

Briefing

The impact of the recession on older workers

Unemployment among the over-50s

Background

The recession has led to people of all ages facing redundancy, unemployment and significant challenges to get back to work. But for many older workers, particularly those who have been in employment for 20–30 years, redundancy can be a huge shock and they lack the skills needed to search for new employment in today's environment. This is one of the many factors that means once out of work, it is much harder for the over-50s, particularly men, to find a job again; and the longer they stay out of work, the worse their chances of working again become. For many over-50s this will result in an early and permanent retirement, denying them the opportunity to build up a decent pension and making them more dependent than on state benefits.

Workers in their 50s and 60s are not a special case, but at the same time the needs of different age groups are not identical. The Government has been right to prioritise the needs of younger people in this recession, but older people urgently need support too. If politicians are 'age-blind' in their response to the recession, some distinctive problems facing people aged over 50 will go unaddressed.

What is the position?

- **A mixed picture** The unemployment picture for older workers is complex. The headline unemployment figures are less dramatic compared with other age groups, making older workers appear less vulnerable than others. However, beneath the headline figures the situation is more worrying.

- **Unemployment increasing at high percentage rate** There are now 367,000 older people aged 50+ out of work. While the actual numbers are low in comparison to other age groups, this is a rise of almost half (37.7%) over the last year. This is worrying, particularly given the pattern in previous recessions when this group was hit hard by job losses.¹

- **Once out of work, it is less likely that people of 50+ will get back into employment** New figures reveal that older workers are finding it harder than any other age group to get back into work after being made redundant, with fewer than 1 in 5 (18.9%) of over-50s finding employment within three months, compared to more than 40 per cent of 25–34-year-olds, suggesting that older workers are finding it harder to get back into the job market than younger people.²

- **Men aged 50+ condemned to long-term unemployment** Once they have fallen off the job ladder it is proving extremely difficult for men to get back on it. The number of 50+ men out of work for six months or more has more than doubled (117.8%) over the past year (compared to a 23.4% for women in the same age group).³ This group is becoming trapped in a spiral of unemployment – and the longer they remain out of work, the worse it gets. Data collected before the recession showed that men out of work in their 50s have only a 1 in 5 chance of being in a job two years later.⁴

- **The pattern in previous recessions** Older workers were disproportionately affected by job cuts in the last two recessions. Employment of men aged 50–64 dropped by 11 points between 1981 and 1985 and 7 points between 1990 and 1993.⁵

- **Perceived employment prospects** More than 1 in 4 (28%) over-50s questioned in a recent survey fear that their age will see them forced out of jobs if their employer decides to reduce staff numbers due to the economic downturn.⁶ Forty-four per cent of over 55s think it would be very difficult to find a

¹ ONS Labour Market Statistics, November 2009.

² ONS Labour Force Survey: quarterly redundancy tables.

³ ONS Labour Market Statistics, November 2009.

⁴ English Longitudinal Survey of Ageing, Wave 2.

⁵ First report of the Pensions Commission.

⁶ ICM interviewed a random sample of 2,007 adults in GB aged 18+ by telephone during 24–30 April 2009. Q4–12 based on a sample size of 943 of respondents aged 50+ only. Surveys were conducted

new job should they lose their current one. This compares with an average of 27 per cent across all ages.⁷

- **The Default Retirement Age (DRA)** The DRA gives employers permission to force older workers out of employment at 65 on the cheap, rather than making them redundant. In autumn 2008, 18 per cent of employers said they planned to use the DRA more rigorously as a way to reduce headcount.⁸ However, the proportion of people aged 55+ planning to work beyond the State Pension Age has jumped to 71%, compared to 40% two years ago. Financial factors are the main reason employees of all ages plan to work longer, with 71% of those aged 55 and over saying this is the case.⁹

- **Employment is rising among 50+ age group** Today, there are 1.5m more over-50s in work than there were 10 years ago (2009); the numbers were up by 13,000 in the three months to the end of August. This is partly due to demographic shifts and cultural changes. New protection against age discrimination brought in through the Age Regulations 2006 may also be a factor. Nevertheless, more people aged from over 50 to state pension age (SPA) (350,000) are economically inactive now than was the case in 1999.¹⁰

- **Women winning out** Older women appear to be remarkably resilient to the recession and are better skilled to 'bounce back' from job losses. This could be due to their ability to take up part-time jobs or willingness to take lower-paid roles.¹¹

- **Higher employment among older people** There has also been an increase in the employment rate among people over SPA – a positive development but one that might also show that older people are struggling to make ends meet living off just their pension. Again, this change could be due to their willingness to take lower-paid or part-time jobs as people are categorised as 'in employment' even if they work just one hour a week.¹²

- **The myth that older workers 'take' jobs from the young** There is no evidence to our knowledge that eliminating the jobs of older people creates new opportunities for the young. Older workers and younger workers do not in general compete for the same jobs, so keeping older people in work does no harm to younger workers. Common sense suggests that jobs which have been performed by older workers with experience, skills and knowledge are not going to be suitable for young workers starting out. Encouraging older workers to leave during a recession reduces demand in the economy at precisely the wrong time.

What are the barriers to employment?

- **Ageism among employers** Ageist attitudes remain a huge obstacle for older workers. Many people feel that the chance of finding new employment is limited because employers simply don't want to take on someone in their 50s. In research conducted among Jobseeker's Allowance (JSA) claimants in their 50s, claimants said that ageism among employers was the single biggest barrier they faced. Most claimants were able to give examples of encountering this barrier, ranging from being advised to remove their date of birth from CVs to being directly told by employers they were too old for particular jobs.¹³

- **Ageism in recruitment** Despite the introduction of legislation outlawing age discrimination in employment in 2006, it has certainly not eradicated discrimination in recruitment, where it is difficult

across the country and the results have been weighted to the profile of all adults. ICM is a member of the British Polling Council and abides by its rules. Further information at www.icmresearch.co.uk

⁷ *The Employee Outlook: job-seeking in a recession*, Chartered Institute of Personnel Development (CIPD), July 2009.

⁸ *Labour Market Outlook*, CIPD, autumn 2008.

⁹ *The Employee Outlook: job-seeking in a recession*, Chartered Institute of Personnel Development (CIPD), July 2009.

¹⁰ ONS Labour Market Statistics 2009.

¹¹ ONS Labour Market Statistics 2009.

¹² ONS Labour Market Statistics 2009.

¹³ *Welfare Reform and the Over-50s*, Age Concern and Help the Aged, IFF.

for an individual to prove discrimination and take action. In a survey of 765 jobseekers aged 50+ undertaken by TAEN, respondents highlighted employer perceptions as a major barrier, with 63 per cent saying employers see them as 'too old' and 42 per cent felt they were seen as too experienced or over-qualified. Only 12 per cent thought age discrimination legislation had helped older people find work and only 9 per cent could say they had not experienced age discrimination when seeking employment.¹⁴

- **Skills and training** Many over-50s feel that Jobcentre Plus offers little real help in finding them suitable employment or accessing training opportunities. A minority reported being told to go on courses that they felt they did not require or were irrelevant to the line of work they were looking for, while being denied funding for courses that would have been more appropriate. Some said they felt disillusioned, and thought they were simply being 'pushed around the books' rather than being offered any real help.¹⁵ Older workers face difficulties finding new employment because, although they have years of experience, they often lack the paper qualifications for jobs which are required by employers today.

- **Recession** The recession and a changing job market have left many over-50s unsure how their skill-set can be best utilised and indeed whether there are any jobs available in the sectors they have worked in previously. Many older workers are shocked at the lack of employment opportunities available.¹⁶

- **The changing job market** People who have been in work for many years face a completely different job search environment to the one pertaining when they previously applied for jobs. Research has found many 50+ claimants looking for work are inexperienced in modern recruitment processes such as putting together CVs, filling in application forms and the use of assessment centres. The current services available to older people often fail to help them overcome the barriers they face. Many feel that Jobcentre Plus advisers do not understand their situation, the types of obstacles they face, or what type of support will help them. While some of these barriers could be tackled by better-quality and more tailored support from Jobcentre Plus, many require widespread and long-term changes to society and the economy.¹⁷

- **Digital exclusion** Many job vacancies are only advertised and can only be applied for via the internet. Lack of IT skills among older workers are often seen as a barrier to returning to work and more training is needed for them in this area.¹⁸

- **Health problems** As we age, the incidence of chronic health conditions increases, which means older workers are disproportionately affected by physical and mental health problems, as well as caring responsibilities for family members. Health problems and caring responsibilities can be a major barrier to returning to work and can be difficult to overcome without the right support. Research among older Incapacity Benefit claimants shows that they are offered little or no support getting back to work from Jobcentre Plus or the Government in a wider sense. Many saw lack of employer flexibility with regard to unpredictable health conditions as a major barrier. These obstacles were often compounded by internal barriers such as low self-esteem and confidence.¹⁹

- **Back-to-work programmes** Evidence suggests that back-to-work programmes are not always as effective for the over-50s as for other age groups. Research on the impact of Pathways to Work on benefit receipt in expansion areas by DWP concluded that the 50+ age group may need more assistance in moving off incapacity benefits than younger people. Evaluations of New Deal 25 Plus have also found that the type of provision available has not always been appropriate for older clients. Previous qualitative research that we have commissioned has also found that Personal Advisers do

¹⁴ *Survey of Jobseekers Aged 50+*, TAEN.

¹⁵ *Welfare Reform and the Over-50s*, IFF.

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ *Internet Access: households and individuals*, ONS.

¹⁹ *Welfare Reform and the Over-50s*, IFF.

not necessarily have the awareness, skills and confidence to provide personalised support suited to the needs of older clients.²⁰

- **Default Retirement Age** The Default Retirement Age means that many employers are less willing to employ older people because they do not want to invest in an employee nearing retirement. A 'fixed' point at which individuals can be asked to retire inevitably influences employer decisions about their personal development and opportunities in the years leading up to it. In addition, under the Age Regulations 2006, employers are not required to consider applications from people aged 64.5 years old.

What is the short-term and long-term impact of unemployment among the over-50s?

- **Mortgage issues** The number people in their late 50s/early 60s who have outstanding mortgages has trebled over the last ten years and an estimated 25 per cent of people are approaching State Retirement Age with outstanding credit commitments. In addition, increasing numbers of people in their 50 and 60s still have families and dependants living at home to support. Job losses and long periods of unemployment cause many older people huge anxiety concerning how they will pay the bills, and many experience depression. As a result, people will fall into greater debt and, at worst, struggle to keep a roof over their head.²¹

- **Unintended retirement** For many over-50s losing their job now will be the end of their working lives forever, denying them the opportunity to save for a decent pension in the final working years of their lives. This will result in some people living for many decades to come on a lot less than they had planned.

- **Reduced pension and savings income** In addition to unemployment, many people have seen their pension and savings decline in value during the recession. They may be forced to rely on the state during retirement, adding to pressure on public expenditure, increasing social exclusion and pushing up pensioner poverty levels.

- **Confidence undermined** Our research shows nearly half of respondents 50+ (47%) said they are less confident than they were six months ago that their pension and savings will provide them with a comfortable standard of living in retirement.²²

- **Extended working lives** For those who manage to keep or find new employment, many will need to continue working for longer than planned to make up for lost earnings and contributions. A massive 60 per cent of respondents said the recession has meant they will have to or want to work longer than originally planned.²³

- **Forced retirement** Unfortunately, the Default Retirement Age means many people will be unable to continue working beyond 65 because employers will force them out of work.

What needs to be done?

A new package of measures is needed to help unemployed people over-50s back into work. This should include:

²⁰ *Welfare to Work: tackling the barriers to the employment of older people*, National Audit Office, 2004.

²¹ *Debt and Older People*, Help the Aged, 2005.

²² ICM interviewed a random sample of 2,007 adults in GB aged 18+ by telephone during 24–30 April 2009. Q4–12 based on a sample size of 943 of respondents aged 50+ only. Surveys were conducted across the country and the results have been weighted to the profile of all adults. ICM is a member of the British Polling Council and abides by its rules. Further information at www.icmresearch.co.uk

²³ *Ibid.*

- Intensive support for unemployed people aged 50+ within three to four months of losing their jobs to prevent them from becoming detached from the labour market.
- The job guarantee for unemployed people aged 18-24 once they have been in receipt of Jobseeker's Allowance (JSA) for nine months should be extended to JSA claimants aged 50+.
- Jobcentre Plus services should be 'age-proofed' to ensure high-quality back-to-work support for the over-50s. Personal advisers and others providing services need to have the awareness, skills and confidence to provide personalised support suited to the needs of older clients.
- Existing employer initiatives, such as Jobs Pledge and Train to Gain, should include a commitment to meet Age Positive standards.
- To help end the ageist attitudes older workers face in the job market, the Government must scrap the Default Retirement Age of 65 immediately.

Population statistics

- The UK has nearly 12 million people above State Pension Age (currently 60 for women and 65 for men), almost 1 in 5 of the total population.
- There are now more people in the UK aged 60 and above than there are under 18.
- There are more pensioners than there are children under 16.
- The UK has over 21 million people aged 50+, over a third of the total population.
- Nearly 10 million (9,929,900) people in the UK are aged 65+.
- Over 1.3 million people (1,335,300) are aged 85+.
- For the first time in UK history, there are now over 1 million men aged 80+.

Case studies

Sean O'Connor, 66, IT Commercial Contracts Manager. Surrey.

"A skilled IT professional (from Operations to Programme Director) my employment has taken me worldwide. After 13 years with my last company, I felt that I was unceremoniously 'dumped' just after my 65th birthday. My request to continue in post for another year was rejected with the comment "there is no role"; however, the following month I was hired back into exactly the same role, this time as a contractor. We are told there is a real need to finance an ever-growing retirement-aged population, so why is it not discriminatory to force people to retire before they are ready?"

Ruth Steven, 55, Consultant, Recruitment Communications. London.

"With over 30 years' experience in the recruitment marketing and communications industry, on reaching the age of 51 I left the company following a restructure and have been fortunate since then to secure work as a consultant. However, with a pension plan in receivership and payments frozen, I need to be sure that I can support myself for the next 10 years and am quite prepared, given the opportunity, to consider all options. Unfortunately the present day recruitment procedures, qualifications required (and online assessment processes) disadvantage the older jobseeker, and relevant support, advice and training to address the full spectrum of the working age population are needed to prevent more older people sliding into poverty. Age legislation will not in itself resolve the issues of discrimination in employment procedures; employers, too, need to be educated about the changes needed in their application processes to ensure they are able not just to attract, but recruit a fit for purpose, multi-generational workforce for the future."

Keith Gotheridge, 56, varied career including working as a professional musician; supervisor in the Probation Service; and production controller in manufacturing. The Midlands.

"After 10 years spent working as an IT technician in a local school, I was made redundant from my role following the outsourcing of IT services. My online job applications have yielded just one reply and although I have no positive proof, I can't help thinking that age is taken into consideration when short-listing job applicants. At the Jobcentre the lack of knowledge regarding age issues is stark, as is the obvious lack of older people working at the front line. Also, there is no apparent help for older people who wish to change career path to prolong their working life."

Clare Tupman, 55, software engineer. Cambridge

“Apart from four years in which I had my children, I have been a software engineer all my working life. Following two redundancies in quick succession, I am desperately trying to find my way back into the workplace in a role with adequate remuneration. In common, I suspect, with many other people, I am trying to put money into a pension plan and the lack of employment is worrying for my future prospects.”

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From spring 2010, Age Concern and Help the Aged will be called Age UK
Age Concern England (charity number 261794) has merged with Help the Aged (charity number 272786) to form Age UK, a charitable company limited by guarantee and registered in England: registered office address 207–221 Pentonville Road, London N1 9UZ, company number 6825798, registered charity number 1128267. Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age NI, Age Cymru.