

# UNDERSTANDING AGE AND THE LABOUR MARKET

An ageing society brings new challenges in terms of fair distribution of opportunity and risk among and across generations. JRF's 'Generations, work and poverty' programme seeks to inform policy and practice by gathering evidence, especially on the impact of ageing on those at the bottom of the labour market, in low-paid or low-skilled work. This study investigated the role that age and generation play in employment, and how far these factors have changed over time.

## Key points

- Age and life stage were more important factors in employment opportunities than the generation in which people were born. Compared with those in mid-life (26–55), younger and older people were both significantly disadvantaged.
- The position of young people worsened significantly in recent years, especially for those least qualified. Being out of education, employment and training between ages 18 and 25 is likely to inflict longer-term damage on employment prospects.
- The position of some older people (mainly those in secure work and high-status occupations) has improved, but losing one's job in later life made individuals much more vulnerable to long-term unemployment.
- There was no evidence that rising employment of older people is 'crowding out' young people from the labour market.
- Younger and older people were both more likely to be in insecure employment, employed part-time on non-standard contracts, and with less access to training. As a result, they were more vulnerable to unemployment than those in mid-life.
- Lack of qualifications was a cause of serious disadvantage, especially for younger people.
- Despite labour demand being projected to rise, underemployment was widespread among younger and older workers, in terms of working fewer hours and underuse of skills.

## The research

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**JUNE 2015**

# BACKGROUND

Population ageing brings opportunities and challenges for individuals, employers and the state. Policy-makers have responded with measures designed to extend working life, and to ensure that individuals can support themselves financially in a longer retirement. However, relatively little attempt has been made to understand how these changes are impacting on employment experience and opportunities for different age groups and generations. This project explored the relationship between employment, age and disadvantage. It sought to establish how important age and generation are in determining employment experiences, and how far these experiences have changed over time. By examining data over a 20-year period, the study explored how far opportunities have changed for people at particular ages.

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## The effect of generation

It has often been suggested that different generations (people born in different periods) have different experiences of the labour market. This research indicates that such is not the case. In general, the youngest and oldest workers have always had a poorer experience of employment than those in mid-life (especially men), and this has continued to be the case. However, there was no evidence that older people staying in work longer are 'crowding out' young people from the labour market.

## Changes over time

Nevertheless, significant changes have taken place over time. The relative position of young people in the labour market has deteriorated, especially for those who have not benefited from the expansion of higher education. By contrast, the position of older people with qualifications and secure jobs has improved. Older workers are now less likely to be in low-status jobs than in 1993. Absolute wage inequality has been rising since the 1970s and wage mobility between generations has declined: the income of those born in 1970 is much more closely linked to their parents' income than for those born in 1958. The pattern across lifetimes has also changed. For those born before 1955, wage inequality has declined with age, while for those born after 1955, inequality has remained stable to the age of 35, but then it rises steadily.

Young people entering the labour market for the first time are always vulnerable to downturns in the economic cycle, when employers cut back on recruitment. The proportion of economically active young people in low-paid occupations has risen since 1993 – from 39 to 52 per cent. Young people not in higher education, and those in education and part-time work, were disproportionately likely to be working in sectors where low pay is common, notably trade, accommodation and transport. Employers were also more likely to use informal methods when recruiting low-paid workers, which tends to disadvantage younger jobseekers, as they have less experience in the labour market.

By contrast, the position of some older employees has improved, and a small number of employers have been actively seeking to recruit older people. In general, however, employers' response to changing demography has been to retain experienced older workers, but not to recruit older people. As a result, older people's participation in the labour market has been rising for some years, especially for highly qualified people over 65, while the proportion of older workers in low-paid jobs has declined since 1993. After 65 the large majority of older people were in part-time work, although recently the proportion has been declining. Levels of self-employment have generally been stable over time, but were notably higher among people over 65.

Legislation on age discrimination has benefited some older people, with a rise in the number of employers with formal equal opportunities policies for age. However, the abolition of compulsory retirement ages means that employers are likely to pay more attention to competence and attendance records, which may impact particularly on low-paid workers with poorer health. The raising of the state pension age is likely to impact most heavily on low-skilled workers and those in low-status occupations with heavy physical demands. Women may also be disproportionately affected, because of their concentration in low-paid sectors, and the earlier raising of their state pension age.

## Causes of disadvantage

Younger and older workers are both more vulnerable to disadvantage, because of their concentration in part-time, low-paid, temporary and insecure posts where conditions of employment and access to training are generally poorer. They are also more likely to change jobs frequently and to have periods of unemployment, but have less financial support, since redundancy pay is only available to those who have been with an employer for more than two years.

However, flexible working might appeal to some older workers phasing into retirement, despite its association with low pay and limited opportunities for progression and training. Before the age of 60, those with low qualifications were less likely to retire unless they suffered poor health or had caring responsibilities, the latter especially affecting women. After 60, highly qualified people in secure jobs were the least likely to retire, up to and beyond 65.

Over time, the disadvantage attached to having no qualifications has increased for younger and older people, and unemployment has inflicted serious damage on both groups. For young people it has resulted in poorer medium-term employment prospects. For older people, it has been much more likely to lead to long-term or permanent unemployment. Participation in training declines with age across working life, and public funding for training declines steeply. Yet training has often been advocated as a way to retain workers in the labour market for longer. However, while higher levels of training were found to correlate with staying longer in work, there was less evidence that the training available has improved prospects for unemployed older people.

## Impact on the labour market

The patterns described above have been causing clear inefficiencies in the labour market. Projections of future labour demand suggest significant medium-term labour shortages. Although overall expansion will be concentrated in higher-level jobs, demand will remain high for low and middle-ranking jobs, to replace retirees.

However, underemployment remains widespread. Since 1993, the proportion of people reporting that they wanted to work longer hours has risen substantially, especially among young people, and this was twice as likely for those in low-paid occupations. At the same time, 20 per cent of workers reported that their skills were not being used in their current jobs.

## Conclusion

The labour market is systematically advantageous to 'insiders' – men in mid-life and those in secure jobs. This is at the expense of 'outsiders' – young people and older unemployed people, especially those with few or no qualifications. These 'outsiders' are more likely to work in sectors and low-quality forms of employment providing little security or opportunity for progression. While the study found little evidence of differences across generations, there was evidence that this disadvantage has been increasing over time.

Although flexible working is attractive to many people of all ages, especially older workers, the rise of flexible working is intensifying these disadvantageous effects, because it is generally associated with low pay, poor training and lack of progression opportunities. Employers' increasing focus on retaining experienced staff at the expense of new recruits, and their reliance on informal recruitment, also disadvantage young people and older unemployed people.

Policy interventions to address these issues need to focus on those with low qualifications, and on improving the quality of flexible work and the quality and relevance of training and qualifications, in order to enable the youngest and oldest in the labour market (and some women with childcare responsibilities in mid-life) to escape from a cycle of low-status, temporary and low-skilled work.

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## About the project

The study reviewed research and policy literature and analysed Labour Force Survey data over a 20-year period, examining the data on a series of birth cohorts from pre-war (1938–1947) to 'Generation Y' (1978–1997). The 20-year dataset made it possible to compare the experiences of three cohorts at the same age in 1993, 2003 and 2013 to consider how age, rather than generation, has affected opportunities. Variables explored included activity rates, unemployment and underemployment, low pay, part-time and flexible working, non-standard work contracts, and self-employment. Weaknesses in available data included a lack of data on activities, income and working hours making it impossible to establish how far self-employment for older people is a genuine alternative to employment, or merely a cover for unemployment. Data is also poor on migration, making it difficult to investigate the extent of substitution of older and younger workers with immigrants, which may be an issue regarding entry-level jobs.

## FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF.

The full report, **Understanding age and the labour market** by Anitha George, Hilary Metcalf, Leila Tufekci and David Wilkinson, is available as a free download at [www.jrf.org.uk](http://www.jrf.org.uk)

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