

Work, education, skills and the 100-year life

How can policymakers ensure the workforce is ready for extreme longevity?

Kathryn Petrie

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The Foundation's main activity is to commission and publish original papers by independent academic and other experts on key topics in the economic and social fields, with a view to stimulating public discussion on the performance of markets and the social framework within which they operate. The Foundation is a registered charity and a company limited by guarantee. It is independent of any political party or group and is funded predominantly through sponsorship of research and public policy debates. The views expressed in this publication are those of the author, and these do not necessarily reflect the views of the sponsors or the Social Market Foundation.

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FOREWORD

That so many of us will live a longer life is reason to celebrate. That people may want – or need – to work longer than employers and individuals are currently planning for, however, is something society and governments need to address – quickly.

Awareness of the prospect of the “100 Year Life” is growing in the UK. However, there is still too little recognition in policy debate of the way that longer lifespans will impact all aspects of public policy – healthcare, education, skills, finance and inclusion – placing new strains on government and making new demands of employers.

In this third report in an important series supported by AIG Life, the Social Market Foundation has investigated the impact that longer lifespans and the prospect of a 50-year career could have on the work, skills and education of the UK population. The Social Market Foundation concludes its perceptive analysis with six important policy recommendations. If adopted, they would help the UK develop a more productive workforce adapted to the demands and opportunities of the 21st century.

The theme that runs through this report is that the key to success is education. With people living longer and careers increasingly taking non-linear directions, workers will need access to lifelong learning and regular opportunities to refresh and upgrade their skills. By transforming the future workplace, automation and other disruptive technologies will create a constant demand for training in new skills and capabilities.

Ensuring that the UK has the learning culture required to meet this challenge is the primary responsibility of government. Otherwise there is a danger of perpetuating the disparities in employment experience and opportunities between different parts of the country, which this report evidences.

However, employers also have a critical role to play. To harness the potential of an older, more fluid workforce they need to develop a new approach to workforce management. It must have education at its heart and see training and reskilling as business imperatives, as the key to a resilient and productive workforce.

This new approach must place as much emphasis on workers re-entering the workforce as well as workers who stay put. Two-thirds of people, in research as part of this report, said they had difficulties when they returned to work after a period out of the workforce. In the era of the “100 Year Life”, career breaks will become more frequent. Dedicated workplace support is needed to ensure people can return to work with confidence after a career break, including time spent caring, and can quickly become productive and fulfilled.

AIG Life, as a major UK life insurer, is dedicated to helping individuals, families and businesses prepare for the health risks people face in life and we’re there to help when they need us most. How quickly individuals, families, employers and policymakers understand and adapt to the longevity revolution matters to us a great deal.

That is why we are delighted to have supported the SMF’s research in the field of longevity. By bringing leading UK experts together to discuss that research, the SMF is

making a valuable contribution to debate in a critical area of public policy which will shape the future of us all.

Philip Willcock, Chief Executive Officer, AIG Life

EXECUTIVE SUMMARY

As life expectancy continues to rise, the number of years spent working is likely to increase. The 50-year career will become the norm.

Longer careers raise important questions about the future of work and education in the UK – is our education system built for the 50-year career? Are workplaces and employers adopting age-friendly policies? Do workers have adequate skills and training to thrive? This report focuses on the future of work, education and skills in the era of extreme longevity.

Living longer means working longer

As the age demographic of the population changes, so will the demographics of those in the workforce. The UK has a higher employment rate (66%) for those aged 55 to 64 compared to the G7 and OECD average. In 1992, 5.5% of the population aged over 65 was in employment, in 2019 this had increased to 11.4%.

However, things are not equal across the country. In London, 14% of people aged 65+ are in employment, this is compared to 8% in North East of England. This could reflect the opportunities available to older workers, the industry of employment or the health of the individuals.

As we work for longer, it is unlikely to be true that the career chosen at 18 or 21 will be the career of the individual when they retire. Changes to the labour market, technology and the wider environment could mean that at various points in a person's working life they need to change careers and retrain.

One way of retraining is through formal routes such as higher education. Over the last decade, there has been a considerable reduction in the number of part-time students. In 2005/06, there were over 337,000 part-time first year undergraduate students in the UK. By 2017/18 this number had dropped to 129,000. The reduction in part-time student has been accompanied by a fall in the number of mature students; their numbers have reduced by 43,000 (15% reduction) in the last five years.

Moving in and out of the labour market

Alongside our ageing workforce there are other changes occurring, one is the rise of automation. The risk of machines replacing roles once performed by humans decreases with age up until 39 – then the risk starts to increase. There is a risk that if workers are impacted by automation in the later stages of their career, they may struggle to find new opportunities. Another concern could be rising inequality within age groups – it is evident that those in certain occupations are more likely to be at risk and that the ability to continue to work in one's 60s or 70s will be impacted by one's health (and location). This could increase income inequality in the upper age groups.

As longer lives lead to longer careers, the future worker's journey could look very different to how it does today. Not only will working lives be longer, but they may become more varied – with people moving in and out of the labour market at various points in time. We have already mentioned in reports 1 and 2 of this series how longevity may increase the

demand on the family to provide care for older relatives or spouses – this could lead to individuals (particularly women) leaving the labour market for periods of time.

Changing patterns of entry and exit into the labour market may cause individuals to change career, undergo training or formal education at a variety of different points in their lives and not necessarily in the order that would be expected. This could result in a need for changes in how educational institutions, employers and the government think about the accumulation of education and training.

Public attitudes

Polling was conducted to assess the extent to which people are thinking about these issues and their attitudes to a range of topics associated with longevity and work.

It has been estimated that people should be planning for five careers in their lifetime. However, the polling shows very little willingness amongst older employees to change their current career. Less than four in ten of those aged 35 to 54 are interested in changing careers, those in the lower end of this age bracket have at least thirty years remaining in the labour market – to put it bluntly, they are less than halfway through their working life.

Most individuals surveyed believe that they would be able to change careers with their current knowledge and experience. However, one in three of those aged 35 to 54 believe that they would need additional training and qualifications. Of those who were interested in changing careers, many reported barriers to switching. The biggest barrier to switching careers was the inability of individuals to leave their current role in order to retrain due to financial restrictions. The second biggest barrier was a lack of confidence.

The polling found that almost two-thirds (63%) of respondents had taken time out of the labour market during their working life (either voluntary or involuntary). For women, the most common reason for time out of the labour market was maternity leave, whereas for men it was due to stress / mental health. Three quarters (77%) of those who took time out the labour market were able to return to the same career / industry sector – however, one fifth (22%) of those who returned to the same career or industry were moved sideways or into a lower-paying role.

Employer attitudes

Longer working lives will not just affect employees – it will affect employers too. The polling was also used to look at the attitudes of employers, by focusing on a subset of the respondent population who are senior managers or above, as a proxy for employers.

Employers were most concerned with issues in relation to increased pension contributions and time out of the workforce due to sickness / illness. The difference in the proportion of employers worried about the need to reskill or train staff was only four percentage points – with those not worried coming out as dominant.

Policy recommendations

To ensure the UK workforce is ready to adapt to the 100-year life, people need to be able to undergo training and skills development throughout their life. In this report we recommend the following changes to policy:

- **Individual Learning Accounts** - The government should reintroduce newly-designed Individual Learning Accounts. They should look to Singapore for ways to design the system so that it cannot be gamed.
- **Modular Learning** - The government should take note of the recommendations within the Augur review and look at ways that it can support the provision and take up of modular learning. This should be complemented by an inquiry into the fall of mature and part-time students.
- **National Skills Fund** - The government should use the money allocated to the National Skills Fund to focus on the skills and training of workers over the age of 40. Priority should be given to workers who are in industries where there is a risk of automation or industrial decline.
- **Employer National Insurance reduction** - We recommend that the government consider offering a reduction in Employer National Insurance Contributions for workers over 50 who have been affected by structural unemployment and those who have been supported by the National Skills Fund (as redesigned above).
- **Enabling people to work longer** - Where there is a benefit, Clinical Commissioning Groups (CCGs) and GPs should be proactively aiming to enable people to work for longer, whether this be through advice and support or social prescribing of workplace health support.
- **Minister for Lifelong Learning and Training** - There should be the creation of a minister who has responsibility over longer lives, work and skills. This minister would sit between DfE, BEIS and DWP.

PART 1: INTRODUCTION

It is known that a child born today has a one in three chance of living to 100.¹ This increased longevity will have a range of consequences for society.

As life expectancy continues to rise, the number of years spent working is likely to increase. The 50-year career will become the norm. The government has already taken steps to raise the State Pension Age (SPA) to 66, with a commitment for the age to eventually rise to 68.² A higher State Pension Age simply translates into more years in work.

Longer careers raise important questions about the future of work and education in the UK – is our education system built for the 50-year career? Are workplaces and employers adopting age-friendly policies? Do workers have adequate skills and training to thrive?

This is the third in a series of reports focusing on how the 100-year life may affect Britain's society, economy and public services. This report focuses on the future of work, education and skills in the era of extreme longevity.

This report rests on three elements:

- SMF research on older workers in the labour market and the issues that may influence their ability to adapt to the changes we expect the 100-year life to bring about.
- Polling conducted by Opinium on the attitudes of the public and businesses to a range of issues associated with the future of education and skills. A nationally representative poll of 3,003 adults (who are not retired) was conducted from 16th to 23rd August 2019.
- A seminar hosted by the SMF and AIG which brought together senior figures from politics, academia and business to discuss practical policy responses. The seminar was held under the Chatham House rule in the summer of 2019.

The paper follows that form and is split into four main parts:

- **Part 2** focuses on the research conducted by the SMF into the issues that will affect work, skills and education;
- **Part 3** discusses the polling conducted as part of this research;
- **Part 4** looks at the education and skills landscape in the UK and elsewhere;
- **Part 5** suggests areas where policy change is needed to ensure employers, employees and education institutions are ready for the 100-year life.

PART 2: WORK, EDUCATION AND SKILLS IN THE ERA OF THE 100-YEAR LIFE

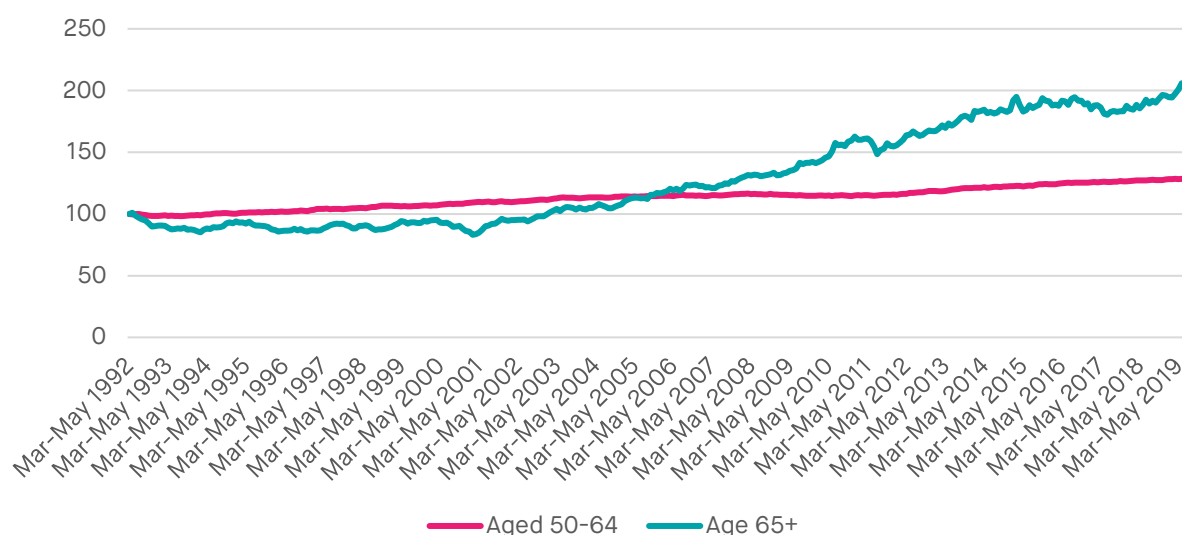
Increasing longevity comes with implications for all of society. It is likely to lead to longer working lives. It raises the question of whether the current provision of education and training in the UK is adequately prepared for the changes that this may bring.

An ageing workforce

As the age demographic of the population changes, so will the demographics of those in the workforce. The UK has a higher employment rate (66%) for those aged 55 to 64 compared to the G7 and OECD average.³ The UK's old age dependency ratio – that is the ratio of people aged 65+ per 100 people aged 20 to 64 – is expected to rise considerably over the next 50 years, increasing from 27 in 2000 to 52 in 2060.⁴ This means there will be less than two people of working age (20 to 64) for every individual over the age of 65. The old age dependency ratio could cause significant problems for a variety of public services which are funded by taxation, particularly for those services where the cost of delivery is positively correlated with the number of older people within society. Ensuring that those who can (and want to) are able continue to work into older age is essential for the sustainability of services.

The employment rate of those aged 50 to 64 and 65+ has increased over the last 20 years in the UK. In 1992, 5.5% of the population aged over 65 was in employment, in 2019 this had increased to 11.4%.⁵ It is clear to see from Figure 1 that the growth in the employment rate of those over the age of 65 has been significant. A large amount of this change has occurred within the last decade.

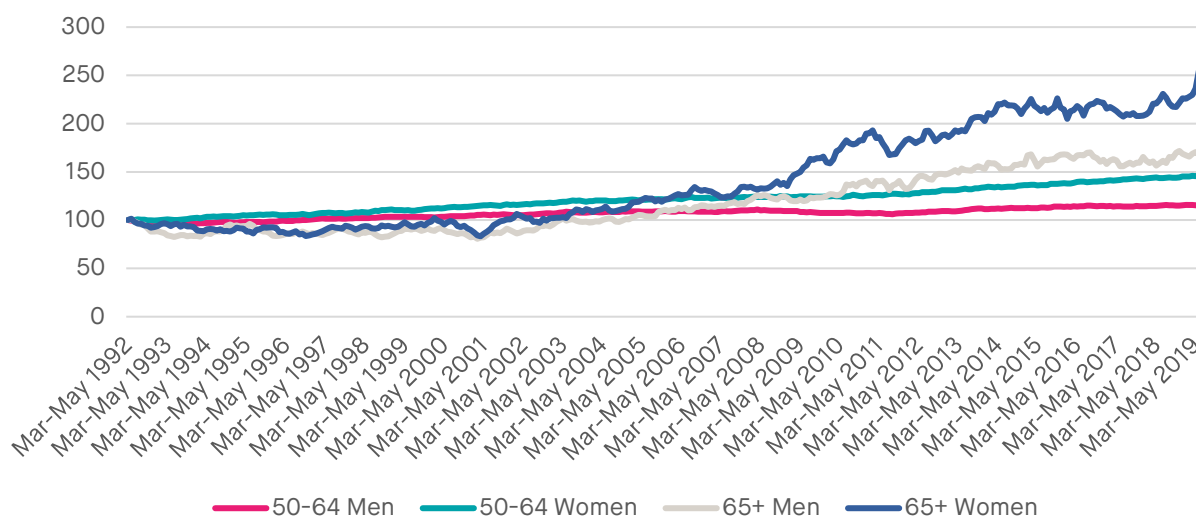
Figure 1: Index of change in employment rate by age (1992=100), 1992 to 2019



A considerable amount of the growth seen in the employment rate of these age groups has been due to increases in the employment rate of women. Figure 2 demonstrates that for both age groups (50-64 and 65+) the growth in the employment rate of women has outpaced that for men. In absolute terms, men in these age groups still have a higher employment rate than women but the gap has narrowed considerably overtime. In 2019, 69% of women aged 50 to 64 were in employment compared to 77% of men, a gap of only

8 percentage points. In 1992, the gap was 19 percentage points, with only 47% of women aged 50 to 64 participating in the labour market.⁶

Figure 2: Index of change in employment rate by age and gender (1992=100), 1992 to 2019



Source: ONS (2019)

The employment rate of older workers is only part of the story. As individuals approach retirement, the evidence suggests that there is still a large decline in their participation rate and hours worked. Whilst more than 80% of those aged 50 to 54 are in employment – for workers just ten years older (60 to 64) the employment rate drops to 54%. For those who remain in employment beyond 50, there is a movement away from being a full-time employee. A large proportion of individuals working beyond 50 work part-time, either as an employee or self-employed. Less than half of individuals aged 60 to 64 who are in employment work full-time as an employee.⁷

The overall figure for the UK hides the level of regional inequality. In London, 14% of people aged 65+ are in employment, this is compared to 8% in North East.⁸ Differences by location could reflect the opportunities available to older workers, the industry of employment, the need to continue working or the health of the individuals. Employment by industry for those under and over 65 is not that different. Those 65+ are slightly more likely to work in wholesale and retail and in professional, scientific and technical activities, highlighting the diversity of this group.⁹

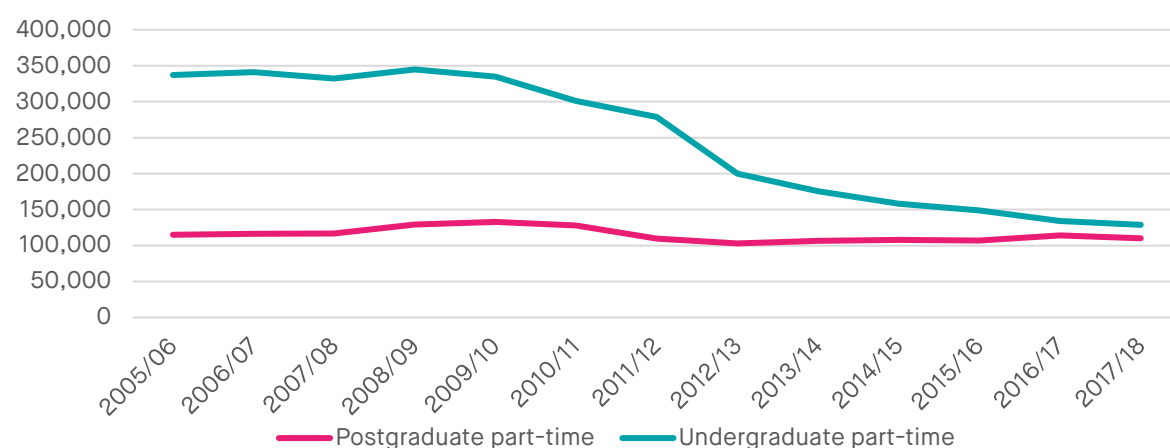
As society ages and the State Pension Age (SPA) rises the proportion of people working beyond 65 is likely to increase. This raises a range of questions for employers – are they ready to cope with an ageing workforce? And does more need to be done to support older employees?

Career changes, training and retraining

The 50-year career is to become reality. It is unlikely to be true that the career chosen at 18 or 21 will be the career of the individual when they retire. Changes to the labour market, technology and the wider environment could mean that at various points in a person’s career, they will need to change careers and retrain.

One way to retrain or change career is to gain a higher education qualification in combination with working part-time. Over the last decade, there has been a considerable reduction in the number of part-time students. In 2005/06, there were over 337,000 part-time first year undergraduate students in the UK. By 2017/18, this number had dropped to 129,000.¹⁰ The number of part-time postgraduate students has remained relatively constant over this period. On the other hand, there has been an increase in full-time undergraduate and postgraduate students.

Figure 3: Part-time students by level of study, 2005/06 to 2017/18



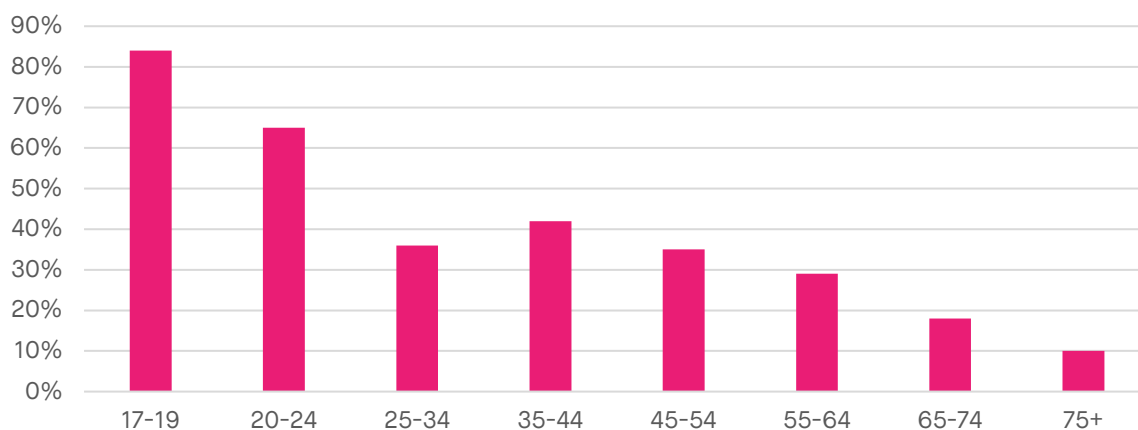
Source: HESA (2019)

The reduction in part-time student has been accompanied by a reduction in the number of mature students.ⁱ The number of mature students, both full and part-time, in the UK has declined by 43,000 in the last five years – this is equivalent to a 15% reduction. The reduction has been most prominent in those aged 30 and above, who have experienced a 19% reduction in student numbers.

Formal education is one of the avenues individuals can take if they wish to change careers. However, most adult training occurs in the workplace. Research conducted in 2017 shows that a fifth of adults (19%) were currently learning and a further 17% had done so in the last three years. Over a third of adults (36%) have not learnt since leaving full-time education.¹¹ The likelihood of participating in training is highly related to a range of characteristics, such as working status, socio-economic status and age. The relationship between age and training participation is shown within Figure 4. Each age group is less likely to be participating in training compared to the age group before them, except for those aged 35 to 44.

ⁱ Mature students are defined as students aged 21+ in the September of their first year.

Figure 4: Participation in training by age



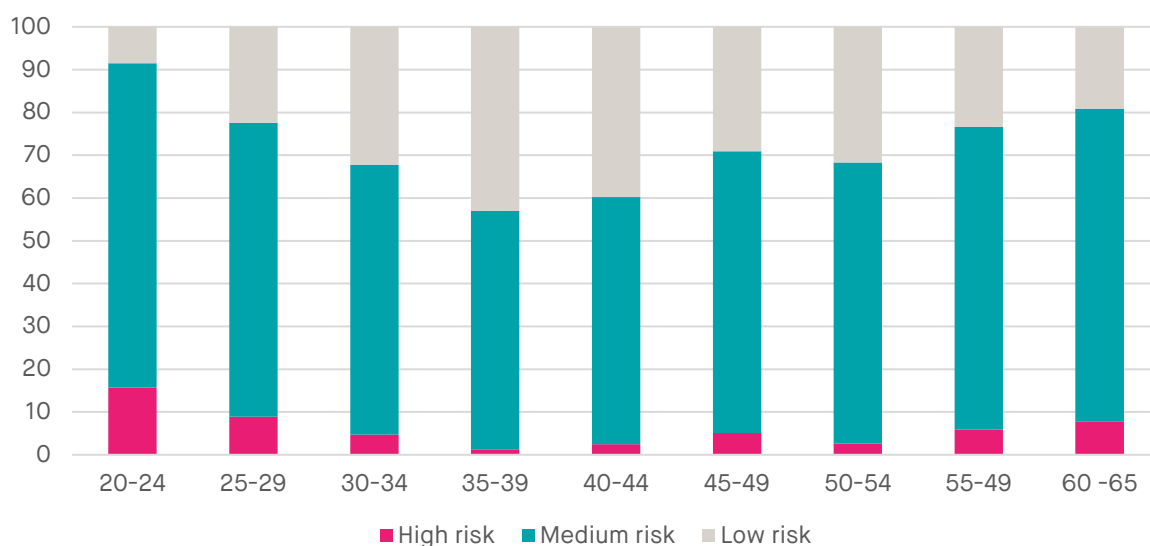
Source: DfE (2018)

Stark differences appear when comparing the 2015 and 2017 results - there has been a nine-percentage point drop in participation for the 45 to 54 group.¹² As careers continue to lengthen, those at the start of this age group will have more than 20 years remaining in the labour market and need to continue to develop their skills to adapt to the changing labour market.

The risk of automation

Alongside our ageing workforce there are other changes occurring – one is the rise of automation. The risk of one’s job being automated is correlated with age. Those in the lowest age bands are most at risk of automation, although this is likely due to younger workers working in high risk roles temporarily before moving into lower risk occupations as their careers develop. The risk of automation decreases with age up until 39 – then the risk of automation starts to increase.

Figure 5: Proportion of main jobs at risk of automation by age band



Source: ONS (2017)

There is a risk that if workers are impacted by automation in the later stages of their career, they may struggle to find new opportunities. If the number of people working in

the older age groups increases as life expectancy rises, there is a risk that automation could cause more people to be out of work. As the government continues to expect people to work into the later stages of their life through changes to the State Pension Age, there is a concern that automation could lead to reductions in the likelihood of this. Another concern could be rising inequality within age groups – it is evident that those in certain occupations are more likely to be at risk of automation and that the ability to continue to work in one’s 60s or 70s will be impacted by one’s health (and location). This could increase income inequality in the upper age groups.

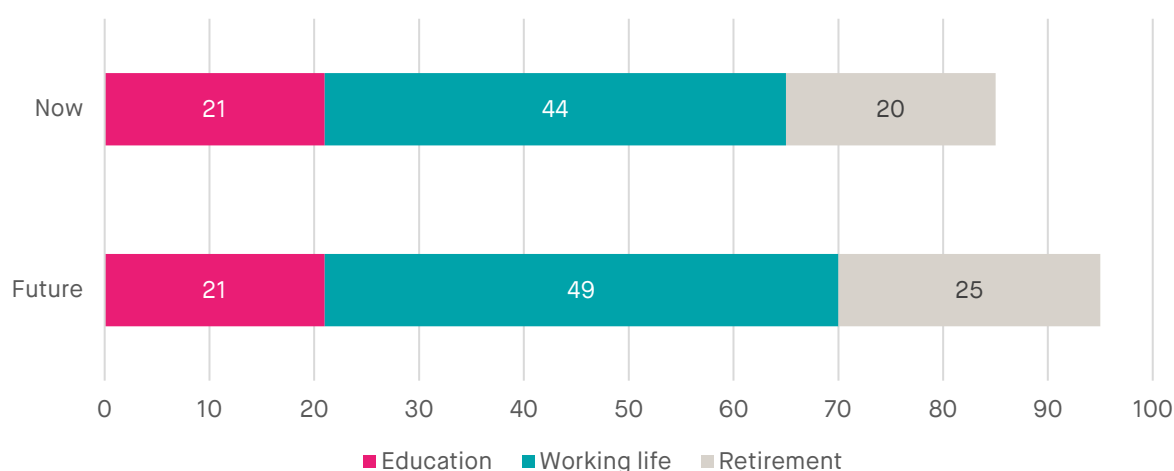
The future worker’s journey

As longer lives lead to longer careers, the future worker’s journey could look very different to how it does today.

Unless there are radical changes to the education system, people who attend university will still be expected to leave education at 21, but rather than working until they are in their mid-to-late-60s, they are more likely to be working to 70 or beyond. If there is no change to the rate by which the State Pension Age is increasing, we might expect people to be spending more years in retirement due to the growth rate of life expectancy.

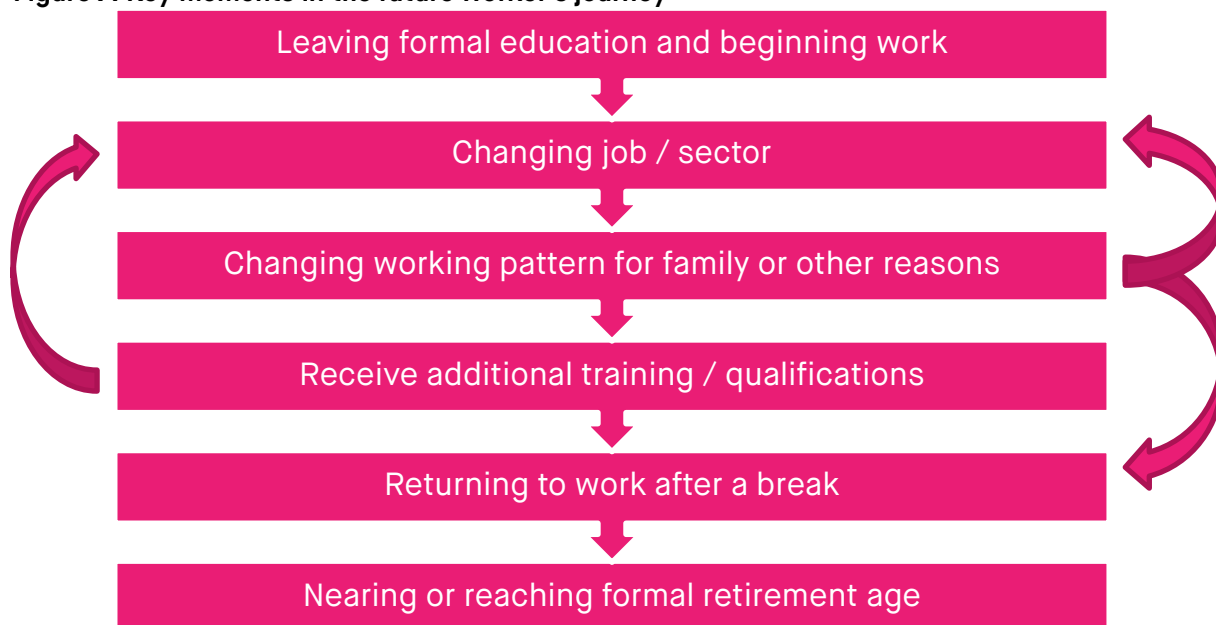
Figure 6 sets out how longevity might influence the time spent in each phase of life. Longer lives could lead to longer periods in work and longer retirements.

Figure 6: Estimates of time spent in each phase of life



Not only will working lives be longer, but they may become more varied – with people moving in and out of the labour market at differing points in time. We have already mentioned in reports 1 and 2 of this series how longevity may increase the demand on family to provide care for older relatives or spouses – this could lead to individuals (particularly women) leaving the labour market for periods of time.

Figure 7: Key moments in the future worker's journey



Source: SMF analysis

Changing patterns of entry and exit into the labour market may cause individuals to change career, undergo training or formal education at a variety of different points in their lives and not necessarily in the order would be expected. This could result in a need for changes in how educational institutions, employers and the government think about the accumulation of education and training. Due to the educational routes taken by politicians, there can be a tendency to overlook the importance of alternatives to a university education between the ages of 18 and 21.

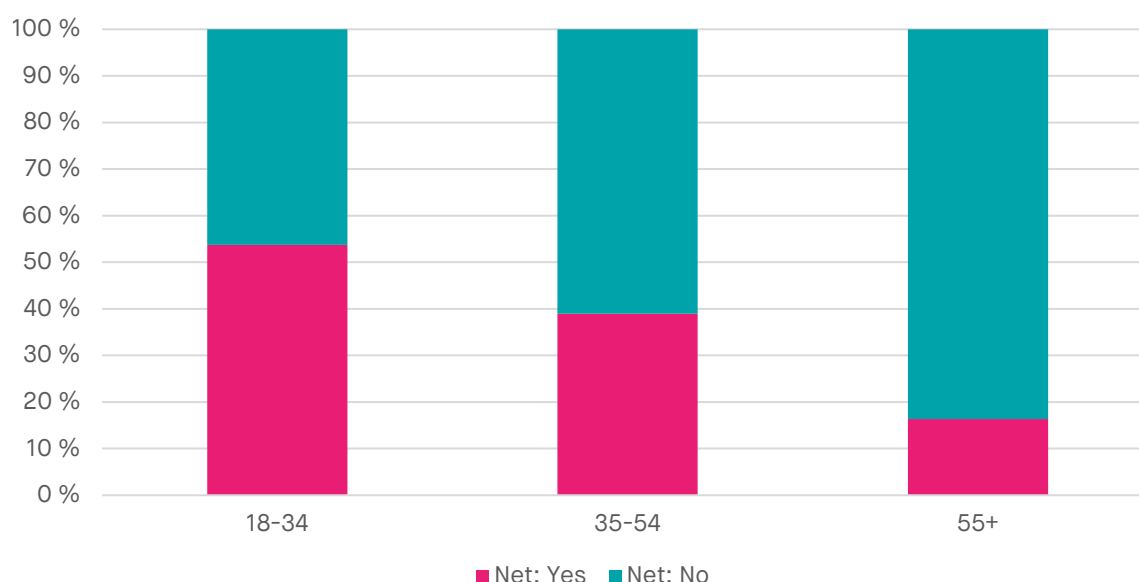
PART 3: PUBLIC ATTITUDES

A longer working career will require employees to change career more often and this could increase the need for retraining, upskilling and employment interventions. This may require employees and employers to change their behaviour. Polling was conducted to assess the extent to which people are thinking about these issues and their attitudes to a range of topics associated with longevity and work. This chapter explores the polling results.

Changing careers and training

As the 50-year career becomes reality, it is probable that more people will need to make career changes. It has been estimated that people should be planning for five careers in their lifetime.¹³ However, the polling shows very little willingness amongst older employees to change their current career.

Figure 8: Responses to “Are you interested in changing career from your current role?” by age

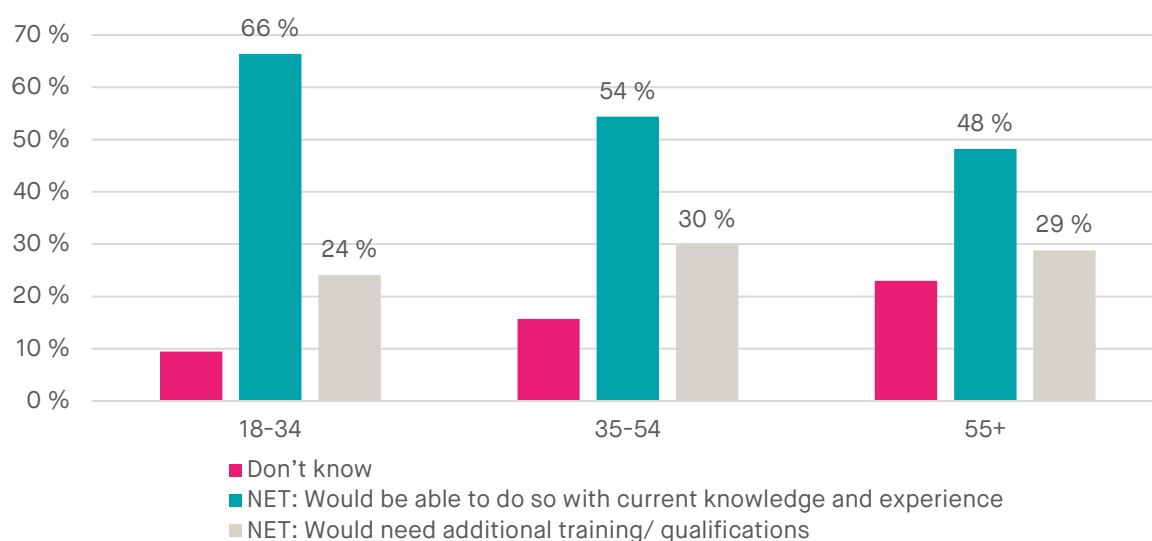


Source: SMF analysis of Opinium polling (2019)

Less than four in ten of those aged 35 to 54 are interested in changing careers. But those in the lower end of this age bracket have at least 30 years remaining in the labour market – they are less than halfway through their working lives. Their lack of interest in changing career could be a sign that they are unaware of the realities of longevity and its impact on career patterns. A lack of awareness could impact the steps individuals take to train and could mean they do not have the right transferable skills for the future.

As Figure 9 shows, most individuals believe that they would be able to change careers with their current knowledge and experience. One in three of those aged 35 to 54 believe they would need additional training and qualifications. This group would need to be supported if they were to find themselves changing career – which can occur for a range of reasons.

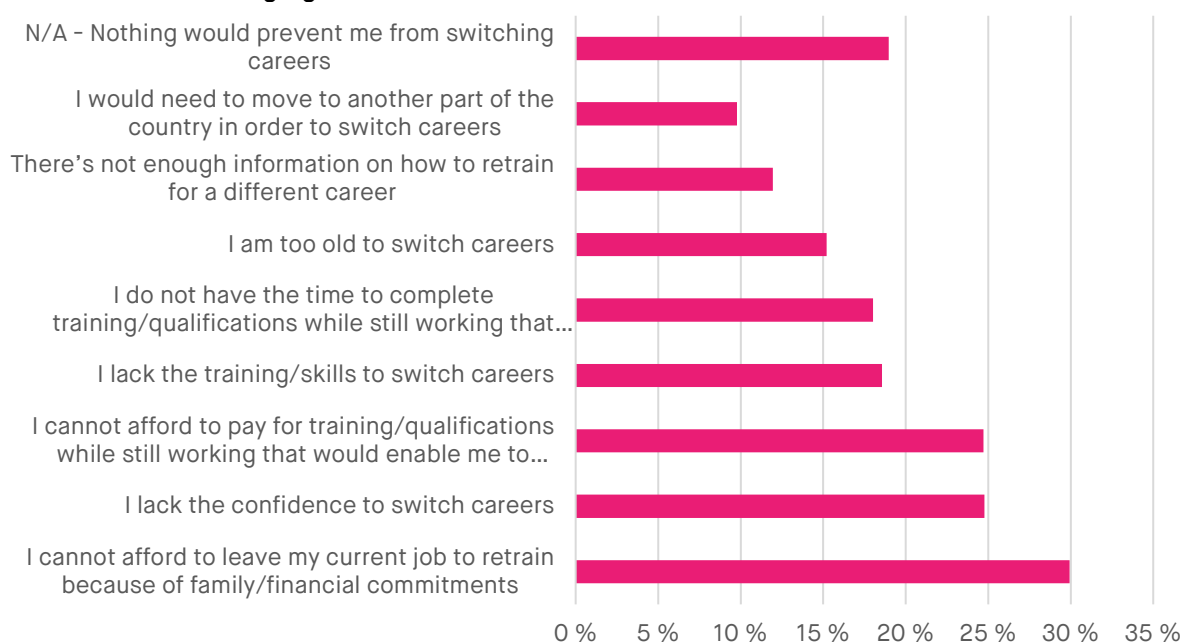
Figure 9: Responses to “If you wanted to change career, do you believe you would be able to do so?”



Source: SMF analysis of Opinium Polling (2019)

Of those who were interested in changing careers, many reported barriers to switching. The biggest barrier was the inability of individuals to leave their current role to retrain due to financial restrictions. The second biggest barrier was a lack of confidence, as is shown in Figure 10. There is a risk that if people are not able to take the steps necessary to retrain, they may be unable to adapt to changes in their employment or the labour market – leading to unemployment.

Figure 10: Responses to "What factors, if any, prevent you from switching careers?" those who are interested in changing careers



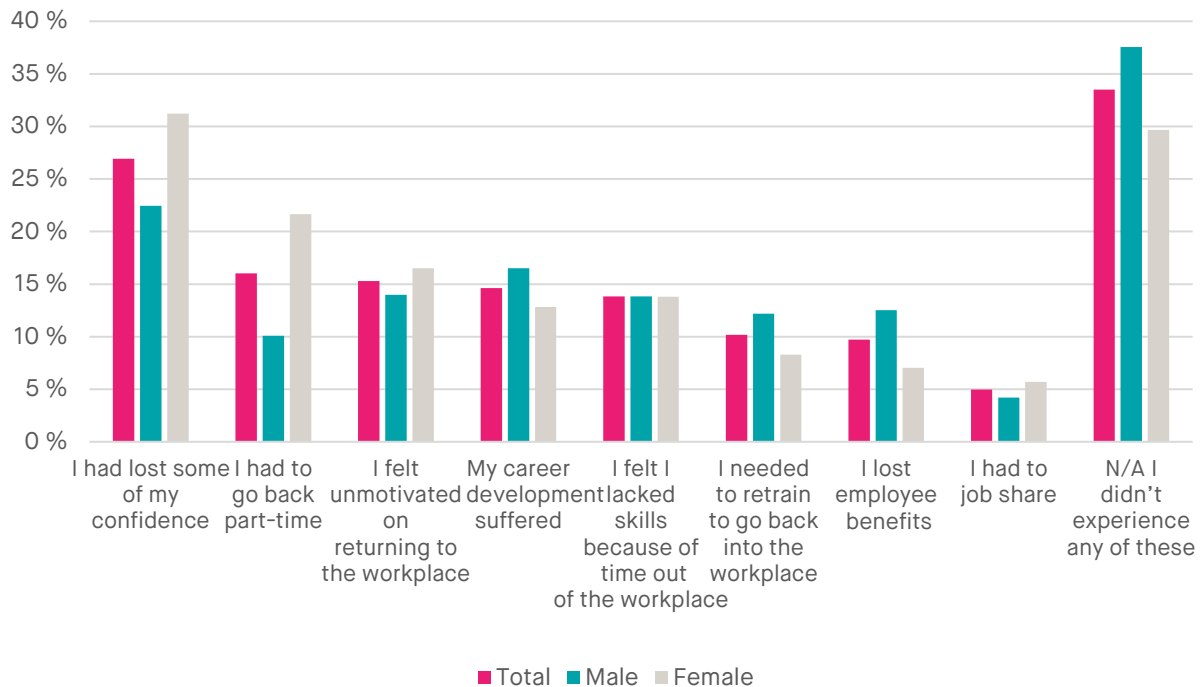
Source: SMF analysis of Opinium polling (2019)

Movement in and out of the labour market

As discussed in our report “Gender equality and the 100-year life”, longer lives may lead to more movements in and out of the labour market due to the need to care for family members, such as children, older relatives or spouses.¹⁴ The polling found that almost two-thirds (63%) of respondents had taken time out of the labour market at some point during their working life (either voluntary or involuntary). For women, the most common reason for time out of the labour market was maternity leave, whereas for men it was due to stress / mental health.

Three quarters (77%) of those who took time out the labour market were able to return to the same career / industry sector – however, one fifth (22%) of those who returned to the same career or industry were moved sideways or into a lower paying role.

Figure 11: Responses to "Did you experience any of the following when returning to work after time off?" those who had taken time out



Source: SMF analysis of Opinium polling (2019)

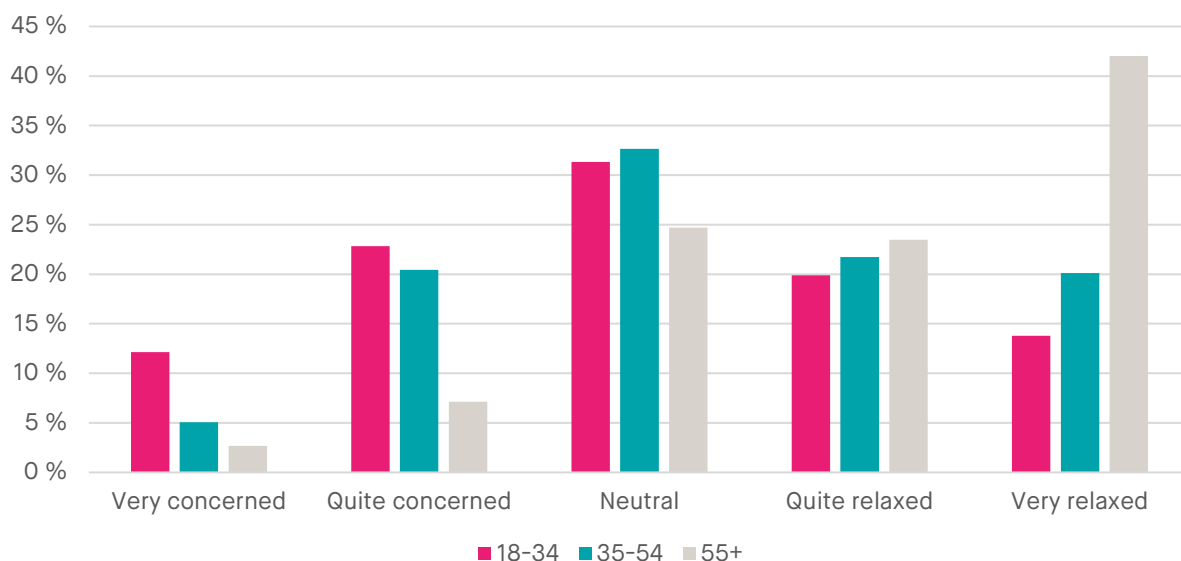
Two thirds (66%) of those who took time out of the labour market experienced some difficulties when returning to work. The most commonly reported experience was losing some of their confidence – this was true for both genders but more commonly reported amongst women. There were some differences between men and women – men were more likely to state their career development had suffered compared to women (17% compared to 13%), whereas one fifth (22%) of women stated they returned part-time, compared to only 10% of men. The experiences faced by age and gender could be reflective of the reason for taking time out the labour market, but it highlights some of the interventions that could be needed if more and more people are going to be experiencing these movements in and out of work.

The risk of automation

There is a risk that automation will replace workers or make certain jobs obsolete. As shown earlier (in Figure 5), there is a risk that those in the later stages of their career may be negatively impacted by automation.

In the polling, one-quarter of adults were concerned about the risk of automation on their career – this varies significantly by age.

Figure 12: Responses to "Would you say you are concerned or not concerned about the possibility of your current job being replaced or made obsolete by advances in technology?"



Source: SMF analysis of Opinium polling (2019)

Over one third (35%) of those aged 18 to 34 are worried about the impact of advances in technology on their current job, this is compared to only 10% of those 55+. The most common response across the sample is neutral. Those aged 55+ are very relaxed about the possibility of technological advances affecting their job.

When asked who should be responsible for funding the retraining of workers whose roles are affected by technological change or become obsolete the majority believed this responsibility should fall on the employer or the government (45% and 35% respectively). There was relatively little belief that the responsibility should fall on the individual themselves with just over a quarter of respondents stating this (28%). This highlights how individuals are unlikely to be prepared to take on the financial burden of training if anything were to happen to their employment.

Are employers concerned?

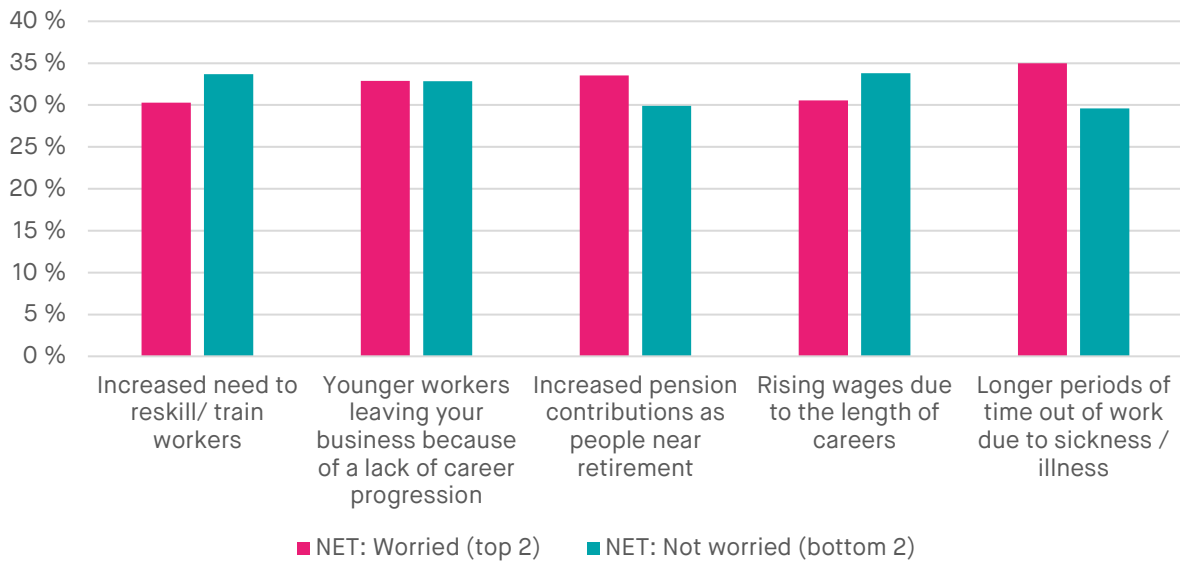
Longer working lives will not just affect employees – it will affect employers too. The polling was also used to look at the attitudes of employers, by focusing on a subset of the respondent population who are senior managers or above, as a proxy for employers.

When asked how their training budgets were changing within their workplace, almost half (47%) stated that the training budget had remained the same over the last 12 months. An equal proportion stated the budget had increased or decreased (27% for both). Given

technological change and the ageing workforce, we should expect more employers to be increasing their expenditure of training.

When asked about a range of workplace situations associated with an ageing workforce, employers were divided in their opinions, as is shown in Figure 13.

Figure 13: Responses to "To what extent is your organisation worried about the following challenges associated with an ageing workforce?"



Source: SMF analysis of Opinium polling (2019)

There are marginal differences in the proportion of employers who are worried or not worried about the challenges above. Employers were most concerned with issues relating to increased pension contributions and time out of the workforce due to sickness / illness. The difference in the proportion of employers worried about the need to reskill or train staff was only four percentage points – with those not worried coming out as dominant. Employers are equally worried and not worried (33%) about younger workers leaving due to a lack of progression – if older workers stay in the labour market for longer this could impact the progression of workers through the workplace hierarchy.

PART 4: POLICY LANDSCAPE

This chapter explores current government policy on education, skills and retraining of older workers. It also looks internationally for examples of good practice.

Policy landscape in the UK

The government has made strides to improve the accumulation of education and skills among the entire population. There have been a range of policy measures throughout recent years which have tried to achieve the aim of reskilling, retraining and promoting the development of skills.

The more recent changes to policy focus on vocational or technical skills, include the creation of T-levels and the Apprenticeship Levy. Another example is the National Retraining Scheme which was introduced to help adults retrain into better jobs and be ready for future changes to the economy, including automation. The scheme will also provide tailored advice and guidance from a qualified advisor.

The scheme will initially support adults who:

- Are already in work
- Are aged 24 and over
- Do not have a qualification at degree level
- Are paid below a certain wage threshold

There are some criticisms of the National Retraining Scheme. One is that its ambition is too small, the population it can serve is limited and it does little to ensure the development of skills and training throughout an individual's life. "Get help to retrain" - the first part of the National Retraining Scheme - which started being rolled out in July 2019 is currently available in six areas (Liverpool city region, North East local enterprise partnership area, West Midlands combined authority areas, the Leeds city region local enterprise partnership area, the Cambridgeshire and Peterborough combined authority area and the Heart of the South West local enterprise partnership area), with plans for the scheme to be fully available across England this year.

Due to the expansion of higher education in recent years, the government must also consider how it will support a generation of highly-educated individuals as they approach working in later life, and need to update or refresh their skills. The probability of an occupation being replaced by automation is negatively correlated with skill level. However, 30% of main jobs at risk of automation are done by those with higher education or degree qualifications.¹⁵ In the era of automation and increased career lengths, it is unlikely to be true that those who need retraining will solely be low-skilled or manual workers. The government must recognise this as it continues to develop its skills and training strategy.

The 2019 manifestos

All three of the main political parties committed to improving lifelong learning /adult education and skills in their 2019 manifestos.

Labour

In Labour's 2019 manifesto, Labour committed to making lifelong learning a reality. They stated they would give everyone a free lifelong entitlement to:

- Training up to Level 3;
- Six years training at Levels 4-6, with maintenance grants for disadvantaged learners.

Whilst this policy is positive, it does little to ensure continuous training or skills development throughout an adult's life or focus on those who may need a skills refresh.

Labour also stated they would introduce additional entitlements for workers in industries that are significantly affected by industrial transition. As people work for longer there is an increased risk that they be affected by industrial-based change. Labour also stated they would abolish tuition fees.¹⁶

Liberal Democrats

The Liberal Democrats proposed a "skills wallet" for every adult. The skills wallet would give people £10,000 to spend on approved education and training courses to get the right skills for the jobs of the future. The government would put in £4,000 at age 25, £3,000 at age 40 and £3,000 at age 55. Additional payments from employers, local government and individuals would also be possible.¹⁷ This policy would enable individuals to take control of their own skills development and the inclusion of funding based on age is beneficial for those who find themselves needing to retrain in their 40s or 50s.

Their other policies did not specifically focus on lifelong learning or adult education but included policies such as expanding the remit of the Apprenticeship Levy and expanding higher vocational training.

Conservatives

The Conservatives proposed the creation of a new "National Skills Fund" worth £3 billion over the current Parliament. The Conservatives stated in their 2019 general election manifesto that the fund will "help to transform the lives of people who have not got onto the work ladder and lack qualifications, as well as people who are keen to return to work from, say, raising a family, or switch from one career to another."¹⁸

However, £3 billion over the current parliament is equivalent to £600 million per year – when you divide this by the size of the UK workforce:ⁱⁱ this is equivalent to £18.32 per person. For the National Skills Fund to make any difference to the accumulation of skills

ⁱⁱ ONS estimated 32.75 million people aged 16+ in work in July to September 2019

or help people to return to work, it would need to be much larger unless the aim is to only help a small number of people.

International case studies

There are a range of countries using innovative practices to improve the accumulation of education and skills of the workforce – with a particular focus on those over the age of 40.

Singapore

Singapore has introduced a range of programmes to help develop the skills of its workforce, including the SkillsFuture Credit.¹⁹ The aim of this programme is to encourage individuals to take ownership of their skills development. All Singaporeans aged 25 and above receive an opening credit of \$500 to use on pre-approved courses.

The courses can be provided online or at a range of institutions funded or recognised by the Ministry of Education.²⁰ There is a wide variety of courses on offer focused on different industries and skillsets, including but not limited to accountancy, healthcare and wholesale and retail trade.

The scheme does not allow the funds to be used to subsidise employer-based training – Singapore offers a separate subsidy system for employers. This means Singaporeans can choose to use their fund to support their current career, put it towards a hobby or acquire skills they need for their next career move. In 2019, it was estimated that 431,000 Singaporeans had used their subsidy since the scheme began in 2016.²¹

The Netherlands

Prior to 2004, the Netherlands was using its tax system to incentivise employers to increase the participation of training amongst their workforce. There were three tax deductions available to employers for work-related training, these were:

- 1) Firms were able to deduct 120% of training costs from turnover;
- 2) An additional deduction for firms spending less than a specified amount (to target SMEs);
- 3) Additional deductions for training provided to workers over the age of 40.²²

Whilst the aim of this programme was to encourage take up of training at an aggregate level, there was a specific focus on workers over 40 and employees of SMEs – both groups had training participation rates below average.

The scheme was dropped in 2014 due to fiscal constraints. Results on the training participation of those over 40 showed that whilst those just over 40 had higher training participation rates than those under 40, this was mainly due to a postponement of training due to the tax benefits rather than an increase in training participation.²³ This highlights some of the issues associated with designing age-specific interventions, consideration must always be given to the risk of deadweight losses. In this scenario, deadweight losses are defined as the extent to which government-funded training generates outcomes that are not additional to what would have occurred in the absence of such interventions.

Proposed wage insurance in the United States

As people work for longer, there is a chance that their industry will become obsolete and lead workers to become unemployed. In the US, typically, workers who lose their jobs (through no fault of their own or who meet certain criteria) are eligible for unemployment insurance. This is a regular payment to help with the transition – however this stops when the worker starts a new job.²⁴ Wage insurance is not a new idea, however. In 2016, Barack Obama proposed the introduction of a wage insurance policy in his final State of the Union address.²⁵

Research over the past 15 years shows that lower earnings after a worker regains employment are potentially far more serious and consequential for workers and their families than the period in between jobs.²⁶ This is where wage insurance is valuable. If workers are unable to find a job that matches their previous salary, they would receive a contribution towards this gap from the government – this would enable them to take an initial pay cut whilst they start a new job and receive on-the-job training. As their experience in this role grows, it would be expected that their wage would also rise and therefore slowly reduce their wage insurance payments.²⁷

Wage insurance was a part of the Alternative Trade Adjustment Assistance (TAA) programme in the US. The program provides eligible individuals over the age of 50, who obtain new employment within 26 weeks of their separation, with a wage subsidy to help bridge the salary gap between their old and new employment (paid by the State).²⁸ This is an amount equal to 50% of the difference between wages at the time of separation and reemployment, up to a maximum of \$10,000 in total or two years. Workers were eligible if they were in Trade Act-certified employment before becoming unemployed and earned less than \$50,000 per year.

Research on the economic benefits of the TAA is mixed. However, a recent paper has shown that 10 years later workers who have been supported by TAA have approximately \$50,000 higher cumulative earnings relative to all-else-equal workers who do not retrain. The paper presented findings from a cost-benefit analysis which showed a conservative internal rate of return (IRR) between 0.0% and 9.1%.²⁹ Whilst this is a low rate of return, the policy is likely to be prioritised given the distributional nature of the policy towards a politically-important subset of the population.

PART 5: POLICY RECOMMENDATIONS

Based on the evidence presented earlier, this chapter will explore a range of policy recommendations that are needed to prepare employers, workers and education institutions / systems for the 100-year life and longer working lives.

Lifelong learning

To ensure the UK workforce is ready to adapt to the 100-year life, we need to ensure that people are able to undergo training and skills development throughout their life. Lifelong learning will be essential if people are to continue to work longer. As things stand, the UK is not doing particularly well at developing the skills of older workers.

The evidence presented above has shown that people are likely to underestimate the need for them to retrain or upskill in later life. This is unsurprising due to the fact that individuals in the UK underestimate how long they will live and work. The polling conducted for part one of this research series showed that 31% of those aged 18 to 34 thought they would be able to continue to work until they were aged between 60 and 65³⁰ – whilst this group of workers are likely to retire much later than that. The government needs to consider its role in highlighting the realities of the 100-year life and what this means for people.

However, there have been some innovative policies in the area of adult education and skills provision in previous years and under previous governments. In 2000, Individual Learning Accounts (ILAs) were introduced in England.

Case study: Individual Learning Accounts

The aim of individual Learning Accounts was to widen participation and help overcome financial barriers to learning. The scheme was targeted at those who lacked skills and qualification and to bring back into learning those who had not done any for some time.

Three financial incentives were available from September 2000:

- An initial incentive of £150 towards the cost of eligible learning for the first million account users, with a small contribution of at least £25 from the account holder;
- A discount of 20 per cent on the cost of a broad range of learning capped at £100;
- A discount of 80 per cent on the cost of a limited list of basic IT and mathematics courses, limited to a total of £200 discount per account from October 2000.

Unfortunately, the scheme was withdrawn in 2001 because demand for accounts was much higher than expected and there were concerns about the quality of training, learning providers abusing the system and fraudulent activity.³¹

Whilst the previous experience of ILAs in the UK had its issues, technology has moved on and a redesigned system would be much harder to game. Whilst the government committed to creating the National Skills Fund worth £3 billion over the next parliament, this does not go far enough. The government should look to countries such as Singapore

and recreate Individual Learning Accounts. The accounts would enable individuals to choose the type of training or skills they want to develop and do this on their own timeframes. There is the option for the government to further subsidise training where there are clear skills gaps or allow additional funds to be given to workers at key moments in their life, such as when they hit key age milestones or for those in industries at risk of automation.

Recommendation 1: Individual learner accounts

The government should reintroduce newly designed Individual Learning Accounts. Ministers should look to Singapore for ways to design the system so that it cannot be gamed.

In an era where education and training need to occur at various points in an individual's life, education institutions that provide flexible learning such as the Open University need to be supported and prioritised. The Augur Review recommended the introduction of a lifelong learning loan allowance be used at higher technical and degree level at any stage in an adult's career.³² The review also recommends that the funding is available for modules where required. The government should consider implementing these recommendations from The Augur Review and ensure that flexible modular learning is available to individuals and provided by higher education institutions. The government should also consider whether HEIs are adequately prepared for the 100-year life and whether the current model of funding will work in the future.

Modular learning could provide the flexibility and specialisation that workers of the future will need in order to progress through higher education in later life.

Recommendation 2: Modular learning

The government should take note of the recommendations within the Augur Review and look at ways that it can support the provision and take up of modular learning. This should be complemented by an inquiry into the fall of mature and part-time students that has occurred in recent years.

Re-entering the workplace

The risks of automation and movements in and out of the labour market have been discussed earlier in the paper. If people are more likely to be changing careers, either through their own actions or because of industrial change, the government will need to find ways to support them back into the labour market and into new careers.

There is precedent for using government funds to directly target the accumulation of skills or employment of a specific age group – such as the Future Jobs Fund.

Case study: Future Jobs Fund

The Future Jobs Fund (FJF) was introduced in 2009. It focused primarily on those aged 18 to 24 who had been in receipt of Jobseekers Allowance. The scheme supported the creation of subsidised jobs for unemployed young people who were at disadvantage in the labour market. Between October 2009 and March 2011, just over 105,000 jobs were created under the FJF. The programme cost approximately £680 million.³³

Evidence suggested the FJF was a cost-effective way of increasing employment of the group targeted³⁴ – however, it was scrapped before the evaluation had been completed.

The government should use the money it has committed to the National Skills Fund to specifically target the training and skills development of workers over the age of 40 who are at risk of industrial change or automation.

Recommendation 3: National Skills Fund

The government should use the money allocated to the National Skills Fund to focus on the skills and training of workers over the age of 40. Priority should be given to workers who are in industries where there is a risk of automation or industrial decline.

The government could go further and look at subsidised employment. One way to do this could be through reductions to, or the removal of, employer National Insurance for older workers who have become structurally unemployed. This could help to incentivise employers to hire workers who may require training or who are approaching State Pension Age. There is precedent for policy that change the level of National Insurance payable by age. Examples include the removal of NI for workers under 21 or over SPA, and for apprentices under 25.³⁵

Recommendation 4: Employer National Insurance reduction

We recommend that the government explore a reduction in employer National Insurance for workers over 50 who have been affected by structural unemployment and those who have been supported by the National Skills Fund (as redesigned above).

Longer lives

The opportunities arising from rising lifespans are not evenly distributed. Work in later life means different things to different people, with health a key determinant of differing experience. Simply put, someone in good health in their 60s or 70s will find it much easier (and more enjoyable) to go on working.

Yet the connection between health and work is sometimes not recognised clearly enough in public policy and services. There is increasing evidence that the payoff of working past age 65 may go beyond income, some studies have linked working past retirement with better health and longevity.³⁶ There is a role for GPs to take proactive steps in identifying those who would benefit from working longer and where small interventions may stop people from leaving the labour market early.

We recommend that Clinical Commissioning Groups (CCGs) and GPs be given responsibility to enable and encourage those who want to continue to work beyond 65 the tools to do so, be this through advice and support or social prescribing of workplace health support.

Recommendation 5: Enabling people to work longer

Where there is a benefit, CCGs and GPs should be proactively aiming to enable people to work for longer.

It is not clear where the responsibility for the issues discussed in this paper lie within Whitehall. Both the Department for Education and the Department for Work and Pensions have an interest in the UK labour force, its skills and training. Meanwhile, the Department for Business, Energy and Industrial Strategy has a role in identifying the needs of employers, as well as partial oversight of the Higher Education sector. We recommend that a single minister be given overall responsibility for co-ordinating policy between departments with regard to longer lives, work and skills.

Recommendation 6: Minister for Lifelong Learning and Training

A minister should be designated as having lead responsibility over longer lives, work and skills. This role would be given to an existing ministerial post, who would work across DfE, BEIS and DWP.

These policies will go some way in ensuring that the UK has a workforce that is highly skilled, ready to cope with the reality of longer lives and where age is not a deterrent for investment in skills or training.

ENDNOTES

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