

# **A North West evidence base of 50+ skills issues**

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# Executive Summary

## Introduction and context

The Northern Powerhouse (NPH) Independent Economic Review (IER) identified skills as a major challenge for the North of England. It also found that **skills will play a critical role in closing the North's productivity gap with the UK average**<sup>1</sup>. At a North West level, LEPs have identified a particular gap in the evidence base around 50+ skills issues. **Skills gaps, in particular, are a critical issue for the 50+ age group** and as the population ages this will increasingly be a challenge for North West LEPs.

The over 50s make a significant contribution to the UK economy: it is estimated that **nationally the number of people aged 50+ in employment is worth as much as £440 billion to the UK economy and £41 billion to the region**<sup>2</sup> and this could be boosted even further if older workers are able to stay in work for longer<sup>3</sup>. New Economy estimate that **an additional 47,000 people across the North West aged 50-64 would be in employment if the region met the UK average and this could be worth around £2 billion to the region's economy**.

The over 50s currently account for 36% of the UK's population and this is similar in the North West (37%). **Going forward, they will account for an even bigger share of the population but if the over 50s continue to leave the workforce in line with previous norms the UK would suffer serious labour and skills shortages**, which would not be able to be filled by immigration alone<sup>4</sup>. Leaving the EU could potentially result in even further shortages. Addressing the barriers to work that the over 50's face, including skills gaps, will be vital.

This report provides a detailed analysis of the skills issues affecting the 50+ cohort including the barriers affecting their ability to re-join the labour market, the need to re-skill to ensure they remain in work and skills gaps that are affecting their progression in employment. More specifically it:

- reviews the over 50s labour market and skills / qualifications at a national, regional and sub-regional level
- explores the barriers affecting the 50+ cohort's ability to remain within and or re-join the labour market, identifying key skills gaps that exist amongst this cohort
- examines future trends and forecast data to better understand the future demand for skills

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<sup>1</sup> The Northern Powerhouse Independent Economic Review identified the skills gap as the most important factor driving the overall productivity gap and acknowledged the role skills would play in closing the gap with the UK average

<sup>2</sup> Calculated by multiplying the number of over 50s in employment by GVA per head (9,398,500 x 46,700 for UK) based on current figures

<sup>3</sup> The Missing Million: Recommendations for action, 2014, Business in the Community

<sup>4</sup> A new vision for older workers: retain, retrain, recruit. A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers, 2015

- considers national and local approaches aimed at supporting older workers into or to remain in employment
- sets out how policy could facilitate the improvement of skills levels for the 50+ cohort to boost the participation of residents in employment

### 50+ labour market trends

**The number of over 50s in employment has grown by nearly 2 million (26%) in the last ten years to almost 9.4 million people in 2015.** In the NW, the number of over 50s in employment has grown by 22% over the same period to nearly 1 million people in 2015. The proportion of the 50+ population that are employed has also increased with 41% of people aged 50+ now in employment nationally and 30% in the North West. At a sub-regional level, Cumbria has seen the largest rise in employment over this period.

**Despite regional growth, there is a persistent gap in the employment rate for the over 50s between the North West and the UK – 2.4 percentage points on average between 2005 and 2015.** Liverpool City Region saw the largest gap in its employment rate compared to the UK at 5.4 percentage points.

**Unemployment rates in the North West are also higher than the national average for this cohort.** Greater Manchester and Liverpool City Region both have unemployment rates above the UK average of 3.5% (0.8% and 0.9% respectively). **The 50+ cohort are also more likely to be long term unemployed** than those aged 25 – 49. Lancashire and Liverpool City Region have the highest levels of economic inactivity in the region (62%).

**Large numbers of the over 50s are economically inactive and this is more of an issue in the NW than nationally.** Reasons for economic inactivity include care responsibilities and poor health, highlighting how these issues can act as a significant barrier to employment amongst the 50+ cohort.

In line with general employment trends, **levels of self-employment have increased rapidly over the last ten years in the over 50s.** Cheshire and Warrington, Cumbria and Lancashire have a higher proportion of over 50s that are self-employed than the UK and NW, with Cumbria the highest (50%). Self-employment is an attractive option for many older people, but it may not always be voluntary. **Post the economic crisis in particular, there has been a growth in ‘reluctant’ self-employment**, where residents start their own business due to a lack of alternative options<sup>5</sup>.

Analysis of prime and enabling capabilities<sup>6</sup> for the north identified in the NPH IER<sup>7</sup> confirms a number of expected sector/age trends and many of these are replicated at a national level. **A smaller proportion of workers aged 50-64 in the NW work in the Digital sector (1.6%) compared to the overall working age population (2.5%).**

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<sup>5</sup> The Post Crisis Growth in the Self-Employed: Volunteers or Reluctant Recruits?, 2015, IZA

<sup>6</sup> Prime sectors are: Advanced Manufacturing, Energy, Health Innovation and Digital and enabling sectors are Financial and Professional Services, Logistics and Education (especially HE).

<sup>7</sup> The Northern Powerhouse Independent Economic Review Final Report, 2016, SQW

Further, the proportion of older workers working in Digital in the NW is below the UK average (2.1%). This suggests that the over 50s are perhaps not taking advantage of opportunities in these growth sectors. Conversely, older workers are more likely to be employed in Advanced Manufacturing than the overall working age population, whilst this is positive from an employment perspective, employers have reported growing challenges in terms of resourcing as a result of an ageing workforce and the inability to attract sufficient numbers of young people to the sector. In Construction a larger proportion of over 50's are employed in the NW (7.7%) compared to the overall working age population (6.7%) and a higher proportion of over 50's are employed in the sector in the NW than nationally (7.3%). In line with manufacturing, the number of over 50s working in the sector could mean it is likely to face challenges with recruitment in the future as the current workforce retires.

There is a gender employment gap at both a UK and NW level, with women less likely to be in work than men. In the NW, 43% of males aged 50+ are employed compared to 33% of females. The over 50s are on average paid less than those aged 30-49 with a particularly notable fall in earnings after the age of 60. Women are also paid less than men.

#### **50+ barriers to employment**

Older people face a number of barriers to employment, with skills issues chief amongst these. In particular a lack of job search skills and limited IT proficiency are significant issues, along with limited qualifications and outdated skills and certification. Skills gaps exist both in terms of qualification attainment but also in relation to other essential skills (such as soft skills and digital or technical skills).

Data show that whilst older people have become more qualified over the last decade, skills gaps remain and the NW underperforms in terms of the qualification levels of its 50-64 population in comparison to the UK average:

- **Over 50's in the NW are more likely to hold lower level qualifications than the UK average and this is contributing to the productivity gap:** All sub regions, except Cumbria, have a higher proportion of residents qualified up to level 2 than the UK average. Lancashire and Liverpool City Region have the highest proportion of residents qualified to level 2.
- **There is also a higher level skills gap in the older population:** fewer workers aged 50-64 in the NW hold a level 4 qualification compared to the UK average, with the exception of Cheshire & Warrington. Cumbria has a rate 0.7 percentage points lower than the UK average and all other areas have lower proportions of this cohort qualified to level 4. **Based on analysis by New Economy, the cost of closing this existing gap could be in excess of £335 million and would require an additional 65,500 people aged 50-64 to be upskilled, demonstrating the scale of the challenge.**

- In addition to skills issues, there are a number of **other significant barriers to employment for the over 50s including poor health**, which is a major issue for some parts of the NW such as Liverpool City Region. **Caring responsibilities** are also a significant barrier, with around half of all carers aged 50+. Other barriers include **age discrimination, a lack of financial incentives, employment support and limited flexible working opportunities. Mainstream employment support for the over 50s is also largely generic and not tailored to the needs of this cohort.**

## Future trends

Growth will predominantly come from the service sector. There will be a marked shift away from employment in public sector activities, which will have a significant impact on older workers. There will be a continued trend in favour of more highly skilled, white collar occupations, but with some growth in employment for a number of less skilled occupations too. Advances in technology will also lead to increased automation and it will be important to embrace such change.

In the North West, GVA is projected to grow by 24.3% from 2014 to 2024 to around £181.6 million. Employment is forecast to grow by 5% (176,000 jobs) over the same period. The region is also forecast to see a 3.4% rise in its population by 2024 based on 2014 levels<sup>8</sup> (to 241,000 people). **ONS regional analysis shows that the NW has the second lowest projected GVA growth**, in terms of percentage points, with England seen to have growth of 7.5% in the same period. However, as **the Northern Powerhouse Independent Economic Review outlined, the North has significant collective capabilities and if the necessary infrastructure (including digital and transport) can be unlocked, the north has a strong opportunity to boost growth above historic levels.** Better utilisation of older workers will also ensure that the NW plays an important part in this growth opportunity which could see 850,000 new jobs and GVA increase by £97bn by 2050 (based on 2015 levels)<sup>9</sup>.

**Skills forecasts suggest the demand for NVQ level 4 qualifications in the NW will increase** by 6.5% between 2014 and 2024, equivalent to an additional 7,600 jobs at NVQ level 4. **This could have significant implications for the NW**, particularly for areas such as Greater Manchester which already lag behind the national average for level 4 skills, **creating an even greater challenge to not only close the existing gap at level 4 with the national average but also to keep pace with the growing demand for level 4 over the short and medium term.**

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<sup>8</sup> Forecasting data for the North West and sub regions is from Oxford Economics. Data was produced prior to the EU referendum.

<sup>9</sup> The Northern Powerhouse Independent Economic Review Final Report, 2016, SQW

## Strategic Approach and local initiatives

**At a national level, the Government is seeking to address the challenges that older workers face in accessing employment, including through tailored support and training to develop or improve skills.** Government has issued guidance to support older workers<sup>10</sup> and its recent publication 'Fuller Working Lives: A Partnership Approach'<sup>11</sup> builds on this, providing a framework to support people to stay in work longer. However, effectively implementing this will be key as the evidence presented throughout the report suggests that more focused and sustained action is required.

**North West LEPs Strategic Economic Plans (SEP) and Skills Strategies identify common skills and employment challenges across the region** including the need to increase educational attainment at levels 2, 3 and 4, the need for greater engagement with employers and university providers to ensure demand is matched to skills needs and tailored employment support for the over 50s. However, **none of the NW LEP plans set out a strategic approach to addressing the challenges and opportunities presented by an ageing population**

**There are however examples of localised initiatives across aimed at improving the skills of the region's 50+ cohort and supporting them into employment.** These include a Retraining and Reskilling ESF funded project in Cheshire and Warrington, a £2m Digital Inclusion project in Liverpool City Region and the Ageing Better initiative in Greater Manchester, which will develop and test a new approach to support people aged 50+ re-enter the labour market.

## Policy recommendations

This research has found that **the most critical issue for all areas is in raising awareness of the agenda itself and the issues faced with respect to an ageing workforce.** The needs and opportunities that a growing older labour market can offer across each of the LEPs requires a whole system response from NW LEPs including hard wiring over 50's needs into skills and employment strategies across the region, and factoring the findings into health and social care reform and wider programmes for each LEP area. NW LEPs will need to consider how to take these issues forward and the appropriate level for action (local, LEP, regional or NPH).

Three headline priorities have been identified, which outline the main routes through which skills and employment issues of the over 50s in the NW may be addressed. These are underpinned by a set of more specific recommendations.

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<sup>10</sup> Department for Work and Pensions (2016) *Guidance: Help and Support for Older Workers* [online]. Available at: <https://www.gov.uk/government/publications/help-and-support-for-older-workers/help-and-support-for-older-workers> [accessed 20th September 2016]

<sup>11</sup> Department for Work and Pensions (2017) *Fuller Working Lives: A Partnership Approach* [online]. Available at: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/587654/fuller-working-lives-a-partnership-approach.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587654/fuller-working-lives-a-partnership-approach.pdf) [accessed 2nd March 2017]

1. *Develop a strategic place based response including via devolution, Strategic Economic Plans (SEPs), Skills and Employment strategies and the Area Based Review (ABR) process and embed practices in local authorities and their supply chains*

- **NW LEPs to ensure the needs and opportunities of older people are reflected in SEPs and through the ABR process in order to address skills gaps.** This could include piloting apprenticeships specifically aimed at the 50+ cohort and working with local providers / employers to develop training programmes (e.g. on digital skills) that better reflect local demand. LEPs should also use local powers over skills provision to address skills issues where possible.
- **NW LEPs should design and commission business support programmes which include a focus on older workers.** LEPs should also work closely with delivery partners (e.g. Manchester Growth Company in GM) to raise the importance of support for older workers. There is also an opportunity to use skilled older workers and early retirees as mentors as part of an enhanced business support offer.

2. *Increase awareness and policy and reform at a national level*

- **Lobby government to ensure that ageing is at the forefront of national strategies.** Engagement with relevant Government Ministers and the Business Champion for Older Workers to ensure the needs and opportunities of the over 50's in the NW are at the forefront of Government thinking on this agenda.
- **Ensure that the views of NW LEPs are considered in the new cross Government Carers Strategy so that carers are able to play as active a role as possible in the NW workforce.** At a local level, GM's devolution in health and social care is a good example of a local level response being tested.
- **Tailor employment support within the national system to better meet older people's needs.** The current system is fragmented and needs to be more integrated and personalised in order to tackle the range of issues older people can face when returning to work. Evidence from this report suggests that the Government should review the availability of alternatives to retirement benefits such as Employment Support Allowance and the structure of age-related national insurance contributions that could be strengthened or better aligned; introduce National Insurance tax breaks for firms hiring people aged 50+ who are long term unemployed; provide more training and advice on how to set up a business and start-up funding and also look at opportunities for creating more high quality part time work.

3. *Embed cultural change locally and local authorities should take a lead, promoting best practice, improving business support and encouraging businesses to adapt their working practices / build on existing activity to drive more rapid change*

- **LEPs in the NW should look to achieve age friendly city region status.** This means taking active steps to become more age friendly and facilitate the inclusion



of older people in the workforce for longer / reducing long term unemployment. GM is seeking to achieve this through its Ageing Hub.

- **NW LEPs should work with local authorities and businesses to review their Human Resources policies, ensuring that they are age friendly.** This should include policies such as phased retirement, family care leave and more flexible working policies
- **NW LEPs should work with local authorities to promote the benefits of Continuous Professional Development to their employees and undertake mid-career reviews.** Encouraging and supporting older people to continually update their skills and stay in work for longer will enable them to adapt and embrace change and be more financially secure in retirement. Mid-life career reviews should be embedded into local authority HR processes and these should promote the benefits of employing older workers and encourage employers to upskill / retrain older workers by adapting their training and development to suit an older workforce.

# 1 Introduction

- 1.1 The Northern Powerhouse (NPH) Independent Economic Review (IER) recognised that improving skills (alongside other key drivers of the North's economy such as innovation and transport) will play a central role in closing the North's productivity gap with the UK average.
- 1.2 At a regional level, there is a need to better understand key skills issues across the North West (NW) and how policy at a local, LEP, and Northern level could facilitate the improvement of skills levels to boost the participation of residents in employment and their productivity and pay when they are in work.
- 1.3 Consultation with NW LEPs and partners revealed that there was a critical gap in the evidence base around 50+ skills issues. In particular, there is a desire to explore the skills issues affecting the 50+ cohort in order to better understand the challenges faced by this group including the barriers affecting their ability to re-join the labour market, the need to re-skill to ensure they remain in work. Skills gaps, in particular, are a critical issue for the 50+ age group and as the population ages this will increasingly be a challenge for NW LEPs.
- 1.4 This research therefore presents a NW evidence-base of the skills issues facing those aged 50+. At a local level, a substantial amount of work already exists on skills issues affecting localities (e.g. Lancashire's detailed Sector Skills Plans, Greater Manchester's deep dives, and the work completed across the NW on high speed rail skills requirements). This research is not seeking to duplicate this work, but rather to build upon it.
- 1.5 The study:
  - Considers intelligence from across the NW to better understand the labour market for the 50+ cohort. It also examines trends across different sectors and in particular the identified prime and enabling sectors for the NPH.
  - Takes a critical look at the barriers to employment amongst this cohort, with a particular focus on skills but also wider issues such as poor health and age discrimination that are affecting the over 50s progression in employment.
  - Examines forecast data to provide an indication of likely future trends in the 50+ labour market and the impact this will have on skills requirements both nationally and at a more local level. As part of this, it considers the impact across key sectors, including the NPH prime and enabling sectors.
  - Sets out the national and local strategic policy context around supporting older workers who would like to get back into work or stay in work longer. It reviews Government policy in this area, setting out the key actions being undertaken

to support older workers into employment. At a NW level, it includes a more detailed review of the activity underway across the NW to support the over 50s into employment.

- Sets out a policy response to the issues identified in the report, including how policy at a local, LEP, and Northern level could facilitate the improvement of skills levels to boost the participation of residents in employment and their productivity and pay when they are in work.

## 2 Context

- 2.1 The world's population is ageing rapidly and this trend is likely to have a significant local impact on society and the economy. According to the United Nations and World Health Organisation (WHO) estimates, 11% of the world's population is over 60 and that figure is expected to double to 22% by 2050. In the UK, this trend is even more pronounced with estimates suggesting that by early 2030's half of the UK adult population will be over 50 and by 2037 the over 80's group will have risen to 6 million.
- 2.2 Currently in the UK, there are 23 million people aged 50+ comprising 36% of the total population, and this is similar to the NW where 37% of the population are aged 50+ (2.6 million people). With the number of people aged 50+ set to continue to rise, it is vital that the contribution of this group to the economy is maximised.
- 2.3 Forecasts show that by 2022, there will be 700,000 fewer people aged 16 to 49 in the UK but 3.7 million more people aged between 50 and State Pension age. If the over 50s continue to leave the workforce in line with previous norms the UK would suffer serious labour and skills shortages, which would not be able to be filled by immigration alone<sup>12</sup>. Additional evidence from current employer plans suggests that by 2020 the UK will need to fill 13.5 million vacancies but yet only 7.0 million young people will leave school / college<sup>13</sup>. The UK will therefore become more reliant on the adult workforce and the over 50s cohort will be a key part of that workforce and will help fill key skills gaps.
- 2.4 As life expectancy increases people will be required to work for longer and employers will be required to make working more attractive and feasible for older workers. The Government has taken a number of other steps to enable older workers to stay in work for longer, such as the abolishment of the default retirement age and extension of the right to flexible working. The ageing population will also put increasing pressure on state pension provision, which the UK Government is seeking to address through the raising of the state pension age<sup>14</sup>.
- 2.5 The over 50s cohort make a significant contribution to society and the UK economy and the knowledge and skills that they possess offer huge potential to the world of work. **It is estimated that nationally the number of people aged 50+ in employment is worth as much as £440 billion to the UK economy and £41**

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<sup>12</sup> A new vision for older workers: retain, retrain, recruit. A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers, 2015

<sup>13</sup> UKCES/GAD, 2010

<sup>14</sup> The current state pension age is 65 for men and 63 for women. From December 2018 the state pension age will start to increase for both men and women, to reach 66 by October 2020. Further increases will see the state pension age rise from 66 to 67 between 2026 and 2028, with more changes likely after the publication of the Government's state pension age review in 2017. It should be noted that the SPA is not a default retirement age and workers can stay in employment beyond this age.

**billion to the NW<sup>15</sup>**. A recent report by Business in the Community estimated that the UK economy could be boosted by a further £88 billion if a greater proportion of older workers were able to stay in work for longer<sup>16</sup>. Ensuring this cohort have the necessary skills will be vital if we are to achieve this.

- 2.6** Yet despite these opportunities, older workers face a number of challenges to staying in work which vary significantly across different sectors. Skills challenges are often chief amongst these (including the need to reskill in order to remain in the labour market or addressing skills gaps that are affecting progression). Data also show that qualification levels also reduce with age. Addressing these issues will help ensure that this cohort are equipped with the necessary skills and qualifications to make an even greater contribution to the UK economy going forward.

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<sup>15</sup> Calculated by multiplying the number of over 50s in employment by GVA per head (9,398,500 x 46,700 for UK) based on current figures

<sup>16</sup> The Missing Million: Recommendations for action, 2014, Business in the Community

## 3 50+ Labour market trends

**3.1** This chapter examines key data and intelligence to provide an overview of the labour market for people aged 50+. It enables us to understand labour market trends relating to employment, unemployment and inactivity. It also analyses employment trends across sectors and by age band. The analysis considers the 50+ cohort as a whole and also looks at trends within the 50-64 and 65+ cohorts separately. It reviews data at a national, regional and sub-regional level, and across NPH prime sectors and enabling sectors<sup>17</sup> as well as the construction sector, which has been widely identified as a sector that could face acute skill shortages in the future.

The headline findings from this section are:

- The number of over 50s in employment and their share as a proportion of the 50+ population has increased over the last decade at a national, regional and sub-regional level. Cumbria saw the largest rise in employment over this period of all sub regions.
- There is a persistent gap in the employment rate for the over 50s between the NW and the UK – 2.4 percentage points on average between 2005 and 2015. Liverpool City Region saw the largest gap in its employment rate compared to the UK at 5.4 percentage points.
- An additional 47,000 people across the NW aged 50-64 could potentially be in employment if the region met the UK average and this would be worth around £2 billion to the region's economy.
- Unemployment and economic inactivity rates in the NW are higher than the national average for this cohort. Greater Manchester and Liverpool City Region both have unemployment rates above the UK average of 3.5% (0.8% and 0.9% respectively) whilst Lancashire and Liverpool City Region have the highest levels of economic inactivity in the region (62%). The 50+ cohort are also more likely to be long term unemployed than those aged 25 - 49.
- Three sub regions have a higher proportion of over 50s that are self-employed than the UK and NW. Cumbria has the highest proportion of people aged 50+ who are self-employed (50%)
- The over 50s in the NW are under-represented in several NPH prime and enabling sectors, accounting for only 22% of total employment in Digital industries and 28% of employment in Business, Financial & Professional Services.
- There is a gender employment gap at both a UK and NW level, with women less likely to be in work than men. In the NW, 43% of males aged 50+ are employed compared to 33% of females. Further, the over 50s are on average paid less than those aged 30-49 & women are paid less than men.

<sup>17</sup> NPH prime sectors are Advanced Manufacturing, Energy, Health Innovation and Digital. Enabling sectors are Financial and Professional Services, Logistics and Education (especially HE).

## **Labour market for people aged 50+**

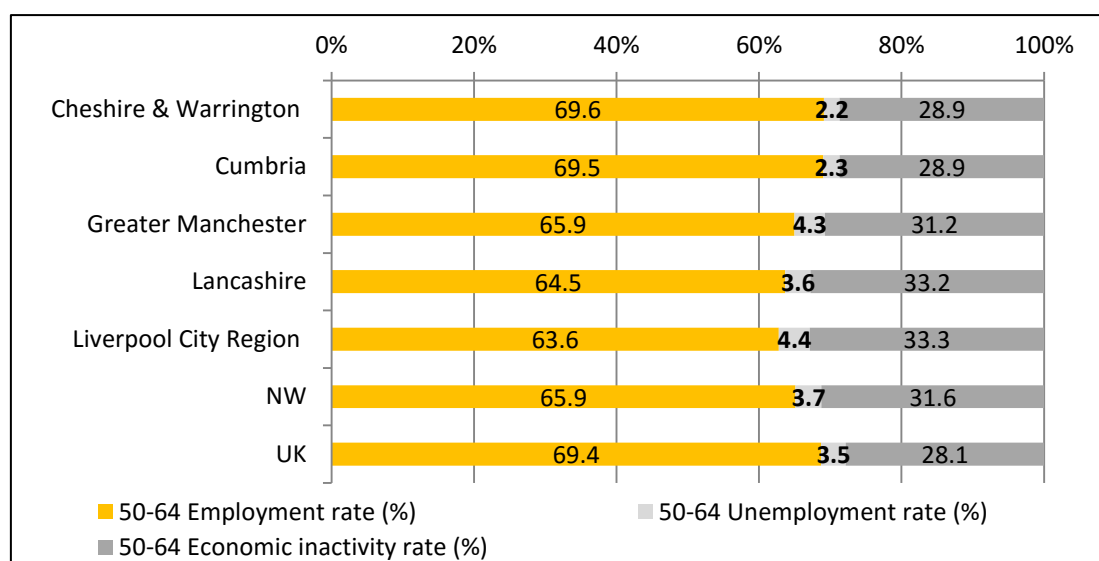
### **Summary of employment, unemployment and economic inactivity trends**

- 3.2** The number of over 50's in employment and their share as a proportion of the 50+ population has increased between 2005 and 2015 both nationally, regionally and sub-regionally. Over the same period, the number of over 50s who are economically inactive (that is, not employed and not actively looking for work) has slightly increased, although the proportion of economically inactive people in the 50+ population has dropped across all geographical areas. Meanwhile, the number and share of those aged 50+ who are unemployed and actively looking for work has slightly increased across all areas in this period, although unemployed people still account for a relatively low proportion of the 50+ cohort.
- 3.3** Annual Population Survey (APS) data for the year to December 2015 show that the majority of the 50+ population nationally (58.0%) are economically inactive. A significant proportion are in employment (40.7%), while only a small proportion are unemployed (3.3%). The economic activity composition of the 50+ population in the NW mirrors the national trend, however, there is a slightly larger proportion of the economically inactive (60.6%) and of the unemployed (3.5%) while the share of employment is lower (38.1%). There is a persistent gap in the employment rate for the over 50s between the NW and the UK – 2.4 percentage points on average between 2005 and 2015. The same gap can be seen in the economic inactivity rates of the over 50s in the NW and the UK (2.4%). The NW –UK gap in the unemployment rate for the over 50s is smaller – 0.2 percentage points on average.
- 3.4** The economic activity trends of the over 50s differ across the NW LEPs. Cheshire and Warrington and Cumbria are the closest to the national average in terms of the share of their 50+ population who are employed, unemployed or inactive. Greater Manchester, Lancashire and Liverpool City Region lag behind the UK employment rate for the over 50's, and have a higher than average share of unemployment and inactivity in this age group. These trends are also long-standing.
- 3.5** As people are less likely to be in work after they reach the state pension age, there are considerable differences in the economic activity between the 50-64 and 65+ age groups. Nearly 70% of the 50-64 age group nationally are in employment, while nearly 9 in 10 of the over 65s are economically inactive. Unemployment for both of these age groups is low, but it is slightly lower for the over 65s.
- 3.6** The differences in economic activity between the NW LEPs play out in the same way across both of the 50-64 and 65+ age groups. For those aged 50-64, Cheshire and Warrington and Cumbria are broadly in line with the national average for employment and inactivity, while they outperform the UK in terms of unemployment rates. In Lancashire, the unemployment rate for this age group is in line with the UK, however, the employment rate is lower and the economic inactivity higher.

Greater Manchester performs a little better than Lancashire in terms of employment and inactivity, but worse in terms of unemployment. The Liverpool City Region demonstrates the largest gaps compared to the national average for employment, unemployment and economic inactivity of the 50-64 population.

- 3.7** Figure 1 shows that in the North West, Cheshire and Warrington and Cumbria are in line with the UK average for employment, unemployment and inactivity rates of the over 50s, while Greater Manchester, Lancashire and Liverpool City Region lag behind in this respect.

**Figure 1: Employment, unemployment and economic activity rates of the 50-64 population**



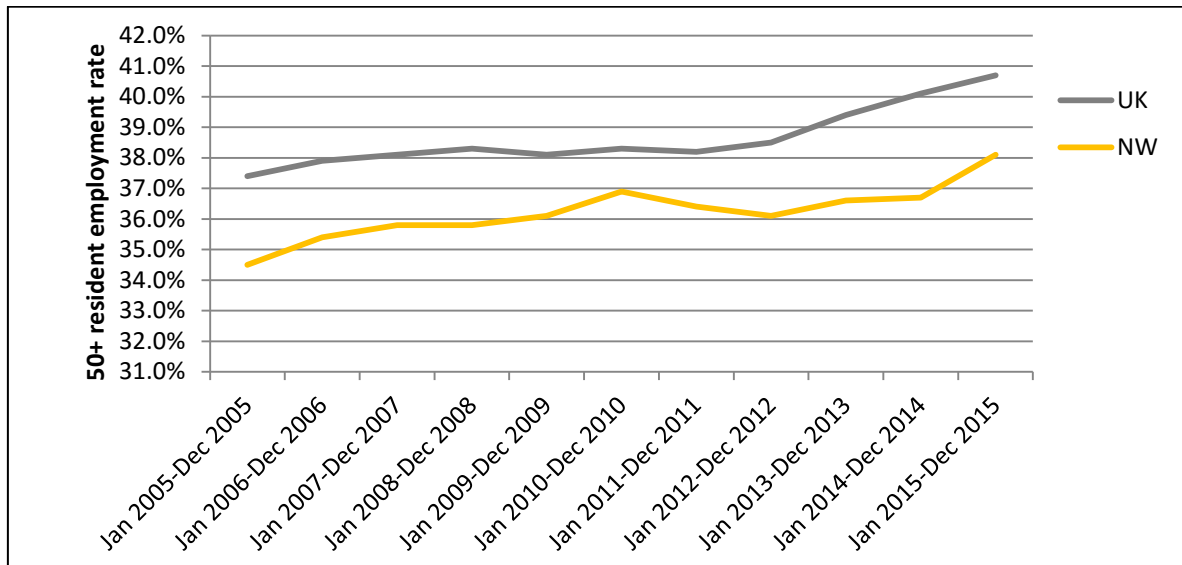
Source: Annual Population Survey, Nomis, September 2016

## Employment

- 3.8** The number of people aged 50+ in employment in the UK has grown by nearly 2 million (26%) in the last ten years to almost 9.4 million people in 2015. 41% of people aged 50+ are now in employment nationally. They account for 31% of all those in employment aged 16-64 and 30% of all those in employment (aged 16+), compared to 2005 when they accounted for 26% of all those in employment. The over 50s are therefore accounting for a growing share of employment.
- 3.9** At a NW level, the number of over 50's in employment has grown by 178,000 (22%) over the same period to nearly 1 million people in 2015. 38% of over 50's in the NW were in employment in 2015, compared to 35% in 2005. The share of over 50's among all those in employment has also grown from 26% in 2005 to 30% in 2015, mirroring the national trend.
- 3.10** However, the resident employment rate for over 50s in the NW has been lagging behind the UK resident employment rate by an average of 2.4 percentage points between 2005 and 2015, showing a persistent gap.



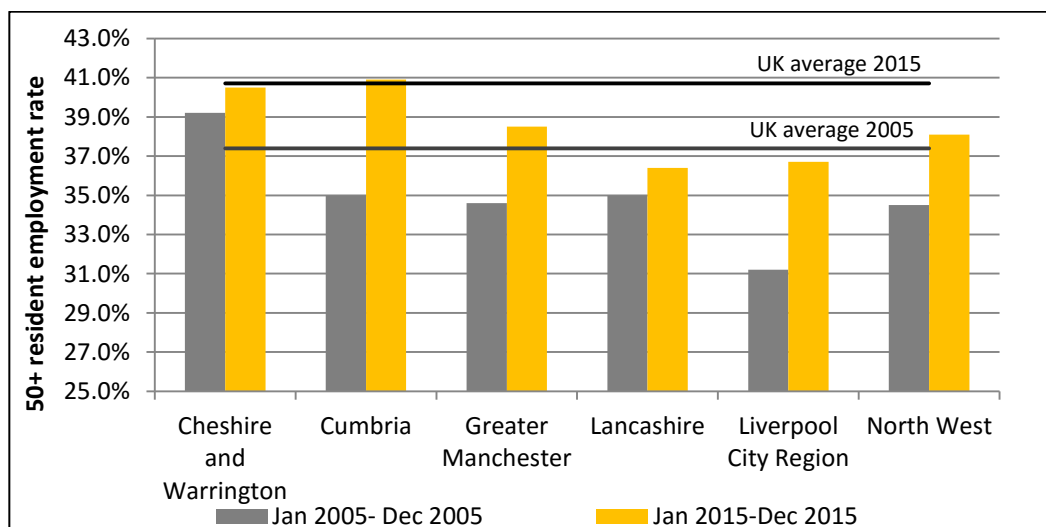
**Figure 2: 50+ employment rate gap between the NW and UK, 2005-2015**



Source: Annual Population Survey, NOMIS, December 2015

- 3.11** At a sub-regional level, there has also been a rise in the employment rate of the over 50s between 2005 and 2015. The highest increase was seen in Cumbria, where the employment rate of the over 50s grew by 5.9 percentage points, followed by the Liverpool City Region with a 5.5 percentage point increase.
- 3.12** In 2015 Cheshire and Warrington and Cumbria had the highest employment rates amongst the over 50s (41%) in the NW, followed by Greater Manchester (38%), while Liverpool City Region and Lancashire had the lowest employment rates (37% and 36% respectively).

**Figure 3: Employment rates aged 50+**



Source: Annual Population Survey, Nomis, December 2015

**Figure 4: 50+ employment rates by NW LEP and gap with UK, 2005-2015**

	50+ Employment rate (%)		Average gap with UK 2005-2015 (% points)
	2005	2015	
<b>Cheshire and Warrington</b>	39.2	40.5	0.9
<b>Cumbria</b>	35	40.9	-0.3
<b>Greater Manchester</b>	34.6	38.5	-2.4
<b>Lancashire</b>	34.5	36.1	-2.9
<b>Liverpool City Region</b>	31.2	36.7	-5.1
<b>NW</b>	34.5	38.1	-2.4
<b>UK</b>	37.4	40.7	-

Source: Annual Population Survey, Nomis, September 2016

- 3.13** Figures 3 and 4 show that some of the LEPs in the NW perform better against the UK average with regard to employment rates of the over 50s, while others lag consistently behind. 50+ employment rates in Cheshire and Warrington and in Cumbria have shown little variation from the UK average between 2005 and 2015, and are now at the same level or slightly above the UK average. In contrast, employment rates for the over 50s in Greater Manchester and in Lancashire have lagged behind the UK by an average of 2.4 and 2.9 percentage points respectively over the same period. In Liverpool City Region, the gap has been even more pronounced, with an average gap of 5.1 percentage points compared to the UK between 2005 and 2015.
- 3.14** People are less likely to be in work after they reach the state pension age. Therefore, the employment rates for people in the 50-64 age group and those who are aged 65+ are markedly different. Nationally, 69.4% of those aged 50-64, and 10.3% of those aged 65+ were in employment in the year to December 2015. Proportionally, the biggest growth in employment was seen in the 65+ age group – the number of people in that age group in employment nationally more than doubled between 2005 and 2015, with a 4.2 % point increase in the employment rate. The number of people aged 50-64 in employment grew by 20% and the employment rate grew by 5.0% points.
- 3.15** The employment rate in the NW was 65.9% for the 50-64 age group in December 2015, while for the 65+ age group it was 8.2%. There is a persistent lag between the NW and the UK in the employment rates of over 50s, but the gap is more pronounced for those who are younger than pension age. Figure 5 shows that the average gap in employment rates between the NW and the UK between 2005 and 2015 was larger for the 50-64 age group (3.6 percentage points) than for the 65+ age group (1.5 percentage points). The average gap for the 50-64 cohort was also larger than that for the working age population as a whole (16-64).

**Figure 5: Employment rate gap between the NW and UK by age band**

NW-UK gap	Average % point gap between 2005 and 2015
Employment rate - 16-64	-2.1
Employment rate - 16-19	-1.3
Employment rate - 20-24	-0.2
Employment rate - 25-34	-1.4
Employment rate - 35-49	-1.2
Employment rate - 50+	-2.4
Employment rate - 50-64	-3.6
Employment rate - 65+	-1.5
Average gap	-1.9

Source: Annual Population Survey, Nomis, September 2016

- 3.16** The differences found in the employment rates of the over 50s in each of the NW LEPs play out in a similar way when looking at the employment rates for those aged 50-64 and 65+. Cheshire and Warrington and Cumbria have the highest employment rates for the 50-64 age group in the NW, at 69.6% and 69.5% respectively, which is above the UK average. These LEPs also have the highest employment rates of the over 65s, particularly Cumbria. The employment rates for both of the 50-64 and 65+ age groups in Cheshire and Warrington and Cumbria have historically been in line with the UK average, or slightly above. In contrast, Greater Manchester, Lancashire and Liverpool City Region have lagged behind the national average in the employment rate for both age groups over the last 10 years. For these LEPs the average gap compared to the UK has been particularly evident in the 50-64 cohort, at 4.0% points, 3.9% points and 7.0% points respectively.

**Figure 6: Employment rates in NW LEPs by age band**

	Employment rate (%) 2015	Average gap with UK, 2005-2015	Employment rate (%) 2015	Average gap with UK, 2005-2015
	50-64		65+	
Cheshire and Warrington	69.6	1.4	9.7	0.0
Cumbria	69.5	0.1	13.2	1.0
Greater Manchester	65.9	-4.0	7.4	-2.1
Lancashire	64.5	-3.9	7.0	-1.2
Liverpool City Region	63.6	-7.0	7.8	-2.8
NW	65.9	-3.6	8.2	-1.5
UK	69.4		10.3	

Source: Annual Population Survey, Nomis, September 2016

- 3.17** The employment rate for over 50s is higher for men than for women. Nationally, 46% of men aged 50+ were in employment in the year to December 2015,

compared to 36% of women. In the NW, 43% of males aged 50+ are employed compared to 33% of females.

- 3.18** Looking at the 50-64 cohort only, nationally 75% of males and 64% of females in this age group are in employment. In the NW, 71% of males and 61% of females in this age group are in employment.
- 3.19** Meanwhile, for the 65+ age group, 13.7% of males are in employment nationally, compared to 7.4% of females. In the NW, 10.9% of males over the age of 65 are in employment compared to 6.0% of females.
- 3.20** These figures show that the gap in the employment rates between the NW and the UK is apparent for both males and females in both of the 50-64 and 65+ age groups, although the gap appears to be somewhat smaller for women than for men.
- 3.21** Figure 7 shows the number of people aged 50-64 that would be in employment if the NW met the UK average employment rate of 69.4%. In all, an additional 47,000 people across the NW aged 50-64 would be in employment if the region met the UK average<sup>18</sup>. It is estimated that this would be worth around £2 billion in GVA to the region's economy<sup>19</sup>.

**Figure 7: Employment of 50-64 cohort if the NW met the UK average rate for employment**

	numerator	percent	Number of people that would be in employment if same as UK average rate	Number of additional people that would be in employment
Cheshire and Warrington	130,600	69.6		
Cumbria	74,200	69.5		
Greater Manchester	312,400	65.9	329,234	16,834
Lancashire	181,200	64.5	195,083	13,883
Liverpool City Region	186,000	63.6	202,995	16,995
North West	884,400	65.9	931,556	47,156
United Kingdom	8,271,600	69.4		

Source: Annual Population Survey, ONS, 2015

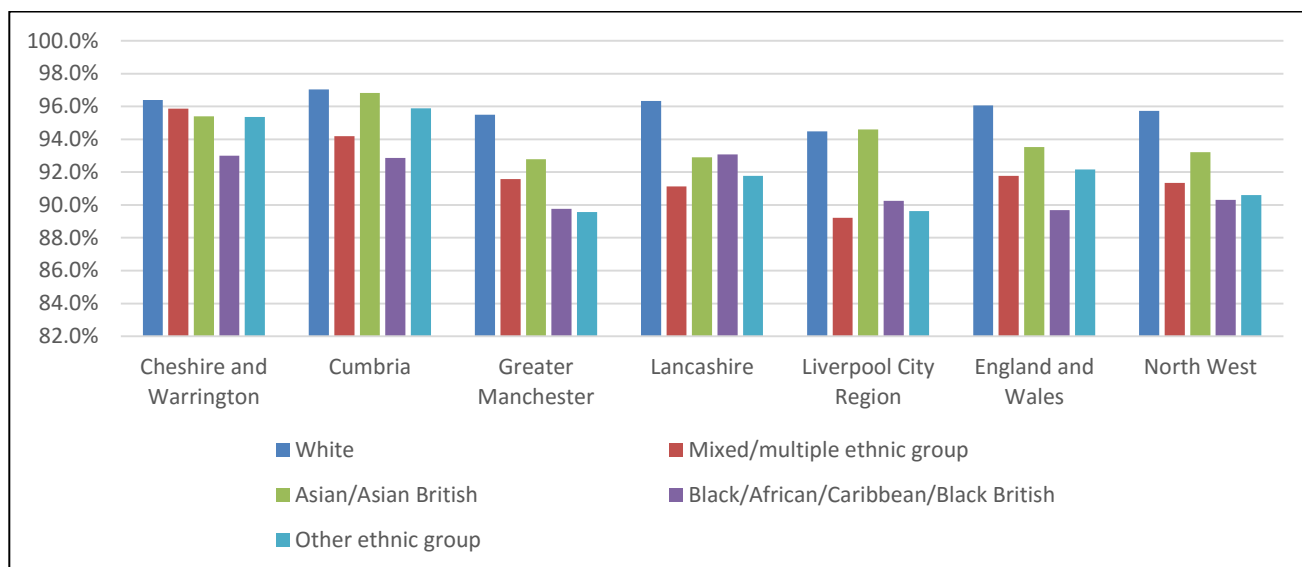
## Employment by ethnic group

- 3.22** Data from the 2011 Census shows that the employment rate is lower amongst the 50+ cohort in certain ethnic groups (figure 8). Further analysis shows that this is more of an issue amongst the 50+ cohort compared to those aged 16-49.

<sup>18</sup> As the employment rate of 50-64 year olds in Cheshire and Warrington and Cumbria is already above the UK average these areas would not need to add any additional workers

<sup>19</sup> Based on GVA per job figures for 2015 using GMFM data

**Figure 8: Employment rate for over 50's by Ethnic Group**



Source: Census, 2011

## Self-employment

- 3.23** In line with general employment trends, levels of self-employment have increased rapidly over the last ten years. In the UK, the number of self-employed people aged 16-64 rose by over a million over the same period to around 4.7 million, whilst in the NW this figure rose by 100,000 to 448,000<sup>20</sup>.
- 3.24** Census data provide further detail on self-employment by age and show that nationally 40.6% of people who are self-employed are aged 50+, with the NW rate slightly above this at 40.9%. This represents 8.5% of the over 50s population nationally and 7.1% of the over 50s population in the NW.
- 3.25** At a sub-regional level, three sub regions have a higher proportion of over 50s that are self-employed than the UK and NW. Cumbria has the highest proportion of people aged 50+ who are self-employed, with over 50% of people working for themselves. Local intelligence suggests that this is due to highly skilled older workers taking early retirement and moving to Cumbria to enjoy the quality of life offer and then working for themselves. Cheshire and Warrington also has a high proportion of over 50s that are self-employed (45.1%) and again stakeholder feedback suggests that this is due to the areas highly skilled over 50s population taking early retirement and then working on a consultancy basis. Lancashire also has a higher proportion of over 50s in self-employment than the national and regional average at 42.6%. Liverpool City Region and Greater Manchester both have a lower proportion of their over 50s population self-employed (40.1% and 36% respectively), with the Greater Manchester figure particularly low. In these areas,

<sup>20</sup> Annual Population Survey, ONS, 2016. Data relating specifically to the over 50s is not available from APS and so Census data has been used instead.

lower levels of self-employment reflect general employment trends and are a result of the lower skills / qualification profile and also issues of ill health that are more prevalent here.

- 3.26** However, whilst self-employment is an attractive option for many older people, it may not always be a desirable option. A recent report notes a rise in ‘reluctant self-employment’ where residents only choice for work is to start their own local business as the alternatives are not very attractive<sup>21</sup>.

**Figure 9: Self-employment rates of the over 50s**

Area	Proportion of 50+ population who are self-employed	Proportion of all those self-employed who are aged 50+
lep:Cheshire and Warrington	8.3%	45.1%
lep:Cumbria	9.6%	50.1%
lep:Greater Manchester	6.5%	36%
lep:Lancashire	7.7%	42.6%
lep:Liverpool City Region	5.5%	40.1%
gor:North West	7.1%	40.9%
country:England and Wales	8.5%	40.6%

Source: Census, 2011

- 3.27** Research undertaken by the Centre for Economic and Business Research for Saga<sup>22</sup> suggests that one of the main reasons for the over 50s becoming self-employed is the sense of independence that it offers and also the greater flexibility that it provides. However, it also found that whilst 7% of working respondents were actively considering becoming self-employed, 16% of the same population said they would like to be self-employed. This suggests the existence of barriers to self-employment amongst the over 50s that prevent those who would like to be self-employed from actually becoming so. Whilst self-employment will not be an appropriate option for some older workers (it is more likely to suit those with a financial safety net to fall back on), the benefits of self-employment must be clearly promoted to older people and more tailored support is required to encourage more older people to become ‘olderpreneurs’, allowing them to put the skills they’ve gained through years of work to use rather than bow out of employment through early retirement.

### **Employment sectors of the over 50s**

- 3.28** The NPH Independent Economic Review<sup>23</sup> identified four prime capabilities that were differentiated and distinctive at a pan-Northern level, and were also highly productive sectors that offered the potential to help close the North’s productivity gap with the wider economy. These were supported by three enabling capabilities,

<sup>21</sup> The Post Crisis Growth in the Self-Employed: Volunteers or Reluctant Recruits?, 2015, IZA

<sup>22</sup> Generation W – Work: Employment and Britain’s over 50s, 2015, produced by Cebr for Saga

<sup>23</sup> The Northern Powerhouse Independent Economic Review Final Report, 2016, SQW

which will play a critical role in supporting the growth and development of the prime capabilities.

**Figure 10: Number of 25-64 and 50-64 workers employed in Prime and Enabling Sectors in the NW**

NW	25-64		50-64	
	Number	%	Number	%
<b>Prime sectors</b>				
Energy and Water	24,000	0.9%	11,000	1.3%
Advanced Manufacturing	141,000	5.4%	53,000	6.2%
Health Innovation	19,000	0.7%	4,000	0.5%
Digital	65,000	2.5%	14,000	1.6%
<b>Enabling sectors</b>				
BFPS	357,000	13.6%	92,000	10.9%
Logistics	157,000	6.0%	57,000	6.7%
Education	316,000	12.0%	110,000	13.0%
<b>Construction</b>	175,000	6.7%	65,000	7.7%
Total employment	2,627,000		846,000	

Source: Quarterly Labour Force Survey, 2016

**Figure 11: Number of 25-64 and 50-64 workers employed in Prime and Enabling Sectors in the UK**

UK	25-64		50-64	
	Number	%	Number	%
<b>Prime sectors</b>				
Energy and Water	360,000	1.2%	114,000	1.4%
Advanced Manufacturing	1,605,000	5.3%	570,000	6.8%
Health Innovation	253,000	0.8%	77,000	0.9%
Digital	795,000	2.6%	177,000	2.1%
<b>Enabling sectors</b>				
BFPS	3,640,000	12.1%	1,068,000	12.8%
Logistics	1,410,000	4.7%	530,000	6.3%
Education	2,960,000	9.8%	997,000	11.9%
<b>Construction</b>	2,171,000	7.2%	608,000	7.3%
Total employment	30,120,000		8,376,000	

Source: Quarterly Labour Force Survey, 2016

**3.29** Labour Force Survey (LFS) data allows us to compare the proportion of the working age population and of the 50-64 population working in the NPH prime and enabling

sectors in the NW and UK and also the construction sector<sup>24</sup> (figure 9). Whilst the North West data should be treated with some caution given the smaller sample sizes, the data confirms many of the sector/age trends that would be expected. For example:

- A smaller proportion of workers aged 50-64 in the NW work in the Digital sector (1.6%) compared to the overall working age population (2.5%). Further, the proportion of older workers working in Digital in the NW is below the UK average (2.1%). This suggests that the over 50s are perhaps not taking advantage of opportunities in these growth sectors.
- Conversely, older workers in the NW are more likely to be employed in Advanced Manufacturing than the overall working age population (6.2% compared to 5.4%). This trend is also apparent at a national level with 6.8% of workers aged 50-64 employed in manufacturing compared to 5.3% of the overall working age population. Whilst this is positive from an employment perspective, employers have reported growing challenges in terms of resourcing as a result of an ageing workforce and the inability to attract sufficient numbers of young people to the sector.
- There is a similar trend in the logistics sector where 6.7% of 50-64 year olds in the NW work in the sector compared to 6% of the overall working age population whilst at a national level 6.3% of 50-64 year olds work in the sector compared to only 4.7 % of the overall working age population
- A smaller proportion of older workers (50-64) in the NW work in the BFPS sector (10.9%) compared to the overall working age population (13.6%). The proportion of older workers employed in BFPS in the NW is also below the UK average (12.8%)
- A larger proportion of older workers are employed in education in the NW (13%) compared to the overall working age population (12%) and the proportion of older workers employed in the sector in the NW (13%) is higher than the UK average (11.9%)
- A larger proportion of older workers are employed in construction in the NW (7.7%) compared to the overall working age population (6.7%) and a higher proportion of over 50s in the NW are employed in the sector than nationally (7.3%). Output in construction is forecast to rise, however with the current supply and an ageing workforce there may be a significant shortfall of workers for the sector. Industry bodies including CITB have voiced concerns that the sector is likely to face challenges with recruitment<sup>25</sup> and recent reports add further to weight to this, highlighting an acute shortage of skilled workers<sup>26</sup>. Additional research for the NW LEPs on the opportunities presented by High Speed Rail <sup>27</sup> – which will contribute significantly to the forecast output in the

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<sup>24</sup> Construction data was analysed in addition to the prime and enabling sectors as concerns have been raised nationally about the large numbers of over 50s working in the sector and the recruitment challenges that the sector is likely to face in the future

<sup>25</sup> Construction Industry Training Board (2015) *Skill gaps threaten 27,000 building projects* [online]. Available at: <http://www.citb.co.uk/news-events/uk/skills-gaps-threaten-27000-building-projects/> [Accessed 2nd August 2016]

<sup>26</sup> Skills for Build, 2014, KPMG

<sup>27</sup> North West High Speed Rail Skills Strategy & Implementation Plan, 2016, Atkins

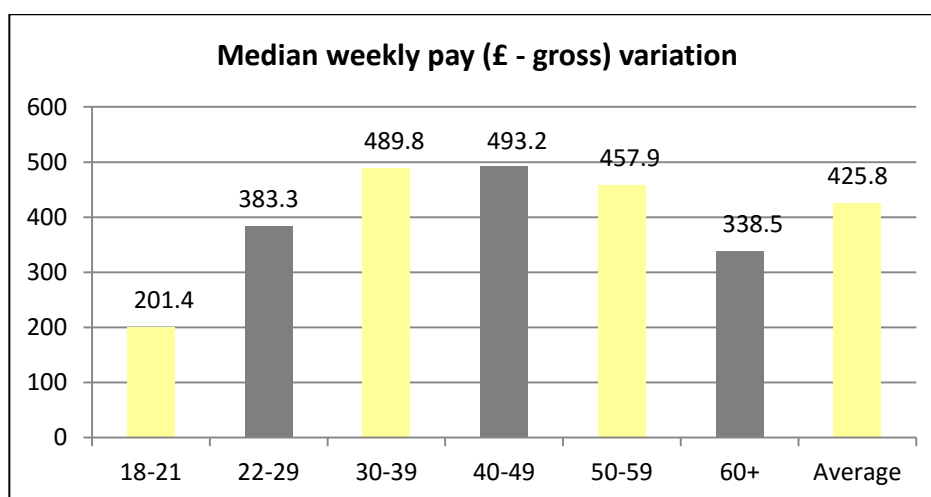


sector - found that the NW has the potential to become the UK's premier resource for engineering, rail and construction skills but for this to happen there is a need to upskill the existing workforce and encourage take up of apprenticeships and the study of STEM subjects. It noted that in particular there will be significant demand for skills at levels 3, 4 and 5. To ensure it is able to meet demand it will be crucial that more people of all ages are encouraged to join the construction industry and to develop higher level skills.

## Earnings

- 3.30** National data on earnings show that the over 50s are on average paid less than those aged 30-49<sup>28</sup>, with a notable fall in earnings after the age of 60 (figure 10). Median weekly earnings for full time employees were £569 for those aged 30-39 and £600 for those aged 40-49 compared to just £498 for those aged 60+.

**Figure 12: Median weekly pay (£ - gross) variation – All jobs**



Source: Annual Survey of Hours and Earnings, ONS, 2016

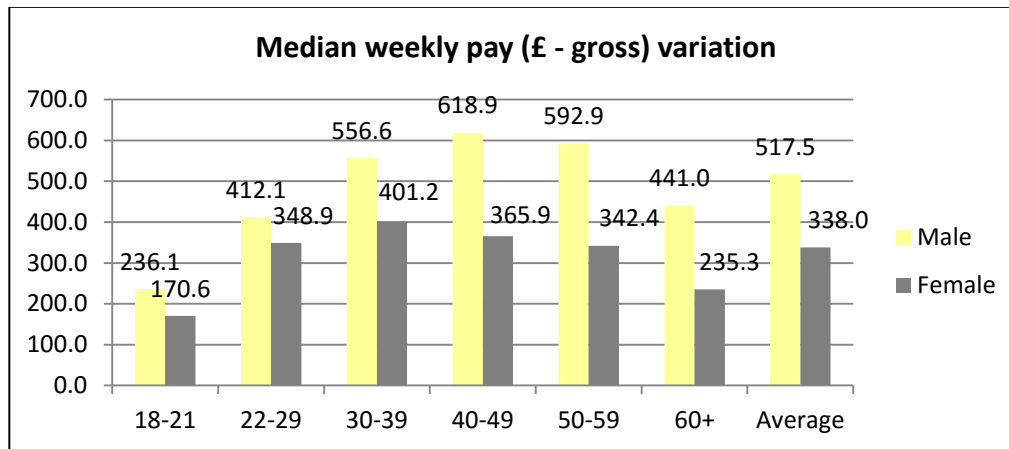
- 3.31** There is also a notable gender pay gap with men earning more than women. The median weekly earnings for full time employees reach a maximum in the 40-49 age group for men (£653), declining slightly in the 50-59 age group and then dropping by over £100 per week for those aged 60+ to £541. For women, median weekly earnings for full time employees reach a peak in the 30-39 age group (£538) and then slightly decline between the ages of 40-49 before falling more drastically between the ages of 50-59. After the age of 60 earnings for women are on average £422 per week. Recent analysis by the TUC<sup>29</sup> reaffirms these findings, noting that a gender pay gap begins early in a woman's career but is most pronounced after the age of 50, with women earning £8,500 less per year than men by the time they

<sup>28</sup> Annual Survey of Hours and Earnings, 2015, ONS

<sup>29</sup> Trade Unions Congress (2016) *Women earn £8,500 a year less than men by the time they reach their 50s, new TUC analysis reveals* [online]. Available at: <https://www.tuc.org.uk/equality-issues/gender-equality/equal-pay/women-earn-%C2%A38500-year-less-men-time-they-reach-their-50s> [Accessed 17<sup>th</sup> October 2016]

reach their fifties. It cites caring responsibilities as a key reason for the pay gap (children and elderly relatives).

**Figure 13: Gender comparison of median weekly pay (£ - gross) – All jobs**

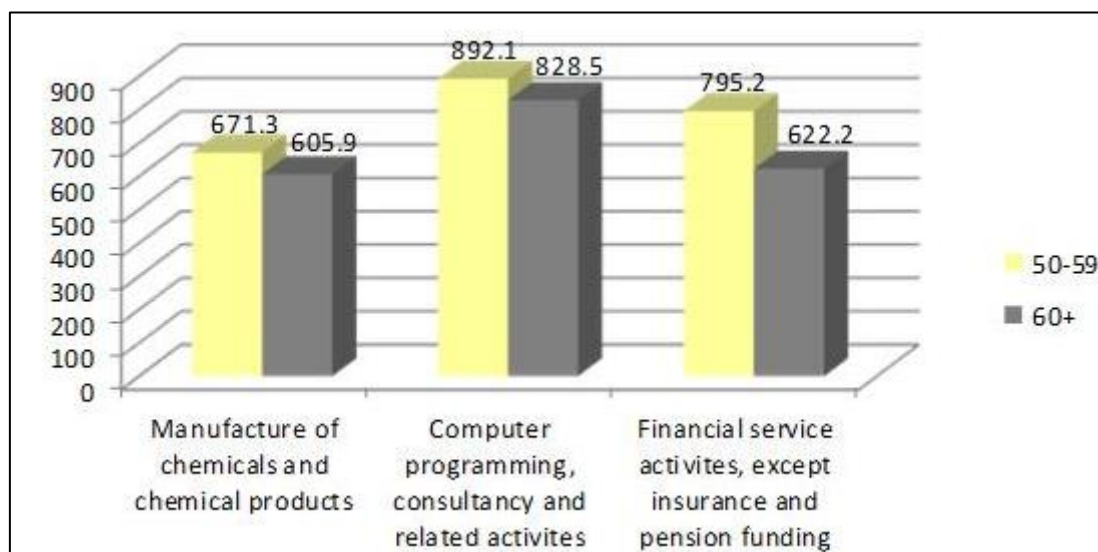


Source: Annual Survey of Hours and Earnings, ONS, 2016

- 3.32** Looking at weekly earnings of full time employees by industry and age, the highest paid industry for those aged 50-59 is information and communications (£828), whilst for those aged 60+ the highest paid industry is electricity, gas, steam and air conditioning supply<sup>30</sup> (£757), followed by information and communication (£712). The lowest paid industry for those aged 50-59 is accommodation and food service activities, which reflects the low paid and low skilled nature of work in the hospitality industry. For those aged 60+ the lowest paid sector is arts, entertainment and recreation (£408).
- 3.33** Additional data show that across NPH key sectors, older workers also experience less median weekly pay than workers in younger age bands. For example, in the manufacture of chemicals and chemical products workers over the age of 60 in 2015 earned 9.7% less than 50-59 year olds in the same sector. Similarly, in Computer Programming, consultancy and related activities those aged 60+ earned 7.1% less than those aged 50-59. In Financial service activities, except insurance and pension funding, the median pay for over 60's 21.8% lower than that for 50-59 year olds.

<sup>30</sup> The quality of this estimate is CV > 10% and <= 20% but this falls within ONS acceptable limits

**Figure 14: Median gross weekly pay of workers by age and sector, 2015**



Source: Annual Survey of Hours and Earnings, ONS, 2015

- 3.34** In terms of earnings by occupation and age, managers, directors and senior officials aged 50-59 and working full time were the highest paid, earning on average £859 per week, followed by professional occupations who earned £782 per week on average. The lowest paid occupation for this age cohort was sales and customer service occupations (£348), followed by elementary occupations and caring, leisure and other occupations. There was a similar trend for those aged 60+, with the highest weekly earnings seen amongst professional occupations (£766) and managers, directors and senior officials (£734) and the lowest paid occupations comprising sales and customer service occupations (£334), caring, leisure and other occupations (£359) and elementary occupations (£363). This clearly shows a pay divide between those in more senior positions and those in more elementary roles and supports other evidence that links qualifications to higher earnings.
- 3.35** LFS data provides further insight into the link between qualifications and earnings. It also shows that across different sectors the relationship between pay and qualification level varies. For example, 49% of workers in the Distribution, hotels and restaurants industry have an NVQ 1 or 2 only, reflected in only 3% of the sector's workers earning in excess of £20 an hour, with most working on relatively low pay. This supports research<sup>31</sup> that suggests that those only qualified to level 2 are at risk of becoming trapped in low paid and insecure employment, reinforcing the need to encourage people to up-skill. By comparison, the Banking and Finance sector had 10 percentage points less of its workers having only an NVQ1 or 2 (at 39%), reflected in a 16 percentage point rise in its workers who earn over £20 an hour compared to those in the Distribution, hotels and restaurants industry. This implies that workers who earn more are likely to be in more senior positions,

<sup>31</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

reflecting in part higher qualifications. From this we can infer that those in less well paid positions would also be in less senior, less qualified roles.

- 3.36** Research<sup>32</sup> by Brookings suggests that people with limited education have low employment rates in old age, whilst people with college and advanced degrees tend to remain in the workforce longer. It also found that if less productive workers selectively exit the workforce at a younger age, the average productivity of the older workers who remain may compare favourably to the average productivity of the young. If this were also true in the UK/NW, then a boost in employment of older workers who are well qualified could further boost productivity levels within various industries. This reinforces the need to continue the upskilling of older workers within the region.

### **Unemployment**

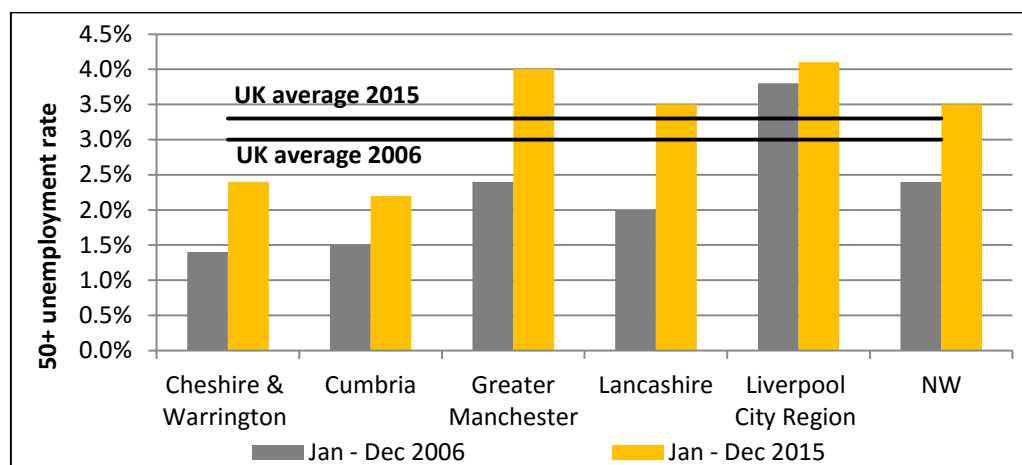
- 3.37** Unemployment amongst the over 50s is relatively low however there has been an increase in the number and share of the unemployed among the 50+ cohort. The number of people aged 50+ who are unemployed in the UK has increased by 35% over the last ten years, and those who are unemployed now account for 3.3% of the 50+ age group. In comparison, the NW has seen an 86% increase in the number of unemployed people aged 50+ over the same period and now has an unemployment rate of 3.5% for this cohort, slightly higher than the UK average.
- 3.38** Both the UK and the NW saw a spike in unemployment amongst the 50+ cohort following the 2007-2009 recession but levels of unemployment have begun to fall again in the last two years. The unemployment rate for the over 50s in the NW has remained mostly in line with the national average between 2006 and 2015 with an average gap of 0.2 percentage points over this period. Considering the 2.4 percentage point gap in terms of 50+ employment rate between NW and the UK, it could be suggested that the comparatively low gap in terms of unemployment is caused by a higher than national average tendency to retire when approaching the retirement age. At a sub-regional level, unemployment amongst the over 50s cohort has also risen overall in the last ten years. Levels of unemployment rose following the recession across all NW LEAs, and have begun to fall again in the last few years, following the national trend, although they are still well above the pre-recession levels.
- 3.39** Liverpool City Region had the highest unemployment rate amongst the over 50s (4.1%) in the year to December 2015, followed by Greater Manchester (4.0%), Lancashire (3.5%) and Cheshire and Warrington (2.4%), whilst Cumbria had the lowest unemployment rate for this age group (2.2%).
- 3.40** While the unemployment rate for the over 50s in the NW as a whole did not differ much from the national average between 2006 and 2015, there are

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<sup>32</sup> Burtless, G (2013) *Is an ageing workforce less productive?* [online]. Available at: <http://www.brookings.edu/blogs/up-front/posts/2013/06/10-aging-workforce-less-productive-burtless> [Accessed 5<sup>th</sup> August 2016]

differences in how the different LEPs in the region have performed. Over this period, unemployment rates for the over 50s have tended to be below the national average in Cumbria, Lancashire and Cheshire and Warrington, while in Liverpool City Region and in Greater Manchester they have tended to be slightly higher.

**Figure 15: Unemployment rates age 50+**



Source: Annual Population Survey, Nomis, December 2015

**3.41** Those aged 50-64 account for the majority of those in the 50+ age group who are unemployed. Nationally, 3.5% of 50-64 year olds were unemployed in 2015, compared to 3.7% in the North West. Unemployment amongst the over 65's is very low, reflecting retirement trends. At a national level, 1.6% of people aged 65+ were unemployed in the year to December 2015 compared to 2.1% in the North West.

**3.42** Sub-regional analysis of the unemployment rate for those aged 50-64 reveals that Cheshire and Warrington, Cumbria and Lancashire all have unemployment rates lower than the national average. In contrast, Greater Manchester and the Liverpool City Region have slightly higher unemployment rates than the UK for this age group, driving the NW average slightly above that of the UK.

**Figure 16: Unemployment rates for 50-64 population**

	Unemployment rate - aged 50-64	Percentage point gap
UK	3.5%	
North West	3.7%	0.2%
Cheshire and Warrington	2.2%	-1.3%
Cumbria	2.3%	-1.2%
Greater Manchester	4.3%	0.8%
Lancashire	3.0%	-0.5%
Liverpool City Region	4.4%	0.9%

Source: Annual Population Survey, NOMIS, December 2015

- 3.43** Data show that men are more likely to be unemployed than women in the 50+ age group. Nationally, 189,000 men aged 50+ (3.6% of economically active population) were unemployed in December 2015 compared to 128,000 women (2.9% of economically active population). Looking at the 50-64 cohort only, this falls to around 177,000 males (3.9% of economically active population) and 121,000 females (3.0% of economically active population). The gender gap is smaller in the 65+ age group - 1.7% of males over the age of 65 were unemployed nationally in 2015, compared to 1.6% of females, reflective of the lower overall labour market participation.
- 3.44** In the NW, just over 21,000 males aged 50+ are unemployed (4% of economically active population) compared to 15,000 females (3% of economically active population). Within the 50-64 cohort, nearly 20,000 males were unemployed (4% of economically active population) and 14,000 females (3% of economically active population). 2.3% of males over the age of 65 were unemployed in the NW and 1.8% of females. The data show that the gap in the unemployment rate between the NW and the UK is highest for men aged 65+.
- 3.45** Older people are less likely to be unemployed than younger people. Nationally, just under 300,000 people aged 50-64 were unemployed in the year to December 2015 (3.5% of the economically active population) compared to 750,000 25-49 year olds (4.1% of the economically active population). In the NW, 34,000 50-64 year olds were unemployed in the year to December 2015 (3.7% of the economically active population) compared to 80,000 25-49 year olds (4.1% of the economically active population).
- 3.46** At the national level, 29% of the working population that are unemployed are classed as long term unemployed. In the NW 31% of the working population that are unemployed are regarded as long term unemployed<sup>33</sup>. Greater Manchester (34%) and the Liverpool City Region (38%) both had a higher percentage of their population classed as long term unemployed compared to the NW<sup>34</sup>. The most common reasons cited for unemployment at a NW level were that they were still looking for work (45%), followed by 19% who were looking after their family, home or children. 32% of females put looking after the family home / family as their reason for unemployment compared to only 2% of male respondents, with this impacting upon the female unemployment rate across different age groups.
- 3.47** The 50+ cohort are more likely to be unemployed for over a year than the 16-49 population. 43% and 42% respectively of the 50-64 and 65-74 unemployed population have been unemployed for over a year compared to only 27% of the

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<sup>33</sup> Defined as being unemployed for more than 12 months.

<sup>34</sup> Data is unavailable for other sub regions due to a low number of responses

16-49 unemployed population. Long term unemployment can lead to a deterioration of skills levels so improving the skills of this cohort may offer the over 50s a greater chance of finding new work. There is a large disparity as to why a person is unemployed based upon their age. Annual Population Survey data show that only 3% of 16-49 year olds cited being made redundant as their primary reason compared to 11% of those aged 50-64<sup>35</sup>. This shows a disproportionate effect upon older workers in relation to job cuts (although older workers are also more likely to take voluntary severance packages than younger workers).

- 3.48** Although unemployment is low for 50-64 year old's, 50% of 50-64 year olds questioned as part of the Labour Force Survey said they will definitely not work in the future, whilst a further 19% said "probably not". Changing preconceived notions about the usefulness of the over 50 population may be key to reducing scepticism about the continuation of work past this age band. It is also vital that employers make work a more attractive option for the over 50s.

**Figure 17: LFS respondent's views on work**

	Whether respondents think they will work in future				
	25-49	%	50-64	%	Total
Definitely	1420369	48%	230298	7%	1650667
Probably	611143	21%	332979	10%	944122
Probably Not	219536	7%	615507	19%	835043
Definitely Not	279556	9%	1643874	50%	1923430
Don't know / Cant say	436101	15%	462749	14%	898850
Total	2966705		3285407		

Source: Labour Force Survey, SPSS, December 2015

### Leaving the workforce due to redundancy or retirement

- 3.49** Redundancy has been cited as one of the main reasons for people in their 50s leaving work and can have a disproportionate and permanent impact on older people, particularly those in low paid jobs<sup>36</sup>. For people in their 60's, retirement at or before the SPA is the main reason people leave the workforce. Recent research identified 'a missing million' people that had been forced out of work before retirement age, most commonly because of ill health or redundancy<sup>37</sup>. From this it is evident that whilst retirement may be a lifestyle choice for some older workers it

<sup>35</sup> Data relating to study / training has not been included here

<sup>36</sup> The missing Million: Recommendations for action, 2015, Business in the Community

<sup>37</sup> ibid

will be 'forced' for others, perhaps for reasons of ill health or a lack of suitable employment opportunities.

- 3.50** Going forward, older workers that will be over the traditional retirement age will fill important skills gaps. It is critical that attempts to retain older workers are made across industries and employers must begin to prepare for an ageing workforce by putting in place measures that are attractive to and can maximise the potential of older workers. Appropriate employment support also needs to be in place to enable older people to stay in work for as long as they wish. The abolishment of the default retirement age in 2011 and the gradual raising of the SPA should aid this objective and have made it harder for employers to remove workers based on age alone.

### **Economic Inactivity**

- 3.51** Whilst unemployment rates are low for those aged 50+, the majority of people in this cohort are economically inactive. Nationally, the number of people aged 50+ classed as economically inactive has increased by more than 1 million (10%) since 2006 to 13.4 million people. However, the share of economically inactive people as a proportion of the overall 50+ population has dropped from 61% to 58%. In the NW too, the number of economically inactive people aged 50+ rose by over 100,000 (8%) to nearly 1.6 million, while the economic inactivity rate in this age group fell from 64% to 61%. The rise in the numbers of economically inactive people is likely to reflect the growing ageing population. Meanwhile, the fall in the economic inactivity rate of this cohort is likely to reflect the increased proportion of this cohort who are in employment, or unemployed and actively looking for work.
- 3.52** APS data shows reasons for inactivity amongst the working age population<sup>38</sup>. At a UK level, the main reasons cited were care of family / home (34%) followed by being long term sick (30%) and retirement (19%). At a NW level the main reason cited was being long term sick (34%) followed by care of family / home (31%) and retirement (19%). These findings highlight how carer responsibilities and health issues can act as significant barriers to employment amongst the 50+ cohort and the findings suggest that this is more of a problem in the NW than nationally.
- 3.53** Additional research from the TUC, suggests that the number of people aged 50+ who are economically inactive includes a large number of 'hidden unemployed' - people who are no longer looking for work but may have been forced into this position as they have been unable to find work.
- 3.54** At a sub-regional level, there has also been a rise in the number of economically inactive people aged 50+ in the NW LEPs over the last decade, reflecting the

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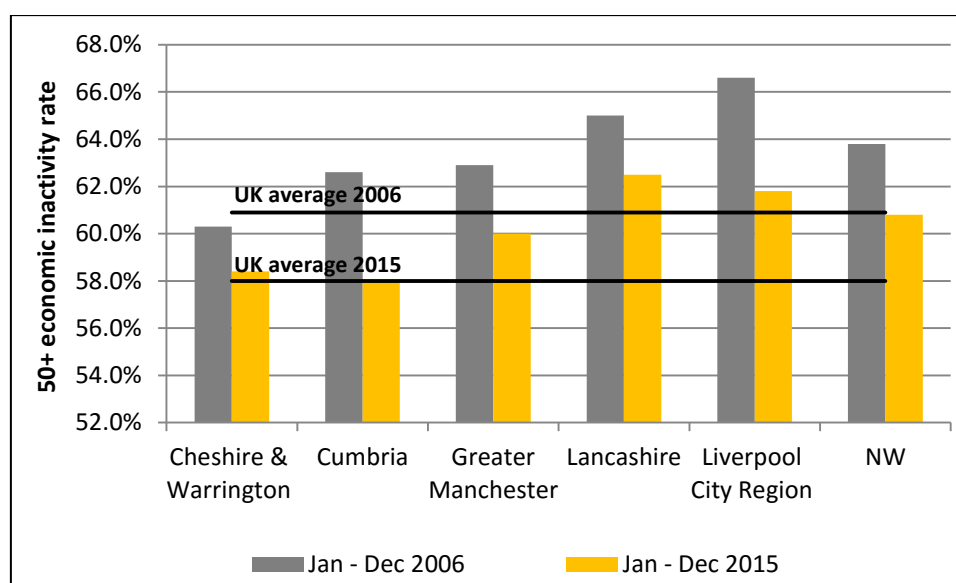
<sup>38</sup> This data is not available by age and it is not therefore possible to look at reasons for inactivity amongst the 50+ cohort only. A large number of economically inactive students have also been excluded from this analysis as only a small number of over 50s are likely to be students



growing ageing population. Cheshire and Warrington saw a 12% increase in the number of economically inactive residents, significantly above the UK and NW levels, whilst Greater Manchester and Lancashire both saw an 8% rise. In Liverpool City Region the number of economically inactive residents rose by 5%. Cumbria saw the smallest rise in the number of economically inactive residents at 4%.

- 3.55** In terms of current economic inactivity rates, Lancashire and the Liverpool City Region had the highest rate of economic inactivity amongst the over 50s in the year to December 2015 (62%), followed by Greater Manchester (60%). Cheshire and Warrington and Cumbria had the lowest rates of economic inactivity (58%). The reasons for economic inactivity are likely to differ across sub regions. Local intelligence previously highlighted suggests a large proportion of the over 50s in Cheshire and Warrington and Cumbria are economically inactive by choice whilst in other areas of the North West it is more likely they are economically inactive for reasons of ill health or due to carer responsibilities.

**Figure 18: Economic inactivity rates age 50+**



Source: Annual Population Survey, NOMIS, December 2015

- 3.56** Within the 50-64 cohort (which will include fewer retirees) there has been a decrease in the number of economically inactive people over time at a national, regional and sub-regional level. Over the last ten years the number of economically inactive people aged 50-64 nationally has fallen by 6.6%. Economic inactivity accounted for 33% of the 50-64 population in 2005, but this has fallen to 28% in 2015. The number of economically inactive people in this age group in the NW also fell by 8.6%, and the economic activity rate fell from 37% to 32%. However, the current NW economic inactivity rate is still 4 percentage points higher than the national average for the 50-64 age range. The NW has lagged behind the UK by an average of 3.5 percentage points in the economic inactivity rate for the 50-64 year

olds over the last decade. This mirrors the average gap in the employment rates of the 50-64 age group in the NW, which is of a similar size.

- 3.57** At a national level, more women than men aged 50+ are economically inactive. 63% of the female 50+ population were economically inactive in the year to December 2015 compared to 52% of men aged 50+. Looking at the 50-64 cohort only, this falls to around 34% of females and 22% of males. In the NW, the trend is similar with 65% of females aged 50+ economically inactive compared to 55% of males. Within the 50-64 cohort, 37% of females were economically inactive in the NW, compared to 26% of males. For the over 65's there is a five percentage point difference between economic inactivity rates for females and males (94% and 89%). For the 16-64 population in the NW, male economic inactivity is at 19.6% compared to a rate of 29.7% for females, showing that the gender gap in economic activity narrows with age.

## 4 50+ barriers to employment

4.1 This section examines barriers to employment for the 50+ cohort. Amongst them, skills issues are the single greatest barrier faced by older job seekers, particularly a lack of modern job search skills and limited IT proficiency, along with limited qualifications and outdated skills and certification<sup>39</sup>. Skills gaps exist both in terms of qualification attainment but also in relation to other essential skills (such as soft skills and digital or other technical skills). Other significant barriers to employment for the over 50s include poor health, caring responsibilities, age discrimination and a lack of financial incentives and employment support. It highlights specific issues that need to be addressed across NW LEPs to enable the over 50s to take advantage of emerging job opportunities, particularly in NPH sectors.

The headline findings from this section are:

- Older people have become more qualified over the last decade yet skills gaps remain.
- The NW underperforms in terms of the qualification levels of its 50-64 population in comparison to the UK average:
  - The NW is more likely to hold lower level qualifications than the UK average: All sub regions, except Cumbria, have a higher proportion of residents qualified to level 2 than the UK average
  - There is also a higher level skills gap: fewer workers aged 50-64 in the NW hold a level 4 qualification compared to the UK average. At a sub-regional level, only Cheshire & Warrington has a higher proportion of its 50-64 population qualified to NVQ 4+ than the UK average. Cumbria has a rate 0.7 percentage points lower than the UK average but all other areas have lower proportions of this cohort qualified to level 4. The cost of closing this gap would be £335m and would upskill 65,500 people aged 50-64 in the NW
- Soft skills and other skills (such as digital or technical skills) are also important for the workplace and make a valuable contribution to the economy, but skills gaps exist here too.
- Other barriers to employment for the over 50s include poor health, which is a major issue for some parts of the NW such as Liverpool City Region. Caring responsibilities are also a significant barrier, with around half of all carers aged 50+. Other barriers include age discrimination, a lack of financial incentives, employment support and limited flexible working opportunities.

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<sup>39</sup> How ready is Job Centre Plus to help people in their 60s find work, 2012, DWP

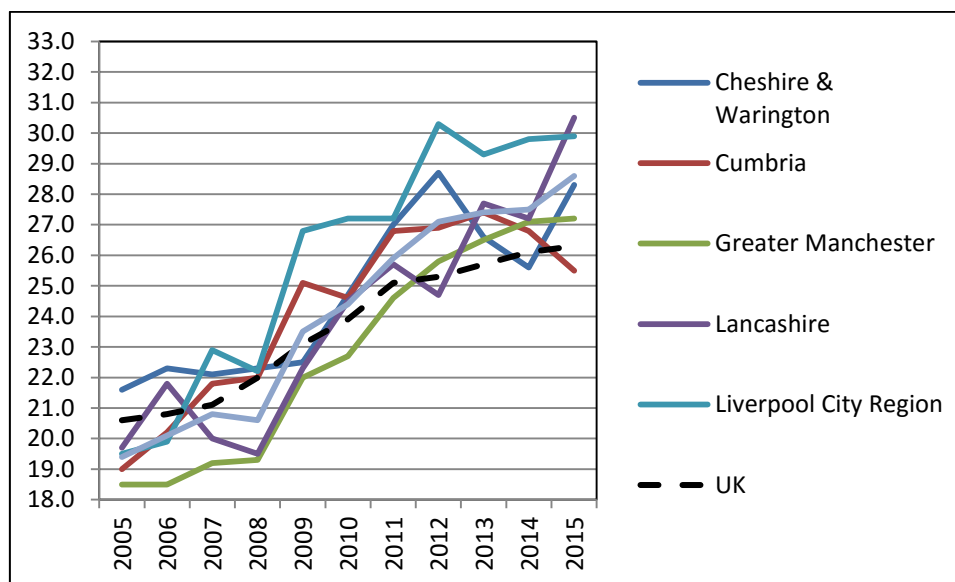
## Formal Qualifications as a barrier to employment

- 4.2 Data shows that skills needs are most prevalent up to NVQ level 2 and at NVQ level 4+ and this is also consistent with the priorities outlined in LEPs skills strategies. This section therefore primarily analyses skills data at these levels of attainment<sup>40</sup>.

### NVQ up to level 2

- 4.3 The number of people aged 50-64 in the UK qualified up to NVQ level 2 has increased from 20.6% in 2005 to 26.3% in 2015. In the NW, the number of people qualified to level 2 increased from 19.4% to 28.6% over the same period. This is compared to 29.7% of the NW working age population (16-64) that were qualified to level 2 in 2015. Whilst it is positive that qualification levels amongst the over 50s are improving, it is apparent that the over 50s in the NW are more likely to hold lower level qualifications than the UK average.
- 4.4 At a sub-regional level, Lancashire (30.5%) and Liverpool City Region (29.9%) have a higher proportion of residents qualified to level 2 than the NW average whilst the remaining sub regions are below the NW average. However, all sub regions, with the exception of Cumbria (25.5%) have a higher proportion of residents qualified to level 2 than the UK average.

**Figure 19: Time series data of those who are qualified up to NVQ level 2 (50-64)**



Source: Annual Population Survey, NOMIS, Dec 2015

- 4.5 Further education data show that the over 50s accounted for a fifth (21%) of all learners studying below level 2 (excluding English and maths) in 2014/15 and 13% of all learners studying at level 2 (compared to 7% of all learners studying at level 3 and 11% of all learners studying at level 4). This reinforces the need

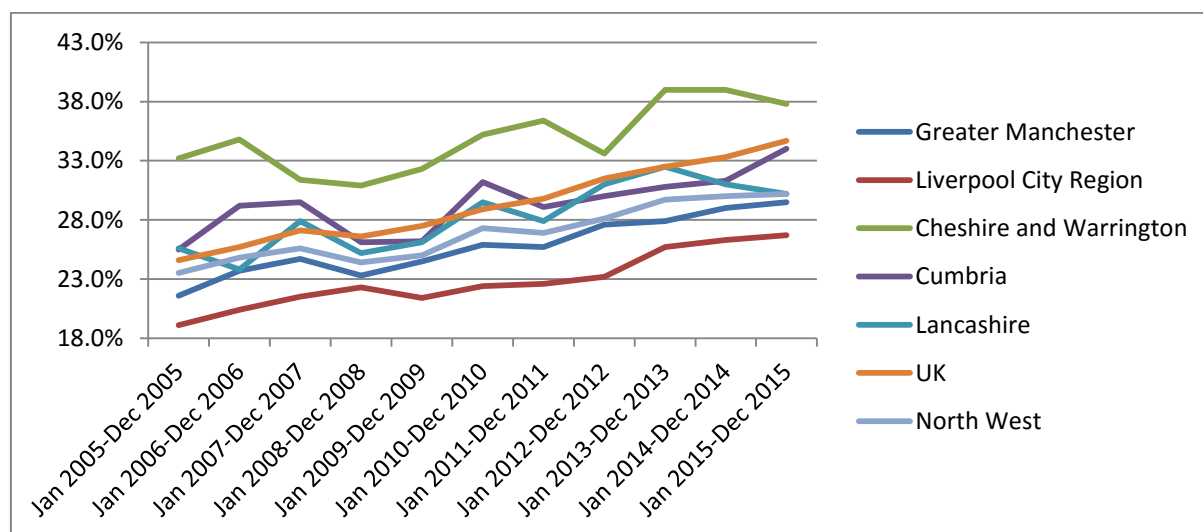
<sup>40</sup> Census data was looked at but was not added here as there were significant differences between this and the APS data

to encourage more over 50s to study at higher levels to ensure they are able to compete for the increasing number of higher skilled jobs.

#### NVQ 4+

- 4.6** At a national level, 34.6% of those aged 50-64 were qualified to level 4 in December 2015 (compared to 36.9% of the working population), a rise of 10% over the last decade. This was higher than in the NW where only 30.2% were qualified to level 4 (compared to 32.6% of the working age population), up from 21.7% over the last ten years.
- 4.7** At a sub-regional level, Cheshire and Warrington had the highest number of 50-64 year olds qualified to level 4 (38%), above the UK average, and also saw the largest increase over time (10.2% percentage points). In Cumbria, 34% of 50-64 year olds were qualified to level 4, a rise of 10.1 percentage points since 2005, whilst in Greater Manchester and Lancashire 29% of 50-64 year olds were qualified to level 4 (a rise of 7.9 percentage points and 5 percentage points respectively). In the Liverpool City Region the number of 50-64 year olds qualified to level 4 stood at 27% in 2015, a rise of 9.4 percentage points since 2005. The increasing number of older people qualified to level 4 is likely to reflect the increasing access to higher education over time: as younger cohorts age, higher qualification levels will become evident as overall skills levels in younger age groups increase.

**Figure 20: Time series data of those who have an NVQ 4+ qualification (50-64)**



Source: Annual Population Survey, NOMIS, Dec 2015

- 4.8** Data shows that whilst an increasing number of people over the age of 50 are returning to higher education, the over 50s still account for a very small share of the overall numbers in higher education. In 2012 only 1,940 undergraduates starting courses were older than 60, out of a total of 552,240 students in Britain. Some 6,455 were aged between 50 and 60, according to the Higher Education Statistics

Agency<sup>41</sup>. This is perhaps unsurprising as courses undertaken at this age are likely to be driven by personal interests rather than employment needs. Thus it will be important to encourage the take up of more 'work related' courses (such as digital skills). The government is keen to boost the number of older workers returning to study as it encourages more to retrain to enable them to remain in the workforce for longer. As part of this, the age limit on student loans to cover tuition fees has recently been lifted<sup>42</sup>.

### Percentage point gap of NVQ qualifications

- 4.9** Figure 22 shows that the NW underperforms in terms of the qualification levels of its 50-64 population in comparison to the UK average. Only Cheshire and Warrington has a higher proportion of its 50-64 population qualified to a NVQ 4+ standard than the national average, with a rate 3.1 percentage points higher than the UK. Cumbria only has a rate 0.7 percentage points lower than the national average, yet all other areas have much lower proportions of their older populations in the most skilled categories. The Liverpool City region was the poorest performing area in comparison to the UK average and has the highest proportion of residents having an NVQ 1 only and the second highest, below Lancashire, of 50-64 year olds having an NVQ 2 only.

**Figure 21: Percentage point gap of NVQ qualification levels (50-64)**

	NVQ 1 only - 50- 64	Percentage point gap	NVQ 2 only - 50- 64	Percentage point gap	NVQ 3 only - 50- 64	Percentage point gap	NVQ 4+ - 50-64	Percentage point gap
UK	12.3%		14.0%		12.8%		34.7%	
North West	12.9%	0.6%	15.7%	1.7%	13.6%	0.8%	30.2%	-4.5%
Cheshire and Warrington	12.6%	0.3%	15.7%	1.7%	11.4%	-1.4%	37.8%	3.1%
Greater Manchester	12.5%	0.2%	14.7%	0.7%	13.3%	0.5%	29.5%	-5.2%
Liverpool City Region	14.1%	1.8%	15.8%	1.8%	13.9%	1.1%	26.7%	-8.0%
Cumbria	11.7%	-0.6%	13.8%	-0.2%	16.5%	3.7%	34.0%	-0.7%
Lancashire	12.3%	0.0%	18.0%	4.0%	13.9%	1.1%	30.2%	-4.5%

Source: Annual Population Survey, NOMIS, Dec 2015

- 4.10** It is estimated that the cost of closing the gap with the UK average at level 4 would be £335 million, which would involve upskilling 65,500 people in the North West. Figure 23 provides a breakdown of the cost to each LEP of achieving this ambition. Further details on the methodology used can be found in Annex B.

<sup>41</sup> Ross, T (2013) *Over-60s are told: go back to university and retrain* [online]. Available at: <http://www.telegraph.co.uk/education/universityeducation/9884301/Over-60s-are-told-go-back-to-university-and-retrain.html> [accessed 19th August 2016]

<sup>42</sup> Paton, G. and Cooke, H. (2014) *Rising numbers of over-50s taking out student loans* [online]. Available at: <http://www.telegraph.co.uk/education/universityeducation/10947400/Rising-numbers-of-over-50s-taking-out-student-loans.html> [accessed 26th August 2016]

**Figure 22: Estimated costs of shrinking the NW-UK skills gaps, 2015/16**

LEP/region	L4+
Cheshire and Warrington	
Cumbria	3,500,000
Greater Manchester	125,000,000
Lancashire	87,000,000
Liverpool City Region	119,000,000
NW	<b>335,000,000</b>

Source: Authors' calculations from SFA Simplified Funding Rates

## **Non formal qualifications as a barrier to employment**

- 4.11** In addition to formal qualifications there are other types of skills that are deemed critical to succeed in the workplace and make an important contribution to the economy. These include soft skills and other skills such as digital or technical / job specific skills. A lack of these skills across the UK has important implications, including for the over 50s.

### **Soft skills**

- 4.12** 'Soft skills' are consistently recognised by both Government<sup>43</sup> and employers as key competencies that are required to secure employment and succeed in the workplace<sup>44</sup>. These skills are important to all parts of the UK economy and sit alongside and complement other types of skills, including technical or job-specific skills, literacy, numeracy and digital skills.
- 4.13** Research by UKCES<sup>45</sup> confirmed the current and/or rising importance of soft skills, often in combination with digital skills. Nationally, it is estimated<sup>46</sup> that soft skills are worth over £88 billion in Gross Value Added to the UK economy each year, underpinning around 6.5% of the economy as a whole. The annual contribution of soft skills is forecast to grow strongly in real terms to £109 billion by 2020, and to just over £127 billion by 2025. At a regional level, soft skills are estimated to be worth £9.4bn - more than in any other region outside of London and the South East and 11% of the total value nationally<sup>47</sup>. This is forecast to increase to £11.4bn by 2020 and £13.2bn by 2025, in line with national trends. The value of soft skills to the NW economy reflects in part the region's strong financial and business services, retail, and public services sector base.

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<sup>43</sup> Rigour and Responsiveness in Skills, 2013, the Department for Education and Department for Business, Innovation and Skills

<sup>44</sup> Soft skills include intangible qualities and attributes such as: communication and interpersonal skills, teamwork, time and self-management, decision-making and initiative-taking and taking responsibility

<sup>45</sup> Sector Skills Insights, 2012, UKCES

<sup>46</sup> The Value of Soft Skills to the UK Economy, 2015, Development Economics

<sup>47</sup> *ibid*

**Figure 23: Value of output (GVA) attributable to soft skills**

	£ million	% contribution
England	76,758	86.7%
Wales	3,048	3.4%
Scotland	6,842	7.7%
Northern Ireland	1,847	2.1%
North East	2,752	3.1%
North West	9,452	10.7%
Yorkshire and the Humber	5,770	6.5%
East Midlands	5,103	5.8%
West Midlands	6,433	7.3%
East	7,416	8.4%
London	20,403	23.1%
South East	12,979	14.7%
South West	6,452	7.3%
<b>Total contribution of soft skills</b>	<b>88,493</b>	<b>100.0%</b>

Source: The Value of Soft Skills to the UK Economy, 2015, Development Economics

- 4.14** Yet despite the clear important contribution that these skills make to the economy there is a lack of value placed on soft skills compared to formal qualifications. Further there is a lack of soft skills in sectors all across the UK, which is leading to skills shortages and skills gaps<sup>48</sup>. A recent survey<sup>49</sup> found that soft skills are associated with between 33% - 40% of all reported skills shortage vacancies. Soft skills gaps and shortages have significant consequences for both workers and employers. As well as being a significant drag on productivity they could result in an increased workload for other staff and for employers it could mean losing out on work to competitors. To tackle the weaknesses in the UK's soft skills base, businesses, education providers and policymakers will need to recognise, promote and invest in the development of soft skills.

### **Transferrable skills**

- 4.15** As more older people find themselves facing a change of career later in life (due to industrial change, the decline of many traditional employment practices in firms and economic restructuring) it will be increasingly important for them to demonstrate to employers the transferrable skills that they have gained – both from previous employment and life experience too. This may include skills such as problem solving, negotiating, organising, motivating people, research skills, management and leadership skills and decision making. Research commissioned by the Centre for Ageing Better<sup>50</sup> suggests that whilst older people may lack formal qualifications,

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<sup>48</sup> ibid

<sup>49</sup> ibid

<sup>50</sup> The Centre for Local Economic Strategies and Learning and Work Institute (work undertaken 2016/17 but not yet published)



they have other skills and experience that they have gained through care responsibilities and other contributions to their community. However, it noted that older people often struggled to translate this into skills for current employment.

### **Skills mismatch**

- 4.16** Skills mismatch has also been posed as a possible barrier to employment for the over 50s. Whilst this is well known as an issue for young people research suggests that this could also be a particular problem for people in mid-life needing to change career. The ONS<sup>51</sup> looked at those who have a level of educational attainment which is matched to the average of those in their occupation. It found that for those aged 50-64 there is a growing rate of people with a good skills match to their work but that group is the worst matched age-cohort. This is likely to reflect increasing access to higher education over time so that “new” older people have better qualifications but the existing stock of older people will be less qualified. Addressing the skills mismatch amongst the over 50s will be essential to ensuring more over 50s can gain and remain in employment.

### **Digital skills**

- 4.17** Digital skills are increasingly essential for gaining access to products and services and are increasingly in demand across all sectors of the economy. The European Union estimate that digital skills will be required in 90% of jobs across all sectors by 2020 and as much recruitment now takes place online or through social media, those who lack strong IT skills will be at a disadvantage. The Government estimates that the digital skills gap is costing the UK economy £63bn a year<sup>52</sup>. Older people are particularly at risk from digital exclusion. Indeed, 55-65 year olds rank among the groups with the lowest core digital skills levels in the country. Research carried out by ECORYS for BIS and DCMS<sup>53</sup> found that over 53% of those that lack basic digital skills are aged 65+ and 69% are aged 55+. Further, the recruiters questioned cited this as the most commonly lacking skill amongst this cohort. A recent report<sup>54</sup> also found that older people are more likely to lack digital skills compared to their younger counterparts. Older workers are also deemed more likely to struggle with the increasing digitisation of work processes. This highlights the need to encourage older workers to adapt and embrace technological change. Older people must also be able to easily access IT courses that will enable them to gain the necessary digital skills to find, or stay in, work.

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<sup>51</sup>Analysis of the UK labour market - estimates of skills mismatch using measures of over and under education, 2015, ONS

<sup>52</sup> Digital Skills Crisis: second report of session 2016-2017, 2016, House of Commons Science and Technology Committee

<sup>53</sup> Digital Skills for the UK Economy, 2016, ECORYS UK for the Department for Business Innovation and Skills and Department for Culture Media and Sport

<sup>54</sup> Digital Skills Crisis: second report of session 2016-2017, 2016, House of Commons Science and Technology Committee

## **Other technical or job specific skills**

- 4.18** Many technical skills require training and experience to master. They are practical, and often relate to mechanical, IT, mathematical, or scientific tasks. Research suggests that older workers are less likely to have technical skills (and are less educated and more likely to have outdated skills) and this is a barrier to employment<sup>55</sup>. There is therefore a need to ensure older workers skills remain up to date and relevant to help them to stay in employment.

## **Other barriers to employment**

- 4.19** In addition to skills issues, evidence suggests that the over 50s face a number of other barriers to employment and these are discussed below. Addressing these will be critical to ensuring older people are able to remain in employment.

### ***A lack of adequate financial incentives to remain in or return to work***

- 4.20** A lack of adequate financial incentives to remain in, or return to, work are major factors that push older people out of the labour market. Financial incentives can encourage older workers to stay in work, motivate older unemployed or inactive people to move into work and incentivise employers to hire or retain older workers<sup>56</sup>. Planned increases in the state pension age over time will create new financial incentives for older workers - particularly women - to remain in employment. In addition, there are a series of other financial incentives, such as the availability of alternatives to retirement benefits such as Employment Support Allowance (ESA) and the structure of age-related national insurance contributions, that could be strengthened or better aligned to promote longer working lives.
- 4.21** There are just over a million people aged 50+ claiming ESA in the UK and the NW accounts for around 10% of this with 155,400 claimants. As a proportion of the total 50+ population, 4.5% of over 50s are claiming ESA nationally. The NW figure is significantly higher than this at 5.9% however the picture varies significantly across the region. For example, in Cheshire and Warrington and Cumbria the proportion of ESA claimants as a percentage of the over 50s population is much lower than the national or regional rate (at 3.5% and 4.0% respectively). Lancashire is above the UK rate but below the regional rate at 5.4% whilst in Liverpool and Greater Manchester this figure is significantly above the national and regional rates (at 6.5% and 7.6% respectively). In Greater Manchester, the Working Well Programme helps residents claiming ESA overcome barriers to work through tailored, individual support.

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<sup>55</sup> Older Workers, Rising Skill Requirements, and the Need for a Re-envisioning of the Public Workforce System, 2012, CAEL

<sup>56</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

**Figure 24: ESA claimants aged 50+**

Area	Proportion of all those claiming ESA who are 50+	ESA claimants as a share of 50+ population
Cheshire and Warrington	45.7%	3.5%
Cumbria	46.6%	4.0%
Greater Manchester	44.4%	6.5%
Lancashire	44.9%	5.4%
Liverpool City Region	46.5%	7.6%
NW	45.3%	5.9%
Great Britain <sup>57</sup>	44.2%	4.5%

Source: ONS, 2016

- 4.22** Income Deprivation Data for those aged 60+<sup>58</sup> show how diverse the region is. Figure 26 shows the proportion of LSOAs in the most deprived 10% nationally in sub-regions throughout the NW and where the sub regions rank nationally out of all 399 LEP areas. Of particular note here is the Liverpool City Region, which has 27.3% of its LSOAs ranked in the most deprived 10% nationally but moreover Liverpool City Region is ranked as the most deprived LEP area nationally. By comparison, Cheshire and Warrington has only 1.9% of its LSOAs ranked in the most deprived 10% nationally and is ranked 31 out of 39 LEPs for the proportion of its LSOAs in most deprived 10% nationally.
- 4.23** The low ranking of Greater Manchester and Liverpool City Region is likely to reflect the labour market and economic challenges that are prevalent in these areas, particularly around poor health and low skills levels.

**Figure 25: Income Deprivation data for 60+ cohort**

Local Enterprise Partnership	Proportion of LSOAs in most deprived 10% nationally	Rank of proportion of LSOAs in most deprived 10% nationally (out of 39 LEPs) where 1 is most deprived
Cheshire and Warrington	1.9%	31
Cumbria	2.5%	26
Greater Manchester	19.0%	6
Lancashire	11.7%	10
Liverpool City Region	27.3%	1

Source: English Indices of Deprivation 2015, File 12 Local Enterprise Partnership Summaries

### ***Poor health and caring responsibilities***

- 4.24** Poor health is a major barrier to work for older people and research has shown that those with health issues are more likely to face unemployment and early

<sup>57</sup> UK figure is not available

<sup>58</sup> Data is not available for 50+

retirement<sup>59</sup>. Indeed, issues of economic inactivity and poor health are interlinked and in the North West are a key cause of the productivity gap, particularly in Greater Manchester and the Liverpool City Region. Poor health is also much more common among older people in low to middle income households than among those in higher income households<sup>60</sup>. There is also a major North – South divide when it comes to health and the health of people in the NW is below the England average. Data<sup>61</sup> show that of the 151 local authorities in England, Manchester and Blackpool have the worst results for specific causes of death - heart disease, stroke, cancer, liver disease and lung disease - with Manchester also having the worst overall level of early death. Ill health represents a major economic burden for society due to increased healthcare costs, lost productivity and sickness absence. This has been blamed on a 'fundamental lack of planning to take account of the extent of the problem'<sup>62</sup>. Further research<sup>63</sup> suggests that mental health issues are also a barrier to employment for the 50+ cohort, particularly amongst certain ethnic groups. The ways in which workplaces work and jobs are designed to accommodate the needs of older workers with health conditions will need to change to fit the future demographics of the population<sup>64</sup>.

- 4.25** With regard to care, one in seven over-50s in the UK provides informal care, more than the OECD average of one in nine<sup>65</sup>. Informal carers are also more likely to be people from low to middle income households. Of all carers, around half are over 50 and they are disproportionately female. Caring responsibilities and employment decisions are intricately connected in the UK: informal caring is associated with an increased likelihood of stopping work or moving to a part-time role. Caring also has a significant financial impact on households, with those in their late 50s and early 60s experiencing the biggest loss in earnings due to caring.
- 4.26** Census analysis<sup>66</sup> shows that the North West has the highest percentage of unpaid care provision of any English region. Further, the number of carers has increased significantly since the 2001 Census. In all, there are 779, 270 unpaid carers in the North West. Support from government for carers to fulfil this role while

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<sup>59</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

<sup>60</sup> *ibid*

<sup>61</sup> Public Health England (2016) *Longer Lives* [online]. Available at: <http://healthierlives.phe.org.uk/topic/mortality> [accessed 2nd September 2016]

<sup>62</sup> Living long, working well: Supporting older workers with health conditions to remain active at work, 2015, The Work Foundation

<sup>63</sup> The Centre for Local Economic Strategies and Learning and Work Institute (work undertaken 2016/17 for the Centre for Ageing Better but not yet published)

<sup>64</sup> *ibid*

<sup>65</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

<sup>66</sup> Census analysis: Unpaid care in England and Wales, 2011 and comparison with 2001, 2013, ONS

continuing in work will be vital to improving rates of older people in employment. This could include providing greater flexibility for carers to work from home.

- 4.27** The 2014 Care Act sought to improve the support available to carers and placed a legal duty on Local Authority to provide an assessment of carers support needs, and a support plan setting out how those needs will be met. However, evidence from Carers UK found that many carers are waiting too long for an assessment of their needs and other promised improvements to the support that carers receive has not materialised<sup>67</sup>. Whilst the Government has suggested that the Care Act is not yet fully embedded, there is a need to ensure that good practice is adopted more widely. A new cross-Government Carers Strategy is an opportunity to ensure further support is made available to carers to remain in, and re-enter, the workforce.

**Figure 26: Total carers and total number of carers aged 65+**

Area	Number of informal carers	Number of informal carers aged 65+
Cheshire and Warrington	113,760	26,397
Cumbria	56,282	13,977
Greater Manchester	279,469	54,065
Lancashire	164,406	37,103
Liverpool City Region	165,353	35,314
North West	779,270	166,856
England	5,409,433	1,190, 520

Source: Census, 2011

### ***Limited access to flexible working opportunities***

- 4.28** The prevalence of poor health and caring responsibilities among older people highlights the need for greater flexible working opportunities (such as hours and location). However, flexible working options are limited and tend to be particularly inaccessible for those low to middle income households. Further, part time work, job sharing or compressed hours are not always suitable for older workers that require greater flexibility – for example, part time work is often low quality with little room for progression<sup>68</sup>. There is a need to address this and create more high quality part time work opportunities. Many older people say they would work longer if they could work flexibly<sup>69</sup>. Whilst recent changes to the law mean that the situation is improving<sup>70</sup>, employers need to adopt more age friendly policies such as phased retirement and family care leave<sup>71</sup>. These need to

<sup>67</sup> State of Caring (2016), Carers UK

<sup>68</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

<sup>69</sup> A new vision for older workers: retain, retrain, recruit, 2015, A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers

<sup>70</sup> The Government extended the right to flexible working in 2014

<sup>71</sup> A new vision for older workers: retain, retrain, recruit, 2015, A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers

be applied fairly across all age groups, with older workers getting the same flexibilities as working parents, for example. There is also a need to promote the benefits of flexible working to employers, which include improved productivity, greater retention of staff, increased skill sharing and better customer relations.

### ***Age discrimination and stereotyping***

- 4.29** Age discrimination has long been cited as a barrier to the employment of older people. A recent report<sup>72</sup> found that the 50+ unemployed were being actively discriminated against when applying for jobs and in some instances employers asked for ID to confirm the age of applicants before making a judgement over their suitability for a role. It also found that age diversity of employees is not monitored by employers in the same way as gender, sexual orientation and ethnic diversity are. Without a comprehensive effort to ensure that the Equality Act (2010) is adhered to, the report suggests that there will remain a gap in the labour market between 50+ workers and younger counterparts. A further issue is the expectation that people should stop working once they reach a certain age, which means that employees still keen to work are dropping out of the labour market prematurely. Linked to this, other research<sup>73</sup> found that self-perception was also a barrier with the over 50's feeling 'too old to work' and some actively choosing alternatives to work such as volunteering.
- 4.30** Negative stereotypes and "myths" are also a deeply significant barrier to older workers rejoining the labour market, particularly the belief that they are less productive than younger workers, slower, are less adaptable to technological changes, less able to learn new things, less motivated, resistant to management, and prone to ill health<sup>74</sup>. Yet there are a number of benefits for businesses employing older workers<sup>75</sup>. Those that have been with the same company for many years have extensive and specific knowledge and expertise that can contribute to improved client and customer relations and can generate new business. Firms that retain these employees will therefore be at an advantage and able to realise the financial benefits that this confers. Older workers also demonstrate a greater commitment to firms than younger workers and are less likely to change jobs. In addition, older workers are considered to be more resilient, have better time management skills and able to handle pressure more easily<sup>76</sup>. Further research has shown that the majority of older workers were just as productive as younger workers (at least up to age 70); are just as successful in training; take less short-term

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<sup>72</sup> A new vision for older workers: retain, retrain, recruit, 2015, A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers

<sup>73</sup> The Centre for Local Economic Strategies and Learning and Work Institute (work undertaken 2016/17 but not yet published)

<sup>74</sup> Living long, working well: Supporting older workers with health conditions to remain active at work, 2015, The Work Foundation

<sup>75</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation

<sup>76</sup> The Missing Million: Recommendations for Action, 2014, Business in the Community

sickness absence; and tend to offset any loss of speed with better judgement based on years of experience<sup>77</sup>.

### ***A lack of employment support to move back into work, including training***

- 4.31** Older people, like all people, require support to get back to work yet evidence suggests that the majority of employment support at a national level is generic and not tailored towards the needs of those aged 50+<sup>78</sup>. Under current arrangements, unemployed jobseekers are initially put in contact with Jobcentre Plus, and then after 12 months of unemployment, they are transferred to the Work Programme<sup>79</sup>. If after two years on the Work Programme they are still unemployed, they return to Jobcentre Plus. In some instances, older jobseekers may be able to access specialist 50+ voluntary provision alongside their mandatory contact with Jobcentre Plus or the Work Programme (organisations such as Age UK offer a range of support at a local level and organisations including Barclays have launched initiatives specifically targeted at the over 50s) but this is not offered in all areas as Job Centres have discretion on how they spend their budgets. Indeed, whilst a number of sub regions have programmes aimed at supporting the over 50s into employment<sup>80</sup> research undertaken in Greater Manchester suggests that there is a lack of comprehensive, targeted support for the over 50s at a sub-regional level<sup>81</sup>.
- 4.32** Further, recent reforms to the employment support system (primarily through Universal Credit and The Work Programme) do not appear to be sufficiently meeting the needs of older people. A recent report<sup>82</sup> found that The Work Programme moved less people aged 50+ into employment than younger people. It also noted that the design and structure of The Work Programme was a key issue, with support not tailored or intensive enough for some older workers, particularly after 12 months. The report recommends prioritising older jobseekers needs within mainstream employment support, providing effective employment support for older people's needs and stimulating employer demand for older workers. Apprenticeships specifically targeted at the over 50s were also mooted as whilst apprenticeships for 16-24 cohort are available there is nothing similar for older

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<sup>77</sup> The Attitudes of Over 50s to Fuller Working Lives, 2015, DWP

<sup>78</sup> Employment support for unemployed older people, 2014, The Centre for Economic and Social Inclusion

<sup>79</sup> The Work Programme is delivered by a range of different providers locally and further details are available here: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/507106/local-work-programme-providers.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/507106/local-work-programme-providers.pdf)

<sup>80</sup> These are detailed in chapter 6

<sup>81</sup> Age Friendly Manchester: Getting down to Business. The economic opportunities of ageing for Greater Manchester, 2015, Business Lab

<sup>82</sup> Employment support for unemployed older people, 2014, The Centre for Economic and Social Inclusion

groups<sup>83</sup> (the Government's recently published Fuller Working Lives Strategy<sup>84</sup> encourages employers to provide more apprenticeships for those aged 60+). Further research<sup>85</sup> suggests that the focus on tackling youth unemployment has detracted from the requirement to address the difficulties that those aged 50+ face in the labour market. Whilst therefore the over 50s may not have been prioritised in the past, it will be vital that employment support services are able to provide appropriately tailored support going forward given that the number of people in the labour market aged 50+ will continue to rise in the coming years.

**4.33** There is also evidence of a disjointed and generic approach to training, with further research<sup>86</sup> noting that workless over 50s were frequently being sent on multiple different courses, sometimes different courses for the same skillset (e.g. IT) with no clear strategy or direction to the qualifications they were developing. The report notes several instances where a more tailored approach to skills training for this cohort would be beneficial, particularly one which aligns with the local labour market and skills required for available work. It also cites a number of barriers to accessing training including: the location and timing of the courses, cost of training/ specialist qualifications, English and language skills were a significant barrier (ESOL cuts were a significant issue) and long courses were daunting and a difficult commitment to balance with health issues and caring responsibilities.

**4.34** In addition, despite evidence showing the desire for continuous learning from workers aged 50+, employers do not feel that they are suited to or can benefit from training as their younger counterparts can<sup>87</sup>. This essentially makes them less competitive in the labour market and has the potential to damage future employment prospects as they are stranded without the necessary skills in modern practices to find new work<sup>88</sup>. One solution would be to subsidise such training that is recommended in mid-life career reviews<sup>89</sup>.

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<sup>83</sup> Employment support for Unemployed Older People, 2014, Centre for Economic and Social Inclusion

<sup>84</sup> <sup>84</sup> Department for Work and Pensions (2017) *Fuller Working Lives: A Partnership Approach* [online]. Available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/587654/fuller-working-lives-a-partnership-approach.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587654/fuller-working-lives-a-partnership-approach.pdf) [accessed 2nd March 2017]

<sup>85</sup> A new vision for older workers: retain, retrain, recruit, 2015, A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers

<sup>86</sup> The Centre for Local Economic Strategies and Learning and Work Institute (work undertaken 2016/17 but not yet published)

<sup>87</sup> Managing a Healthy Ageing Workforce: A national business imperative, 2012, CIPD

<sup>88</sup> A new vision for older workers: retain, retrain, recruit, 2015, A report to Government by Dr Ros Altmann CBE, Business Champion for Older Workers

<sup>89</sup> Living long, working well: Supporting older workers with health conditions to remain active at work, 2015, The Work Foundation



**Case study: Barclays over 50s apprenticeship scheme and digital eagles**

In 2015 Barclays launched an apprenticeship scheme specifically for the over 50s. Its reasoning for this was its belief that older workers have life experience and show more empathy. As part of the scheme it takes on middle-aged trainees, such as former math's teachers and accountants, who are looking for a new career in banking. They are expected to work their way from the bottom up and learn banking skills such as calculating credit risks. Barclays has also set up a team of 'Digital Eagles' or computer experts to help older people to improve their digital skills. As part of this, it offers free online courses as well as 'tea and teach' sessions which are held in local areas across the UK. The sessions are designed to build older people's confidence in using digital products by helping them get online and become digitally active.

## 5 Future trends and forecast data

- 5.1 The long term economic impact of the UK's decision to leave the European Union is still uncertain. However in forecasts released as part of the recent Autumn Statement the Office for Budget Responsibility (OBR) downgraded their macro-economic forecasts for the short and medium term. The OBR also estimate that the referendum result will cost the UK £60bn in additional borrowing over the next 5 years.
- 5.2 The forecast data used in this section was produced prior to the EU referendum outcome but provides an indication of how skills requirements are likely to change over the next ten years and the impact that this is likely to have, thus enabling policy makers and others to plan for future requirements. Demographic and technological change will have a profound impact on the world of work and the demand for high level skills is likely to continue to rise. Understanding these changes will be important in terms of considering the likely future skills needs of the 50+ cohort.

The headline findings from this section are:

- An additional 1.8 million jobs are forecast nationally over the next 10 years. Growth will predominantly come from the service sector. There will be a marked shift away from employment in public sector activities, which will significantly impact on older workers. There will be a continued trend in favour of more highly skilled, white collar occupations, but with some growth in for less skilled occupations too.
- The NW will broadly follow these national trends. GVA in the region is projected to grow by 24.3% from 2014 to 2024. Employment is forecast to grow by 5% (176,000 jobs) over the same period. The region is also forecast to see a 3.4% rise in its population by 2024 based on 2014 levels.
- At a sub-regional level, Greater Manchester is projected to see the highest absolute and relative growth in employment in the NW between 2014 – 2024, followed by Cheshire and Warrington. Both Lancashire and Liverpool City Region are forecast to see lower levels of growth whilst Cumbria is forecast to see a very small increase in the number of jobs over this period.
- Skills forecasts suggest the demand for NVQ level 4 qualifications in the NW will increase by 6.5% between 2014 and 2024, equivalent to an additional 7,600 jobs at NVQ level 4. This could have significant implications for the NW, particularly for areas such as Greater Manchester which already lag behind the

## National and North West Projections

- 5.3** The expansion of the UK's labour supply is forecast to slow over the next decade, curbed by slower population growth (of 0.6% per annum) and an ageing population. Government labour market projections<sup>90</sup> indicate that there will be 1.8 million additional jobs by 2024 compared with 2014. Growth will continue to come from the service sector. There will be a marked shift away from employment in public sector activities, which will have a significant impact on the 2,800,000 50-64 year olds currently working in this sector nationally (10% of Industry is aged 60+), with the NW accounting for around 10% of this<sup>91</sup>. Manufacturing is projected to experience a small decline in its total share of employment but maintain its total share of output. Strong employment growth is forecast for the construction sector, where 10% of workers are aged 60+, and the projected growth of this sector will provide opportunities for older workers. Primary industries will also continue to decline and there is a significant replacement demand issue here.
- 5.4** Government forecasts also point to a continued trend in favour of more highly skilled, white collar occupations, but with some growth in employment for less skilled occupations too. Advances in technology will lead to increased automation and improve production efficiency in sectors such as manufacturing but may lead to fewer jobs in the long term resulting in a 'hollowing out' of the labour market as some jobs disappear. This will be particularly challenging for the low skilled and older workers who will be required to work for longer. There will also be an increase in qualification intensity within those occupations that have not previously employed higher level qualifications, which will make it difficult for less qualified older workers to compete.
- 5.5** Forecasts suggest that by 2022 around 48% of those aged 60-64 will be qualified at level 4+, compared to 34% in 2012. If this trend continues (and is broadly similar at a NW level) then current skills gaps at level 4 for older workers may be lessened. Yet despite the overall rise in qualification levels, there will potentially be a whole cohort of lower skilled people that will be left behind. Further, with 40% of current workers<sup>92</sup> only qualified to NVQ level 1 and 2, older people will need to reskill and upskill to ensure they are able to remain in employment as the economic landscape changes.
- 5.6** Southern parts of England will continue to benefit more from the economic recovery than other parts of the country. Less growth in the North-West could result in former

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<sup>90</sup> Working Futures 2014-2024: evidence report 100, April 2016, UK Commission for Employment and Skills

<sup>91</sup> Data not available at NW level for 50-64 cohort

<sup>92</sup> Industries analysed include: Agriculture and fishing, Energy and Water, Manufacturing, Construction, Distribution, hotels and restaurants, Transport and communications, Banking, finance and insurance, Public admin, education and health and Other services)

workers in labour intensive jobs needing to switch sector due to previous level of jobs being scarcer. Older workers may need to upskill or re-train to enable them to compete for jobs in different sectors.

**Figure 27: Population, jobs and GVA output growth 2014-2024**

	Population change		Employment growth (jobs)		GVA growth	GVA per job growth
	Number	%	Number	%		
Greater Manchester	147,000	5.4%	99,000	7.2%	26.9%	18.3%
Liverpool City Region	33,000	2.2%	24,000	3.6%	22.2%	18.0%
Cheshire and Warrington	34,000	3.7%	36,000	6.8%	26.5%	18.4%
Lancashire	31,000	2.1%	21,000	2.9%	21.5%	18.0%
Cumbria	-5,000	-1.0%	1,000	0.3%	17.8%	17.5%
North West	241,000	3.4%	176,000	5.0%	24.3%	18.4%
UK	4,374,000	6.8%	2,233,000	6.7%	27.7%	19.7%

Source: Greater Manchester Forecasting Model, 2015

- 5.7** The NW will broadly follow national trends. The region will see a 3.4% rise in its population by 2024 based on 2014 levels (241,000 people). ONS regional analysis shows that the NW has the second lowest growth, in terms of percentage points, with England seen to have growth of 7.5% in the same period. Better utilisation of older workers could make up for this lack of population growth and ensure that the NW has an experienced and competitive work force.
- 5.8** GVA in the region is projected to grow by 24.3% between 2014 and 2024, below the UK figure of 27.7%. Greater Manchester and Cheshire & Warrington are both expected to see GVA growth above the regional average, however Cumbria and Lancashire fall well below the regional average whilst Liverpool City Region is also expected to see growth below the regional average.
- 5.9** GVA per job is projected to rise by 18.4% in the NW between 2014 and 2024, below the UK figure of 19.7%. GVA per job is below the NW figure in all sub regions, with the exception of Cheshire and Warrington which is the same as the NW.
- 5.10** The NW is expected to see growth of 176,000 jobs between 2014 and 2024<sup>93</sup>. However, there are wide variations across the region, with forecasts suggesting that Greater Manchester will account for over half of the region's employment growth (99,000 new jobs) compared to jobs growth of just 1,000 in Cumbria. It will be vital to ensure that those parts of the NW that contain

<sup>93</sup> Pre Brexit forecasts

comparatively large numbers of older residents are able to benefit from job creation across the region.

- 5.11** Employment forecasts<sup>94</sup> indicate that the NW will follow national trends in the distribution of employment growth across industry sectors, with strong employment growth in Professional, Scientific and Technical Activities (which will see job growth of 19.5% between 2014 and 2024) and Administrative and Support Service Activities (16.6%), while employment levels will fall most significantly in the primary sector (with a 17.7% decline on average between Agriculture, Forestry and Fishing, and Mining and Quarrying) and in Defence; Compulsory Social Security (15.3% decline in jobs) and Public Administration. 46.2% of females employed in the NW work in Public Administration, Administration and Health, compared to 17.2% of employed males, suggesting that cuts will particularly affect female employment. The forecast loss of jobs may force many in this cohort into early retirement or more physically demanding, less attractive industries.
- 5.12** Similarly, the NW is forecast to follow the national trends in terms of future employment growth by occupational group. Professional Occupations will see the highest number of additional jobs (58,000) between 2014 and 2024, although high numbers of additional jobs will also be needed in Caring, Leisure and Other Service Occupations, Associate Professional and Technical Occupations, and Elementary Occupations. Highest employment growth relative to the size of the occupational group will be seen in Caring, Leisure and Other Service Occupations (14.3%), followed by Professional Occupations (11.1%) and Managers, Directors and Senior Officials (10.2%). This demonstrates that there will be future demand for workers at both the higher and lower ends of the occupational hierarchy.
- 5.13** Skills forecasts suggest the demand for NVQ level 4 qualifications in the NW will increase by 6.5% between 2014 and 2024, equivalent to an additional 7,600 jobs at NVQ level 4. This could have significant implications for the NW, particularly for areas such as Greater Manchester which already lag behind the national average for level 4 skills.

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<sup>94</sup> Greater Manchester Forecasting Model, 2015

**Figure 28: Employment growth by sector 2014-2024 in NW LEPs**

	<b>C &amp; W</b>	<b>Cumbria</b>	<b>GM</b>	<b>Lancs</b>	<b>LCR</b>	<b>NW</b>
Agriculture, forestry and fishing	-17.9%	-20.1%	-16.2%	-19.3%	-15.4%	-18.4%
Mining and quarrying	-18.3%	-18.6%	-18.3%	-6.5%	-22.4%	-17.1%
Manufacturing	-7.6%	-7.5%	-8.8%	-7.5%	-8.3%	-8.1%
Electricity, gas, steam and air conditioning supply	-9.7%	-6.6%	-7.8%	-14.6%	-5.2%	-9.2%
Water supply; sewerage, waste management and remediation activities	-8.4%	-13.4%	-3.5%	-1.5%	0.2%	-3.9%
Construction	15.1%	11.3%	12.6%	11.0%	12.1%	12.3%
Wholesale and retail trade; repair of motor vehicles and motorcycles	6.2%	-0.3%	6.9%	4.9%	3.4%	5.2%
Transportation and storage	7.6%	4.3%	6.3%	4.0%	5.8%	5.9%
Accommodation and food service activities	9.7%	6.0%	11.0%	5.3%	7.1%	8.3%
Information and communication	13.3%	4.9%	12.3%	12.6%	13.6%	12.5%
Financial and insurance activities	3.2%	-3.1%	2.6%	0.7%	-2.3%	1.6%
Real estate activities	10.0%	9.1%	12.2%	10.6%	12.0%	11.4%
Professional, scientific and technical activities	22.7%	12.1%	21.7%	14.4%	16.6%	19.5%
Administrative and support service activities	17.4%	10.3%	18.0%	14.9%	15.1%	16.6%
Public administration and defence; compulsory social security	-12.8%	-15.1%	-11.3%	-14.4%	-14.2%	-15.3%
Education	-2.5%	-6.8%	-1.1%	-2.1%	-4.0%	-2.5%
Human health and social work activities	2.8%	-2.0%	4.2%	0.1%	1.4%	2.1%
Arts, entertainment and recreation	16.2%	4.5%	15.7%	10.5%	10.0%	12.8%
Other service activities	-0.2%	9.7%	14.2%	15.5%	10.1%	10.9%
<b>Total</b>	<b>6.8%</b>	<b>0.3%</b>	<b>7.2%</b>	<b>2.9%</b>	<b>3.6%</b>	<b>5.0%</b>

Source: Greater Manchester Forecasting Model, 2015

**Figure 29: Employment growth by occupational group 2014-2024 in NW LEPs**

	C & W	Cumbria	GM	Lancashire	LCR	NW
Managers, Directors and Senior Officials	15.8%	7.0%	12.6%	6.2%	6.6%	10.2%
Professional Occupations	15.7%	13.7%	13.2%	9.4%	3.8%	11.1%
Associate Professional and Technical Occupations	13.7%	4.1%	10.7%	8.9%	1.4%	8.5%
Administrative and Secretarial Occupations	12.4%	4.2%	8.7%	3.9%	0.3%	6.2%
Skilled Trades Occupations	8.9%	3.8%	9.4%	1.6%	6.9%	6.1%
Caring, Leisure and Other Service Occupations	20.5%	14.4%	17.7%	10.2%	8.1%	14.3%
Sales and Customer Service Occupations	11.8%	2.1%	8.3%	5.1%	5.1%	7.2%
Process, Plant and Machine Operatives	6.0%	2.4%	6.8%	0.8%	6.9%	5.0%
Elementary Occupations	10.1%	3.8%	10.4%	1.8%	6.2%	7.0%
TOTAL	12.9%	6.2%	10.5%	5.2%	4.2%	8.2%

Source: Greater Manchester Forecasting Model, 2015

**5.14** Levels of employment growth will vary across the NW LEP areas, although LEPs will generally mirror the sectoral trends in job growth seen in the NW as a whole. The key trends in job forecasts by sector across LEPs are as follows<sup>95</sup>:

### **Cheshire and Warrington LEP**

Cheshire and Warrington is projected to see the second highest absolute and relative growth in employment in the NW between 2014 and 2024. Professional, Scientific and Technical Activities and Administrative and Support Service Activities will add the most jobs, as well as see the highest relative growth (22.7% and 17.4% respectively). Wholesale and Retail Trade is forecast to add the third highest number of jobs, while in relative terms Arts, Entertainment and Recreation will also see strong growth (16.2%). In terms of occupational growth, Professional Occupations are projected to add the highest number of jobs, although in relative terms Caring, Leisure and Other Service Occupations will see the strongest growth (20.5%). Separate data from Cheshire and Warrington LEP suggests that demand for labour is expected to increase by 230,000 by 2025 due to the replacement of older workers, with the greatest demand for people in managerial positions. Replacement demand is a significant issue for manufacturing (35% of the workforce are 50+); public administration, education and health (33% of the workforce are 50+) and transport and communication (27% of the workforce are 50+).

<sup>95</sup> Note that unless otherwise stated forecasts are from the Greater Manchester Forecasting Model

### **Cumbria LEP**

Cumbria is forecast to see a very small increase in the number of jobs over this period. Construction, Professional, Scientific and Technical Activities, and Accommodation and Food Service Activities are forecast to see the highest number of additional jobs. In terms of employment growth by occupation, Professional Occupations are predicted to see the highest absolute growth in jobs, and Caring, Leisure and Other Service Occupations the highest relative employment growth (14.4%). Separate data from Cumbria LEP suggests that an estimated 80,300 jobs may need to be filled between 2016 and 2021 due to replacement demand. Agriculture, energy and water (28% of the workforce are 55+) and transport and communication (24% of the workforce are 55+) have the highest proportions of workers aged 55+ and the replacement demand challenge is arguably most immediate for these sectors. However, in terms of scale, the challenge is far greater in distribution, hotels and restaurants, public administration and education and health.

### **Greater Manchester LEP**

Greater Manchester is expected to account for the largest share of employment growth in the NW. There will be strong demand for higher level skills in GM's priority sectors. Professional, Scientific and Technical Activities and Administrative and Support Service Activities will add the most jobs, as well as see the highest relative growth (21.7% and 18.0% respectively). Wholesale and Retail Trade is forecast to add the third highest number of jobs, while in relative terms Arts, Entertainment and Recreation will also see strong growth (15.7%). Professional Occupations and Associate Professional and Technical Occupations are expected to account for most of the additional jobs created, although relative to the size of the occupational group, it is the Caring, Leisure and Other Service Occupations which will see the highest growth (17.7%). GMFM indicates that there is likely to be total replacement demand of 921,000 jobs in the years to 2022, of which half will require skills to NVQ level 3 and a quarter to NVQ level 4.

### **Lancashire LEP**

Lancashire is expected to see some of the lower levels of employment growth in the NW. Here, employment growth will be concentrated in Professional, Scientific and Technical Activities, Administrative and Support Service Activities, and Construction, which will add the most jobs. In relative terms, Other Service Activities are expected to see the highest growth (15.5%). In terms of occupational growth, Professional Occupations are projected to add the highest number of jobs, although in relative terms Caring, Leisure and Other Service Occupations will see the strongest growth (10.2%). The Lancashire LEP estimate that replacement demand will contribute around 264,000 job openings over the next decade - compared to net jobs growth of 27,000.



**Liverpool City Region LEP**

The Liverpool City Region is also expected to see some of the lower levels of employment growth in the NW. The highest numbers of additional jobs are forecast for the Professional, Scientific and Technical Activities, Administrative and Support Service Activities, and Construction sectors. In relative terms, Information and Communication is also expected to see strong growth (13.6%). Meanwhile, in terms of occupational growth, Skilled Trades and Elementary Occupations are expected to see the highest increase in the number of jobs. Separate data from the Liverpool City Region suggests that replacement demand will contribute around 255,000 job openings over the next decade - compared to net jobs growth of 24,000.

## 6 Strategic approach and local initiatives

**6.1** This section considers national and local approaches aimed at supporting older workers into or to remain in employment. It reviews Government policy in this area, setting out the key actions being undertaken to support older workers into employment. At a NW level, it includes a more detailed review of the activity underway across the region to support the over 50s into work.

### **National context**

**6.2** The Government has recognised the need to provide help and support to older people and has issued guidance aimed at older people who would like to get back into work or stay in work longer<sup>96</sup>. The Government's approach has been twofold – increasing the participation of older people in the labour market, (recognising the economic gains that can derive from this) and to enable older people to live more fulfilling lives that include an element of paid work if they wish (recognising that more and more people will face financial hardship if they retire early). Government analysis suggests that halving the employment gap between older people aged 50-State Pension age and those in their 40s could have seen income tax and National Insurance receipts one per cent (just under £3 billion) higher and nominal Gross Domestic Product (GDP) up to one per cent (£18 billion) higher in 2013.

**6.3** Government has taken action in a number of areas<sup>97</sup> to address the barriers to employment that older workers face. Some of these have been considered in more detail elsewhere in this report but broadly, these include:

- The appointment Andy Briggs, CEO of Aviva UK and Ireland Life, as Business Champion for Older Workers in October 2016 to help promote the benefits of employing older workers to employers. He takes over from Dr Ros Altmann CBE.
- Employment support to help older workers return to work, including piloting new tailored support
- Training to develop and improve skills, including IT skills

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<sup>96</sup> Department for Work and Pensions (2016) *Guidance: Help and Support for Older Workers* [online]. Available at: <https://www.gov.uk/government/publications/help-and-support-for-older-workers/help-and-support-for-older-workers> [accessed 20th September 2016]

<sup>97</sup> Department for Work and Pensions (2014) *Fuller Working Lives: A framework for Action* [online]. Available at: <https://www.gov.uk/government/publications/fuller-working-lives-a-framework-for-action> [accessed 20th September 2016]

- Promotion of careers advice to help build CVs and career reviews for those seeking employment in a different industry
- Promotion of apprenticeships, self-employment and flexible working
- Promotion of the support available for carers

**6.4** The recent publication of *Fuller Working Lives: A Partnership Approach*<sup>98</sup> provides a framework to support people to stay in work longer and includes recommendations relating to flexible working, retraining, self-employment, volunteering and phased retirement. Effectively implementing this will be critical, as the evidence presented in this report suggests that the Government's efforts to date have not gone far enough and there needs to be more focused and sustained action to enable more over 50s to get back into work or remain in employment.

### **Northern Context**

**6.5** At a Northern level, the NPH IER and NW High Speed Rail Skills reports provide important context for LEPs and raise a number of critical points around skills and the potential of the NW:

- The NPH IER identified a significant performance gap with the rest of England caused by low productivity and employment and concluded that the North's skills was the most important factor driving the overall productivity gap. It also found that the North has a gap in skilled people and this has got worse in the post-recession period. Critically it noted that it will not be enough for the North to just upskill the existing population - it would be equally important for the North to attract and retain more skilled individuals from other places.
- The NW High Speed Rail Skills Strategy found that the region has the potential to become the UK's premier resource for engineering, rail and construction skills if it upskilled the existing workforce and encouraged take up of apprenticeships and the study of STEM subjects. Specifically, it noted that there is significant immediate demand for rail skills, with 1,000+ job opportunities in the North for the period 2014-19. Further, High Speed Rail has the potential to provide between 27,000 (HS2) and 50,000 (HS2 and Northern Powerhouse Rail (HS3)) new direct job opportunities for the region's workforce and wider Northern Powerhouse Rail (HS3). Moreover, including tier 1 supply chain effects, construction of HSR infrastructure North of Birmingham could support a total of around 80,000 jobs. In addition, it estimates that almost 6,000 apprenticeships will be created, with a third of jobs created likely to require skills of Level 4+.

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<sup>98</sup> Department for Work and Pensions (2017 ) *Fuller Working Lives: A Partnership Approach* [online]. Available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/587654/fuller-working-lives-a-partnership-approach.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/587654/fuller-working-lives-a-partnership-approach.pdf) [accessed 2nd March 2017]

The economic potential of the North is clear but both of these reports clearly acknowledge the need to address skills issues through upskilling, reskilling and attracting and retaining talent. Older people have a crucial role to play in ensuring that the North meets its economic potential and ensuring they are able to return to or remain in the workforce for longer will help to address these skills issues.

### **North West context**

**6.6** Each of the North West LEPs Strategic Economic Plans are linked into skills strategies for their area. However, whilst there is recognition of the challenges presented by an ageing population in each none of the strategies set out a strategic approach to addressing these challenges or to building on the opportunities that an older population presents.

**6.7** The NW LEPs skills strategies do however highlight a number of common themes and key issues in relation to the region's labour market. Whilst these are not specifically focused on the 50+ cohort, the data previously outlined in this report highlights the significant economic benefits of upskilling this cohort as part of efforts to upskill the wider resident population in the NW. Common themes across all NW strategies include:

- With all sub regions forecast to see a large number of workers retire in the coming years replacement demand is a key issue that all areas are seeking to address (further details can be found in chapter 4)
- There is a clear emphasis on young people and ensuring they have the necessary skills to succeed in the labour market. However, there is less focus on helping older people to remain in work. This suggests that the skills and employment needs of the over 50s have not perhaps previously been as high a priority for most LEP areas<sup>99</sup>
- There are vast labour market differences in sub region's across the NW, however the following skills issues are highlighted as priorities in each of the LEP skills strategies:
  - Increase attainment at level 2 and level 3, particularly in English & Maths
  - Increase the number of people qualified to level 4+
  - Increase the quality and quantity of apprenticeships at level 3+
  - Attract and retain skilled individuals
  - Increase employer engagement in skills and encourage a greater commitment to workforce development / training
  - Improve links between business, education and training, ensuring that curricula are informed by the current and future needs of businesses;

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<sup>99</sup> Cheshire and Warrington's Employment and Skills Strategy from 2013 is an exception here with specific actions and targets to support people aged 50+

- Develop tailored employment support provision to ensure it is more effective at supporting residents into employment – particularly hard to reach groups who are often at risk of redundancy, helping them to re-train or transfer their skills to other sectors
- Improve Information, Advice and Guidance provision
- Improve the digital skills of the local population

**6.8** Feedback from stakeholders<sup>100</sup> reinforces many of the issues highlighted in SEPs and skills strategies and supports the findings from the quantitative and qualitative analysis previously set out. Amongst the most commonly cited employment and skills issues that may be acting as barriers to employment for this cohort are:

- The need to improve basic skills (level 2) and higher level skills (level 4)
- The importance of ‘soft skills’, particularly good communication skills, the ability to work as part of a team and management/leadership skills
- The need to improve skills gaps across key sectors with health, manufacturing and construction frequently cited
- The need to address skills gaps, particularly IT skills
- The need for training to better respond to business needs and in a more timely manner

**6.9** Consultation with the NW LEPs has revealed that there are a number of sub-regional initiatives specifically aimed at improving the skills of the over 50s and supporting them into employment and these are set out below:

#### **Cheshire and Warrington**

There are a number of initiatives underway including:

- A Retraining and Reskilling ESF funded project that includes over 50's as a priority and provides the reskilling opportunities to take advantage of local labour market opportunities. The LEP is also encouraging local businesses to harness the knowledge and experience assets of the older workforce and to actively engage those employees in workforce development and the recruitment of new talent. It champions the benefits of involving the older workforce in mentoring and coaching young people, especially apprenticeships, to ensure transfer of knowledge and skills within the business and therefore reducing the impact of replacement demand.
- Cheshire East Council led a Digital Learning Champion Pilot which included a focus on over 50's and increasing their digital skills to enable them to learn, save money, find employment, access and engage with health services and keep in touch with family and friends.
- Age UK is also very active in the area and provides a range of courses to the over 55's including computers skills, languages and leisure courses. A dedicated computer centre helps over 55's develop basic computer skills through one to one training.

<sup>100</sup> Stakeholders consulted: NW LEP representatives on the Regional Research Collaboration, key businesses in the region and other relevant stakeholders such as the NW Skills Leads group, Centre for ageing better, Age UK and the GM Ageing Hub. Further details regarding the stakeholder feedback received can be found in Annex A.

## Cumbria

There are a number of ageing related initiatives underway including:

- An ESF contract that will focus on supporting the over 50s into employment.
- PHX training provide courses in English, Maths IT and employability targeted at the over 50's specifically.
- West Cumbria Trades Hall and Cumbria Adult education run employability, maths, english and ICT programmes, but this is for all ages, not just 50+.

## Greater Manchester

GM is playing a leading role in the region, with a significant programme of work around ageing. Through devolution the sub-region has a number of levers at its disposal:

- Building on its internationally recognised status as the first UK [Age Friendly City](#) endorsed by the WHO, the [GM Ageing Hub and Centre for Ageing Better have agreed a five year partnership](#) to develop and test a new approach to support people aged 50+ re-enter the labour market. It is estimated that boosting the number of people in work aged 50+ in the region to the average for all ages in GM could boost the region's economy by as much as £901.6m. As a first step, Ageing Better and GMCA have agreed to develop and test a new approach to support people aged 50 and over who are workless or in insecure work. It is hoped this work will generate new evidence that can be spread nationally, and adopt and implement evidence of 'what works'.
- [The Future of Ageing in Greater Manchester](#) provides an evidence based strategy to help GM become the first age friendly city region in the UK. It provides the foundation for further work and partners in GM are signed up to taking forward the strategy's actions and objectives. A companion piece of research – [Developing an Age Friendly Strategy for Greater Manchester](#) - has also been produced by the University of Manchester. This identifies several policy options designed to assist this objective, building on evidence about demographic, social and economic changes which are likely to affect the region over the next two decades. These reports illustrate the action being taken locally across GM.
- GM has also launched an initiative with DWP to help people on ESA overcome barriers to work through more integrated and intensive support. The [Working Well Programme](#) will help 5,000 benefits claimants who have struggled to find work. 40% of people benefitting from this are aged 50+ and to date the initiative has resulted in a positive impact on the economy as well as savings to the welfare budget. Similar approaches could benefit other parts of the region.
- GM is also leading a number of other initiatives including: Ageing Well in Work, Health Manchester, BITC evidence reports on definitions of 'good work' for the over 50s and the development of good practice casestudies.
- The GM Mayor has announced a number of measures to support older people and placed an emphasis on tackling age discrimination in the workplace and encouraging employers to upskill and recruit older workers. The GM Employers Charter will support these aims, setting out the standards and actions of all good businesses.

## **Lancashire**

A number of initiatives are underway including:

- The Lancashire Employees Support in Skills ESF /SFA opt in project engages with employers and employees to up-skill employees. It offers a bespoke development programme to raise attainment levels, increase apprenticeship participation and reduce skills shortages and is delivered by Learndirect. The over 50's are identified as a priority group for support due to the ageing working age population in Lancashire.
- The Age of Opportunity is an ESF/Lottery funded Building Better Opportunities project that supports people aged 50+ who are currently unemployed or economically inactive to improve their skills and employability by addressing barriers that are specific to this age group. The Social Enterprise Lancashire Network and a range of partners provide guidance information, volunteering, training, employment and enterprise activities.
- Access to Employment, delivered by The Lancashire Employment and Skills Executive Partnership, will support unemployed people aged 19+ into work and enhance Apprenticeship provision. Employment Programmes will be vocationally focused linked to employment opportunities in priority sectors and will upskill individuals in-line with the needs of recruiting employers. Other support available will include mentoring, advice on job searching, CV tips and interview techniques, literacy, numeracy ESOL and ICT training. It will also help those with personal or social barriers to employment. Enhancing Apprenticeships aims to increase take up and employer support of apprenticeships and will support the unemployed to access apprenticeship routes. Both projects will offer work experience as part of the training.

## **Liverpool City Region**

A number of initiatives are underway including:

- A £2m Digital Inclusion project will begin in early 2017 and will have a particular focus on residents aged 45+. Funded by ESF and the Big Lottery Fund, it will provide residents with new digital skills to search for work, improve their employability and increase job prospects.
- Liverpool City Region's Skills for Growth funding and forthcoming ESF monies co-commissioned with the SFA will provide an opportunity for employers to upskill existing staff. Although not specifically targeted at the over 50s, this could help improve transferrable skills of older workers.
- The City Region's emerging Skills for Growth Annual Report will consider the support required to help the over 50s cohort: as part of the evidence base, the report will build on employment/skills data with insight from Adult Education providers, JCP colleagues and ESF delivery partners to highlight key issues.

## Best practice: employment programmes in other OECD countries

- 6.10** Research shows that the UK is lagging behind other OECD countries in terms of the employment rate of the over 50s and this has remained fairly stagnant over time. The UK ranks 15<sup>th</sup> out of 34 OECD countries for employment among 50-64 year olds<sup>101</sup>. There is also a substantial employment gap between the older employment rate in the UK and that of better performing OECD countries. On average OECD countries have an employment rate 3.6 percentage points above that of the UK for 50-54 year olds, rising to 12.6 percentage points for 60-64 year olds. This suggests that the over 50s in the UK face significant barriers to employment compared to those in other OECD countries.
- 6.11** In this respect, there is perhaps much that can be learnt from other areas that have successfully implemented employment programmes targeted at the over 50s. The case studies below show how tailored, one to one employment support for the over 50s can improve employment rates and ensure older workers make a valuable contribution to the economy.

### *Case study: Canada Targeted Initiative for Older Workers*

In Canada a targeted initiative for those aged 55-64 has been particularly successful in preparing older workers for employment and increasing employability in communities where there is little likelihood of immediate employment. Funded by central and local Government, it provides support to older workers looking to find a job, change careers or start a business. It is easy to access with participants able to either drop off their CV in person or email it to their local employment support centre. Participants are then assigned an employment case worker who assesses their needs and offers one to one advice. A full package of support is offered including: CV writing, interview techniques, job search techniques, specific skills training targeted to identified or anticipated labour market demands, career counselling, networking, direct marketing to employers, work experience and post project mentoring and support. From 2007-2011 the initiative supported nearly 13,000 older people at an average cost of \$7,000 per person. An evaluation of the initiative surveyed 2,410 people and found that 75% of survey respondents found employment following the programme and 82% of respondents were positive about the support received. It also found that those who participated in the initiative were more likely to find paid employment than those who did not.

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<sup>101</sup> Resolution foundation analysis of OECD data quoted in <sup>101</sup> Unfinished Business: Barriers and Opportunities for Older Workers, 2012, Resolution Foundation



*Case study: Isle of Wight Startmeup50 programme*

The Isle of Wight Chamber of Commerce provides dedicated start up support to the over 50s by providing help and advice on starting a business or becoming self-employed, including help with developing Business Plans. It holds monthly workshops and provides ongoing 121 mentoring as part of its Age Friendly Island campaign, funded by the BIG Lottery Fund. The workshops are followed up with 1 to 1 mentoring every month until the business starts, followed by regular support for the next three years. Mentoring is very informal and in a relaxed environment, including home visits. There are also regular drop in sessions held, which bring together start-up businesses. Providing dedicated and tailored advice, mentoring and support with Business Plans helps address some of the key challenges that older workers face by building confidence and knowledge and addressing skills gaps.

## 7 Policy Recommendations

- 7.1 This report has highlighted the particular skills challenges and barriers to employment affecting those aged 50+ in the NW. It has revealed that whilst there are common challenges that exist in each area there are also stark differences in how areas perform with skills challenges often particularly acute in the urban areas of Liverpool City Region and Greater Manchester. In these areas in particular there is a need for reform at a national level to address the barriers to employment amongst the over 50s, however there is much that can be done at a NW / local level by strengthening existing activity.
- 7.2 This final section considers all of the evidence presented and sets out a suggested approach for addressing the issues identified. **The most critical issue for all areas, however, is in raising awareness of the agenda itself and the issues faced with respect to an ageing workforce.** The needs and opportunities that a growing older labour market can offer across each of the LEPs requires a whole system response from NW LEPs including hard wiring over 50's needs into skills and employment strategies across the region, and factoring the findings into health and social care reform and wider programmes for each LEP area.
- 7.3 Government, NW LEPs, and other stakeholders all have a role to play in supporting the delivery of these recommendations. NW LEPs will need to consider how these recommendations will be taken forward in the context of the Northern Powerhouse Partnership and the appropriate geography for action (local, LEP, regional or Northern). Further consideration needs to be given to how to 'stop the flow' so that workers currently in their forties do not face the same issues as those aged 50+ now.
- 7.4 An action plan for taking this report's recommendations forward will be developed as part of the RRC 2017/17 research programme. This will identify both short term and longer term actions at a LEP level with action focussed on those areas considered to be the greatest challenges in an area.

### Headline priorities and recommendations

- 7.5 The three headline priorities below outline the main routes through which skills and employment issues amongst the over 50s in the NW may be addressed. These are underpinned by a series of more specific recommendations.
1. *Develop a strategic place based response including via devolution, Strategic Economic Plans, Skills and Employment strategies and the Area Based Review process and embed practices in local authorities and their supply chains*

- **NW LEPs to ensure the needs and opportunities of older people are reflected in SEPs and through the ABR process in order to address skills gaps.** This could include piloting apprenticeships specifically aimed at the 50+ cohort and working with local providers / employers to develop training programmes (e.g. on digital skills) that better reflect local demand. LEPs should also use local powers over skills provision to address skills issues where possible.
- **NW LEPs should design and commission business support programmes which include a focus on older workers.** LEPs should also work closely with delivery partners (e.g. Manchester Growth Company in GM) to raise the importance of support for older workers. There is also an opportunity to use skilled older workers and early retirees as mentors as part of an enhanced business support offer.

## *2. Increase awareness and policy and reform at a national level*

- **Lobby government to ensure that ageing is at the forefront of national strategies.** Engagement with relevant Government Ministers and the Business Champion for Older Workers to ensure the needs and opportunities of the over 50's in the NW are at the forefront of Government thinking on this agenda.
- **Ensure that carers in the NW are able to fulfil this role through timely carer's assessments. Also ensure that the views of NW LEPs are considered in the new cross Government Carers Strategy.** GM's devolution in health and social care is a good example of a local level response being tested.
- **Tailor employment support within the national system to better meet older people's needs.** The current system is fragmented and needs to be more integrated and personalised in order to tackle the range of issues older people can face when returning to work. Evidence from this report suggests that the Government should review the availability of alternatives to retirement benefits such as Employment Support Allowance and the structure of age-related national insurance contributions that could be strengthened or better aligned; introduce National Insurance tax breaks for firms hiring people aged 50+ who are long term unemployed; provide more training and advice on how to set up a business and start-up funding and look at opportunities for creating more high quality part time work.

## *3. Embed cultural change locally, with local authorities taking a lead, promoting best practice, improving business support and encouraging businesses to adapt their working practices / build on existing activity to drive more rapid change*

- **All LEPs in the NW should work towards achieving age friendly city region status.** This means taking active steps to become more age friendly

and facilitate the inclusion of older people in the workforce for longer / reducing long term unemployment. GM is seeking to achieve this through its Ageing Hub.

- **NW LEPs should work with local authorities and businesses to review their Human Resources policies, ensuring that they are age friendly.** This should include policies such as phased retirement, family care leave and the introduction of more flexible working policies
- **NW LEPs should work with local authorities to promote the benefits of Continuous Professional Development to their employees and undertake mid-career reviews.** Encouraging and supporting older people to continually update their skills and stay in work for longer will enable them to adapt and embrace change and be more financially secure in retirement. Mid-life career reviews should be embedded into local authority HR processes and these should promote the benefits of employing older workers and encourage employers to upskill / retrain older workers by adapting their training and development to suit an older workforce.

# Annexes

## Annex A - Stakeholder feedback from LEP areas

### *Cheshire and Warrington*

- The area benefits from a highly skilled labour market – including older highly skilled people. Employers are, for the most part, able to source the skills they need to fill vacancies.
- Despite this, employers were concerned about the supply of labour over the next decade given the declining working age population and noted the need to maximise the workforce and retain skilled people.
- Addressing worklessness, and improving basic skills are a priority. For older people, more support is required for those adjusting to job losses in traditional manufacturing sectors, ensuring they are aware of re-training options or can transfer their skills to other sectors where possible.
- Employers in the sub region increasingly require at least a level 2 qualification. Higher level skills – particularly at level 3 and 4+ are also in demand.
- Communication skills, team working, customer care and sales and marketing skills are regarded as important skills by employers across a large number of sectors, but are often lacking amongst staff. ICT skills and soft skills were cited as the most lacking skills by employers.

### *Cumbria*

- Cumbria has an ageing population that is older than the national average, reflecting its quality of life offer.
- Employers expressed concern about the declining working age population and the impact this would have on the ability to fill vacancies going forward.
- Employers reported skills gaps / skills shortages and recruitment difficulties across a number of important sectors, including health. In particular there is a need for leadership and management skills, customer handling skills and core or transversal' skills such as team working. STEM skills and IT skills were in demand by employers both now and in the future.
- Survey data show that too few employers in Cumbria are investing in training for their staff although no particular reason was given for this. This suggests a need to better promote the benefits of workforce development to employers.

### *Greater Manchester*

- Employers felt that a lack of skills (both basic and higher level skills) were holding GM back.
- Poor health contributes to the high number of over 50s that are economically inactive and this is a key cause of GMs productivity gap

- Employers stated that skills gaps and skills shortages act as an inhibitor to growth and investment. In particular employers cite a need for English & Maths, digital skills, meaningful work experience and soft skills (such as communications, team-work, time-keeping). Sales, business management, business development, mathematics and accountancy are some of the skills that employers seek the most.
- Survey data<sup>102</sup> show that Greater Manchester employers are less likely to hire the over 50s than the national average.

#### *Lancashire*

- Employers reported difficulties recruiting skilled workers in higher level occupations, particularly for a number of the priority sectors. Reskilling the existing workforce will go some way to addressing this.
- Skills gaps exist across a range of important sectors including health. This was evident in the number of employers reporting difficulties in recruiting highly skilled and experienced personnel
- In the future, employers expect to find it difficult to recruit higher skilled and experienced personnel. Increasing demand for construction is likely to lead to more severe skills shortages in skilled trades, with the potential for the displacement of skilled workers from other sectors.

#### *Liverpool City Region*

- Employers flagged significant skills gaps at all levels. This links to data that show there are long standing skills gaps for older residents in the LCR and these widen at level 3+ and level 4+. Older people are also less qualified than younger pop - 6 out of 10 residents aged 40-64 have no qualifications.
- Poor health contributes to the high number of over 50s that are economically inactive and is a significant factor drag on productivity.
- Employers value apprentices and continue to invest in their development. Level 2 apprentices remain the most in demand by employers.
- A key issue cited by employers is the need for training provision to respond to business requirements in a more timely manner.
- Employers cited digital skills as key as well as soft skills, language skills, management/leadership skills and technical skills.

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<sup>102</sup> Greater Manchester Skills Analysis 2015-2016, New Economy

## Annex B

### Costs of shrinking the skills gap

#### Assumptions

Although there are several possible alternative approaches to devising ‘rates per learner’ we have endeavoured to keep the calculations as simple as possible. In doing so, it is important to be clear about some of the assumptions necessary to arrive at our estimates – and the consequent caveats that need to be borne in mind when using them.

- We cannot assume that all the people without a certain qualification would be either capable of attaining it or would want it. Our calculations assume everybody can achieve the necessary level and is willing to do so.
- The calculations do not allow for age related funding, deprivation uplifts, area cost adjustments (for areas of the country with high property and living costs) or entitlements to state support. This makes a very large practical difference. Funding for 16-19 year olds is approximately double that for people over 19. The principal source we use here for funding rates is the Skills Funding Agency’s Simplified Funding Rates for 2015/16<sup>103</sup> and so refers to 19+ year olds. SFA funding is known to be under particular pressure. Therefore, the calculations are likely to underestimate the costs of upskilling. Across all calculations we assume a middle weighted course (a ‘C’ weighting in the SFA’s taxonomy).
- We also make no adjustments for success rates. Typically, pass rates vary by level, institution and type of course. We assume 100% success rates.
- Our funding information relates to the cost of courses, but the skills gap information relates to individuals. Naturally, a learner can pursue more than one course so the estimation is imprecise.
- The funding calculations cannot account for training offered by employers, a potentially very important route for those residents aged 50 years and over who theoretically require upskilling to reach skills national levels.
- Finally, and importantly, LEPs differ in their skills profiles with some having ‘skills surpluses’ compared to the UK average, while others have skills gaps. We ignore all surpluses and deal exclusively with skills gaps.

#### Methodology for funding rate calculations

Given the caveats outlined above some brief notes about how we have treated the data are necessary. The key skills gap is caused by a shortage of people qualified at level 4+. And it is this that needs to be remedied on a regional basis. Yet individual

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<sup>103</sup> <https://www.gov.uk/government/publications/qualifications-simplified-funding-rates-2015-to-2016>; we also use HEFCE information to estimate graduate upskilling costs

LEPs within the North West are extremely varied. The priorities for the North West may or may not be the priorities for each LEP.

At level 4+, we assume that 50% of residents would be upskilled via the further education route and thus funded through the SFA, while the other half would obtain qualifications at level 4+ at a higher education institution, funded through HEFCE. This involves some discussion of how much a typical degree 'costs'. A quick survey of recent publications reveals different figures in circulation. For example, a publication from the Higher Education Policy Institute, which compares German and British higher education systems, suggests cost per student in the UK was £11,387<sup>104</sup> in 2014 (derived from US dollar equivalence of \$16,500). According to the OECD, the typical cost of tertiary education in the UK was £10,167 using 2011 data (\$14,223) – the UK's spending in its tertiary education sector per student is average for the OECD<sup>105</sup>. Meanwhile, according to a set of recent set of government performance indicators, cost per student was £6,280<sup>106</sup> (this figure does not allow for inflation and uses provisional figures). We intend to use this latter figure in our calculations of the level 4 skills gap, but it is worth bearing in mind that it may understate the costs of higher education. For SFA funded level 4 learning, meanwhile, the average for a medium weighted course was £3,974. For all calculations referring to people needing upskilling to level 4+, we assume half are HEFCE funded and half are SFA funded and apply the different rates accordingly.

The table below shows the rates per skill level we have used for this project.

#### **SFA funding rates, 2015/16**

	<b>Cost per learner (SFA)</b>	<b>Cost per learner (HEFCE)</b>
<b>Level 4+</b>	£ 3,975	£ 6,280

*Source: Authors' calculations from SFA Simplified Funding Rates*

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<sup>104</sup> Hillman, N., Keeping Up with the Germans, A comparison of Student Funding, Internationalisation and Research in UK and German Universities, Higher Education Policy Institute, 2015.

<sup>105</sup> OCED, Education at a Glance 2014: OECD Indicators, Indicator B1: How Much is Spent Per Student, available at <http://dx.doi.org/10.1787/888933116908>; note that data is for 2011

<sup>106</sup> See Funding Per Student in Higher Education, BIS, June 2014