

# **Behind the headlines: Why the employment rate does not tell the whole story about working longer**

**April 2017**

## **Contents**

Summary of findings.....	3
Introduction .....	4
The top-line (and headline) .....	5
Moving beyond the headline .....	7
Is the decline in hours good or bad?.....	9
State Pension age rises.....	10
The gap between rates and hours gets wider.....	10
Age and gender changes.....	11
The 2008 recession was not responsible.....	11
Conclusion .....	12

## Summary of findings

- The headline employment rate does not tell the whole story about how the labour market has changed for older workers, making it an insufficient – and even misleading – tool for public policy decision-making.
- While headline rates for older workers have increased since the 2008 recession, the flip side is that the number of hours worked on average has declined since then. However, the 2008 recession is not the cause of this – it is a longer-term trend.

Our analysis looked at both employment rates and average hours worked:

### **Hours worked**

- This reduction in hours worked demonstrates there is more to recent labour market changes for older workers than often reported, and has obvious knock-on consequences for income and pension saving.
- For men, there has been a decline in hours worked for all workers, regardless of age or the skill level of the occupation.
- This is also true for women in higher-skilled roles, although more positively those in lower-skilled roles have seen an increase in hours worked (as have those aged 60-64, owing to the effects of the rising State Pension age).
- Fewer hours worked will make it more difficult to maintain standards of living until a worker reaches their (higher) State Pension age.
- A reduction in hours of working could be a positive sign if it reflects an increase in flexible working, but our research suggests it is more likely to be driven by negative factors, for example the rise of insecure employment.

### **Employment rates**

- The employment rate of women aged 50-54 and 55-59 caught up with the rate for those aged 45-49 over the period 2008 to 2015.
- However, among men aged 50-64 the opposite effect has been found. Their employment rates have fallen, compared to men aged 45-49 – this is particularly concerning and goes against the perception that all older workers have been doing relatively well. It also suggests public policies aimed at improving outcomes for 50+ men have not worked well.
- Looking at the hours worked by gender and age group is a first step to better understanding what is really happening – more research is needed to look at employment transitions and working patterns.

## Introduction

It has been well-documented in recent years that the number of people aged 50 and over who are in work has increased, both overall and as a proportion of the total labour force.<sup>i</sup>

This briefing looks beyond the headline employment rate, examining in more detail the number of hours typically worked to uncover more about how the labour market has really changed for older workers. In this short paper we can only scratch the surface of what's going on and much more research is needed to investigate trends in more detail. However it makes a start at moving beyond using the most convenient – but not necessarily accurate and therefore useful – measure as a guide for public policy decisions.

Using the Labour Force Survey we compared two periods – 2002 to the first quarter (Q1) 2008, and then the second quarter (Q2) 2008 to 2015. We selected these periods as a marker for looking at the impact of 2008 recession and to help us begin to understand different working patterns in later life.

We find that the employment rate does not tell the whole story. Although headline employment rates have increased for both men and women at all ages explored (from 45-64), many people are in fact working fewer hours, which will have an impact on their earnings and potential to save for a pension.

For some this will be a result of their own choice, as changing working patterns allow them to work more flexibly; for others though this will be a symptom of a changing labour market that is preventing them from fully using their skills and expertise or pushing them into poorer quality work in the so-called 'gig economy'.

In both cases, it will mean reduced income and make it harder to maintain a standard of living until State Pension age – which is rising and could rise further.

Our analysis replicates a study conducted by Aliaj et al,<sup>ii</sup> looking at the emergence of similar patterns in Belgium, France, Germany and the Netherlands during a slightly earlier period (1997-2011). That study found that although employment rates had increased, therefore painting a positive picture of later life working, in fact the hours worked by individuals had decreased, meaning that “a given observed increase in employment rates might hide very different realities (different work intensities). As a result, a policy merely focussed on employment rates might be highly misguided”.<sup>iii</sup>

We agree with this conclusion and find it is equally applicable in the UK: in the contemporary labour market, which is subject to a rapid pace of change, it is not sufficient to base public policy on employment rates. A full understanding of employment transitions among older workers requires a significant amount of further investigation.

## The top-line (and headline)

Before we get into the results of the analysis and look behind the headline it is worth spending a moment to see what the headline actually is. The charts below show the changes in employment rates and hours worked, for men and women – the employment rate is the ‘headline’, and we frequently hear positive stories about this in the media.

The top-line figures from the Labour Force Survey, without any more detailed analysis, show an interesting but simplified picture:

- 1) For men, the pattern is clear – an increase in employment rates over the 2002-2015 period, coupled with a decrease in hours worked (chart 1).
- 2) For women there is an apparent increase in both. This is explained by the rising State Pension age (SPA), which has driven a ‘catching-up’ (with men and slightly younger women) of employment rates, causing the average hours worked to rise (chart 2).

Overall, average hours worked are lower for the 45-64 age group than across the whole labour market by approximately two hours.<sup>iv</sup>

*Chart 1 – employment rates and average hours worked, 45-64 year old men, 2002-2015<sup>v</sup>*

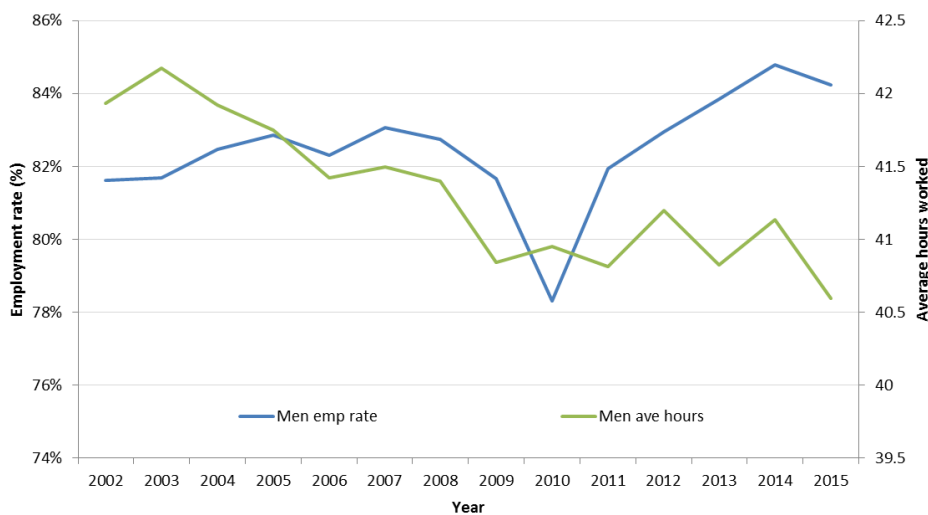


Chart 2 – employment rates and average hours worked, 45-64 year old women, 2002-2015



Interestingly, the headline increase in hours comes among women working in lower-skilled roles. Chart 3 shows a division into high and low skilled workers – across the whole period, average hours worked in higher skilled roles declines very slightly, with a change in 2011, but shows a slight increase in lower skilled roles. Chart 4 shows the skills divide for men. Here, both high and low skilled workers have seen a decline in their hours worked over the whole period.

On the surface, these figures are not in any way problematic. However the rest of this briefing looks beyond these top-level stats and explores what might be driving them, with the conclusion being not entirely positive.

Chart 3 – average hours worked among women, by skill level of occupation

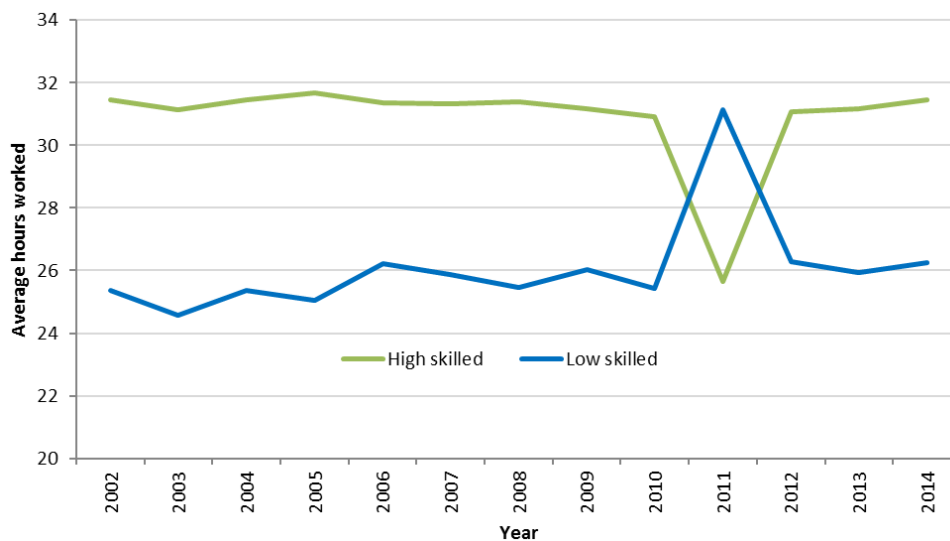
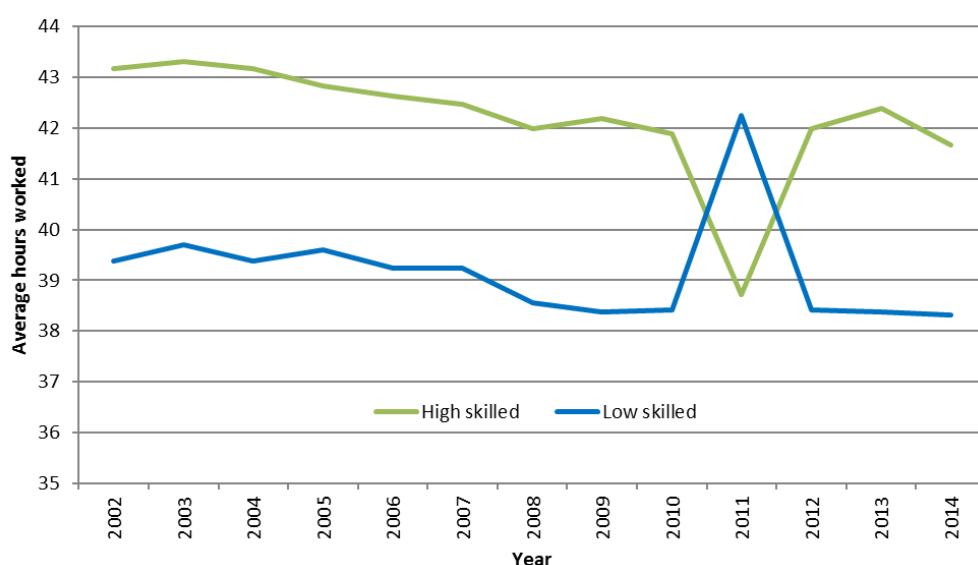


Chart 4 – average hours worked among men, by skill level of occupation



## Moving beyond the headline

Although it appears that women are working more hours, to take out the effect of the increasing SPA we control for several factors to get a better idea of what is really affecting the changes. This is demonstrated by the analysis in this section, which is necessary to really get under the skin of what is happening.

Overall, it is absolutely correct to say that employment rates for older workers have improved over recent years. However, the pattern of hours worked is more complicated and less positive than usually portrayed.

In our analysis, we control for other factors including qualification level, marital status, age (where appropriate), and time of year. Breaking workers down into five-year age bands (e.g. 45-49, 50-54 etc.), we then compared between the two periods (first period from Q1 2002-Q1 2008; second period Q2 2008-Q4 2015), in order to gauge how patterns of work have changed over time. This means that the results shown below do not necessarily reflect the ‘headline’ results outlined above.

There were some significant differences between the two periods, varying by age group and gender, which taken together could challenge the prevailing assumption of ever-increasing employment opportunities for older workers.

Overall, for both men and women at all ages, employment rates have increased in the post-2008 period compared to before 2008. The older the age group, the faster the increase. This is likely to be linked to both the upwards trend in average retirement ages, which has been on-going for at least 25 years, and to the recent rise in women’s State Pension age, which has resulted in some continuing to work for longer.<sup>vi</sup>

However, the change in hours worked has headed in the other direction – after controlling for other factors affecting labour market engagement, people in all age groups (other than 60-64 year old women) are on average working fewer hours than they were before 2008.

It is of course good news that employment rates have held up well since the recession. However, whether or not the decrease in average hours is a good or bad sign is harder to tell. And as we will see later we can be certain that it was not the recession that was responsible for this change.

Based on our analysis, we have calculated the average hours worked after controlling for several individual characteristics (the same as in the Aliaj et al paper), for example highest qualification level and marital status. The following table takes the average weekly hours worked in the pre-recession period, calculated from the Labour Force Survey, then applies the percentage decreases taken from the analysis to the first figure.<sup>vii</sup>

It shows that the biggest drop was for 50-54 year old men, whose average hours declined by 29 per cent from 42.25 to 30 per week. Similar 50-54 year old women experienced the biggest fall, by 18 per cent from 29.36 in the pre-recession period to 24.08 afterwards.

**Table 1: Average weekly hours worked, before and after Q2 2008, after Age UK analysis**

		Men	Women
45-49	Pre-recession	42.98	29.60
	Post-recession	36.97	24.57
50-54	Pre-recession	42.26	29.36
	Post-recession	30.00	24.08
55-59	Pre-recession	40.31	27.37
	Post-recession	31.44	24.08
60-64	Pre-recession	36.79	22.07
	Post-recession	28.33	22.29

The results of our analysis means that if the personal characteristics of 50-54 year old men had stayed the same, then they would have suffered a substantial drop in hours worked. The higher employment rate that we see in the headline figures is likely to be a symptom of qualification levels (and the other factors) improving over time.

This indicates that public and employer policies aimed at boosting employment rates among people in their 50s may not have been as successful as previously thought – although raising the State Pension age has had a clear impact on 60-64 year old women.

The full data tables showing the results of the statistical modelling are available on request.



### Case study – balancing caring with part-time work

Sarah 53, cares for her mother who has Alzheimer's disease. She works part-time in an administrative role for a large company. She and her husband own their house but are currently living with her father-in-law, along with their two children, so that they can rent their property out to help meet the mortgage payments. Sarah has provided unpaid care for her mother for four years and the amount of time she spends caring for her has increased a lot recently, with her or her husband travel back and forth to her mother's house a few times a day. Luckily, Sarah's employer has been understanding about her caring responsibilities and she is able to work flexi-time, which makes continuing work possible. Sarah has a small private pension but she is thinking of cashing this in to help with other financial pressures in the near future. Her mother is likely to need increasing care in the next few years and Sarah is not sure she will not be able to retire until she receives it. She worries that the rises in State Pension age will 'cut the options down.'

### Is the decline in hours good or bad?

It is not possible to tell for sure whether the reduction in hours worked is a good sign – arising from an increase in flexible working with people choosing to wind down their hours as they age – or is less welcome – with more people being underemployed (i.e. working fewer hours than they would like<sup>viii</sup>) and exposed to insecure working practices.

However, previous research and inference from the results would suggest that while some people do proactively wind down their hours in a way that suits them, many more people do not have this luxury and flexible working is used more as a tool by employers to manage their workforce on their terms.<sup>ix</sup>

Age UK analysis of flexible working conducted in 2012 has shown that slightly over one third of workers aged 50+ work flexibly. However it is often difficult to tell whether part-time workers are working this way out of choice or whether employers are simply offering many lower-skilled roles on a part-time basis (particularly in sectors commonly staffed by 50+ women, e.g. retail and care). Flexible working that is genuinely beneficial to the employee is more easily accessed by higher skilled workers.<sup>x</sup> We believe this means it is valid to conclude that this would not be enough to explain the full decrease in hours worked shown by the data (see section on high and low skilled workers below).

It is important to note that the reduction in hours affects younger age groups (45-49s) as much as older ones. If such reductions were driven by accessing flexible working alone we would expect older age groups to have cut their hours by more than the younger age groups, which is not the case. This suggests that while people may cut their hours out of personal choice, for example because of caring responsibilities, to start a business or for health reasons, it is more likely that people are being forced to work less due to labour market pressures.

The growth of zero-hours contracts and the 'gig economy', where people earn an income by undertaking small and often low-skilled tasks for one or more organisations,

means that many people may be employed in this way. Again it is difficult to tell whether this is through choice or necessity.

### **Case study – the financial impact of part-time work**

David, 57, has been working since he was 15, and is currently employed in a part-time sales role. Until recently he provided care to his mother, which he had been doing for a number of years.

In order to help him pay the bills for the property in which he now lives alone, David decided to cash in his occupational pension as his salary from his part-time work would not cover the costs. When David receives the State Pension (when he turns 66) it will be his main source of income.

He is concerned that his current job is routine with no prospects and that he will not be able to keep working for much longer, a view with which his doctor agrees. It is boring and mundane, as well as physically demanding, which is of concern as he has serious back problems and has previously had surgery.

He has been looking for an additional part-time or alternative full-time job for a number of years now. He told us he had applied for 'at least 1,000 jobs' in the last few years without success and feels age is a critical factor.

### **State Pension age rises**

Among women aged 50+, there has been a catching-up effect relative to men's employment and younger women rates. This is largely due to the State Pension age increases that are already in train, incentivising many people to work for longer – our finding here is consistent with existing research.<sup>xi</sup> It could also be attributed to a continuing gradual improvement in the position of women in the labour market – reinforced by the increase in working hours (before controlling for other factors) among women in lower-skilled jobs.

### **Case study – wants to increase hours and pay but can't**

A woman aged 64 who contacted Age UK was dismayed at the low level of pay available in part-time jobs for which she had applied. She currently works one day per week as a cleaner and had been looking for alternative roles that would enable her to work more hours. She also really enjoys the social interaction that the workplace brings. However she has been unable to secure an increase in hours, having applied for several jobs and been rejected, and is increasingly concerned that the low level of wages she earns through her part-time work is likely to leave her struggling.

### **The gap between rates and hours gets wider**

The older the age group, the greater is the increase in the employment rate. While men aged 50-54 are now more likely to be in work than pre-2008, those aged 60-64 are

even more so. However, after controlling for other factors the average of hours worked has reduced fairly consistently across age groups.

This growing gap is concerning. It is clear that there are unexplained changes going on, and we need to be far more aware of transitions, choices and the realities of working longer in the contemporary labour market, particularly for those with more limited options – i.e. people in lower skilled roles.

This also undermines claims that rises in healthy life expectancy are translating through to better employment options.

### **Age and gender changes**

After controlling for other factors, we find that someone's age has had an impact on their employment rate. In addition, between the two periods (just to remind the reader: period 1 is Q1 2002 – Q1 2008; period 2 is Q2 2008 to Q4 2015) we see different effects for men and women.

As a quick recap: women mostly enjoy a positive change, with 50-54s and 55-59s having seen a relative “catching-up” effect, probably due to the increasing State Pension age and a greater awareness of issues such as caring in the workplace and flexible working (although there is still a very long way to go on these before older workers can genuinely have the opportunity to succeed in work). Among men however the opposite effect has been found. When compared to how 45-49s fared between the two periods, the increase in employment rates for the older age groups has been slightly lower, challenging the perception that older workers have been doing relatively well.

The important policy issue here is that it suggests that policies (both public and organisational) aimed at extending working lives have not had a significant effect in the case of men in their fifties. The effect is only slight, but it still represents a trend in the ‘wrong’ direction.

When looking at changes in hours worked, a less clear pattern emerges. The analysis shows that the intuitive assumption that age is a significant factor in working fewer hours (i.e. older age groups work less) is correct.<sup>xii</sup> However, although this matches the stereotype of older workers wanting to wind down their hours, there is also evidence to show that as many older workers would also like to work more hours<sup>xiii</sup> – the reduction does not account for this.

### **The 2008 recession was not responsible**

When looking at average hours worked, it appears that the 2008 recession did not change working patterns. Statistically, the differences across all age groups are not caused by the change in periods themselves, so we can say that the reduction in working hours is part of a longer-term trend, and that this trend must have been in place before the recession.

As noted earlier, it is unclear what is driving the downwards trend in hours worked, but because of the patterns between age groups it is clearly not just the availability of employee-friendly flexible working options. Instead it is likely that the changing labour market is largely responsible, but the trend is not one that is advantaging all older workers.

## Conclusion

It is clear from the statistics that while employment rates have increased for all the five year age bands – as is widely reported – the average number of hours worked among older workers has gone down (except for women aged 60-64 or working in lower skilled roles). This has knock-on consequences for earnings and the ability to save into a pension, and consequently on standards of living.

The employment rate alone does not therefore show the full picture of the changing labour market and is not sufficient on its own as a tool for making public policy decisions.

There is also a wider impact on income and pension saving, particularly as there has been a fall in real-terms earnings since 2008.<sup>xiv</sup>

We can also say with confidence that these results are not the result of the 2008 Recession but part of a longer-term trend whereby hours worked have shown a consistent decline.

Drawing on other evidence we speculate this may be due to two main reasons. Firstly, changes in the labour market could be 'forcing' older workers into roles with fewer hours (for example zero-hour contracts or general part-time work), even if they would have preferred longer hours. Secondly, there could be an increase in the likelihood of wanting and being able to work flexibly, in a way that genuinely suits the employee (and usually the employer too). We cannot tell from the data how much of the change is due to each effect, but given that it also applies to people aged 45-49 who are less likely to be 'winding down' to retirement, we suspect that labour market changes are having a detrimental effect on extending working lives.

Either way, this research highlights the need to be cautious in drawing conclusions from headline employment rates, and shows we should look more deeply at what is lying behind changes in labour markets rather than assuming a wholly positive picture.

## Further information

The data tables showing the outcomes from the statistical model are available on request, while a brief explanation of the method is included in the paper by Aliaj et al. The full method is also described in the original paper – we followed the authors' calculations, only replacing the respective national data with UK data.

For further information contact [christopher.brooks@ageuk.org.uk](mailto:christopher.brooks@ageuk.org.uk)

---

<sup>i</sup> For example see DWP (2015), Employment statistics for workers aged 50 and over, by 5-year age bands and gender, from 1984 to 2015

<sup>ii</sup> Aliaj A, Flawinne X, Jousten A, Perelman S, Shi L (2016), Old-age employment and hours of work trends: empirical analysis for four European countries, IZA Discussion Paper no. 9819

<sup>iii</sup> Aliaj A, Flawinne X, Jousten A, Perelman S, Shi L (2016), Old-age employment and hours of work trends: empirical analysis for four European countries, IZA Discussion Paper no. 9819

<sup>iv</sup> For example, in 2015 45-64s on average worked 35.2 hours, whereas our estimate for the labour force as a whole is 37 hours.

<sup>v</sup> Uses Labour Force Survey, Q4 data for each year

<sup>vi</sup> Cribb J, Emerson C, Tetlow G (2013), Incentives, shocks or signals: labour supply effects of increasing the female state pension age in the UK, Institute for Fiscal Studies

<sup>vii</sup> Note that a similar calculation was *not* made in the Aliaj et al paper, which stuck only to percentage changes, this is an additional item here.

<sup>viii</sup> Contrary to the stereotype, older workers also experience the highest levels of underemployment (wanting to work more) than do other age groups, see Iparraguirre I & Tseng HY (2013), An Econometric Analysis of Underemployment and Overemployment in the UK, Significance, Royal Statistical Society

<sup>ix</sup> Age UK (2012), A means to many ends: older workers' experiences of flexible working

<sup>x</sup> Age UK (2012), A means to many ends: older workers' experiences of flexible working

<sup>xi</sup> Cribb J, Emerson C, Tetlow G (2013), Incentives, shocks or signals: labour supply effects of increasing the female state pension age in the UK, Institute for Fiscal Studies

<sup>xii</sup> With one exception – a lack of a statistically significant difference between 45-49 and 50-54 year old women.

<sup>xiii</sup> Bell D & Rutherford A (2013), Older Workers and Working Time, IZA. See also Iparraguirre J & Tseng HY (2012), An econometric analysis of over and under-employment in the UK, Royal Statistical Society

<sup>xiv</sup> Resolution Foundation (2016), Living standards 2016: finds "Median incomes measured using CPI appear to have returned to their pre-crisis level in 2015, remaining around 0.7 per cent below their 2008 peak."