

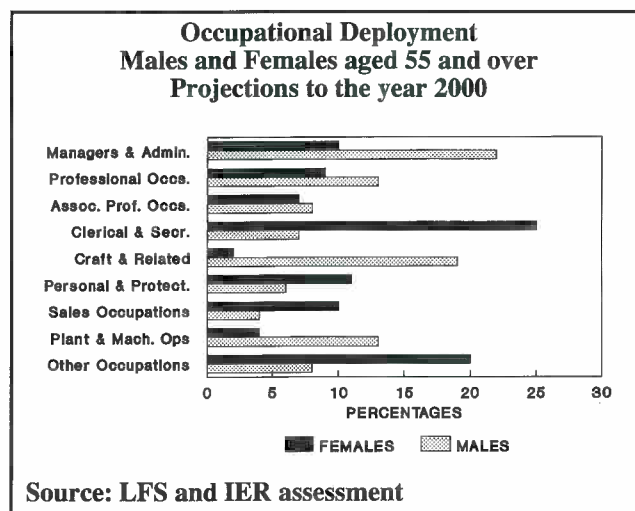
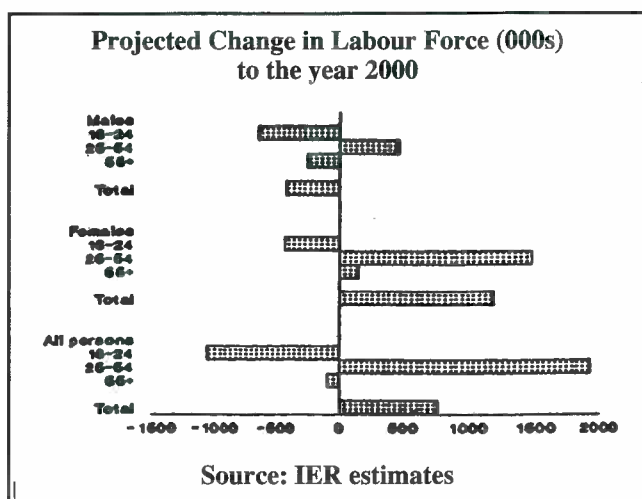
Bulletin

Institute for
IER Employment
Research

Labour Market Prospects for Older Workers

Changes in the demographic structure of the labour force occurring in the 1990s have focused attention on the need for employers to re-assess their human resource strategies. Traditionally employers have relied on young people as a source of labour. However, in Britain the number of 16/19 year olds entering the labour market is now substantially reduced. Alternative sources of labour supply have been identified; most notably women who have never had employment, women returners and older workers.

industries (agriculture) or occupational categories (managers), there are few parts of the economy where they are not represented. Given the vast work experience which most of these individuals bring to their jobs, it is clear that this group represents a very important reservoir of skills for the British economy.



People in the so called Third Age, currently make up a very substantial part of the UK workforce. In 1990 there were of the order of 3 million workers in employment over the age of 55, two-thirds of whom were male. Older people are to be found in a wide variety of jobs, across all industries and services and in almost every occupational category. Although there are certain areas where older workers are especially likely to be found, such as particular

There are a number of distinct differences in the distribution of employment for older men and older women. Older female workers are concentrated in 3 main industries; distribution, non-marketed services and miscellaneous services. The most significant occupational group for older women is the 'other occupations' category which covers unskilled work, especially cleaning.

Older men are also present in substantial numbers in distribution and non-marketed services, and to a lesser extent in industries such as financial services and



construction and transport. The occupational structure for older men is less concentrated. Managerial occupations are important in distribution and agriculture, and craft and operative jobs within manufacturing.

Labour Market Participation of Older Workers

In the recent past the activity rates of older males have shown a marked decline stemming mainly from rising real incomes and earnings and depressed labour markets. In contrast, for females the trend has been upwards. On the demand side, adjustments in the economy have led to the loss of jobs in low-skilled manual categories where older males have been disproportionately affected, while growth in the service sector has especially benefited females wanting to work part-time. The extent to which these trends are likely to continue has been the focus of recent research conducted by the Institute for Employment Research, supported by the Department of Employment and by the Carnegie Foundation.¹ The IER assessment of employment and occupations to the year 2000 was used to project and analyse the labour market position of older workers. In addition, the likely variations resulting from two alternative macroeconomic scenarios – a *quality and a cost cutting* scenario were explored.

Continuing growth in real incomes and earnings and social trends towards a more equal labour market role for females, suggest that activity rate trends for males and females will continue to diverge. For males, the Institute projects further reductions in the supply, of the order of a quarter of a million, but for older women increases of the order of 150 thousand by the turn of the century. These contrast with official projections of no change by the Employment Department in its *Gazette*.

Changes in the Structure of Labour Demand

On the demand side, key features of the projections are the continued growth of employment in the service sector (despite current problems) but further job losses in primary and production industries. The number of part-time jobs is expected to grow most rapidly, especially in those areas typically taken by women. Occupational structure will continue to shift in favour of managerial, professional and associate professional jobs. Manual, blue collar workers will continue to lose jobs, especially those who have few skills. Self-employment is likely to show further growth.

Implications for Older Workers

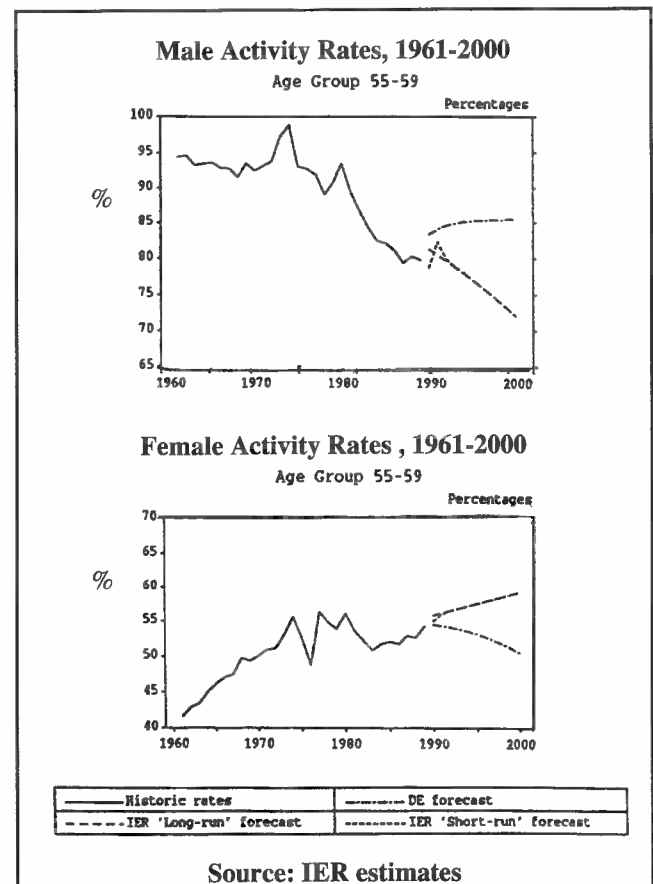
Some of these changes may benefit older workers. For example, increased availability of part-time jobs may provide opportunities for those who wish to continue working but not full-time. To the extent that good quality jobs can be opened up to part-time occupancy, on terms and conditions similar to those working full-time, this would benefit both older men and older women and increasingly legitimise part-time work for men as well as potentially retaining the skills of those who would

otherwise move directly from full-time employment to full-time retirement.

Self-employment is also projected to continue to grow relative to employees in employment. This phenomenon may mean better opportunities for older workers since the self-employed tend to have longer working lives. However, as with the quality of part-time jobs, the quality of self-employment may be problematic.

For others, however, the prognosis is less optimistic. Older workers employed in industries in decline, whose skills are rapidly becoming obsolete, will face a very difficult employment situation. These are likely to be concentrated in manufacturing and other production industries, such as coal mining. Older workers are likely to share some of the benefits of future growth, but they will also bear the brunt of those changes associated with the decline of many traditional industries. However, the age structures within individual industries and occupations will alter only slowly so that by 2000 the overall pattern of employment for older workers will not look too different from that in 1990.

This conclusion also applies to the impact of the alternative macroeconomic scenarios. Clearly the experience of particular groups within the workforce will be sensitive to the fortunes of particular sectors, but within these constraints the effects on older workers are unlikely to be very different from those on younger people.



The fortunes of older workers in the labour market will therefore depend crucially upon the qualifications and work experience that they possess. For those with poor qualifications, few skills and jobs in declining sectors the prospects are grim. Much of the burden of restructuring may fall on older workers. In contrast, those workers who are well qualified, highly skilled and in jobs in growth sectors will face exciting prospects for future employment, as employers struggle to find the skills they require in a dynamic economy. This suggests that adult training could be a key issue in determining whether older workers participate more fully in the benefits of economic growth.

Prospects for Men and Women

Third age employment and unemployment mean quite different things to men and women. The variations between their experiences of the labour market during the so-called prime-age period leave them in radically different positions by the time they reach their mid-fifties. In addition, among both groups there are very large differences in choices available regarding work and retirement opportunities between those with good career jobs and those who have poor conditions of employment or who are unemployed. This form of differentiation or polarisation overlays that relating directly to gender.

In promoting opportunity in the third age, whilst being concerned about, for example, skill shortages and excessive pension costs, there is a strong case for starting with the notion of improving the integration of older women within the labour market rather than providing incentives to older men to remain longer than they wish under present arrangements. Concern over third age discrimination should then focus on women who have never had labour market positions that fully reflect their competences rather than on men who have lost or wish to relinquish positions that did.

The precise prospects for older workers depends on the interplay between supply decisions and the recruitment and retention policies of employers. The Institute for Employment Research has also undertaken case study research directly concerned to examine the experience and assessments employers make about their use of older workers.²

Case Studies of Organisations Employing Older Workers

In general, employers appear to approach the issue of having older workers with considerable circumspection. The extent to which a number of specific concerns – the ability of older people to undertake the job, their willingness to remain in employment, increased costs and absenteeism – are in practice well founded was considered in a comparison of two companies in America (a hotel chain and financial services company) and one establishment of the UK retailer B&Q, all of whom made substantial efforts to recruit older workers. In the case of B&Q, 5 comparison establishments were available, none of which had a specific policy to recruit older workers.

Employee Performance

On a range of measures indicative of employee performance older workers match younger workers and, in some cases, supersede them. Older workers employed primarily in response to high labour turnover within the computerised national reservations system of the hotel chain, operate differently from younger workers but either match or supersede them in terms of reservation rates. The 'experimental' B&Q store, staffed by employees aged over 50, compares favourably on 4 different indicators of performance with otherwise similar stores staffed predominantly by younger workers.

Measures of Store Performance at B&Q (Index: Macclesfield = 100)		
	Macclesfield Store	Average of Five Comparison Stores
Sales	100	91
Profitability	100	85
Productivity	100	102
Leakage	100	242
(Source: B&Q)		
Note: With reference to B&Q data, in order to protect confidentiality of specific store data and allow readers to understand differences to the Macclesfield store in percentage terms, the data has been transformed into an index with Macclesfield set to 100.		

Labour turnover amongst older workers is substantially lower than that found amongst younger workers. In one American establishment, overall duration of employment amongst younger workers is one year compared to 3 years amongst older workers. In the case of the financial services company, whose labour shortages were dealt with through a recourse to temporary labour and older workers, the latter proved more reliable with higher levels of labour persistence. In the case of B&Q, average staff turnover in the 5 B&Q comparison stores is five times that found in the 'experimental' Macclesfield store, despite being located in a similar type of labour market.

Staff Turnover at B&Q (Index: Macclesfield = 100)	
Macclesfield	100
Store 1	689
Store 2	617
Store 3	372
Store 4	477
Store 5	654
5 Stores Average	562
(Source: B&Q)	

Employment Costs

The structure of employment costs (wages, health, pension and insurance payments and training costs) are country specific and are also differentiated by age and family structure. Notwithstanding these differences, however, in total employment costs in all 3 case studies were lower for older workers than for younger workers. The pattern for the component costs is, however, variable. With regard to wage costs, none of the case study organisations determined pay by age *per se*. However, where seniority is a component in determining wage levels there is a tendency for older workers to earn more because of the likelihood that they will remain in the job longer than younger workers. Higher pay also reflects higher productivity where profit sharing or bonus schemes operate.

Health care cost are particularly relevant in the American case studies. There is no evidence that these costs are higher amongst older workers – than younger workers, in large part due to the self-selection process. Older workers who elect for employment tend to be healthy. This in turn has an impact on absenteeism which is consistently lower than amongst younger workers. The employing organisations all required workers to make use of new technologies. Employers' expectations of a likely increase in training times and therefore costs, (due to a belief in the limitations of older workers *vis-a-vis* new technologies) are not substantiated by the data. Thus, while it is clear that different advantages and disadvantages accrue to different age groups of workers, the indicative evidence is that,

Cost Structure of Employing Older Workers at Days Inns (Annual Costs Per Average Employee \$)

	Age	
	Under 50	Over50
Training*	1646	584
Recruiting*	96	34
Wages	9441	9572
Incentive Payments	323	188
Health Insurance	674	663
Pensions	28	84
Life Insurance	45	68
Total	12253	11173

(Source: Days Inns of America)
* One-time cost annualised over career of average employee.

overall, older workers are as important and productive a resource to employers as younger workers.

Notes

1. The results reported here are based on research funded by the Department of Employment and by the Carnegie Inquiry into the Third Age. Findings from the latter wide ranging study will be published in full later this year.
2. These studies were supported by a grant from the Commonwealth Fund.

The Institute

The Institute for Employment Research was established by the University of Warwick in 1981. The IER has a diverse portfolio of research projects funded by organisations which include the Employment Department Group, the Economic and Social Research Council, the Department of Social Security, the Commission of the European Communities and a number of local authorities.

Current research includes: forecasting occupational change and skill requirements at the national and local levels, the evaluation of employment policies and programmes, recruitment processes, international aspects of labour markets, and the likely labour market consequences of completion of the European single market.

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