s to stay in work. The Government can encourage and support employers to create better working arrangements, including more training and skill development, more flexible working arrangements and measures to improve occupational health. It can also take steps to reduce perverse incentives to leave work, particularly by requiring occupational pension schemes to present options in a way that allow workers to make a more neutral choice about whether to remain in work.
- Helping and encouraging displaced workers to re-enter work. This is a particularly difficult task, given the strong expectation that over-50s who have drifted away from the labour market will not return. But the Government can build on measures that are starting to reach out to such people, and ensure that neither the Benefits Agency nor the Employment Service assume that individuals cannot return to the labour market.
- Helping older people to make use of their skills and experience for the benefit of the wider community, by improving access to, motivation towards and availability of volunteering opportunities. One way to do this is by building on efforts to encourage volunteering among all sections of the community, including older people. Another is by developing initiatives specifically designed to make use of the experience and availability of people in this age group, and to offer them incentives to participate.



## Ten key conclusions

The Government should:

1. Develop a strategy for setting out the Government's vision of the role and value of older people in society. (Conclusion 1)
2. Introduce age discrimination legislation if the Code of Practice on Age Diversity is found to have been unsuccessful. The Code should be rigorously evaluated and the Government should legislate if a clear shift in attitudes and behaviour has not occurred. (Conclusion 5)
3. Increase contact with and job search help for people on sickness and disability benefits. The Government's preliminary initiatives to engage these people should be extended into a comprehensive strategy for new and existing claimants. (Conclusion 32)
4. Provide careers information and advice for older displaced workers. The potential significance of the new Adult Information, Advice and Guidance Initiative for older people should be recognised and they should be targeted as a priority group. (Conclusion 46)
5. Raise the minimum age at which an immediate pension is payable from 50 to 55 between 2010 and 2020. (Conclusion 32)
6. Improve the transparency of occupational pensions by showing the cost of early retirement in company accounts. This is a first step towards ensuring that the cost of making early retirement offers is fully understood by the managers, shareholders and other pension scheme members affected by them. (Conclusion 24)
7. Review the Civil Service retirement age to 65. Each department should carry out a diagnostic exercise assessing the implications of allowing its employees to continue working until 65. (Conclusion 8)
8. Promote the advantages of diversity and flexibility in working practices through a group of champion employers. In particular, such a campaign should promote good practice in enabling workers to 'downshift' later in their working lives rather than facing a 'cliff edge' of full-time work or full retirement. (Conclusion 17)
9. Introduce a National Volunteering Scheme to offer more attractive opportunities for older people to put their experience to good use. Such a scheme could lay particular stress on the assistance that can be given to individuals within and across generations, for example through mentoring and befriending. (Conclusion 71)
10. Introduce pilots to explore new ways of recognising and rewarding volunteering activity. These should include both small financial payments (stipends) that recognise the value of volunteering activities and in-kind benefits. (Conclusion 72)

This report is about people between 50 and State Pension Age and their engagement in economic and community activity. It recognises, however, that the Government's strategy for older people needs to encompass older people above as well as below State Pension Age, and issues and activities of all kinds. Many activities, including sport, engagement in the arts and leisure activities are greatly valued throughout the later part of people's lives. While this report does not attempt to deal with all these areas, many of its conclusions, for example on culture change, could help more broadly to lay the foundation for a society in which people lead longer and more active lives.

## 2. INTRODUCTION

### Summary

The Government wants to help people remain active as they grow older, and for society to value their continuing contribution. But a growing number are leaving work between 50 and State Pension Age. Most do so unwillingly, and do not get involved in other community activities. This waste of human talent is costly to individuals and to the economy. A growing over-50 population will make the problem much worse if trends continue. The Performance and Innovation Unit (PIU) was asked by the Prime Minister to assess the problem and what if anything the Government should do about it. This is its report which the Government has accepted.

### 2.1 What this report is about

The Government wants to help everyone remain active in later life. This means not writing off or excluding people from work, leisure or community participation, whether at age 50, 70 or 90.

Even though many people are living and staying fit for longer, a record number are leaving work early. This report focuses on the activities of people aged between 50 and the State Pension Age (60 for women, 65 for men). It looks in particular at how they can be active in work, volunteering and learning.

The Government's aims for older people are:

- to ensure that older people enjoy active, independent and secure lives, fulfilling for both them and the community;

- to recognise the enormous contribution that older people make to society, and to put their concerns at the heart of policy making;
- to build a country where all are valued and where everyone, young and old, has the opportunity to play their full part.<sup>2</sup>

Whilst these aims are admirable, the reality is different. Evidence in this report shows that Britain is throwing away billions of pounds each year by discarding people from the workplace prematurely, and that these people are not obviously becoming more active outside paid employment. The economy is losing productivity and growth, business is losing profits, employers are losing talent, society is losing a contribution and older people are losing self-esteem and choice.

<sup>2</sup> John Denham, then Minister of State at DSS and Chairman of the Inter-Ministerial Group on Older People, launching the consultation paper *Building a Better Britain for Older People*.



The facts speak for themselves.

- One third of people in the UK aged between 50 and State Pension Age – 2.8 million people – do not work.
- Probably less than a third of the fall in older people's employment has been voluntary.
- This costs the economy of the order of £16 billion a year.
- It costs £3–5 billion in benefit payments and lost taxes.
- Poorer and richer people withdraw from work early in about equal numbers.
- Nearly half of the 2.8 million depend on benefits for more than half their household income; more than one million receive Incapacity Benefit.
- There are real social costs through health, retirement income and social exclusion.
- People aged 55–64 volunteer less than other groups.

These problems are unlikely to go away on their own. By 2020 the population of this age group will rise by 3 million, implying over a million more people not working in the years before retirement if nothing changes.

## 2.2 Origin and remit of the study

In December 1998, the Prime Minister announced to the House of Commons that the PIU was to undertake a project on Active Ageing. This was one of the three strands of work identified as a priority by the newly formed Inter-Ministerial Group on Older People.

The project team was asked to:

- assess the implications of the trend towards economic inactivity of people between 50 and State Pension Age; and
- identify whether Government should take action to enable them to remain in economic activity or to participate in other worthwhile activity.

## 2.3 How the project was carried out

A multi-disciplinary team comprising a diverse mix of civil servants and secondees from outside Whitehall was assembled in March 1999. It developed, agreed and delivered a project plan, guided by a Steering Group of experts from inside and outside Government, including representatives of the business world, academia and campaigning groups. Members of the team and the Steering Group are listed in Annex 2.

A Sponsor Minister chaired the Steering Group throughout the project. At the outset the Minister responsible was Derek Fatchett MP from the Foreign and Commonwealth Office. After Mr Fatchett's sad death in May 1999, Patricia Hewitt MP assumed the role, first from HM Treasury and later from the Department of Trade and Industry.

The project strategy involved listening to almost 100 organisations and individuals from outside Whitehall and over 60 people from all government departments with an interest in the project. This extensive listening, data-gathering and consultation exercise has included:

- visits to devolved administrations in Cardiff and Edinburgh;

- fact-finding visits to Birmingham, Cornwall, Doncaster, Glasgow, Guildford, Liverpool, Peterborough, Rotherham, Slough, Wembley, Windsor, New York and Washington;
- exchanges of information with interested parties from France, Spain and the USA;
- involvement in ten conferences or seminars on the subject including a Joseph Rowntree Foundation seminar on 'Transitions after 50', Age Concern's 'Ageing Well' Conference and the Institute of Personnel and Development seminar on 'Older Men and the Labour Market';
- regular and close contact with 'champion groups', eg the Employers Forum on Age and Third Age Employment Network;
- co-operation with the Institute of Directors over a survey of attitudes and experiences of 500 members;
- written consultation with members of the Federation of Small Businesses and readers of *The Veteran* and Age Concern's *Network* magazines;
- structured discussion groups involving members of the Confederation of British Industry and the British Chambers of Commerce;
- eight independently organised focus groups involving older people who were not working;
- consultations with the National Institute of Adult Continuing Education (NIACE);
- discussions with a wide range of voluntary organisations including Age Concern, RSVP, National Centre for Volunteering, National Association of Volunteer Bureaux and Institute of Volunteering Research;
- research commissioned from Sheffield Hallam University;
- contact with a range of academic institutions with a special interest including Sheffield University, Local Government Centre at the University of Warwick, Institute of Social and Economic Research at the University of Essex, and Institute of Employment Studies.

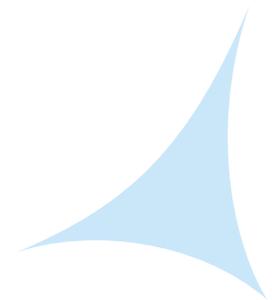
A full list of consultations and visits is included as Annex 4.

## 2.4 Coverage of project

The devolved administrations of Scotland and Wales have responsibility for volunteering, education and training; therefore the conclusions in these areas apply to England only. The devolved administrations will wish to consider if the action identified is appropriate for them and, if so, how to take them forward. Responsibility for social security, pensions and labour market policy (job search support and assistance) has been reserved. The project therefore has UK-wide coverage on these matters.

## 2.5 Financial implications of the report

The report contains 75 conclusions which will require action by a range of departments. Some of these can be accommodated within existing budgets or will require relatively minor redirection of existing resources. It is clear, however, that in some areas additional activity implies a more substantial shift in spending priorities. Where this is the case, they will require consideration in the 2000 Spending Review covering 2001 to 2004. Where conclusions will not be covered by that Review but will involve significant resources, the further costing work necessary is identified as part of the conclusion.



Consideration of the costs of measures, both within the 2000 Spending Review and separately, should take into account the potential for very significant savings if progress can be made towards the visions set out in this report.

## 2.6 Structure of the report

This report follows the approach taken by the project team: first describing the problem, then identifying its causes, next formulating a strategic vision for the future and assessing the Government's role in helping to bring it about, and finally looking in detail at solutions.

Chapter 3 analyses the nature of the problem and the impact it has on human lives, on the economy, on society and on public spending.

Chapter 4 then considers why the problem has arisen, and which of its causes the Government is most likely to be able to address effectively.

Before looking at the specifics of Government action, Chapter 5 suggests a strategic vision for a Britain in which everyone can play a full part as they grow older, and sets out a framework for how to start moving in this direction.

Chapters 6 to 9 then draw conclusions, supported by detailed analysis, on:

- promoting change in attitudes and practice – Chapter 6
- improving the position of older people in work – Chapter 7
- helping older people back into work – Chapter 8
- improving opportunities and incentives to volunteer – Chapter 9.

Chapter 10 sets out a plan and timetable for implementing the conclusions.

### 3. WHAT IS HAPPENING AND WHY IT MATTERS

#### Summary

**One in three people between 50 and State Pension Age, 2.8 million in all, do not work. The proportion of men in this age group not working has doubled since 1979.**

**Only a minority of those affected are affluent people who freely chose to retire early. Almost half rely on benefits for most of their income, most commonly Incapacity Benefit. There has been no surge in volunteering, learning or caring among this age group.**

**This situation causes poverty, exclusion and disillusionment for individuals. It reduces GDP by about £16 billion and damages the public finances by £3-5 billion annually. The ageing of the population will increase these costs over the next 20 years if nothing changes.**

Over the past two decades, older men and women have fared poorly in an expanding labour market. Employment rates have fallen sharply for the men; for older women they have risen less than half as fast as for younger women.

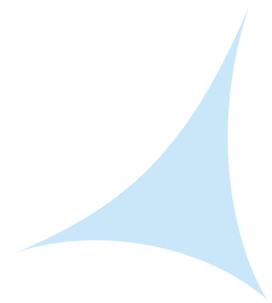
The 2.8 million over-50s who are not working are a very diverse group. They are from all income groups: some enjoy generous occupational pensions; others rely on benefit income. Most of those out of work are detached from the labour market – only 1 in 10 are looking for work. Over one million people are on sickness and disability benefits and nearly half a million, mainly women, are looking after family or home.

There is little evidence that more people in this age group are becoming involved

in other activities instead of paid work. Volunteering rates appear to have fallen, and are lower than those of other age groups. People in their 50s are, however, more likely than others to be carers.

This chapter examines the present situation in more detail. It considers:

- recent trends in older people's employment rates and whether they are likely to continue (section 3.1);
- the characteristics of older people not working (section 3.2);
- older people's involvement in other activities (section 3.3);
- why these trends matter (section 3.4).



### 3.1 Employment trends and prognosis

#### Older men and women have both lost ground, but in different ways

Of the 2.8 million<sup>3</sup> people in the UK not working between 50 and State Pension Age, 1.5 million are men and 1.3 million are women. The stories for men and for women have been different. Male employment rates have fallen; those for older women have remained low at a time when women’s employment generally has been increasing.

#### Men are leaving work in greater numbers, and younger, than in the past

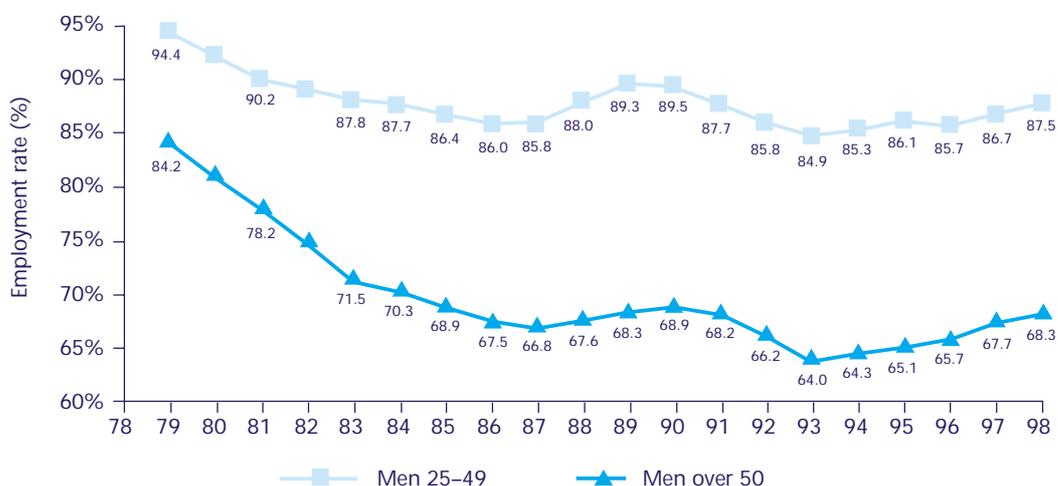
For men, there has been a fall in employment rates at all ages, but rates have fallen twice as sharply for men between 50 and 65 as for those aged 25–49. Employment has always been lower for people approaching pension age, but the phenomenon has grown in two ways. First, working all the way to pension age has rapidly become the exception rather

than the norm: only 37 per cent of men are still working aged 64, compared to 57 per cent in 1979. Second, male employment rates now start to fall at around 50, rather than from age 55 as in the past. If the employment rate among older men had not fallen since 1979, there would be 800,000 more men over 50 in work – more than the adult population of Birmingham.

Employment among men over 50 fell most sharply in the early 1980s. But early departure from work was no one-off phenomenon. Successive generations have continued to leave ever earlier: the later a man was born, the less likely he is to have worked at any given age. It is true that the overall post-50 employment rate shown in Figure 3.1a has not fallen as steadily since 1984, but some of the fluctuations reflect the economic cycle. Figure 3.1b compares the present employment rate for men of specific ages with two other years that also followed a sustained period of economic growth (1979 and 1990). For those in their 50s, the decline has continued.

Figure 3.1: The fall in employment rates among older men

(a) Men’s employment rates have fallen fastest for the over-50s

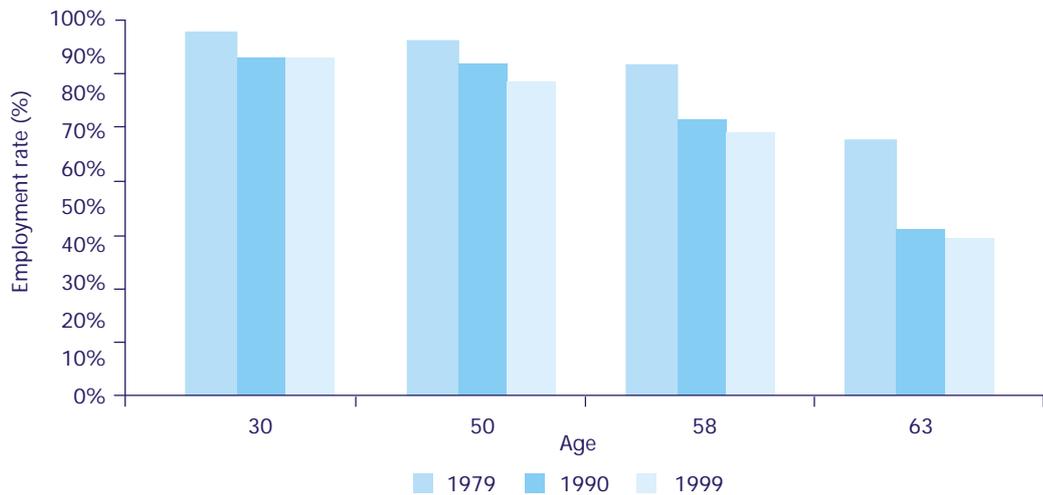


<sup>3</sup> Most of the data in this chapter without a reference are new. We are very grateful to DSS and DfEE analysts, Sarah Tanner, Howard Reed, Richard Disney, Jonathan Wadsworth, Tina Beatty and Steve Fothergill for help in compiling this chapter.



Figure 3.1: The fall in employment rates among older men

(b) While for some age groups the trend has flattened out in the 1990s, for men in their 50s participation continued to fall



**Most non-working older men have left the labour market**

It is important to distinguish ‘unemployment’ from ‘economic inactivity’. People are ‘unemployed’ if they are looking for and available for work. Other non-working

people, who may be retired, sick or looking after family members, are defined as ‘economically inactive’.

Today, six out of seven non-working men aged 50–65 are ‘inactive’ rather than unemployed. As shown in Figure 3.2, the

Figure 3.2 Trends in unemployment and economic inactivity, men over 50

Fewer older men are unemployed than in the 1980s, but a steadily growing number have left the workforce altogether

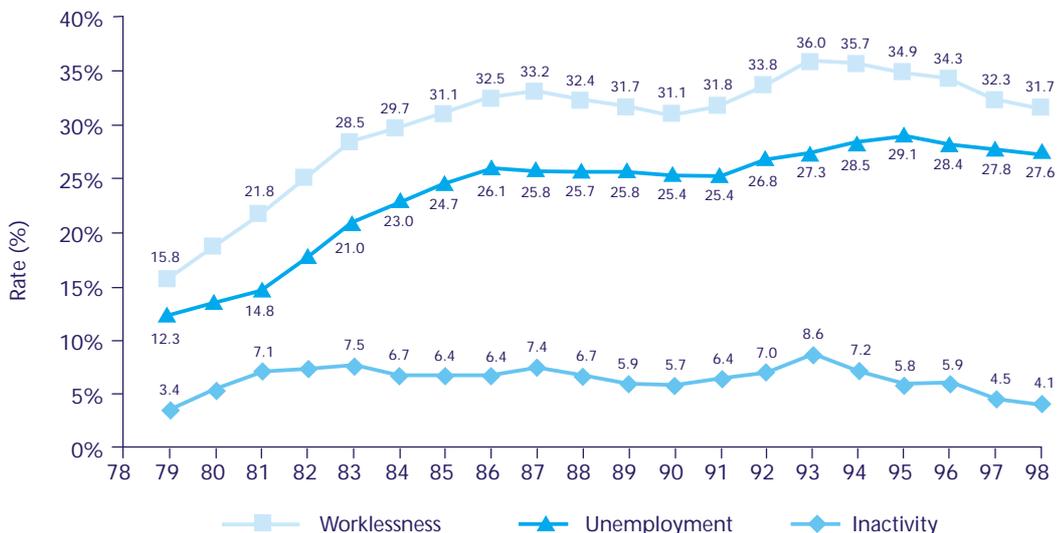
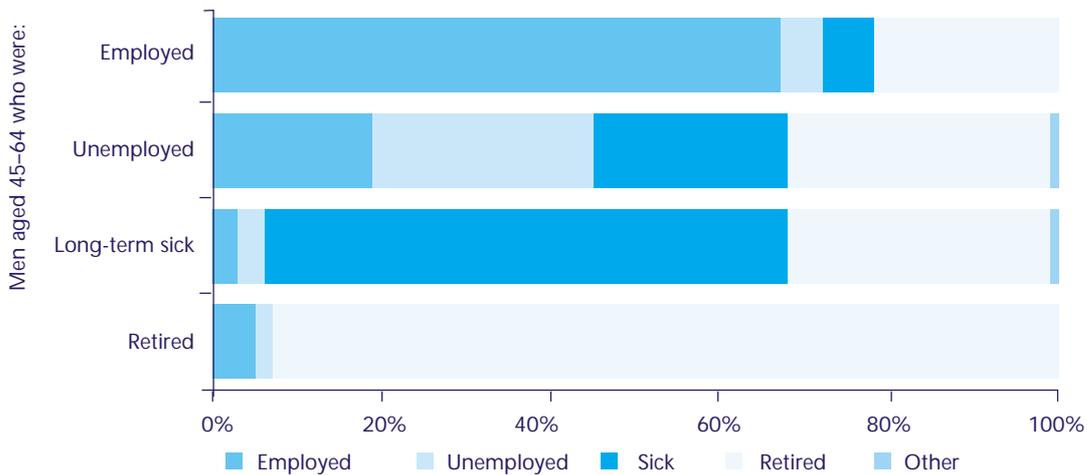




Figure 3.3: Older men's work transitions<sup>4</sup>

Few men not working after 50 are moving back into work



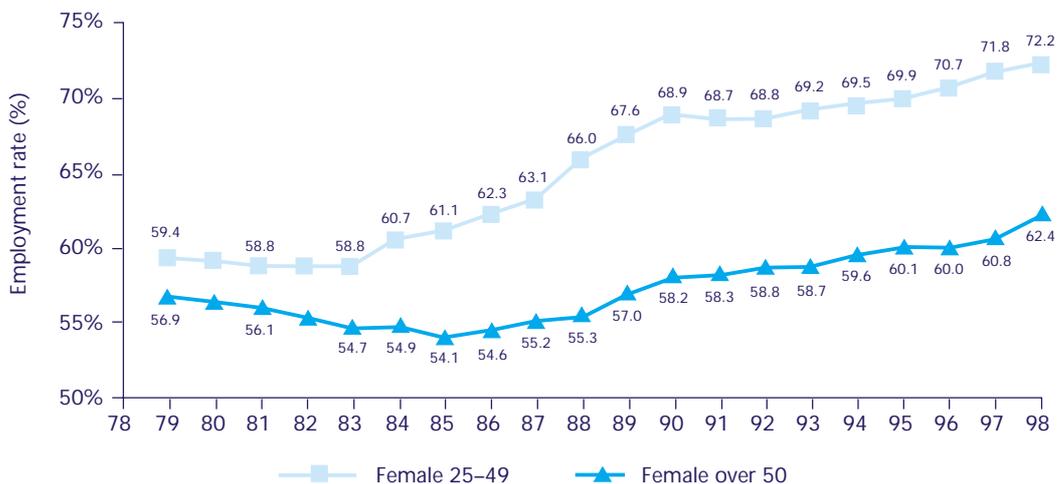
initial economic shock of 1979-83 created high unemployment among this group, but the longer-term trend has been towards inactivity. This distinction is important. Most non-working older men have become detached from the labour market. Figure 3.3 shows that very few economically inactive people in this age group (and few unemployed) return to work.

*Older women's employment has not changed much, in contrast to the increase among younger women*

Older women are slightly more likely to be working now than 20 years ago, but they have not shared the substantial increase in employment rates among women generally (Figure 3.4a). Women aged 30 are nearly 50 per cent more likely to be employed than 20 years ago; for women aged 50 the

Figure 3.4: Female employment rates

(a) Women's employment rates have not increased as fast for the over-50s

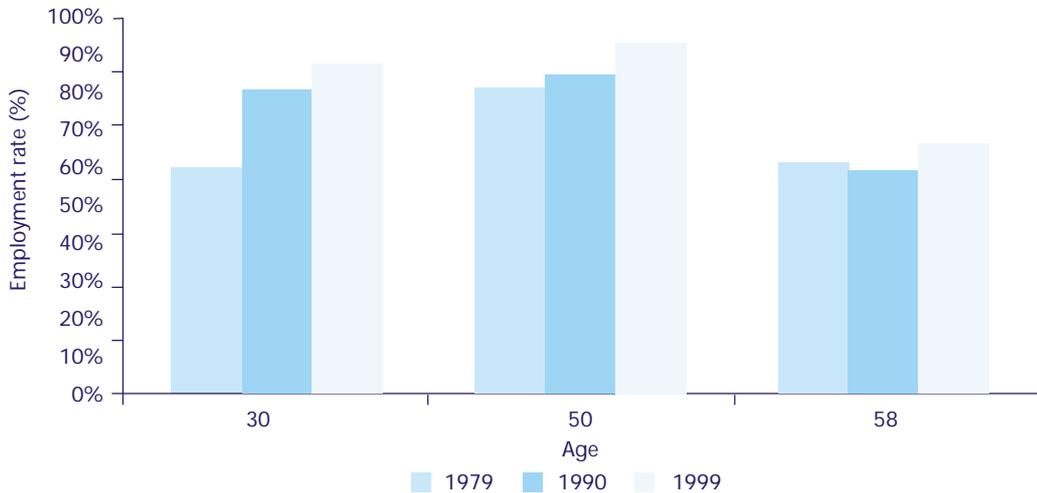


<sup>4</sup> The Decline of Employment among Older People in Britain, N Campbell, CASE paper 19, London School of Economics, 1999



**Figure 3.4: Female employment rates**

**b) At each successive age, women's participation has risen less**



growth has been more modest and for those approaching pension age participation has remained stable (Figure 3.4b).

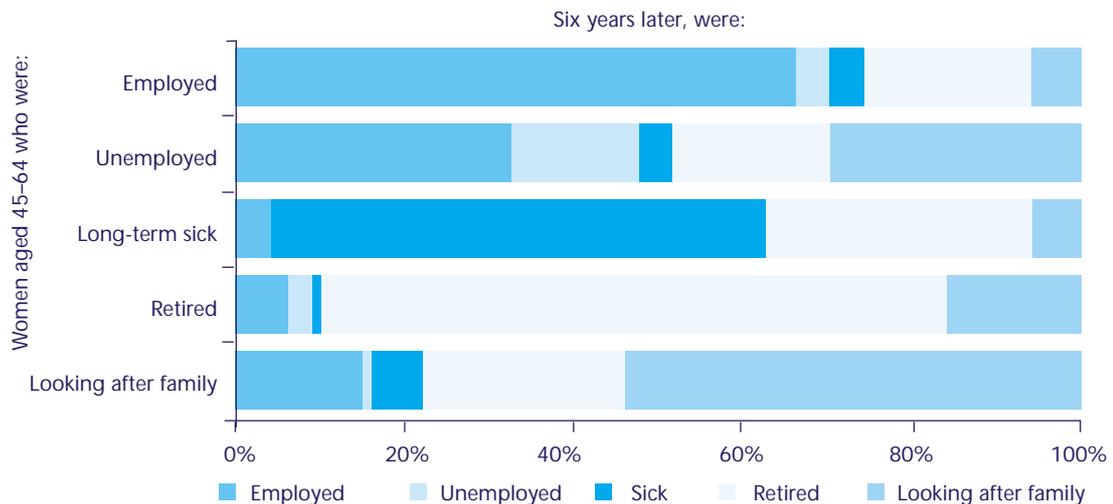
Relatively few older women return to a job after a period out of work and, as with men, the chances are lower among women who are economically inactive than those who are unemployed (Figure 3.5). The main difference from the situation with men is that a quarter of workless older women are looking after family or home.

*Two opposite influences on older women make their future uncertain*

As Figure 3.4b shows, women now in their 50s worked in much lower numbers 20 years ago than women in their 30s work today. This is likely to lead to a big increase in the proportion of women in their 50s working 20 years from now. But the lack of any increase in older women's employment over the past 20 years suggests that increased labour market difficulties at this age are not

**Figure 3.5: Older women's work transitions<sup>5</sup>**

**Few women not working after 50 are moving back into work**



<sup>5</sup> *The Decline of Employment among Older People in Britain*, N Campbell, CASE paper 19, London School of Economics, 1999



restricted to men and that the experiences of older men and women in the labour market are becoming more similar. It is unclear which of these trends will have more effect in the future.

### *A recent upturn in older people's employment may not be sustained*

Figures 3.1a and 3.4a show that the employment rate has risen modestly during the economic recovery since 1993. In the last two years, employment has increased by 700,000, including a 500,000 growth in the number of people aged over 50 in work. But this mainly reflects a particular demographic phenomenon. Those born in the brief baby boom of 1947–48 have recently turned 50, so the 50–65 population is larger. This group also now contains relatively more people in their early 50s, with higher employment rates than people aged 55–65. These factors account for about three-quarters of the increase in the employment among men over 50. Once they are taken into account, the increase in employment rates for the 50–65s is rather smaller and similar to that for all people of working age. It is certainly premature to conclude that the long-term trend has been reversed.

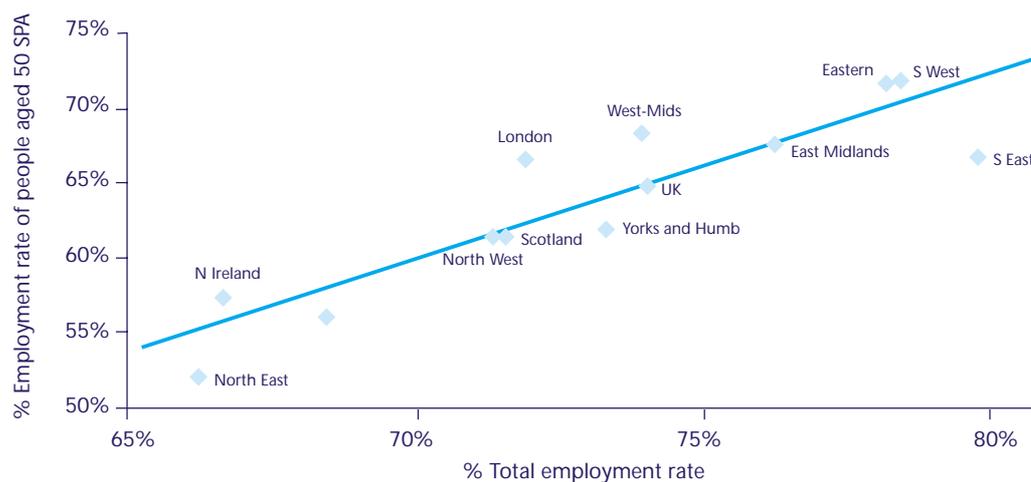
### *Worklessness among people over 50 is an issue for all regions*

More than 10 per cent of workless people between 50 and State Pension Age in each region have been on benefit for six months or more. The proportion is much higher in Wales (35 per cent) and the North of England (20–25 per cent). Figure 3.6 shows that low regional employment rates for over-50s are associated with low overall employment in that region. However, it is noticeable that one in three older people in the South East are not working, close to the UK average, even though overall employment rates in the South East are close to 80 per cent and the highest in the UK.

### *People from ethnic minorities are less likely to be in work*

People from all minority ethnic communities, black and Asian, between 50 and State Pension Age are particularly unlikely to be working. Black men in this age group are about a third more likely to be out of work; men from Indian, Pakistani and Bangladeshi ethnic groups are two-thirds more likely to be so. In these communities less than half of older men and less than a third of older women are in work. The situation for women

Figure 3.6: Regional employment rates for over 50s and all people of working age





is likely to be an effect of the different cultural traditions in these communities. Women from black and Chinese ethnic groups are only slightly more likely than white older women to be out of work.

***Declining economic activity among older people is an international problem***

In most OECD countries, an even greater proportion of people are outside the workforce by their late 50s and early 60s than in the UK: in the EU, only in Sweden and Denmark is labour market participation higher. People are leaving the labour force at progressively younger ages in most OECD

countries, even though the population is ageing and individuals are living longer.

Projections suggest that the working age population will start declining in almost all EU countries by 2015, by when the population aged 55–64 will have risen to 22 per cent of the total compared to just 16 per cent now. These trends are starting to cause serious alarm about the future supply of labour.

While all countries face a similar overall problem, the age of withdrawal from work varies considerably. At age 50, over 90 per cent of men are in the labour force in France and almost 90 per cent in the USA, Sweden

**Table 3.1 Unemployment rate and inactivity rates of 55-64 year olds by country <sup>6</sup>**

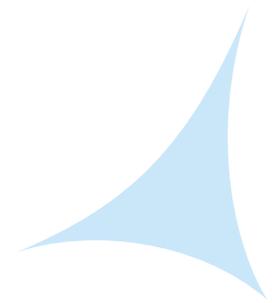
Country	Unemployment rate	Inactivity rate
Luxembourg <sup>7</sup>	0.0	77.4
Belgium	4.7	76.9
Austria	4.5	71.4
Netherlands	2.5	67.5
France	8.5	63.3
Spain	11.3	62.2
Italy <sup>8</sup>	4.8	61.3
Finland	15.0	58.8
Greece	3.2	57.9
Ireland	6.0	57.4
Germany	14.5	56.3
Australia	7.2	54.1
Canada	7.6	51.6
Portugal <sup>9</sup>	4.7	51.5
United Kingdom	6.3	48.3
Denmark	5.1	45.9
New Zealand	4.0	43.2
United States	2.9	41.1
Japan	3.9	33.1
Sweden	8.0	31.9

<sup>6</sup> Labour force statistics, OECD, 1998

<sup>7</sup> relates to 1996

<sup>8</sup> relates to 50–64-year-olds

<sup>9</sup> relates to 1996



and the UK. By the age of 60, only just over 40 per cent of men are in the labour force in France, about 67 per cent in the USA, about 70 per cent in Sweden and about 48 per cent in the UK.

## 3.2 Characteristics of those who are not working

So one in three people aged between 50 and State Pension Age are not working, and the growth in their numbers could well continue. These 2.8 million people have highly diverse characteristics. They include rich and poor people, those who have voluntarily left high-status jobs and those who have drifted out of employment, people who consider themselves retired and people who are actively looking for work.

It is important to understand these characteristics in more detail before commenting on whether declining employment for older people matters (Section 3.4 below), or formulating objectives for change (Chapter 5). One image, encountered in the course of this study, is that early leavers from the labour force are mainly affluent people voluntarily trading income for leisure, and are active making unpaid contributions to communities and families. If this were true, there would be limited cause for public concern other than the loss of their contribution to GDP and tax revenue.

In fact, the risk of displacement from work for those over 50 is as high for people in the bottom half of the income distribution as in the top. A minority of non-workers between 50 and State Pension Age have occupational pensions, and almost half depend on social security benefits for most of their income. There is also evidence that the majority have not left employment voluntarily.

To give an indication of the diversity, Box 3.1 describes examples of five broad categories. Whilst they cannot be fully representative, their characteristics and attitudes are indicative of those identified and analysed by the study. More specific pen portraits, based on real individuals within these categories, are inserted throughout this chapter.

The characteristics from which these pictures are built are reviewed in more detail below.

### *Labour force status: over half are long-term sick or retired*

Only 1 in 10 of non-working over-50s are looking for work. The rest are economically inactive. As Figure 3.7 shows, close to half of them are on sickness or disability benefits. The two other biggest categories are those who say they are retired (18 per cent) and those who are looking after the family or the home – 14 per cent of the total, but 26 per cent of women.

### *Most of those not working have been out of the labour market for a long time. Previously they were in long-standing jobs*

One common factor is therefore that the vast majority of non-working people have weak or no links with the labour market. Most have not worked for a long time: 1.9 million for at least two years; 1.4 million for five years. Although women are less likely than men to have worked recently, only 3 per cent have never worked.

But the majority of non-working men over 50 appear to have had stable jobs immediately prior to their break with the labour market. According to a recent survey,<sup>10</sup> two-thirds had spent more than 10 years in their last job and nearly half more than 20 years. This is in

<sup>10</sup> *Labour Market Detachment among older men*, C. Beatty and S. Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, 1999. This survey of nearly 1,000 men was not wholly representative, but was broadly comparable to the Labour Force Survey

### Box 3.1

#### 1. The early retired, affluent professional

*12 per cent of the 2.8 million are in the top fifth of all incomes*

This high-earning, well-educated professional retired voluntarily. He has a good occupational pension and savings and owns his own home. He and his non-working wife enjoy their increased leisure time and do some volunteering.

#### 2. The occupational pensioner with changed expectations

*Of those who have retired early, no more than one-third chose to leave employment voluntarily*

This middle manager from a large organisation took an enhanced early retirement package due to her company downsizing. Although accepting the package voluntarily, she would not have chosen to retire then had she not felt that there was little alternative. She has some occupational pension income and hoped to get flexible, less intensive work to give her time for her leisure and volunteering activities. She has had no luck looking for work and, as a home owner with a low mortgage, she has adjusted financially to her current circumstances and is enjoying the freedom retirement provides.

#### 3. The displaced skilled worker on Incapacity Benefit (IB)

*1.25 million are on sickness and disability benefits<sup>11</sup>*

This former skilled manual worker worked in his previous job for over 10 years. He was made redundant due to company closure and, although he has a small occupational pension, this is insufficient to live on and he intended to work again. He applied for many jobs but with no success – he has few qualifications and his skills do not fit the jobs available. He has become very demotivated and lost confidence. He has now developed health problems and is in receipt of Incapacity Benefit, although he still feels he could probably do some work. However, with his IB and pension income, he and his non-working wife are able to manage financially and he is not looking for work, being wary of doing anything which might jeopardise his benefit income.

#### 4. The family carer

*400,000, 85 per cent of whom are women, are looking after home or family*

This family carer has not been in full-time employment for some time although did work part time in a shop when younger. Her husband is in low paid work and supports them both financially. She has caring responsibilities for her mother for whom she shops, cleans and provides some personal care. She also looks after her grandchildren while her divorced daughter works part time. She is not looking for paid work.

#### 5. The job seeker

*One in ten are looking for work*

This unskilled man with few educational qualifications has been on Jobseeker's Allowance for over two years. His last job was a temporary contract and he had been unemployed before that. He is divorced and lives in rented accommodation, receiving Housing Benefit. Money is tight and his health is beginning to fail.

<sup>11</sup> This number includes only those who are receiving sickness and disability benefits associated with worklessness. People who receive Disability Living Allowance and no other benefit – some of whom are in work – are excluded from this estimate

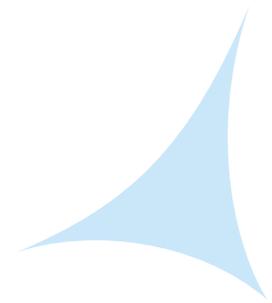
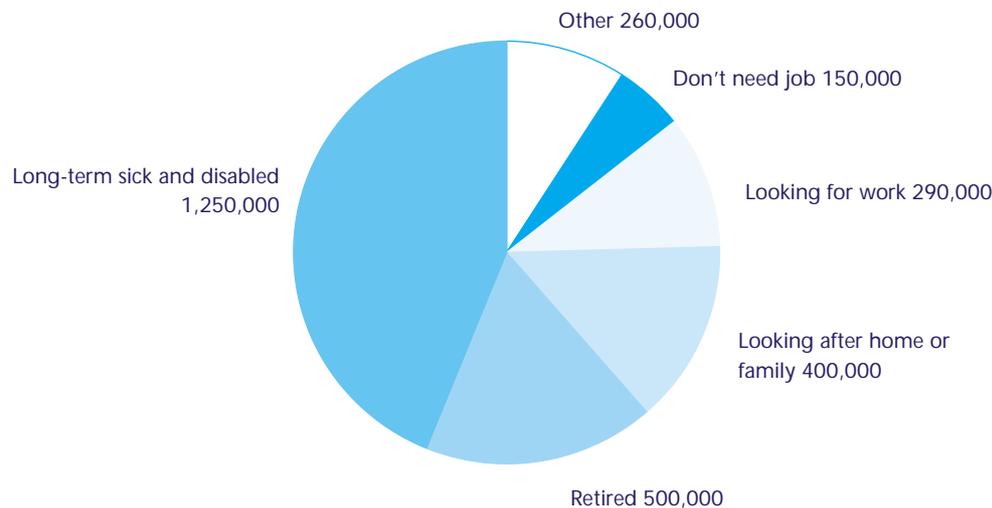


Figure 3.7 Labour force status of people not working between 50 and State Pension Age



marked contrast to younger people, for whom being out of work is often part of a cycle of movement in and out of shorter-term employment.

Thus older people out of work have a very different profile from younger ones: they are more likely to have been out of work for longer, more likely to be economically inactive, and less likely to have had previous experience of unemployment.

### *How they got there: the fall in employment has mostly not been voluntary*

The Government has stated that, *'People should be free to take early retirement if they choose but this decision should not be distorted by the availability of social security benefits, unnecessary barriers or other perverse incentives.'*<sup>12</sup> Even those who have retired early and are able to support themselves, however, may be of public concern, either if they are out of work involuntarily or if their current position is due to barriers or perverse incentives.

Any assessment of how far the trend towards early retirement is a result of people exercising a free choice entirely voluntarily is complicated by two important factors:

- many people may have accepted a 'voluntary retirement' package not wholly voluntarily. Evidence from the DSS Retirement Survey found that 40 per cent of men (and 20 per cent of women) had retired earlier than they expected.<sup>13</sup> Of these early retirements, just under two-thirds are described as instigated by the employer rather than the individual. Choices are often taken from a limited range of options: half of people retiring early from large employers said in a survey that it was their choice, but only a quarter felt that they had voluntarily accepted a good deal;<sup>14</sup>
- people's current attitude to their position may be determined more by experience since leaving their last job than the circumstances in which they left it. The present study found that people progressively adapt to their changed circumstances. In a process of 'attrition', after losing their jobs they can grow

<sup>12</sup> *A new contract for welfare: Partnership in pension*, DSS, 1998

<sup>13</sup> *Dynamics of retirement behaviour*, Sarah Tanner in *Dynamics of retirement: analyses of the retirement surveys*, Richard Disney, Emily Grundy and Paul Johnson. DSS 1997

<sup>14</sup> *Leaving employment early*, S. Dench and R. Norton. Institute for Employment Studies, 1996

disillusioned, increasingly pessimistic about their job prospects and demotivated by lack of success in the job market. One study of men who had not been in full-time work in the last six months found that 32 per cent had looked for work after the end of their last full time job, only 12 per cent were doing so at the time of interview and only 5 per cent felt they had a reasonable chance of succeeding.<sup>15</sup>

Some of those with occupational pension income have adapted to their current circumstances and made the best of it, many now welcoming the positive aspects of free time and seeing retirement as a 'good thing'. But this can involve making a virtue of necessity: one in five of those in the survey above who now describe themselves as 'early retired' left their last job compulsorily. Retirement is a more socially acceptable concept than other reasons for not working, enabling individuals to view their own position positively.

### *Occupational pensioner with changed expectations*

Trevor (59) took early retirement from his health service employer six years ago. He did not want to retire but it was made clear to him that his post was to be made redundant and that his best option was to accept early retirement. He felt that he had no choice and was extremely bitter about being 'written off'. He did not look for work because of this bitterness and because his pension was enough to live on. He has since found a new lease of life as a guide in a local museum where he began as an occasional volunteer and has now taken over as virtual full-time organiser of the volunteer guides – although he is still unpaid.

The extent of 'involuntary' inactivity may change over time. Younger workers, whose aspirations are shaped by the experiences of the early departure from work of their older colleagues, are more likely to express the desire to retire early. The average age of expected retirement is continuing to fall.<sup>16</sup> The complex interaction between people's choices about leaving work and their subsequent experience and attitudes is illustrated in the experiences of the five examples described above and the pen portraits throughout this chapter.

Overall, analysis carried out for this study concludes that, while it is extremely difficult to draw firm conclusions about proportions of voluntary or involuntary retirement, **It is not safe to assume that any more than one-third of the increase in worklessness in this age group is due to fully voluntary early retirement.**

### *Income: the majority are not well-off*

Older people who do not work have widely varying incomes, but on average are poorer than the rest of the population. As shown in Figure 3.8, they are much less likely than average to be in the top fifth of the overall income distribution. A household is in the top fifth if their income is more than £21,000 a year (for a childless couple) or £13,000 for a single person. These figures are for income before housing costs.

Fifty-seven per cent of workless older people live in households without occupational pensions. They are nearly twice as likely than average to be in the bottom fifth.

Those with occupational pensions are by no means all well-off: their income varies widely, in a similar pattern to the population as a whole. Those whose incomes are in the top

<sup>15</sup> Labour Market Detachment among older men, C. Beatty and S. Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, 1999

<sup>16</sup> Characteristics of older workers, Steven McKay and Sue Middleton. DfEE, 1998



### *Occupational pensioner with changed expectations*

Carol (52) worked as a lecturer in a further education college until two years ago. She is divorced with no children. Two years ago, the college was in financial difficulties and redundancies were threatened. Carol was offered voluntary early retirement with an enhanced occupational pension. She did not want to give up a secure job but she knew that if she did not go now changes in the regulations would mean that no enhancement would be available in the future. She felt it quite likely her job would be made redundant in the next couple of years anyway. She accepted 'voluntary' early retirement, hoping to earn money from freelance work and embarking on a counselling course. She has found it more difficult than she hoped to find work and is now seriously concerned about whether she can continue to pay her mortgage.

fifth receive on average £326 per week from their occupational pension, compared to only £72 for those in the bottom fifth

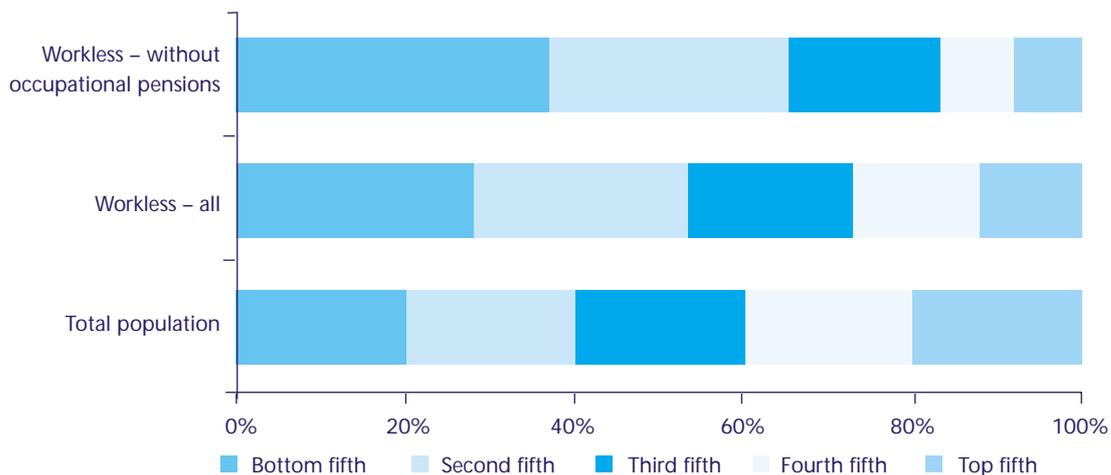
Of the 2.8 million individuals not working, 1 million live in households without work (the remaining 1 million have working partners). Single non-working older people (of whom there are 780,000) are particularly likely to be poor – typically poorer than single pensioners. Low incomes among workless older people may thus be exacerbated by the trend towards more single person households.

### *Non-working older people are disadvantaged in other ways*

Non-working older people are more likely than average to have less advantaged backgrounds. The men are less likely to have post-compulsory education or to own their own homes than the population as a whole. People who are long-term sick or unemployed are particularly unlikely to be well-educated: in one survey, only 5 per cent

**Figure 3.8 Income of non-working people between 50 and State Pension Age - proportion in each 20 per cent of the overall income distribution**

**Workless people over 50 are more likely than average to be poor, particularly if they do not have occupational pensions**



in each of these categories were graduates, compared to 17 per cent of the early retired and 23 per cent of older non-workers with no benefit income.<sup>17</sup>

### *Most are receiving some state benefits*

If people were leaving work mainly because of affluence, there would be no need for them to be supported with social security benefits. In fact, nearly three-quarters receive some benefit income and nearly half rely on benefits for more than half their household income.

Among the 2.8 million, 1.65 million claim benefits associated with being out of work, and a further 400,000 have partners who do so. Of those on benefit, 1.1 million have been claiming for two years or more. The vast majority are on sickness and disability benefits – 1.3 million.

To give an idea of the scale of these numbers: there are more people over 50 on sickness and disability benefits than unemployed claimants of all ages.

Not all those on benefit are poor. The picture is complicated by non-means-tested Incapacity Benefit (IB), payable both to those on very low incomes and those on high ones, and claimed by nearly one million over-50s. Nearly one in four people on Incapacity Benefit are in the top 40 per cent of the income distribution.

### *There has been a tripling in the numbers on sickness and disability benefits*

The number of people over 50 and on IB has tripled in the last 20 years. This rise is not a result of a growing number of new claims

### *Displaced skilled worker on IB*

David (56) left his job as local authority maintenance worker due to a heart scare which led his doctor to advise that he must give up physical work. The local authority offered him lighter work on reception – but he did not want ‘young girls’ ‘work. Instead he took ill health retirement with a good occupational pension having worked for the council for nearly 40 years. He was shocked and saddened to have to leave the job he enjoyed and which had been central to his life. His wife complains about him sitting around the house watching television. But with his occupational pension and Incapacity Benefit, he has no real financial need to work and feels that it would be too much hassle to look for appropriate work. He describes himself as retired and does not expect to work again.

but a result of people remaining longer on the benefit. About 300,000 per year have been moving onto it over the past ten years, and only 200,000 moving off it. Most people who leave IB are receiving other benefits (including moving onto the State Pension because they are 65), rather than going into work: only one-third of IB leavers (or about 5 per cent of recipients) go into work.

A high proportion of the age group, in and out of work, report health problems: 37 per cent of 55–64-year-olds say they have a limiting long-standing illness.<sup>18</sup> This figure has increased only slightly during the period when the numbers on IB have shot up<sup>19</sup> and is a self-assessed measure which may be affected by people’s awareness of their benefit status.

<sup>17</sup> *Labour Market Detachment among older men*, C. Beatty and S. Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, 1999

<sup>18</sup> *Living in Britain 1996, report of the General Household Survey 1996*, Office for National Statistics (ONS), 1998



### *Incapacity Benefit claiming is associated with labour market difficulties*

The number on IB is higher in low employment areas. Northern England has three times the number of IB claimants of southern regions. The proportion claiming IB nationally is 8.5 per cent higher than in the South East which has higher employment rates. There are 310,000 more claimants nationally than would be expected based on levels of claim in the South East, not all of which can be accounted for by regional health inequalities.

Individuals often claim IB after labour market difficulties. Only about half of claimants in a recent survey<sup>20</sup> originally left work primarily because of ill health rather than other reasons, such as redundancy. The position was even more stark in a town (Barnsley) where employment rates were low: here only 33 per cent of IB claimants gave ill health or injury as the primary reason why they left their last job. Forty-six per cent left because of compulsory severance. Overall, between one in five and one in three of IB recipients have moved onto IB from a period of unemployment rather than directly from work.

### *The characteristics of workless older people are changing over time*

It is important not to develop policy responses with an outdated idea of the problem. The characteristics of workless older people are increasingly diverse. Many of those manual workers who lost their jobs during the early 80s are now beyond State Pension Age. There is now little difference between the previous occupations of workless people over or under 50, and less than 30 per cent of JSA claimants over-50 describe their usual occupation as related to a craft or operating plant or machinery. Those over 50s now in work are also distributed between sectors in much the same way as under-50s. This suggests that there has been a decline across all sectors.

### **3.3 People outside paid work are involved to only a limited extent in other activities**

People out of work between 50 and State Pension Age may be involved in making other contributions to society, for example through volunteering, caring or learning.

#### *Box 3.2: What the benefits system means by incapacity*

The term 'incapacity', as used in this report, refers to the medical tests applied during the assessment for Incapacity Benefit. There are two such tests. Firstly, the 'own occupation test' that assesses the claimant's ability to do his/her usual job and is based upon medical evidence from his/her GP. In most cases this test applies for the first 28 weeks of incapacity. Secondly, the 'all work test' is a functional test that assesses the claimant's ability to perform a range of work-related activities. In most cases this test applies after 28 weeks' incapacity. People with certain types of disability or circumstance are automatically treated as incapable of work: these include being registered blind and receiving the higher rate care component of the Disability Living Allowance.

<sup>19</sup> The proportion of people aged 45–64 with limiting long-standing illness rose from 25 per cent in 1979 to 27 per cent in 1995 (Living in Britain 1995, report of the General Household Survey 1995. ONS 1999)

<sup>20</sup> Labour Market Detachment among older men, C. Beatty and S. Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, 1999

### *Displaced skilled worker on IB*

Gerard (55) worked as an engineer in a large utility company for 15 years. He was made redundant during a restructuring process. He had a small occupational pension but insufficient to live on and he claimed Job Seekers Allowance initially. He had no luck finding work and became disillusioned that his years of experience seem to be unwanted by employers and believes that this is because of his age. He resented the young adviser at the Job Centre who could only offer him part-time work which he believed would not be financially worth his while. His wife who works part time volunteers but he is not interested feeling that he has worked hard all his life and now been thrown on the scrap heap. In the past year he has had a major heart operation which makes it hard for him to do any physically active work. As a result he has moved on to Incapacity Benefit. This has improved his self-esteem as his income is increased and his wife and the Job Centre no longer hassle him to find work.

### *Volunteering: rates for 50-65s are low*

There is little evidence to suggest that large numbers of the economically inactive in this age group are finding opportunities to make other active contributions to society. Those aged between 55 and 64 are in fact less likely than other age groups to be involved in volunteering and, far from increasing, their involvement seems to have declined at a time when economic inactivity has risen. The 1997 National Survey on Volunteering<sup>21</sup> found that 48 per cent of all adults in the UK had volunteered in the last year: only 40 per cent of those aged 55 to 64 had done so. The rate had fallen from 46 per cent in the

previous survey, in 1991. Rates of volunteering are high among those aged 45–54: 57 per cent of this age group volunteer, although this has declined from 60 per cent in 1991. This may indicate a connection between leaving paid work and stopping volunteering. The decline in both age groups contrasts sharply with the trend for people over 65: for those aged 65–74 it had risen from 34 per cent to 45 per cent, and for the over-75s from 25 to 30 per cent.

### *Carer*

Janet (58) sees her main job as caring for her elderly father who is in the early stages of dementia. She does his cooking and cleaning and visits every day to make sure he is managing. She used to work part time as a secretary but gave this up because of her caring responsibilities. Her husband is in work and although he is not well paid they can manage with some Housing Benefit to help pay the rent.

Other evidence about the characteristics of volunteers suggests that the 2.8 million are unlikely to be involved in volunteering to a large extent. In general, people who are not in employment are less likely to volunteer than those who are working. The unemployed and those out of work due to sickness and disability in particular are unlikely to volunteer. People from lower socio-economic groups are also significantly less likely to volunteer than those in professional and managerial classes.

Such data should nevertheless be treated with caution. Although people in this age group are less likely to be involved in formal volunteering (i.e. through or for an organisation), the 1997 national survey shows that they are more likely to be doing informal volunteering. Seventy-seven per

<sup>21</sup> The 1997 National Survey of Volunteering, Justin Davis Smith, National Centre for Volunteering 1998



cent per cent of them, compared to an average of 70 per cent, are involved in activities such as helping family, friends or neighbours with visiting/shopping, baby-sitting, decorating or gardening, and environmental work such as picking up litter or sweeping the pavement. They are a third more likely than the average to be visiting an elderly or sick person.

### ***Caring: rates are relatively high, but not replacing paid work***

People aged 45–64 are more likely than any other age groups to be involved in informal caring – 20% of them compared to 13 per cent of the adult population as a whole.<sup>22</sup> Some, particularly women, are doing a significant amount of caring – one in ten of unemployed and economically inactive women in this age group are caring for 20 hours or more a week, compared to 6 per cent of unemployed and inactive men. The Government recognises the role of carers as ‘one of the most valuable roles anyone can fulfil’ and has developed a national carers’ strategy to support them.<sup>23</sup>

#### ***Carer***

Alice (59) describes herself as a ‘housewife’. She has not worked since her children were born, over 30 years ago. She has always seen her main role as looking after her family and, even now her children have grown up, she believes she should be at home for her husband who works long hours. She also helps out by picking up her grandchild from school and looking after her until her mother is back from work. She also helps out at the local hospital café through the WRVS.

However, nearly four out of five of workless people between 45 and 64 are not involved in caring so it cannot be concluded that caring responsibilities are replacing paid work to a significant extent for all workless over-50s. Some people in this age group are looking after grandchildren – a survey of day-care provision shows that grandparents are the most likely person (apart from the father) to be looking after children when the mother is absent but there is no reliable data about the number of hours involved.<sup>24</sup>

### ***No surge in lifelong learning***

There is also little to suggest that those out of work in this age group are especially likely to be involved in learning activities, particularly not in learning activities connected to work. For all people between 50 and State Pension Age, levels of participation in vocational learning are lower than average; participation in non-vocational learning is about average, although only about 3 in 10 people are involved in it.<sup>25</sup> Those who are not working, and particularly those who are economically inactive, are less likely to be involved in learning than those who are.

#### ***Job seeker***

Leela (54) is a State Enrolled Nurse who came to West Yorkshire from Mauritius shortly after completing her secondary education. Leela is divorced with a 30-year-old daughter who lives abroad. Leela left work recently because of poor health, suffering with depression and circulation problems. She is currently searching for a job and claiming JSA. She has recently extended her education by completing a counselling skills course. Leela helps her elderly neighbour with shopping and cleaning.

<sup>22</sup> *Informal Carers Results of an independent study carried out on behalf of the Department of Health as part of the 1995 General Household Survey*, Olwen Rowlands and Gillian Parker. ONS, 1998

<sup>23</sup> *Caring about carers*, Department of Health, 1999

<sup>24</sup> *Day care services for children. A survey carried out on behalf of the Department of Health in 1990*, Howard Meltzer. HMSO, 1991

<sup>25</sup> *National Adult Learning Survey*, Sarah Beinart and Patten Smith. DfEE, 1997

### 3.4 Why it matters

The above profile of the 2.8 million people not working between 50 and State Pension Age shows that this is a significant problem. It has widespread implications and costs, for the economy, for society and for individuals themselves. Demographic trends will make these worse if there is no change.

#### *Human costs*

There are particularly adverse effects for those individuals who are out of work involuntarily and/or on low incomes. They are more likely to experience low self-esteem and poverty which can lead to disillusionment, depression and ill health.

Their marriages can also be affected: unemployment significantly increases the likelihood of divorce among people of all ages.<sup>26</sup> These human costs are graphically represented by the selection of views in Box 3.3 which are among those expressed from attitudinal research and in communications to the Government.

#### *The long-term effects of stopping work early*

People typically do most of their saving for retirement after the age of 50, once children have left home and other pressures have eased.<sup>29</sup> Between 1988/89 and 1994, households containing older men who

#### *Box 3.3*

'I go round the supermarket where the stuff is reduced and buy it. You don't eat what you want to eat, you eat what's been reduced. In the chemists you sign the back of the prescription. You feel awful. You look round for things a lot more than you did when someone was working.'

'It's terrible at first. You get used to hanging around after six years but it's terrible at first. The highlight is going up to the post office! You've got nothing to do because you can't. You lose pride in yourself, in your appearance. At first my wife had to remind me to have a shave and get dressed. I used to say, 'What's the point?'. Especially in winter. You can't sit out like in summer. I absolutely dread winter.'

'It gets to be really depressing and you think why bother. You're told you're too old. You get fed up with being knocked back all the time. You're broke. There's nobody to help you out.'<sup>27</sup>

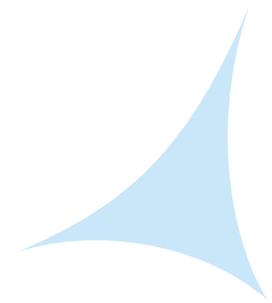
'What has amazed me most is my own decline in self-worth. I never thought that someone with my energy and optimism could ever be daunted, but it's happening and it has dangerous connotations for the future, not because I am some sort of icon, or someone to be sympathised with and treated as a special case, but because if unemployment can get someone of my temperament down it can negatively affect anyone.'<sup>28</sup>

<sup>26</sup> *An examination of the relationship between marital dissolution and unemployment* by R. Lampard in *Social change and the experience of unemployment*, D Gallie, C Marsh and C Vogler, Oxford University Press, 1994

<sup>27</sup> Respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson

<sup>28</sup> Letter to the DfEE

<sup>29</sup> *Asset Wealth and Asset Decumulation among Households in the Retirement Survey*, R. Disney, P.Johnson and G.Stears in *Fiscal Studies*, vol. 19, no. 2, pp 153–174. Table 5 shows the wealth in 1988-89 and 1994 of households containing a man aged 55/69 in 1988–89



remained in work, more than doubled<sup>30</sup> their financial assets. Those who retired during the five years increased them on average by 80 per cent. Future income from occupational and state pensions also rose substantially during this period among people who remained in work.

Individuals who are out of work are less able to save towards their retirement, meaning that poverty and its ill-effects are likely to be felt well into old age. If the early retirement is unexpected, the effect is likely to be even more profound.

### **Social costs**

There are wider costs to society resulting from this level of involuntary worklessness, although they too are hard to quantify. For many work is an important way of engaging with and contributing to society. People who are out of work are more likely to lack social networks and to suffer social exclusion. Social exclusion is associated with social class, low income, and poor educational background. More than half of those out of work are on low incomes and reliant on benefits. Over half of workless older men come from manual or unskilled social classes.<sup>31</sup> Two out of three workless older people have no post-compulsory education and the situation is even worse for those who are sick or disabled, half of whom have no formal qualifications.<sup>32</sup> More than half of those out of work have characteristics associated with being socially excluded.

### **Occupational pensioner with changed expectations**

James (58) was made compulsorily redundant from a well-paid job two years ago. He believed that he would be able to find work again easily as he had considerable experience and skills. Over the past two years, he has unsuccessfully applied for a number of jobs. He continues to make applications but the only jobs available are much more junior and pay considerably less than his previous job. He is depressed and disillusioned and has virtually given up looking for work.

There is also evidence that unemployment and inactivity lead to poor health, with considerable future costs to society. Unemployment has been shown to increase the risk of earlier death by as much as a third for men and women of all ages.<sup>33</sup> This increased risk is not wholly accounted for by the lower social class of most unemployed people, indicating that it is unemployment itself which affects health. Unemployed people are more likely than those in work to die from cancer, heart disease, accidents and suicide. For a middle-aged man losing his job doubles his chances of dying within the next five years.<sup>34</sup>

<sup>30</sup> The increase in financial wealth was partly, but only partly, due to higher share prices: the FTSE index rose by 15 per cent in real terms, considerably less than the rise in financial wealth. The occupational and state pension wealth measures are not affected by this effect

<sup>31</sup> *Labour Market Detachment among older men*, C. Beatty and S. Fothergill, Centre for Regional Economic and Social Research, Sheffield Hallam University, 1999

<sup>32</sup> Based on information provided by Howard Reed and Sarah Tanner (Institute of Fiscal Studies)

<sup>33</sup> Unemployment and mortality by Ann Bethune in *Health Inequalities*, ed. Frances Drever and Margaret Whitehead, ONS, 1997

<sup>34</sup> *Our healthier nation: A contract for health*, Department of Health, 1998

Isolation and loss of purpose have been shown to increase the risk of premature deterioration, depression and untimely death. A study from the USA has indicated that involvement in highly organised activity is the factor, other than not smoking, most likely to lead to longevity and vitality.<sup>35</sup>

### *Economic costs*

Economic costs fall not only on individuals (see above), but also on business, on Government and on society.

The loss to the economy is substantial. The reduction in older people's employment is estimated to be reducing the output of the economy by as much as 2 per cent, which represents about £16 billion a year. Within this, individuals are foregoing £9 billion a year of wages, some of which would have been saved to boost incomes in later life.

Moreover, the public finances are damaged by between £3 billion and £5 billion a year: that money would otherwise be available for spending on other priorities. Social security benefits are £1–2 billion a year higher and Government revenue £2–3 billion lower because of the increased worklessness.

These costs will tend to be increased by factors which are not easily quantifiable. The calculation does not include the additional cost which the Government as employer incurs when a public servant retires early with an enhanced pension, eg as a result of redundancy or ill-health retirement.<sup>36</sup>

It also does not attempt to quantify the effect of people being less likely to work –

### *Early retired affluent professional*

Jeremy (57) worked as an accountant for 30 years for a large company. Four years ago the company underwent a major restructuring and those over 50 were offered a very good early retirement package. Jeremy accepted the package and is very happy with his current life. His wife gave up work when he retired as he has sufficient income to support them both. They have a second home in France where they spend a substantial part of the year. He is music director of a local choir and also spends much time travelling with them. He and his wife are pleased that they have been able to benefit from increased leisure at a time when they are both young and healthy enough to enjoy it.

and therefore save – in their 50s on expenditure on the pensioners' Minimum Income Guarantee.

### *Job seeker*

Jim (62) used to run his own shop, selling handbags. He gave this up two years ago because he felt unable to manage the long hours any more, particularly because his wife is in poor health and he sometimes has to care for her. He would like work and is claiming Jobseeker's Allowance. Despite trying for some time, he has been unable to find work which he feels would be sufficiently flexible in view of his caring needs and would provide sufficient income to make it worth his while.

<sup>35</sup> *Towards the generative society*, Marc Freedman, Public/private ventures, 1995

<sup>36</sup> The aggregate net additional pension costs cannot be quantified in view of the large number of employers, the diversity of the circumstances involved and variations in the extent to which there are offsetting savings generated by an early departure. In August 1999, the then Chief Secretary to the Treasury noted that capitalised gross additional pension costs of each year's ill-health retirements across the public sector had been running at about £1 billion a year

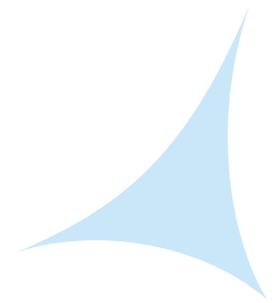
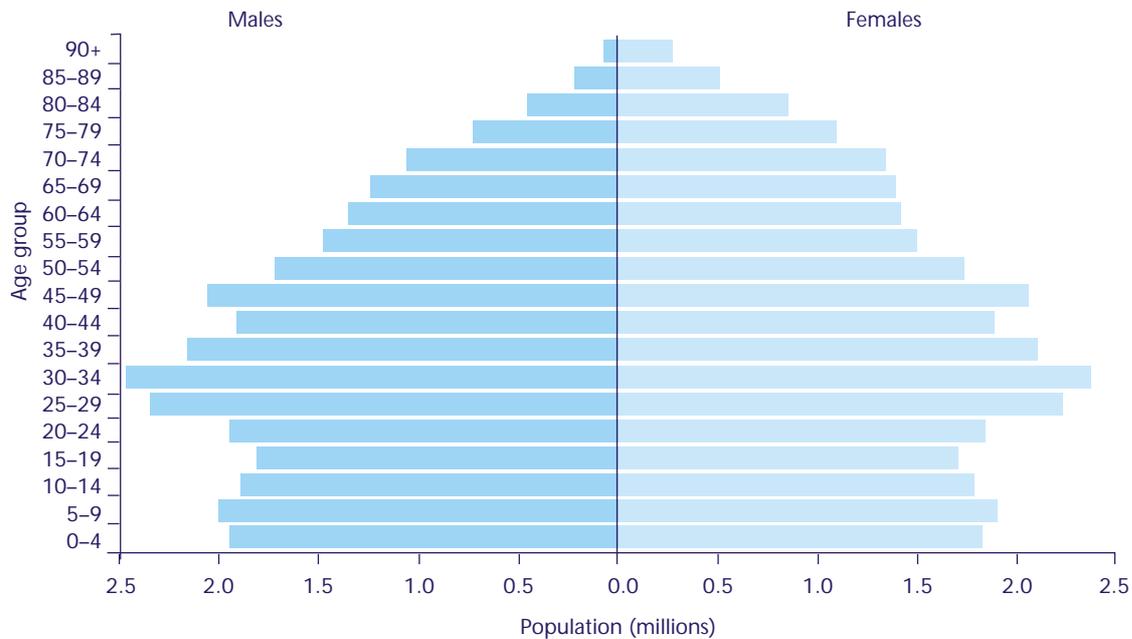


Figure 3.9: Population structure by age, 1996 (millions)



These estimates are based on there being around half a million more people who want to work, or would work if perverse incentives did not exist, than there were in 1979. It uses the cautious assumption that up to one-third of the fall in employment is voluntary.<sup>37</sup>

### Demographic change: bigger problems lie ahead

Figure 3.9 shows the age structure of the population in 1996. Two peaks are particularly relevant to this issue. First, the post-War baby boomers have just reached age 50. This raises the stakes as, without change, the non-employment of over 50s will have a greater impact than currently.

There are also more people in their early 30s than in any other age group. In twenty years time, therefore, there will be many more people in their fifties than currently and, as there are currently relatively few teenagers, there will be fewer people in their 30s in work.

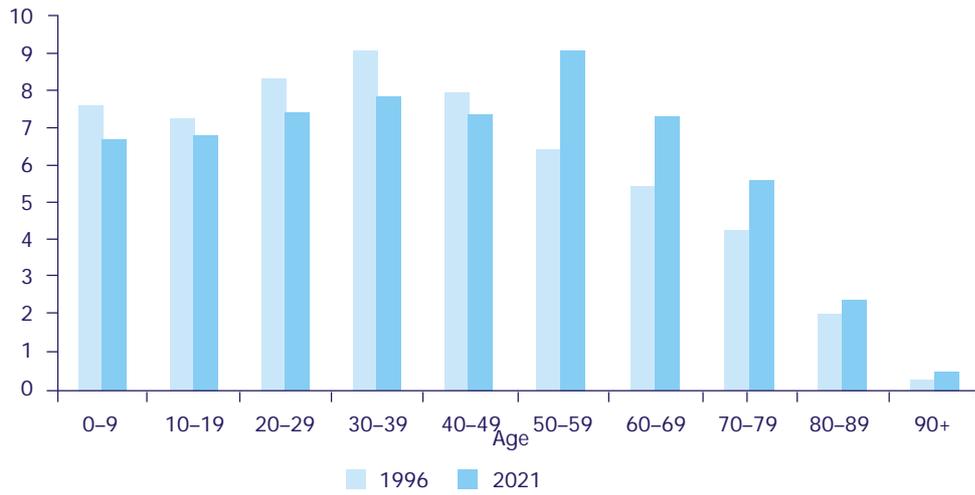
Figure 3.10 shows how the age structure of the population is projected to change between now and 2020. If employment rates for over-50s remain as they are, there will be another 800,000 over-50s out of work and the working population will shrink. This will in turn have a negative effect on GDP and will worsen the ratio of the number of people over pension age compared to the number of people of working age.

<sup>37</sup> It is important to be clear what these estimates do not represent. The output loss does not mean that there is an extra £16 billion available that can and should be used to help older people into work. Furthermore, this estimate covers all the involuntary causes described in Chapter 4, and so is much greater than the cost attributable solely to ageism. Finally, the output loss and the damage to the public finances are not additional: they simply measure different things



**Figure 3.10: Projected age structure of the population**

Over the next 20 years, the working-age population over 50 will grow by 2 million, and the under-50s will fall by a similar amount



## 4. WHAT ARE THE CAUSES OF THE PROBLEM?

### Summary

**Economic shocks and labour market changes in the past 20 years have helped trigger a loss of jobs by older workers, as firms have restructured. But these shocks have interacted with some underlying, avoidable causes - notably negative attitudes towards older workers, the weakness of mechanisms to retrain them and reconnect them with work, and the incentives and signals built into occupational pension and benefit regimes. Attitudes and signals have also helped discourage people who leave paid work early from volunteering; in particular, many have feared that if they do so they will lose their benefit.**

This chapter considers the causes of the declining employment and activity rates of people aged 50–65 (Section 4.1) and the consistently lower than average rates of volunteering among people in that age group (Section 4.2). The chapter assesses these areas in turn, and then considers which causes have had greatest impact and which ones can be most readily affected by the Government (Section 4.3).

### 4.1 Causes of declining labour market participation

There is no single, simple explanation of why there has been such a sharp fall in the employment rate of men over 50, or why older women have not shared in the general rise in female employment rates. Some new evidence from LSE confirms that both retention and re-entry of older workers has fallen and suggests that the fall in retention has been twice as significant.<sup>38</sup>

The analysis undertaken by this study indicates that economic change has interacted with some underlying characteristics of pension regimes, the benefit system, characteristics of older workers, and the attitudes and cultural expectations of employers and society more widely.

The following analysis looks in turn at the respective roles of:

- historic changes in the economy and the labour market;
- occupational pension regimes;
- the benefit system and incentives to work;
- mechanisms for reconnecting older adults with work;
- skills and learning patterns;
- the health of older workers;
- age discrimination and the attitude of employers;

<sup>38</sup> PIU calculations based on data kindly supplied by Jonathan Wadsworth (London School of Economics)

- wider cultural attitudes;
- a process of ‘attrition’.

The most familiar of these drivers, the historic change away from manufacturing and to a more competitive economy, with ‘leaner’ firms from which many older workers have lost their jobs, is the one that is least amenable to policy influence today. But while this trend did much to trigger declining employment rates, there is no reason why in the long term older people should have a declining share of jobs, were it not for some of the other underlying causes discussed below.

### *Economic shocks and a changing labour market have been important triggers*

Economic shocks and longer-term labour market change have helped to trigger much of the decline in employment and activity in the 50–65 age group, affecting both the retention of older workers by employers and older workers’ re-entry to the labour market. Over the last 20 years, Britain has endured two major recessions, in the early 1980s and the early 1990s. The first of these was the worst recession since the 1930s and its severity was extreme.

There had been an ongoing decline, since the mid-1960s, in the number and share of jobs in manufacturing and an increase in the importance of services. But manufacturing contracted most sharply between 1979–83. It fell from providing 26 per cent of total employment in Britain in 1979 to 17 per cent in 1999, and the trend continues today though at a slower pace.

As employers restructured their organisations and shed staff, unemployment rose from 1.1 million (4 per cent) in 1979 to 3.1 million (11 per cent) at its peak in 1986, an increase unprecedented in post-war experience.

Labour Force Survey and claimant count data suggests that older men were not disproportionately affected by the initial shake-out but they were less successful at finding work than younger ones and lingered on the claimant count for longer. As shown in Figure 3.1, it was during this period that older men’s employment rates fell sharply to a level from which they have failed to recover since, even though unemployment has now fallen back to 1979 levels.

Long-term unemployment (six months plus) more than quadrupled in the early 1980s, rising to almost 1.9 million in 1986. It has fallen sharply in recent years to 500,000, comparable to levels in 1979. A disproportionate number of these people are men, from older age groups, with few or no qualifications and are heavily concentrated in urban areas. A great number more who would have liked to work have given up looking.

The increase in older men’s departures from the labour market and their benefit dependency can be attributed partly to labour market policies that took time to change in the first half of the 1980s, and were designed in part to take older men out of the labour force. Policies focused on employees ahead of the unemployed; encouraged people not in work, especially older ones, to leave the labour market; and downplayed the importance of job matching and effective administration of the benefit regime in ensuring that individuals remained in a position to take up jobs.

The Job Release Scheme, for instance, which ran between 1977 and 1988, specifically encouraged older workers to stand down to make way for younger ones. Once out of employment, changes to the unemployment benefit regime in 1983 removed the requirement for men over 60 to look for work, encouraging them to see themselves



as retired. There is also evidence<sup>39</sup> that unemployed older people were not given the job search help and encouragement provided to younger ones. The principal training programme for unemployed adults was not available to claimants over 50 until 1989.

From the mid-1980s onwards, these policies began to change, with the development of an increasingly integrated system of job matching help, active labour market policies for disadvantaged groups and strict benefit administration. This was built around increasing both the help for and the pressure on individuals as the duration of unemployment increased. The introduction of Jobseeker's Allowance (JSA) in 1996 lowered from 12 to 6 months the maximum period for which people who satisfied the contributions requirements could draw non-means tested benefits.

Older men have been hit not simply by cyclical downturns but have continued to have problems in a labour market that operates in new ways.

One of the other key effects of the restructuring of the economy and labour market is that in many sectors, opportunities to change down a gear towards the end of a career are no longer available. For example, where older manual workers used to be able to move to less strenuous jobs in the same organisation, now they are either working on the core business or not working at all.

An increasing focus on productivity and efficiency has not only led directly to many people losing their jobs, but has also had a secondary effect on older workers. Downsizing is seen as having left fewer people with more to do and there is evidence through attitudinal and focus group research that many workers have felt 'burnt out' as a result. People who have felt unwilling or unable to continue

working at the same pace or in the same job have therefore had more limited choices about what work to do, which has fed the trend of taking early retirement packages and leaving the labour market completely.

**'I think that the workplace out there is not as enjoyable a place to be in today as it was 20 to 15 years ago. I wouldn't like to be back in it ..the workplace used to be a happy place to be in, but it isn't these days.'** (Female over 50 in a household with occupational pension income)<sup>40</sup>

### *Occupational pensions have helped encourage early retirement*

The increased use of early retirement has been exacerbated by the continuing growth in occupational pensions. Whilst the existence of an independent income source which allows people to leave the labour market is a sign of a prosperous society, some features of occupational pensions create barriers to taking up or keeping a job, or artificial incentives to retire early:

- Occupational pensions have impacted on labour supply by giving people higher retirement incomes, which encourage them to leave the labour force earlier than they might otherwise have done. This cannot in itself be considered undesirable, but is important to note as a contributing cause.
- Many occupational schemes also tend to specify a retirement age which is less than the State Pension Age. Those who retire early tend not to have their pensions reduced by an amount that reflects the full cost of the increased number of years of retirement.
- There has been an increasing tendency for companies with occupational pension schemes to use early retirement as a tool with which to restructure a company.

<sup>39</sup> Ageism Versus Productive Ageing. A Walker and P Taylor in *Achieving Productive Ageing Society*, S Bass, f Caro and Y-P Chen (eds.), 1993

<sup>40</sup> Respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

Pension fund surpluses have enabled companies to do so. Older workers have been 'pushed' or 'pulled' prematurely out of work when companies have wanted to shed labour. This has suited employers, trades unions and many individuals. It is more palatable than making redundancies. There is also a widespread idea that 'voluntary' early retirement for older workers is more socially acceptable than making younger people redundant. This has had the indirect effect of reducing labour supply as older people have taken up such opportunities, not always wholeheartedly, and then found that they could not get another job.

### *The benefits system has limited older people's incentive to work*

The incentives to work – or lack thereof – provided by the benefit system have had a major impact on the supply of older workers and will continue to do so. In the past, the emphasis was on whether workers had an incentive to come off unemployment benefit. But the fall in unemployment since the mid-1980s has been paralleled by a rise in claims for other benefits by older workers – especially Incapacity Benefit (IB). There is evidence that recent tightening of the unemployment benefit regime could have pushed claimants not just into jobs but also out of the labour market entirely. The correlation between increases in IB claimants and areas which experienced the biggest increases in unemployment in the 1980s supports this view.

However, the most significant factor in the rise in IB has been the long average duration of recipients (a lack of claimants flowing off IB) rather than large increases in the flow onto the benefit. One reason for this may be the lack of active engagement with the caseload – the Benefits Agency has largely

passive contacts with its clients. One of the conditions of receipt of IB is that claimants are deemed to be completely incapable of work – they are therefore not expected to seek work and are offered no assistance to do so (although the introduction of ONE for all benefit claimants and the New Deal for Disabled People will offer job search help to this group for the first time). Indeed there is widespread concern that any active attempt to seek work will lead to disqualification from benefit. This amounts, in effect, to writing these people off.

**'If you were asking us in the first probably two years of your sickness, we'd probably have been saying, 'Yes, I'd like to see what else I could do, you know, but over the years, we've got worse and you learn to live with it. You're labelled unemployable. Probably the first year, if they'd have said, "Right, you've got arthritis, we'll give you a job there that you can come any time and just do what you want for a couple of hours or whatever", you probably would have done that really.' (Male over 50 on IB)<sup>41</sup>**

For some, this writing-off approach is an attraction. Avoiding the job search regime of JSA is something that some claimants aspire to – and this and the higher rate of benefit paid to IB claimants make receiving IB, rather than JSA, something of a status symbol in some areas. The higher rate of IB also means that the incentives for claimants to work have been lower. Older workers can face a 'pay gap' of between 25–35 per cent<sup>42</sup> between their previous earnings and potential earnings in a new job; this is considerably larger than for people under 50. Some receive more on IB and other benefits than they might in such jobs. The Employment Credit (see Chapter 8) offered through the New Deal 50plus is a welcome innovation that offers a real incentive to make the transition back into the labour market.

<sup>41</sup> Respondent in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

<sup>42</sup> Heaven knows I'm miserable now – job insecurity in the British labour market Gregg, Knight and Wadsworth, 1998



There are also real fears about eligibility for reclaiming benefits if the jobs do not work out. People's anxiety about losing the secure income offered by IB and other benefits cannot be underestimated.

### *Help in getting jobs has not been tailored to older people's needs*

The accessibility and efficiency of assistance and information to help people to make transitions in the labour market, from one job to another or from unemployment to work, are crucial. The key labour market intermediary in the UK is the Employment Service (ES) which has had limited success in helping older people to make such transitions, judging by the fact that the majority of older people leave JSA for disability benefits and inactivity rather than for jobs. It has been suggested that ES staff have tended to steer older people towards disability benefits, given the difficulties they encounter in the labour market. And once older people slip off JSA onto disability benefits, their attachment to the labour market becomes minimal.

Most non-working older people were in their last job for a long time (see Chapter 3) and tend to have had very job-specific experience and higher earnings than their younger counterparts. Some have no idea what skills they have. Some cannot see how they might refocus their skills, and some are not willing to. Some have unrealistic expectations about the type of job and level of earnings that they are willing to accept. They can face constant rejection in the labour market, which has a long-term effect on confidence and motivation. The ES's staff are not, on the whole, qualified to provide careers guidance and nor are they trained to understand the specific needs of older workers. Conversely, where ES staff have addressed these needs, not all older people have been willing to

accept advice from the younger staff that the ES tends to employ on its front line.

This has generally meant that older people have not received, and are not receiving, the accurate information and intensive guidance about the career choices open to them, or the more active assistance with job search and specific training, that they need.

### *Obsolete skills and barriers to learning are central issues for this age group*

There has been a steady decline in manual jobs (both skilled and unskilled) in the past 20 years, and an increase in managerial, technical and professional employment over the whole post-war period. Whilst the demand for people with low or no skills has been falling, there have also been big changes on the supply side of the labour market. The proportion of the working age population lacking any qualifications roughly halved from 40 per cent in 1984 to 21 per cent in 1995. This change reflects not just the recent increase in staying on rates in education, but also the longer-term trend in this direction, which means that the generation that is presently retiring from the labour market has much lower qualifications on average.

In almost all OECD countries, older people who lose their jobs are likely to stay out of work for longer than younger ones. This can partly be attributed to their relatively low levels of basic skills, including literacy and numeracy. The 1995 International Adult Literacy Survey found that low skills were more prevalent among older people than younger ones in all the countries surveyed. Much of this effect can be attributed to the lower levels of education that older people received on average when younger, which also often decreased their opportunities to maintain or raise their skills in later life.



On the demand side, analysis<sup>43</sup> shows that some 49 per cent of employers were reluctant to fund training for older staff because of shorter payback times or perceptions about older workers' ability to acquire skills. On the supply side, when older people leave their jobs and try to find others, they may discover that their skills and experience are not relevant to the jobs available in the labour market (76 per cent of which are now in the service sector). Some of them can lack the confidence, or willingness, to undertake learning or re-skilling – and sometimes they just do not have relevant information about what they should learn or how they should fund that learning. There is also an issue about how training or learning is delivered – there is some evidence that older people prefer to learn outside the classroom-based environment that remains the most common method of teaching.

### *Relationships between work and health are important*

The proportion of older people of working age drawing disability benefits has risen in the UK, and in most OECD countries. About 1.24 million of those aged 50–65 are receiving sickness and disability benefits. This increase looks odd overall in the context of a steady overall improvement in health and longevity. It may have a number of explanations. Some can be attributed to higher levels of stress and burn-out at work – the causes of Invalidity Benefit which increased most between 1980 and 1994 were 'other and unspecified disorders of the back', osteoarthritis and depressive disorder. It may also reflect changes in society's perception of the needs of people with ill health. Ill-health retirements have also been, in some cases, a more palatable way of managing running costs and poor performance.

<sup>43</sup> The ageing workforce – Employers' attitudes towards older workers, P. Taylor and A. Walker, 1994

<sup>44</sup> The ageing workforce – Employers' attitudes towards older workers, P. Taylor and A. Walker, 1994

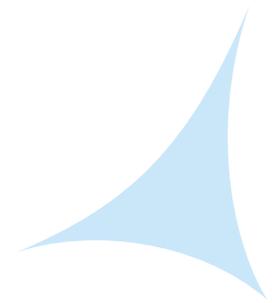
Whether poorer health is a genuine or perceived problem, it has significantly decreased the supply of older people in the labour market. There is also an unanswered question about whether, and to what extent, unemployment and inactivity – and the lower levels of income associated with them – may have contributed to deteriorating health.

### *Older people are sometimes regarded as inherently inferior as employees*

Most people can adjust to work transitions by building on skills acquired through their working lives, provided that they have had training to maintain and enhance those skills and provided that they are given fair and equitable opportunities to display and use those skills. It is clear that older people are not always given such opportunities.

One of the key causes of declining economic activity among older people is age discrimination by employers, which affects both the retention and re-entry of older workers. This underlying cause is almost impossible to quantify. In the European Union countries, a 1993 Eurobarometer Survey found that a large majority of people of all ages believed that there was age discrimination in recruitment, promotion and training.

There is a widespread perception among many employers that older people have inappropriate skills, are less productive and flexible, and take more sick leave than younger people. A study of employers' attitudes<sup>44</sup> confirms that some employers are reluctant to hire older people because they believe that they have inappropriate skills. Some younger managers feel uncomfortable managing older staff. As mentioned above, many older people do have outdated skills, but many do not, and many could certainly learn new ones. Age discrimination consists



of assuming that because of someone's age, they are less able to do a job.

It could be argued that the lack of age discrimination legislation in the UK has contributed to declining activity among older people but it is difficult to assess this effect accurately. Internationally, there seems to be little formal evaluation of whether, and to what extent, age discrimination legislation has affected participation rates of older people (see Chapter 6). There is some indication that it has had a positive effect in the USA, but only as part of a package of measures that raise awareness of older people's potential.

### *There is a perception that older workers should give way to younger*

The belief that shedding older workers will make more room in the economy for younger ones, or that re-employing older people must be at the expense of opportunities for younger ones, is widespread.<sup>45</sup> Older workers, particularly women, are likely to express this view, sometimes as a positive aspect of an otherwise unwelcome transition. Employers may cite it to justify their policies towards older workers. It is, however, on an economy-wide basis misplaced and is based on a fallacy – known to economists as the 'lump of labour fallacy' (see Box 4.1).

#### *Box 4.1 The 'lump of labour' fallacy*

A misplaced belief that there are a fixed number of jobs in the economy – a 'lump of labour' – has led in the past to government policies which wrote off large numbers of people and unintentionally reduced employment.

One reason this fallacy is pervasive, especially among people over 50, is that it feels, at an individual level, as if there is indeed a lump of labour. There is only one President of the USA. If one person is elected President, unsuccessful candidates can feel that the successful one has taken 'their' job.

This is, however, not what happens in the labour market as a whole. Unsuccessful candidates for President are able to do other jobs, and typically find work. Increasing the number of people effectively competing for jobs actually increases the number of jobs in the economy.

The lump of labour fallacy ignores the fact that, in a flexible labour market, wages can and do adjust. More people competing for jobs means that people are less keen to demand wage increases. This reduces inflationary pressures and allows lower interest rates (and higher non-inflationary growth) than would otherwise be the case.

There is plenty of evidence for this:

- Countries with high net immigration see their employment rise. Israel had a substantial net immigration in the mid- and late 1980s after the Soviet Union opened its border. Employment rose sharply, while the proportion of the population in work changed barely at all. If the lump of labour fallacy were true, total employment would have been unchanged and the proportion would have fallen sharply.
- The UK has a much higher population than in 1900. Employment has risen considerably to follow it.

<sup>45</sup> Evidence from respondents in focus group research on active ageing issues carried out for the PIU by Cragg Ross and Dawson and *Listening to women: qualitative research*, Women's Unit, Cabinet Office, 1999



### *Box 4.1 The 'lump of labour' fallacy – continued*

There are a number of key conclusions from this evidence:

- Pushing people over 50 out of the labour market does not create jobs for young unemployed people.
- Re-engaging people over 50 does not increase unemployment among the young.
- As the key determinant of total employment is the number effectively competing for jobs, Welfare to Work measures which improve employability can have powerful beneficial effects.
- Since people who are looking for work are already in the labour market, measures which help those who would otherwise not compete effectively for work have the greatest effect on total employment (for a given improvement to a person's employment prospects). These include measures directed at long-term recipients of Incapacity Benefit. By contrast many of the short-term unemployed would get jobs anyway, so money spent on programmes for them may be less effective.

The lump of labour fallacy is difficult to dispel because it feels true in individual cases and requires a wider understanding of the labour market to understand why it is not. It is particularly insidious in relation to older people who are detached from the labour market and it should not be allowed to influence policies towards this group.

### *Early withdrawal from the labour market has become more culturally acceptable*

A vital factor underpinning all the other causes is the fact that over the last 20 years, leaving the labour market as early as possible ñ by whatever means available ñ has become a cultural aspiration. Research shows that successively younger age groups expect to retire at earlier ages.<sup>46</sup>

In the early 1980s, premature departures from the labour force were unwanted and shocking. However, older workers were shed on such a scale that the social stigma of not working at say 55 was reduced. When the next recession came along, people were readier to accept unemployment and inactivity as a natural consequence of recession for which no individual could be blamed.

Alongside this acceptance, there has been a continuing trend of the 'youth is best' culture that had started in the 1950s and 1960s, and an associated decline in the value that society places on older people.

### *These causes come together in a process of 'attrition' drawing older people from work to retirement*

Over the last 20 years, all the causes outlined above have coalesced into a process of 'attrition', taking older people further and further away from the labour market. Some people moved directly from work to full retirement. But many have moved from employment into unemployment and discovered that they cannot find the sort of work they were/are prepared to take. They have been rejected again and again for jobs. They have then become frustrated and lost confidence – and a significant number moved onto disability benefits. Nearly half

<sup>46</sup> *Characteristics of older workers*, S. McKay and S. Middleton, DFEE, 1998



the people receiving Incapacity Benefit were unemployed, rather than in work, before they claimed.<sup>47</sup> Once on IB, people adjust to lower but secure standards of living. Finally, they start to consider themselves as retired. This process has been a key cause of declining participation among older people.

## 4.2 Causes of lower volunteering rates among 50-65-year-olds

### *Image, motives and motivation*

People aged 50–65 are less likely to volunteer formally than younger ones, though they are slightly more likely to engage in informal volunteering like visiting a sick neighbour. People are generally likelier to volunteer if they are working. People most likely to volunteer are also more likely to be more attached to their local area, have wider social networks and have lived in the area longer. Volunteering tends to have a white, middle-class image and it is indeed true that a higher proportion volunteer from higher socio-economic groups.

Once people have slipped into unemployment and inactivity, they can become increasingly excluded from the labour market and from wider social networks. The process of attrition that some workless older people go through saps at their confidence, self-esteem and motivation. That process can apply just as strongly to volunteering as it does to work – the prospect of having to break into a network of richer, employed, more confident people can be daunting, especially for those who believe that they have nothing to offer.

There is a further issue connected with the high level of worklessness of this group. Many would like to work and their departure from the workforce was not voluntary. There is some feeling that if society has prematurely ‘thrown them on the scrap heap’ in relation

to employment, it cannot expect them to look for other ways of contributing for no reward.

Generational attitudes may also play a role. The Debate of the Age survey showed that some 55 per cent of 45–64 age group (compared to 48 per cent on average) thought that the Government encouraged volunteering as a way to get things done cheaply – this may be because of a values system shaped by a strong belief in the welfare state with which they grew up. Unskilled and semi-skilled manual workers were more likely to agree with this than those in professional/managerial work.

### *Financial fears*

Fear of losing benefit entitlement appears to be a crucial reason for not participating in volunteering and work. The benefit system is perceived to discourage volunteering. Even though Jobseeker’s Allowance claimants are allowed to volunteer, provided they can give up to start work within 48 hours, claimants are not aware of this and it appears not to have been publicised sufficiently to Employment Service and Benefits Agency staff. Given that Incapacity Benefit is given to those who are deemed to be incapable of work, claimants are worried about being considered to be capable of work (and losing their benefit) if they are capable of volunteering.

Moreover, 38 per cent of 55–64-year-olds in the 1997 National Survey of Volunteering were concerned about being out of pocket through the expense of volunteering (eg travel costs, clothing etc), as compared to 27 per cent of the overall sample. They were likelier to feel awkward about claiming expenses. Given that some 1 million of workless people aged 50–65 are in households dependent on benefits for more than half their income, these fears are powerful disincentives for participation.

<sup>47</sup> *A new contract for welfare: Support for disabled people*, DSS, 1998

### Box 4.2 Thirty years of 'active ageing' in the USA

For older Americans the ambition of playing an active role in society is nothing new. Programmes to engage them in community service, and laws to prohibit employers from discriminating against them, both date from the 1960s. Such initiatives did not lead to an immediate change in culture, and a long-term decline in older men's participation in work continued well into the 1980s. But in the 1990s the signs have been more promising.

First, the downward trend in participation appears to have flattened out or reversed from the mid-1980s (see graph). In particular, the percentage working beyond retirement age has risen sharply. The exceptional recent boom in jobs in the USA has been a big contributory factor but does not fully explain the reversal. Changes to pensions may be playing a part, for example a growing proportion of workers are in 'defined contribution' schemes which are worth more the later one retires. Workers also appear to be more wary of early retirement, and companies are using older people more to fill casual jobs, for which sufficient numbers of young people are often not available. While nobody knows whether the change is permanent, a recent survey found that no fewer than 8 in 10 'baby boomers' – presently aged 33–52 – plan to work at least part time during their retirement years.<sup>48</sup>

A second important change is that many Americans are beginning to question a culture of 'active ageing' based largely on energetic leisure in retirement, and asking whether more older people could be 'making a contribution'. President Clinton set up a National Senior Service Corps in parallel to Americorps (aimed at younger people), bringing together programmes enabling older Americans to volunteer. Such programmes have been criticised for being too fragmented, and sometimes poorly designed to make a real contribution (other than to volunteers themselves, for example by providing stipends to those on low incomes).

A new initiative, the Experience Corps, aims to improve effectiveness by concentrating work on helping certain inner city schools. Volunteers assist in a range of ways, from mentoring of students to background administrative support. The aim is to create a 'critical mass' of elder volunteering in a single location. The advantages are that the contribution of this 'corps' is visible, that administrative support for volunteers is well organised and that there are opportunities for people with different skills and time availability to contribute to a single venture.

Percentage of US men employed by age



<sup>48</sup> *Baby Boomers Envision Their Retirement: An AARP Segmentation Analysis*, American Association of Retired Persons, 1999

Older people also want some recognition of their efforts – although interestingly, 40 per cent of those who do volunteer aged 55–64 say they just wanted to be thanked compared to one third of the whole sample.

### *Lack of information and access*

Finally, even when older people have managed to overcome all these concerns, lack of awareness and information about volunteering opportunities can be an impediment. One of the biggest reasons that people give for not volunteering is not being asked. An important determinant of volunteering is therefore the informal networks in which one is involved. In addition, the visibility of local schemes and of opportunities to participate is significant. For young people, there are well-established routes such as Community Service Volunteers or Voluntary Service Overseas which are clearly addressed to their age groups. In the USA, the sense of a ‘corps’ of volunteers has been extended from younger to older people (see Box 4.2). This has not yet happened in the UK, and one reason for so far limited success of efforts to encourage older people to volunteer generally may be this lack of visibility. It is possible that concentrated projects involving older people in specific volunteering efforts making an obvious contribution to a local community would acquire a ‘critical mass’ that encouraged more older people to take part.

Some voluntary organisations have complex procedures for recruiting volunteers, such as long application forms, the need for references and, in some cases, interviews. Whilst this may be justified where a volunteer is having one-to-one contact with, for example, a child, it can be off-putting to some older people. When someone has not worked for years, the appearance of being vetted by a voluntary organisation can be just as daunting as a job interview.

## 4.3 Impact and what can change

### *Participation in work*

The causes identified above that have the greatest impact can be divided broadly into three categories:

- i) Economic factors, notably cyclical shocks and structural changes affecting the labour market. These have clearly had a severe impact, but can only be influenced by Government to a limited extent. By creating a stable macro-economic framework, the Government can reduce the likelihood of the severe boom and bust cycle that characterised much of the 1980s and 1990s. But it could not, even if it wanted to, turn the clock back to create the labour market conditions of 20 years ago, in which organisations had more slack to retain older people whatever they thought of their productivity. A tighter economic framework should therefore be seen as part of the fixed environment when looking for solutions
- ii) Cultural and attitudinal factors – including the attitudes of employers to older workers, the expectations of employees and the motivation of people out of work – also play an important role, although one that is difficult to quantify. Some specific measures could influence these attitudes or their effects, including legislation against age discrimination. But most influences are likely to be indirect: the growing acceptability of leaving work at 55, for example, arose from the de facto effects of job loss in the 1980s rather than a campaign by Government or employers. Conversely, any other measure that caused older people to work more might help shift attitudes the other way.

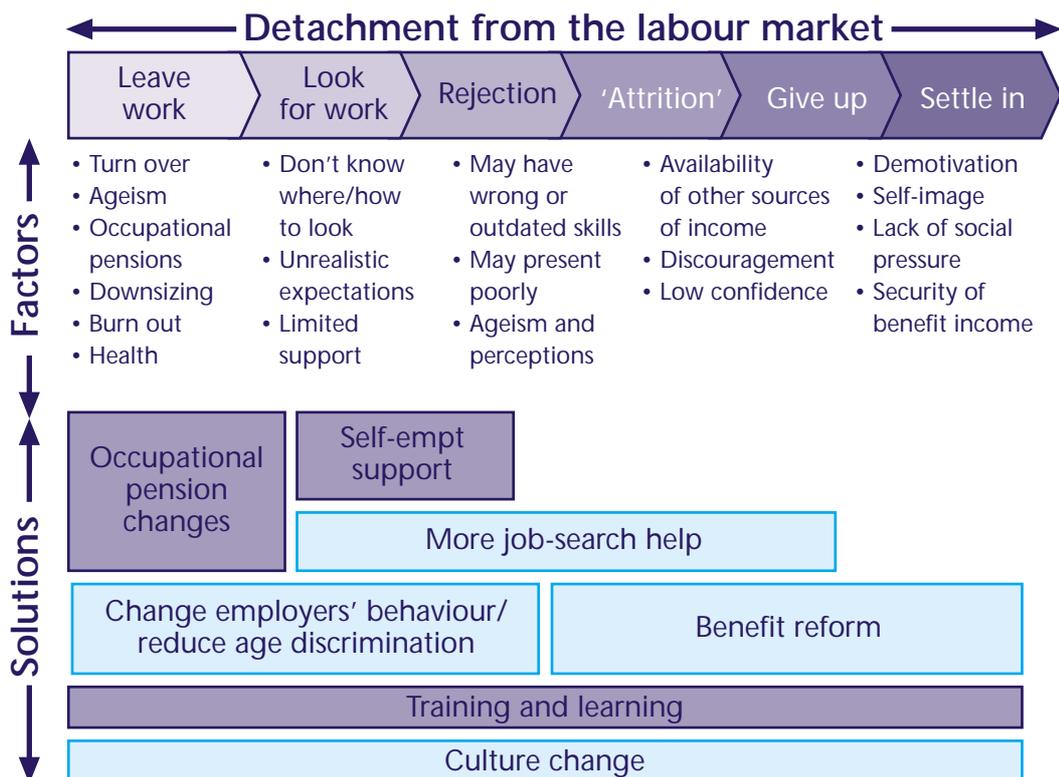


iii) 'Institutional conditions' affecting for example pensions, benefit incentives, job search and training opportunities seem to have had a significant impact. Changing any one of these conditions may have an uncertain effect: helping an older person find a job may be useless without more training and a change in employers' attitudes. But changing a range of conditions is likely to help, not least by sending out new signals that might help change the culture. It is at this third level that government action is likely to have the most direct impact.

The following diagram illustrates how a range of solutions might affect older people's behaviour and opportunities at various stages of the 'attrition' process referred to above. This provides a preliminary framework for considering the options developed in more detail in Chapters 6 to 10.

### Volunteering

Lack of awareness and information and barriers in the benefit system are the key factors over which the Government has influence in this arena. If people's fears about losing a secure income can be eased, and if they can be given appropriate information, they will have the freedom to make undistorted choices about whether and how to volunteer. Motivation is also a key trigger. What is harder to influence is a third important factor, the culture of taking part in volunteering activities. But concentrated efforts to provide new opportunities for this age group could influence the culture too. If more older people start to volunteer, they may express views about its benefits (which can include regaining self-esteem and motivation by making a contribution to society) which can encourage others to join in.



## 5. THE WAY FORWARD

### SUMMARY

**A long-term strategy should be guided by a vision of a future in which:**

- **older people’s contributions are duly valued;**
- **they are able to take well-informed and undistorted choices; and**
- **they have opportunities both to contribute to society and to provide a decent income for themselves.**

**Achieving this vision requires important changes both in the way older people are viewed and in existing opportunities and incentives. The Government can help initiate change; failure to change will undermine some of its basic social and economic objectives.**

Chapters 3 and 4 have shown that declining participation by people approaching State Pension Age is often involuntary, can create difficulties in terms of income, health and social inclusion, has multiple causes and could get worse. A vision of a more positive future for older people is needed, followed up by action that addresses the underlying causes of the problem.

This chapter:

- presents a general vision of how in the future older people’s contributions can be encouraged and valued (Section 5.1);
- reviews some of the underlying changes that would be needed to get there (Section 5.2);
- summarises more specifically where the Government can make a difference in terms of immediate action (Section 5.3);

- suggests some indicators for monitoring progress towards long-term objectives (Section 5.4);
- warns of the cost of doing nothing (Section 5.5).

These arguments are summarised in Figure 5.1, which provides a road map to help move towards the long-term destination.

A concluding section (5.6) suggests that, in starting to move towards the ideal, some key priorities need to be set in terms of which groups of people to address.

The following five chapters, which contain the main recommendations of this report, spell out in more detail how a Government strategy should be developed, following the directions summarised in Section 5.3.

Figure 5.1 The way forward - a route map

THE DESTINATION	HOW FAR AWAY IS IT NOW?	HOW TO START DOWN THE ROAD	MONITORING PROGRESS	THE CONSEQUENCES OF STAYING STILL
<p><b>A vision for the future</b></p> <p>Older people have:</p> <ul style="list-style-type: none"> <li>• The opportunity to contribute</li> <li>• The capacity to respond to job loss</li> <li>• The freedom to mix paid and unpaid activity</li> <li>• 'Age-blind' valuing of their contributions</li> <li>• The ability to provide income for old age</li> <li>• The ability to make real, informed choices</li> </ul>	<p>What big changes it implies</p> <ul style="list-style-type: none"> <li>• Better opportunities to work longer</li> <li>• Fewer barriers to community involvement</li> <li>• Better image for older people</li> <li>• Ending perverse incentives to leave work/stay out of it</li> <li>• Rethink retirement and pensions</li> <li>• Better access to information</li> </ul>	<p><b>What Government can do now</b></p> <ul style="list-style-type: none"> <li>• Measures to support recruitment and retention</li> <li>• Measures to support older volunteering</li> <li>• Measures against age discrimination</li> <li>• Improvements in benefit, tax and pension regimes</li> <li>• Measures to improve flow of information</li> </ul>	<p>Success measures</p> <ul style="list-style-type: none"> <li>• More people make undistorted choices</li> <li>• Plus employment rates rise</li> <li>• volunteering rates rise</li> <li>• more job re-entry</li> <li>• more individuals mix options</li> </ul>	<p><b>What happens if there is no change</b></p> <ul style="list-style-type: none"> <li>• Employment rates for over 50s stay low or fall</li> <li>• 4m over 50 women workless by 2020</li> <li>• Overall Government employment targets threatened</li> <li>• Living standards in decline</li> <li>• retirement risk</li> </ul>



## 5.1 A vision of the future

People over 50 need greater opportunity and choice, to allow each to make their own distinctive contribution. Like all adults, they should ideally have:

- the opportunity to contribute to society;
- confidence that their contribution is valued, and that they are not discriminated against on the grounds of age;
- the opportunity to provide for a decent income in later life;
- the freedom to mix various types of activity (paid work, voluntary and other community activity, leisure) within the constraints of what they can afford;
- genuine choices which are well-informed and undistorted.

Involuntary job loss will inevitably occur at times in a flexible economy, and to try to prevent it entirely would create undesirable rigidities. But ideally it should:

- i) happen on a fairer basis than currently, without the assumption that staff reductions should be concentrated on people over 50; and
- ii) have a less catastrophic effect when it does occur. People need to be better equipped to respond to losing their job and so better able to re-enter the labour market.

## 5.2 What big changes would be needed for the vision to be realised?

This vision cannot be realised without change:

- Opportunities for older people to work for longer will have to improve to provide for a decent income in later life. As people live longer, and on average stay

healthy for longer, they might be expected to use some of this extra time for work and take some as leisure. Separately, greater prosperity might lead to people working for fewer years, although this effect is unlikely to be huge. Each individual will make their own trade-off, but the present trend – of much fewer working years as life expectancy increases – is unlikely to be attractive to most people if they are making free, undistorted and well-informed choices.

- The very concept of ‘retirement’ needs to be challenged. Retirement fits well with a situation where leaving one’s lifelong job is associated with the end of one’s working life. This is an increasingly inaccurate description of what happens. It would be useful in the short term to blur, and in the long term to abolish, the concept of retirement. The alternative is a labour market in which people:
  - move from job to job more frequently than now;
  - update their skills more often;
  - are in a better position to deal with redundancy or firm closure;
  - receive effective help with job search;
  - are able to downshift towards the end of their working life if they wish to;
  - can find a combination of work, volunteering, caring and leisure which suits them, with the mix changing gradually as they reach and pass the age of 65.
- Likewise, there is a need to reconsider how the system of pension provision affects the build-up of pension rights and the pattern of retirement behaviour. Saving for later life is made in a variety of ways as opportunities to invest in equities, property and portable pensions have become more widespread: such saving need just be

through state or occupational pensions. The 'model' of pension provision in which individuals accrue rights during continuous employment up to a 'fixed' retirement date, whether through the state scheme or an occupational scheme, is of less relevance now that the labour market has become more flexible and as new opportunities for saving arise. There is a need to continue to enhance the portability and compatibility of pension schemes, and to encourage opportunities for flexible retirement in which continued work (perhaps of fewer hours) is compatible with both pension receipt and continued saving in other investment vehicles.

- Barriers to community involvement need to be broken down. In particular, barriers of information, social culture, and the availability of opportunities that appear to make volunteering a largely middle-class phenomenon, need to be addressed.
- The image of older people needs to change. Society needs to take a more positive view of older people, and older people need to be enabled to have more confidence in their own self-worth.
- Perverse incentives and other distortions should be removed – for example, those that encourage managers to use early retirement as a means of shedding workers without facing the financial consequences of doing so on their own budgets.
- Access to information should be greatly improved:
  - Older people should have a good feel for future options in and out of the labour market before they leave their previous job;
  - people should be aware of the consequences of moving from unemployment to inactivity; and

- people should be better informed about the opportunities and rewards from volunteering.

The opportunity to contribute to society is inextricably linked with society valuing that contribution. It entails, at least, a need for people to have a self-image that enables them to contribute and a sense of what they can contribute. Older people will not feel fully valued until there is a culture change away from 'youth is best' to 'all ages are good'. Such culture shifts are the most difficult to achieve. But older people can help to facilitate such a shift by exercising their power as consumers, voters and citizens.

### 5.3 The kind of action that the Government can start taking

These changes cannot be achieved overnight, nor can they be achieved by the Government alone. But the Government can take a lead, first by ensuring that its actions are compatible with an active older population, and second by setting an example to others in enhancing the role of older people in work and society.

Chapters 6–9 set out, respectively, how the Government can influence the overall culture, what it can do to help older people remain in work, how it can promote a return to work for those who have left, and how it can encourage older people to get involved in volunteering. The tools it can use for these purposes can be summarised as falling in three main categories:

- The way it runs public programmes to assist people to work. The Government is heavily involved in education, training, job search, counselling, and many other services affecting people in and out of work.



Many of them are unevenly used by older people, and the programmes do not always encourage them to take part. The relevant departments and agencies should actively promote a more even take-up, especially of services to help with training and employment.

- The conditions under which it gives out money that may influence older people not to work. In particular, benefits regimes have a powerful influence on people's work incentives. The large number of older people without work who have moved onto Incapacity Benefit are strongly influenced by the degree to which the benefits system encourages them to engage in paid or unpaid activity – which at present is not at all. The Government also has a financial lever over occupational pensions, which it subsidises through tax relief on contributions. It has considerable potential to remove some of the distortions, for example in terms of imperfect signals, that encourage many people with such pensions to retire early.
- Other measures that influence overall attitudes towards and treatment of older people. Some of these measures can involve specific carrots and sticks – such as giving money to schemes that use older people as volunteers, or (potentially) passing laws against age discrimination in employment. Others are more voluntarist, such as working with employers to demonstrate the value of hiring more older people. One of the most powerful influences is to lead by example: if the Government as an employer recognises the potential of older workers, it will sound more convincing when it invokes others to do so.

## 5.4 What outcomes would indicate whether the vision had been achieved?

The long-term vision is to create greater opportunities, more choices and a reduction in the distortions affecting those choices. As such, the outcomes from the vision are mostly in 'soft' qualitative terms: eg whether fewer people feel they have been constrained from exercising their preferred choices, and whether there continues to be a culture where leaving work for good in one's 50s is an aspiration.

If people make an undistorted choice to do less paid work than now, and live on the lower income that implies, that would be consistent with this vision. It is therefore possible in theory that fewer older people in work would not be of concern. However, the evidence presented above on the incomes and aspirations of non-working older people makes it likely that employment among older people would be rather higher if people's choices were undistorted, well-informed and real.

Therefore, a number of more quantifiable indicators, are likely, but not bound, to change as a result of achieving this vision. These can be monitored as at least strong clues as to whether things are moving in the right direction:

- more people over 50 in employment;
- more people over 50 volunteering. This would result from better information about the opportunities and rewards from volunteering (including widespread awareness and correct application of the benefit rules), and better rewards for volunteers. These rewards could be in the form of enhanced recognition and/or more tangible, such as free access to certain services or stipends;

- a more even age profile in the workforce;
  - a more even age profile of people who leave their jobs when a firm restructures;
  - more workless people over 50 moving back into employment;
  - fewer people over 50 moving from unemployment to economic inactivity;
  - more opportunities for people to downshift;
  - more opportunities for people to mix paid and unpaid work in later life;
  - people making informed choices about giving up paid work, including awareness of likely pension income (and the amount they are forgoing by giving up work).
- of no increase in the employment of older workers;
  - a failure to meet at least one of the indicators of success in the Government's anti-poverty strategy;
  - greater difficulty in meeting the objective for overall employment rates and the number of workless households;
  - other likely outcomes include lower GDP, more poverty, more people receiving Incapacity Benefit, and more people on the pensioners' Minimum Income Guarantee than otherwise;
  - volunteering rates for the over-50s will remain low.

The Government's anti-poverty strategy<sup>49</sup> included the first and third of the above as indicators of success in '*building a proactive system to help people into work*'. It looks for – '*An increase in the employment rates of ... the over-50s – and a reduction in the difference between their employment rates and the overall employment rate*'.

## 5.5 Is change needed? The consequences of not changing

Making forecasts of the future is inherently difficult, but a broad picture of the implications of doing nothing emerges from Chapters 3 and 4. Without changes in policy or culture, one would expect to see:

- employment rates among people over 50 staying low, not improving and probably falling a bit further;
- 4 million workless people aged between 50 and State Pension Age in 2020, against a background of fewer younger people in the workforce. This follows from the known demographics and the prediction

## 5.6 Priorities along the route

The conclusions that follow encompass many different types of measure aimed at a highly diverse group of people. Such a broad strategy is needed to address the objective of a step change in the way that older people are valued and in their opportunity to contribute. But within the 2.8 million people not working between 50 and State Pension Age, should there be a priority to help certain groups? Two issues that arise are, first, should poorer or richer groups be helped as a priority and, second, should the Government concentrate on helping the existing 2.8 million not working, or on preventing fresh generations from drifting away from work as they get older.

### *For richer, for poorer*

People are leaving better-paid and worse-paid jobs in roughly equal numbers. To simplify greatly: should the priority be to create conditions that reduce the number of professionals retiring prematurely, or to help former manual workers to retrain in order to remain employable? Each can produce

<sup>49</sup> *Opportunity for all: Tackling poverty and social exclusion*, DSS, 1999



significant benefits. The loss of both types of worker can harm the economy. Both cost the Exchequer money: the rich more through lost taxes; the poor more through benefit payments. The biggest difference is the potential impact on individuals: workers displaced from lower-status jobs are more likely to end up poor than professionals taking early retirement.

There is a debate about whether the Government should be concerned about freely chosen departure from employment by people choosing leisure over work, and not dependent on benefits, because of the knock-on reduction in GDP and tax revenue. Such concern is legitimate although its logical conclusion – that people should meet those costs before they can leave – is untenable. The alternative response is to provide incentives for people to stay in work. For the most disadvantaged groups this is in practice what the Government has already done through the New Deal 50plus. But it is difficult to see as a priority providing significant positive incentives for the minority of well-off voluntary leavers when the number of those who want and need to work are so great.

Different approaches are therefore required for each group.

In the case of better-off people's decision about how long to go on working, the main task is to ensure that the choice is real, is made on a neutral basis and in an environment in which their potential contribution continues to be valued as they get older. Such a strategy requires decisive changes in signals and attitudes and removal of perverse incentives where they arise but will not necessarily cost much money.

To help support the training, job search, counselling and other needs of poorer

people who are displaced, on the other hand, will require more significant resources. So in terms of resource allocation, measures to help poorer people access work is the key priority.

### *Do not write off the 2.8 million*

A new culture in which older people are more valued in work, with fewer incentives to leave it and continuous updating of skills, would in the long term reduce the proportion out of work by improving both retention and re-entry into work where displacement does occur. Once people become detached from the labour market, it is more difficult to find their way back. But this does not mean that the Government should give up on strategies for those who have already been displaced. Clearly those who have gone voluntarily, or retrospectively rationalised an involuntary decision as voluntary, may be unlikely to change their minds now. But there is also evidence that a significant proportion of workless people of working age would like the opportunity and support to become more active and that the services to help them could be improved. Moreover, there is no concrete evidence to support assumptions that some people have become impossible to help, and there is an urgent need to know more about who can be helped most cost-effectively and in what ways. One set of pilots – the New Deal for Disabled People – currently deals with the existing rather than just new claimants, but reliable evaluation evidence is not yet available.

A culture change must therefore address equally what happens to people in work as they get older and the potential of people at any age to start on new jobs, careers or self-employment. Even if the flow of today's older people back into work is initially limited, helping at least some of them to demonstrate their potential should be an important priority.

## 6. WHAT THE GOVERNMENT CAN DO NOW: PROMOTE CHANGE IN ATTITUDES AND PRACTICE

### Summary

Without a step-change in attitudes, efforts to raise employment rates for over-50s will fail. The Government can contribute to such change:

- **First, through positive messages: by taking a high profile in persuading society, employers and older people themselves that those over 50 have much to contribute.**
- **Second, through persuasion, guidance and, if required, regulation: laws to prohibit discrimination against older workers will be needed unless the present voluntary code produces tangible results.**
- **Third, through action as an employer: it can set an example by allowing civil servants more flexibility over when and how they retire, and bringing age squarely into its equal opportunities practices.**

This chapter argues that attitudes have made an important contribution to the problem of falling employment rates among older people, and that a Government strategy to address the problem needs to be underpinned by measures to change the way older people are regarded.

Section 6.1 looks at how the attitudes of employers, of older people themselves and of society have influenced falling employment among the over-50s.

Section 6.2 advocates a general strategy to change social attitudes.

Section 6.3 looks at how the Government can change employers' attitudes and behaviour, through persuasion, guidance and regulation.

Section 6.4 argues that a key role for Government is to act as an exemplar through its own action as an employer.

### 6.1 The importance of culture and attitudes

Research shows that British employers hold views about both young and older people that are not supported by objective evidence. They attribute certain negative characteristics to older people, including resistance to change and lack of ambition. They also appear to attribute certain positive characteristics, including stability, reliability, commitment and responsibility<sup>50</sup>, but the negatives tend to outweigh the positives in influencing behaviour. As a result, many

<sup>50</sup> Taylor and Walker, 1994, op. cit.



employers see older people as suitable only for a particular range of employment, eg routine clerical work, cooks, porters, tedious jobs, and counselling and caring.<sup>51</sup>

The fact is that age is not a sound basis on which to judge ability to work or learn. Even though people change as they age, they do not all change in the same way, at the same speed or to the same extent. Some will change for the better and some for the worse, and that judgement will in itself be different in respect of different activities. It is essential, therefore, that people should be judged on the basis of ability and not age. Moreover, insofar as it is possible (though potentially misleading) to assess older workers as a group, evidence shows that their productivity and return to employers is no different from younger ones.

Employers' stereotypes about age influence decisions about recruiting, training, promoting and releasing workers.

These practices are damaging the prospects of older applicants for jobs – particularly those

who have experience of unemployment or redundancy, which employers often take as a sign that something is wrong with the applicant.<sup>55</sup>

Some employers are now re-examining their approach to older people, particularly in sectors where firms perceive:

- that downsizing has left them with insufficient experience and knowledge, often called 'corporate memory loss';
- that there is advantage in a workforce that reflects the diversity of their customer base; or
- that older workers might bring particular advantages.

Some financial services firms, for example, now accept that a customer may feel more comfortable buying a mortgage from someone who has some experience of property owning. The increased political interest in age discrimination may also have had an impact. The rate of improvement, however, is slow.<sup>56</sup>

Employers' view <sup>52</sup>	Employers' behaviour <sup>53</sup>
<p>'We find people approaching retirement age cannot or do not want to cope with the pressure of our business and the technology involved.'</p> <p>'Older workers are more reliable, pleased to have the work but are less flexible than younger ones.'</p> <p>'We would be happy to employ experienced older people provided they are flexible in approach and prepared to adapt with IT.'</p>	<p>More than 1 in 3 employers believe that employing younger people incurs lower costs than employing older people.</p> <p>Almost 6 in 10 employers believe that younger employees fit in better with the company's workforce.</p> <p>1 in 2 employers believe that employers should be allowed to advertise jobs specifying the age of the person they would like to hire.<sup>54</sup></p> <p>2 in 5 employers take age into account when recruiting.</p>

<sup>51</sup> *Older Workers: Employers' Attitudes and Practices*. Metcalf and Thompson, IMS Report No 194, 1990

<sup>52</sup> Employers' views expressed in written Active Ageing consultation, 1999

<sup>53</sup> Survey of 500 members of Institute of Directors by NOP, 1999

<sup>54</sup> Metcalf and Thompson, 1990, op. cit.

<sup>55</sup> *Why have older men stopped working for Britain?* by R. Disney in *The State of Working Britain* edited by P. Clegg, 1999

<sup>56</sup> *The Fifties Revival*, Kodz and Kersley. Institute for Employment Studies, 1999



### *Box 6.1*

Nationwide Building Society adapted recruitment practices to broaden the age range of new employees. As a consequence, the company reports lower staff turnover, lower recruitment costs and higher productivity.

NatWest Group Plc implemented a job reduction programme that did not rely upon age-related criteria. The business reports success in achieving the necessary job reductions, but in doing so, says it maintained its corporate image and reputation, retained a motivated workforce and avoided the unnecessary loss of essential skills, abilities, and 'corporate memory'.<sup>57</sup>

Employers are not alone in holding negative attitudes about older people. They also exist among older people themselves and in society as a whole. Monitoring of television output shows considerable under-representation of older people on television.<sup>58</sup> Advertisers are often reluctant to target older people even though they hold a significant proportion of disposable income. There has been recent publicity suggesting that older people feel discriminated against in the provision of care by the NHS.

Older people also perceive that the Government itself issues very strong messages about the importance and potential of young people, justified in themselves, but not always matched by messages about what older people have to contribute. Many of the

### *Box 6.2 Older people have clear perceptions of employer attitudes and these can affect motivation and job-search activities.<sup>59</sup>*

'You just put over 50 on your CV and that's it, it closes the doors. It's very scary. It's terribly depressing. It doesn't matter what skills you've got, it doesn't seem to count when you put your age down.'

'It doesn't matter how much experience you may have. When you mention your age during a job interview, the lights go out. Nobody wants to know. They say they would like to employ you but feel it's not worth it, having to go through the same procedure again in a few years time.'

'I am personally willing to take a considerable drop in salary in order to obtain employment. The reports I get back from the employment agencies say that prospective employers will not entertain me as they feel I will grow bored with menial tasks and leave them. They therefore do not even put my name forward.'

'When I was forced onto the employment market I was quite surprised how difficult it is for the over-50s. I would have thought that a chartered engineer with a first class honours degree ... and above average experience would have been in demand. But clearly I was mistaken.'

'... no-one is interested in employing anyone over 50, they think our brains stop functioning when we get to 50, they have some stupid notion that we are past it and although they won't say it, it is one of the greater reasons why no-one will employ me ... bosses will always find an excuse.'

<sup>57</sup> *Age Diversity in Employment – guidance and Case Studies*. DfEE 1999

<sup>58</sup> *Older people on television: a report for the BBC and Age Concern England, Age Concern England 1998; Too old for TV? The portrayal of older people on television, Age Concern England 1999*

<sup>59</sup> Respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999 and correspondents to the government



messages from Government are about what is being done for older people and at what cost, reinforcing the idea that they are a drain on society rather than a resource.

Many older people have come to accept as inevitable that they cannot work because of

out-of-date skills, of being overtaken by technology, of failing health and of limited job opportunity. In the sphere of voluntary activity they are suspicious about being found something to fill their time rather than having their value as a resource recognised and put to good use.

### *Box 6.3 Strategies for change: Europe's older workers*

Some European countries have brought efforts to retain older workers to the centre of Government policy. A striking case is that of Finland. The second half of the 1990s saw a dramatic shift of population from the 24–49 to the 50–60 age group, raising the number of people in their 50s by about a quarter. To boost Finland's lower than average work participation among this age group, the Government launched a high-profile Programme on Ageing Workers, running from 1998 to 2002.

This programme:

- brings together 40 projects across government, led by the Social Affairs, Labour and Education ministries, also involving Trade and Industry, Finance, Agriculture and organisations representing local government, unions, employers, social insurance agencies, pension funds and occupational health initiatives;
- puts great emphasis on information and campaigning, by carrying out regular surveys of older workers and the contribution they are making, and giving a high profile to research into their capacities as workers;
- also emphasises occupational health, providing training to professionals and to employers (especially in small- and medium-sized businesses) that helps address older people's needs. This is understood to be at least as much about 'mental coping' as about physical health;
- publicises the availability of part-time pensions and makes them available from age 56 rather than 58;
- reforms the approach of employment services to orient them more to older people's needs;
- leans on employers to provide more flexible working time arrangements.

Together, such concerted efforts are aimed at affecting public attitudes and behaviour.

A similar objective lies behind initiatives in The Netherlands, co-ordinated by a National Age Discrimination Office (LBL) set up in 1994. As well as pressing for and commenting on the terms of age discrimination legislation, presently in Parliament, the organisation promotes positive 'imaging' of older people, by working with employers and the media to counter stereotypes. This campaign brings together information and materials that allow people in authority (including government) to test their notions of age characteristics against objective reality.

Research in the USA has identified ‘institutionalised ageism’;<sup>60</sup> there are clear indications that it also exists in Britain. It is reflected in common phrases like ‘youth is best’ or ‘giving way for a younger man’. It may be argued that society has developed and endorsed the negative stereotypes of older people attributed to employers.

Thus, older people in Britain experience a negative culture that costs everyone. It costs the economy, the employer, the individual and society. It is a no-win culture and the effect of all the measures proposed in this report will be limited unless it starts to change.

## 6.2 Changing social attitudes

This study recommends a package of measures to promote changes in attitudes and practices towards older workers (Sections 6.3 and 6.4), to support them in remaining in work (Chapter 7) and to help and encourage them to re-enter employment (Chapter 8). Such action should itself help to improve attitudes towards older people.

But, in addition, to underpin the package, the Government needs to develop a strategy for sending some positive messages about the role of older people in society. This might involve:

- clarifying the Government’s vision of the role and value of older people in society;
- making sure Ministers send consistent and positive messages about older people;
- a media campaign promoting positive images of older people and their potential contribution – how many people, for example, know that, in November 1999, 10 out of 20 Premier League football managers were over 50?;
- developing a consistent policy, based on consultation, on how to refer to older people: terms like old age pensioner or senior citizens are not seen as promoting a helpful image.

This programme could be driven by the Inter-Ministerial Group on Older People. But if this group is to succeed, its agenda must include both what older people have to offer as well as what the Government is doing for older people. It also needs to have a higher profile, a clear remit and central backing from within Government. One way of signalling Government interest in and raising the profile of older peoples’ issues would be to appoint a Cabinet Minister as ‘champion’ for older people to chair the Inter-Ministerial Group on Older people and take ownership of this agenda.

Other ways in which the capacity of the Inter-Ministerial Group might be enhanced are through;

- an enhanced secretariat. The Group may need an increase in dedicated, cross-departmental resource in order to manage such a programme and to monitor and drive the other recommendations made in this report
- considering how the cross-cutting objectives of the Group can be brought to bear on the personal and departmental objectives of its members and reflected in the wider machinery of Government. A new Cabinet ‘champion’ chairing the Inter-Ministerial Group on Older People will wish to consider how that Group’s remit should be reflected in the Public Service Agreements of the departments who are represented and in the objectives of the Ministers who are members.

<sup>60</sup> Productive Ageing – An overview of literature Caro et al, in *Journal of Ageing and Social Policy*, Vol 6(3), 1994



**Conclusion 1:** The Government should develop a strategy for setting out its vision of the role and value of older people in society.

**Conclusion 2:** The Prime Minister should appoint a champion for older people at Cabinet level who could signal the importance of these issues to the Government and help drive this strategy forward as Chair of the Inter-Ministerial Group. The Champion should be supported by officials from across a wide range of Government Departments.

- considers how national messages can be effectively backed up by follow-up help to encourage action among this group;
- makes links where possible with other sources of advice and help for employers as part of a strategy of integrating the various forms of assistance available;
- includes messages not only about the merits of employing older people, but also about the need to prepare for the demographic changes on the horizon and maintain the skills of workers who are not yet 50.

## 6.3 Changing employers' attitudes and behaviour

### *Put more effort into promoting age diversity*

As part of this programme, there needs to be a more focused campaign to persuade employers to change their behaviour. The Department for Education and Employment (DfEE) first launched a campaign for older workers in 1993; in recent years it has fallen into abeyance. A 1995 evaluation of the scheme, based on the views of employers and older workers, concluded that it should not be regarded as just another short-term scheme, but should be continued with as high a profile as can be sustained within the budget available. There is a good opportunity to launch a new campaign in conjunction with the promotion of the Government's Code of Practice on Age Diversity which was launched in June 1999.

**Conclusion 3:** DfEE should launch a new campaign for older workers in conjunction with promoting the Code of Practice on Age Diversity. DfEE should ensure that the scheme:

- pays particular attention (as the evaluation recommended) to small- and medium-sized private employers;

**Conclusion 4:** DfEE should consider the case for an award for employer diversity. DfEE should consider offering an award, similar to the Queen's Award for Industry, not just for compliance with the Code of Practice on Age Diversity, but more widely for achieving diversity and flexibility as a model employer of the new millennium.

### *The case for age discrimination legislation*

Voluntarist approaches, such as improved information and guidance to employers, will no doubt assist them in managing a more diverse workforce. There remains, however, a strong belief that in respect of age discrimination a voluntarist approach via the Code of Practice on Age Diversity does not go far enough. The Government should, therefore, consider carefully the case for age discrimination legislation.

The international evidence on the effectiveness of age discrimination legislation is by no means decisive. The USA, France, Canada, Finland, Spain, Australia and New Zealand have age discrimination legislation. Of these, the USA and New Zealand have lower unemployment and inactivity rates for the over-50s than the UK. The others have higher rates. Legislation has not



### *Box 6.4 Age diversity in employment – a voluntarist approach*

Launched in June 1999, the Government's Code of Practice on Age Diversity helps employers to ensure that they are not discriminating on the grounds of age. The Code, which is non-statutory, was developed with help from some key partners including the TUC, CBI, Age Concern and the Employers Forum on Age.

The six key areas covered by the Code are: recruitment, selection, promotion, training and development, redundancy, and retirement.

In these areas the Code sets clear standards against which employers are encouraged to review their current position.

The Code is supplemented by guidance and case studies to assist employers in conducting the reviews and in implementing the principles set out in the Code.

The Government has developed plans for the evaluation of the Code of Practice by 2001. This involves independent research to gauge the levels of awareness of the Code among employers and individuals and its effectiveness.

obviously reversed the trend in levels of activity among the over-50s in those countries that have adopted it. In most of these countries participation rates of older people have continued to fall. But it is not known whether it would have fallen further without legislation.

There is, however, some positive evidence from the USA. Legislation was passed there in 1967 and progressively strengthened, most recently in the mid-1980s. Since the mid-1980s the decline in post-retirement age employment rates has been sharply reversed and the fall for 50 – 65s has levelled off and very recently started to rise.

Some state by state analysis has also been done in the USA which compared states with and without age discrimination legislation before 1967, and states whose legislation went beyond the federal legislation with those whose did not after 1967. The findings suggest that age discrimination legislation does improve the employment of those covered, without reducing the employment of younger groups. It estimates that

participation rates have improved by up to 9 per cent for the over-60s and up to 4 per cent for groups under 60 covered by such laws.<sup>61</sup>

It is equally difficult to demonstrate conclusively the impact of other forms of anti-discrimination legislation. Most people take the view that the position of women and ethnic minority groups would be worse without existing legislation, even though there is no formal evaluation to prove it. This study has heard convincing evidence from employers who changed their behaviour and put new procedures in place to avoid falling foul of new provisions when those Acts were introduced.

The body of cases under each Act also shows that behavioural change has been achieved. To give just one example, the project team has been told about a case early under the Sex Discrimination Act in which a junior civil service case-worker challenged a major government department's statement that it would not be possible to offer her a part-time job after maternity leave. A case of that

<sup>61</sup> Age Discrimination Laws and Labor Market Efficiency, David Neumark and Wendy A Stock, National Bureau of Economic Research Cambridge, July 1997, NBER Working Paper 6088



sort will have had a major effect on that department's policy toward part-time work opportunities.

Employers give surprisingly mixed signals about age discrimination legislation. Predictably many employers consulted were firmly opposed – although not optimistic about achieving change in any other way. However, a representative survey of 500 members of the Institute of Directors conducted in June 1999 by NOP,<sup>62</sup> showed 63 per cent of employers in favour. In this study, businesses with 1–100 employees were very strongly supportive of legislation but employers of all sizes were on balance more likely to support legislation, in principle than to oppose it. In September 1995, research among nearly 1,700 members of the Institute of Management found that 85 per cent of respondents were in favour of comprehensive employment protection legislation on age, comparable to race or gender legislation.<sup>63</sup> The Federation of Small Businesses has also expressed support for legislation provided it is clear and simple. Some employers would prefer the clarity of legislation rather than feeling they did not know where they stood with a voluntary Code of Practice and extensive guidance. This may also link to a desire to see all the various discrimination Acts combined so that there is one set of clear demands on employers.

Countries which have adopted age discrimination legislation have followed a variety of different models. Some allow the retention of mandatory retirement ages; others, notably the USA, do not. Potential models range from low intervention, where a principal purpose would be the sending of a message, to higher intervention that would have a more immediate impact on behaviour and produce more cases and redress.

Further work needs to be done on the various models, their potential application to this country and costs. This should be done in as close consultation as possible with employers and employers' organisations. On the question of abolition of mandatory retirement ages there is some evidence emerging in the USA which suggests that abolition of mandatory retirement age has worked there while most pensions schemes were defined benefit schemes (and so matured at a fixed point). Problems may now be emerging, however, as more companies are moving to defined contribution schemes where there is continuing incentive for the employees to remain in work. While removal of artificial age barriers is a long-term goal in our vision and removal of mandatory retirement ages should remain on the agenda, any legislation introduced in this country in the short term should not seek at this stage to prevent mandatory retirement ages. It will be important to continue to watch the US experience and consider further at a later stage.

There is some activity in the European Union on various forms of discrimination including age. Article 13 of the Treaty of Amsterdam extended EU competence in the field of equal opportunities, previously limited to gender, so that the Council of Ministers may 'take appropriate action to combat discrimination based on sex, racial or ethnic origin, religion or belief, age or sexual orientation'. The European Commission published three proposals under this Article in November 1999, including one dealing with direct and indirect discrimination in employment on all of the grounds covered by Article 13 (except sex).

<sup>62</sup> NOP survey of 500 IoD members, 1999

<sup>63</sup> Breaking the barriers – A survey of managers' attitudes to age and employment, Arrowsmith and Goldsmith, 1996



It will be important to monitor developing EU proposals and to consider the extent to which they meet the potential need identified for legislation in this area. At present the proposals are, in a number of respects, inconsistent with the UK Code of Practice. It will also be important to bear in mind that agreement of the EU proposals will be subject to unanimity and negotiations are likely to take some time.

The conclusion that this study has reached is that age discrimination legislation would have a positive effect on British culture and would build – as other discrimination Acts have – on a growing sense of public interest and concern about the issue. The scale of the impact on employers' behaviour is hard to measure and would depend on the model of legislation adopted. But the absence of legislation on age, when it exists for gender, race, and disability, sends a powerful message that age discrimination is taken less seriously.

#### Conclusion 5:

- **The Government should make clear that it will introduce age discrimination legislation if evaluation of the Code of Practice on Age Diversity shows that it has not been effective.** That is, Government should decide to legislate unless a clear shift in attitudes and behaviour has occurred.
- **The process of evaluation should be transparent and command confidence.** In particular, it should recognise the demographic changes that will increase the number of older people available for work over the next two years and consider further the appropriate means of involving existing champions.

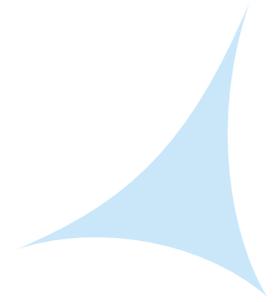
- **In the meantime, the options should be researched.** DfEE should put in hand work to research, develop and cost the preferred model of legislation, in close consultation with employers and employers' organisations and with the outcome timed to coincide with the evaluation of the Code of Practice. This should also look more closely at the models adopted in other countries and what impact they have each had.
- **If plans are developed for any wider, consolidated anti-discrimination legislation, age should be included as an issue.**

## 6.4 The Government should set the standard as an employer

The Government employs almost half a million civil servants. While private employers do not necessarily follow public employment practice, it is hard to persuade them to act on principles that the Government is not applying itself. Much of the Civil Service is adapting its practices in the light of the Code of Practice on Age Diversity, but further work is clearly required.

A key issue, and one which is being addressed by businesses in every sector, is how to provide flexibility for employers and employees to manage a process of retirement, rather than the current cliff-edge departure whereby at 59 you may be deemed useful and competent but on your 60th birthday your services are no longer required.

An important part of the answer is to provide more options for employees over 50 to work in different ways and at different levels towards the end of their working lives. Chapter 8 considers this area more generally



but there are steps that Government can take as employer that could have a positive cultural effect.

The Principal Civil Service Pension Scheme (PCSPS) already has within it significant flexibility to allow downshifting in grade or hours. Despite the availability of these options, however, and the messages from older people that many would like to find new ways of working later in their working lives, they are not well known or seriously considered by management as an alternative to early retirement. The culture is more comfortable with a clean break than, say, a 55-year-old moving to part-time or consultancy work, or taking a lower-stress, lower-status job – even though this could be cost effective for the employer and provide the employee with a bridge into retirement.

Another tool for creating such flexibility in the interest of employers and employees, and which many private sector businesses are implementing, is to create pools of people retired from full-time service who are available for project work or to help the business manage peaks in workload.

**Conclusion 6: Consider ways of increased downshifting in the Civil Service.** Promote measures to improve options both for staff and their managers, especially where overall staffing is being cut.

**Conclusion 7: Consider creating a work pool of retired civil servants.** Such a pool of staff, available for consultancy, project or temporary in-house work, could operate at all grades, within departments and across the Senior Civil Service. There might be a case for contracting to provide a more ambitious interdepartmental scheme which would allow for a greater range of options, including matching ex-staff who do not live near their original department with local needs.

Retirement age is also a key issue.

Departments and agencies have authority to determine the policy on normal retirement age for their own staff. In practice, most continue to operate a retirement age of 60. Although most Departments have arrangements to allow staff to work beyond that age in certain circumstances, for the majority of staff 60 years remains the effective age of retirement. In 1998 only 1.9 per cent of staff employed in the Civil Service were aged 60–75 years, compared with 3.6 per cent in 1988. Increased longevity brings the logic of such a retirement age increasingly into question, as many businesses are realising. There are also good equal opportunities and business reasons for allowing people to work on the basis of their competence, not their age. The DfEE is already leading the way in reform by giving all its staff below the Senior Civil Service the option to work up to 65.

Allowing civil servants who want to work until 65 to do so will, as in any business, raise some sensitive transitional issues – not least in relation to sustaining recruitment and managing other objectives, such as bringing on able staff more quickly. These can best be managed over a period of some time.

**Conclusion 8: Each government department should look at the case for allowing its civil servants to retire at 65.** A diagnostic exercise for each service should establish the implications and business benefits of an optional retirement age of 65 years and of increased flexibility in retirement provisions. These should consider the impact on the service of the falling number of younger people of working age and the composition of the department's or service's customers as well as the service's existing workforce. Departments may also wish to survey staff to find out how many would favour such flexibility and how many might expect to make use of it.

Following the diagnosis, departments should be asked to develop clear action plans to achieve the objectives arising from their review. Whilst departments may wish to conduct their reviews at their own speed, they should report their conclusions to the Cabinet Office by 30 September 2001.

One issue to which departments and agencies should pay particular attention is whether to recognise short service as an interim measure. There was at one time a Civil Service-wide short service concession which allowed departments and agencies to retain staff whose normal retirement age was 60 until such time as they completed 20 years' service or reached the age of 65, whichever was the earlier. This was overtaken when the Cabinet Office delegated to departments and agencies wider discretion to determine the normal retirement age for their own staff. Although in one or two departments the provision has been incorporated into contracts of employment, few departments or agencies now operate it.

This concession is particularly relevant to women returners whose years of service are shortened by a career break entitlement and who will be left more exposed between 60 and 65 (as men are now) by the effect of the harmonisation of pension ages progressively up to 2020. Government policy places emphasis both on people saving for their own retirement and on family-friendly working practices. The recognition of short service as part of departments' and agencies' policy on normal retirement age would contribute to both of these goals.

**Conclusion 9:** Civil Service departments should consider whether a short-service concession for those with less than 20 years' service should form part of its policy on normal retirement age as an interim measure.

'All these "family friendly" initiatives, although doubtless of great help and support to those with young children, do nothing for those whose children are grown and (usually) gone. When I joined the Civil Service in 1985, the lower grades at least could stay until 65 but that right has been eroded over the years and now all must leave at 60. Many, mainly women, will have to get another job at that time because of an inadequate pension.

It is ironic that, whilst Government is busy introducing family-friendly directives to employers at large, some obviously unfriendly working practices very close to home are overlooked.'

*(Letter from a female civil servant)*

### **Equal opportunities policies**

Age was included in the equal opportunities statement in the Civil Service Management Code in April 1996. This is a welcome move but there are signs that it has not yet been fully integrated into departments' own equal opportunities agendas. One department recently circulated a leaflet offering advice about discrimination on grounds of ethnic origin, gender, sexual orientation, religion, but with no mention of age.

**Conclusion 10:** Departments should take steps to integrate age into their equal opportunities policies.

**Conclusion 11:** The Cabinet Office should develop a process for monitoring age-related employment practice. This should cover both the integration of age into departments' equal opportunities strategies and implementation of the Government's Code of Practice on Age Discrimination within departments.



### *Modernising Government*

The Modernising Government strategy recognises the need to encourage more movement in and out of the Civil Service to broaden experience and provide diversity of skills and experience. There may be a role for older workers here. Older workers, if suitable candidates could be identified, with a track record of experience and achievement behind them may find it easier to make their mark in a short secondment to a large organisation.

**Conclusion 12:** In developing this strand of the Modernising Government programme, opportunities should be targeted at workers of all ages.

## 7: WHAT THE GOVERNMENT CAN DO NOW: IMPROVE THE POSITION OF OLDER PEOPLE IN WORK

### Summary

To retain more people in work for longer, the Government can take two types of measure:

- First, promote action to improve people's ability to make a continuing contribution. Through lifelong learning they can adapt to a changing world. Through access to more flexible working arrangements they can adapt to their own changing needs. Through improvements to occupational health they can remain fit for work for longer.
- Second, the Government can reduce perverse incentives to leave work early, in particular by ensuring that occupational pension regimes present employees and managers with neutral options, and inform them fully of the cost of their choices.

Older workers have too often been encouraged to leave the labour market early, both by their experiences in work and by perverse incentives to do so. If employers offered better options in work, and if structural disincentives were minimised, older people could make more considered choices about when to leave the labour market. This chapter considers how the Government, in partnership with others, can start to promote these outcomes.

First, better in-work arrangements could benefit older people particularly through:

- more training, skill development and other forms of learning (Section 7.1);
- more diverse and flexible working arrangements (Section 7.2); and

- improvements in occupational health (Section 7.3).

Second, incentives to leave the labour force revolve around:

- occupational pension regimes (Section 7.4); and
- the availability of public pensions and benefits (Section 7.5).

### Why should employers bother?

The demographic time bomb should give employers a particular incentive to think about their working practices. The labour market will adjust bringing wages, training and working practices into line with the realities of an ageing workforce. But



enlightened employers must realise that they need to start adjusting career structures, personnel practices and options at **all ages now** if they wish to continue to retain and recruit able employees.

## 7.1 Training and skills development

### *Engage the over-50s in lifelong learning*

Obsolete skills and barriers to learning contribute to low employment rates among over-50s. Compared to their younger counterparts, older people are less likely to:

- be engaged in learning related to employment;
- receive any employer paid-for training; and
- take part in Work Based Learning for Adults programmes (for unemployed people – see Section 8.3).

Acquiring qualifications and skills – and keeping them up to date – clearly pays in the labour market. Workers with first degrees earn twice as much on average as unqualified workers. Moreover in all countries, the length of initial education continues to be the best single predictor of participation in adult learning. Since older people are most likely to have left school before the age of 18, they have also engaged less than average in learning as adults.

Older adults have largely missed out on the huge expansion of further and higher education and of vocational qualifications in the past 20 years. Efforts to promote lifelong learning can too easily by-pass older people if they gauge their success by the proportion of all adults in education and training.

But if learning no longer stops at 21, but does stop at 40, the lifelong learning objective will not have been met. The European Labour Force Survey 1997 shows that UK participation in education and training at age 50–64 is well above average but below that of Sweden, Denmark, Finland and the Netherlands.

People over 50 may also be particularly unlikely to be familiar with IT or have skills or experience in using it. A Department of Trade and Industry (DTI) *IT for all survey*<sup>64</sup> found that two-thirds of those who feel alienated by new technology are over 45. There is some evidence that people around 50 may in fact be more likely than people over 65 to lack confidence in using IT.<sup>65</sup> This can disadvantage them in the jobs market and also in accessing information on learning or volunteering opportunities all of which will increasingly be delivered via technology. Older people may need particular approaches to persuade them of the benefits of IT skills and to provide the confidence to develop them.

Information and Communication Technology (ICT) Learning Centres, starting in 2000, are a particularly welcome initiative under the wider Lifelong Learning strategy. These will allow adults and small businesses in disadvantaged communities to have access to ICT learning opportunities to develop their careers and make imaginative use of ICT in their businesses. Older people will be one of their specific target groups.

**Conclusion 13:** The Learning and Skills Council (LSC) should consider the needs of older people as part of its overall strategy. Both at national and local levels it should aim to develop a lifelong learning strategy that:

<sup>64</sup> *Is IT for all? IT for all's latest research into attitudes towards IT and take-up of new technology*, DTI, 1999

<sup>65</sup> *Older people on line: accessibility in the information age*, report by Bull Information Systems for the Internet Intelligence Bulletin, 1999

- considers the particular needs of older people – in partnership with the Employment Service and local businesses and business organisations; and
- monitors their participation and outcomes in LSC-funded programmes.

### *Improve training for older people in work*

If people wish to maintain or improve their longer-term employability, they need to ensure that their skills are still relevant and attractive to employers by updating skills through their working lives. The more recently that older people have received employer paid-for training, the more likely they are to be in paid work. However, according to the 1997 National Adult Learning Survey:

- only 9 per cent of 50–59-year-olds compared to 17 per cent of all adults had undertaken taught learning with future work in mind;
- only 14 per cent in their 50s, compared to 39 per cent of all workers, undertake learning related to their current job;
- only 11 per cent of people studying for or who had obtained NVQs were aged 50–59; about 56 per cent are under 30.

The International Adult Literacy Survey 1995/96 shows that although UK participation in employer supported training for 50–64-year-olds is second only to the USA, it is still below average relative to the 25–64 age group. This bias applies to Government as well as private provision: older workers are noticeably less likely than younger ones to receive training from either employers or Government schemes.<sup>66</sup>

As a result, older people can lack the necessary skills to retain their existing job or

make the transition from one job to another. The reasons are summarised in Box 7.1.

### *Box 7.1 Reasons for lower training among older people at work*

#### Employee

- Lack of information
- Low levels of confidence
- Poor motivation

#### Employer

- Lack of encouragement for older employees
- Perceptions about older people's ability to learn
- Anxiety about payback time

**Conclusion 14: Motivate employers to offer older staff equal access to training opportunities through Investors in People (IiP) standards.** Guidance issued to IiP assessors asks them to consider whether employers are offering equitable access to training and development opportunities for all staff. That guidance should make clearer that age should be considered, alongside current consideration of gender, ethnicity and grade.

A lack of training opportunities offered by employers can be exacerbated by older people's own attitudes. Many do not have positive experiences of learning and training and dislike classroom-based learning. There is also some evidence to suggest that older people learn differently, although not necessarily more slowly if teaching skills are right, by building upon existing knowledge. Employers need to take this into account to maximise the benefits of developing their older staff.

<sup>66</sup> McKay and Middleton, 1999, op. cit.



**Conclusion 15:** Ufi Ltd (the University for Industry) should produce practical guidance on the learning styles of older learners and appropriate ways in which to structure learning for them, including in relation to IT skills.

In a survey<sup>67</sup> in Southwark, 70 per cent of people aged 50 plus saw themselves as too near to retirement, too old, too ill or lacking the basic skills to benefit from training. Employers worry that older workers will have fewer years in which to show a return on the training investment.<sup>68</sup> But this can be misguided, since older people change jobs less often than younger ones.<sup>69</sup> So both employers and employees need to be convinced that training of people at all ages – and continuous improvement and development of staff – can benefit businesses and individuals.

**Conclusion 16:** Promote the benefits of worker learning at all ages. The new Learning and Skills Councils – at national and local levels – should work with employers and trade unions to promote the importance of lifelong learning for all workers regardless of age.

There is some qualitative evidence to suggest that less well-educated older workers in particular may be more likely to discuss their anxieties about learning with their trade union representatives than with their employers. The TUC has invested in training its shop stewards as workplace learning advisers and companies have valued this input. The DfEE's Union Learning Fund, which aims to encourage learning in the workplace, has also had a successful start – a number of unions offering advice or new

courses have been overwhelmed by demand from members.

**Conclusion 17:** The DfEE's Union Learning Fund should be promoted and increased as appropriate, so that it can spread its message about the benefits of training workers of all ages, encourage monitoring of participation and outcomes by age, and so that it can fund further TUC training of its members as workplace learning advisers.

## 7.2 Diversity and flexibility in working practices

The UK has one of the most flexible labour markets in the EU, with the most diverse working practices and hours. Arrangements such as flexitime, home-working and tele-working are attractive to workers of all ages. Companies which offer such benefits are likely to be able to attract greater numbers of able staff and keep them for longer.

But the spread of flexible working arrangements has not on the whole increased options for people in the second half of their working lives. Successive cohorts of older workers complain of increasing pressures and stress in working life.<sup>70</sup> Many would welcome the opportunity to carry on working in less pressured jobs in the same organisation or elsewhere, or the chance to try something completely new. But this has rarely been on offer or culturally acceptable – for example, very few older people are working part time in organisations for which they once worked full time. Instead they face a cliff edge – the high-pressured job that they have always done, or nothing. Presented with such a 'choice', many older workers have felt compelled to retire.

<sup>67</sup> *Fulfilling potential*, London Borough of Southwark and Peabody Trust, 1999

<sup>68</sup> Taylor and Walker, 1994, op. cit., Boerlijst 1994

<sup>69</sup> *Incentives and disincentives to early and late retirement*, Bernard Casey, Ageing working paper 3, OECD, 1998.

<sup>70</sup> *The attitudes and aspirations of older people: a qualitative study*, DSS, 1999. This research covered the attitudes of a range of older people over 50. Attitudes and Aspirations of Older people, DSS 1999.

Downshifting can take many forms – moving from full-time to part-time hours in the same job; moving to a job at a lower grade; doing consultancy work or projects for the employer for short periods of time; reducing hours worked in the years/months leading to retirement. Downshifting could also mean the opportunity to take partial retirement. However, this can be made harder for companies by certain Inland Revenue regulations. (See Section 8.4 for a more detailed discussion.)

**Conclusion 18:** The DfEE should promote the benefits of diverse and flexible working practices, including downshifting by bringing together a group of enlightened ‘champion’ employers to look at how to develop good practice in relation to downshifting in their own organisations which could then be disseminated to other employers.

### 7.3 Occupational health

Effective management of general health and workplace health and safety is an essential component of any management strategy aiming to maintain the employability of workers of all ages – it is crucial in facilitating retention in, and re-entry to, the labour market.

Working capacity in older workers can be adversely affected by a range of physical and environmental risk factors and employers need to assess, manage and control these.

Research has shown that physical work capacity declines from peak levels attained around the age of 20–30.<sup>71</sup> There is also some evidence from Finland<sup>72</sup> to suggest that older workers may be more vulnerable to psychosocial stress. Stress-related illnesses and musculo-skeletal disorders are the biggest

occupational health hazards in the UK, although their causes can stretch beyond the workplace.’ Declines in occupational and general health can, however, be slowed down or mitigated through assessment and management of workplace risks, sensible job design and considerate and flexible working practices.

About 1.24 million people aged 50–65 are currently claiming sickness and disability benefits. The flows on to these benefits have been fairly constant for the last few years but once on them, people do not leave. Clearly the best option would be to offer workers with health problems rapid assessment and diagnosis of health needs, and an effective treatment and rehabilitation service – but an individual’s chances of returning to work after a serious illness or accident are 1 in 10 in the UK, as compared to 1 in 2 in Sweden.

The single most important and welcome development in this area is the occupational health strategy for the UK which the Health and Safety Executive (HSE) is currently working on, in partnership with other government departments. It should serve as the framework under which all occupational health related initiatives should operate and through which all employers can seek advice.

**Conclusion 19:** Vigorously market the HSE’s occupational health strategy.

Employers need to understand the importance of:

- managing their entire workforce to prevent the occurrence of ill health; and
- developing sensible management practices focusing on job design, workload and working hours of their entire workforce, bearing in mind that over the next 20 years, the national workforce will be ageing rapidly.

<sup>71</sup> *Physical activity, Ageing and Health*, R J Shephard, Human Kinetics, 1997

<sup>72</sup> *Ageing, Health and Productivity: a challenge for the new millennium*, A. Griffiths, 1998



The strategy should be underpinned by the provision of an enquiry service that employers can use for advice about their responsibilities and practical steps they can take – a telephone line or an interactive website.

Musculo-skeletal disorders – primarily back problems – affect about 1.25 million people in the UK per annum. The HSE and Department of Health (DH) have recently announced 'Back in Work' pilots as part of the wider Healthy Workplaces initiative, with funding of £500,000, to tackle prevention, treatment and rehabilitation of back problems among employed people. The pilots will be delivered from next year by a range of organisations such as large local authorities, NHS trusts and groups of small firms.

**Conclusion 20:** The Government should consider increasing funding for the 'Back in Work' initiative as part of the 2000 Spending Review. Subject to the evaluation of the DH/HSE pilots in mid-2001, its funding should be increased so that its coverage can be widened and its lessons disseminated.

There are a great number of initiatives under way in the UK to tackle various health and rehabilitation issues but some lack coherent, effective links with each other. Health policy does not always include consideration of occupational health issues. Health Action Zones and Health Improvement Programmes, the DH's recent initiatives, rely on delivery through effective partnerships. But DH and HSE could also usefully explore the potential for building public/private partnerships in developing comprehensive occupational health services.

**Conclusion 21:** Partner organisations in all Health Improvement Programmes should consider whether they need to take action to cover occupational health. The occupational health needs of areas require

special attention where ill-health retirements have been a big local feature. Close links between local health authorities, the Employment Service, the Benefits Agency, DfEE, DSS, DH and HSE, Business Links, Training and Enterprise Councils, social services departments and other local partners are needed.

Health and employment-focused initiatives and the development of occupational health services are integral to many Health Action Zones. A number of employment-related projects have been approved by the Health Action Zones Innovation Fund and further proposals are being developed.

**Conclusion 22:** Health Action Zones should engage with the Employment Service and the Benefits Agency. They should build on the effective links that have been already been made, considering how best to help people back to work.

A pilot running as part of the New Deal for Disabled People (NDDP) is currently testing ways of encouraging the retention of disabled employees through rehabilitation and adjustments in the workplace. Budget 2000 announced further plans to test the effectiveness of early work – focussed help when people become ill in work. This sort of innovation is crucial in enabling people to remain economically and physically active and should be encouraged.

**Conclusion 23:** Lessons about helping sick or disabled people back to work should be widely disseminated. The DfEE and DSS should ensure that the findings of the current and future pilots inform both employers and future programmes.

About 25,000 staff working in the public sector retire on ill-health grounds each year. The estimated annual cost of each year's new ill-health retirements is now over £1 billion. Ill-health retirements are higher than in the

previous decade and there are wide-variations between different parts of the public sector. This cannot be explained on health grounds alone. The Treasury announced a wide ranging review into the level of ill-health retirement in the public sector in August 1999. It will report to Ministers in early 2000. A mixture of interventions to stop deterioration in the health of public sector staff, better specified conditions for the payment of ill-health benefits and increased efforts to find alternative duties for staff who are not fit enough to do their present jobs will be necessary to slow this trend.

## 7.4 Occupational pensions

Members of an occupational pension scheme on above-average earnings are up to 50 per cent more likely to leave their jobs earlier (in their 50s) than people with the same earnings but not in such a pension scheme.<sup>73</sup> About half the people currently leaving the workforce between 50 and State Pension Age come into this category. One of the main triggers for these departures is a decision by firms to downsize. This section shows how some features of occupational schemes cause employers to target older employees in these exercises, and discusses the extent to which the Government should intervene. The analysis is based not just on the rules and structures governing occupational pension schemes, but also on discussions with employers, across different industries and a range of sizes of company, and with their pension scheme managers, heads of personnel, and Finance Directors to find out what is happening in practice.

### *How occupational pension schemes help to increase early retirement*

Occupational pension schemes can be associated with lower employment of older people because of:

- **The wealth effect.** People with occupational pensions have a ready-made savings vehicle, and so are likely to be richer, with the promise of being relatively well-off in retirement. This incentive is not in itself perverse, but a straightforward consequence of affluence.
- **The magpie effect.** Pension fund surpluses have been used to pay for early retirement. The employer typically ends up paying (at the margin and usually with a time lag) but often this is not realised. Some firms seem to think of the pension fund as a sort of generous uncle, paying for early retirement.
- **The Nelson effect.** It is not always clear where the cost of early retirement is falling. This makes it an attractive method of downsizing. A recent survey by consulting actuaries showed that only nine of the FTSE 100 companies provided what they considered adequate accounting information about their schemes. In 1998 one privatised utility did not account for the £224 million cost of extra pensions on redundancy, whereas similar amounts in previous years had been a direct charge to profits. This happened despite the accounts suggesting that the pension fund surplus was only £60 million.<sup>74</sup> There is no suggestion that the utility's actions were prohibited by current accounting practice.

<sup>73</sup> *The Decline of Employment Among Older People in Britain*, Nigel Campbell, CASE paper 19, London School of Economics, 1999, Table 9. Further evidence about the link between leaving work and occupational pensions is in Table 5 of *The Dynamics of Male Retirement Behaviour*, S. Tanner in *Fiscal Studies*, vol. 19, pp 175-196, 1998

<sup>74</sup> *Accounting for Pensions. Sixth Annual SSAP24 Survey*, Lane, Clark and Peacock, August 1999



- **The buck-passing effect.** The costs of early retirement often do not come from the budget of the manager who takes the decision to make an offer. This makes using the pensions scheme to implement downsizing appear to be a cost-free tool at the level where the decision is taken as to who should go.
- **The feel-good factor.** Firms often seek volunteers when downsizing. This is regarded as better for morale and eases industrial relations. It is also regarded as 'kinder' to encourage over-50s to leave, rather than younger people.
- **The taxman factor.** Early retirement packages may look more attractive to over-50s than redundancy for younger people, as the Inland Revenue rules allow immediate pensions<sup>75</sup> to be paid from age 50.
- **The cliff-edge factor.** Inland Revenue rules currently inhibit downshifting, and forbid taking part pension while working with same employer.

### *A red herring: higher costs in defined benefit schemes*

It has also been suggested that employers are deterred from employing older people because it costs more to provide them with defined benefit pension schemes – ie those that promise a particular level of pension, usually linked to final salary. This did not, however, seem to be well known among the personnel managers interviewed. If anything the reverse was true: it is more expensive to make an older person an early retirement offer (or make them redundant) than a younger person. This seemed to be one of the attractions of encouraging older people to leave their jobs. Older people received

more; and the firm could present their action as relatively kind.

### *The case against radical Government intervention*

Should the Government take radical action to prevent employers using pension fund surpluses to fund early retirements? This could in theory be achieved by reducing tax relief for employers who did so, or by encouraging a wholesale shift from defined benefit (DB) to defined contribution (DC) schemes (in which benefits depend on funds linked to the individual's, and sometimes the employer's, contribution), where no such surpluses arise. Such action would not be advisable at this stage, because:

- even if pension fund surpluses did not exist at all, there is no guarantee that employer behaviour would change. In targeting downsizing on older people, employers are already making decisions which cost them money in the long term. There would be nothing to stop them taking similar decisions in the absence of a pension fund surplus;
- on the other hand, restricting employers' freedom so radically in respect of pension schemes might have the effect of causing employers to contribute less to pension schemes, or to cease to contribute at all, which would upset the Government's central policy aim of encouraging people to save more for later life.

### *Four ways of reducing distortions*

However, Government action can help reduce distortions, by improving:

- transparency;

<sup>75</sup> paid from the pension fund. This generally makes offering an early retirement package to someone over 50 more attractive than making an offer to someone aged 49 or under. BT have found a way of encouraging people to leave from age 45, by offering that a pension is payable from age 50 if the person leaves when aged 45 or more

- information;
- flexibility; and
- incentives to stay in work.

#### *IMPROVED TRANSPARENCY*

The costs of using pension schemes to facilitate downsizing should be made clear to pension fund members and shareholders. Improving transparency may not stop employers shedding older workers when they restructure. But it will ensure that everyone – managers, shareholders, trade unions and pension scheme members – know the cost of making such decisions.

Putting in the company accounts the capital cost of additional early retirement provisions would increase transparency. This could best be done by including such costs in the Profit and Loss account and also identifying them separately in a Note to the Accounts. This change – which would be achieved if the Accounting Standard Board (ASB) implemented proposals on which it is currently consulting<sup>76</sup> – does not involve any additional calculations. It is simply a matter of reporting the calculated cost more clearly.<sup>77</sup>

**Conclusion 24: Employers should be required to account transparently for early retirement.** The Government should welcome, and strongly support, paragraphs 24 and 53 of the ASB's Financial Reporting Exposure Draft 20: The capital cost of paying early pensions without reductions to reflect the longer period of payment should be made publicly available in a company's accounts (whether they are funded through reducing a pension scheme surplus or through extra employer contributions).

This would be achieved by implementing current Accounting Standard Board proposals.

Improving the disclosure in company accounts will increase the information available to shareholders, but will not normally reach pension scheme members directly. The next conclusion aims at providing more transparency for scheme members as a whole, by providing them with the same information as the ASB recommends should appear in company accounts. Conclusion 29 below will improve what an **individual** knows about their **own** pension position.

**Conclusion 25: The Best Practice Guidance for pension schemes, currently being developed by DSS, should recommend including the total capital cost of actuarially-favourable pension payments within the annual information to pension scheme members.**

Transparency could also be improved by encouraging employers in both the public and private sector to ensure that the additional cost of early retirement decisions are fully clear to, and as far as possible borne by, the department or budget unit which takes the decision. The response of local authorities to the Audit Commission's *Retiring Nature* report should in this respect be followed by other public sector bodies. There are difficulties in requiring companies to follow local authorities' practice of transferring the capital cost of early retirement offers. If the schemes are already in surplus, additional transfers to the scheme are undesirable (and may run counter to Inland Revenue rules). However, it is right in principle and some companies have the good

<sup>76</sup> *Financial Reporting Exposure Draft 20: Retirement Benefits*, ASB, November 1999. Paragraphs 24 and 53 are particularly relevant. The ASB is consulting until February 2000. If accepted, this would probably be implemented from 2001

<sup>77</sup> This change does not imply that pension fund surpluses belong to the employer. It is instead akin to information that already appears in the company's balance sheet, i.e. the accumulated difference between the pension liabilities that accrue each year and the contributions actually made



practice of making notional transfers to the pension scheme from business units that add to the scheme's costs.

**Conclusion 26:** The additional cost of paying a pension early without adjustments to reflect the longer period of payment should fall on the budget of those making the offers. This should (and could) not be imposed on the private sector; the public sector should lead the way.

#### BETTER INFORMATION

More transparent arrangements will help improve information. Alone, however, they are not sufficient for all parties to make fully-informed decisions. Pensions suffer from being complex, often thought of as far off, and people tend to place current consumption high above saving for future consumption.

DSS are already pursuing an agenda for improving pension information. They are implementing the recommendations of the DSS-chaired Pensions Education Working Group and, as announced in the Green Paper on pensions,<sup>78</sup> introducing from 2002 the facility for employers and pension providers to issue combined pension statements giving details of both state and private provision. The DSS have also established a Pension Forecasting Advisory Group to recommend how information provided to individuals could be improved further.

The following conclusion builds on the Pensions Education Working Group's recommendation that the Government

*'develop a major pensions education and awareness programme'.*

**Conclusion 27:** As part of initiatives to increase understanding of pension issues, the Government should seek to make the following facts as familiar as the Department of Health's recommended 21- or 28-unit weekly limit for alcohol:

- a man wanting to retire on £10,000 a year for life<sup>79</sup> from age 60 will need a pot of £173,000; and
- someone retiring earlier will receive less each year than someone who retires later. The amount of money needed to buy a pension of £6,000 a year from age 50 would buy a pension of around £10,000 a year from age 60 (all figures in today's prices).

Existing legislation ensures that annual statements are available to most pension schemes members, although salary-related occupational schemes are not required to issue an annual statement every year.<sup>80</sup> The legislation does not, however, make any requirements about potential actuarial reductions for early retirement (ie lowering of pensions to reflect the longer life period of payment when retiring younger), or any future real pay increases. As a result, the gains from staying in work are understated. As part of the DSS's agenda, there is a case for trying to develop some extra information to make the content even more understandable.

This information can be linked to annual pension statements, the usual annual information supplied by pension schemes,

<sup>78</sup> *A new contract for welfare: Partnership in pensions*, DSS, 1998

<sup>79</sup> with the income increasing in line with prices. The amount would be higher for a woman buying such a policy, and £215,000 would be needed if a pension would be payable to a surviving spouse. Some people feel that the returns on index-linked gilts are lower than under 'normal market conditions'. Using a real interest rate of 3 per cent for example, rather than the 1.9 per cent which currently applies, would have relatively little effect: the pot would be about 11 per cent smaller

<sup>80</sup> The information must however be made available to employees in the scheme. Most private sector schemes issue this information automatically

and/or when an early retirement offer is made.

**Conclusion 28: Build the following additional information into Best Practice Guidance for pension schemes** (in the annual information from schemes and when early retirement offers are made) and, in due course and where appropriate, into the Annual Pensions Statement:

- the effect on a person's pension of drawing a pension from age 50 or (for over-50s) at the time the statement is issued. The purpose here is to give early information about the size of actuarial reductions;
- the effect on their pension of future pay rises (in addition to the effect, currently shown, of extra service with the same firm);
- where a lump sum is payable, an estimate of what this is worth in terms of future living standards. (£10,000 would not sound like such a lot of money if it were pointed out that it could only buy an annuity worth £11 a week in real terms.)

While many private sector occupational pension schemes already provide annual pension statements to scheme members, the majority of civil servants do not receive them.

**Conclusion 29: Government departments that do not currently issue annual pensions statements to scheme members should take action to provide them as soon as possible.**

## FLEXIBILITY

There is evidence<sup>81</sup> that many older people want to reduce their hours or responsibilities

– ‘downshifting’ – towards the end of their working lives. Encouraging employers to provide more opportunities for this kind of working was discussed in Section 8.2.

Inland Revenue (IR) rules governing tax-approved occupational pension schemes generally allow sufficient flexibility for employers to implement flexible working patterns,<sup>82</sup> although not all make use of them. In some schemes downshifting will currently severely damage final pension. Where individual schemes allow such flexibility, it is often not well-known or promoted: the PCSPS is a good example of a pension scheme with good flexibilities (such as treating service before and after downshifting separately) which are not widely-known.

**Conclusion 30: The Government should disseminate good practice about downshifting.** DSS should ensure that their Best Practice Guidance for pension schemes includes (a) the flexibilities allowed by IR rules for downshifting without damaging pension entitlement, and (b) information to employees that such flexibilities are available.

Inland Revenue rules allow people leaving a company to take their pension immediately, providing they are over the age of 50. Such a pension is payable even if they take a new job. However, tax-approved schemes cannot allow people over 50 to work reduced hours and receive a part-pension to tide themselves over to retirement, while continuing to work for the same firm. The Inland Revenue has already agreed in principle to change this, although the detail needs further work. In allowing people to work for the same company while taking a pension, it may be necessary to exclude company directors.

<sup>81</sup> Two sources support this: The Fifties Revival, J. Kodz, B. Kersley and P. Bates, Institute for Employment Studies report no. 359, 1999; and respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

<sup>82</sup> Schemes may, for instance, choose the best of the last five years' salary in real terms, or the average of the best 3 years up to ten years back



The DSS contracting-out regulations define, in respect of service before April 1997, a Guaranteed Minimum Pension (GMP) which is the least<sup>83</sup> that can be paid after State Pension Age.<sup>84</sup> Some low-paid workers are not allowed to take an immediate pension if they leave work early because if they are offered an actuarially-reduced pension, they would receive less than GMP in later life. This feature would limit, for some people, the effect of the proposals to facilitate downshifting, as the regulations would not allow someone to take a part-pension early if that would cause the person to end up receiving less than the GMP. However, this limitation is diminishing automatically, as service after April 1997 is subject to different rules and no GMP.

**Conclusion 31:** The Inland Revenue (IR) should urgently review, with DSS, the rules on taking a pension while staying with the same employer.

Good information will need to be given to people considering taking up this option: it would be worrying if people took a reduced pension, worked fewer hours but unintentionally damaged their future pension entitlement. It would, for instance, be counter-productive if people sought to receive the same in pay and pension combined as they did in pay previously, without realising that they would eventually have to live on a lower pension in the future. This change to IR and DSS rules, though, should – with the right information – tend to lengthen employment and raise retirement incomes.

#### *INCENTIVES TO STAY ON*

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At a time when people are living longer, there is a good argument for raising the age at which tax-favoured pensions can be taken. The availability of immediate pensions at age 50 is a factor used by employers to encourage people to retire early, and to concentrate on older workers when there is a need to downsize. Raising the age might well have a profound effect in increasing employment among people over 50.

It is also important to recall the history of occupational pensions here. The age at which an immediate pension could be taken was set at 50 in around 1920. Life expectancy for a 50-year-old then was 72 for men and 75 for women; now it is nearly 10 years higher – 80 for men and 84 for women.

The State Pension Age for women is being raised from 60 to 65 between 2010 and 2020. This seems an appropriate time to stop favouring very early private retirement benefits.

**Conclusion 32:** IR should raise the minimum age at which an immediate pension is payable in a tax-approved pension scheme from 50 to 55 between 2010 and 2020, alongside the increase in the State Pension Age for women. This should apply to all schemes (including DC schemes and new personal pensions), which could then be taken between the ages of 55 and 80. If introduced, the provisions enabling downshifting (see Conclusion 32) would come into line with this recommendation, also being available in due course from age 55 only.

<sup>83</sup> The GMP depends on salary and length of service. It applies to salary-related pensions

<sup>84</sup> Technically, the “GMP payment age”, which is equal to 65 for men and 60 for women. Until 2010, this will be the same as the State Pension Age

## 7.5 The availability of public pensions and benefits

### *Should the State Pension Age be raised?*

Life expectancy is now nearly 10 years higher than it was in 1948, when the State Pension Age (SPA) was set at its current level. There are no plans to increase the SPA for men, but it will equalised at 65 for men and women between 2010 and 2020.

The chairman of the National Association of Pension Funds recently proposed increasing the SPA from 65 to 70. This would have a number of effects:

- it would save billions in Government expenditure;
- it would make individuals between age 65 and 70 poorer by the same amount;
- it would send a useful signal that longer life expectancy should normally be accompanied by people stopping work later; and
- it would make very little difference to employment rates.

The problem identified in this study is not that people are living longer and still leaving work at 65. It is that people are leaving the labour force earlier, and often in their 50s. So raising the SPA would have little direct effect on employment at this stage.

That said, in the long term, working lives might be expected to end later as life expectancy increases. The USA has already announced plans to raise their state pension age to age 67. Australia, Austria, Belgium, the Czech Republic, Germany, Hungary, Italy,

New Zealand and Switzerland have also announced plans to raise their state pension age. Sweden, Italy and Germany will be making automatic adjustments to pension entitlement as longevity rises.

### *Incentives to retire before or after the present State Pension Age*

The UK is relatively generous in rewarding people who work beyond the SPA and defer their pension, giving them extra benefits which are closer than in many countries to what the Government saves from their reduced life expectancy on retirement (see Box 7.2). But this has not had a noticeable effect on older people's employment rates, partly because many people retire before the SPA anyway, partly because the provision is poorly publicised and partly because state pensions are declining in importance as retirement incomes relative to private means and means-tested benefits.

However, the UK provides a considerable perverse incentive to leave the labour market early.<sup>85</sup> This consideration applies particularly to the incentives for re-entry into work, discussed in Chapter 9. A high implicit tax rate for people moving off Incapacity Benefit into work increases the case for improving work incentives in the ways discussed in Box 7.2 below.

<sup>85</sup> *Pensions and Retirement in the United Kingdom* by Richard Blundell and Paul Johnson in *Social Security and Retirement around the World*, Jonathan Gruber and David A Wise (eds), National Bureau of Economic Research, 1999. The calculations treat Incapacity Benefit as part of out-of-work income for these purposes, on the basis that 43 per cent of men aged 60–64 receive social security benefits, and most of them receive Incapacity Benefit



### *Box 7.2: Earlier or later retirement: public incentives*

Is it financially worthwhile to carry on working up to, or beyond, the SPA? The equation is, for any individual, complicated – depending on pay rates, tax rates, public and private pension structures. A recent international survey<sup>86</sup> found that various countries encourage people to leave work early in different ways. Four factors in particular can have an effect:

- the scope for enhancing one's pension by working longer. Logically, people who start to draw pensions later should have them increased to reflect the smaller number of years that they can expect to draw them. In some countries, like Italy, people who work beyond the state retirement age get no increment in return for deferring their pension. The UK and the USA on the other hand are becoming increasingly generous in giving such supplements, which broadly reflect the difference in life expectancy. But in the UK this has not yet been sufficient to encourage many people to work beyond SPA, partly because so many have withdrawn before that point;
- the age of retirement. In Europe, the UK's age (for men) is relatively high, but there is a convergence as the countries mentioned above start to raise their ages;
- the possibility of accessing retirement income before the SPA. While the UK does not give early access to the retirement pension, it is similar to some other countries such as Sweden in paying income replacement benefits, in practice, to a high proportion of people approaching that age on grounds of incapacity. It also does not require men over 60 to be looking for work in order to receive Income Support;
- the overall financial difference between working and not working at any one age. 'Replacement rates' – the ratio of out-of-work to in-work income – are generally low in the UK: the average worker relying only on the state pension can expect roughly to halve their post-tax income if retiring at SPA, whereas a French worker will get more than 90 per cent. Nevertheless, when looking at how much a man in his early 60s would gain on average from working rather than being on Incapacity Benefit, the incentives in the UK do not look so favourable. Taking all present and future taxes and benefits into account, his net gain from working is equivalent to only about 30 per cent on average of his extra earnings – an implicit tax rate of 70 per cent: one of the highest specific disincentives reported in the study.

From an international perspective, perverse incentives in the UK are not particularly strong overall, but are stronger for people in their later working years.

<sup>86</sup> *Social Security and Retirement around the World*, Jonathan Gruber and David A Wise (eds), National Bureau of Economic Research, 1999

## 8: WHAT THE GOVERNMENT CAN DO NOW: HELP OLDER PEOPLE BACK INTO WORK

### Summary

The problem for older workers is not simply that many have lost their jobs, but that few are re-entering work. Yet for the 90 per cent of non-working over-50s not actively seeking work, the Government has offered little encouragement to do so. The benefits system should seek to re-engage people who have withdrawn from the labour market by regularly contacting them. Incentives to take work can be strengthened by tax credits and better continuity between in- and out-of-work benefits. Employment services, both public and private, should pay more attention to the needs of older job seekers.

Two million of the 2.8 million not working between 50 and State Pension Age (SPA) receive state benefits designed to replace income from work. But only about 300,000 of them are actively seeking jobs. If the Government is to help improve the poor rate of job re-entry of older people, it will have to start to engage discouraged workers to a much greater extent than it has done in the past.

This chapter therefore considers the conditions within the benefits system that influence whether claimants go back to work (Section 8.1), whether it pays to do so (Section 8.2) and the availability of specific mechanisms to assist a return to work (Section 8.3). It makes recommendations about how these conditions, incentives and mechanisms might be improved.

What distinguishes non-workers over 50 is not their chance of becoming long-term unemployed, which is only slightly higher than

for younger people, but the chance that they remain out of work. They are much more likely than other age groups to move from Jobseeker's Allowance (JSA) to other benefits such as Incapacity Benefit (IB), significantly less likely to get a job, and somewhat less likely to go into education or training. Of the 10,000 over-50s who join JSA each month, half will move onto other benefits. Once they are on disability benefits, 90 per cent will never leave.

### 8.1 Conditions within the benefit system.

The present welfare system makes a cut-and-dried distinction between 'job seekers' on JSA and all other out-of-work claimants. Until recently it has given no encouragement at all to the latter to think about returning to work. By treating them as passive, while their numbers have tripled, the system has effectively written off well over a million older people below SPA. Initiatives such as ONE



and the New Deal for Disabled People (NDDP) are starting to reverse this philosophy. But much more will need to be done if they are to be offered help, encouragement and opportunities to remain active and to contribute to society.

### *Build on efforts to re-engage people claiming disability benefits*

There is an urgent need for the Government to engage actively with recipients of sickness and disability benefits and send a positive message that they potentially have the ability both to raise their own standard of living and to make a valuable contribution to society.

While there are a number of initiatives under way, they do not yet amount to a coherent strategy for this group:

- pilots of ONE have begun in 12 areas. From April 2000 ONE will require all **new claimants of any benefit** to take part in a work-focused interview at the start of the claim and when triggered by change of circumstance or passage of time. Each client will have a Personal Adviser who will work with them to help them move towards independence and work.
- the NDDP pilots in six areas since September 1998, and a further six since April 1999, have offered similar work-focused assistance to **existing claimants of sickness and disability benefits** on a voluntary basis. Take-up has been 3–4 per cent.
- the New Deal 50plus is available to claimants of JSA and sickness and disability benefits. However, it is predicted that the latter will constitute only 10 per cent of the 45,000 taking up the Employment Credit (see Section 8.3).
- the Benefits Agency is planning to pilot a Keeping in Touch scheme for IB claimants from April 2000. This will involve regular contact about changes in circumstances and level of incapacity but will also provide

a channel for information about work-related support available.

**New and repeat IB claimants** will be covered by ONE from April 2000, although repeat contact every three years, unless their circumstances change, may not provide sufficient encouragement for many.

For **existing IB claimants**, however, support is still very patchy and plans are relatively undeveloped. The current evidence about what would work is limited. ONE is only being applied to new claimants – although similar programmes abroad for existing economically inactive claimants have had good results. There is as yet no consensus on the emerging evaluation of NDDP. There is, however, an issue about balancing the urgency of providing support for existing claimants with the case for more pilots to show what works. Rolling out NDDP nationally offers by far the quickest way of establishing a support for all claimants and could provide further follow-up support for those new claimants currently passing through the ONE system.

A further issue that needs to be resolved is how narrowly to focus the engagement of ‘inactive’ older people on a return to paid work. Providing support through the Employment Service (ES) and Benefits Agency (BA) for other forms of activity such as learning and volunteering, or wider advice on life transitions, could stretch the current embryonic programmes beyond their capacity and result in confusing messages being given to both staff and clients. But at the same time, many IB claimants are unlikely to return to the labour market in the near future, but could benefit significantly from other forms of activity that contribute to society and to their own development.

The 2000 Spending Review, which will take decisions on the future direction of ONE and NDDP pilots, needs to pull these initiatives together into a comprehensive strategy.



**Conclusion 33:** Set existing programmes in the context of a strategy for engaging with all IB claimants. The Spending Review process should aim to produce an active and integrated strategy for engaging regularly both with new and existing claimants or a process of piloting and evaluation designed to lead to such a strategy.

**Conclusion 34:** Look at the costs and benefits of extending NDDP. In considering whether such a strategy should include the national roll-out of NDDP now or should continue to pilot different types of welfare to work assistance for disabled people, the Government should:

- compare the cost-effectiveness of NDDP to that of other Welfare to Work programmes;
- take into account the cost of delaying the scheme's extension until the pilots have run their course in terms of increasing numbers and detachment from the labour market, compared to the risk of going ahead with an effective, if not optimum, solution.

**Conclusion 35:** In considering how to develop ONE as part of the strategy, the Government should consider:

- **the importance of regular contact.** A gap of three years after the first interview will risk failing to engage clients of sickness and disability benefits for whom the first interview was poorly timed or simply not sufficient. The chance of a person finding work deteriorates sharply the longer they have been on benefit. New IB claimants in their 50s are four times as likely as people who have been on IB for two years to leave benefit the following year;
- **piloting ONE for existing claimants alongside evaluation and roll-out of the scheme for new claimants.** This would help provide evidence quickly about what works;

- **which existing claimants might be targeted.** Existing evidence suggests that length of time spent on benefits is likely to prove a better predictor of response than age. Unless the opposite can be demonstrated, age should certainly not be used as a criterion in extending ONE to existing claimants.

**Conclusion 36:** Co-ordinate Benefits Agency's *Keeping in Touch* initiative with this strategy.

**Conclusion 37:** Use all Benefits Agency contacts with this group to the full. The BA's existing contacts with claimants, as well as any new ones eg under *Keeping in Touch*, should be exploited to provide information, support and encouragement.

**Conclusion 38:** Make some contact with every claimant. As a minimum the strategy should include regular contact by post with all sickness and disability claimants offering them information, encouragement and access to the support currently available, including notifying them of their eligibility for the New Deal 50plus.

**Conclusion 39:** Co-ordinate these contacts with non-work help. DSS should discuss with the Active Community Unit, DfEE, Department of Health (DH), and other relevant departments how the above strategy can be co-ordinated with other forms of support for people who are unlikely to return to the labour market without detracting from the central focus of the welfare to work programme (see Chapter 9 for more detail).

### *Rethink exemptions from looking for work*

Two groups of older people who are not incapacitated are exempted from seeking work: men over 60 and one person in an



unemployed couple. Both lead to people being written off, and need rethinking.

When unemployed men reach 60 they are no longer required to look for work and are moved from JSA onto Income Support for the five years before they reach SPA. 100,000 men aged 60–65 are currently affected. This rule derives from the 1980s objective of removing older workers from the labour force, and sends a strong signal that the Government does not really regard work as a serious option for the over-60s.

**Conclusion 40: Remove over-60s exemption from JSA as pension ages are equalised.** This will happen between 2010 and 2020. (For equality reasons it is not possible to re-introduce a rule to require men aged 60–65 to look for work when women of the same age receive the state pension.)

A good case has been made for lowering further the age at which job search stops being required for people claiming National Insurance credits only (say to 50) who do not wish to work. The aim would be to ensure that people who may have long working lives behind them, and who are not dependent on state benefits, are not under regular pressure from the ES to find work. But this is outweighed by the harm that would be done both to the economy and to older people themselves. It would effectively remove 60,000 more people from the labour force and send a further damaging signal about the suitability of older people for work. Clearly, however, such people – and their needs – should be treated sensitively by the ES. (See Conclusion 50 about the profile of ES and BA advisers.)

The New Deal for Partners of the Unemployed will provide for unemployed couples born after 1975 to make a joint claim for benefit and for both, if childless, to look

for work. It will when in place mainly affect young couples and older couples whose children are no longer dependent. It will not reach over-50s, however, until 2025.

**Conclusion 41: Speed up timetable for partners of unemployed claimants to make a joint claim and, if childless, seek work.** After the current legislation has been introduced, DSS and DfEE should consider extending more quickly the responsibility to seek work to all childless partners of JSA claimants.

## 8.2 Making work pay

### *Improving incentives for people over 50 and people on IB to take jobs*

The Government has introduced a range of positive measures to make work pay, including, for this group, the Employment Credit, as part of the New Deal 50plus, and the Disabled Person's Tax Credit (DPTC).<sup>87</sup> These are key to helping this group back into work. The Chancellor of the Exchequer has also indicated that he regards the Employment Credit for people over 50 as a possible step towards the new employment tax credit. Such a move, supplementing the Working Families Tax Credit, would also be very beneficial.

Simply getting the right incentives in place, however, is not enough – it has to be apparent to claimants that work will be more financially rewarding than welfare. IB claimants also need to have confidence about what will happen if they take up a job but lose it or cannot manage for whatever reason, and revert to welfare.

One difficulty is that because entitlement to DPTC is more sensitive than IB to partners' earnings and occupational pensions, not all IB recipients will be better-off from taking a

<sup>87</sup> The Employment Credit and the rest of the New Deal 50plus will be available nationally from April 2000

job. It also cannot be taken for granted that those who could benefit will adequately understand that they are eligible for DPTC and how much they would receive.

**Conclusion 42: After the first year of DPTC-review incentives and the case for simplification.** The Treasury, Inland Revenue and DSS should monitor the effectiveness of the DPTC and consider:

- whether the balance is right for recipients of sickness and disability benefits between payments to those in work and those out of work;
- how many people would be worse-off taking a job (with DPTC) than out of work on IB;
- whether the calculation of how much DPTC will be paid to an individual needs to be simplified or made capable of simpler explanation to ensure that benefit claimants have the confidence to take it up;
- the case for piloting a benefit 'run-on' of IB lasting (say) six months, to make clear that at least initial income in work will be higher than out of work.

As described earlier (Chapter 4), anxiety about losing disability benefits, and the bureaucracy of reclaiming them, have made many claimants reluctant to re-enter the labour market. Anxiety about delays in re-establishing a claim for Housing Benefit – which is said to take up to four months and can result in loss of a home – is particularly strong. The Government is making a start here by suspending claims for income support and JSA for 12 weeks rather than closing them, from April 2002. This should make the process of re-claiming within a period streamlined and easier.

**Conclusion 43: Improve the real and perceived security of people leaving IB for work.** The Treasury (HMT), DSS, Inland Revenue and local authorities should:

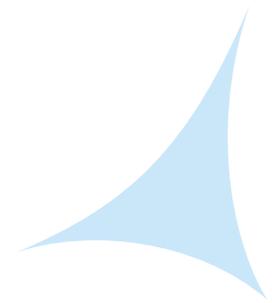
- publicise the existing 'linking' rules in IB. There is a special rule which allows people who leave IB to go back to their former benefit at the same rate should they have to leave work because they are ill within two years of last receiving the benefit. The publicity should include the fact that IB claims established before the Welfare Reform and Pensions Act would be re-established, using the linking rules, with the old, rather than the new, treatment of occupational pensions;
- Address the disincentive arising out of delays in re-establishing Housing Benefit.

## 8.3 Back to work mechanisms

### *Encourage employment intermediaries to place more older people*

The key agency helping out-of-work older people to find work is the Employment Service (ES). It handles about one-third (or over 2 million) of the vacancies in the UK labour market every year. Private sector employment agencies handle about 10 per cent of vacancies but tend to focus on employed and younger people. There are also a number of voluntary, community, industry or union-based establishments, which function as labour market intermediaries, on a much smaller scale. Some of these, such as the Third Age Employment Network, or St Loye's College, have been particularly effective in helping people who are disadvantaged in the labour market. Most jobs, however, are secured through informal social contacts. Such contacts can be even more important in moving into self-employment, which can potentially be a fruitful source of work for older people.

The ES is guided by targets set in the Annual Performance Agreement with the DfEE and the Treasury, covering the number of people in various groups whom it places into work. Older people are not one of these key groups



(which are: unemployed total, long-term unemployed, unemployed aged 18–24 for over six months, and disabled people). Naturally, ES advisers concentrate on the most job-ready clients within each group, so, for example, a younger long-term unemployed person may get more attention than an older one. The system also deters partnerships with other organisations by creating an incentive for ES to take credit for as many placements as possible.

**Conclusion 44: Revise Annual Performance Agreement (APA) of ES to improve incentives.** As part of the current review of the APA, create:

- a system of performance weighting for getting people back to work so that weights are attached to the degree of labour market disadvantage that the individual might suffer;
- credit for the ES in getting people into jobs, even where partner organisations do so.

Older people, from the upper end of the income distribution, who are not working but are not in receipt of benefits, are unlikely to use the ES to look for work. They are potentially more likely to use private agencies, and could represent a useful pool of flexible labour, given that they may not want to work regular full-time hours. This opportunity does not seem as yet to be being tapped by private agencies, but The Federation of Recruitment and Employment Services (FRES) has indicated a willingness to engage in constructive discussion with Government about how it can encourage its members to expand their activities in the over-50s market. One result of those discussions might be the identification of a high-profile member of the organisation able to demonstrate the potential commercial return from this market and disseminate good practice to other members.

**Conclusion 45: The DfEE should establish a dialogue with FRES to consider how to encourage private sector agencies to engage the over-50s market.**

### *Improve advice and guidance*

There has been currently little or no provision of careers guidance for adults. This is a particularly significant gap for the over-50s. Older people have often been in the same job for many years, and when leaving an organisation tend to expect to continue with something similar. Even where they realise that they do not have the skills that employers want, they often do not, particularly in the lower-skilled groups, see training as a way of overcoming this or know what opportunities are available. They would welcome more advice and support in this area at the time of retirement.<sup>88</sup>

The DfEE's local Adult Information, Advice and Guidance (IAG) initiative, which started this year, aims to fill this major gap by offering free careers information and advice for adults across the country. Its potential significance for older displaced workers should be recognised and they should be targeted as a priority group. It is also important that it continues to receive Government support.

**Conclusion 46: Make the most of the new IAG service to help older people displaced from work:**

- The DfEE should give appropriate support to this service to allow it to fulfil its potential in helping older people displaced from work.
- The service should link up with the ES and BA to ensure that people who are particularly disadvantaged in the labour market are well served.
- Full in-depth guidance should be free to older benefit claimants, their partners,

<sup>88</sup> Evidence from respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999; and The attitudes and aspirations of older people: a qualitative study, DSS, 1999

and to other claimants who are particularly disadvantaged in the labour market. The service is new, so its unit costs are not known. Subject to its evaluation, consideration should be given to increasing the funding allocated to it.

Voluntary mentors can also provide useful guidance and support to the unemployed. These can be people who are still employed themselves or who are retired. There is some evidence from the USA that interaction with older voluntary mentors – eg in job clubs – can deliver encouragement and messages about how to go about job search more effectively than via the state employment service. Mentors may also be able to provide useful support to jobseekers during training.

**Conclusion 47: Consider how to use voluntary mentors in ES programmes and services.** The DfEE and ES should consider how such mentors could support older people in job search and training. This could form part of the older volunteers programme proposed in Chapter 9, depending on the detailed design of that scheme. Otherwise it should be pursued separately.

The age profile of Personal Advisers and ES frontline staff is skewed towards the younger end: only 15 per cent of ES staff are over 50, compared to 20 per cent in the population as a whole. There is some evidence that older unemployed people feel less comfortable being advised by staff a lot younger than themselves, although the important thing seems to be whether the adviser has some maturity and experience rather than that they should be of the same age as the claimant.<sup>89</sup>

Some service providers in the private sector have diversified their frontline to match the profile of their customers in age and other

factors. This experience suggests that ES and BA should examine whether diversification of these staff would improve their performance.

**Conclusion 48: Consider profile of advisers.** Personal Advisers and other ES and BA staff should be as representative (in terms of age, sex and ethnicity) of the population as possible. They also need to have training on all equal opportunities issues, including age.

The New Deal programmes and the ONE pilots offer Personal Advisers for claimants. The role of Personal Advisers is demanding and onerous and key to the success of all Government programmes designed to help people back into work. Focus group feedback, and discussions with ES staff, clients and organisations representing older people, show that there are concerns about the quality of the advice that some Personal Advisers and other ES staff are able to give. This can show insufficient knowledge of local labour markets and does not always take into account older people's experience and knowledge. As the Policy Action Team on Jobs identified, this may be because ES training is heavily process-driven.

**Conclusion 49: Improve labour market knowledge of ES and BA staff.** The training and roles of all ES and BA Personal Advisers and other advisory staff should be reviewed to ensure that the development and maintenance of national and local labour market knowledge are central. As part of that training, staff should be made aware of the particular difficulties that older people face in the labour market.

### *Improve training opportunities*

Chapter 4 showed that older people are less likely than younger ones to have formal

<sup>89</sup> Respondents in focus group research on New Deal 50plus Communication Strategy carried out for the DfEE by Cragg, Ross and Dawson, 1999



qualifications and more likely to have poor literacy and numeracy skills.

Unemployed older people are also less likely to take part in Work Based Learning for Adults, the main training programme for unemployed adults, though their participation rate has recently increased. This may be a contributory factor to social exclusion as evidence shows that higher basic skills levels increases individual confidence and independence.

There should also be a clear expectation that older people should participate in proportion to their share of the unemployed population and benefit to the same degree as participants from younger age groups.

The most important aspect of training is to guide people towards appropriate opportunities, in ways discussed in the previous section. But the Government could also improve the quality and effectiveness of the training it provides. This means using the right kind of training. The OECD has concluded that putting less-educated older workers in large-scale, classroom-based training programmes has been particularly unsuccessful.<sup>90</sup> In a survey in Glasgow, employers placed NVQs, which are the qualification Government based training works towards, 23rd out of a list of 24 desirable attributes for employees.<sup>91</sup>

The outcomes data from Work-Based Learning for Adults (WBLA) shows that, of those leaving WBLA in the fourth quarter of 1998, 47% of 18–24 year olds found work and 68 per cent gained a qualification, compared to 35 per cent and 46 per cent respectively for those aged over 50.

'I've just done plastering for the third time. And it was still crap.'  
(Male JSA claimant aged 50+ about Work-based Learning for Adults.)

#### **Conclusion 50: Review effectiveness of Work-Based Learning for Adults (WBLA).**

This programme will shortly be moving from TECs to ES budgets in England. It should be reviewed to ensure that:

- the training offered is genuinely work-focused;
- it meets the needs of local labour markets, identified by discussion with local employers and analysis of the local job market;
- takes into account the different needs of those with greatest labour market disadvantage;
- it is attractive to reluctant learners.

Employers have been shown to value 'attitude', communication skills and presentation more than some formal qualifications.<sup>92</sup> Research in the UK and in the USA<sup>93</sup> has shown that intensive 'soft skills' training focusing on boosting self-confidence, presentation, jobsearch skills and motivation is extremely valuable in helping people back to work, frequently more so than vocational training.

**Conclusion 51: Improve training in general job skills.** DfEE and ES should ensure that short, sharp, 'soft skills' training as described above is offered, through revised WBLA or otherwise at ONE interview, to people aged 50 plus claiming sickness and disability benefits.

<sup>90</sup> *Jobs Study – Implementing the Strategy* – OECD

<sup>91</sup> Surveys by Right Track and the Wise Group, Glasgow.

<sup>92</sup> *ibid*

<sup>93</sup> "Jobs for all" (DfEE, 1999), Report of the Policy Action Team on Jobs – pages 56–57.



Sometimes, people on JSA are offered job opportunities, which they forgo, contingent upon them undertaking some short full-time training, such as a two-week course on driving a forklift truck. Currently, rules on job search and availability allow JSA claimants to undertake full-time employment-related training lasting up to 2 weeks within a 12-month period, with the prior approval of the ES adviser. Most claimants and many ES staff do not seem to know that such a rule exists.

**Conclusion 52: Publicise existing rules allowing JSA claimants to undertake short courses without losing benefit.**

People claiming income-related JSA, Income Support, Housing Benefit and Council Tax benefit can receive assistance with tuition fees for further and higher education. That is not the case with IB claimants who do not have similar access or financial support.

**Conclusion 53: DfEE and DSS to consider how to give IB claimants equal access to training and learning opportunities.**

### *Consider wider access to programmes currently available only to unemployed people*

The minority of older people without work who claim JSA are eligible for a range of mainstream services designed to help them into jobs, as well as to the New Deals for long-term unemployed adults and for the over-50s. People on disability benefits and partners of the unemployed have access to some New Deal programmes but not to mainstream ES provision, even though they may need more help in getting back to work than those on JSA. There seems no reason why they should not benefit from a wider range of help, especially the sort of innovative help that is being offered through Employment Zones. Some Employment Zones are testing intermediate labour market

approaches and these, when tightly targeted and linked closely to local employers, can be particularly helpful for people who are at severe disadvantage in the labour market.

**Conclusion 54: Review access to all ES programmes.** DfEE and ES should consider whether all services and programmes should be made available to people receiving sickness and disability benefits and to the partners of JSA claimants.

### *Build on the New Deal 50plus*

The New Deal 50plus is a welcome initiative designed specially for people aged 50 and above claiming benefits (JSA, Income Support, Incapacity Benefit and Severe Disablement Allowance) for six months or more, and their partners. People who find work paying less than £15,000 per annum through the New Deal 50plus will receive the Employment Credit, a cash top-up of £60 a week for full-time employment and £40 per week for part-time employment.

It is a voluntary programme, and demand from people on sickness and disability benefits is expected to be quite low. The planning assumption is that only about 5,000 people on sickness and disability benefits will take up the Employment Credit in the first year – 10 per cent of the expected total caseload, but only 0.3 per cent of all those eligible. In marketing New Deal 50plus and New Deal for Disabled People to employers and claimants, it will be particularly important to try to engage people on sickness and disability benefits. It will also be important that New Deal 50plus advisers receive good guidance and training on how to deal with this caseload.

**Conclusion 55: Actively market New Deal 50plus to all eligible claimants on sickness and disability benefits.**



**Conclusion 56: Train New Deal 50plus advisers to meet this wider demand.** DfEE should ensure that the training and materials for these advisers fully cover dealing with participants from benefits other than JSA.

### **Support self-employment opportunities**

Older workers are more likely to be self-employed than those in other age groups (possibly because they face greater discrimination in employment and because they tend to have more capital). The self-employment rate is almost 20 per cent for those aged 55–64 while only 12 per cent for those aged 25–44. About 70 per cent of self-employed 50 pluses set up with their own funds and about 75 per cent have another source of income. Most of these are likely to be in higher income brackets with good occupational pensions and many will have established businesses with low capital start-up costs, such as consultancy. Their businesses are likely to survive longer (but grow more slowly) than those of younger people.

Some older people on JSA or other benefits might also wish to try self-employment. The financial risks can be considerable. It is likely, therefore, to be appropriate for only a small minority of older people flowing into long-term unemployment and inactivity.

**Conclusion 57: Raise awareness of self-employment options.** For example, DfEE and ES should ensure that New Deal 50plus advisers and their clients know that the Employment Credit is also available to those becoming self-employed.

The DTI is developing a business mentoring scheme which will be helpful for would-be entrepreneurs – current and recently retired business people will volunteer to be mentors. The Policy Action Team on Business has been considering how to encourage and develop

self-employment in poor neighbourhoods and its recommendation that Community Finance Initiatives should be strengthened – and the Chancellor’s announcement about a Challenge Fund for this purpose – are very welcome. The PRIME initiative, a community finance initiative based on the Prince’s Youth Business Trust model of offering guidance, finance and ongoing support, is targeted at older unemployed people. Its pilots have begun recently, in some cases without offering any start-up funding, because discussions are still under way with banks about their involvement.

**Conclusion 58: In the context of the Government’s response to the report of the Policy Action Team on Business, DTI should consider underwriting PRIME’s loans at the outset but transferring the risk to the banks in specified stages as the businesses survive and grow.**

Currently, workless people can only access a cocktail of business start-up funding (ESF, SRB, local TEC money, etc) depending on where they live. The DTI’s new Small Business Service will be able to take a national strategic overview of assistance offered to small businesses.

**Conclusion 59: Build awareness of older people into Small Business Service strategy.** This DTI service should take into account the specific needs of workless older people who wish to become self-employed, and make proper links with PRIME, ES and BA.

## 9. WHAT THE GOVERNMENT CAN DO NOW: IMPROVE OPPORTUNITIES AND INCENTIVES TO VOLUNTEER

### Summary

Older people could be helped to volunteer more both by improving the opportunities available and by raising awareness and incentives. One way is to build on the Active Community Unit's strategy to encourage all sections of the community to volunteer. Another is to design specific opportunities for older people, focusing in particular on how they can use their experience and availability to help individuals of their own and other generations. Incentives to participate may be enhanced by more visible recognition of the value of volunteers' efforts, and financial and other types of reward should be piloted.

Opportunities for older people to contribute to society can come from volunteering as well as paid work. Community activity and involvement can be of particular value to those not working in a number of ways. It can enrich their lives, ensure that their skills and experience are not wasted, and reduce the risk of social exclusion.<sup>94</sup> Volunteering can also help people develop skills, experience, networks and confidence, and find their way back into paid work. Evidence on the link between volunteering and job prospects is indicative rather than conclusive, but involvement in social and community activities is beneficial in maintaining good health among older people.<sup>95</sup>

Chapter 3 noted that people between 55 and 64 are less likely to volunteer than other age groups. Qualitative research suggests a range

of reasons why people do not volunteer. Some, but not all, are likely to be particularly strong for older people of working age.

They include:

- a lack of awareness of or information about opportunities;
- cynicism about the Government wanting 'something on the cheap';
- wanting to be valued and do something worthwhile rather than being found something to do;
- volunteering having an unappealing or 'middle-class' image;
- expense;
- concern about loss of state benefits.

<sup>94</sup> *Community Self-help*, Report of the Policy Action Team on Community self-help, Home Office, 1999

<sup>95</sup> Population based study of social and productive activities as predictors of survival among elderly Americans T. A. Glass, C. Mendes de Leon, R.A.Marotolli, and L. F. Berkman in *British Medical Journal* vol. 478, p. 318



These barriers suggest that the Government can play a role in increasing participation in voluntary activity. Much is already being done as part of the work of the Home Office's Active Community Unit and also by the Voluntary Issues Unit in the Scottish Executive, including:

- demonstration projects to develop, evaluate and promote new approaches for stimulating participation;
- the Older Volunteers Initiative pilots aimed at improving participation among older volunteers;
- in Scotland, the Engage Scotland programme which developed infrastructure and produced promotional and good practice materials to engage more older volunteers in Scotland;
- the development by the Working Group on the Active Community of a strategy for achieving the Government's aim of a step-change in levels of volunteering;
- additional funding for local community initiatives following the report of the Social Exclusion Unit's Policy Action Team report on community self-help.

None of the current work specifically targets 50–65-year-olds who are unemployed or economically inactive and with lower incomes, who are particularly unlikely to volunteer at present. It is important, however, that the large number of people in this group, and the scale of the untapped potential for them to benefit personally and contribute to the community, are fully recognised.

**Conclusion 60:** In implementing the Active Community strategy the needs and potential of people aged between 50 and State Pension Age should be fully reflected.

The Government is only one player in increasing volunteering but it can play a particular role in five key areas:

- providing information and inspiration (Section 9.1);
- improving routes into volunteering (Section 9.2);
- removing disincentives in the benefits system (Section 9.3);
- providing new and different volunteering opportunities (Section 9.4);
- promoting recognition and rewards (Section 9.5).

## 9.1. Providing information and inspiration

The perception and reality of volunteering needs to change. The Government can play a role in leading and shaping both.

Many people in this age group do not volunteer because they have not been approached and do not know what they can do or how to set about it. Some also have a narrow view of volunteering and do not see it as 'for them'.

'Some sort of do-gooder. Boring. Twinset and pearls. Yet the WVS at the hospital are wonderful. I'd like to do that but I feel they are older than me.'

'You think of volunteers as people who are lonely or bored. Or else women with plenty of dosh, and it makes them feel worthwhile. Supercilious people – "Look at me. I am doing this."'<sup>96</sup>

<sup>96</sup> Respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

Others have a negative view of volunteering because of their concern that volunteers are being taken advantage of by Government or voluntary organisations as a way of getting something 'on the cheap'. Those who are out of work may be particularly likely to resent the suggestion that they should 'give something back' to a society which appears to have written them off or should find something to 'fill their time'.

'I think a lot of voluntary work is work that should be paid. I think the Government relies so much on people's good nature. I mean look at all these tins that are rattled for cancer research, for this research. That's the Government's job. It should not be down to volunteers.'

'I think for people who are well off, good for them. But why should people who are struggling do voluntary work.'<sup>97</sup>

'I think we're very useful to run charities, but I don't think we gain much respect from that. We're there to be used really.'<sup>98</sup>

The Active Community Unit (ACU) is trying to change such perceptions, working with the ONE20 organisation and with national television, local media and specialist magazines to develop a campaign promoting community activity. The Working Group on the Active Community recommends that this needs to be sustained and persistent to avoid the limitations of past campaigns.

**Conclusion 61:** The ACU should work with the media to target promotion on people in this age group who do not traditionally volunteer. Such targeting should focus on media outlets used by this group, and on images with which they identify.

The awareness-raising publicity campaign should be substantial and sustained, and focus on key messages;

- raising awareness of volunteering as an option;
- the variety and range of volunteering opportunities, informal as well as formal;
- the fact that volunteers can be ordinary people from varied backgrounds and age groups;
- volunteering as fun and personally rewarding rather than 'worthy';
- volunteering as contributing to the local community and enriching rather than replacing public services.

The more specific measures proposed below will also contribute to raising awareness and changing the image and perceptions of volunteering. They also have potential to change the reality by changing the nature of the opportunities available.

## 9.2. Improving routes into volunteering

Government can contribute to improving volunteering by support to the voluntary sector for infrastructure development and capacity building; and also by promoting volunteering with services for which it has responsibility.

### *Help voluntary organisations increase their reach*

People who are inspired to volunteer need easy ways of finding out how they can do so. It is up to the voluntary sector and local volunteer bureaux to create and market such opportunities, but the Government can support infrastructure development and

<sup>97</sup> Respondents in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

<sup>98</sup> Volunteer quoted in *The attitudes and aspirations of older people: a qualitative study*, DSS, 1999



promulgate good practice. The ACU is developing a national database of volunteering opportunities, to be accessed via the internet and local volunteer bureaux, with a national launch due in summer 2000.

Information about volunteering opportunities should, in particular, be accessible to non-traditional volunteers in this age group who may currently be socially excluded and cut off from networks which those in employment are closer to. The Action Estate initiatives run by RSVP as part of the Better Government for Older People pilots in Sheffield and Middlesborough, for example, are targeting those less likely to volunteer in specific localised communities.

**Conclusion 62:** Ensure that the ACU's database is marketed and accessible to older people and groups that do not traditionally volunteer. The Unit should ensure that it reaches groups likely to be able to access older people eg local community groups, churches, GPs, etc. who can promote its existence through contact with a wide range of people. The Unit should also ensure that the chance to advertise opportunities on the database via the local volunteer bureau is promoted to a wide range of organisations.

**Conclusion 63:** The ACU should promote good practice in reaching excluded groups. It should work with the voluntary sector to develop and disseminate guidance for volunteer-involving organisations (voluntary and statutory) on methods of increasing community involvement among these groups.

### *Ensure that Employment Service and Benefits Agency promote volunteering where appropriate*

For those who have been inactive for a long time, work can seem like an unlikely prospect. Volunteering and learning might be more attractive or more appropriate avenues for them although, as Chapter 4 showed, they are often unaware about how to find out about such opportunities.

Volunteers are likely to hear about opportunities through word of mouth or contact with others. For those who are out of work, whose social networks may consequently be reduced, alternative routes into volunteering should be developed. One important and under-used route, for which the Government has direct responsibility, is contact with the ES or BA. While it is important not to overload the current welfare to work programmes, there is clear scope for providing better information about access to voluntary activity through this channel.

This is particularly relevant for people for whom work is not a current option, but who might benefit from advice and support either in relation to other activity or to life transitions more generally.

As a minimum, much better information about volunteering and learning should go to all recipients of sickness and disability benefits. A programme under the Active Community Strategy should also be developed which provides and trains volunteers to advise sickness and disability claimants about non-work activity. Triggers would be either through the information described above or following contact with individuals through the welfare to work programmes described in Chapter 8.



**Conclusion 64:** The ACU and DSS should work together to inform claimants of sickness and disability benefits about volunteering possibilities.

They can do so by:

- ensuring that they are sent regular information about opportunities;
- using wider forms of publicity to promote positive images of volunteering for this group;
- ensuring that they are aware of the benefit rules on volunteering (see Conclusion 70);
- raising volunteering possibilities when the service makes regular contact with claimants (see Conclusion 40);
- piloting a programme to provide and train volunteers to advise sick and disabled claimants about unpaid activity.

**Other government departments should promote volunteering where possible**

Government has a role in maximising voluntary activity in areas for which it has responsibility. As well as enriching public services, this provides the opportunity for individual volunteers to become more involved in their local communities.

**Conclusion 65:** Government departments should be required to develop plans to provide and promote volunteering opportunities within the services for which they are responsible. They should also consider how to broaden participation in public functions such as school governors or members of community health councils to people from a range of social backgrounds.

Government departments also have a role, through their input into the monitoring and inspection process, in influencing the local providers of public services to increase voluntary and community participation.

Examples include OFSTED inspections of schools, the National Performance Framework for social services departments and the Audit Commission's inspection of best value in local authorities.

**Conclusion 66:** Departments should work with the appropriate regulatory bodies to provide good practice guidance on improving levels of community involvement in the provision of public services. The DETR should consider developing Best Value performance indicators for 2000/01 requiring local authorities to measure the number of volunteers involved in education, leisure and social services, etc.

**Employers should be encouraged to support volunteering**

People in work are more likely to volunteer than those who are not, and to continue to do so after leaving work. So, engaging people in voluntary activity before they leave paid employment is important. If employers promote or even help organise volunteering among their workers, they may help raise participation levels by:

- raising the profile of volunteering opportunities;
- enabling people to share the experience of volunteering with colleagues;
- sending messages that voluntary activity is valued;
- offering 'matched time' for time spent volunteering;
- seconding staff to voluntary organisations.

Employers can also successfully support volunteering among their retired staff by providing information through pension scheme communications and by providing resources in the form of secondees or financial support (as in the British Telecom scheme described in Box 9.1).



### *Box 9.1: BT volunteering programme*

British Telecom funds a scheme to encourage staff retiring from the company to volunteer. It is particularly focused at those taking early retirement and enabling them to use their skills and experience for the benefit of their local community. The scheme is run in conjunction with RSVP and REACH and is locally organised by a network of volunteers who are themselves retired BT staff. There are two specific projects:

- The *Telephone befriending scheme* involves BT retired employees using their telephone skills to make regular telephone calls to isolated people who have been identified as needing support.
- The *Transkills* scheme matches retired BT managers and professionals (eg, accountants, administrators, managers, etc.) with local voluntary organisations who need these skills.

Information about the scheme is given to staff as they retire and through the company pension scheme.

Work is already under way via the Older Volunteers Initiative to consider greater development of employer-supported volunteering, particularly among those approaching retirement.

**Conclusion 67:** The Government should provide greater encouragement to employers to promote volunteering by:

- publicising good practice and opportunities to employers, eg via the annual Contributions Agency mail-out;
- Ministerial endorsement and publicity for employers with good policies;
- encouraging secondments of staff to voluntary organisations, especially towards the end of their working lives;
- developing ‘packs’ about how to get involved in voluntary activity to be distributed to those nearing retirement – eg with occupational pension statements; on pre-retirement courses, etc.;
- providing encouragement and good practice guidance to local volunteer bureaux and voluntary organisations about the benefits of developing links with employers and how to go about it;

- acting as an exemplar by encouraging all government departments to develop plans for employer-supported volunteering.

### 9.3. Removing disincentives in the benefits system.

Some recipients of state benefits are concerned that involvement in voluntary activity will affect their eligibility for benefit. Since nearly half of those not in work between 50 and State Pension Age rely on benefits for more than half their income, this is likely to be a significant barrier.

Current benefit rules allow those claiming both JSA and IB to undertake volunteering as long as they are seeking and available for work within 48 hours, (JSA claimants), or ‘incapable of work’ (IB claimants). Claimants, however, may be unaware of these rules and some ES and BA staff give the wrong messages. The requirement for JSA claimants to give up volunteering activity at 48 hours’ notice may also act as a disincentive. The fortnightly question to JSA claimants at signing-on interviews about whether they have done any paid or unpaid work

compounds the perception that volunteering is unacceptable while claiming JSA.

The Government needs to get across the message that voluntary activity whilst on benefit is not only permitted but encouraged.

For claimants of IB the new eligibility test in the Welfare Reform and Pensions Act, which includes a Personal Capacity Assessment (PCA), makes a start in changing the message. While the previous 'all work' test implied that any activity would lead to disqualification from benefit, the new test specifically recognises that an individual can qualify for benefit because of a particular disability but still retain the capacity for other activity.

**Conclusion 68:** The ES and BA should make it clear that claimants can volunteer and still be eligible for benefit, by:

- producing clear guidance for their staff;
- producing, in conjunction with the ACU, a clear leaflet to be available in ES and BA agencies setting out the rules about volunteering and entitlement to benefit for IB as well as JSA claimants;
- making it clear in introducing the new eligibility test that it provides an opportunity to identify activity that is compatible with the claimant's disability.

**Conclusion 69:** ES staff should no longer ask '*Have you done any work, paid or unpaid?*' at signing-on interviews. This gives the impression that unpaid work, like paid work, will affect benefit entitlement.

Benefit claimants are able to receive payment for expenses incurred in volunteering without affecting their entitlement to benefit. This, however, applies only to expenses already paid out and does not cover payments made in advance in anticipation of expenses to be incurred. This may be a particular

disincentive for those on low incomes.

**Conclusion 70:** The DSS should modify benefit rules so that small advance payments, specifically made to cover volunteers' expenses, do not affect benefit entitlement.

## 9.4. Providing new - and different - volunteering opportunities

Evidence in the UK and other countries shows that older people do have a distinctive contribution to make on the basis of their experience of life – just as grandparents have a distinctive role in family life.

At the same time, motivation for volunteering is an important issue for older people of working age. Again, experience in other countries and qualitative evidence from voluntary organisations and older people suggest that a key trigger for motivating this age group is the sense of doing something that is both worthwhile and valued.

This suggests that there is scope for the Government to provide new volunteering opportunities which would attract older people by:

- drawing on their accumulated experience, knowledge and wisdom;
- engaging them in highly worthwhile activity that helps individuals either of their own age group or across generations;
- involving them in activity within and for the benefit of their local community.

This would be a major item of new expenditure, to be considered within the spending review of volunteering.



**Conclusion 71:** The Government should consider establishing a high-profile national volunteering scheme to offer more attractive opportunities for older people to put their experience to good use.

The evidence about barriers and triggers for voluntary activity among this age group suggests that such a scheme should be:

- nationally branded and visible – along the lines of the US Senior Corps (see Box 4.1 in Chapter 4). It needs to be clear that participants are making an important contribution;
- but locally run and matching local resources to local needs. The combination of a strong attraction to local projects, and cynicism about Government wanting ‘services on the cheap’ mean that very rigid national priorities could be a turn-off;

‘I’d prefer to be local, you feel you know them a little bit as well. They’re your type... you feel you’re involved if you’re doing something locally. You’re still part of the community. You feel very ostracised when you’re unemployed’<sup>99</sup>

- demonstrably engaged in worthwhile activity in the local community. US experience has shown that where efforts are concentrated on specified schemes where older volunteering can make an impact, a ‘critical mass’ is created in which schemes visibly make a difference. This encourages others to participate, and builds organising capacity.

The Government is uniquely placed to facilitate opportunities to contribute in key areas of public interest such as:

- education – support for children in schools;

- crime – mentoring of young offenders, neighbourhood wardens;
- parenting – providing support/guidance for parents (including lone parents) of young or disabled children;
- employment – providing support/guidance for the long-term unemployed, possibly with a focus on those over 50;
- befriending frailer older people at home or in residential care.

While these areas provide good opportunities for valuable input to the community, care should be taken that the scheme is not too closely identified on the ground with Government or government services. Links that are too close will trigger the cynicism about the Government wanting something for nothing. The emphasis must be on facilitation by Government, not direction. This suggests that the government services engaged in the areas identified above should be challenged to participate in and facilitate such a scheme, but should not actively drive it.

To address local needs and engage local communities, there must be a strong element of local design and control. In each local authority area the scheme might be run by a consortium of statutory and voluntary organisations who would develop appropriate local projects within the broad, nationally set, objectives.

Local consortia might administer the scheme, bidding for funding from a national pot and passing that on to local organisations participating. Funding would be needed for paid staff: to administer and publicise the scheme; to find and develop opportunities; and to manage and support volunteers. Government funding might be on the basis of matching resources put in locally, including resources in kind such as staff time.

<sup>99</sup> Respondent in focus group research on active ageing issues carried out for the PIU by Cragg, Ross and Dawson, 1999

A key objective for such a scheme should be to attract the economically inactive in this age group, by:

- addressing the negative stereotypes of volunteering discussed above by stressing that participants would be making a genuine and worthwhile contribution to people within their own communities, enhancing rather than replacing public services;
- offering opportunities within a broad range of activities, from the relatively skilled such as counselling an unemployed person on motivation or job-search skills, to befriending or visiting;
- having a high profile and status with Ministerial support, a highly publicised launch and ongoing promotion through various agencies;
- providing tangible recognition and rewards (see below).

## 9.5. Reward and recognition

If a wider range of people are to be attracted to community activity, it would help greatly for the benefits of doing so to become more obvious. In the USA, some schemes targeted on low-income groups have provided modest stipends to recognise substantial commitments of time. These programmes have sometimes made disappointingly little impact to communities because they are more designed to combat the poverty of volunteers than to enhance the contribution that they make to others. But in other cases, it has been found that even a token stipend can make a big difference to participation, because it makes volunteers feel appreciated.

The spirit of community activity is that the key motivating factors should be the benefit to the community and the contribution made by the volunteer rather than their own financial gain. But rewards that demonstrate

that society values volunteering can help motivate volunteers. There are several ways of doing this, of which the most straightforward is a stipend.

**Conclusion 72: Pilot stipends as a means of attracting new groups to participate in the national volunteering scheme for older people.** Such pilots should be concentrated in deprived areas, with stipends restricted to people who live locally.

But stipends are not the only way of recognising and rewarding voluntary activity. Local Exchange Trading Schemes (LETS) and 'time exchange' schemes, through which people within a community can exchange services without money transactions, combine the opportunity to contribute to the community with the potential for individual reward. They enable people not working to get involved in their communities, promoting mutual self-help, and with an element of payback which is rarely the sole motivating factor. The DSS is considering whether to change the current rules governing participation in LETS.

**Conclusion 73: LETS earnings should be disregarded in calculating benefit entitlement for those on JSA and IB.**

**Conclusion 74: Promote LETS, particularly among non-working groups.** Participation in LETS that remains on a relatively small scale should not only be permitted but promoted by government departments, especially the ACU as part of its effort to increase community participation.

A variant of LETS also involving non-money exchange, but often with a stronger element of volunteering, is 'time money'. This involves people building up and drawing from accounts expressed in hours worked in the service of others. In many cases, those who give in do not expect to draw out all that they contribute, but the principle that



beneficiaries also give something back creates a sense of mutual help rather than one-way charity.

Time money has not taken off in the UK and has had little encouragement so far from Government. One option would be to promote a more general mechanism for local mutual self-help.

**Conclusion 75:** In taking forward the recommendations of the report of the Working Group on the Active Community, the ACU should work with the DETR to consider whether there is a role for Government in developing, or funding the development of, pilot 'community exchange banks'. These could be promoted through interested New Deal for Communities partnerships.

These local mechanisms would have the following characteristics:

- they would allow individuals and organisations to 'pay in' goods and services. Individuals could give time. Public and private organisations could give things that either cost them little at the margin or they wanted to make available to people as part of their overall social objectives. They could include:
  - off-peak leisure or other services provided by local authorities;
  - points for off-peak travel; and/or
  - learning credits provided by central Government;
- individuals would draw out goods only where they had made a contribution of their own time to recognised community services;

- the payback for public or corporate bodies would be in terms of stimulating useful community activity.

While central Government could help stimulate the setting up of such schemes, for example by providing resources towards the organising infrastructure, it would be essential for them to be controlled locally. The check on the social value of the activity would be the willingness of local organisations to make contributions, rather than centrally set conditions.

A community exchange bank would be an ambitious venture aiming to be a focus for many existing and new community activities. It is being proposed in this report on active ageing as an example of the kind of new departure that may be needed to encourage people who have not participated in community activities to see them in a new way. In the age of air miles and loyalty points, a scheme that emphasised the mutual benefit, to oneself and to the community, that can arise from unpaid activities might start to unlock wasted potential among non-working older people.

## 10. IMPLEMENTATION PLAN

This section summarises the conclusions contained in the previous chapters, indicating the lead responsibility for taking them forward and identifying support from other key players where appropriate. A proposed deadline for completion of each action is also set out.

Overall responsibility for co-ordinating the actions of all conclusions, as well as championing the vision of the whole report, will rest with the Ministerial Group for Older People. To ensure successful results, this Group will need a higher profile, a clearer remit and central backing from within Government (ie Conclusions 1 and 2).

The Ministerial Group on Older People should review progress in implementation on an ongoing basis and report to the Prime Minister every six months. To manage such a programme, the Group may need to increase its dedicated resources.

## Implementation table: conclusions, responsibility and timing

(The devolved administrations of Scotland and Wales will wish to consider whether the conclusions relating to volunteering, education and training are appropriate for them and, if so, how to take them forward.)

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
<b>Chapter 6: Promote change in attitudes and practice</b>				
1.	The Government should develop a strategy for setting out its vision of the role and value of older people in society	IMG	PM, Ministers	30 April 2000
2.	The Prime Minister should appoint a champion for older people at Cabinet level who could signal the importance of these issues and help drive this strategy forward as chair of the IMG	PM	IMG	As soon as possible
3.	Launch a new campaign for older workers in conjunction with promoting the Code of Practice on Age Diversity	DfEE	–	31 March 2000
4.	Consider the case for an award for employer diversity	DfEE	–	Assessment by 31 July 2000
5.	The Government should make clear that it will introduce age discrimination legislation if evaluation of the Code of Practice on Age Diversity shows that it has not been effective. The process of evaluation should be transparent and command confidence. In the meantime, options for the preferred model of legislation should be developed and costed. If plans for any wider consolidated anti-discrimination legislation are developed, age should be included as an issue.	DfEE	–	Ongoing (evaluation due by 31 March 2001)
6.	Consider ways of increased downshifting in the Civil Service	CO	IMG, All departments	Assessment by 31 July 2000
7.	Consider creating a work pool of retired civil servants	CO	All departments	Assessment by 31 July 2000
8.	Each government department should look at the case for allowing its civil servants to retire at 65	All departments	–	Assessment by 31 July 2000. Implementation by 2005
9.	Civil Service departments should consider a short-service concession for those with less than 20 years' service.	All departments	–	Assessment by 31 July 2000

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
10.	Departments should take steps to integrate age into their equal opportunities policies	All departments	-	December 2000
11.	The Cabinet Office should develop a process for monitoring age-related employment practice	CO	-	Evaluation framework by 31 July 2000
12.	The Modernising Government programme should ensure that opportunities are targeted at workers of all ages	CO	-	Ongoing
<b>Chapter 7: Improving the position of older people in work</b>				
13.	Learning Skills Council should consider needs of older people as part of its overall strategy	LSC, DfEE	ES, BA, local businesses, business organisations, FE colleges	Strategic framework by 31 July 2000
14.	Motivate employers to offer older staff equal access to training opportunities through Investors in People standard	IIP, UK, DfEE	-	New guidance issued by 31 July 2000
15.	Ufi Ltd should produce practical guidance on the learning styles of older learners and appropriate ways in which to structure learning for them, including for IT skills	Ufi Ltd/DfEE	-	December 2000
16.	Promote the benefits of worker learning at all ages	LSC, DfEE	Employers, Trade unions	Ongoing
17.	The DfEE's Union Learning Fund should be promoted	DfEE	Trade unions	Ongoing
18.	DfEE to promote the benefits of diverse and flexible working practices, including downshifting by bringing together a group of 'enlightened' champion employers to look at how to develop good practice in relation to downshifting which could be disseminated to other employers	DfEE	'Champion Employers' Trade unions	Ongoing
19.	Vigorously market the occupational health strategy	HSE, DH	All Departments, Trade Unions	During 2000, ongoing
20.	Consider increasing funding for 'Back in Work' initiative as part of the 2000 Spending Review	DH, HMT, HSE	-	31 July 2000

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
21.	Partner organisations in all Health Improvement Programmes should consider whether they need to take action to cover occupational health	DH	HSE, local health authorities, ES, BA, Business Links, DfEE and DSS	31 July 2000
22.	Health Action Zones engage with the Employment Service and Benefits Agency	DH	ES, BA	Strategy developed by 31 July 2000
23.	Disseminate widely lessons about helping sick or disabled people back to work	DfEE, DSS	DH, HSE, ES, BA	Ongoing
24.	Employers should be required to account transparently for early retirement	DSS, Accounting Standards Board	-	December 2000
25.	The Best Practice Guidance for pension schemes, currently being developed by DSS, should recommend including the total capital cost of actuarially-favourable pension payments within the annual information to pension scheme members	DSS	-	December 2000
26.	The additional cost of paying a pension early without adjustments to reflect the longer period of payment should fall on the budgets of those making the offers	HMT, CO	-	December 2000
27.	As part of initiatives to increase understanding of pension issues, the Government should seek to make certain facts as familiar as the Department of Health's recommended 21- or 28-unit weekly limit for alcohol	DSS	SCU, No10	Strategy by 31 May 2000
28.	Build additional information into Best Practice Guidance for pension schemes (when early retirement offers are made) and, in due course and where appropriate, into the Annual Pensions Statement	DSS	CO	In place with Guidance by 2001
29.	Government departments that do not currently issue annual pension statements to scheme members should take action to do so as soon as possible	All departments, CO	SCU, No10	June 2000
30.	Disseminate good practice about downshifting (within Best Practice Guidance)	DSS	IR, CO	In place with Guidance by 2001

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
31.	IR to review urgently, with DSS, the rules on taking a pension while staying with the same employer	IR, DSS		31 March 2000
32.	The minimum age at which an immediate pension is payable in a tax-approved pension scheme should be increased from 50 to 55 between 2010 and 2020, alongside the increase in the SPA for women	IR	DSS	March 2001
<b>Chapter 8: Help older people back into jobs</b>				
33.	Set existing programmes in the context of a strategy for engaging with all IB claimants	DSS	DfEE, HMT	During 2000 Spending Review (SR)
34.	Look at the costs and benefits of extending NDDP	DSS, DfEE	HMT	During 2000 SR
35.	In considering how to develop ONE as part of the strategy, the Government should consider the importance of regular contact, piloting ONE for existing claimants alongside evaluation and roll-out of the scheme for new claimants and, which existing claimants might be targeted	DSS, DfEE	HMT	During 2000 SR
36.	Co-ordinate Benefits Agency's Keeping in Touch initiative with this strategy	DSS, BA	HMT, DfEE	During 2000 SR
37.	Use all Benefit Agency contacts with this group to the full	DSS, BA	HMT, DfEE	During 2000 SR
38.	Make some contact with every claimant	DSS, BA	HMT, DfEE	During 2000 SR
39.	Co-ordinate these contacts with non-work help	DSS, BA	DfEE, Home Office, DH	During 2000 SR
40.	Remove over-60s exemption from JSA as pension ages are equalised	HMT		After 2010
41.	Speed up timetable for partners of unemployed claimants to make a joint claim and, if childless, seek work	DSS, DfEE		Consider by June 2001
42.	After the first year of DPTC, review incentives and the case for simplification	DSS/IR	HMT	December 2001
43.	Improve the real and perceived security of people leaving IB for work	DSS	HMT, IR, local authorities	31 July 2000
44.	Revise Annual Performance Agreement (APA) of ES to improve incentives	DfEE	HMT, ES	31 March 2000

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
45.	Establish a dialogue with FRES to consider how to encourage private sector agencies to engage the over-50s market	DfEE	FRES	31 July 2000
46.	Make the most of the new IAG service to help older people displaced from work	DfEE	Learning Partnerships	Ongoing
47.	Consider how to use voluntary mentors in ES programmes and services	DfEE, ES	-	Consider by July 2000
48.	Consider profile of ES and BA advisers	ES, BA	DfEE, DSS	Ongoing
49.	Improve labour market knowledge of ES and BA staff	ES, BA	DfEE, DSS	December 2000 and ongoing
50.	Review effectiveness of Work-Based Learning for Adults	DfEE	ES	Review by September 2000
51.	Improve training in general job skills	DfEE	ES	Ongoing
52.	Publicise existing rules allowing JSA claimants to undertake short courses without losing benefit	ES, BA	-	June 2000, ongoing
53.	DfEE and DSS to consider how to give IB claimants equal access to training and learning opportunities	DfEE, DSS	-	Evaluation by 31 July 2000
54.	Review access to all ES programmes	DfEE	ES, DSS	Review by December 2000
55.	Actively market New Deal 50plus to all eligible claimants on sickness and disability benefits	DfEE, ES	DSS, BA	Ongoing
56.	Train New Deal 50plus advisers to meet this wider demand	ES, DfEE	DSS, BA	Ongoing
57.	Raise awareness of self-employment options	DfEE, ES	DSS, BA	Ongoing

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
58.	In context of Government response to report of Policy Action Team on Business, DTI should consider underwriting PRIME's loans at the outset but transferring the risk to the banks in specified stages as the businesses survive and grow	DTI	HMT, DfEE	Consider by 31 March 2000
59.	Build awareness of older people into Small Business Service strategy	DTI	DfEE, HMT	30 June 2000
Chapter 9: Improve opportunities and incentives to volunteer				
60.	In implementing the Active Community strategy, the needs and potential of people aged between 50 and State Pension Age should be fully reflected	Home Office	-	Ongoing
61.	The ACU should work with the media to target promotion on people in this age group who do not traditionally volunteer	Home Office	-	Ongoing
62.	Ensure that the ACU's database is marketed and accessible to older people and groups that do not traditionally volunteer	Home Office	-	August 2000 or when Database is marketed and launched
63.	The ACU should promote good practice in reaching excluded groups	Home Office	-	December 2000
64.	Inform claimants of sickness and disability benefits about volunteering possibilities	DSS, ACU	-	Information sent from 30 July 2000
65.	Government departments should be required to develop plans to provide and promote volunteering opportunities within the services for which they are responsible, and to consider how to broaden participation in public duties to people from a range of social backgrounds	All departments	-	During cross cutting review of volunteering in 2000
66.	Departments should work with the appropriate regulatory bodies to provide good practice guidance on improving levels of community involvement in the provision of public services. The DETR should consider developing Best Value performance indicators for 2000/01 requiring local authorities to measure the number of volunteers involved in education, leisure and social services	All departments DETR	Local authorities	December 2000
67.	The Government should provide greater encouragement to employers to promote volunteering	Home Office	-	Ongoing
68.	The ES and BA should make it clear that claimants can volunteer and still be eligible for benefit	ES, BA	DfEE, DSS	31 July 2000

No.	Conclusion	Lead responsibility	In support/other key players	Deadline
69.	ES staff should no longer ask 'Have you done any work, paid or unpaid?' at signing-on interviews	ES	-	31 July 2000
70.	The DSS should modify benefit rules so that small advance payments, specifically made to cover volunteers' expenses, do not affect benefit entitlement	DSS	BA, ES	31 March 2000
71.	The Government should consider establishing a high-profile national volunteering scheme to offer more attractive opportunities for older people to put their experience to good use	Home Office	All departments	During cross cutting review of volunteering in 2000
72.	Pilot stipends as a means of attracting new groups to participate in the national volunteering scheme for older people	Home Office	-	During cross cutting review of volunteering in 2000
73.	LETS earnings should be disregarded in calculating benefit entitlement for those on JSA and IB	DSS/DfEE	ES, BA	31 July 2000
74.	Promote LETS, particularly among non-working groups	Home Office	-	Ongoing
75.	In taking forward the recommendations of the report of the Working Group on the Active Community, the ACU should work with the DETR to consider whether there is a role for Government in developing, or funding the development of, pilot 'community exchange banks'.	Home Office, DETR	-	December 2000

### The Role of the Performance and Innovation Unit

The creation of the Performance and Innovation Unit (PIU) was announced by the Prime Minister on 28 July 1998 as part of the changes following a review of the effectiveness of the centre of Government by Sir Richard Wilson. The PIU's aim is to improve the capacity of Government to address strategic, cross-cutting issues and promote innovation in the development of policy and in the delivery of the government's objectives. The PIU is part of the drive for better, more joined-up government. It acts as a resource for the whole of Government, tackling issues that cross public sector institutional boundaries on a project basis.

The Unit reports direct to the Prime Minister through Sir Richard Wilson and is headed by a Senior Civil Servant in the Cabinet Office. It has a small central team that helps recommend project subjects, manages the Unit's work and follows up projects' recommendations with departments. Work on the projects themselves is carried out by small teams assembled both from inside and outside Government. About half of the current project team staff are drawn from outside Whitehall, including from private sector consultancies, academia, the voluntary sector and local government.

The first set of PIU projects, of which Active Ageing was one, was announced by the Prime Minister in December 1998. Comprehensive information about these and subsequent projects can be found on the PIU's website at [www.cabinet-office.gov.uk/innovation](http://www.cabinet-office.gov.uk/innovation).

## ANNEX 2 THE PROJECT TEAM, SPONSOR MINISTERS AND STEERING GROUP

### The Team

The report was prepared by a multi-disciplinary team, drawn from the public, private and voluntary sectors:

- Joy Hutcheon (Team Leader), Senior Civil Servant seconded from the Home Office
- Nigel Campbell – Economist seconded from HM Treasury and author of *The Decline of Employment Among Older People in Britain* (CASE paper 19, London School of Economics, 1999)
- Jon Porter – Head of Personnel Strategy at Lincolnshire County Council, seconded part time to the project
- Louise Russell – Policy Officer at Age Concern, England, seconded part time to the project
- Jae Samant – Seconded from the Department for Education and Employment

with support from:

- Stephen Aldridge – PIU Chief Economist
- Jonathan Deacon – From the PIU Central Team
- Stephen Gifford – Economist seconded from consultants KPMG for 1–2 days a week
- Donald Hirsch – Consultant seconded from the Joseph Rowntree Foundation for 1–2 days a week
- Paul Johnson – Seconded from Financial Services Authority for 1 day a week

### Sponsor Minister

All PIU Project Team's work is overseen by a Sponsor Minister or Ministers with an interest in (but no direct policy responsibility for) the subject area. The Sponsor Minister for this project was initially Derek Fatchett MP from the Foreign and Commonwealth Office. After Mr Fatchett's sad death in May 1999, Patricia Hewitt MP, first from Her Majesty's Treasury and later from the Department of Trade and Industry, became the Project's Sponsor Minister.

### Steering Group

The team also consulted regularly a Steering Group, chaired by the Sponsor Minister and comprising experts from inside and outside Government. The project benefited greatly from the guidance and advice of this group which comprised:

- Ray Baker – Personnel Manager, B&Q
- Richard Disney – Professor of Economics, University of Nottingham
- William Fittall – Director, Crime Reduction & Community Programmes, Home Office
- Norman Glass – Deputy Director, HM Treasury
- Howard Glennerster – Professor of Social Administration, London School of Economics
- Sally Greengross – Director-General, Age Concern, England
- Stephen Hewitt – Director of Working Age, Department of Social Security



- Jonathan Rees – Director, Modernising Public Services Group, Cabinet Office
- Jamie Rentoul – Deputy Director, Performance and Innovation Unit
- Michael Richardson – Director of Employment Policy, Department for Education and Employment
- Sharon White – No. 10 Policy Unit
- Richard Worsley – Director, Carnegie Third Age Programme

## ANNEX 3 SUMMARY OF FOCUS GROUPS

### Summary of focus groups

As part of the analysis stage of the project, background material was collected about the attitudes and aspirations of older people towards work, retirement and other activities. The PIU also commissioned specific research into the attitudes and motivations of people aged between 50 and State Pension Age who are out of work.<sup>100</sup> The aims were to investigate:

- motivation towards work among the workless;
- views and experiences with regard to training and other help available with job search;
- likely take-up of work and training opportunities;
- attitudes to volunteering, any reasons for not volunteering and the likely response to Government encouragement of volunteering.

### Research procedure

The fieldwork for the research consisted of eight focus groups spread over four geographical areas, carried out in August 1999. Each comprised six or seven respondents, all of whom were between 50 and State Pension Age and out of work. The sample in detail for the eight groups was as follows:

1. male; on Jobseeker's Allowance (JSA); no occupational pension; 50–64; Slough.
2. male; no benefit income; occupational pension; 50–64; Croydon.
3. male; on Incapacity Benefit (IB); 50–57; Nottingham.
4. male; on IB; 58–64; Sheffield.
5. female; self or partner on JSA; neither has occupational pension; 50–59; Sheffield.
6. female; self and/or partner on IB; 50–59; Croydon.
7. female; self and/or partner with occupational pension; neither on benefit; 50–59, Nottingham.
8. female; partners of people on benefit; some with occupational pension; volunteers; 50–59; Sheffield.

### Summary of findings

People between 50 and State Pension Age not in work are a heterogeneous group, often defying useful generalisation. They have a wide range of both wants and constraints with regard to work, and complex relationships between them. Attitudes varied depending on individual and financial circumstances.

- JSA claimants were the most straightforward group, with a fairly consistent aspiration towards work, motivated by money, the desire for fulfilment and social interaction, and by societal and personal expectations. They also, however, perceived significant barriers to work, such as their age and lack of skills

<sup>100</sup> The research was conducted by Tim Dawson and Tim Porter of Cragg Ross and Dawson

and relevant experience. The Employment Service and the help available through its Job Centres were largely regarded as having been of limited use in finding work.

- Partners of people on JSA and perhaps some partners of IB claimants tended to be detached from the labour market without any clear rationale but shared their partners' concerns about money. A major specific barrier was fear or uncertainty about how their working would affect entitlement to benefit and therefore their total household income.
- IB claimants mostly saw their health as removing them from the labour market, and had great difficulty in envisaging work which they could do, which could accommodate the limitations imposed by their health problems, which employers would want them for, and which would yield a satisfactory income. At best, they felt that significant effort and resources would be needed for their options to be properly explored.
- Partners of IB claimants were mostly highly motivated to work, and able to do so, but felt constrained by the care needs of their sick partners. Any immediate hope was for work which would fit around care responsibilities, but the longer-term aspiration for most was to make a full return to the labour market.
- Occupational pensioners and their partners seemed mostly content with their position, although some had some interest in employment, based on either financial need or the desire for fulfilment and social interaction. Any interest was usually heavily qualified in relation to the nature and terms of potential employment.

A number of actual or perceived barriers to work were mentioned. Some were intrinsic, such as lack of skills and appropriate experience; age-related decline in strength or aptitude; and demotivation in the face of sustained failure. Others were extrinsic, such as perceived age prejudice, low wage levels and the shortage of suitable and desirable jobs.

Interest in training was limited by the relatively low interest in work. It appeared, though, that those most likely to benefit from training may have been put off by lack of confidence and ignorance about the opportunities available.

Views on volunteering were mixed, but there was some evidence of latent unmet interest provided the right kind of opportunities were available and were presented in the right way. The perceived benefits related to fulfilment, social contact, helping others, and acquiring vocational experience. The main concerns and reasons for not getting involved were to do with ignorance, apathy, lack of time, the perceived middle-class image, fear of commitment, costs incurred, uncertainty about the rules on volunteering whilst on benefit, unease about doing the Government's work for it, and resistance to doing work which could or should be paid.

Interest in volunteering tended to be higher when presented as neighbourhood- or community-based, clearly complementing not replacing other provision, with a clear link between activity and beneficiary, and with a theme of mutual self-help. The idea of Government promotion of volunteering prompted some cynicism as to its intentions, but people saw a role for facilitation and provision of infrastructure, such as a directory of opportunities.



There was a common feeling amongst respondents that there was a move within society towards a greater tolerance of being out of work between 50 and State Pension Age and that their position was thus justified and accepted. It was assumed that employers preferred younger workers; Government employment programmes seemed to be targeted at younger jobseekers and early retirement was thought to be more common and desirable than in previous generations. This latter trend was welcomed by those able to benefit, regretted by those without appropriate resource or hope, and tolerated by many in between who in some ways felt it right that concern should be focused on younger people with longer futures ahead.

## ANNEX 4 VISIT AND CONSULTATIONS

### Visits and consultations

#### *External organisations and individuals*

Organisation	Name
Adapt-age project, Training and Employment Services, Barnsley Metropolitan Council	Tony Burton and Glenda Sheppard and volunteers
Age Concern England	Hilary Bath, Caroline Humphreys, Frances Hunt, Gordon Lishman, Pauline Norton, Helen Weir
American Association Of Retired Persons	Sarah Rix
Arthritis Care	F. Roy Jones
British Chambers of Commerce – Slough and Glasgow	Stephanie James Ian Peters Felicity Poore + discussion group Kate Sanford + discussion group
Commissariat General Du Plan	Bernard Cherlonneix Mme Debonneuil Nicolas Tenzer
Confederation of British Industry	Dominic Johnson + members of CBI Equal Opportunities Forum Frances Keenan
Correspondents to the DfEE about the Code of Practice on Age Diversity whose letters were kindly shared with us by the DfEE	Various
Doncaster Job Centre	Various
Employers Forum on Age	Helen Garner Freda Line Workshop participants at EFA Conference
Employment Links, Liverpool	Lyn O’Sullivan, Andrew Saxton and team, Matt Smith



Organisation	Name
Experience Corps (USA)	Marc Freedman
Faculty & Institute of Actuaries	Ron Amy, Mervyn Bryn-Jones, Peter Tompkins
Federation of Small Businesses	Stephen Alambritis + a written consultation exercise addressed to 100 FSB members
Ford Motor Company	Mike Metcalf
Glasgow Works	Fiona Robertson
Institute for Employment Studies, Sussex University	Sally Dench Jenny Kodz
Institute for Fiscal Studies	Howard Reed, Sarah Tanner
Institute for Volunteering Research	Justin Davis Smith, Stephen Howlett
Institute of Directors	Richard Wilson + a survey conducted by NOP 500 IoD members nationwide
Institute of Social and Economic Research, University of Essex	Kimberly Fisher
LETSLINK UK	Liz Shephard
Local Government Association	Tim Rothwell
Local Government Centre, Warwick Business School, University of Warwick	Annette Boaz and Carol Hayden
London School of Economics	Phil Agulnik Tania Burchardt Sarah Cheesbrough Paul Gregg Jonathan Wadsworth
Millennium Volunteers	Anne Weinstock
Ministry of Social Affairs and Health, Finland	Eeva Larjomaa
Ministry of Employment, Finland	Matti Sihto
MIT	Jonathan Gruber
Nabarro Nathanson	John Quarrell
National Age Discrimination Office, The Netherlands	Yvonne Quispel
National Association of Pension Funds	Peter Murray + various members
National Association of Volunteer Bureaux	Eileen Wimbury
National Centre for Volunteering	Fiona Dawe



Organisation	Name
National Federation of Post Office and BT Pensioners	Roger Turner
National Institute of Adult Continuing Education (NIACE)	Jim Soulsby
New Challenge, Wembley	Guyhan Moher
New Economics Foundation	David Boyle
NIESR	Pam Meadows
OECD	Peter Hicks
Participants in Pre-Retirement Association pre-retirement course, Slough	Various
Participants in seminar on volunteering July 7th 1999	Various
Participants in the IPD Seminar on Older Men and the Labour Market	Various
Participants in the Missenden Group discussion involving 12 HR Managers	Various
Participants in UK-Spanish Conference on Employment, Oxford, July 1999	Various
Participants in workshop at Age Concern Peterborough Ageing Well conference	Various
Participants in Joseph Rowntree Foundation Seminar 'Transitions After 50'	Various
Pensions Provision Group	Various
Pre-Retirement Association	Mary Davies
Private Sector Employers	Chris Armitage Carolann Ashton Jane Currie Keith Faulkner Tom Kirby Geoff Pearson Denise Walker Sue Wallis Caroline Waters Anne Watts Jon Whitely



Organisation	Name
Public/Voluntary Sector Employers	Jane Ashcroft Robert Charleston Jill English Keith Handley Eunice King Dorothy May Duncan Parkes Wilma Robbins Tim Rothwell Len Simmonds Hilary Simpson
Respondents to request for views and experiences in <i>The Veteran</i> and Age Concern's <i>Network</i> magazines	Various
Rotherham Job Centre	Various
RSVP	Janet Atfield
Sainsbury's & Unigate	Geoff Armitage, Chris Pearson
Sheffield Hallam University	Tina Beatty Stephen Fothergill
Society of Chief Personnel Officers	Keith Handley + members of the Older Workers Group Tim Rothwell
Swiss Re Health	Ingrid Brandon Pete Maynard Neil Sharp
Third Age Employment Network	Patrick Grattan
Third Age Enterprise & Employment Network	Richard Thompson
Third Age Working	Barbara Watkins
Tomorrow Project	Richard Worsley + participants in the Windsor Work Consultation
Trades Union Congress	Kay Carberry, Bert Clough, Richard Excel, Owen Tudor
University of Sheffield	Dr Alan Walker, Professor of Social Policy and Director of the ESRC Growing Older Programme.
Wise Group	Alan Sinclair, Allan Watt
Wise Owls Employment Consultancy	Chris Walsh

## Government departments

Organisation	Name
No.10 and Policy Unit	Alun Evans, Jeremy Heywood, David Miliband, Geoff Mulgan, Sharon White
Active Community Unit	Emma De La Haye, Georgina Fletcher-Cooke, Jo Gordon, Georgina Linton, Sally Richards, Nicola Smith, Howard Webber
Cabinet Office	Brian Fox, Eleanor Goodison, Derek Pain, Julie Wood
Department for Education and Employment	Linda Ammon, Carolynne Arfield, Chris Barnham, Marcus Bell, Nancy Braithwaite, Eric Galvin, Derek Grover, Steve Leman, Paul Long, Andrew McCully, Mark Neale, Bob Niven, Michael Richardson, Mike Shipp, Alison Solomons, Anne Weinstock, Bill Wells, Simon Wood
Department for the Environment, Transport and the Regions	Alan Brown, Paul Collins, Simon Crownshaw, Hilary Davies, Graham Pendelbury, Sue Prop
Department of Health	Ted Webb, Amitti Canagaretna, Philip Grant, Jenny Harper
Department of Social Security	Mark Aldridge, Phil Butlin, Chris Curry, Richard Elswood, Rebecca Endean, Guy Fiegehen, Stephen Hewitt, Sarah Kissack, Mike Le Brun, Philip Morgan, John Nightingale, Margaret Peirson, Hugh Pullinger, Leslie Richards, Sue Rivas, Richenda Solon (nee Ward)
DTI	Mark Beatson, Bob Niblett, Linda Thrift, Tim Evans
Employment Service	Mike Daly, Win Hawkins, Leigh Lewis, Matthew Nicholas
Health and Safety Executive	Peter Graham, Elizabeth Gyngell
HMT	Kerrie Ashworth, Ed Balls, Anita Charlesworth, Ben Gales, Bill Guy, Craig Lester, Emma Lindsell, Tony Long, Nick Macpherson, Stephen Matthews, Duncan Melville, Katy Peters, James Richardson, Ruth Thompson, Charlotte Thorne, Mike Williams, Phil Wynn Owen
Inland Revenue	John Hinton Carolyn Hubbard



Organisation	Name
Northern Ireland Office	Murray Cameron
Office National Statistics	June Bowman, John Haskey, Lesley Sanders
Scottish Executive	Liz Lewis, Andrew Macleod
The Wales Office	Damian O'Brien, Peter Greening, Richard Keveren, Matthew Quinn, Michael Phelps, Robert Jones, Judy Perry, Allen Moss, Steve Milsom, Michael Trickey, Alyn Williams
Women's Unit	Sian Owen, Katherine Rake, Fiona Reynolds