

OECD urges UK to do more to encourage older people to work longer

The UK government has already taken some steps to tackle the considerable barriers that face older workers who want to work longer but more needs to be done, according to a new OECD report. This would help offset the negative impact of population ageing on economic growth and public finances and could also help alleviate future labour shortages.

As part of its series of country reports on *Ageing and Employment Policies*, the OECD has released its report on the UK. It contains a survey of the main barriers to employment facing older workers, an assessment of the adequacy and effectiveness of existing measures to overcome these barriers and policy recommendations for further action by the UK government, employers, trade unions and older workers themselves.

Main findings of the report

The report acknowledges that, compared with many other OECD countries, the United Kingdom has been far from complacent in addressing the barriers to employment faced by older workers. The government has sought to eliminate disincentives to continue working embedded in public and occupational pension arrangements. It has sought to change employer attitudes through its *Age Positive* campaign and *Code of Practice on Age Diversity in Employment*. In terms of active labour market programmes, *New Deal 50 plus* and *Experience Works* are unique initiatives among OECD countries and should be commended. The government is also supporting training through the Employer Training Pilots and various lifelong learning initiatives and skill-improvement programmes are available to help all workers, including older ones.

The government has not been acting alone. Non-governmental organisations such as Age Concern, the Employers Forum on Age and the Third Age Employment Network have made valuable contributions to the policy debate surrounding older workers. Trade unions, through the Union Learning Fund, are helping to promote training more generally.

Partly reflecting these measures as well as the recent strong performance of the UK economy, the proportion of people aged between 50 and 64 that work is higher in the UK than the averages of both the EU and the entire OECD area (Figure 1). Nonetheless, this ratio is higher still in Denmark, Iceland, Japan, New Zealand, Norway, Sweden, Switzerland and the United States, indicating that more can be done to improve employment prospects among older workers in the UK as well.

The share of older men who participate in the labour market, at 72%, is still around 7 percentage points lower than in the mid-1980s. And there is scope to bring the participation rates of older women further in line with those of older men. Moreover, many older workers withdraw from the labour market well before reaching the State Pension Age (Figure 2).

Enabling older people to continue working is important because it represents a positive policy response to the challenges to economic prosperity posed by ageing societies. In the UK, the ratio of the population aged 65 and over to the population aged between 20 and 64 is projected to rise from 27% in 2003 to just under 50% in 2050.

The OECD projects that unless there is a substantial increase in labour force participation, especially among older people, available labour resources will remain broadly stagnant in the UK over the next 50 years (Figure 3). This could lead to rising labour shortages and a pronounced slowdown in economic growth.

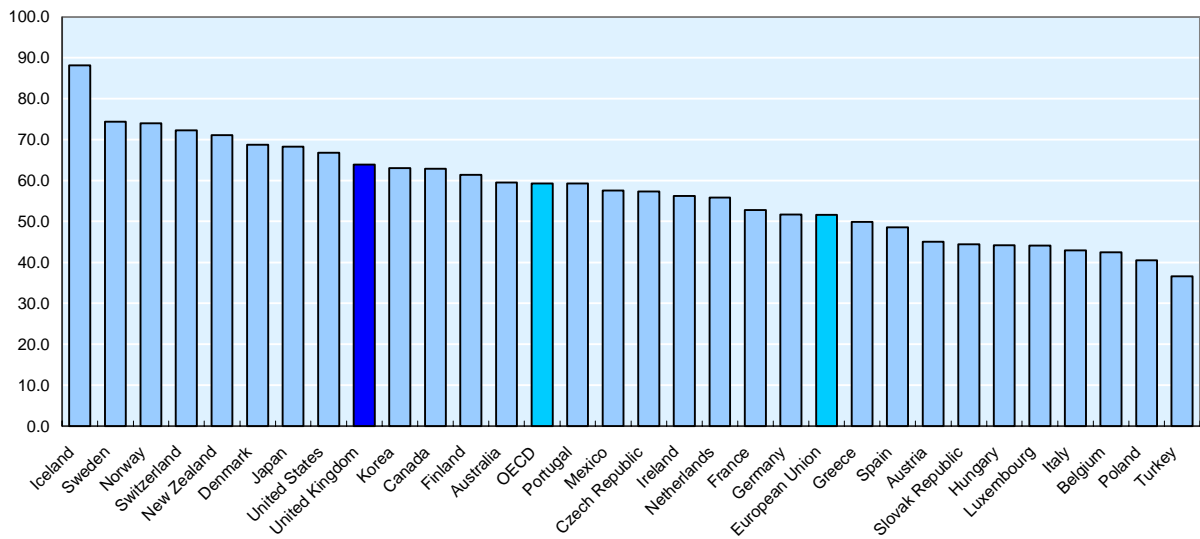
Recommendations for reform

To remove the barriers that many older workers face to carry on working, the OECD calls on the UK authorities to adopt a co-ordinated and comprehensiveness package of measures, including:

- *Further pension reform is required to simplify the system and encourage later retirement while ensuring adequate incomes in retirement:* The OECD argues that the current two-tier State Pension system and the array of means-tested benefits are overly complex and may have adverse effects on incentives to work and save. It suggests that the simplest approach would be to provide a higher basic universal State Pension. It also suggests that this should be accompanied in the longer run by an increase in the State Pension Age in line with rises in life expectancy since this would encourage greater labour market participation of older people and could help meet part of the cost of increasing the basic State Pension.
- *Take further steps to prevent disability-related benefits being used as a “de facto” early retirement scheme:* According to the OECD, the UK continues to record a higher rate of people moving onto disability benefits than most other OECD countries. While recognising that past reforms have met with some success, it argues that additional measures should be taken to stem these inflows. To help people already on benefits return to work, the OECD recommends “activation” measures such as extensive rehabilitation programmes, work training, fostering of appropriate work opportunities and other types of training courses. It points out that some of these measures are currently being tested on a pilot basis and urges the government to implement them nationally as soon as practicable if they prove to be successful.
- *Measures to increase the willingness of employers to hire and retain older persons:* The OECD urges the government to move forward with anti-age discrimination legislation, including the abolition of mandatory retirement ages unless objectively justified. It also recognises that there is a need to inform employers about the implications of such legislation while continuing to promote age diversity in the workforce.
- *Strengthening older workers’ employability:* According to the OECD, various aspects of the New Deal 50 plus programme could be enhanced, in particular, by increasing the transparency of the potential financial benefits available under New Deal 50 plus and by enhancing take-up of the training grant. It suggests that improved co-ordination among the various active labour market programmes on offer could also help improve outcomes for all but especially those at risk of long-term unemployment such as the older unemployed.

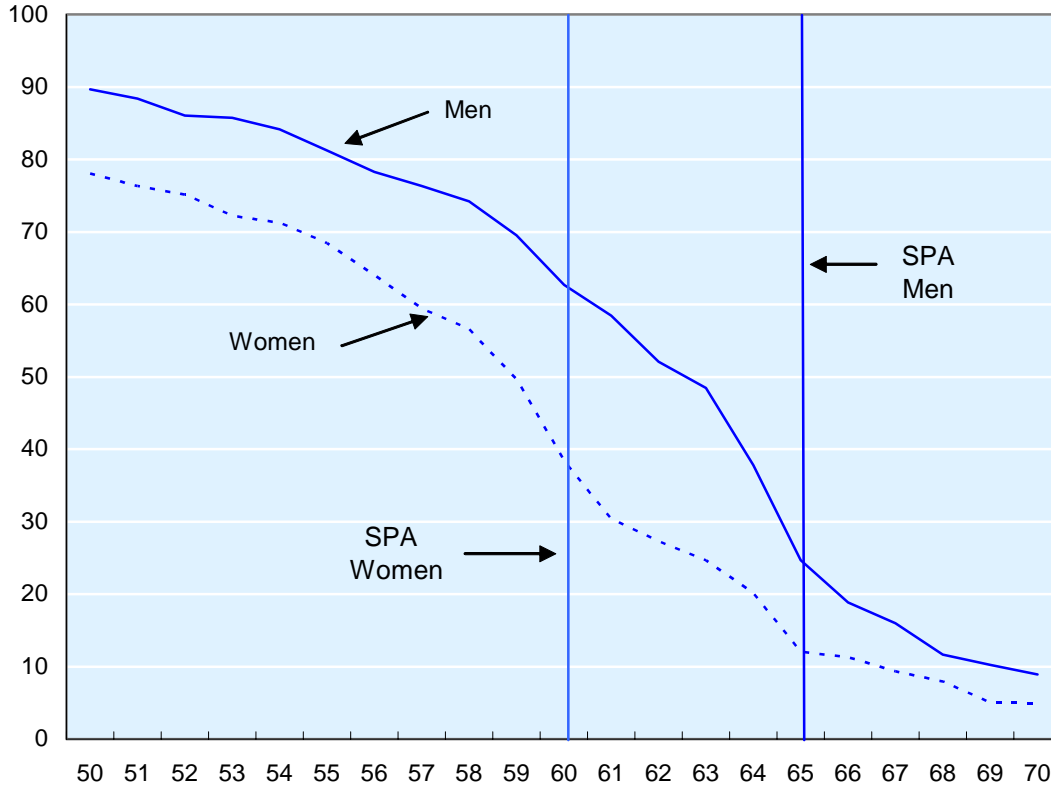
For further comment, journalists are invited to contact the head of the OECD’s Thematic Review of Ageing and Employment Policies, [Mark Keese](#) ([33] 1 45 24 87 94) or the report’s authors, [Steven Tobin](#) ([33] 1 45 24 19 48) and [Peter Whiteford](#) ([33] 1 45 24 90 41).

Figure 1. Proportion of the older population aged 50-64 that are working, 2003^a
Percentages



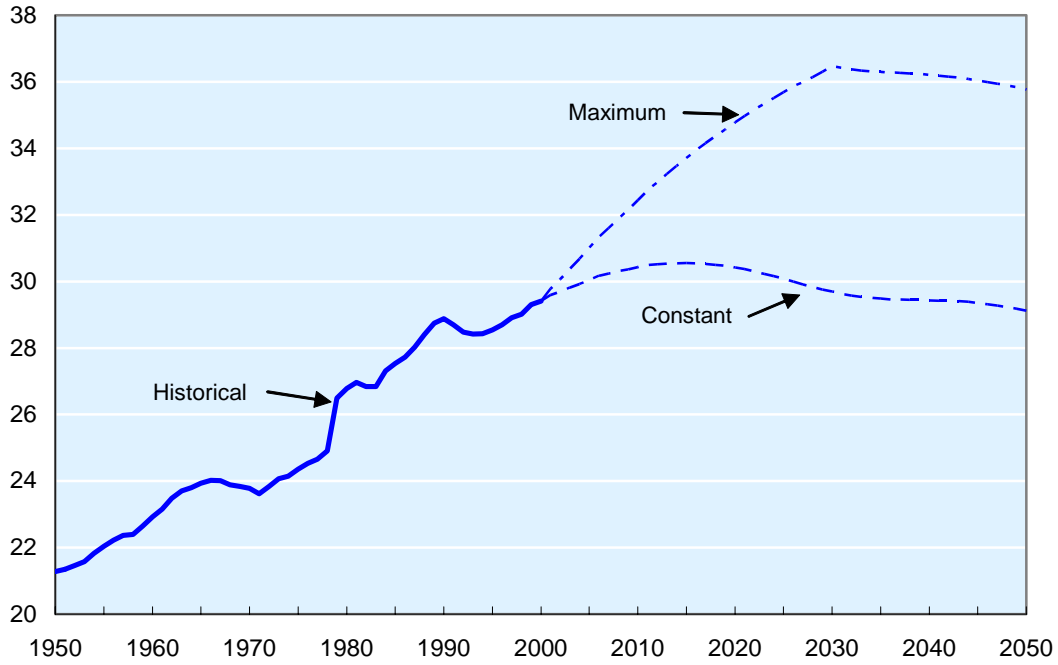
a) The data refer to 2002 for Iceland and Luxembourg. Countries are ranked from highest to lowest in order of their employment rates. Source: OECD, *Ageing and Employment Policies: United Kingdom*.

Figure 2. Labour force participation rates by single year of age around the State Pension Age in the UK, 2002
Percentages



Source: OECD, *Ageing and Employment Policies: United Kingdom*.

Figure 3. Projections of the UK labour force under various scenarios^a
Millions



a) The constant scenario assumes that current participation rates by five-year age group and gender remain constant over the period to 2050. The maximum scenario applies the maximum participation rates (for older workers aged 50 and above) in the OECD area by five-year age group and gender from 2030 through to 2050, with a gradual adjustment over the period 2000-2030 to reach these maximum rates.

Source: OECD, *Ageing and Employment Policies: United Kingdom*.