This report provides evidence about labour market outcomes in the UK for different age groups.

Data from the Quarterly Labour Force Survey is analysed using a generational approach, alongside evidence and policy reviews. The implications of an ageing society are explored, providing a significant contribution to a more evidenced-based debate on generational fairness.

The report looks at:
• a range of labour market indicators: economic activity, inactivity, unemployment and the composition of employment;
• employment projections to 2022 by industry and occupation;
• employer policy and practice, covering education and training, recruitment, non-standard working, job retention, progression and transition to retirement; and
• national policies on education and training, age discrimination, redundancy, maternity and paternity support, childcare, flexible working, employee protection and pensions.
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EXECUTIVE SUMMARY

This report provides a comprehensive analysis of data from the Quarterly Labour Force Survey (QLFS) together with evidence and policy reviews concerned with the interaction between the labour market and age. It covers both the current picture and future projections.

The aims of the research are to:

- gain an understanding of labour market demand, participation, exit, opportunities and challenges for and across different age cohorts; and
- examine the relationship between labour market and age, considering intergenerational impact and fairness.

It considers the changing demographics within the UK and anticipated future labour market needs. Particular importance is given to low-paid and low-skilled workers.

Data analysis

The data analysis adopts a generational/cohort approach comparing labour market indicators for six cohorts of equal size defined as follows:

- Young Generation Y – aged 16–25 in 2013 (born 1988–97);
- Old Generation Y – aged 26–35 in 2013 (born 1978–87);
- Generation X – aged 36–45 in 2013 (born 1968–77);
- Young Baby Boomers – aged 46–55 in 2013 (born 1958–67);
- Old Baby Boomers – aged 56–65 in 2013 (born 1948–57); and

The data analysis covers a 20-year period, comparing three cohorts at the same age in 1993, 2003 and 2013. However, the analysis suggests that age and life stage were more important factors than generations in determining labour market outcomes, with differences greatest between people aged 16–25, 26–55 and 56–75.
The results indicate that disadvantage is greatest for people aged 25 or less and aged 56–75, in particular for those with no qualifications. Although, on average, Generation Y will have higher qualifications than previous generations, there is a risk that those with low or no qualifications will be more disadvantaged than previous generations as the demand for skills (and qualifications) increases.

For the older group, labour market disadvantage appears to have reduced for the more recent generation, with indicators typically better for Baby Boomers than for the Pre-War generation. However, this is largely a result of older people in relatively good jobs, on average, staying in employment longer so that the percentage of older people in work in low-paying and low-status occupations was lower in 2013 than in 1993.

Through the recent recession, underemployment in terms of workers wanting to work more hours increased for all age groups, but the prevalence and increase was greatest for younger workers, so even those young people who were in work were much more likely to want to work more. Job churn is also higher for young people as they seek good job matches. Meanwhile, indicators of ‘bad jobs’ – low-pay, low-status occupations and part-time work – were also associated with a higher level of job exits.

As older people leave the labour market, replacement demand will be evident across the occupational distribution. However, employment is projected to increase most for high-status occupations. The key employment challenge for the next ten years will be ensuring that as people with low or no qualifications age they have the skills required for these new high-status occupation jobs.

Evidence review

When employers feel that certain jobs are more suitable for some age group, the preferred age tends to be 25–49, and the data analysis highlights that these workers typically have better labour market outcomes. For this age group the evidence of disadvantage is more focused on gender rather than age or generation.

Employers offer multiple forms of flexible working, with younger workers more likely to have the most disadvantaged terms, such as seasonal, casual and zero-hours-contracts work. The requirement for flexible working increases for older workers due to their wish to work fewer hours or because of caring responsibilities. However, there is often a low level of take-up and knowledge of flexible working policies in organisations where it exists.

Regardless of age or generation, employees with no or few qualifications are most disadvantaged, as well as being more likely to work in low-paid and low-status occupations, and they are also less likely to receive training and have fewer routes to progress. The latter disproportionately affects women and part-time workers.

Age discrimination is a major issue for older workers due to employers’ incorrect beliefs on the relationship between ageing and performance. Remaining in employment in later life can be greatly influenced by job quality and content. Employees are more likely to leave jobs with low levels of autonomy and those that are felt to be unsatisfying.

A sizeable proportion of older workers take early retirement. This group consists of those who actively chose to do so and are financially secure and those who are usually less educated and in lower-status jobs, who do so for health reasons.
There is no evidence to suggest any long-term crowding-out effects of young people from the labour market by the continued participation of older workers. There is some evidence of a decline in intergenerational mobility with greater proportions of young people from Generation Y entering the labour market into less skilled and less stable employment than previous generations.

**Policy review**

Policy reforms have primarily focused on the most disadvantaged: young and older people with no qualifications. There have been extensive reforms with a strong emphasis in prolonging young people’s engagement and participation in education or training beyond the age of compulsory education. There is also a policy focus to prevent young people from becoming ‘not in education, employment or training’ (NEET), and helping those that are.

Apprenticeships and traineeships (for those not yet qualified for an apprenticeship) are the main way of developing vocational skills, with access geared to young people through age preferential funding for training. Access to government funding for Further Education (FE) becomes more limited as young people get older.

There has been a drive to widen participation in Higher Education (HE) among non-traditional groups. This has, however, been taking place within a context of increasing student financial responsibility.

Statutory redundancy pay is age-dependent and to obtain it employees must have worked for at least two years; this disproportionately excludes young people and those in more unstable, shorter-term employment.

Programmes for unemployed people commonly differ by the age of learners, with those for young people often placing a greater emphasis on skills and employment training and more rapid access to support than programmes for older people, where the emphasis is more on job search support. Some programmes have, however, been tailored to older individuals.

State pension age is moving towards equalisation at 65 for women and men by 2020, after which it will be progressively raised further. This is likely to have a greater impact on low-paid workers who typically have less generous occupational or personal pension provision.

**Conclusions**

There are some differences between generations, but differences by age and life stage are more important. There are clear differences in labour market indicators for people aged 16–25, 26–55 and 56–75, with labour market disadvantage concentrated among the youngest and the oldest age groups. As a result of this, the policy review highlights a strong focus on the provision of support for young people with no or low-level qualifications, although similar opportunities are increasingly available for older people, albeit with more limited support.

People with no educational qualifications in 2013 generally face greater disadvantage than previous generations, and this is particularly acute for young people from Generation Y. Compared with previous generations with no qualifications, they have higher unemployment rates, lower employment rates and for those in work a greater propensity to be in low-paid jobs, low-
status occupations, low-paying industries and working in temporary jobs or jobs with zero-hours contracts.

For these young people, labour market entry and labour market progression is a major challenge. There is a risk that young people who leave full-time education with low or no qualifications will be left behind, and a strong emphasis of future policy needs to be geared towards providing the formal learning opportunities to ensure that these young people have the necessary skills to participate and progress in the labour market.

The quality of education and training for young people is variable, with many courses and qualifications producing little by way of sustainable employment. Given this, qualifications for those who do not follow academic courses need to be more understandable and more valuable to employers, thereby giving young people more incentive to participate.

The absence of available funding above certain age thresholds and above certain qualifications – both relatively low1 – inhibits low-skilled, low-paid workers’ ability to progress, so loosening these restrictions would be beneficial. Additionally, women in low-paid industries are disproportionately affected by a lack of structured progression opportunities. Employers also need to consider how to develop the skills required of the labour market of the future, through in-work training for all ages.

Recent trends in economic activity show that older workers are staying longer in the labour market, but this is concentrated among those with higher levels of qualification being retained longer by long-term employers, rather than recruitment of older workers. However, future employment demand suggests that employers may need to keep a larger proportion of older skilled workers in the labour market for longer and will increasingly need to consider how this can be done. Policies that help to extend the working lives of low-paid workers in stressful and demanding occupations are also important, as they may be obliged to work longer than previously due to changes in pension policy rather than through their own volition. Here there may be a need for more workplace adaptations to enable this.

The ability to work flexibly can be important for individuals throughout their working lives. Those with childcare and caring responsibilities (often women) and older workers, who may or may not be transitioning into retirement, are well-established examples. In addition, some men would like the opportunity to work flexibly in order to have greater involvement in childcare. There is a lack of knowledge around the possibilities available to work more flexibly and a lack of employer engagement on the issue. There is clearly stigma associated with some forms of flexible working, and there are limited progression opportunities out of some forms of flexible working. However, by making opportunities for flexible working more widely available, workers may stay longer in the labour market both at times when they have domestic responsibilities and in a more gradual phased retirement, and this may ease concerns about future skills demands across the whole of the economy.

The most prevalent form of flexible working is part-time work and this has a penalty attached to it in terms of pay and progression. For many low-skilled, low-paid workers, flexibility in work can be to the advantage of the employer rather than the employees, and many individuals may prefer fixed hours and a fixed income. Additionally, uptake of part-time work has been lower than would be expected when considering employees’ stated desire to reduce their hours. This indicates that there are factors in play that discourage uptake of flexible working.

It is, therefore, vital that employers ensure that their part-time roles have equivalent pay and progression opportunities as their full-time ones.
Alongside many workers wanting to work less, there is also an issue of underemployment, with a significant proportion of the workforce, particularly young people, wanting to work more hours. There is a mismatch between the part-time jobs available to many young people and their desire for full-time employment. Labour market progression is inhibited by working part-time, particularly for women with childcare responsibilities, and access to training is often limited for those working part-time, further limiting career development.
1 INTRODUCTION

This report provides a review of evidence about the interaction between the labour market and age, covering both the current picture and future projections.

The aims of the research are to:

• gain an understanding of labour market demand, participation, exit, opportunities and challenges for and across different age cohorts over time; and
• examine the relationship between labour market and age considering intergenerational impact and fairness.

It considers the changing demographics within the UK and anticipated future labour market needs. Particular importance is given to low-paid and low-skilled workers.

The report is comprised of three substantive chapters: the first is a comprehensive analysis of data from the Quarterly Labour Force Survey (QLFS); this is followed by chapters on evidence and policy reviews.

Analysis of data from the QLFS follows a cohort approach comparing different generations at the same age. We broadly follow the definition of generations, highlighted for example in work by Ipsos Mori (2013), by considering Generations X and Y as well as Baby Boomers and the Pre-War generation. Generations are defined by when people were born or their age at a point in time. We define four generations as follows:

• Generation Y – aged 16–35 in 2013;
• Generation X – aged 36–45 in 2013;
• Baby Boomers – aged 46–65 in 2013; and
• Pre-War – aged 66 or more in 2013.

The size of the generations defined above differ, e.g. Generation X covers a 10-year birth cohort, while the Baby Boomers generation covers a 20-year birth cohort. To ease presentation we consider cohorts of the same size, hence we define 10-year birth cohorts as follows:

• Young Generation Y – aged 16–25 in 2013 (born 1988–97);
• Old Generation Y – aged 26–35 in 2013 (born 1978–87);
• Generation X – aged 36–45 in 2013 (born 1968–77);
• Young Baby Boomers – aged 46–55 in 2013 (born 1958–67);
• Old Baby Boomers – aged 56–65 in 2013 (born 1948–57); and
• Pre-War – aged 66–75 in 2013 (born 1938–47).

For some analyses we also consider earlier Pre-War cohorts so that we can analyse differences between cohorts aged 66–75 in 1993, 2003 and 2013. Here we term the Pre-War cohort aged 66–75 in 2013 ‘Young Pre-War’, with the cohort aged 66–75 in 2003 ‘Old Pre-War (1)’ and the cohort aged 66–75 in 1993 as ‘Old Pre-War (2)’.

Throughout, it is important to be clear about the distinction between generations and age groups. For example, adults in Generation Y were aged 16–35 in 2013, but in 1993 they were all less than 15 years old, so would not be included in any analysis of labour market experiences. However, people in Generation X were aged 36–45 in 2013 and 16–25 in 1993, so labour market experiences for this generation, and older generations, can be followed from 1993–2013.

Our analysis covers a 20-year period, so we can compare three cohorts at the same age in 1993, 2003 and 2013.

As well as focusing on differences in labour market experiences by cohort, we are also interested in how the labour market experiences of different age groups compare over time. We want to assess both whether the labour market experiences of 16–25 year olds in 1993 were similar to or different from 16–25 year olds in 2013 and whether the labour market experiences of 16–25 year olds were similar to or different from those of 46–55 year olds at a specific point in time.

We also relate recent employment trends to future employment projections provided by Working Futures 2012–22 (Wilson, et al., 2014) to unpick whether there are segments of the labour market that are overly dependent on an ageing workforce such that usual age-related trends in labour supply are unlikely to fulfil the expected demand for labour.

The evidence review focuses on the same age groups and generations. It is not a systematic review that follows the strict protocols of, for example, a Cochrane Review. However, the searches have been carried out in a methodical manner across a range of sources. Additionally, the search process was an iterative one, whereby articles and reports from searches were used to gain further information. The evidence was gathered from peer-reviewed articles through academic databases, reports from key organisations and grey literature.

In terms of the quality of evidence included, relevance was a strong criterion; as there is a vast number of papers on the labour market issues discussed, those that also refer to age are much fewer. Other quality criteria included clear research questions and methods, as well as reasonable conclusions from the evidence presented. It should also be noted that all the literature in this section of the report is from peer-reviewed journals or reports from established organisations.

The policy review covers age-related policies for the four countries of the UK. In particular, the focus is on policies related to educational participation that are mostly, but not exclusively, relevant to young people; policies that influence participation in employment, including benefits available for different types of employees; programmes for unemployed people; and policies related to pensions that are more directly relevant for older people.
2 DATA ANALYSIS

The data analysis begins by considering how the size of each cohort has changed over time; next we focus on economic activity, unemployment and employment rates. We then provide a detailed analysis of total and low-paid employment focusing on the structure of employment in terms of occupation, industry, part-time work, non-standard working, underemployment and employment exits. Finally we consider how recent employment trends relate to employment projections.

The key focus of the analysis is to examine changes over time by cohort group, then to pick out differences between cohorts and generations of people of the same age to see if it is age or generation that is most strongly related to labour market indicators.

Summary

- In general, age is a more important determinant of labour market outcomes than cohort or generation. This is true in terms of economic activity rates over the last 20 years, which vary more by age than by cohort or generation, with lower rates for people aged 25 or under and 56 or more. However, activity rates for cohorts aged 16–25 have declined over time as young people remained in full-time education for longer. In contrast, activity rates for cohorts aged 56 or more increased as older workers stayed longer in the labour market.
- Between 1993 and 2013 men typically had higher activity rates than women, and activity rates throughout the period of analysis were lowest for people with no educational qualifications. Differences by cohort for people with no qualifications are also greatest for people aged 25 or less and 56 to 65. Young people with no qualifications from Generation Y are particularly disadvantaged.
• General economic conditions are the primary determinant of unemployment rates across all ages. However, unemployment is also related to age, with much higher rates for people aged 16 to 25. Unemployment rates are also considerably higher for people with no qualifications. The most recent generation of young people are also more disadvantaged than their predecessors at the same age.

• Low pay is also concentrated among young and older workers, although there were diverging trends in the proportion of low-paid employees across the age groups. For young people low pay has become increasingly common, while for workers aged 56 or more the proportion of low-paid employees was lower for Baby Boomers than the Pre-War generation at the same age.

• These patterns of low pay are related to patterns of employment in terms of part-time work, occupation, industry and non-standard work contracts. Over time, young people have been increasingly concentrated in part-time work, in low-status occupations and low-paying industries and are more likely to work in temporary jobs and have zero-hours contracts. Female older workers, on the other hand, have become less likely to work part-time, while for men the prevalence of part-time work increased for all age groups up to 65, but for the oldest age group (aged 66–75) it has fallen. Older workers in 2013 are also less likely to work in low-status occupations and in the lowest-paid industries than older workers in 1993. Since 1993, self-employment became more prevalent for workers aged 66–75.

• Underemployment increased for all age groups, but is most common for younger workers.

• Employment is projected to increase in high-status occupations. However, as people retire there will be replacement demand such that the future demand for jobs will be across the occupation distribution. Employment is also expected to increase in all industry sectors except Manufacturing and the Primary sectors and utilities. The key challenge for future jobs is ensuring that as people age they have the skills required for jobs across the occupational distribution, while recognising that the industrial composition will change over time.

The UK population 1993 to 2013

The UK population increased from 57.7 million in 1993 to 64.1 million in 2013 (ONS, 2014a). Table 1 shows how the sizes of the cohorts differ and how they have changed over time. In 1993 the Young Baby Boomer cohort was much bigger than earlier and later cohorts. However, largely due to migration patterns, particularly for Generation Y, the sizes of the cohorts in 2013 were more even, although the impact of higher mortality rates for older cohorts is also evident.

The characteristics of the population have also changed, with the most prominent change related to the large expansion in Higher Education (HE) over the last two decades. This is reflected in a large increase in the population educated to degree level in all ages (Table 3). This primarily affected Generations X and Y as the more traditional full-time HE experience occurs when people are aged less than 25. However, the expansion in HE was also experienced by mature learners (aged 25 and over), often studying part-time (see Callender and Wilkinson, 2013).
Table 1: The UK population by cohort (millions)

<table>
<thead>
<tr>
<th>Cohort</th>
<th>1993¹</th>
<th>2003</th>
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<tbody>
<tr>
<td>Young Generation Y</td>
<td>7.6</td>
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<td>Old Generation Y</td>
<td>7.0</td>
<td>7.3</td>
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<td>Generation X</td>
<td>7.5</td>
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<tr>
<td>Young Baby Boomers</td>
<td>8.6</td>
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<td>8.7</td>
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<td>Old Baby Boomers</td>
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<td>7.6</td>
<td>7.2</td>
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<td>Pre-War</td>
<td>6.6</td>
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Source: Quarterly Labour Force Survey (April–June quarters)
¹ 1993 data is for Great Britain, while data for other years is for the UK.

At the other extreme, in 2013 there remained a disproportionately high number of Baby Boomers with no qualifications (2.2 million or 14 per cent of the cohort) compared with Generations X and Y (1.8 million or 7 per cent of the cohorts).

Economic activity

Overall economic activity rates are fairly stable over time. However, as shown in Figure 1, there is some variation between cohorts, but the largest differences are by age.

Figure 1: Economic activity rates by cohort

Activity rates start off low as many young people remain in full-time education, then increase and remain stable between ages 26 and 55, reflecting relatively stable labour market attachment patterns through these ages, before falling due to retirement. Increases in the proportion of young
people remaining longer in full-time education mean that activity rates at age 16–25 were lower for Generation Y than for Generation X, while the opposite trend was true at age 56–65 and 66–75. Baby Boomers were more likely to be economically active after 55 than the Pre-War generation (aged 56–65) and the more recent Pre-War cohorts were more likely to be active than earlier Pre-War cohorts (aged 66–75). These trends reflect a reversal in early retirement trends and increases in delayed retirement over the last decade.

Differences in activity rates between cohorts at other ages were less marked.

There were stark differences in activity rates by highest qualification level, with activity rates increasing as the qualification level increased (Figure 17). However, it is not straightforward to understand age and cohort-related patterns in activity rates by highest qualification because increasing numbers of the 16–25 age group, in particular, are in education and hence are not economically active as they acquire qualifications at a higher level.

Focusing on the most disadvantaged in the labour market, those with no qualifications (Figure 2), we find a slightly different pattern in activity rates with larger differences between the cohorts. The low activity rates for Young Generation Y partly reflect government policy to require young people in England to stay longer in education or training.

At age 26–35, the activity rate for Generation X (53 per cent) was lower than for the previous (66 per cent) and subsequent cohorts (59 per cent). The reasons for this are unclear, as the proportions reporting study, illness or disability and looking after the family as the reason for inactivity are very similar for Generation X and Older Generation Y. However, compared with Young Baby Boomers both these later cohorts were less likely to looking after the family and more likely to report illness or disability at age 16–25.

### Figure 2: Economic activity rates for people with no qualifications by cohort

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<td>Generation X</td>
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<tr>
<td>Old Generation Y</td>
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<td>Young Generation Y</td>
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<td>Young Baby Boomers</td>
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<td>Young Baby Boomers</td>
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<td>Generation X</td>
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<td>Young Pre-War</td>
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Source: Quarterly Labour Force Survey (April–June quarters)
1993 data is for Great Britain, while data for other years is for the UK.

Apart from the most recent cohort, activity rates for people with no qualifications when aged 56–65 were not dissimilar to activity rates for
people aged 26–55, suggesting that people with no qualifications were much less likely to retire early than those with qualifications. However, Old Baby Boomers with no qualifications were much less likely to be economically active at age 56–65 (37 per cent) than the Pre-War generation (58 per cent), which may be due to an increase in labour market exits related to health and caring responsibilities, but is also consistent with a lack of labour market opportunities for unskilled older workers in recent years.

In general, for people with no qualifications, activity rates were higher for earlier cohorts than for the more recent cohorts. This was not the case for the whole population, indicating that in terms of economic activity people with no qualifications are more disadvantaged now than they were 20 years ago.

Men had higher activity rates than women at all ages and times (Figure 17). However, the gender gap declined over time for all working-age age groups, with the largest increase in activity rates (15 percentage points) for women aged 56–65. Activity rate patterns for the four UK countries are broadly similar to the overall picture for the UK discussed above.

**Unemployment**

Unemployment rates are only relevant for those who are economically active, so given the low activity rates for people aged 66 or more, the estimates of unemployment provided by the LFS for this age group are volatile (they are based on a relatively small number of observations). The meaning of unemployment is also unclear for this age group given that they are beyond state pensionable age, although people of this age can still declare themselves as unemployed in line with the ILO definition.3

![Figure 3: Unemployment rates by age cohort](image)

Source: Quarterly Labour Force Survey (April–June quarters)
1993 data is for Great Britain, while data for other years is for the UK.

The overall unemployment rate varies considerably over time in line with the economic cycle and this can be seen for the cohorts, with the unemployment rate for the middle cohort considerably lower than for the
Understanding age and the labour market

It is also clear that the unemployment rate is related to age, being considerably higher for people aged 16–25 than for older age groups. Beyond the cyclical and age patterns it is difficult to identify cohort differences. However, Young Generation Y appears to be more affected by youth unemployment than Generation X. The unemployment rate (at age 16–25) for Young Generation Y was higher at 19.4 per cent than for Generation X (17.0 per cent) despite the fact that overall unemployment at this time was lower (7.7 per cent in 2013 compared with 10.2 per cent in 1993). For all other cohorts and age groups the unemployment rate was lower than the overall rate.

Unemployment rates are also strongly related to qualification levels, with the unemployment rate for people with no qualifications often twice that of people with a degree (Figure 18). This relationship holds for all age groups and cohorts but, as Figure 4 shows, the unemployment rates for young people (aged 16–25) with no qualifications have been extremely high for the three most recent cohorts. The problem is even more acute for Generation Y with more than two in five unemployed in 2013 and roughly three in ten unemployed when economic conditions were considerably better in 2003.

Similar patterns are evident for people with no qualifications across the ages and cohorts, highlighting the increasing importance of educational qualifications for employment opportunities.

Unemployment also varies by gender, with unemployment rates on the whole higher for men than they were for women, reflecting the fact that women who were not employed had a higher tendency to be inactive rather than unemployed (Figure 18).

The economic cycle had a slightly different impact on each country of the UK so changes in unemployment rates by country are also slightly different. However, the general pattern in unemployment rates by country is broadly comparable.
similar. In all countries the unemployment rate was highest for people aged 16–25, and relative to the overall unemployment rate in each country Generation Y had higher unemployment than Generation X.

**Employment and low pay**

Having looked at inactivity (Figure 1) and unemployment (Figure 3), we now consider employment. The employment rates shown in Figure 5 reflect differences in activity rates and patterns related to the economic cycle through differences in unemployment rates. Here we see lower employment rates at age 16–25, reflecting high unemployment rates at this age, and lower employment rates at age 56 or more, reflecting higher inactivity rates at this age.

We also see lower employment rates for Young Generation Y at age 16–25 compared with earlier cohorts at that age, which contrast to patterns for all other age groups where the later cohorts typically have higher employment rates. This is largely because the recent recession had the greatest impact on young people, but also due to the increase of the school leaving age.

**Figure 5: Employment rates by age cohort**

![Figure 5: Employment rates by age cohort](image)

Source: Quarterly Labour Force Survey (April–June quarters)

1993 data is for Great Britain, while data for other years is for the UK.

Smaller variations in unemployment rates for cohorts aged more than 25 mean that the employment rate patterns for these cohorts largely mirror the activity rate patterns from Figure 1.

**Earnings and low pay**

Low pay is an important aspect of labour market disadvantage. A little more than 20 per cent of employees were earning less than two-thirds of median pay throughout the period, while the number of low-paid employees increased from 5.1 million in 1998 to 5.6 million in 2013 (Table 4).
The percentage of low-paid employees is shown in Figure 6. In line with patterns of disadvantage outlined above, low pay is concentrated in the oldest and youngest age groups with generational differences smaller than differences by age. Nevertheless, low pay has increased dramatically for young workers, with 39 per cent of Generation X low-paid at age 16–25 compared with 52 per cent of Young Generation Y. Low pay levels then drop for the prime age workers (aged 26–55) for whom the extent of low pay is relatively stable both over time and across age groups. For people aged 56–65, low pay levels increased slightly, but a larger proportion of people working after age 66 are low-paid.

Figure 6: The percentage of low-paid employees by age cohort

<table>
<thead>
<tr>
<th>Aged 16–25</th>
<th>Generation X</th>
<th>Old Generation Y</th>
<th>Young Generation Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aged 26–35</th>
<th>Young Baby Boomers</th>
<th>Generation X</th>
<th>Old Generation Y</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>17</td>
<td>19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aged 36–45</th>
<th>Old Baby Boomers</th>
<th>Young Baby Boomers</th>
<th>Generation X</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16</td>
<td>14</td>
<td>16</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aged 46–55</th>
<th>Old Pre-War</th>
<th>Young Pre-War</th>
<th>Old Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26</td>
<td>22</td>
<td>19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aged 56–65</th>
<th>Old Pre-War (2)</th>
<th>Old Pre-War (1)</th>
<th>Young Pre-War</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>53</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)
1993 data is for Great Britain, while data for other years is for the UK.

Trends in the extent of low pay for older workers are opposite to those of young workers, with the proportion of low-paid Baby Boomers at age 56–65 lower than the proportion of low-paid from the Pre-War generation at that age. This pattern is even stronger at age 66–75, such that in 1993 more than half of workers aged 66–75 were low-paid, yet by 2013 just 35 per cent of workers of this age were low-paid. This needs to be understood in the context of increased employment rates for this age group, indicating that the increased employment is concentrated in workers who were not low-paid.

Part-time employment
Part-time employment is predominantly undertaken by women, but as shown by Figure 7 a reasonably large proportion of younger and older men also work part-time.

In general the patterns of part-time employment are very different for men and women. However, both men and women aged 16–25 were increasingly likely to work part-time over the last 20 years. For men, 29 per cent of Young Generation Y worked part-time, compared with 16 per cent...
of Generation X 20 years earlier, while for women, the increase was from 30 per cent (Generation X in 1993) to 47 per cent (Generation Y in 2013).

For men, part-time employment between age 26 and 55 was quite rare, although over time an increasing proportion of men in these age groups worked part-time; while for women, part-time employment at age 26–55 was common, yet a decreasing proportion of women in these age groups worked part-time. Similar trends were observed for the 56–65 age groups, although the prevalence of part-time work at this age was greater as many older workers used part-time work as part of a strategy towards phased retirement.

For both men and women, the vast majority of work between age 66 and 75 is part-time; however, the latest cohort of workers of this age were less likely to work part-time than their predecessors.

**Figure 7: The percentage of part-time workers by cohort and gender**

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation X</td>
<td></td>
<td>16</td>
</tr>
<tr>
<td>Old Generation Y</td>
<td></td>
<td>26</td>
</tr>
<tr>
<td>Young Generation Y</td>
<td></td>
<td>29</td>
</tr>
<tr>
<td>Young Baby Boomers</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Generation X</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Old Generation Y</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Old Baby Boomers</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Young Baby Boomers</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Generation X</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Old Pre-War</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Young Pre-War</td>
<td>13</td>
<td>17</td>
</tr>
<tr>
<td>Old Baby Boomers</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Old Pre-War (2)</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Old Pre-War (1)</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Young Pre-War</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generation X</td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>Old Generation Y</td>
<td></td>
<td>41</td>
</tr>
<tr>
<td>Young Generation Y</td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>Young Baby Boomers</td>
<td></td>
<td>40</td>
</tr>
<tr>
<td>Generation X</td>
<td></td>
<td>36</td>
</tr>
<tr>
<td>Old Generation Y</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>Old Baby Boomers</td>
<td></td>
<td>49</td>
</tr>
<tr>
<td>Young Baby Boomers</td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>Generation X</td>
<td></td>
<td>45</td>
</tr>
<tr>
<td>Old Pre-War</td>
<td></td>
<td>49</td>
</tr>
<tr>
<td>Young Pre-War</td>
<td></td>
<td>43</td>
</tr>
<tr>
<td>Old Pre-War (2)</td>
<td></td>
<td>39</td>
</tr>
<tr>
<td>Old Pre-War (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young Pre-War</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

1993 data is for Great Britain, while data for other years is for the UK.

Part-time employment is more likely to be low-paid employment, while Table 4 indicates that just over 20 per cent of all employees were low-paid, for part-time employees the figure is between 40 and 50 per cent. The preponderance of younger and older people in part-time work is related to the prevalence of low-paid workers in these age groups. Although some element of this may be the result of active choices (young people working while studying, and older people phasing into retirement), it also reflects the types of jobs available for younger and older people.

**Non-standard work contracts**

Temporary contracts are also more common for young and older workers (aged 66–75). Figure 8 shows that the percentage of people with temporary contracts aged 16–25 and 66–75 was at least double that of other age groups.
Generational differences are not strong, but there is a slight suggestion that temporary contracts have become more common for young people over time, while for older workers the percentage of temporary workers is volatile.

Workers on temporary contracts are more likely to be low-paid than those on permanent contracts, so in line with the earlier analysis, the extent of temporary work for younger and older people relates to patterns of low pay.

Other forms of non-standard employment contracts are shown in Table 2 using data for 2013. Many of these types of contract allow employers and workers flexible employment, which may be beneficial for people with a strategy for phased retirement. However, with the exception of compressed

Table 2: Percentage of employees with non-standard work contracts by age, 2013

<table>
<thead>
<tr>
<th>Flexitime</th>
<th>Annualised hours contract</th>
<th>Term-time working</th>
<th>Job-sharing</th>
<th>Compressed working</th>
<th>Zero-hours contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–25</td>
<td>5.7</td>
<td>3.5</td>
<td>1.8</td>
<td>0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>26–35</td>
<td>10.7</td>
<td>4.1</td>
<td>4.0</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>36–45</td>
<td>11.0</td>
<td>4.3</td>
<td>5.9</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>46–55</td>
<td>11.2</td>
<td>3.9</td>
<td>5.8</td>
<td>0.4</td>
<td>1.0</td>
</tr>
<tr>
<td>56–65</td>
<td>10.9</td>
<td>3.7</td>
<td>5.2</td>
<td>0.8</td>
<td>1.3</td>
</tr>
<tr>
<td>66–75</td>
<td>9.5</td>
<td>1.9</td>
<td>4.6</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>10.2</td>
<td>3.9</td>
<td>4.8</td>
<td>0.6</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

1 A 9-day fortnight or a 4.5-day week.
working and job-sharing (two of the least common forms of flexible working), there is little indication that workers approaching retirement age were more likely to take up flexible working than slightly younger workers.

Younger workers were the least likely to have these types of contract, with the exception of zero-hours contracts, which may be thought of as the least advantageous form of contract for workers in general. Workers aged 66–75 were also much more likely than workers aged 26–65 to have a zero-hours contract, reflecting that such arrangements may well suit older workers, particularly ‘retired’ older workers.

The take-up rates of the different practices also reflect differences through the life course, with flextime and term-time working fitting in with caring responsibilities; hence these flexible practices were common for people aged 26–55.

Self-employment
There is no data from the QLFS about levels of pay for the self-employed, so here we focus only on the incidence of self-employment. Self-employment increases with age. There is no indication that self-employment has become more prevalent (Figure 9), with the exception of those aged 66–75, with 34 per cent of this age group self-employed in 2013 compared with 30 per cent in 1993. Self-employment has therefore become an increasing part of working past state pension age, perhaps offering older workers more control over the intensity of their work effort, but also reflecting a lack of opportunities to remain working as employees.

Underemployment
Underemployment identifies workers who would like to work more hours than they currently do. We use the ONS underemployment indicator (Figure 10), which provides consistent data from 1998. The results indicate an
increase in underemployment across all age groups, which largely arose since the 2008/09 recession. The overall level of underemployment was highest for young workers. In 2013, 15 per cent of Young Generation Y workers were underemployed – up from 12 per cent of Old Generation Y in 2003.

Underemployment is also concentrated among the low-paid, with the proportion of low-paid underemployed workers (17 per cent) in 2013 more than double that for non-low-paid workers (7 per cent).

Underemployment represents additional labour market slack over and above the pool of unemployed people. There is a significant minority of working people wanting to work more and they are most likely to be young and low-paid. A further dimension of underemployment arises when workers’ skills are not fully utilised, often described as skills mismatch. It is difficult to get an estimate of this through analysis of QLFS data, but analysis of the Workplace Employment Relations Study (van Wanrooy, et al., 2013) indicates that just under one-fifth of employees in 2011 gauged that their skills were ‘much higher’ than the skills required for their job, so skills mismatch is a fairly widespread phenomenon. Since 2004 the extent of skills mismatch has fallen slightly, while Sutherland (2013) shows that workers aged 50 or more are the most likely to report such mismatch.

**Figure 10: Underemployment by age group, 1998–2013**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Old Generation Y</th>
<th>Young Generation Y</th>
<th>Generation X</th>
<th>Old Generation Y</th>
<th>Young Baby Boomers</th>
<th>Generation X</th>
<th>Old Baby Boomers</th>
<th>Young Baby Boomers</th>
<th>Old Pre-War</th>
<th>Young Pre-War</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-25</td>
<td></td>
<td>12</td>
<td></td>
<td>7</td>
<td>9</td>
<td></td>
<td>7</td>
<td>9</td>
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<tr>
<td>26-35</td>
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<td>15</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>36-45</td>
<td></td>
<td>18</td>
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<td>9</td>
<td>6</td>
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</tr>
<tr>
<td>46-55</td>
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<td>6</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>56-65</td>
<td></td>
<td>14</td>
<td>9</td>
<td>9</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>4</td>
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<tr>
<td>66-75</td>
<td></td>
<td>12</td>
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<td>9</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

**Occupational and industry employment – recent trends and future projections**

The final focus of the data analysis is on the occupation and industrial composition of employment. Here we can combine cohort analysis based on data for 1993–2003 with data on employment projections from Working Futures (Wilson, et al., 2014) for 2012 to 2022.

Employment projections are available by occupation and industry, and for occupation only are presented both in terms of net employment change and replacement demand. Net employment change represents the total number of new jobs created over a period of time minus the total number of jobs that have disappeared, while replacement demand represents demand required to offset outflows from employment through retirements or occupational mobility. This is important for assessing future requirements of education and training provision. The industrial breakdown provides a useful framing for the industries where future employment demand is likely to be
greatest, but the occupational breakdown gives a sense of skill requirements going forward and the extent to which people of all ages will need to improve their skill levels in order to participate and progress in the labour market.

Working Futures projects a net increase in employment of around 1.8 million jobs between 2012 and 2022. However, replacement demand (to replace those leaving, mainly through retirement) in the same period is estimated at 12.5 million jobs, giving a total demand of some 14 million jobs.

While there are routine outflows from employment, there are also routine inflows into employment: most commonly, people leaving full-time education and entering the labour market for the first time, but also people returning to the labour market either from unemployment or inactivity, and immigration from outside the UK. The largest group is the first, and we can reasonably assume that the majority of the 7.2 million people currently aged 6–15 in the UK will be in employment in 2022. Furthermore, many of the slightly older cohort (currently aged 16–25) who are in full-time education will also enter the labour market by 2022.

The important factor to consider is whether these people will have the skills required to do the jobs available in ten years’ time and to note what occupations (and industries) these jobs are likely to be in.

**Employment by occupation**

Figure 11 shows the percentage of employees in low-status occupations by cohort. The relatively large proportion of young people in low-status occupations in part reflects a lack of labour market experience. Figure 11 also highlights an increasing percentage of young people working in low-status occupations. For all other age groups, the percentage is stable or falling. The largest falls are for older workers, indicating that older workers in low-status occupations are less likely to stay in employment.

**Figure 11: The percentage of employees in low-status-occupation jobs by cohort**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Generation X</th>
<th>Old Generation Y</th>
<th>Young Generation Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–25</td>
<td>45</td>
<td>54</td>
<td>57</td>
</tr>
<tr>
<td>26–35</td>
<td>33</td>
<td>29</td>
<td>31</td>
</tr>
<tr>
<td>36–45</td>
<td>32</td>
<td>31</td>
<td>31</td>
</tr>
<tr>
<td>46–55</td>
<td>35</td>
<td>31</td>
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</tr>
<tr>
<td>56–65</td>
<td>40</td>
<td>38</td>
<td>32</td>
</tr>
<tr>
<td>66–75</td>
<td>44</td>
<td>40</td>
<td>31</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

1993 data is for Great Britain, while data for other years is for the UK.
Turning to projections, Figure 12 shows the projected change in employment by occupation between 2012 and 2022 alongside the actual employment change in the preceding ten years. Overall there is not a vast difference between the two. Employment in the highest-status occupations is projected to increase by around 1.8 million, while in the ten years to 2013, employment in these occupations increased by 1.5 million. For the other occupation groups, there is a projected fall of 0.2 million for medium-status occupations and an increase of 0.3 million for low-status occupations.

Figure 12 also shows the change in occupational employment for each age cohort. This indicates that employment of people aged 46–75 increased by 1.9 million between 2003 and 2013, with more than half of this increase in high-status-occupation jobs. Meanwhile, employment of people aged 16–45 fell by 0.5 million between 2003 and 2013, although employment in high-status occupations increased by 0.4 million for this age group. Part of the increase in employment above age 45 is due to the larger Baby Boomer generation, so as this generation ages and enters retirement, employment growth will be dependent on younger birth cohorts that are smaller in size. It is important then that a larger proportion of these younger cohorts have the skills required to fill the jobs vacated by the retiring Baby Boomers.

The high-status occupations are the ones where future demand in terms of net employment change will be highest. However, the replacement demand figures indicate high demand in 2022 across the occupational distribution, with 3.9 million replacement demand jobs in the high-status occupations, 4.3 million replacement demand jobs in middle-status occupations and 4.2 million replacement demand jobs in low-status occupations. For the lowest-occupation jobs, employment of people aged 46–75 increased by 350,000 between 2003 and 2013, and employment of people aged 16–45 fell by 180,000, while in the middle-status occupations the employment changes were up 550,000 (aged 46–75) and down 770,000 (aged 16–45). To meet the replacement demand, it will also be important for younger people to increasingly fill these low- and middle-status-occupation jobs.

Figure 12: Change in employment by age and occupation, 2003–13, and projected total change in jobs, 2012–22 (millions)

Replacement demand figures indicate high demand in 2022 across the occupational distribution, with 3.9 million replacement demand jobs in the high-status occupations, 4.3 million replacement demand jobs in middle-status occupations and 4.2 million replacement demand jobs in low-status occupations.
Employment by industry
When looking at employment by broad industry sector, the industries selected correspond with those used in Working Futures outlined in Figure 13. The steady increase in total employment since 1998 is reflected in the increasing height of the bars, while the different segments indicate how employment in each sector has changed over time. Most of the employment growth occurred in Public administration, health and education and in Business and other services, while employment in Manufacturing fell by nearly two million. Employment in other sectors was more stable.

Figure 13: Employment by broad industry sector, 1998–2013 (millions)

Low pay, however, is primarily concentrated in the Trade, accommodation and transport sector (see Note 7 for the definition). Figure 14 shows that in 2013 the percentage of low-paid employees in this sector was almost double that of the whole economy and more than double the figures for all other sectors.

Figure 14: Proportion of low-paid workers in each sector, 2013

The distribution of employment in Trade, accommodation and transport is shown in Figure 15 and shows that young people were more likely to work in the sector, which in part explains the extent of low pay in the sector.
The trend is also for an increasing percentage of young workers to work in the sector, with 42 per cent of Old Generation Y (aged 16–25) working in Trade, accommodation and transport in 2013 compared with 34 per cent of Generation X in 1993.

Figure 15: Percentage of employees working in Trade, accommodation and transport by cohort

Looking at employment projections, Figure 16 gives an indication of the industries where the future demand for jobs is likely to be situated, together with recent age-related changes in employment. Here the figures only cover net employment changes, as Working Futures does not present industry figures for replacement demand. This highlights a projected increase in jobs of more than one million in Business and other services, with more modest rises in Construction, Trade, accommodation and transport, and Public administration, health and education, and small falls in jobs in the Primary sector and utilities and in Manufacturing.

Business and other services experienced a similar level of growth in employment between 2003 and 2013 as projected for 2012 to 2022. Three-quarters of this growth was for workers aged 26–45, the age group with the lowest population growth, so it may be reasonable to expect people aged 16–25 to move into these jobs over time.

Public services jobs are projected to increase by around 300,000 compared with growth in employment in the preceding decade of 1.4 million. Overall, this mismatch suggests that workers who were increasingly likely to work in public services between 2003 and 2013 will need to find work in other sectors. This is likely to be particularly acute for workers aged 46 or more as around 1 million of the recent 1.4 million employment increase was for workers of this age.

Employment in Manufacturing, however, is projected to fall by less than in the previous decade, with a projected fall of 200,000 compared with
1.1 million in the previous decade, where falls were evident across the age distribution. Employment in Trade, accommodation and transport, where low pay has the highest concentration, is projected to increase by 0.4 million between 2012 and 2022 compared with almost no change in employment over the previous decade. During this period employment changes by age were also modest.

The above analysis highlights the concern that the greatest future net demand will be for high-status jobs, which typically require high levels of qualifications and job-related skills. This points to a continued need to produce highly qualified people in the UK labour market while continuing to offer ongoing training and skills development, such that people of all ages with low or no qualifications have opportunities to upgrade their skills to meet future labour market needs. However, recent age-related employment changes suggest that this will need to be more focused on workers from the younger generations.

Replacement demand, however, covers the whole of the occupational distribution so there will also be a need for more people from Generations X and Y to move into medium- and low-status occupations. Furthermore, keeping older workers in employment for longer can alleviate some of the projected replacement demand. This is likely to need the continued provision of flexible working arrangements, an important aspect of employer policy, which can help enable people to stay in the labour market for more years than the current generation of workers approaching the state pension age. Further, pension provisions are expected to be less generous going forward, such that many managerial and professional workers from Generation X may need to remain in the labour market for longer than the Baby Boomer generation out of economic necessity, again potentially reducing future replacement demand.

This points to a continued need to produce highly qualified people in the UK labour market while continuing to offer ongoing training and skills development, such that people of all ages with low or no qualifications have opportunities to upgrade their skills to meet future labour market needs.
Reliability, usability and gaps in data

The data used in the report comes from the QLFS, which provides detailed information about the UK labour market. Although it does have a longitudinal element allowing individuals to be tracked for twelve months (every quarter), it is quite a short longitudinal time period. Other studies, for example the British Household Panel Study (BHPS, now Understanding Society, US), allow tracking of individuals for longer periods, but until the move from BHPS to US the sample size was relatively modest, meaning that attempts to do disaggregated analysis within age cohorts soon face problems of volatile results due to small sample sizes. The same is true to a lesser extent with the QLFS, when doing disaggregated analysis of low pay by age, but in general the size of the QLFS allows robust estimates of labour market indicators to be produced.

The QLFS is also quite comprehensive in its coverage of labour market issues, and the questionnaire evolves over time allowing new issues to be explored, although clearly historical data for new questions will never be available. The QLFS also has little by way of softer qualitative information, so although behaviour can be observed, there is little information to examine reasons underpinning behaviour.

One of the major drawbacks for this analysis was the lack of information about the highest qualifications held for respondents aged 66 or more, meaning that we could not consider labour market outcomes for people with no qualifications for our oldest cohorts. In addition, the QLFS has limited information for the self-employed. It is therefore a little unclear what has been driving the increase in self-employment among older people. It could reflect a positive choice, which allows a flexible approach to work in line with trends towards phased retirement. However, self-employment can be used to mask the stigma associated with being unemployed, so data on the activities, working hours and income from self-employment would provide a useful addition.

The QLFS is a household survey that relies on self-reporting, which may be prone to error in relation to some labour market indicators. Furthermore, a considerable proportion of responses are provided by a proxy, which adds to the potential for reporting error. For our analysis, the data on earnings is probably thought of as the least reliable – at least in comparison to other sources of information on earnings available for the UK. For example, the Annual Survey of Hours and Earnings (ASHE) collects earnings data from employers, often from employer payrolls, so is used as the preferred source of earnings data in the UK. The drawback of ASHE is the lack of demographic data to interact with the earnings data; for example, data on qualifications of workers is not available in the ASHE data. Despite potential problems with the reporting of earnings to the QLFS, the characteristics of the low-paid are broadly similar from the two surveys, which gives us some confidence in the analysis of low pay presented here.

The projections data is much more limited. Forecasting the population of working age can largely be projected from earlier birth rates with an adjustment for trends in mortality. However, the definition of working age has become more problematic with the abolition of the default retirement age and the changing state pension age. A considerable uncertainty also relates to net migration flows, which are extremely difficult to estimate and subject to unknown future policy changes. In general, it is this element of the population that is hardest to project and, with the freedom of movement within the European Union combined with the expansion of the Union, has led to recent adjustments to population projections.
Projecting employment is even more difficult (see Appendix for further discussion), although long-term trends are easier to capture than variations in the economic cycle. Assessing the accuracy of past projections is also hampered by the state of the economy at the time the projection relates to and it is difficult to predict patterns of premature retirement.
3 EVIDENCE REVIEW

The evidence review aims to give a more detailed view of the interaction between age and the labour market. It is structured around broad age groups, reflecting the findings of the preceding chapter. The review discusses relevant labour market issues, as well as describing literature on intergenerational differences in relation to equity and wages.

Summary

• An increase in overall education attainment means those with low or no qualifications are even more disadvantaged in the labour market and likely to remain in low-paid, low-skilled jobs or not be in education, employment or training (NEET) in comparison to earlier generations.
• Of the employers who believe that certain jobs are more suitable for specific age groups, the preferred age tends to be 25–49.
• There are multiple forms of flexible working, with younger workers more likely to have the most disadvantaged terms, such as seasonal, casual and zero-hours-contracts work.
• For the middle age group, labour market disadvantage is gendered, in part due to childbearing and rearing.
• Employees with no or few qualifications are less likely to receive training, and those in low-paid jobs have fewer routes to progress. The latter disproportionately affects women and part-time workers.
• Discrimination is a major issue for older workers due to employers’ incorrect beliefs on the relationship between ageing and performance.
• The need for flexible working increases for older workers due to their wish to work fewer hours or because of caring responsibilities. However, there is often a low level of take-up and knowledge of flexible working policies in organisations where it exists.
• Remaining in employment in later life can be greatly influenced by job quality and content. Employees are more likely to leave jobs with low levels of autonomy and those that are felt to be unsatisfying.
• Older people are less likely to re-enter employment after being unemployed than other age groups.
Young people today who do not go into higher education are more likely to experience difficulties in the labour market, remain in low-paid work, or not be in education, employment or training than previous generations of young people.

Evidence suggests that there is no long-term crowding-out effect of young people from the labour market by the longer retention of older workers.

There is evidence of a decline in intergenerational income mobility from those born in 1958 to those born in 1970.

Young people

Young people are entering the labour market for the first time. This means that their performance is affected by recruitment practices and the number and types of vacancies more than any other age groups. Compared with other age groups, they are more quickly affected by the economic climate and changes in occupational demand. Young people experience more job churn (job changes), and inexperience in the labour market affects their skills and employability. Moreover, employers’ perceptions of young people’s employability can lead to discrimination against young people, although other stereotypes of young people (e.g. keen, dynamic, flexible) can lead to discrimination in their favour.

While the above aspects have always affected the labour market performance of young people, educational and labour market changes mean that the labour market performance of young people has changed over generations. In particular, there has been a rise in the qualification levels of those leaving full-time education; therefore, on average, young people are more highly qualified than the general population, placing them at an advantage for some jobs. However, as we noted in the preceding chapter, young people with few or no qualifications are now particularly disadvantaged. The growth in insecure employment will have increased churn, as young people take insecure jobs while seeking permanent employment.

Transitions from full-time education to labour market

The existing body of research into youth labour market transitions concludes that there is substantial heterogeneity in young people’s experiences of moving from school to the labour market, both when comparing different groups of young people at a given time as well as when comparing young people across time.

The growth in young people’s participation in higher education and the increase in its importance to labour market success have meant that young people today who do not go into higher education are more likely to experience difficulties in the labour market, remain in low-paid work, or not be in education, employment or training than previous generations of young people.

The long-term shifts to the UK labour market have changed the nature of youth labour market transitions of school leavers across different cohorts. In particular, the ‘hollowing out’, or polarisation, of the labour market has made it more likely that school leavers today will start their working lives in lower-paid jobs than their parents did. The overall growth in lower-level service jobs is reflected in the sectors in which large proportions of young people have been employed in recent years. Data from the 2011 Labour...
Force Survey shows that almost 40 per cent are employed in Distribution, Hotels and restaurants; and in terms of occupation many are employed in Sales and customer services (22 per cent), and Elementary occupations (22 per cent) (Sissons and Jones, 2012). Moreover, entry to the labour market for school leavers with low educational qualifications is concentrated in low-paid jobs, with little or no opportunity to progress and where high levels of casualisation exist (Keep, 2012).

There has also been a growing polarisation in the character of the school-to-work transitions between young people from different socio-economic backgrounds (Bynner, et al., 2002; Jones, 2002; Schoon, et al., 2009). Schoon, et al. (2009) and Jones (2002) characterise this as a growing separation between ‘slow’ and ‘fast’ transitions. Young people who can afford to continue in education take a slower route into the labour market by spending longer in education and delaying their adulthood. Young people from less privileged backgrounds are more likely to take a faster route: they leave full-time education at a younger age, enter the labour market and assume adult roles earlier. The divide according to family background is also seen in employment trajectories. For example, insecure employment can be a choice for middle-class students as a means of financing their education; whereas for low-skilled young people – who have low educational attainment and are from disadvantaged families – precarious, low-paid ‘entry level’ jobs are often the norm of their working lives (Shildrick, et al., 2010; Macdonald and Shildrick, 2011).

Recent cohort studies indicate that the polarisation of school-to-work transitions has meant that young people from disadvantaged backgrounds are now less easily able to advance their position in the labour market. In their comparison of the school-to-work transitions of 16 to 18 year olds in the 1980s and 2008 recessions, Duckworth and Schoon (2012) suggest that while labour market outcomes for both cohorts were highly affected by factors such as family background, the impact of social disadvantage has been greater for the later cohort who entered the labour market in 2008. The 1989/90 cohort was more likely to be NEET at age 18 than was the 1970 cohort, and those in the younger cohort who had been exposed to one or more social risks in childhood were less likely to be able to ‘beat the odds’ of being NEET than the older cohort. This mirrors the findings of the previous chapter where we typically found poorer labour market outcomes at age 16–25 for Generation Y than Generation X.

The consequences of being NEET for young people are felt markedly in their future wages and in their likelihood of gaining future employment. In their analysis of the British Household Panel Survey, Crawford, et al. (2011) found that young people who were NEET at ages 18 and 19 were 28 percentage points more likely to be unemployed five years later and 20 percentage points more likely to be unemployed ten years later, compared with those who were not NEET at ages 18 and 19.

A further factor that is thought to have played a role in shaping young people’s entry into the labour market in recent years is the impact of the growth in the numbers of young people in the UK. There is some evidence that the extent of youth unemployment is partially dependent on demographic effects, in particular the size of the youth cohort (Bell and Blanchflower, 2010). This was seen most notably in the 1970s and 1980s, when there was a ‘generational crowding’ effect (Bloom, Freeman and Korenman, 1987) that took place in the British labour market as a result of the 1960s baby boom (Deakin, 1996). The 2008 recession also coincided with a temporary growth in young people entering the labour market (the baby boomers’ children), which has had some, albeit minor, impact on the
Evidence review

Evidence review

Employers and recruitment

There is mixed evidence on employers’ preferences with regards to the age of their workforce and to young people in general. On the whole, employers who have an age preference tend to favour workers aged 25–49, with workers aged under 25 and over 50 less likely to be deemed suitable for a job (Metcalf and Meadows, 2010). Again, the data analysis supports this with labour market disadvantage concentrated in the young and old. The extent of employers’ views that jobs are more suitable for some age groups than others varies across different types of establishments, and is most likely to be held by employers:

- who have not implemented age-related equal-opportunities policies;
- in the public sector;
- who have no trade union recognition; and
- who have a higher number of younger workers and a lower number of older workers (Metcalf and Meadows, 2010).

Employers’ views of young people may, however, vary depending on whether or not they have worked with them. The majority of employers who have recruited young people feel that they are suitably prepared for work, with around two-thirds holding this view in relation to secondary school leavers and four-fifths for higher education graduates (UKCES, 2014). When employers do express concerns, these often relate to attitude and experience (Keep, 2012), with some holding negative stereotypes that young people have poor motivation and lack maturity (UKCES, 2014). Findings from the 2014 Confederation of British Industry (CBI) education and skills survey show that a key attribute for employers in the recruitment of school and college leavers is their attitudes to work. However, one-third of survey respondents were not satisfied with attitudes to employment of the young people at this transitional stage. Moreover, attitude was considered by a large majority of employers as being more important than formal qualifications for this group, as were aptitude for work and basic literacy and numeracy.

Employers’ recruitment channels may have a detrimental impact on young jobseekers. For example, informal methods, such as word-of-mouth and recommendations, are dependent on individuals having an established workforce presence (Hasluck and Armitage, 2011). The use of informal recruitment varies by firm size, being more likely in smaller establishments (Cominetti, et al., 2013). Additionally, Atfield, et al. (2011) found a greater use of networks and less reliance on the JobCentre in the recruitment of low-skilled workers. This is particularly unfavourable for unemployed young people (Atfield, et al., 2011; Cominetti, et al., 2013).

Non-standard work contracts

As described in the previous chapter (and detailed in Figure 16 and Table 2), younger – as well as older – workers are more likely to be in temporary work than workers in the middle age group and they were more likely to be employed on one of the most disadvantageous forms of contract, zero-hours.

Temporary agency, seasonal and casual workers are more likely to be young and hold low- or medium-level qualifications, whereas there is a more even age distribution among people working under fixed-term contracts (Booth, et al., 2002; Forde and Slater, 2005). At present, there is also a
disproportionately high number of young people working under zero-hours contracts. Over a third of all employees on zero-hours contracts are aged 16–24, with around a tenth aged 40–49 (ONS, 2014a).

Employers’ use of zero-hours contracts has sharply increased over the past decade. A recent report published by the Resolution Foundation (Pennycook, et al., 2013) suggests that this rise is due to the slack labour market and employers’ drives to cut costs following the economic downturn. Zero-hours contracts are most widely used in low-paid industries that hire a higher proportion of younger people, such as hospitality, administration and retail.

Training
Although the historical evidence indicates that participation in training decreases with age, the difference between the participation of young people and those in the middle age group appears to have diminished in recent years, as seen in the 2010 National Adult Learning Survey (BIS, 2012). The survey, in examining individuals not in continuous full-time education, finds that participation in any form of learning, although highest for 16–19 and 20–29 year olds (79 per cent and 77 per cent respectively), is not greatly different from those aged 30–39 (73 per cent) and 40–49 (72 per cent). Nevertheless, young people (16–29 year olds) are more likely to undertake formal learning that leads to a nationally recognised qualification than older age groups. Interestingly, participation in vocational training, though again higher for young people, only drops substantially from age 60 onwards.

Keep (2012) highlights the importance of ensuring that vocational training is of a sufficient quality, to guarantee that those participating do not find themselves in lesser-grade jobs with limited options to undertake later adult learning needed for progression. Additionally, as discussed by McNair (2009), entry to the labour market is a more risky and unpredictable process for recent cohorts of young people and particularly so for disengaged individuals, indicating that continued support is needed to help them develop skills.

Retention
Not surprisingly, job tenure generally increases by age (Mumford and Smith, 2004). This finding reflects the high levels of ‘churn’ in the youth labour market, with young people more likely to change jobs frequently and transition in and out of unemployment. This can be due to both the types of jobs and industries that young people are more likely to enter into as well as young people’s lack of knowledge about the labour market and their own employment aspirations (Hasluck and Armitage, 2011). Fenton and Dermott (2006) found that labour market churn is not equal across all groups of young adults (aged 20–34). The highest number of job changes was associated with those in low-skilled and low-pay jobs. They also found those in unemployment had a high number of employment changes, indicating that individuals with a higher number of changes in employment were also moving between work and unemployment.

Worth (2005) argues that these high levels of churn from work to unemployment among young people have been encouraged by welfare-to-work policies, which he claims serve the ‘increasingly short-term needs of employers in the more casualised job sectors’. Worth showed that only 36 per cent of young people who left the New Deal for Young People programme entered into jobs that lasted more than 13 weeks. There has been a more recent emphasis on sustainable employment in welfare-to-work programmes. However, the Work Programme evaluation (Newton,
et al., 2012) found that although providers do attempt to match claimants’ aspirations for longer-term work, there was also evidence of movement into agency, temporary and zero-hours contracts.

**Middle age group**

Though it could be surmised that low-paid, low-skilled middle-aged workers share many of the experiences of those from other age groups, there was limited evidence that focused on the labour market experiences of this age group independent of younger and older workers. The exception to this is evidence on the effects of childbearing and rearing on labour market participation, occupation, hours and earnings. Therefore, much of this section focuses on the impact of maternity and childcare on labour market performance.

**Labour market participation and gender segregation**

The labour market participation and experience of people in the middle age group remains differentiated across gender lines. The gender pay gap has on the whole narrowed since the 1970s, but there remains a stark disparity in the pay of men and women (ONS, 2013b). While the gender pay gap is evident across all ages, it is widest among the 40–49 age group, closely followed by the 50–59 age group (Perfect, 2011; Department for Culture, Media and Sport, 2014).

The gender pay gap arises both due to the differences in the types of work men and women do, but also because women are still more likely to be paid less than men in the same job. Occupational gender segregation remains a key feature of the UK labour market, with women more likely to work in lower-paid and undervalued jobs, and less likely to make substantial progressions in their careers (Grimshaw and Rubery, 2007; Perrons, 2009; Rolfe and Metcalf, 2010). In addition, women are more likely to work part-time (see Figure 7) and as a result are more likely to be affected by the part-time pay penalty.

Gender segmentation exists at both ends of the jobs market but is impacted by age in relatively similar ways, with the gender differences starting at around ages 25–30 for both those at the top and bottom of the labour market (Jones and Dickerson, 2007). Men are more likely than women to transition out of low-level jobs (the bottom quartile of all jobs) before the age of 30, after which the proportion of men in low-level jobs decreases until their fifties.

**Flexible working arrangements**

There are both age and gender dimensions (which at times interact) in the take-up of flexible working arrangements. Women are more likely to take up flexible working early on in their careers and at an earlier age than men, as they are more likely to take responsibility for childcare. As noted above, the gender pay gap provides a strong incentive for mothers rather than fathers to decrease their labour market input, often through part-time hours of work or some form of flexible working, in order to care for children. Men are more likely to take up flexible working options at an older age, when their careers are more established (Smithson, et al., 2004). As a result, women are more likely to be impacted by the adverse financial consequences that can accompany flexible working.

What seems to be important in terms of low-paid and low-skill employment is the type of flexible work available. The main offer of flexible
working is part-time work, with greater proportions of women than men working on this basis (CIPD, 2012); and the majority of women part-time workers are employed in lower-level occupations, such as sales, service industries and elementary-level jobs, as well as clerical jobs (Gregory and Connolly, 2008). Findings from the 2013 Annual Survey of Hours and Earnings (ASHE) show that the lowest-paid industries have a concentration of women and part-time workers; for example, 69 per cent of sales and retail assistants work part-time, with 66 per cent of the workforce being women (TUC, 2014). Green, et al. (2014) in their qualitative study of the social care and retail sectors found that employers rather than employees are the main instigators of flexibility, and although those with family commitments appreciated facets of flexible working, they placed more worth on fixed hours and fixed incomes. Work in both of the sectors was characterised by low-skill roles in low-hour or zero-hour contracts, the latter being more common in the care sector. Fragmentation of hours was also an issue, particularly in domiciliary care, with individuals working in a range of time slots (for example, early mornings and late evenings) during the course of their working week.

Additionally, while there will be a proportion of those in part-time work in lower-level occupations who will have similar pay and industry experience throughout their working lives, a substantial minority of women, on having their first child, downgrade their occupations (often into low-skill jobs) when moving to part-time employment (Gregory and Connolly, 2008).

Recent research has explored in more depth the perspectives of fathers in order to understand why they are less likely to take up flexible working earlier on in their careers. The findings suggest that there remains a stigma towards men requesting flexible working, with some men feeling that their employers have little concern for their family responsibilities and still very much view them as primarily ‘economic providers’ (Gatrell, et al., 2014). The high levels of dissatisfaction with work–life balance reported among fathers, especially those with younger children (Working Families and Bright Horizons, 2014), suggest that there is a greater need to normalise flexible working for men.

**Non-standard work contracts**

While the middle age range is less subject to the less-desirable forms of non-standard work contracts (see Table 2 and Figure 8 above), the growth in these forms of work have had a disproportionate effect on some groups of low-paid workers in this age range.

In particular, women in the middle age group are concentrated in some of the low-paid industries in which zero-hours contracts have grown, such as administration, care and retail (Pennycook, et al., 2013). For example, the domiciliary care sector has an average workforce age of 42 years, and 56 per cent of all employees are employed on zero-hours contracts, including a growing proportion of managerial staff (Bessa, et al., 2013).

**Training and progression**

As noted above, the 2010 National Adult Learner Survey (BIS, 2012) shows that participation in vocational learning for individuals aged 30–49 was similar to younger people. However, fewer of the 30–49 year olds undertook formal learning leading to a nationally recognised qualification in comparison to younger individuals.

There is evidence that low-paid jobs offer fewer progression routes (Newton, et al., 2005). The evidence also indicates a gender effect, which results in poor progression for women in the middle age group as women
in these low-paid industries are disproportionately affected by a lack of structured progression opportunities. For example, in the childcare industry, where the average employee is a woman in her thirties (Gambaro, 2012), promotion often leads to only a very minor pay rise, which through time can create a mismatch between the employee’s qualification levels and experience and their pay (Metcalf and Dhudwar, 2010).

One other key determinant of being in a job with no progression is working part-time. Studies of retail employees (Foster, et al., 2007; Whyshall, et al., 2009) argue that poor progression opportunities disproportionately affect part-time female workers with childcare responsibilities, who can feel that their part-time jobs are not considered to be ‘career roles’, or who are often unable to attend training and development events that are held outside of their working hours.

**Older workers**

Compared with other age groups, older workers’ labour market performance in aggregate is affected by four major factors. On the positive side, older workers have developed skills, knowledge and experience over decades of work. While there can be issues around changing skill demands, for many jobs their skills are beneficial. Different patterns of retirement can be seen between those who leave the labour force at a relatively early age, and those who choose or need to continue, with the ‘choice’ varying with financial and personal circumstances. For some, age brings declining health and labour market withdrawal. Finally, discrimination is a major issue for older workers and is connected with employers’ erroneous beliefs about the effects of ageing on work performance and about the implications of future retirement for employees’ remaining length of service.

The interplay of these factors means that some older workers are at the peak of their career, while a sizeable group move into long-term unemployment, long-term sickness or forced retirement. In between, are older employees who receive reduced training and progression. Those who become unemployed find it particularly difficult to return to stable employment.

**Employers’ recruitment and wider employment policies**

There is mixed evidence concerning employers’ preferences and practices with regards to the employment of older people. Findings from WERS 2004 show that around 5 per cent of employers actively targeted older workers for recruitment, particularly in the transport and communications, financial services and public administration industries (Barnes, et al., 2009). There are a number of reasons why employers may choose to target older workers, including employers’ perceptions that there is a skills shortage among young people for certain jobs (e.g. engineering, butchering and coach driving), perceptions that older workers have a stronger work ethic, are more experienced, better able to command authority and better able to build rapport with certain customer groups (McNair, et al., 2007; Barnes, et al., 2009). The latter claim is frequently cited with regards to the retail industry, in which some large businesses such as B&Q have implemented high profile ‘age positive’ recruitment campaigns in order to attract older workers to match the age composition of their customers (Employers Forum on Age, 2007). Additionally, Chandler and Tetlow (2014) state that the greater availability of some service sector jobs could benefit older workers as they are less physically demanding and emphasise ‘soft skills’.
More generally, since the implementation of the Employment Equality (Age) Regulations 2006 there has been a rise in the number of employers who have in place equal opportunities policies that address age (Metcalf and Meadows, 2006; Barnes, et al., 2009). From 2005 to 2010, the proportion of employers who had these in place increased by 11 percentage points to 67 per cent, covering 84 per cent of the workforce in 2009/10 (Metcalf and Meadows, 2010). The extent of age-related workplace equal opportunities policies varies according to sector and organisation size: they are less likely in smaller employers and employers in the private sector, and more likely in unionised workplaces and in the Manufacturing, Transport and communication, Wholesale and retail, and Hotels and restaurants industries (Barnes, et al., 2009; Metcalf and Meadows, 2010).

However, the positive employer attitudes of older workers highlighted above are by no means universal. While there is evidence that employers have been taking more steps to address discrimination since the implementation of the 2006 Regulations, age discrimination remains a barrier to the employment of older workers at all stages of the employment process.

One recent illustration of this is a study in which researchers sent 1,200 job applications to employers as both younger and older workers, using identical CVs with the exception of age, and found that the job applications from the older ‘applicants’ were significantly more likely to be rejected (Tinsley, 2012). Older applicants may respond to the barriers that they face in the recruitment process by eschewing formal recruitment processes and using their personal contacts to find work (Loretto and White, 2006).

Some older applicants also perceive smaller organisations to be more likely to recruit them and acknowledge the value of their years of experience. Indeed, UKCES (2012) also suggests that smaller businesses are more likely to both use informal recruitment practices and place importance on experience in the recruitment process. While recruitment practices that emphasise the importance of years of experience may have advantages for older people, they can be discriminatory towards younger applicants if they are not appropriately justified (Metcalf and Meadows, 2010).

Flexible working arrangements
The need for flexible workplace policies will increase as the workforce ages (CIPD, 2012). Older workers often want to reduce their working hours during their transition into retirement, and many unemployed older workers consider flexible working to be a necessary precondition of their willingness to take up employment (Smeaton, et al., 2009). The authors discuss how unemployment of the 50+ age group is primarily related to caring responsibilities for women as well as poor health for both genders. In a survey of 1,494 respondents aged between 50 and 75, 38 per cent of those with caring responsibilities were dissatisfied with the number of hours they worked in comparison to 27 per cent of all older workers. Additionally, the authors state that one of the barriers to older people achieving the flexible hours they desire is low wages, as flexible employment options are often restricted to low-paid, low-skill and lower-status occupations. They additionally describe how some individuals wanted to work reduced hours but could not afford to do so.

The ageing population and increases in life expectancy are also likely to lead to a rise in the need for informal care. Pickard, et al. (2012) project that there will be a 70 per cent increase in the demand for informal care by 2031, which is likely to lead to an increase in the demand for flexible working among carers. In his analysis of WERS, Bryan (2012) found that the
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availability of flexitime and reduced working hours for carers increased the time they were able to spend caring by 13 per cent. This is most relevant for people aged 50–59, as these are the ages when the number of hours spent caring peaks, with almost a quarter of women and one in five men in their fifties responsible for informal care (Bryan, 2012; Yeandle, et al., 2006).

Training and progression
While access to training has traditionally decreased with age, McNair (2012) discusses the recent change in this trend, pointing out that employers are more likely to invest in training for individuals over 50 than those in their 40s. The National Adult Learning Survey (BIS, 2012) also indicates that the decrease in training participation becomes more evident from the age of 60 rather than earlier. However, the training undertaken by older workers is more likely to be of poorer quality and less likely to improve their skills, working practices or pay, reflecting low levels of workplace progression among older workers (Felstead, 2010).

There is evidence that a higher level of participation in training among older employees is positively correlated with remaining in work (Lissenburgh and Smeaton, 2003; Armstrong-Stassen and Ursel, 2009). Where training appears to be less effective is for older, unemployed individuals unless the learning undertaken provides a licence to practise, or is job and company specific, and includes experience with the company (McNair, 2012).

Retention
As has been already been noted, job tenure varies between age groups and generally increases by age (Mumford and Smith, 2004). The content of work can play a large role in determining the likelihood of a person staying or leaving employment in later life. Blekesaune, Bryan and Taylor (2008) found that women in jobs with low levels of autonomy and men in ‘unsatisfying’ jobs were more likely to leave work early. Other factors they identified that increase the likelihood of leaving employment in later life include: poor health, lack of access to training and, for women, being childless. Re-entering work is more difficult for older workers, evidenced by the greater proportion of UK jobseekers aged 50+ who are still unemployed after a year in comparison to younger individuals (Cory, 2012). Additionally, an analysis of 18 years of British Household Panel Study (BHPS) from 1991 indicates that wage scarring (i.e. a negative effect on future wages) due to unemployment is greater for men aged over 50 than for their younger counterparts (Tinsley, 2012).

Transitions from work to retirement
Our data analysis showed that the employment of older workers had been increasing since 1993 (Figure 5). Disney and Hawkes (2003) suggest that the increase in the late 1990s can be primarily attributed to the upturn in the economy, as well as active labour market policies such as the New Deal 50+ and changes to employer attitudes. However, the trend has continued through the recent recession, suggesting that the cyclical factors may be offset by the knowledge and experience of older workers. Additionally, high levels of redundancies in newly privatised sectors may have contributed to the large rise in self-employment among men in their fifties since the 1980s, which increased by around 50 per cent from 1986 to 2002.

There remains a sizeable proportion of people who take up early retirement, either through choice or otherwise. Estimates by the ONS (2013a) use the age of withdrawal from the labour market as an indicator, and show that in 2012 around half of men aged 51 to 64 and a quarter
of women aged 51 to 59 had exited the labour market. Reasons for early labour market exit can be complex. However, there is consensus in the literature that there are ‘two nations in early retirement’. Those who actively choose early retirement tend to be financially stable with a good pension, well educated, and have no dependants, whereas those who enter early retirement reluctantly tend to have lower education levels, work in blue-collar jobs and are often unable to work due to health problems (Arthur, 2003; Humphrey, et al., 2003; Lissenburgh and Smeaton, 2003; Meadows, 2003; Banks and Smith, 2006; Roberts, et al., 2010). Yeandle (2004) describes the latter individuals as ‘reluctant quitters’; she labels another group as ‘workers till they drop’. This latter group is characterised by having low-paid, less-qualified jobs and little or few assets, necessitating them to continue working until they are forced to retire or ill health requires them to stop.

### Intergenerational differences

#### Intergenerational equity
There has been much debate about intergenerational equity in the labour market, which has in recent years been reignited by the growth in youth unemployment following the recession and the removal of the default retirement age (DRA). Parry and Harris (2011) stated that it would lead to a growth in the number of older people who decide to stay in work, which would in turn lead to fewer opportunities for employment or progression for workers in other age groups. Parry and Harris cite data gathered by CIPD (2011) which reports that 23 per cent of all employers and 45 per cent of employers in the public sector expected to recruit fewer people after the removal of the DRA.

To the best of our knowledge there have not been any studies that have explored the impact of the removal of DRA on different age groups; however, there are some reasons to suppose that the impact, if there was one at all, would have been small. Prior to the implementation of DRA, over half the workforce were employed by an organisation that did not have a compulsory retirement age (Metcalf and Meadows, 2010). Furthermore, qualitative research suggests that in general employers feel that the impact of the presence of older workers on their recruitment of younger workers is negligible (Thomas and Pascall-Calitz, 2010). Finally, in line with critiques of the ‘lump of labour’ theory, recent research suggests that over the past 50 years there is no evidence of any long-term crowding-out effects of young people from the labour market by the continued participation of older workers (Banks, et al., 2008).

#### Intergenerational changes in wages
Age, cohort and life-cycle effects have all played a role in shaping the lifetime incomes of different generations. While our analysis of the QLFS shows the variations in income by age for different social groups, it does not effectively capture the long-term effects that increasing inequalities have had for people of different ages over time. Wage inequality has increased substantially since the 1970s (Machin, 1998). While inequality increased most rapidly during the 1980s, it has continued to rise, and in 2007/08 Great Britain’s Gini coefficient peaked at 0.36. There have been small decreases in income inequality since 2007/08. This has been primarily due to a sharp fall in earnings, while benefit entitlements remained relatively stable.
However, there is some evidence that the diminution of income inequality since 2007/08 is reversing (Cribb, et al., 2013; Belfield, et al., 2014).

An increase in income inequality has had wide-ranging impacts, one of which has been a decline in intergenerational wage mobility during this period. In their comparison of 1958 and 1970 birth cohorts, from the National Child Development Study and the British Cohort Survey respectively, Blanden, et al. (2002) suggest that the income of the 1970 cohort (at age 30) matches that of their parents much more closely than does the income of the 1958 cohort (at 33 years of age). Furthermore, the growing inequality between these periods is shown by the difference in the standard deviations of average weekly wages within the two cohorts. There was a much larger variation in both individual and family income between individuals born in 1970 than there was for people born in 1958 (Blanden, et al., 2002: Table 1). Furthermore, their analysis shows that a greater proportion of the 1970 cohort lived below the poverty line at age 16. The authors suggest that the decline in intergenerational mobility over this period can be partially explained by observing the unequal rise in levels of educational attainment across the population. They argue that the fact that higher levels of education have predominantly benefited those from higher-income families indicates the strengthening link between the earnings of parents and their children.

A more recent study (Hood and Joyce, 2013), examining the economic situation of cohorts born between the 1940s and 1970s, found that there was permanent higher income inequality between individuals born in the 1960s and 70s than previous cohorts. Additionally, the analysis did not indicate that these younger cohorts would experience lesser income inequality as they aged.

Other studies have identified both age and cohort effects in the differences in levels of deprivation of older people by age. Until recently, pensioners were more likely than others to have been living in low-income households, but there has been a substantial decrease in the number of pensioners living in low-income households since the late 1990s. However, out of all pensioners, the oldest are most likely to be in a low-income household (DWP, 2014b).

Jenkins (2009) addresses both age and cohort effects on individuals’ income throughout their life course. Using the BHPS, Jenkins tracks the income of individuals over their working lives, and compares the income–age trajectories both between people with the same social characteristics and different social groups through time. Jenkins’s analysis is useful in unpacking the relationship between age and income for different social groups that is difficult to see through cross-sectional analyses. He shows that even within groups of individuals with the same characteristics, there is substantial variation in income trajectories throughout their working lives. Furthermore, in his comparison of people born before 1955 with those born in 1955 or later, Jenkins shows the changing dynamics of wage inequality throughout the working lives of people in different cohorts. For those born before 1955, wage inequality among working age people declined with age and only rose again after the age of around 55 for men and around 47 for women. For those born after 1955, wage inequality stays relatively stable until the age of 35 and then increases steadily throughout their working lives.
4 POLICY REVIEW

Of interest to this study are the policies relevant to age and the labour market, particularly in terms of access to, participation in and exit from employment. The starting point for the review has been UK, Welsh, Scottish and Northern Ireland government websites, where policies and programmes are classified according to topics, or by departments.

We used the topic areas as the framework for searches for this review, though we focus only on those relevant to the aims of this research. The emphasis is on age-specific policy or policy that impacts on particular age groups.

We have structured the review so that the topics broadly follow a chronological order. Hence we start by discussing issues related to education and training below degree level, then move to Higher Education (HE). The review then considers policies applicable to those in or out of employment, finishing by discussing retirement policy and legislation more pertinent to older workers.

Summary

- Extensive curricular reforms have taken place in the four nations, with a strong emphasis on prolonging young people’s engagement and participation in education or training beyond the age of compulsory education.
- A strong policy objective is to prevent young people from becoming ‘not in education, employment or training’ (NEET), and helping those who are.
- Apprenticeships and traineeships (for those not yet qualified for an apprenticeship) are the main way of obtaining vocational skills. Access is geared to the younger group of young people through age-preferential funding for training.
- Access to government funding for Further Education (FE) becomes more restricted with age; for example, absence of funding after the age of 24 for Level 3 and 4 qualifications in England. This creates a barrier to progression from a low-skilled occupation.
• There has been a drive to widen participation in Higher Education among non-traditional groups. This has, however, been taking place within a context of increased student financial responsibility.
• Statutory redundancy pay is age dependent and to obtain it employees must have worked for at least two years; this disproportionately excludes young people and those in less stable, shorter-term employment with higher levels of job churn.
• The current government policy of reducing ‘red tape’ has resulted in reduced employee rights, such as raising the qualifying period for protection from unfair dismissal from one to two years.
• Programmes for unemployed people commonly have an age element, with those for young people often placing a greater emphasis on skills and employment training than for older age groups, where the emphasis is on job searches.
• State pension age is moving towards equalisation for women and men, and will then be raised progressively. This is likely to have a greater impact on low-paid workers who are unlikely to have the financial means to retire before state pension age. Additionally, many could be working in demanding jobs (for example, care assistants), which are not well adapted for older workers.

Education and training below degree level

As a way of prolonging participation and improving engagement while in compulsory education and beyond, there have been substantial curricular reforms in all the four nations in the last decade. The reforms have a number of stated aims, namely:

• to provide a broader, more flexible way of gaining qualifications;
• to improve the status and quality of vocational education;
• better engagement of those not involved in learning; and
• improvement of basic skills and overall attainment.

There is also a strong emphasis on gaining skills for employment.

The main objectives in relation to young people leaving compulsory education are ensuring that they gain sufficient skills for successful entry into learning or employment and preventing them being NEET. Thus, all four nations encourage young people to remain in some form of learning or training to the age of 19. However, the legal requirement to remain in education or training to 18 only applies in England, detailed in the Education and Skills Act 2008 (National Archives, 2014; HM Government, 2014a). In contrast, a key incentive to extending educational participation, active in Northern Ireland, Wales and Scotland (but not England) is the Educational Maintenance Allowance (EMA). The EMA provides post-16 funding for disadvantaged families in these countries. England previously provided the EMA, but it ceased at the end of 2010/11 academic year. Instead, some limited funding is available through the 16–19 years Bursary Fund.

A significant concern is the proportion of young people who are currently, or at risk of becoming NEET, and all four governments have recently produced documents that outline their approaches for this group (HM Government, 2011; Northern Ireland Executive, 2012; Scottish Government, 2012a; WAG, 2013). Recent evidence suggests some success as the proportion of 16–17 years old who were NEET has fallen (House of Commons Library, 2014), as more young people continue in education.
This to some extent reflects the recent limited labour market opportunities for this group rather than just policy initiatives. Moreover, in the last decade there has been little change in the overall proportion of young people (aged 16–24) who are NEET.

The major work-related skills training route in all countries is apprenticeships. Any individual in the UK from the age of 16 is eligible to undertake an apprenticeship. Apprenticeships combine training and jobs and are available at different levels according to the requirements of the job. Although apprenticeships are open to anyone over 16, the availability of funding to employers is related to the apprentice’s age, with decreasing amounts available for older individuals. Importantly, apprenticeships are of varying quality; for example, Keep (2012) describes how many lower-grade initial training schemes have been ‘converted’ to apprenticeships without significant enhancement.

There is also differential access to funding for Further Education (FE) courses by age. Funding in England, Northern Ireland and Wales is directed at young people (and at fairly low qualification levels); therefore, for those middle and older age groups, access to FE funding is very limited. Unemployed individuals who are low-skilled may be able to access some FE courses through welfare-to-work programmes (though access can be variable). Those who are working, even if low-skilled and in low-paid work, are excluded from FE funding if above a certain age, which impacts on their ability to improve their skills and progress while in work.

The value of vocational relative to academic qualifications has been a focus of a long-standing debate. The vocational route is complex and offers training of variable quality and recognition; therefore it is not clear that all young people following this path are receiving training that adequately provides them with skills to succeed in the labour market. For example, some lower-level vocational qualifications do not improve chances of recruitment (Keep, 2012), and these qualifications are more likely to be taken by those who have underperformed at GCSE level. Wolf (2011) points out that many low-level vocational qualifications are not valued by employers; however, they are the mainstay of what is on offer to 16–18 year olds. She also discusses the importance of providing good general education for all members of this age group rather than maintaining a separation between vocational and traditional academic qualifications. Additionally, returns to academic qualifications are typically higher than those associated with vocational qualifications. In fact, Dickerson (2006) found negative returns for vocational qualifications at Levels 1 and 2 and only low returns at Level 3. (There are increasing returns as vocational qualification levels increase.)

Students’ aspirations are key to their future employment outcomes. Young people’s families are often the biggest influence on future choices. While this is positive for many, they can also be negative, with some families fostering gender stereotypes and relatively low employment goals. Therefore careers advice is crucial in providing another source of information. Between 2001 and 2011, careers advice in England was provided by the Connexions service. Where Connexions was available it was often viewed as useful by young people. However, the support provided was variable as not all schools took up the full range of services; for example, not all young people had access to one-to-one guidance (Rolfe, 2013). After the dismantling of Connexions, careers advice became the responsibility of schools (without any additional resources) from September 2012. The 2013 Ofsted Report, which visited 60 schools, stated that only 12 of the schools were providing a good enough service to ensure students make informed decisions. Additionally, a report by Barnados (2013) indicates that the web-based...
Though the preceding decades have seen a drive to widen university participation from groups previously under-represented in higher education, it has taken place in a context of increased financial commitment by students with the introduction of undergraduate tuition fees in 1998, and the subsequent increases. Dearden, et al. (2011) found a negative impact on participation levels with the introduction of tuition fees which was offset to a degree by non-repayable grants. Moreover, Callender and Jackson (2005) found that potential students from less advantaged families are more debt averse and are more likely to be discouraged from attending because of future debt in contrast to students from more affluent families. Additionally, increased HE participation has consequences to individuals with lower-level skills, as their labour market opportunities diminish, thereby increasing the likelihood of continued and rising disadvantage for the group.

A current initiative for disadvantaged individuals in England is the National Scholarship Programme; however, from 2015/16 it will be limited to postgraduate study. In Wales the Reaching Wider strategy seeks to motivate individuals from under-represented groups to attend HE, while in Northern Ireland the Widening Participation Premium and Widening Access Premium are targeted at less advantaged individuals and people with disabilities and learning difficulties respectively.

However, in all countries the responsibility to provide financial support to disadvantaged students has shifted to HE institutions, typically monitored through access agreements. For example, English universities that charge higher fees must have an access agreement approved by the Office for Fair Access (OFFA, 2014). Similarly in Scotland, universities have access agreements with the Scottish Funding Council that detail ways in which participation will be widened (Universities Scotland, 2014); and in Northern Ireland universities are required to have Widening Participation Strategic Assessments (Northern Ireland’s 2012 Access to Success, DEL, 2012); and the Welsh Government also expects universities to target some of the additional money from fees to extend HE attendance (NUS Connect, 2014).

**Employment**

**Age discrimination legislation**

Legal protection against age discrimination in employment was introduced in 2006 with the Employment Equality (Age) Regulations (EE(A) Regulations). The regulations covered age discrimination in relation to any age. However, for older people, it included a ‘default retirement age’ allowing employers to set a compulsory retirement age of 65 or over. This provision was abolished...
in 2010 although compulsory retirement could continue for a further year from abolition. The regulations were superseded by the Equality Act (2010), bringing together and extending various Acts and regulations covering discrimination and equal pay (e.g. the EE(A) Regulations, the Equal Pay Act, the Race Relations Act and the Disability Discrimination Act). The age provisions of the Act were implemented in 2012.

While the regulations and the age provisions of the Act seek to reduce age discrimination, a number of exemptions in the Act mean that some age discrimination in employment remains lawful, including discrimination that can be ‘objectively justified’ by the employer as a proportionate response to a legitimate business objective. The effect of the legislation (and of the exemptions) is unknown. Since most employment age discrimination is believed to be suffered by young and older workers, the legislation should have more impact on the employment of these groups. Since working close to and beyond state pension age is more prevalent among those who need to work for financial reasons as well as the, generally well-paid in jobs they enjoy, the legislation might be expected to have enabled the former group to work longer and so to have had a particular effect on low-paid workers.

Because employers can no longer dismiss an employee because of their age, employers have started to focus on employees’ competence and absence record as criteria for dismissal. Because ill health is more common among low-paid workers, it may be expected that this development may have a greater detrimental impact on the lower paid.

The government supported the age discrimination legislation through their Age Positive campaign. This now comprises a website which brings together research and information on effectively managing an ageing workforce of all generations.17

**Tax credits**18

Tax credits19 tend to have a differential age effect: not only have eligibility criteria included age, but some credits have been for families with children and, consequently, have been concentrated on the middle age group. Eligibility rules have changed over time, introducing some intergenerational effects.

Tax credits have been used for two purposes: to supplement low income (irrespective of work status) and to encourage low-paid employment (through subsidising low earnings), i.e. to ‘make work pay’. The former have tended to focus on families with children or disabled people. The latter have had paid work eligibility criteria, but have also sometimes restricted eligibility by family status or personal characteristics. The current system was introduced in 2003 (Revenue Benefits, 2014a). It has both types of tax credits: a Child Tax Credit, for parents and not requiring employment, and a Working Tax Credit, with employment criteria. The previous system did not provide tax credits to most low-paid people without children.

Working Tax Credit for those not responsible for children requires those aged 25–59 to work at least 30 hours per week, reduced to 16 hours for those aged 60 and over. Disabled people may claim from the age of 16, as long as they work at least 16 hours per week.

Universal Credit is replacing tax credits, Jobseeker’s Allowance, Employment and Support Allowance, Income Support, and Housing Benefit. Those on low income or out of work may be able to claim.
Redundancy pay

Statutory redundancy pay regulations differ by age. The statutory rate is based on the number of weeks worked and age: half a week’s pay for each full year when aged under 22, one week’s pay for each full year aged 22–40, and one and a half week’s pay for each full year aged 41 or older (HM Government, 2014b). Moreover, to be eligible for redundancy pay, an employee must have worked for their employer for at least two years, a requirement which disproportionately excludes young people and those in jobs where there is a greater level of churn, as is often the case in low-paid employment.

Maternity, paternity and childcare support

Maternity, paternity and childcare support policies have a differential age effect as their support is concentrated by age: maternity support is restricted to women of childbearing age, while paternity and childcare are less often relevant to the youngest and oldest workers. Such support compensates for employment disadvantages incurred by child rearing and, as such, does not provide a net benefit to any age group, but reduces inequality. However, policy changes over time result in an intergenerational effect, with later generations benefiting as policies have become more supportive.

Maternity and paternity support

In the last decade, major changes have been made to maternity and paternity support. Of greatest significance was the introduction in 2011 of the ability to transfer up to 26 weeks of maternity leave and pay to the father (called ‘Additional Paternity Leave’). Prior to this, statutory paternity leave was limited to two weeks, unpaid. Maternity leave has also been extended, to 52 weeks, and the minimum service requirement has been dropped (HM Government, 2014d), greatly extending eligibility (Striking Women, 2014). Statutory Maternity Pay (SMP) and Maternity Allowance (MA) (HM Government, 2014e) payment periods have been extended to 39 weeks. However, they remain at a low level.22

These payments generally accrue to the younger and middle age group, so amount to transfers to these groups. The flat rate payment for SMP and MA makes these benefits progressive, i.e. they disproportionately benefit the lower paid. However, how this affects return to the labour market is unclear and so the differential impact by income is unknown.

Childcare support

The cost of paid childcare for parents in the UK is high, the second highest in the OECD23 (The Guardian, 2012) and is a major barrier to mothers working. Costs restrict the jobs that mothers do and result in mothers leaving the labour market, both impacting on family income. While the costs are most prohibitive for the lower paid, given their size, they also have an impact at higher levels of pay.

Governments have taken measures that reduce the costs of childcare to parents, through the extension of free provision, through tax credits and through tax exemptions for employer-supported schemes. Tax credits pay up to 70 per cent of childcare costs with a cap, which stands currently at £175 per week for one child and £300 per week for two or more children. Single parents who work at least 16 hours per week and couples who both work at least 16 hours per week are eligible (HM Government, 2014f).24

Free ‘childcare’ is provided through early education provision. In England, children from the age of three are entitled to 15 hours per week of free early education for 38 weeks of the year. As well as provision in nurseries
and pre-schools, free early education may be provided by childminders and some playgroups. Some two year olds, from low-income families, are also eligible (HM Government, 2014g).

Certain employer support for childcare is tax and National Insurance exempt for the employee recipient (HM Government, 2014g). This includes:

- the provision of childcare vouchers (but not direct payments or cash);
- provision directly contracted by the employer; and
- workplace nurseries.

From autumn 2015, a new tax-free childcare scheme extends support to all working families. Parents will be able to claim 20 per cent of childcare costs up to a maximum of £2,000 for each child under 12 (or 16, for disabled children).

Flexible working
For decades, governments have advocated family-friendly working (e.g. flexibility over the hours or location of work, including, for example, job-sharing, time off for childcare, flexitime). The aim has been to reduce the labour market impact of child rearing on mothers. However, governments’ approach has largely been in the form of exhortation of employers to provide family-friendly working and, to a limited extent, information on family-friendly working practices. The exceptions to this are the right to time off to deal with unforeseen matters and emergencies of dependants and the right to request flexible working. However, the latter is a right to request, not a right to have flexible working.

The right to time off entitles employees to take a reasonable amount of time off to deal with unforeseen matters and emergencies of dependants (Acas, 2014a). The circumstances in which time off is permitted are not prescribed. However, they include, for example, a dependant being ill or childcare arrangements failing. There is no right to the time off being paid. Note the time off applies to any dependants, not only children.

The right to request flexible working (and for the employer to take the request seriously) was introduced in 2003 for parents of young and disabled children (ACAS, 2014b). In 2007, it was extended to parents with a child under the age of 16 (or 18 for disabled children) and also for carers of related adults. As of 30 June 2014, the right has been extended to all employees after 26 weeks of employment, with the expectation that it might be of greater interest to older workers and younger workers who would like to combine training with work (ACAS, 2014c).

Employee protection and rights
The current government has a stated policy of reducing ‘red tape’ and employment regulation, which has resulted in reduced employee rights. While the changes apply to all employees, those in vulnerable work are most likely to be affected.

Until 2012, employees were protected from unfair dismissal once they had worked for an employer for one year. This qualifying period was raised to two years for those recruited after 5 April 2012 (ACAS, 2014d). This will have doubled the period before this occurs. Given the higher rate of job changes and less time spent in the labour market, young people will have been most affected by the doubling of the qualifying period (TUC, 2007).

If an individual is classed as a worker rather than an employee (as is the possibility for those who are employed on a zero-hours or casual basis), they will not be entitled to:
• minimum notice periods if their employment is ending;
• protection against unfair dismissal;
• the right to request flexible working; nor
• time off for emergencies or statutory redundancy pay.

(HM Government, 2014c)

The National Minimum Wage\textsuperscript{25}

The National Minimum Wage (NMW) was introduced in the UK in 1999. One of the reasons for its introduction was to address rising wage inequalities in the 1980s and ’90s (Low Pay Commission, 1998). The rate is applied across the UK without variation across the nations or within them, thus not taking into account local conditions.

Research suggests little or no evidence of an impact on employment (Metcalf, 2008), though recent evidence suggests small negative employment retention effects on part-time women (Dickens, Riley and Wilkinson, 2013). It is viewed as a generally positive policy in the UK, which has contributed to reducing lower-paid wage inequality without limiting employment (Stewart, 2002, 2004a, 2004b; Dolton, et al., 2012) or hours (Stewart and Swaffield, 2008).

NMW rates are age specific. Up to and including 2009, distinct rates were in place for those aged under 18, aged 18–21, and 22 and over. In 2010 an apprenticeship rate was introduced as an addition to the existing age-group rates. This rate applies to apprentices between 16 and 18 years of age, while older apprentices get the rate appropriate to their age (HM Government, 2014h).

Programmes for unemployed people

Unemployment programmes and other support for unemployed people should affect the likelihood of moving back into paid work and well-being while unemployed. Policies commonly have an age element. In part, this stems from a recognition that employment barriers and skills vary with age and so support needs vary. However, it is unclear whether this variation in provision results in equal treatment of each age group. Certainly, given differences in unemployment rates by age, the programmes do not result in equality of outcomes. Moreover, differences in treatment may also stem from differences in the seriousness accorded to unemployment for different ages, either by government or assumed to be held by unemployed individuals. For example, in November 1981 benefit rules were changed so that unemployed men aged over 60 who had been on supplementary benefit for at least one year could continue to receive benefits without signing on (Denman and McDonald, 1996). This change could be seen, variously, as giving up on getting older unemployed men into work, allowing a dignified retirement when there was no work, that older people’s unemployment was unimportant or as a recognition that few people aged over 60 wanted work.

Historically, there have been specific programmes for young people (with various cut-off ages up to 25); e.g. the Youth Opportunity Programme, the Youth Training Scheme and the New Deal for Young People. These have tended to place greater emphasis on skill and employment training than on programmes for older people (where the emphasis is on job search) and to provide more rapid access to support. Less often, programmes have been tailored to older people; for example, the New Deal 50+. Indeed, for the New Deal, the population was divided into three age groups (18–24, 25–49 and 50 plus) with different programmes for each group.
Currently, while all unemployed people can receive some support to find work, the main programmes target three groups:

- young people, irrespective of unemployment duration;
- longer-term unemployed people (of all ages); and
- disabled people and those with health conditions.

Those targeting the young are, in Britain, the Youth Contract and, in Northern Ireland, the Youth Employment Scheme. Those targeting the longer-term unemployed are, in Britain, the Work Programme and, in Northern Ireland, Steps to Work. Those targeting disabled people are Work Choice in Britain and, in Northern Ireland, Work Connect, Job Introduction Scheme and the Condition Management Programme.

The Youth Contract and the Youth Employment Scheme both provide three types of support – work experience, training with a guaranteed interview and a wage subsidy to employers who recruit an unemployed young person – to unemployed people aged 18 to 25 (and, in Britain, to some 16–17 year olds) (DWP, 2014a; NI Direct, 2014d).

The Work Programme is designed to tailor support to individual need and so it does not distinguish provision by age. However, the qualifying period of unemployment to enter the programme varies with age (three months for those aged 18 and not in education, employment or training; nine months for those aged 18–24; and twelve months for those aged 25 and over).26 There are no evaluations to date that indicate whether the effectiveness of the Work Programme varies with age, though DWP’s Work Programme statistics show that older people referred to the programme have been less likely to enter into employment than other age groups, and those who have done so have been less likely to enter into sustained employment (DWP, 2014a; Age UK, 2013). The evaluation of the New Deal 50+ suggests that this scheme had a more positive impact on job retention of older people. For the older people who had taken part in the programme and had found a job, job retention levels after six months were relatively high (Atkinson, 2001). In particular, the evaluators found that receiving Employment Credit had incentivised a sizeable proportion of individuals to stay in work for longer than they would have done otherwise (Atkinson and Dewson, 2001).

Steps to Work is available after 13 weeks’ unemployment or economic inactivity (NI Direct, 2014e). Within the programme, additional support is available to young people who have been unemployed for at least six months (through First Start) and to those aged 50 and over who have been unemployed for at least twelve months (Step Ahead 50+). First Start provides employers with short-term support to encourage them to recruit unemployed young people into permanent employment. Step Ahead 50+ provides a fixed-term job opportunity lasting up to 26 weeks with an organisation in the voluntary/community sector.

**Pensions**27

A number of changes have been made to pension regulations in the last few years which impact particularly on lower-paid workers.

Since April 2010, the state pension age for women has been rising from 60 and will equalise with men’s at 65 in 2018, with the age for both men and women increasing to 66 in 2020 (HM Government, 2014i). Further planned increases will occur for both women and men, with the age due to rise to 67 between 2026 and 2028 and to 68 between 2044 and 2046 (HoC, 2014;
While the proposed change affects all people born after 6 April 1960, higher-paid workers (particularly those with pensions which can be drawn before state pension age) are more likely to have the choice to retire earlier than are lower-paid workers.

The Pensions Act 2014 introduced a new single-tier, flat-rate state pension for those who retire after 6 April 2016. To be eligible individuals will have had to have made a minimum of 10 years’ contributions. For the full contribution, at least 35 years of National Insurance contributions or credits are necessary. Those with contributions between 10 and 34 years will be paid a proportionate amount (DWP, 2013a). Crawford, et al. (2013) estimate that in the short term individuals who have spent long periods out of the labour market in pension creditable activities (for example, looking after dependants) will gain from the new pension. Overall, the majority of individuals (in England) will benefit over the life of their pension as the uprating in the new scheme means that they will have higher pension income in the later years of retirement than in the current scheme. However, those with fewer than 10 years of contributions will not be eligible for a state pension, where they may previously have had some level of state pension income. Additionally, for some the gains will be counteracted by the decrease in means-tested benefit entitlements. For example, though the authors estimate that 64 per cent of those in the lowest wealth quintile would benefit from higher pension incomes, only 40 per cent of them would have a higher household net income after taking into consideration decreases in means-tested pension credit. For younger cohorts, in the long term the estimates only show gains for those who spend a considerable amount of their working lives being self-employed (and assuming no equalising of National Insurance contributions between employees and the self-employed).

Public-sector pension schemes are being reformed to align with the new state pension age thresholds. Changes to the public sector and state pension ages are likely to impact on large numbers of low-paid workers who have physically demanding and/or stressful occupations. Some of these individuals will be unable to continue working in the same role due to the demands of their job (with some becoming inactive in the labour market and potentially requiring benefit payments). Other individuals will feel obliged, due to financial constraints, to continue working in demanding jobs for longer than they wish.

From 6 April 2010, the age at which private and occupational pensions may normally be drawn was raised from 50 to 55. Retirement for medical reasons at a younger age is still possible (HMRC, 2014).

Although there is a widespread belief that the state pension will be insufficient by itself (Age UK, 2014), there are significant numbers of people who do not have an occupational pension. Figures from the Annual Survey of Hours and Earnings (ASHE) 2010/12 show that 45 per cent of men and 49 per cent of women do not have some form of private pension saving. The proportions without private pensions savings grew as earnings decreased, with 88 per cent of men and 73 per cent of women earning less than £300 per week having no private pension savings (ONS, 2014b).

In order to increase private pension savings, automatic enrolment into workplace pension schemes has been in place since October 2012. The roll-out across organisations is being staged until February 2018, with larger employers being required to assume their responsibilities before smaller ones. The criteria for worker eligibility are: to be aged between 22 and state pension age and earning over £9,440 in 2013/14 terms. Workers who are not eligible may opt in to the scheme. The DWP’s initial evaluation of
automatic enrolment shows that workers aged over 50 were most likely to opt out. Qualitative interviews indicate that these individuals felt too close to retirement to start a long-term savings plan; financial constraints were another reason for opting out of the scheme (DWP, 2013b). Additionally, the earnings threshold means that many low-paid workers, particularly those working part-time, will not be automatically enrolled in the scheme.

The 2014 budget introduced greater flexibility in accessing pension funds. For example, those with a pension pot of less than £2,000 (considered a small pension pot) have previously been able to take this as a lump sum regardless of their overall pension wealth. Since 27 March 2014, the defined size of the small pension pot has increased from £2,000 to £10,000, and the number of pots that can be accessed under the small pot rule has increased from two to three.

There has, in addition, been an increase in the overall pension wealth limit that can be taken as a lump sum (from £18,000 to £30,000); and the age from which individuals can take the sum will be lowered from 60 to 55 in April 2015. Another important change that will impact on those with lower incomes is that the minimum income required for flexible drawdown has been reduced to £12,000 per annum from £20,000 per annum. These changes affording more flexible access to pension funds may impact on labour market behaviour, making phased retirement easier.
5 CONCLUSIONS

The preceding chapters portray a consistent picture about age and the labour market through fresh analysis of QLFS data and a review of evidence and policies. There are some differences between generations, but differences by age and life stage are more important. There are clear differences in labour market indicators for people aged 16–25, 26–55 and 56–75, with labour market disadvantage concentrated among the youngest and the oldest age groups. As a result of this, the policy review highlights a strong focus on the provision of support for young people with no or low-level qualifications, although similar opportunities are increasingly available for older people, albeit with more limited support.

Recent trends in educational participation mean that young people are staying in full-time education for longer and are on average more qualified than older people, who had lower rates of participation in post-16 education and training. This is one of the clear generational trends, with a higher proportion of Generation Y spending more time in full-time education than previous generations.

People with no educational qualifications in 2013 generally face greater disadvantage than previous generations, and this is particularly acute for young people from Generation Y. Compared to previous generations with no qualifications, they have higher unemployment rates, lower employment rates and for those in work a greater propensity to be in low-paid jobs, low-status occupations, low-paying industries and working in temporary jobs or jobs with zero-hours contracts.

For these young people, labour market entry and labour market progression are major challenges. The employment projections indicate that while there will continue to be demand to fill jobs in low–status or low–skilled...
occupations, the largest expansion in demand over the next decade will be in high-status or high-skilled occupations. It may be expected that the increased propensity of young people to stay longer in full-time education will help to fill this future demand, as these young people invest more in their own skill development. However, there is a risk that young people who leave full-time education with low or no qualifications will be left behind, and a strong emphasis of future policy needs to be geared towards providing the formal learning opportunities to ensure that these young people have the necessary skills to participate and progress in the labour market.

There is a raft of policies aimed at preventing young people becoming NEET and for moving young people into full-time education or training. However, the numbers of young people who are NEET remains high, as does youth unemployment, and more needs to be done to understand how to break the cycle of unemployment and low-paid work. The quality of education and training for young people is variable, with many courses and qualifications producing little by way of sustainable employment. Given this, qualifications for those who do not follow academic courses need to be more understandable and more valuable to employers, thereby giving young people more incentive to participate.

The current array of qualifications and training opportunities could be pared down so that less varied but better-quality training is available. Similarly, it would be useful for all apprenticeships to meet a quality standard. Vocational qualifications, particularly at lower levels, should ensure that individuals have achieved a certain level of general education rather than being only occupation specific, thereby broadening opportunities for labour market participation.

The absence of available funding above certain age thresholds and above certain qualifications (both relatively low) inhibits low-skilled, low-paid workers’ ability to progress. Loosening these restrictions would be beneficial as would a specific focus on women in low-paid industries, who are disproportionately affected by a lack of structured progression opportunities. There is a role for employers here: to consider how to develop the skills required of the labour market of the future, through in-work training for all ages.

Recent trends in economic activity show that older workers are staying longer in the labour market, but this is concentrated among those with higher levels of qualifications being retained longer by long-term employers, rather than recruitment of older workers. Future employment demand suggests that employers may need to keep a larger proportion of older skilled workers in the labour market for longer and will increasingly need to consider how this can be done. Policies that help to extend the working lives of low-paid workers in stressful and demanding occupations are also important, as they may be obliged to work longer than previously due to changes in pension policy rather than through their own volition. Here there may be a need for more workplace adaptations to enable this.

The ability to work flexibly can be important for individuals throughout their working lives. Those with childcare and caring responsibilities (often women) and older workers, who may or may not be transitioning into retirement, are well-established examples. More generally among employees, there is a lack of awareness of the right to request flexible working and the possible options available to work more flexibly. This is coupled with a lack of employer engagement on the issue. By making opportunities for flexible working more widely available, workers may stay longer in the labour market both at times when they have domestic responsibilities and in a more gradual
phased retirement. This may ease concerns about future skills demands across the whole of the economy.

The most prevalent form of flexible working is part-time work, although uptake of part-time work is lower than would be expected when considering data on employees’ stated desire to reduce their hours. Evidence suggests that there is a penalty attached to part-time work in terms of pay and progression. It is, therefore, vital that employers ensure that their part-time roles have equivalent pay and progression opportunities compared to their full-time ones. This would improve the terms of many current part-time workers and support those workers who would like to work part-time but are discouraged from doing so for fear of jeopardising their career prospects. Further evidence is needed on the full range of reasons for the relatively low take-up of flexible working as there may be other considerations above monetary ones which hamper individuals’ move to fewer hours and greater flexibility at work.
NOTES

1 For example, only a contribution by government to Level 2 courses and no funding for Levels 3 and 4 in England for those aged over 24.

2 We include data for 1993 even though the QLFS does not include Northern Ireland at this time. Hence there is an inconsistency in the data series, with 1993 figures corresponding to Great Britain while later figures relate to the United Kingdom.

3 The definition of unemployment is internationally agreed and recommended by the International Labour Organisation (ILO) – an agency of the United Nations. It covers people who are: out of work, want a job, have actively sought work in the previous four weeks and are available to start work within the next fortnight, or out of work and have accepted a job that they are waiting to start in the next fortnight.

4 Low pay is defined as earning less than two-thirds of median pay.

5 Data on these types of contract is only available for a limited period from the QLFS so cohort analysis is not possible.

6 This means we can only compare two cohorts of the same age.

7 There are some definitional issues to highlight here. First, the projections are based on jobs whereas the analysis to date has focused on people in employment. This presents a number of discrepancies between the two data sources. Second, the projections allow for the possibility that an individual may have more than one job, whereas our analysis of the LFS focuses only on an individual’s main job. Third, projections by industry rely on data from employers about jobs while the LFS covers workers reporting about their jobs. A key issue to note here is that the reporting of industry by the different respondents may be different. In the analysis of industry data such discrepancies are inevitable. Industry employment reported by employers is more accurate as the record of industry comes from the centrally held business register, unlike the LFS, which is reported by the respondent. However, to consider age-related employment, the primary focus of this report, requires the LFS.

8 Low-status occupations are defined using the Standard Occupational Classification (SOC) major groups and include Caring, leisure and other service occupations; Sales and customer service occupations; Process, plant and machine operatives; and Elementary occupations.

9 The six industry sectors used are based on 2007 Standard Industrial Classification Sections, where Primary sector and utilities comprise Sections A, B, D and E; Manufacturing comprises Section C; Construction comprises Section F; Trade, accommodation and transport comprise Sections G, H and I; Business and other services comprise Sections J, K, L, M, N, R and S; and Public administration, health and education comprise Sections O, P and Q.

10 Strictly, many will have already held part-time jobs while studying. However, most will expect to move to other jobs on leaving full-time education.

11 This includes: formal learning intended to lead to a nationally recognised qualification; non-formal learning from a course or taught class that does not lead to a nationally recognised qualification; informal learning through self-study not including taught classes or qualifications; and vocational and non-vocational learning.

12 The analysis has been restricted to men to minimise complications that would arise from women’s inactivity due to pregnancy and child rearing.

13 The Gini coefficient is a measure of inequality, ranging in value from 0 (complete equality) to 1. The larger the value, the greater the inequality.
In England, once individuals are over 24 they are not eligible for full government funding for any courses but may get a contribution for Level 2 courses. For Level 3 or 4 qualifications it is necessary to take out a loan. In Northern Ireland, once older than 19, exemptions for course fees only apply to those on vocational full-time courses up to Level 3. In Wales, individuals over 19 may be charged fees (16–18 years do not normally pay FE tuition fees). In Scotland, FE fee waivers are based on mode of study and residency rather than age.

If universities do not have an access agreement approved by OFFA, the maximum fee they can charge is at the basic level. For students who start courses in the academic year 2013–14, or who started in 2012–13, this means up to £6,000 for full-time courses, £4,500 for part-time courses and £3,000 for work placements or study years abroad.

UK-wide legislation.


UK-wide regulations.

Tax credits are payments made by the state to support those with children aged under 16 (or under 20 if in approved education or training), and to those who earn below a certain income level.

UK-wide regulations.

The transfer is only allowed if the mother returns to work. Each parent must take their leave in a single block. In April 2015 further changes will be implemented which allow for greater flexibility between parents (http://www.bbc.co.uk/news/uk-politics-20295439; https://www.gov.uk/paternity-pay-leave/overview). While the policy change sends a very important message about gender equality, the take-up of additional paternity leave has been low: a TUC survey in 2013 found only one father in 172 taking it (http://www.tuc.org.uk/workplace-issues/just-one-172-fathers-taking-additional-paternity-leave).

MA is paid at a flat rate, currently £138.18 per week, or 90 per cent of the mother’s average earnings, if lower. SMP is the same, except it pays 90 per cent of the mother’s average earnings for the first nine weeks. SMP has minimum earnings and length of service requirement.

Childcare costs to parents were estimated to be equal to 28 per cent of average household income.

In certain circumstances, only one parent need work at least 16 hours per week.

UK-wide regulations.

Note that some people (e.g. prison leavers) may enter the programme more quickly (https://www.gov.uk/government/publications/work-programme-dwp-provider-guidance).

UK-wide regulations.

In a 2013 poll of 960 adults aged 50+, 47 per cent of 50–64 year olds believed that the state pension will not be sufficient to live off.

The earnings threshold is reviewed annually.

Flexible drawdown is a way of taking income from a pension without buying an annuity.

For example, only a contribution by government to Level 2 courses and no funding for Levels 3 and 4 in England for those aged over 24.
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Table 3: The UK population by generation and highest qualification in 2013 (millions)

<table>
<thead>
<tr>
<th>Generation</th>
<th>No qualifications</th>
<th>Lower intermediate</th>
<th>Higher intermediate</th>
<th>Degree level and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Generation Y</td>
<td>0.7</td>
<td>2.5</td>
<td>3.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Old Generation Y</td>
<td>0.5</td>
<td>1.8</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Generation X</td>
<td>0.6</td>
<td>2.1</td>
<td>2.9</td>
<td>2.8</td>
</tr>
<tr>
<td>Young Baby Boomers</td>
<td>0.9</td>
<td>2.5</td>
<td>3.2</td>
<td>2.1</td>
</tr>
<tr>
<td>Old Baby Boomers</td>
<td>1.3</td>
<td>1.8</td>
<td>2.6</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

Figure 17: Economic activity rates by age group, and by gender and highest qualification

Figure continued overleaf
Figure 17 continued

Source: Quarterly Labour Force Survey (April–June quarters)

1993 data is for Great Britain, while data for other years is for the UK.

Figure 18: Unemployment rates by age group, and by gender, country and highest qualification
Figure 18 continued

Degree level and above

Higher intermediate

Lower intermediate

No qualifications

England

Wales

Scotland

Northern Ireland

1993 data is for Great Britain, while data for other years is for the UK.
### Table 4: Hourly earnings: mean, median and low pay, 1993–2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean</th>
<th>Median</th>
<th>Two-thirds median</th>
<th>Percentage of employees earning below two-thirds median</th>
<th>Number of employees earning below two-thirds median (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>6.78</td>
<td>5.56</td>
<td>3.71</td>
<td>22.5</td>
<td>4.7</td>
</tr>
<tr>
<td>1998</td>
<td>7.78</td>
<td>6.26</td>
<td>4.17</td>
<td>22.1</td>
<td>5.1</td>
</tr>
<tr>
<td>2003</td>
<td>9.79</td>
<td>7.84</td>
<td>5.23</td>
<td>20.9</td>
<td>5.1</td>
</tr>
<tr>
<td>2008</td>
<td>11.77</td>
<td>9.51</td>
<td>6.34</td>
<td>22.0</td>
<td>5.6</td>
</tr>
<tr>
<td>2013</td>
<td>13.24</td>
<td>10.60</td>
<td>7.07</td>
<td>22.4</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Source: Quarterly Labour Force Survey (April–June quarters)

1 1993 data is for Great Britain, while data for other years is for the UK

### Employment projections

The 2003–4 Working Futures report projected an employment increase of 1.3 million between 2002 and 2012 whereas employment grew by 1.7 million as the employment fall in the recent recession was nowhere near as great as in previous recessions. The projected industry employment changes were also substantially different as, for example, Manufacturing employment was projected to fall by around 600,000, but the fall was closer to 1 million. The idea of such projections is about identifying broad trends in the data, allowing a framework for policy analysis, and policy changes in response to projections can often mean that the projections will never be realised. Furthermore, new information becomes available and inevitably over a ten-year period many unexpected changes in relation to the economy, the population and the labour market will take place, rendering old projections irrelevant. This is why forecasters are regularly updating their projections in response to new information.

The employment projections presented by Working Futures are reasonably disaggregated, with a primary focus on occupation alongside sectoral and spatial presentations. There is clearly a trade–off between the desire to produce disaggregated projections alongside the need to use robust data in the forecasting model. The more disaggregated the projections, the greater is the variance of the data used to produce the projections and, in turn, the projections themselves. In addition, changes in classification systems for industry and occupation present additional obstacles, all of which is acknowledged in the Working Futures technical report. So although it would be nice for projections to cover aspects of employment covered in this report, e.g. low-pay, non-standard work contracts, etc., the available data needed to produce such projects is not likely to be robust enough to provide meaningful results.
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The responsibility for errors and omissions remains that of the authors.
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