

The Ageing Workforce:
*Heart of the South West Skills
Advisory Panel*

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01/08/2022

THE AGEING WORKFORCE: BRIEFING

One of the major concerns that has emerged from the pandemic has been the movement of many, particularly older workers, out of the labour market and into economic inactivity. Compared to the pre-crisis trend, we are missing 1.1 million workers from the labour force, according to coverage from the Institute for Employment Studies¹, three fifths of whom comprise older people leaving the workforce. Numbers are relatively equally split in terms of gender. Older workers are critical to the Heart of the South West and the significance of this trend is explored in a parliamentary briefing on the topic published in February 2022².

“For the first 18 months of the pandemic, economists feared that high unemployment rates would be an economic legacy of the coronavirus, especially after the end of the furlough scheme. The expected spike in unemployment never occurred, however, and rates are nearly back to pre-pandemic levels.

Now economists are turning their attention to a rise in economic inactivity – people who are not in work and not looking for work – as an effect of the pandemic on the labour market.”

- Will more economic inactivity be a legacy of the pandemic?, Brigid Francis-Devine, February 2022³

This contrasts with the start of the pandemic when young people were the immediate labour market casualties. In the early months of the pandemic there was a particularly large increase in inactivity among students, as young people chose to continue study rather than enter a tumultuous labour market.

More recently it has been those with long term physical and mental health problems, and the 50–64-year-old demographic that have become the primary group moving into economic inactivity. In November 2021, the Bank of England said it expected much of the fall in economic activity to be temporary but observed that the pandemic could accelerate the longer-term trend of falling activity because of an aging population⁴.

The Heart of the South West has an older than average demographic profile, with 36% of those aged between 16 and 64 in the oldest age category (50-64 years old), compared to 31% nationally, and as such is particularly affected by impacts on older people.

¹ [Recovering from Covid-19: Where have all the workers gone \(and when are they coming back\)? - YouTube](#)

² [Will more economic inactivity be a legacy of the pandemic? \(parliament.uk\)](#)

³ Ibid.

⁴ [Monetary Policy Report - November 2021 | Bank of England](#)

Why are older people leaving the labour market?

Rising economic inactivity is being driven by higher worklessness due to ill health – which has grown at the fastest rate since comparable records began in the early 90s. Employment ‘gaps’ persist around aspects like disability – the disability gap has, itself, risen over the past 10 years. Research from the TUC suggests that among people aged 50-54 almost half of all those who are economically inactive are out of the labour market because of poor health⁵. Around one-third (31.2%) of the economically inactive in the Heart of the South West in 2021 *of any age* were long-term sick, compared to 24.8% nationally, with this gap notably bigger for Plymouth (35.2%) and Torbay (34.8%). However, ill-health is not the only driver, the Institute for Fiscal Studies found that growth in health-related reasons for leaving the labour force only accounts for 5% of the overall growth in inactivity among this age group⁶.

Of the adults who had left or lost their job since the start of the pandemic, those in their 50s were more likely to consider returning to work (58%) than those aged 60 years and over (38%), but these figures dropped when looking at returning to full time work: for under 60s this was 15%, and only 3% of over 60s⁷. In the third quarter of 2021, 38% of those between 50 and state pension age were out of the labour market due to retirement⁸. However, more than half of the growth in economic inactivity among the 50 to 69 age group occurred among the ranks of the retired⁹ - a group that historically, are rarely tempted back to work once they leave. Research has found that only 5% to 10% of retired people ever go back to work¹⁰.

Changing nature of work

The changing nature of work also plays a role: with the increase in retirement likely related to changed individual attitudes to work, the changes to the nature of work after the pandemic (particularly the move to remote work) may have reduced the appeal of staying in employment for many¹¹. This is a particular risk where older workers lack the digital competencies and training of their younger peers. Evidence from the ONS also suggests that for those who would be interested in returning to work, greater flexibility of hours, the ability to work from home and to be able to fit work around responsibilities such as caring, would be important¹².

Occupational inequality

TUC analysis also found that older workers leaving the labour market was linked with occupational inequality. Those in manual and low paying work were leaving the labour market earlier than their peers in professional and managerial roles, creating what the

⁵ [Older workers after the pandemic: creating an inclusive labour market | TUC](#)

⁶ [The rise in economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

⁷ [Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic - Office for National Statistics](#)

⁸ [Older workers after the pandemic: creating an inclusive labour market | TUC](#)

⁹ [The rise in economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

¹⁰ [Decisions to retire early are driving growing economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

¹¹ [The rise in economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

¹² <https://blog.ons.gov.uk/2022/03/14/the-over-50s-and-the-world-of-work-whats-happening-and-why/>

Centre for Ageing better refers to as a vicious cycle of disadvantage¹³. Over 60 percent of former managers and former professionals who are economically inactive before they reach state pension age have retired, while around 10 percent left for health reasons. For lower paid occupational groups of process, plant and machinery operatives and elementary occupations, percentage leaving for health reasons rises to about 40 percent. In these two groups more than half of all those who leave the labour market before state pension age do so because of poor health or caring responsibilities¹⁴.

Local variations in employment

In terms of local context, Torbay has more than 14 percentage points less employment in the managerial and professional occupations than the UK average. Devon, which has the highest employment in these occupation - is still more than four percentage points behind the national average. The higher share of low-skilled occupations may help to explain the higher rate of economic inactivity among older workers and those with poor health locally. This impact is not uniform, and the pandemic has also seen an increase in those in professional occupations leaving the labour market for health reasons, and perhaps surprisingly, a decrease for those in elementary occupations.

Gender

Women are more likely to already be economically inactive before retirement age. While the Institute for Employment Studies found that the move to inactivity was loosely balanced by gender, the TUC research notes the existing dynamic of increased economic inactivity among older women. The existing pattern means that older women were more likely to be already economically inactive, as well as more likely to have caring responsibilities. The proportion of women in this age group who have left the labour market for caring responsibilities (17 percent) is more than twice as high as the proportion of men (7 percent)¹⁵.) Women were over eight percentage points more likely to be economically inactive due to ill health in the LEP area than nationally, compared to men who were four points more likely to be inactive for this reason.

Caring responsibilities

Caring responsibilities play a role in the decision to become economically inactive, creating existing time constraints and otherwise reducing access to work. Lack of support with caring responsibilities was reported as a barrier to finding work for those looking to return to the labour market, and some retired and otherwise economically inactive respondents to the ONS study responded that they had spent additional time caring for their grandchildren during the pandemic. With their children unable to afford childcare, they chose to provide this care rather than work¹⁶. This inevitably also impact on other aspects of people's economic circumstances. Some full-time unpaid family carers reported struggling with money compared to before the pandemic - as they had to stop working to care for their spouse.

¹³ [Work | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

¹⁴ [Older workers after the pandemic: creating an inclusive labour market | TUC](#)

¹⁵ Ibid.

¹⁶ [Impact of coronavirus on people aged 50 to 70 years and their employment after the pandemic - Office for National Statistics \(ons.gov.uk\)](#)

Redundancies

According to data from the ONS, the age group with the highest rate of redundancies between February and April 2022 was those aged over 50 (2.7%).¹⁷ This is supported by further ONS analysis of change during the pandemic: those over 55 were most likely to move into inactivity not only due to early retirement, but due to higher redundancy rates¹⁸. The economic impact of the pandemic is key here. Even with the support structures such as the Coronavirus Job Retention Scheme (CRJS), many companies made cutbacks or folded entirely. For workers close to retirement age, this puts them into a pressured position where they struggle to find new work. The movement of workers into redundancy (including voluntary redundancies) in Quarter 2 2021 nearly doubled for those aged 55 years and over, compared with the previous year¹⁹. 58% of people retiring during the pandemic cited the pandemic itself as the reason for their decision. A smaller number, 23%, had been laid off directly as a result of pandemic redundancies. Therefore, though the pandemic was undoubtedly leading to job losses amongst older workers more than half, whether laid off or not, saw it as good reason to simply leave the labour market²⁰. Participants between 50 and 70 in an ONS study reported barriers to finding work around both the choice of jobs that they wanted to do and appropriate conditions. They also reported being rejected for jobs as they felt that companies were less willing to employ younger people with IT skills since the pandemic²¹. Online applications and lack of available help for carers were also reported as barriers to finding work.

Employer demand

Analysis from the Institute for Fiscal Studies raises whether low labour market demand for particular skills or occupations could be driving economic inactivity. For those that have spent most of their lives in roles that face automation or decreasing relevance, this is a potential concern. However, the IFS found that in 2021, only 11% of the growth in the number of 50- to 69-year-olds leaving work could be explained by redundancies or dismissals, with redundancy rates falling compared with 2020 and re-employment rates following redundancy rising. While this reason was more important in 2020 when redundancy rates spiked, redundancies returned to their pre-pandemic levels in 2021.²²

All of the factors highlighted above contributed to a tightening of the labour market – the first notable decrease in the labour force since the late 1980s. This shift to inactivity has happened concurrently with a major recruitment crisis for employers and the highest ever rate of job-to-job moves - resulting in the tightest jobs market in 50 years.

¹⁷ [RED02: Redundancies by age, industry and region - Office for National Statistics \(ons.gov.uk\)](#)

¹⁸ [Changing trends and recent shortages in the UK labour market, UK: 2016 to 2021](#)

¹⁹ Ibid.

²⁰ [Financial Lives 2020 survey: the impact of coronavirus \(fca.org.uk\)](#)

²¹ [Impact of coronavirus on people aged 50 to 70 years and their employment after the pandemic - Office for National Statistics \(ons.gov.uk\)](#)

²² [Decisions to retire early are driving growing economic inactivity among people in their 50s and 60s - Institute For Fiscal Studies - IFS](#)

Implications

The findings from the Institute for Fiscal Studies that retired people rarely return to the workforce builds on one of the key dilemmas of this movement into inactivity. In an environment with very high vacancy rates and notable skill shortages across a range of sectors, people permanently leaving the labour market **reduces economic capacity and could exacerbate skills and productivity gaps**. Experienced staff that leave the labour market for good increase replacement demand, as well as posing challenges for the employer while they seek to recruit new staff or train existing staff to fill the now empty role. By virtue of being older, these workers are highly likely to be more experienced and take that experience and understanding of their fields out of the labour market with them as they retire. The Institute for Fiscal Studies raises the concern that the rise in early retirements has dealt permanent damage to the economy²³. Many businesses are reporting difficulty filling vacancies, posing challenges to supply chains and to consumers²⁴.

The cost-of-living crisis creates challenges for people of all ages, but for those who have left the labour market due to ill health or occupational inequality, they arrive in a much more vulnerable position. Although the tight labour market is feeding into higher pay for some occupations due to high demand such as heavy goods vehicle drivers, said higher pay cannot keep up with inflation as real wages are falling, and for those who have moved into full economic inactivity, increased pay is not an option.

Pay awards for existing staff also struggle to keep up with inflation as part of the drop in real wages. This means that the movement of older people into economic inactivity **increases the risk of poverty and vulnerability for those who had lower incomes**, especially if they were below state pension age at the time. Work from the ONS highlighted unemployed and economically inactive participants stating that they would receive less money from paid employment compared to benefits²⁵. Those who have left work since the pandemic were more likely to have increased worries around finances such as the cost of living increasing (52%), lack of income or savings (26%) and money in general (32%) than those who left work before the pandemic²⁶. As noted in the [Employment and Skills Review](#) section on wages, the average wages in the four upper tier local authorities of the Heart of the South West are considerably lower than the national average, especially in Torbay, exacerbating the negative impact on our communities.

Policy recommendations

This is not a dilemma easily resolved. Nonetheless, there have been policy suggestions from a variety of sources, as well as issues raised by studies on the move to inactivity.

²³ [Rise in early retirements has caused permanent damage to the economy, says IFS](#)

²⁴ <https://blog.ons.gov.uk/2022/03/14/the-over-50s-and-the-world-of-work-whats-happening-and-why/>

²⁵ [Impact of coronavirus on people aged 50 to 70 years and their employment after the pandemic - Office for National Statistics \(ons.gov.uk\)](#)

²⁶ [Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic - Office for National Statistics](#)

Qualitative work from the ONS raised specific concerns around anxiety in older people. These anxieties included work stress, discomfort with changing or attending places of work and having to meet new people, and finding the new skills they required complicated, such as learning how to operate a cash register²⁷. This suggests a need for support schemes around not only training, but also ensuring employee wellbeing to prevent them leaving the workforce in the face of excessive stress.

The Institute for Employment Studies advocates the following priorities for public policy²⁸:

- Increasing participation by tackling disadvantage
- Improving labour market efficiency – employment services need to work better for people and firms
- Helping firms to make work better – job flexibility, security, inclusive recruitment, and workplace practices
- Health, work, and wellbeing – helping those with health conditions to prepare for, get into, and stay in work
- Preparing for the future world of work – net zero, Brexit, and the shift to a knowledge based and hybrid economy
- System change – in how we work together and deliver services

The Institute for Employment Studies advocates a reimagining of employment services and employment support with a dual focus on individuals and employers. With the spiking vacancy levels, making work better has become a business imperative, helping those who are in work to stay in work²⁹. Aligning employment, skills, and workplace support will be key to facing future challenges.

Meanwhile, the TUC also put forward policy recommendations. These include four key categories: safer workplaces, skills, health and flexible working, and pensions and benefits³⁰.

Safer workplaces include:

- Risk assessments – employers must be compelled to provide airborne protections for workers, individual risk assessments for vulnerable workers, and publication of workplace-wide risk assessments should be a legal requirement
- Tougher enforcement - to ensure robust risk management including new funding for HSE and local authorities
- Covid testing – access to rapid and free testing with prioritisation for frontline workers
- 'Working better' taskforce – a government taskforce on how to achieve a high wage, high productivity economy

Skills include:

- Mid-life reviews – the right to a mid-life career and skills review to help workers plan for their future careers

²⁷ [Impact of coronavirus on people aged 50 to 70 years and their employment after the pandemic - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk)

²⁸ [Recovering from Covid-19: Where have all the workers gone \(and when are they coming back\)? - YouTube](https://www.youtube.com/watch?v=...)

²⁹ Ibid.

³⁰ [Older workers after the pandemic: creating an inclusive labour market | TUC](https://www.tuc.org.uk/older-workers-after-the-pandemic-creating-an-inclusive-labour-market)

- Right to retrain – this includes expanding existing skills entitlements, lifelong learning accounts, and new workplace rights to time off for learning and training
- Funding commitment – long term investment in skills, a new social partnership on skills, and the restoration of the Union Learning Fund
- Targeted support – older workers face additional barriers to returning to the labour market and this need targeted and funded retraining schemes

Health and flexible working include:

- Reasonable adjustments – employers need to take all possible steps to implement reasonable adjustments for disabled workers, including options to work from home and flexible work patterns
- Pay gap reporting – to promote transparency, government should make disability pay gap reporting mandatory
- Job adverts – a legal duty for employers to consider flexible working arrangements when advertising a role and publish these in job adverts
- Right to work flexibly – a day-one right to request flexible working with a right to appeal

Pensions and benefits include:

- Universal Credit – an increase of Universal Credit to 80% of the real Living Wage and removal of restrictions around savings
- State pension access – those approaching state pension age who are unlikely to be able to work again due to caring responsibilities, ill-health or long-term unemployment should be eligible for early access
- Pension credit – eligibility should be set at a lower level than the state pension age to help older people struggling to manage on a low income
- State pension age – government should shelve plans for further increases and develop a framework linking future increases to improved life expectancy in the most deprived areas to address growing longevity inequality
- Auto-enrolment – government should phase out the auto-enrolment lower earnings limit

While most of these policy recommendations are addressed at the government level, there are still a number of decisions that can be made regarding ongoing policy, from advertising vacancies through discussion of employer provided pensions and disability and health accommodations. In a tight labour market among a number of different economic crises, issues such as inclusive recruitment offer increased flexibility for employers while engaging people who may have otherwise been alienated from the labour market.

The ageing workforce and the cost-of-living crisis

While the pandemic has affected the older workforce severely, change may be around the corner. Latest data from the ONS highlighted by the Guardian suggests that there are now more people aged 50 and over in work or looking for work than just before the pandemic,

with a national increase in economic activity of 116,000 among the over-50s over the past year³¹. More than half the total increase is among men aged over 65. Expert opinions given by Stuart Lewis, the chief executive of Rest Less, a digital community for the over 50s; Caroline Abrahams, the charity director at Age UK; and Ros Altmann, the former pensions minister and Conservative peer all highlighted the stress-inducing impact of the cost of living crisis on people who had previously thought that they could retire during the pandemic, with the increase in economic activity among older workers driven by those leaving retirement rather than people working for longer.³² The current chair of the John Lewis partnership, Dame Sharon White, has suggested that the exodus of over-50s leaving the workforce during the pandemic has helped to fuel inflation, exacerbating the cost of living crisis³³.

In the context of what Legal & General refers to as the “retirement opportunity gap”³⁴, this suggests distinct economic challenges for those on the cusp of retirement in the face of the biggest fall in living standards since comparable records began three decades ago³⁵. The cost-of-living crisis may be having the same functional impact as Bank of England official Gertjan Vlieghe’s previous suggestion that the retirement age should be increased to fuel Britain’s recovery³⁶. With the Bank of England not expecting recovery to begin until late 2023 at the earliest³⁷ and Governor Andrew Bailey apologising for sounding ‘apocalyptic’ over potential food price rises³⁸, this emphasises a challenging economic environment unlikely to dissipate soon, but which may see older workers returning, potentially somewhat reluctantly, to the labour market.

³¹ [Britain's 'great unretirement': cost of living drives older people back to work | UK cost of living crisis | The Guardian](#)

³² Ibid.

³³ [John Lewis boss: Over-50s quitting the workforce fuels inflation - BBC News](#)

³⁴ [Pandemic polarises retirement opportunity gap for over 50s | Legal & General \(legalandgeneral.com\)](#)

³⁵ [Cost of living: families face biggest fall in disposable income for three decades, Bank of England warns – as it happened | Business | The Guardian](#)

³⁶ [Increase retirement age to fuel Britain's recovery, says Bank of England official \(telegraph.co.uk\)](#)

³⁷ [Backlash after Bank boss says don't ask for big pay rise - BBC News](#)

³⁸ [Bank governor in 'apocalyptic' warning over rising food prices - BBC News](#)