Over 50s in the labour market

A report for Legal & General

Disclaimer

Authorship and acknowledgements

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London, August 2021

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Executive Summary

Cebr has been commissioned by Legal & General to study the position and experiences of the over 50s in the labour market. This report sheds light on the interactions of the over 50s with economic activity and employment, studies the wealth position of the age group, examines the experiences of over 50s during job search, and finally considers the prevalence and impact of unemployment and redundancy for this group.

Over 50s in work

- Over 50s are becoming an increasingly important demographic on a variety of labour market and social metrics.
- The proportion of the UK population aged over 50 has risen from 31% in 1991 to 38% in 2021 and is forecast to reach 42% by 2040, driven by rising life expectancy and a reduction in the average number of births following the baby boomer years.
- Between 1992 and 2020, the average age of retirement entry has risen by 1.9 years for men (to 65.2), and by 3.6 years for women (to 64.3).
- The rate of economic inactivity has fallen for over 50s since 1992, particularly driven by the 60-64 age group and reduced inactivity among women. The rate is forecast to fall further from 57% in 2020 to 52% by the end of the decade.
- The employment rate among the over 50s rose to a record high of 43% in 2019, driven by the 60-64 group and women, and is forecast to reach 47% by 2030.
- While the over 50s are still catching up in terms of employment and income from work, they are already the leading demographic when it comes to wealth.
- Average household wealth in Great Britain peaks around age 65, at which point almost half of wealth is in private pensions.
- Using survey data, results show that 53% of non-retired over 50s are expected to accumulate enough wealth to meet their desired minimum income goal for retirement. This leads to an overall average retirement-savings surplus of £9,400 per currently non-retired person.
- However, for the 47% who are forecast to accumulate insufficient wealth, an average shortfall of £8,800 is calculated.

Section 2: Employability for over 50s seeking work

- Existing literature has identified key issues facing over 50s in the job search process.
- These include poor health, caring responsibilities, a lack of incentives for employers to take on older workers, age discrimination, access to flexible working, and employment support.
- Survey data shed light on the relative importance of different challenges faced by over-50 job seekers in the past five years.
- Results show particular challenges in the areas of qualifications, skills and flexibility of work, but show variation among age subgroups within the over 50s.

Section 3: Unemployment and redundancy among the over 50s

- Unemployment among the over 50s has fallen from 8% in 1992 to 3% in 2020, compared to a fall from 10% to 5% among the under 50s.
- The Covid-19 crisis has had a muted effect on the unemployment rate overall but, relative to pre-pandemic rates, it has risen proportionally more for the over 50s than the rest of the population.
- Redundancy numbers have been lower for over 50s than under 50s since 2007 but have been generally higher for older workers in proportional terms.

- Survey data are used to explore the prevalence and impact of redundancy, hours reductions, salary cuts and furlough for the over 50s.
- Whilst being placed on furlough was the most common change faced by over 50s in the last five years, being made redundant caused the highest proportion of those affected (39%) to change their retirement plans.
- Those choosing to extend their retirement date in response to any of the four changes did so by an average of 2-3 years.
- Finally, analysis suggests that those who were recently made redundant saw an average reduction in their expected retirement savings of 8% compared to those who were not made redundant, leading to an average 18% reduction in the annual retirement-savings surplus.

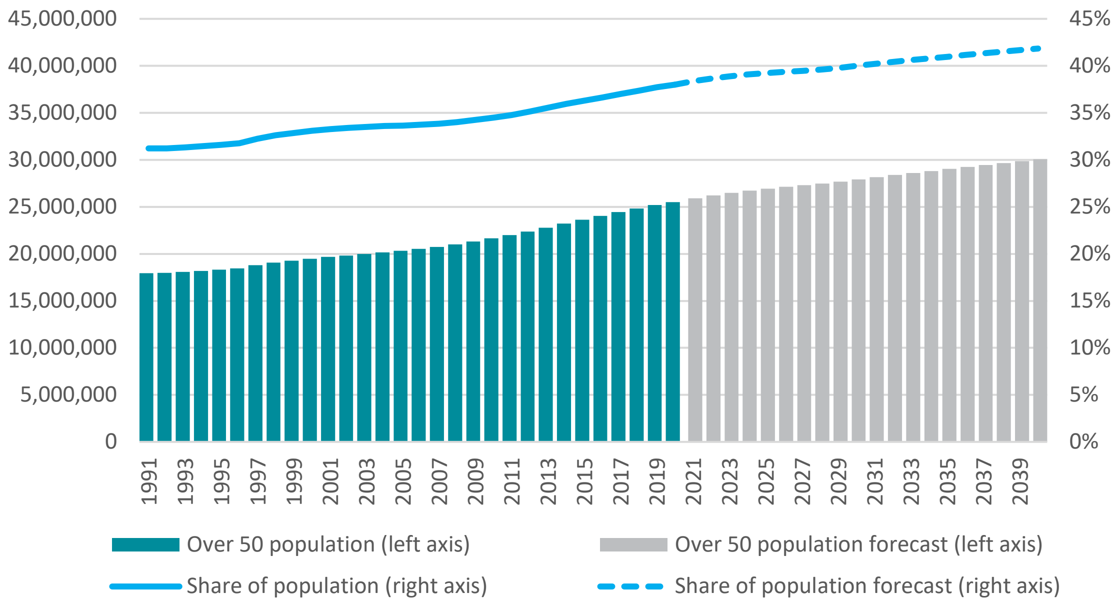
1. Over 50s in work

The over 50 age group represents a large and growing fraction of the UK population and labour force. This has been driven by population ageing and other demographic changes, as well as changes to policy that incentivise remaining in the workforce for longer. This section explores the trends in several indicators including population numbers, economic inactivity and employment among the over 50s, and looks ahead to see how these may change in the coming decade. Insights are drawn by age subgroups and gender. Focus is subsequently placed on the financial position of the over 50s population, including estimates of the UK savings-retirement gap.

1.1. Demographic trends and labour market exit

As part of the broader ageing of many Western societies, the number and share of over 50s in the UK population has risen in recent decades. Compared to the 17.9 million people in this category in 1991, estimates for 2021 show a rise by 8 million people to 25.9 million people over 30 years. Whereas over 50s made up 31% of the population in 1991, the group is now estimated to make up 38%. This growth is expected to continue over the next two decades, with the group size reaching 30.1m in 2040, or 42% of the population. This increase of 11% points in the share over 50 years, or an average of 0.2% points per year, will make the over 50s account for almost half of the population.

Figure 1: Historical and projected number and share of over 50s in the population

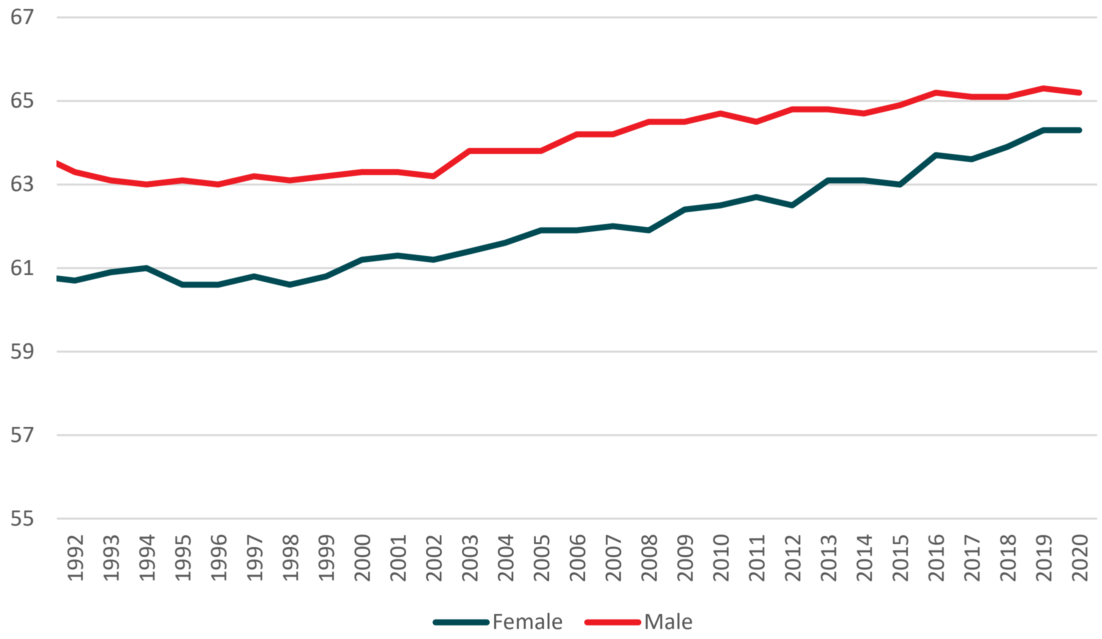


Source: ONS, Cebr analysis

In order to accommodate for the effects of such ageing on public finances, amendments have been made to the State Pension Age (SPA) in recent years. Changes from 2010 saw a gradual closing of the gap between the female SPA (then 60) and the male SPA (then 65) by increases in the former. By November 2018, both were equal at 65. In addition to increasing the age at which workers are eligible to receive SPA, legislation was passed in 2011 to repeal the Default Retirement Age, which had permitted employers to force workers to retire when they reached 65.

These changes are reflected in figures on the average of exit from the labour market. Whilst women on average left the labour market at age 60.7 in 1992, this increased to 64.3 by 2020. For men, a smaller rise from 63.3 to 65.2 was observed over this period. Differences in the SPA by gender, as well as evolving cultural attitudes, have therefore caused a narrowing of the gap in age of exit from the labour market in recent decades, from 2.6 years to 0.9 years. Further increases in the SPA to 66 from October 2020, to 67 by 2028, and to 68 in the late 2030s will likely cause further increases in the average age of exit and a continued closing of its gender gap.

Figure 2: Average age of exit from the labour market, by gender

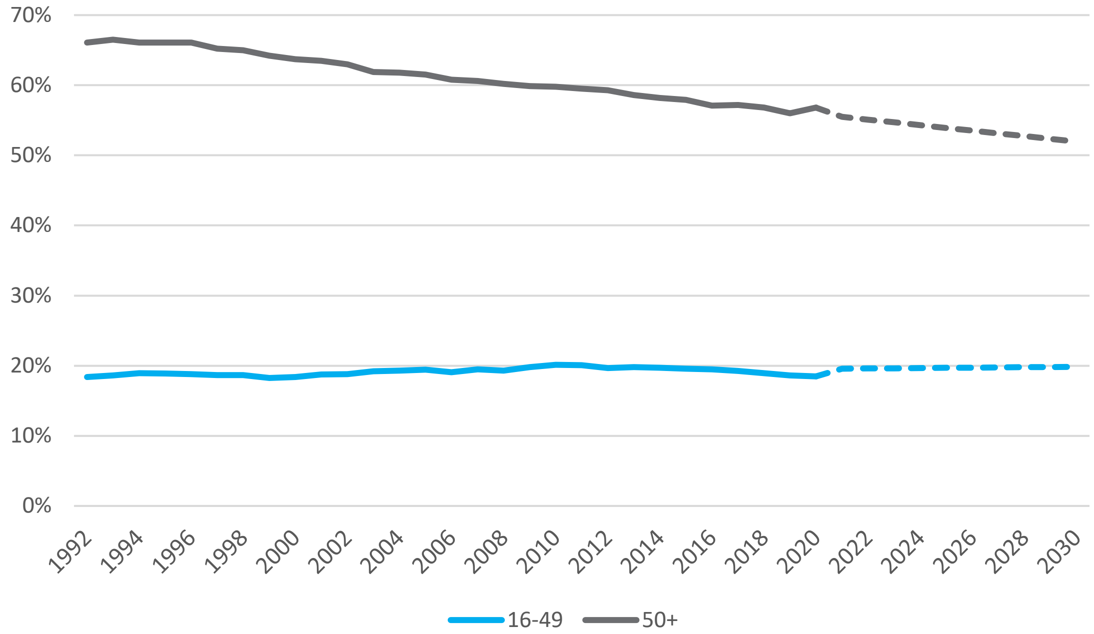


Source: ONS, Cebr analysis

1.2. Inactivity and employment

Increases in the average age of exit from the labour market are reflected in figures on economic inactivity, which is defined as the proportion of all people in a given age range who are not in the labour force, i.e., neither in work nor have actively sought work recently. Whilst 66% of over 50s were economically inactive in 1992, this percentage has since fallen, reaching 57% in 2020. By contrast, for the under 50s of working age, economic inactivity has remained relatively unchanged, with readings of 18% and 19% in 1992 and 2020, respectively. Continuing the trend seen in this period suggests that the inactivity rates of over 50s could approach 50% by 2030.

Figure 3: Economic inactivity rates among the under and over 50s with forecast from 2021 (dotted line)



Note: data for 1992-1994 are for Great Britain only.

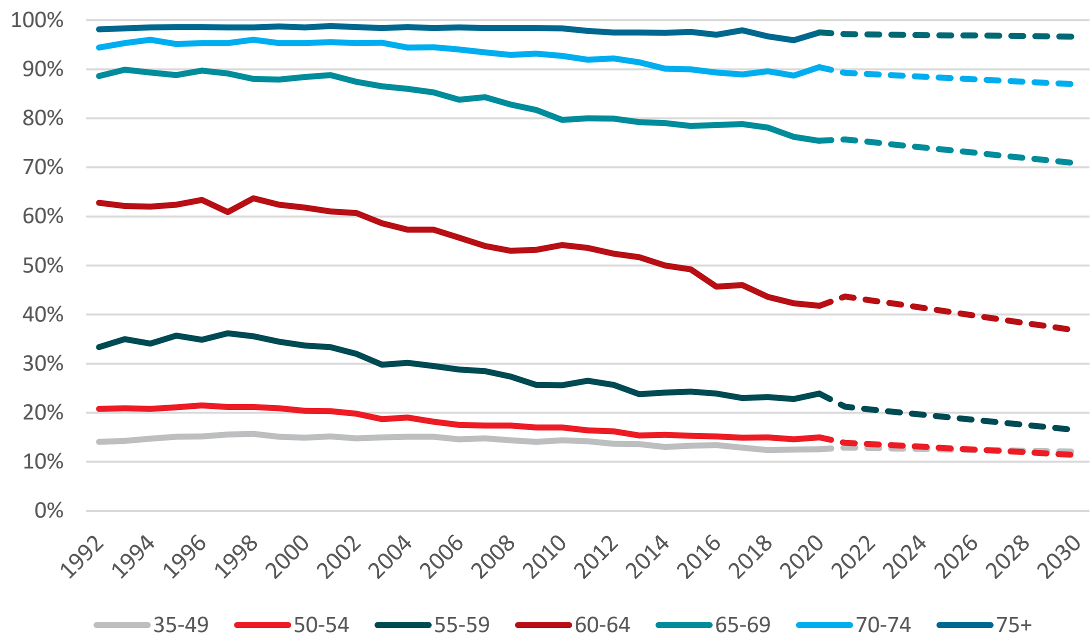
Source: ONS, Cebr analysis

Studying the changes in economic inactivity among the over 50s by age subgroup reveals that, behind the overall reduction, marked absolute falls in the rates for the 60-64 and 65-69 groups were observed over the period. By 2020, the inactivity rates among the 60-64 and 65-69 groups had fallen by 21.0 percentage points and 13.2 percentage points from their 1992 values, respectively. The inactivity rates for the oldest groups showed only minor reductions over the period, with the 70-74 group's rate falling from 95% to 90% and the 75+ group's rate only slightly reducing from 99% to 98%.

Continuing the trend for the oldest age group (75+) implies a stable inactivity rate by 2030. On the other hand, extending the trend for the 65-69 group – the group most affected by state pension age changes – would see a fall in economic inactivity approaching 70%, an almost 20 percentage points reduction since 1992. Meanwhile, a rate for the youngest over 50s group - those aged 50-54 – approaching 10% by 2030 would represent an almost halving of economic inactivity among the age group since 1992.

Studying inactivity by gender shows a reduction for both males and females, as well as a closing of the gap between the two. Whilst three quarters of women over 50 were economically inactive in 1992, this has since fallen to 61%. Inactivity among men over 50s, on the other hand, has remained largely unchanged, falling slightly from 55% to 52% over the three-decade period. This has driven a closing of the gender gap in inactivity from 20 percentage points to 8 percentage points.

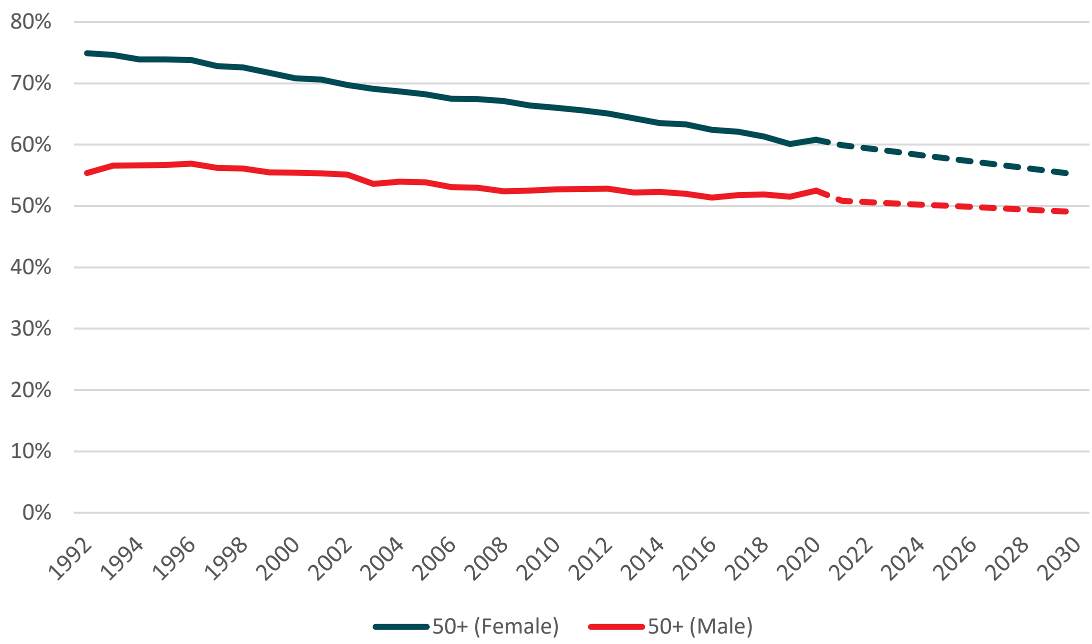
Figure 4: Economic inactivity rates of over 50s with forecast from 2021 (dotted line), by subgroup



Note: data for 1992-1994 are for Great Britain only.

Source: ONS, Cebr analysis

Figure 5: Economic inactivity rates among the over 50s with forecast from 2021 (dotted line), by gender



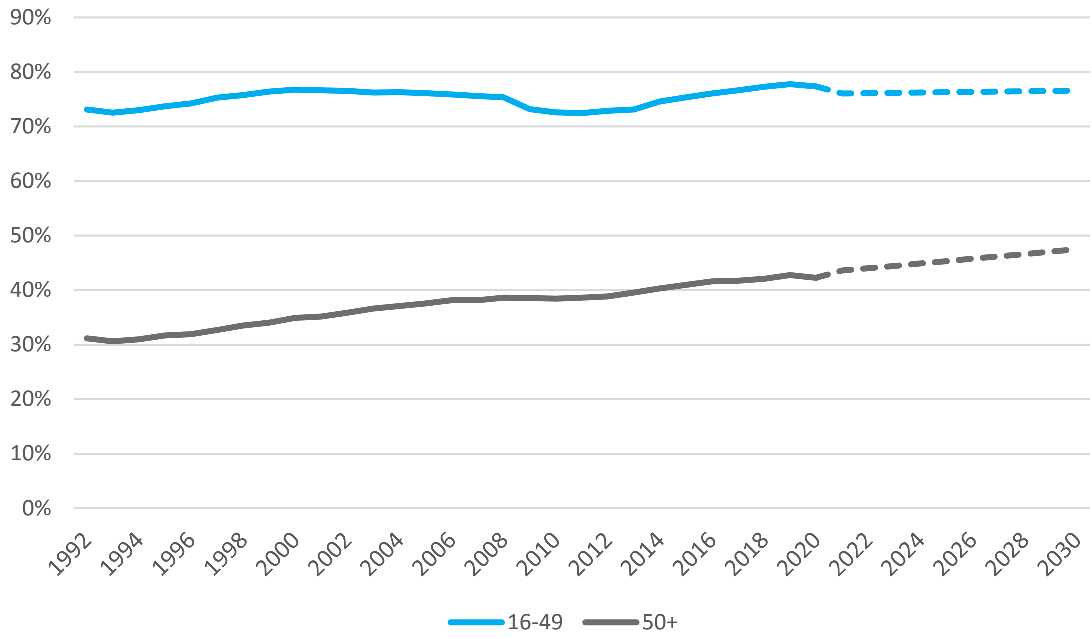
Note: data for 1992-1994 are for Great Britain only.

Source: ONS, Cebr analysis

Alongside falling economic inactivity, rising employment is typically observed. This is indeed borne out in the data on employment rates since 1992, which also show a narrowing between the under 50s and over 50s. Whilst 31% of over 50s were in employment in 1992, this was true for 42% of the group in 2020. With respective values for the under 50s of 73% and 77%, the gap between the two groups narrowed from 42.0 percentage points to 35.1 percentage points. At current trend, this gap could further narrow to 29.1 percentage points by 2030.

Studying the changes in employment among the over 50s by subgroups reveals that the overall trend over the past 3 decades has been driven by all groups except the over 75s. Employment rates in the 65-69 group have more than doubled from 11% in 1992 to 24% in 2020, with large relative increases also seen in the 60-64 and 70-74 groups. The largest absolute increase was seen for the 60-64 age group, whose employment rate rose by 22.1 percentage points from 34% in 1992 to 56% in 2020. For those in their sixties as a whole, employment has risen from 23% to 41% in this period.

Figure 6: Employment rates of the under and over 50s with forecast from 2021 (dotted line)



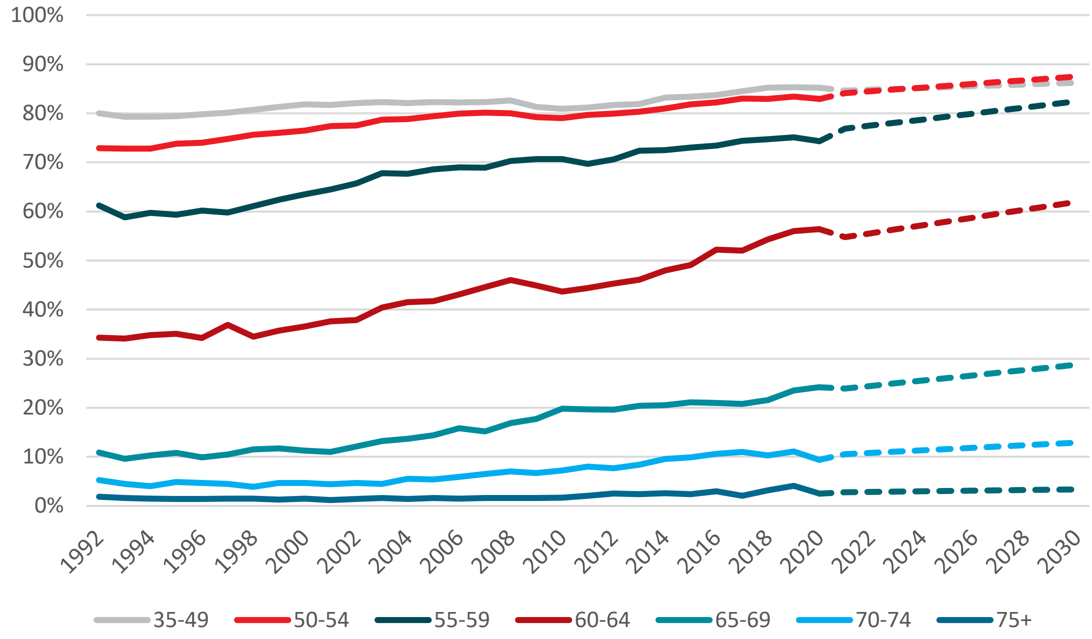
Note: data for 1992-1994 are for Great Britain only.

Source: ONS, Cebr analysis

Continuing these employment trends suggests that employment in this group will exceed 60% by 2030. For the 65-69 group, employment will approach 30%, whilst the youngest group of 50–54-year-olds will approach 90%. Focusing only on those post-SPA, which will consist of all over 67s by 2030, the employment rate for this group is expected to rise from 8% currently to 11% by 2030.

Further studying trends in employment for the over 50s by gender reveals that the upward trend applies to both men and women. Whilst approximately 1 in 4 women over 50 were in employment in 1992, this is now the case for close to 40% of women. Men over 50 have seen a less steep increase in employment over the period, causing a more than halving of the over 50s gender employment gap from 16% to below 8%.

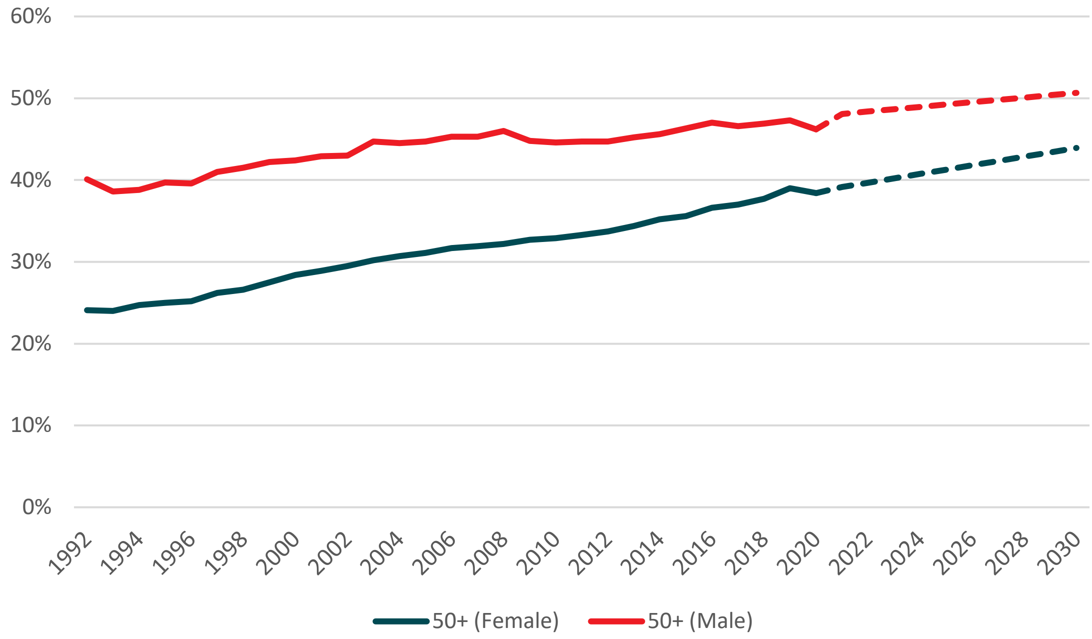
Figure 7: Employment rates of the over 50s with forecast from 2021 (dotted line), by subgroup



Note: data for 1992-1994 are for Great Britain only.

Source: ONS, Cebr analysis

Figure 8: Employment rates among the over 50s with forecast from 2021 (dotted line), by gender



Note: data for 1992-1994 are for Great Britain only.

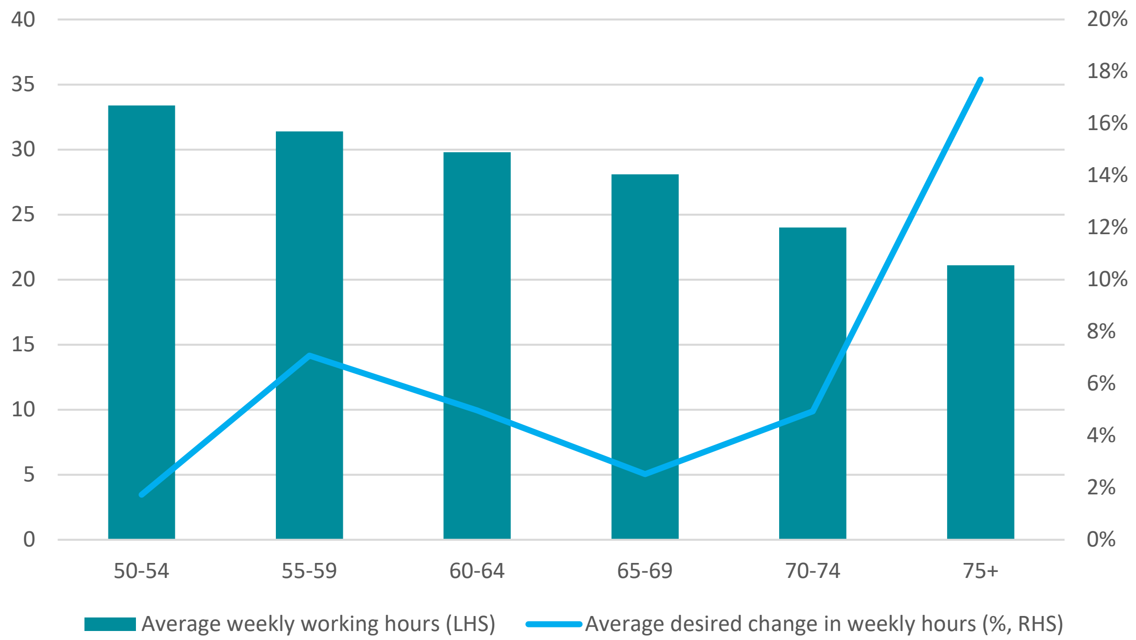
Source: ONS, Cebr analysis

1.3. Working hours

A survey of 2,000 individuals aged over 50 asked those currently in work about their weekly working hours, as well as their preferences around increasing or reducing their hours. Results show an average of 30 hours worked weekly among all over 50s, a figure pulled up by the average of 33 and 31 hours worked weekly by those in the 50-54 and 55-59 age groups, respectively. Among those in work in their 60s, weekly hours fall to 30 hours for the 60-64 age group and further to 28 hours for the 65-69 group. Finally, weekly hours fall below 25 for the over 70s on average, with 24 hours per week reported for those in the 70-74 group and 21 hours for the over 75s.

Also asked about whether they would prefer to change their current weekly working hours, the average over-50 respondent noted that they would prefer to increase their hours by 4.6%. This indicator of underemployment was lowest among the 50-54 age group, at 1.7%, subsequently rising to an average of 7.1% for the 55-59 age group. The average desired change in working hours fell for the 60-64 and 65-69 age groups, to 5.0% and 2.5%, respectively, before rising again for those in their 70s, as shown on the chart.

Figure 9: Average weekly working hours for those currently in work and average desired percentage change in weekly hours, by age group



Note: the sample size of over 75s choosing to respond with a desired change in working hours (24 responses) makes this estimate less reliable than those for other age groups.

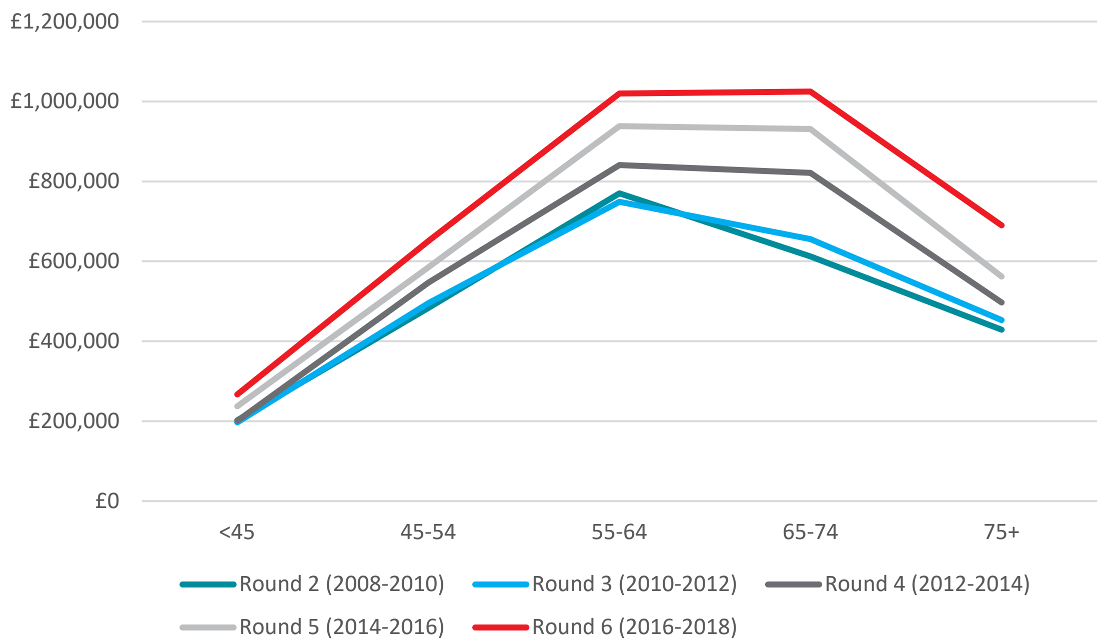
Source: Opinium survey, Cebr analysis

1.4. Household finances

Data from the ONS Wealth and Assets Survey (WAS) shed light on the financial position of UK households. The WAS is a longitudinal study, following households over time in subsequent rounds of three years and providing rich detail on the structure of the nation's finances.

Looking at mean household total wealth – consisting of the net value of physical, property, private pension, and financial wealth – shows an inverted U-shaped relationship between wealth and the age of the household reference person (HRP) responding to the survey. Whereas the 55-64 age group have been the richest age group in previous rounds of the survey (until 2016), the most recent round (covering 2016-18) saw the 65-74 group as the wealthiest. Whilst the wealth of all age groups has tended to grow over time, the average household whose HRP was aged between 65-74 in the most recent round of the study was 67% richer than a similar household roughly 8 years previously.

Figure 10: Mean total household wealth in Great Britain, by age group and WAS rounds



Source: ONS Wealth and Assets Survey, Cebr analysis

According to data from the most recent WAS round, the mean UK household holds approximately £732,000 in net wealth. This average is pulled up by the wealth held by the over 50s population and notably those between ages 55 and 74. Assuming that wealth is distributed evenly among the 45-49 and 50-54 age subgroups, the WAS data suggest that the mean household wealth of the over 50s has increased by 50% from £564,000 to £846,000 in the almost ten-year period between Rounds 2 and 6.

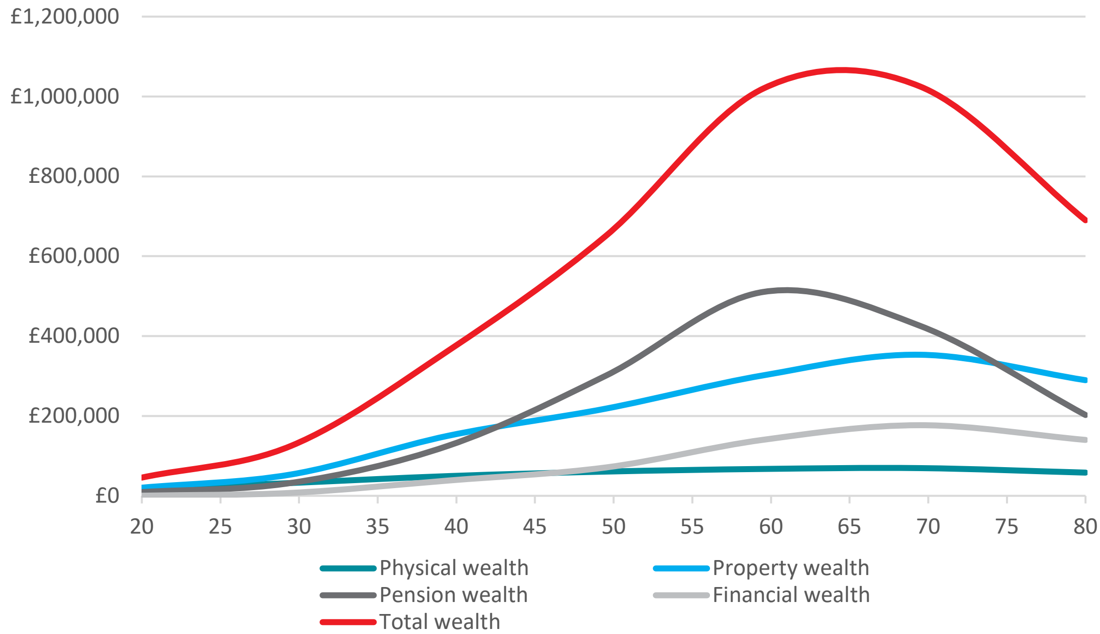
The data also show an increase in the proportion of national wealth held by over 50s from 58% in the period 2008-2010 to 64% between 2016-2018. This has been driven by an increasing share of wealth held by the over 65 age group, from 26% to 33% between the two periods. By contrast, the 50-64 age group has seen a fall in its share from 32% to 30%, despite an increase in average wealth.

The following analysis uses a smoothed version of the most recent 2016-2018 WAS data, incorporating wealth data for younger groups. Analysing household wealth by its different components, this shows that the previously mentioned inverted U-shape relationship between wealth and age derives from similar shapes in pension, property and financial wealth.

Private pension wealth forms the largest component on average, comprising 42% or £310,000 in the mean household. This form of wealth rises with age, both in absolute terms and relative to total wealth, until around the age of 60, when it comprises 50% of total wealth or £511,000 on average, before falling as pensions begin to be drawn down.

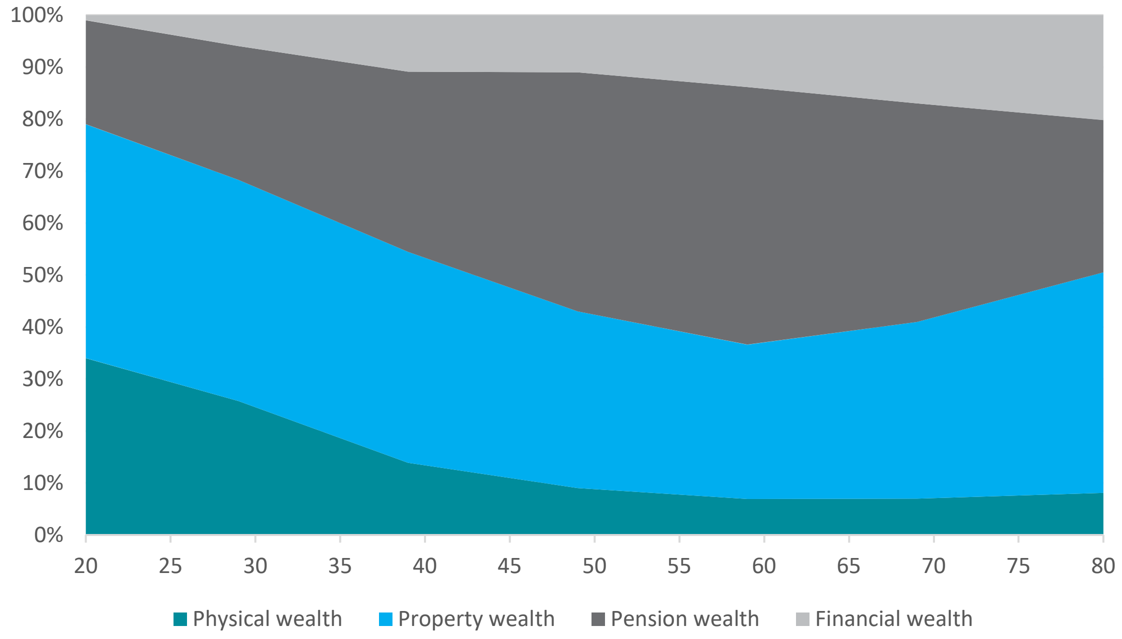
The next-largest component overall is property wealth, which similarly rises with age to a lower-but-later peak of around £353,000 per household at the age of 70, before falling. As the peak in property wealth rises more slowly than that in the pension wealth, the former falls as a proportion of total wealth until approximately 60, after which it rises. Net financial wealth peaks at a similar age to property wealth, reaching an average of £177,000 at 70. Physical wealth, on the other hand, is largely unrelated to age in absolute terms, but is highest relative to total wealth for the youngest age groups.

Figure 11: Estimated elements of mean total household wealth in Great Britain (2016-2018), by age



Source: ONS Wealth and Assets Survey (Round 6), Cebr analysis

Figure 12: Estimated proportions of mean total household wealth in Great Britain (2016-2018), by age



Source: ONS Wealth and Assets Survey (Round 6), Cebr analysis

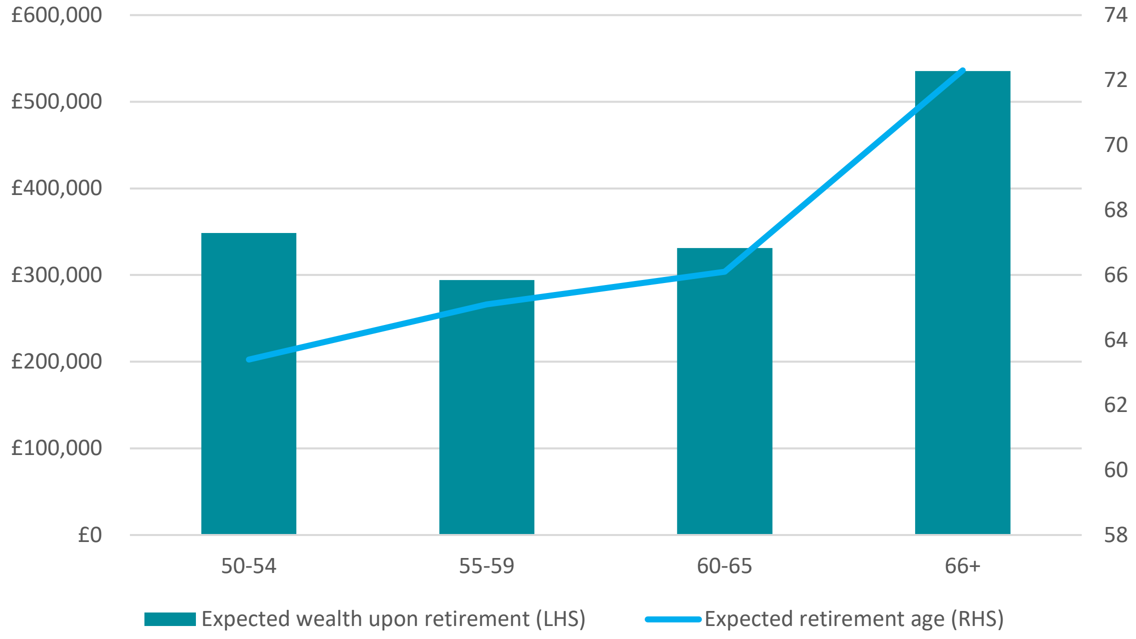
1.5. The savings-retirement gap

In order to draw conclusions about the ability of over 50s to fund their retirement using their wealth, a survey of 2,000 individuals from this age group asked respondents not currently in retirement about the level of wealth that they expect to hold upon their reported desired retirement date.

Survey results show that average expected wealth upon retirement falls from £349,000 for those in the 50-54 age group to £294,000 in the 55-59 group. Average expected wealth upon retirement is higher for non-retired over 60s, rising to £331,000 for those aged 60-65 and further to £536,000 for non-retired individuals in the post-SPA 66+ age group.

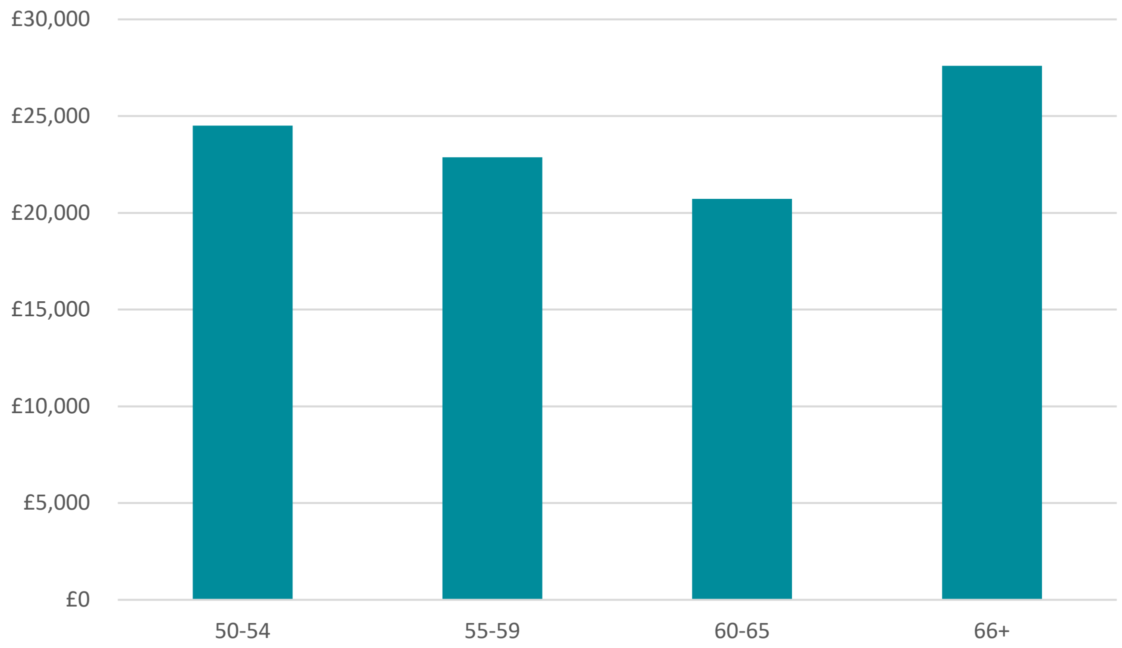
In addition to wealth estimates, respondents were also asked about the minimum annual income that they believe would be needed to live a comfortable lifestyle in retirement. Results show that, beneath an overall average of £23,500 desired by over 50s, annual desired income is highest among the post-SPA 66+ age group of non-retired individuals, with an average of £27,600. Conversely, the retirement income goal of those between 60-65 is almost £7,000 lower, at £20,700.

Figure 13: Average reported level of wealth expected by year of retirement and average expected retirement age, by age group



Source: Opinium survey, Cebr analysis

Figure 14: Average reported minimum annual income for a comfortable lifestyle in retirement for non-retired over 50s, by age group



Source: Opinium survey, Cebr analysis

These figures, showing the average minimum income for a ‘comfortable lifestyle’ in retirement, are higher than estimates by Retirement Living Standards that a minimum income of £10,200 is required to cover at least one’s individual needs on average across the UK.[1] The results are instead generally in line with the Retirement Living Standards ‘moderate’ level of £20,200, which facilitates greater financial freedom and security. For the post-SPA non-retired age group, the average goal for individual income is closer to the estimated ‘comfortable’ threshold of £33,000 across the UK.

Assuming that individuals use their total wealth to fund their retirement, estimates of total wealth upon retirement can be into constant annuity payments from their desired retirement year until the year of their life expectancy.[2] The resulting annual payment is added to the value of state pension payments to give total annual retirement income. This is compared to the minimum retirement income goal stated by respondents to calculate the savings-retirement gap for different age groups. Those with defined benefit pension schemes are excluded from this analysis, as their pension income cannot be appropriately estimated.

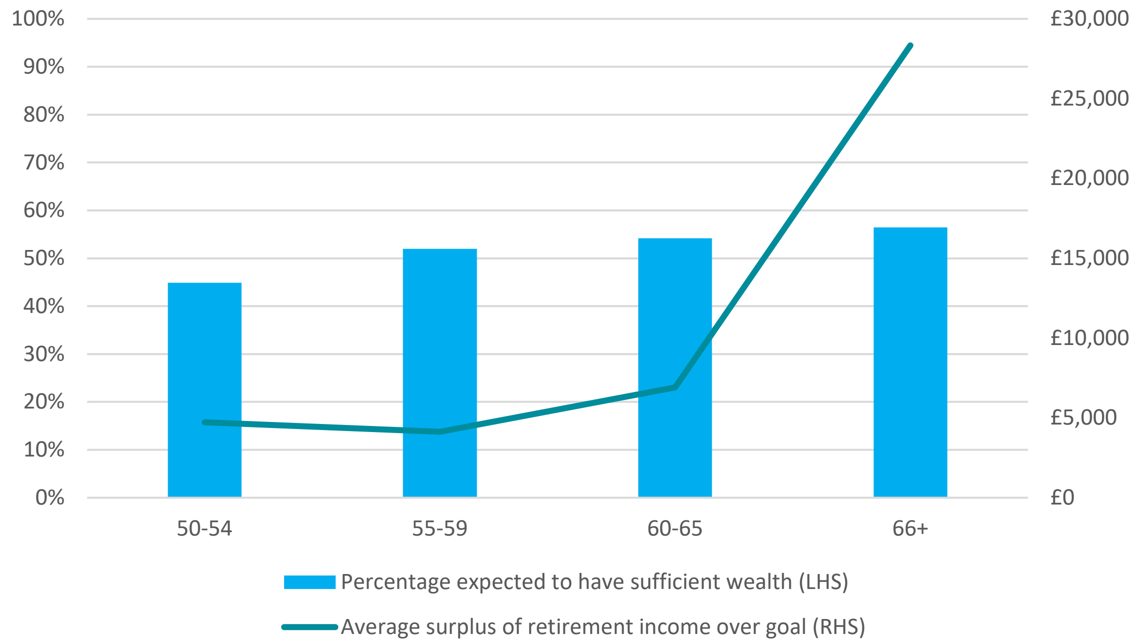
Results show that 53% of non-retired over 50s are expected to accumulate enough wealth to meet their desired minimum income goal for retirement. The percentage of non-retired over 50s expected to reach sufficient wealth to meet their retirement income goal is lowest among the 50-54 age group, at 45%. This percentage rises to 52% among the 55-59 age group and 54% for the pre-SPA 60-65 age group. For the post-SPA 66+ age group, 56% of non-retired individuals are expected to reach sufficient wealth by their stated desired retirement date.

With a majority of non-retired over 50s estimated to be able to fund their desired minimum retirement income using their expected accumulated wealth, and a concentration of wealth among the richest, the overall average gap between possible and desired retirement income is positive. This annual surplus amounts to £9,400 on average across all non-retired over 50s, a figure pulled up the average of £28,400 among the non-retired post-SPA group.

1 Retirement Living Standards thresholds available at: https://www.retirementlivingstandards.org.uk/details

2 Annuities are estimated as the annual payments facilitated by the estimated wealth at retirement over the expected remaining lifetime, with each payment discounted using zero coupon bond prices for its respective period. Life expectancy is calculated based on the individual’s age and gender using data from the ONS available at: https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/articles/whatismylifeexpectancyandhowmightitchange/2017-12-01.

Figure 15: Estimated percentage of non-retired over 50s with sufficient wealth to fund stated minimum retirement income and average surplus of possible retirement income over stated minimum, by age group



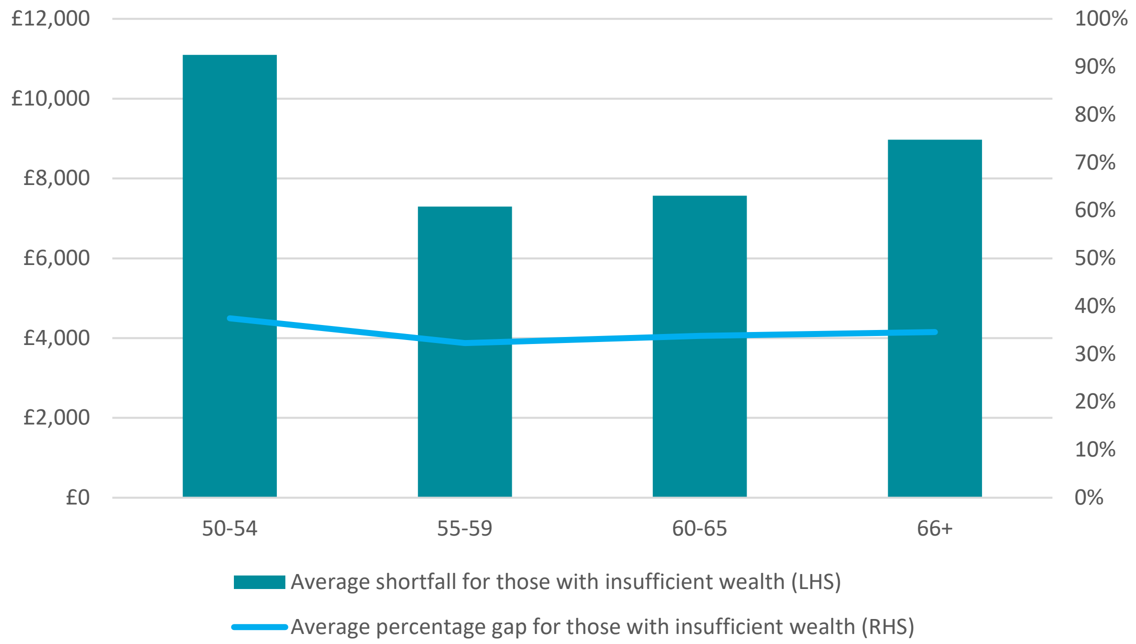
Source: Opinium survey, Cebr analysis

These overall figures mask the retirement gap implications for those who are expected to not have sufficient wealth to fund their minimum retirement goal. Focusing only on the over 50s with insufficient wealth, the average absolute amount by which annual retirement income is expected to fall short of that facilitated by accumulated wealth by retirement is £8,800. Within this group, the largest annual shortfall is seen for those aged 50-54, at £11,100. The gap falls to £7,300 in the 55-59 age group and £7,600 in the 60-65 group, before rising to £9,000 in the post-SPA non-retired group.

Expressing such gaps relative to the respective individual's desired retirement income goal shows an average shortfall of 35% from goal for over 50s without sufficient wealth. This overall relative retirement gap is pulled up by the estimated 37% gap for the 50-54 age group, with lower gaps of 32%, 34% and 35% seen among the 55-59, 60-65 and 66+ age groups, respectively.

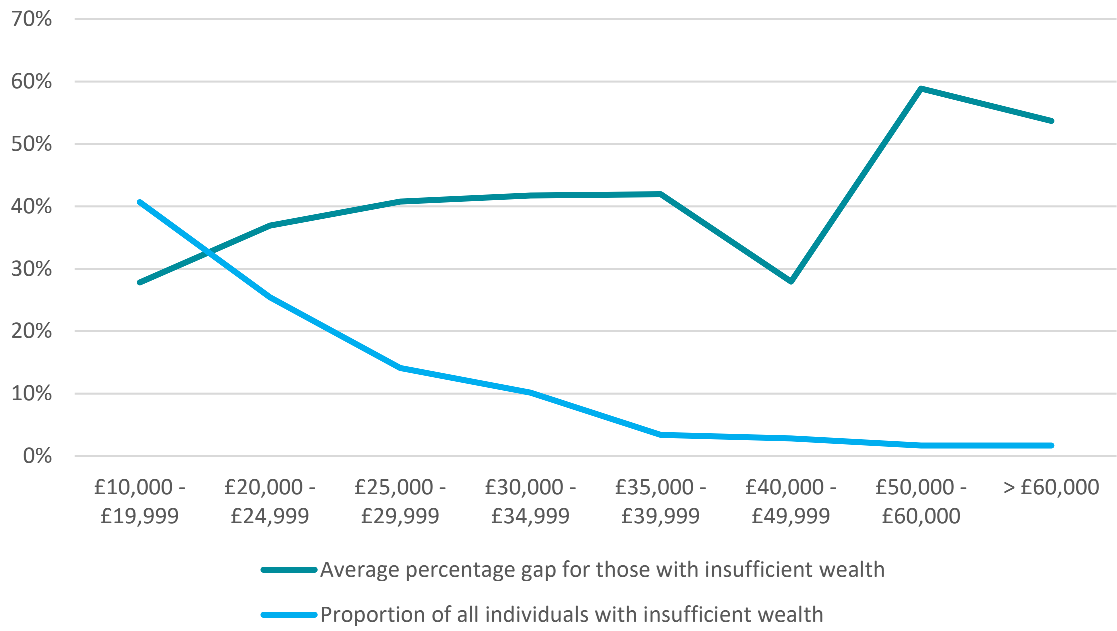
Alternatively, performing the analysis by individuals' stated goal for minimum retirement income reveals that the relative retirement income gap among those without sufficient wealth is largest for individuals with the highest income goal. However, the overall 37% average across all individuals with insufficient wealth is driven by the concentration of such people in the lowest bands for expected minimum retirement income.

Figure 16: Estimated average shortfall of possible retirement income from stated minimum for those without sufficient wealth and average gap relative to stated retirement income goal, by age group



Source: Opinium survey, Cebr analysis

Figure 17: Estimated average relative retirement gap for those without sufficient wealth and the distribution of such individuals, by stated annual minimum retirement goal



Source: Opinium survey, Cebr analysis

2. Employability for over 50s seeking work

Having examined the general picture for over 50s in the labour market and broader population, this section turns to the challenges that the age group faces when searching for work. This is informed by a survey of 2,000 over 50s gauging their experiences with job search and the challenges that they have faced in the process. Results show particular challenges in the areas of qualifications, skills and flexibility of work. Results are analysed by age subgroups as well as regionally, and testimonies of specific examples provided by respondents are summarised. In light of these challenges, conclusions are drawn about changes that can be made to improve the job-seeking experience of the over 50 age group.

This study builds on the findings of previous studies, taking a fresh look at the challenges faced by over 50 job seekers today. The analysis is also enriched by drawing conclusions about those searching for work in different age subgroups among over 50s.

Existing research has explored the specific challenges faced by over 50s in the job search process. Cory (2012) finds that the key barriers for older workers in finding employment in the UK include poor health, caring responsibilities, a lack of incentives for employers to take on older workers, age discrimination, poor access to flexible working, and a lack of employment support.[3] A recent study by the Centre for Ageing Better finds that older workers often feel stereotyped as having too much experience, as well as being likely to retire in the near future, being less committed, ambitious and adaptable, and being less physically and mentally able.[4] A further study finds that less objective criteria such as 'organisational fit' used in recruitment processes can disadvantage older workers, and that age-based stereotypes around IT skills and presentability can be problematic.[5]

Informed by the findings of previous literature, a survey of 2,000 over 50s was conducted for this report to quantify the barriers faced by older job seekers in the UK today. The results show over half of those aged 50 and over who have searched for work in the past five years believe that their age made employers less likely to hire them. Whilst 40% of those aged 50-54 believed that this applied to them, the lowest percentage among age subgroups, this percentage was highest for the 60-64 group, at 64%.

Asked further whether they thought their age was a 'significant barrier' in their job search process, half of respondents agreed. A majority of respondents agreed with this statement in all age subgroups except for the youngest 50-54 group, which saw one in three respondents

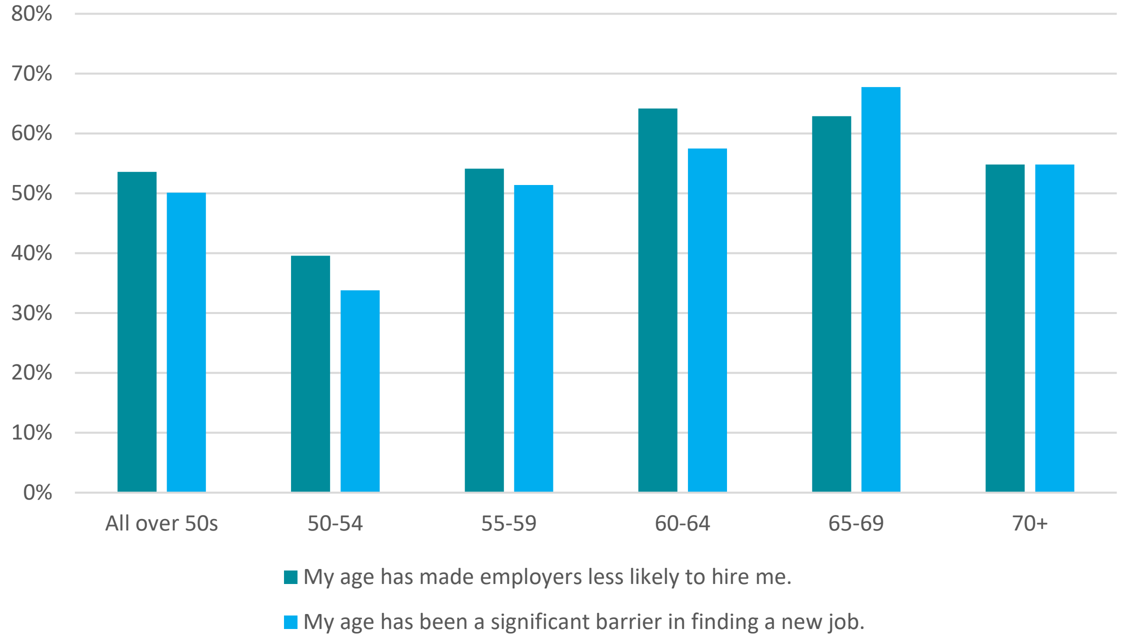
3 Cory, G. (2012). Unfinished Business: Barriers and opportunities for older workers. *Resolution Foundation: London, UK*.

4 Too much experience: Older workers' perceptions of ageism in the recruitment process. February 2021. *Centre for Ageing Better.*

5 Shut out: How employers and recruiters are overlooking the talents of over 50s workers. January 2021. *Centre for Ageing Better.*

agreeing. Conversely, over two-thirds of job seekers aged between 65 and 69 felt that their job search process was significantly hindered by their age.

Figure 18: Percentage of respondents who have searched for work in the past five years who agree with statements, by age group



Note: due a small number of over 75s in the sample that have searched for work in the past five years, the 70-74 and 75+ age groups are merged.

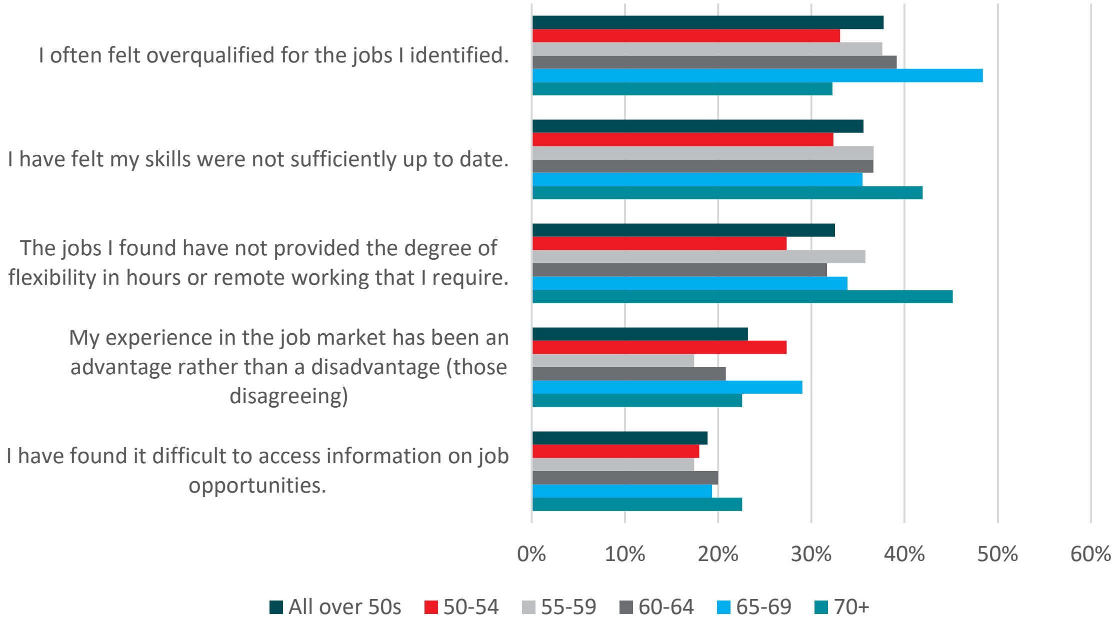
Source: Opinium survey, Cebr analysis

These results suggest that over 50s job seekers feel that their age has an often-significant adverse effect on their success in the search process. In order to gain further insight into the issues faced by over 50s while searching for work, respondents were asked whether they agree with a number of further statements capturing more specific challenges they have faced.

The most prevalent area referred to by those surveyed was feeling overqualified for the jobs that they have identified, which 38% of respondents identified. Following this, the challenge most commonly noted, identified by 36% of respondents, was a mismatch of skills between those held by over 50s jobseekers and those required in today's workplace. Unsuitable flexibility in working hours or location was also noted by 33% of respondents. On the other hand, less than 20% of over 50s jobseekers have found it difficult to access information on job opportunities. Finally, asked about whether their labour market experience has been an advantage in their job search on balance, 23% of over 50s disagreed.

For all jobseekers aged between 50 and 69, the key challenges were the same as those for all over 50s on average: feeling overqualified and having outdated skills. However, for the oldest age group, those aged over 70, insufficient flexibility in hours or location was identified as the most common challenge in the job search process among those listed.

Figure 19: Percentage of those seeking work in the past five years agreeing with statements, by age group

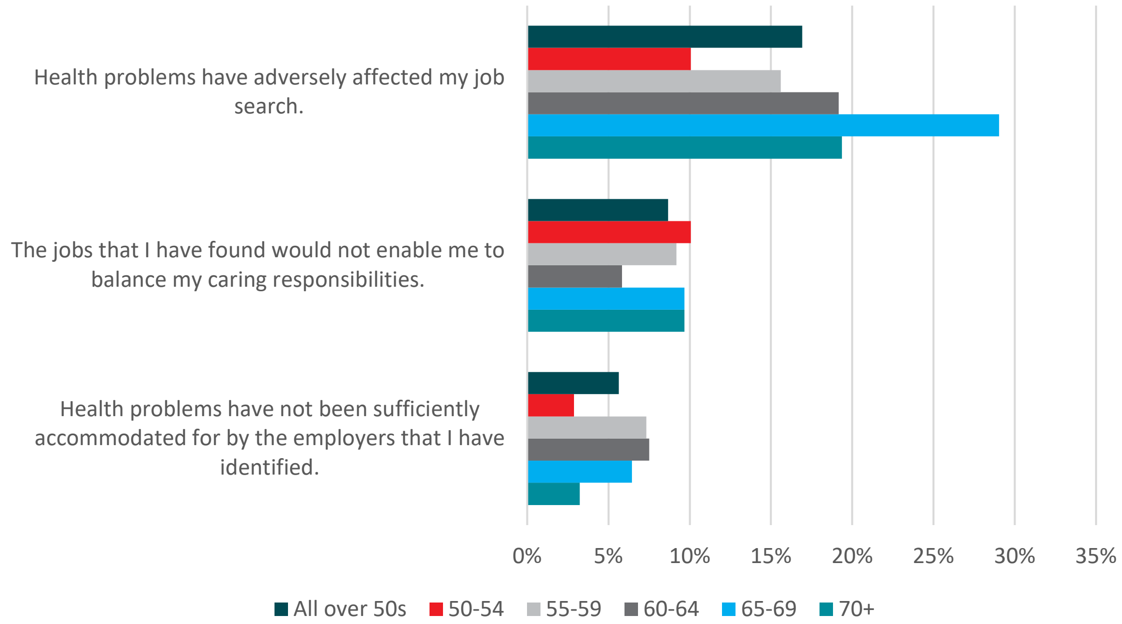


Source: Opinium survey, Cebr analysis

In addition to these results, respondents were also asked about the intersection of their job search experience with health problems and caring responsibilities. 17% of all respondents over 50 noted that health problems had adversely affected their job search, a proportion that increases with age groups to 29% for the 65-69 group, before falling to 19% among the over 70s searching for work. Focusing in particular on the accommodation of health problems by potential employers, 6% felt that insufficient accommodation was made in their recent job search experience. With regard to caring responsibilities, 9% of over 50s surveyed had such responsibilities and felt that these were not catered for by potential employers.

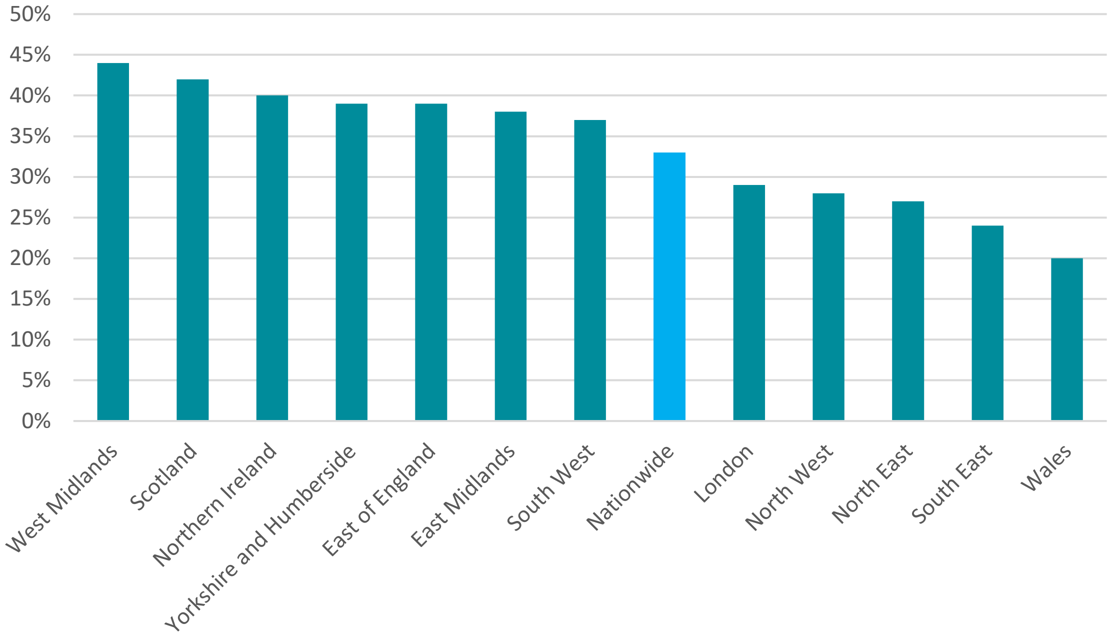
From a regional perspective, when asked about the availability of appropriate job opportunities in their area, the highest percentage of recent over-50 job seekers noting insufficient opportunities was seen in the West Midlands, at 44%, compared to the nationwide average of 33%. On the other end of the spectrum, only 20% of recent over-50 job seekers in Wales felt that there were insufficient appropriate job opportunities in their area. The percentage reported for London, at 29%, was also below the nationwide average.

Figure 20: Percentage of those seeking work in the past five years that have experienced different challenges, by age group



Source: Opinium survey, Cebr analysis

Figure 21: Percentage of over 50s seeking work in the past five years that feel there were insufficient job opportunities in their area that match their skills or experience, by region



Source: Opinium survey, Cebr analysis

Respondents were also asked about the motivation for their job search. 29% of all over 50s stated that their job search was driven mainly or entirely by financial reasons, compared to 26% stating that their search was driven mainly or entirely by other factors, including life satisfaction as well as social and mental health benefits. The remaining 45% of over 50s with recent job search experience noted that their motivation was equally financial and non-financial driven. These results did not vary significantly within age subgroups.

Finally, respondents were asked to describe circumstances in which they believe their age made employers less likely to hire them. Most frequently, respondents noted a lack of invites to interview and, for those who were interviewed, receiving rejections. At a similar frequency, actual or perceived closeness to retirement was stated as a reason that employers were less likely to hire them. Following this, comments were received with regard to actual and perceived generational skills gaps, as well as the effects of health problems on the likelihood of being offered and perform well in a job. Less frequently, respondents noted that some job offers have implicit or explicit age restrictions biased toward younger workers, and that they have found the 'cultural fit' emphasised by businesses to be exclusionary. A final common theme identified in the responses was that businesses can hire younger workers more cheaply.

These results can be used to motivate possible advancements that can be made to develop the job searching experience of over 50s and thereby improve the matching of workers to jobs to the benefit of the whole economy. For example, support could be provided to over 50s in a manner more suitably tailored to the main barriers that each age subgroup faces. This could involve targeted support for reskilling among older age groups, who most frequently feel that their skills are outdated. The same approach can be taken to support those who most frequently find health problems hindering their job search. Additionally, job creation support can be more closely targeted to regions in which over 50s most frequently report that there are insufficient appropriate jobs available.

With regard to the testimonies and anecdotes provided by survey respondents, perceptions of skill shortages and a likelihood of retirement in the near-term can be dispelled through providing employers with improved information. Providing employers with financial incentives to hire older workers could also work against the perception that younger workers are always cheaper. Finally, emphasising existing legislation on age discrimination may also be fruitful in reducing the prevalence of both explicit and implicit discrimination.

3. Unemployment and redundancy among the over 50s

Having illuminated individual job search experiences in the previous section, this section explores the broader trends in unemployment and redundancy for the over 50 age group. Results show that unemployment in the over 50s is lower than in younger workers, but that its persistence is the highest for the 50-64 age group. Furthermore, whilst redundancy numbers have been lower among the over 50s, the relative rate of redundancies has remained higher than for younger workers for the majority of the past 14 years. Survey results are used to estimate the implications of redundancies and other employment-related changes for the financial goals of the over 50s.

3.1. Unemployment

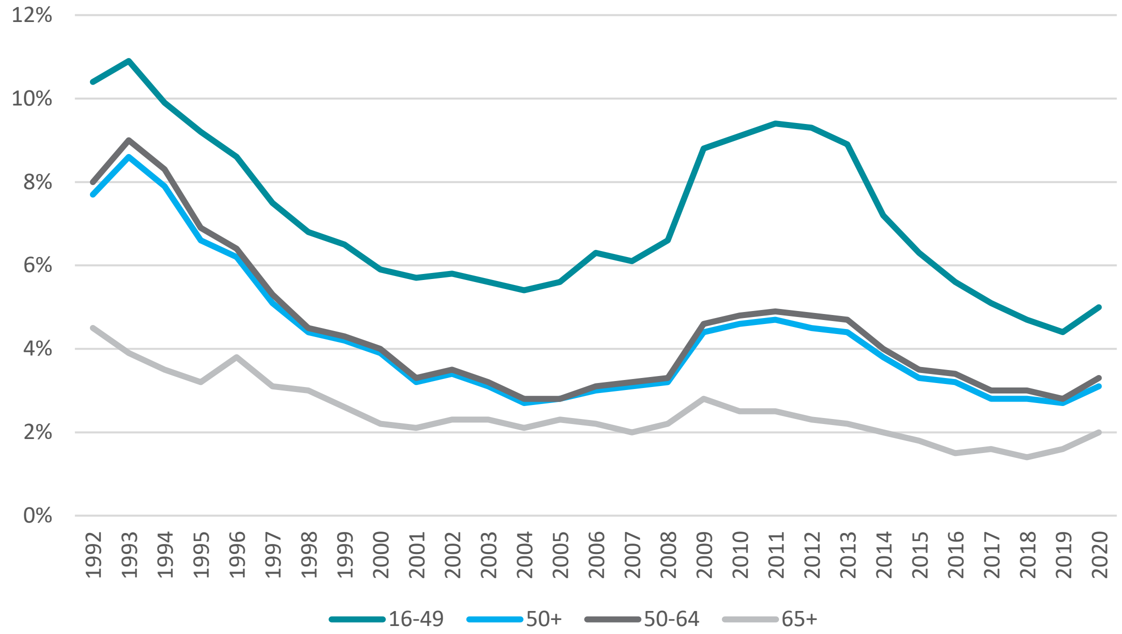
Data available from the ONS Labour Force Survey are used to map unemployment rates - defined as the proportion of the economically active population out of work but actively seeking work – over time for different age groups. Unemployment among the over 50 age group has been consistently below that of the under 50s over the past 3 decades. A gradual decline has been seen since the 1990s for all age groups, but with a rise observable following the 2008-09 Global Financial Crisis before a subsequent correction.

As well as laying below that of the under 50s, the unemployment rate among the over 50s also rose by less in 2008 and 2009 following the crisis. This was true in both absolute and relative (compared to 2007) terms. However, the relative increase in unemployment for the over 50s age group proved to be more persistent in the years following the crisis, particularly for those aged 50-64, who make up the majority of over 50s in unemployment.

Whereas the unemployment rate for the under 50s first fell below its 2007 level 9 years later in 2016, the rate among the 50-64 age group required an additional year to return to its 2007 value. Conversely, for the over 65 group, the unemployment rate fell below its 2007 level much sooner, in 2014. The less persistent increase in unemployment among this age group may be explained by a relatively higher propensity to leave the labour force (for example moving into retirement) rather than to enter unemployment in response to shocks such as redundancy.

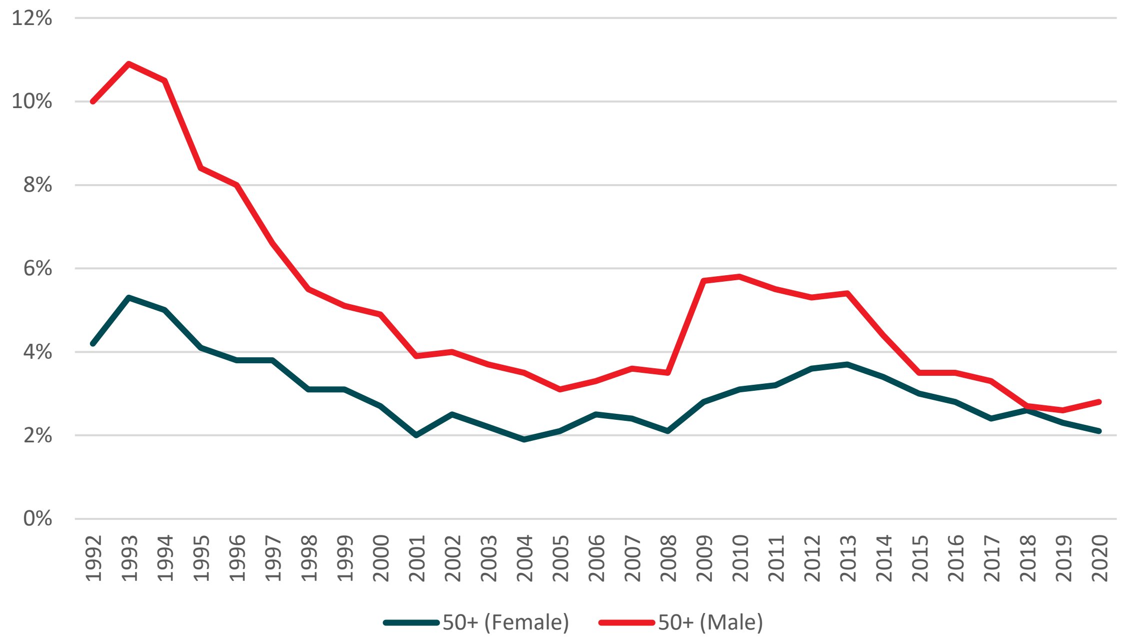
Studying unemployment among the over 50s by gender reveals a narrowing of the gap between male and female unemployment in recent years from 5.8 percentage points in 1992 to 0.7 percentage points in 2020. Men over 50 were seen to be more vulnerable to unemployment following the 2008-09 shock, but this uptick reduced quickly after 2013 to almost completely close the gender gap.

Figure 22: Unemployment rates of the under and over 50s



Source: ONS, Cebr analysis

Figure 23: Unemployment rates of the over 50s, by gender

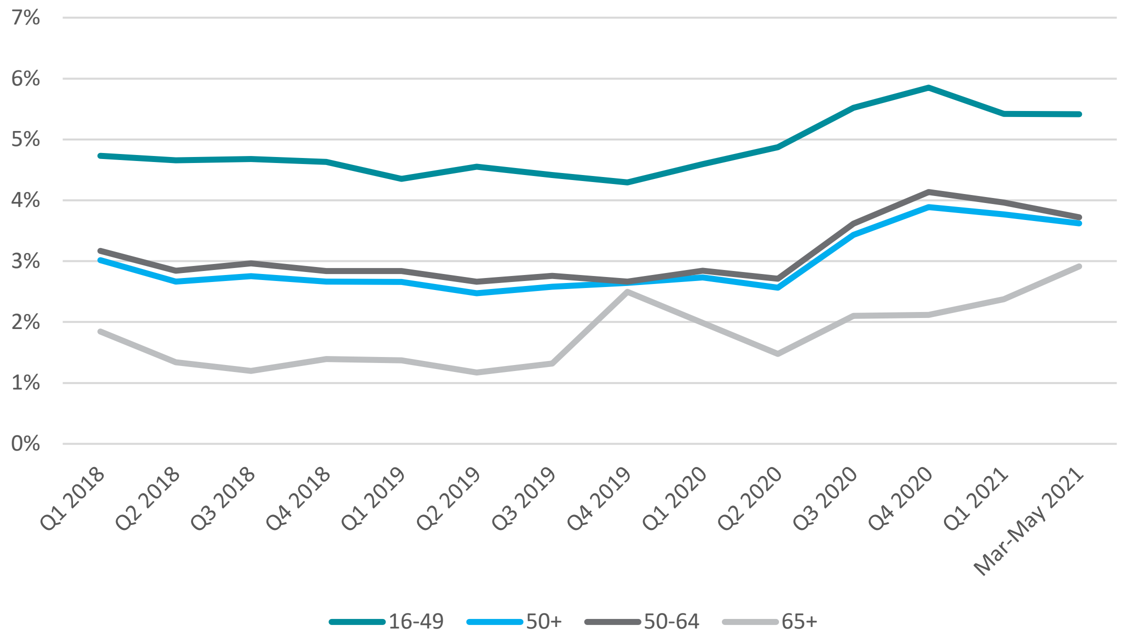


Source: ONS, Cebr analysis

More recent quarterly data show the impact of the Covid-19 pandemic on unemployment for older workers in the UK. Compared to the previous large economic shock witnessed in 2008-09, UK unemployment has not risen as sharply during the current crisis, predominantly due to the furlough scheme. In the three-month period to May 2021, UK unemployment among the over 50s was 0.7 percentage points higher than in Q1 2020, compared to an increase of 1.0 percentage among the under 50s. Within the over 50s age group, a 0.7 percentage-point rise was seen for the 50-64 band, compared to a 0.6 percentage-point increase for the over 65s.

However, whilst the absolute rise in the unemployment rate has been lower for younger workers, the proportional increase in the rate relative to Q1 2020 is highest among the oldest workers. In the three-month period to May 2021, the unemployment rate for the under 50s was 18% higher than in Q1 2020 (a rise from 4.6% to 5.4%), whereas that for the over 50s was 33% higher (from 2.7% to 3.6%). Among the over 65s, the rate was 47% higher (a rise from 2.0% to 2.9%).

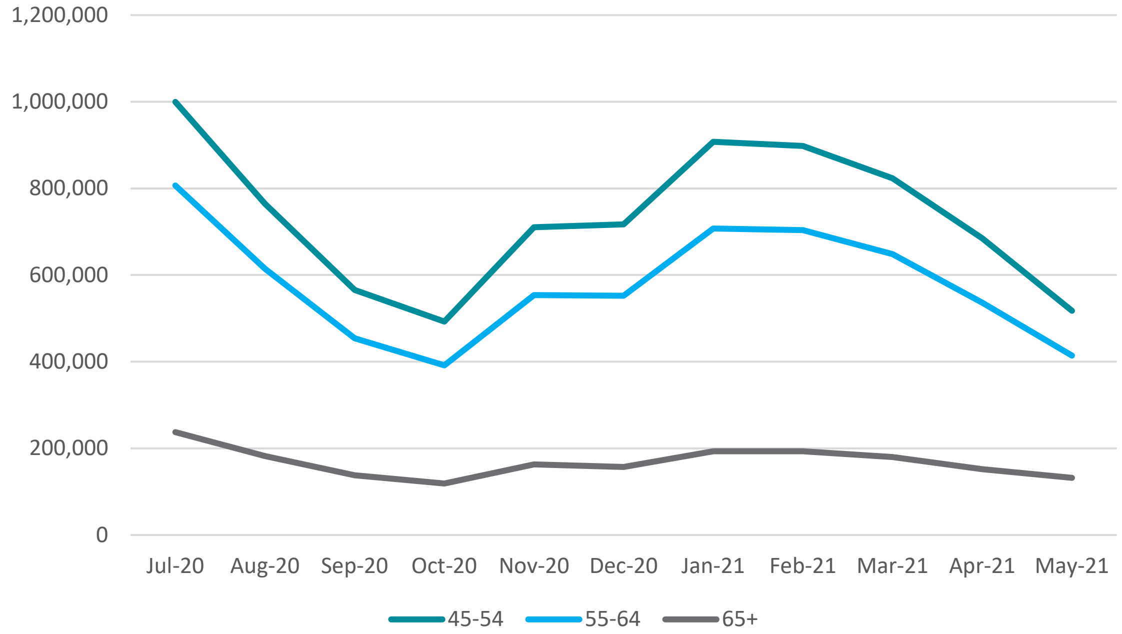
Figure 24: Quarterly unemployment rates of the under and over 50s since Q1 2018, by age group



Source: ONS, Cebr analysis

The relatively muted response of unemployment in the current crisis has been largely attributable to the government's Coronavirus Job Retention Scheme. The earliest available figures on the scale of the furlough scheme show a peak of more than 2 million over 45s and more than 1 million over 55s covered in July 2020. Following a subsequent lockdown in winter 2020-2021, more than 1 million over 45s and more than 500,000 over 55s were covered by the scheme in May 2021. Tapering of the scheme from July 2021 is likely to cause upward pressure on redundancies and unemployment in the second half of the year.

Figure 25: Average monthly number of employees on furlough since July 2020, by over-45 age groups



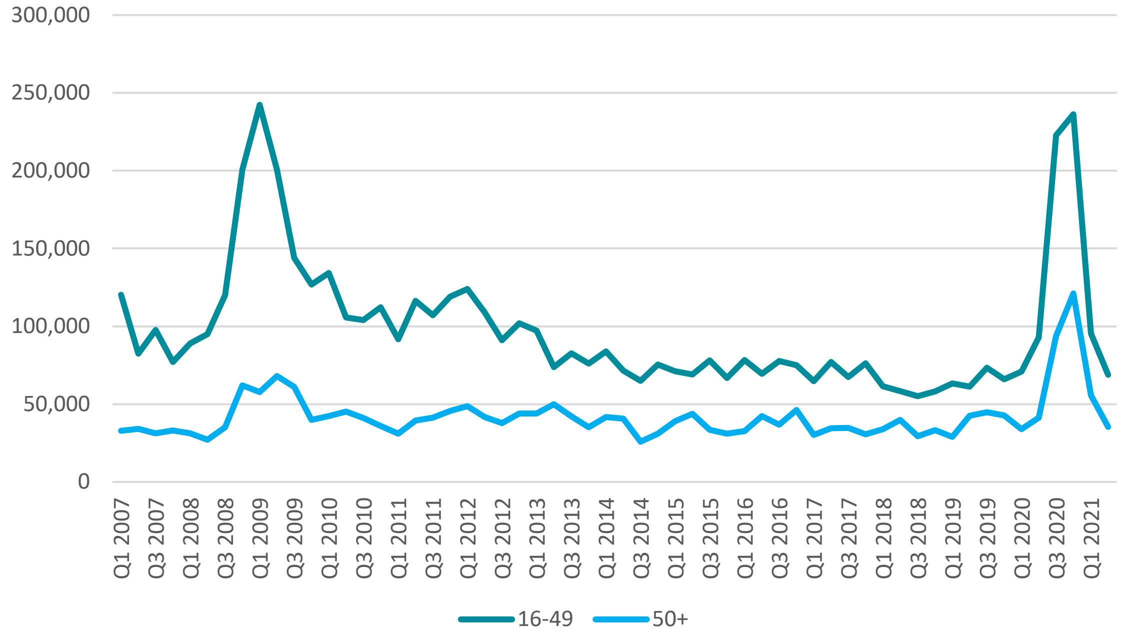
Source: ONS, Cebr analysis

3.2. Redundancies

A key source of entry into unemployment is redundancy. Figures on redundancies since 2007 show a marked rise among both the under 50s and over 50s during the 2008-09 crisis and late 2020. During the former crisis, whereas quarterly redundancies among the over 50s peaked at a level much lower than those for the under 50s, both had more than doubled from their Q2 2008 levels by the final quarter of the year. In the current crisis, quarterly redundancies in Q4 2020 were more than 3 times their Q1 2020 level for both age groups.

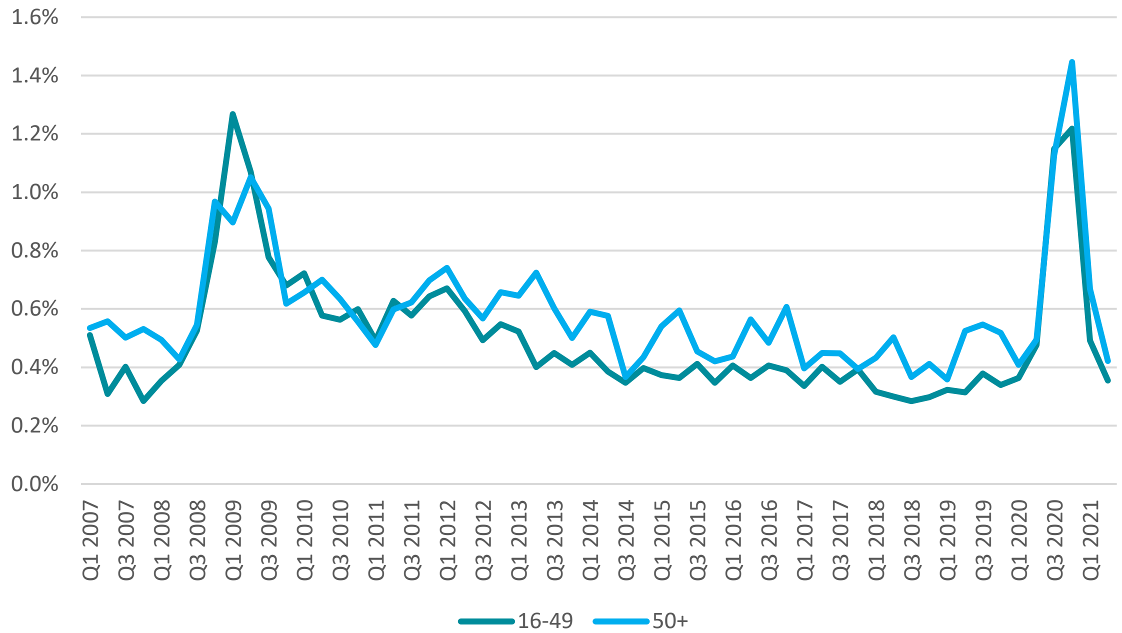
Since 2007, the absolute number of redundancies among the over 50s have remained below those in the under 50s. However, instead studying redundancy rates – measured in relation to the size of the respective workforces – reveals that over 50s have generally been more likely to face redundancy than younger workers. Indeed, the redundancy rate was higher for over 50s in 49 of the 57 (or 86% of) quarters since Q1 2007.

Figure 26: Quarterly redundancy numbers among the under and over 50s



Source: ONS, Cebr analysis

Figure 27: Quarterly redundancy rates (per 100 workers) among the under and over 50s



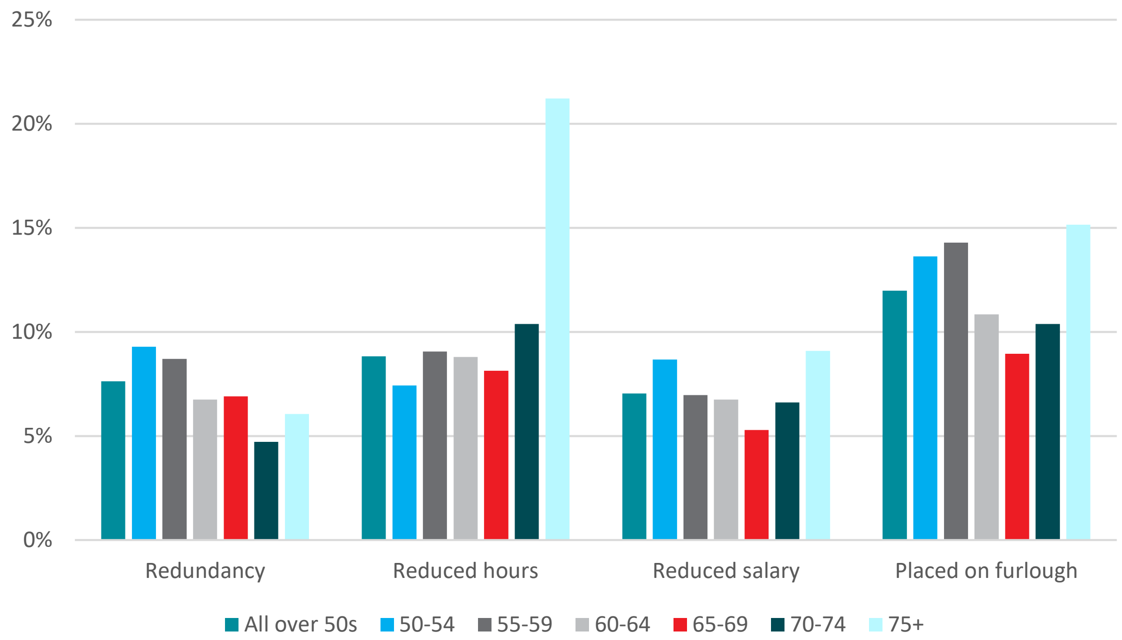
Source: ONS, Cebr analysis

3.3. Survey findings

Results from the survey commissioned as part of this report reveal that 8% of over 50s not in retirement five years ago were made redundant in the past five years. In the same period, 9% experienced their hours being reduced, 7% had their salary reduced, and 12% were placed on furlough.

Analysing the frequency of these employment-related changes by age subgroups, the 50-54 age group largely mirrored the results for the whole over 50s age group, but experienced all changes except reduced hours at a marginally higher rate than the overall group. Relative to the average for all over 50s, the 55-59 age group were more likely to witness redundancy and being placed on furlough. By contrast, the 60-64 and 65-69 age groups were not more likely to experience any of the employment-related changes than the average person over 50. The same was true for the 70-74 age group for all changes except for reduced hours, which the group saw more frequently. Finally, for those aged over 75, whilst redundancy rates were relatively low, the group saw higher-than-average rates for all other changes, with a notably high proportion of 22% witnessing reduced hours.

Figure 28: Percentage of respondents not retired five years ago experiencing employment-related changes in the past five years, by age group



Source: Opinium survey, Cebr analysis

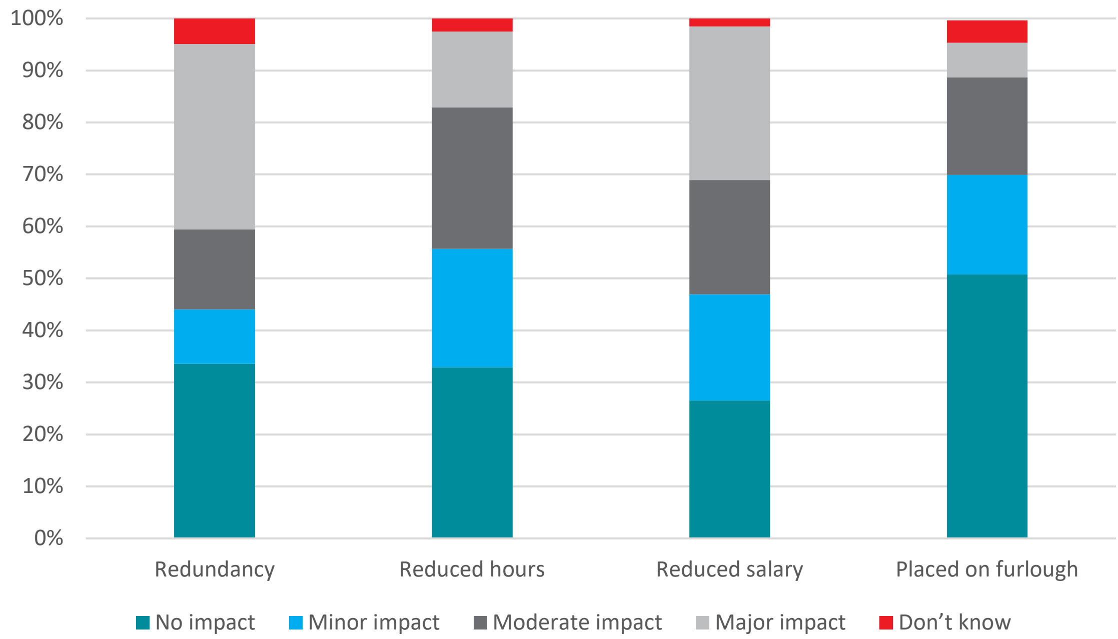
Asked about the experiences of other over 50s in their household, 3.5% of respondents with at least one other person aged over 50 in their household (who wasn't retired five years ago) stated that at least one other such member was made redundant in the past five years. The proportions reporting reduced hours, reduced salary and being placed on furlough for at least one other over 50s household member were 3.8%, 3.5% and 8.5%, respectively.

For those who experienced redundancy or had another over-50 member of their household who experienced redundancy, more than half (51%) believed that the respective person's age had a moderate or major impact in the decision. Incorporating those who believed that the respective person's age played a minor role shows that age was believed to be a factor in 62% redundancy decisions for over 50s in the past five years.

Further results show that age was believed to be at least a minor factor in 65% of hours reduction decisions among over 50s in the past five years, and that this was assessed to have had a moderate or major impact in 42% of cases. For salary reduction decisions, the respective percentages were higher at 51% and 71%.

For those being placed on furlough, either personally or another over-50 household member, 25% of respondents believed that age had a moderate or major impact on the decision, and 45% believed that it had at least a minor impact. Being placed on furlough was therefore the only employment-related change that a majority of respondents believed was not influenced by age on balance.

Figure 29: Percentage of those affected by changes for whom respondent believes age was a "moderate" or "major" motivation



Notes: data collated for those who experienced changes themselves and those whose other over-50 household member(s) experienced changes.

Source: Opinium survey, Cebr analysis

Studying the impact of these employment-related changes, 12% of those affected by redundancy (either themself or another household member over 50) stated that this caused the respective person to push back their retirement date, 16% that this caused them to bring forward the date, and 11% decided to retire straight away as a result.

Compared to those experiencing redundancy, those who saw a reduction in their hours were more likely to push back their retirement date, with 20% of those affected reporting to have done so. This is despite a relatively higher proportion (62%) of people who didn't change their retirement plans following a reduction in hours, with the difference accounted for by a smaller proportion of people bringing forward their retirement date (11%) or deciding to retire straight away (3%).

Among all of the considered employment-related changes, those who witnessed a reduction in their salary were the most likely to push back their retirement date, with 22% of those affected deciding to do so. Salary reductions saw 60% of those affected keep their retirement date unchanged, 9% to bring forward their date, and 7% to retire straight away. Conversely, being placed on furlough was the change least associated with an extended retirement date, with 6% of those affected opting to do so. A larger proportion (8%) decided to bring their retirement date forward after being placed on furlough, whilst the vast majority (81%) did not change their planned retirement date.

Figure 30: Effect of employment-related changes on the planned retirement date of those affected

Source: Opinium survey, Cebr analysis

In order to gain further detail into the extent to which individuals change their retirement plans following such employment-related changes, those affected were asked about the number of years by which they extended their planned retirement date. Analysis shows that, for all changes but furlough, those who were affected by employment-related changes and chose to extend their retirement date did so by an average of 3 years. Those placed on furlough who also extended their retirement date did so by an average of 2 years.[6]

Turning to the impact of such changes on the finances of the over 50s in retirement, comparisons can be made between the expected retirement savings of those who have experienced being made redundant (and no other employment-related changes) in the past five years with those who have not experienced any changes. This reveals an average level of savings for retirement in the former group 8% below that of the latter group, with an

6 Estimates are made using the stated number of years by which retirement was pushed back for those witnessing the given change only. This is because respondents are unlikely to be able to disentangle the effects of multiple employment-related changes on a delay to their retirement date. The average delay for those witnessing the given change in addition to any others was the same for those facing reduced hours and reduced salary but was one year greater for those experiencing redundancy and being placed on furlough.

absolute difference of £29,000. Comparing the savings-retirement gaps for the two groups suggests that those who have experienced being made redundant saw an 18% smaller surplus than those who did not, amounting to £1,900 less per year. Instead comparing results between those who witnessed one or more change with those who experienced no changes reveals a 30% reduction in the retirement-savings surplus of the over 50s, amounting to £3,100 less annually.

The apparent adverse impact of redundancy and other employment-related changes on the long-term finances of the over 50s motivates the question of how individuals can protect themselves from such shocks. Whilst this analysis has assumed that individuals' total wealth at retirement can be used to fund their post-retirement lifestyle, sizeable proportions of illiquid wealth – for example that held in property – may be difficult to liquidate and draw upon. In such scenarios, individuals could benefit from holding an income lifetime mortgage, enabling them to liquidate some of their property value into pre-determined regular income.

Improved awareness of the risks that redundancy and other changes can pose to long-term financial health may also encourage greater and earlier saving toward retirement. The phasing-in of workplace pension auto-enrolment from 2012 and full enforcement from 2018 is likely to significantly improve the nation's ability to weather such shocks in the future. Analysis by the Department for Work and Pensions showed an already staggering increase in the number of people actively contributing to defined contribution pension schemes between 2011 and 2019 from 0.9 million to 10.6 million.[7] Separate figures from the ONS showed an increase in the percentage of private sector employees with pension plans rising from 31% to 72% over this period.[8]

Further extensions to auto-enrolment could include reducing the minimum qualifying age from 22 and the minimum salary threshold from £10,000. In addition to this, amendments could be made to bridge the widening gap between employees and the self-employed. According to a report by the Institute of Fiscal Studies, the likelihood of pension scheme participation among private sector employees in 2018 was around four times higher than that for the self-employed, despite the two groups being largely in line in 1998.[9] This divergence is largely attributed to developments in auto-enrolment, suggesting that broadening the policy's scope to include the self-employed could provide significant long-term benefits to this group.

7 Automatic Enrolment evaluation report 2019, Feb 2020. Available at: https://www.gov.uk/government/publications/automatic-enrolment-evaluation-report-2019

8 Pension type by industry and gross weekly earnings bands, April 2021. Data available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions/datasets/annualsurveyofhoursandearningspensiontablespensiontypebyindustryandbygrossweeklyearningsbandsp2

9 Retirement saving of the self-employed, October 2020. Available at: https://ifs.org.uk/publications/15103

4. Conclusions

This report has considered the position of over 50s in today's labour market from three perspectives. The first section turned to over 50s in work. Trends in economic inactivity and employment among the over 50s were analysed and projections were made for the remainder of the current decade. The rate of economic inactivity in the age group has fallen from 66% in 1992 to 57% in 2020, and forecasts see this rate approaching 50% by 2030. Alongside this, the employment rate of the over 50s has risen from 31% to 42%, with forecasts anticipating a further rise towards 50% by 2030. Analysis of weekly hours showed that the average person in work, aged over 50, works 30 hours and would prefer to increase their hours by 5%.

Subsequent analysis of household wealth in the first section showed the evolution and breakdown of wealth components among the over 50s. Finally, this section studied the ability of individuals to use their wealth to fund their retirement. Results suggested that 53% of over 50s will accumulate sufficient wealth to fund their retirement, generating an overall retirement-savings surplus of £9,400 per year. However, for the 47% not expected to accumulate enough wealth, an average annual shortfall of £8,800 is estimated.

The second section examined the experiences faced by over 50s when searching for work. Significantly, over half of all over-50 job seekers responding to a survey commissioned as part of this report believe that their age makes employers less likely to hire them, and that their age represents a significant barrier in finding a new job. Results showed particular challenges in the areas of qualifications, skills and flexibility of jobs for over-50 job seekers, and variation in the challenges by age sub-groups. Regional analysis identified parts of the UK in which job seekers feel that their skills and experience are not sufficiently catered for with suitable jobs. This suggests a particular need for targeted job creation in areas such as the West Midlands, Scotland and Northern Ireland, where more than 40% of over 50s searching for work felt that there were insufficient appropriate jobs.

The third and final section illuminated the experiences of unemployment and redundancy among over 50s who are unemployed. Analysis showed that, whilst the unemployment rate among the over 50s has laid below that for younger workers in recent decades, the former has risen more than the latter in relative terms during the Covid-19 crisis. Furthermore, although redundancy numbers have been lower for over 50s than under 50s in recent decades, the rate of redundancy has been higher for the former group for most of the last 14 years.

Finally, this section used survey data to draw conclusions about the incidence and impact of redundancy and other employment-related changes in recent years. Significantly, results showed that age was considered by more than half over 50s to be a major or moderate factor in the decision by an employer to make them or another over-50 in their household redundant. The implications of such employment-related changes for the retirement plans of the over 50s were then explored, with results suggesting that redundancy is associated with an average 8% reduction in expected retirement savings compared to those not made redundant, causing an average 18% reduction in the annual retirement-savings surplus.