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IMPROVING EMPLOYMENT PROSPECTS FOR THE OVER 50s

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A Report commissioned by the Prince's Initiative for Mature Enterprise (PRIME)
and The Prince's Initiative for Mature Enterprise in Wales (PRIME-Cymru)

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Introduction

Recent years have seen a substantial increase in the numbers of people aged between 50 and state pension age (SPA) participating in the labour force. Achieving this outcome has been an important government priority, and 1.3 million more people from this age group are now in employment than was the case 10 years ago.

Impressive though this achievement is, however, it has to be set against the stark fact that there are nevertheless more people over 50 who are economically inactive now than there were in 1997. This reflects the strength of the demographic trends against which the policy of encouraging participation in the workforce by the over-50s has been struggling. The population is ageing, and the number of people in the 50+ age group is growing at twice the rate of the population generally. As a result, despite the progress made, the number of economically inactive over-50s is not falling and seems unlikely to over the foreseeable future without fresh initiatives. We have done well but we need to do better.

Apart from the pressing need to improve the welfare of the individuals concerned, it is crucially important for Britain's economic future that we should. Substantial economic benefits are associated with a growing workforce, mirrored by the severe economic problems which arise when a country's working population starts to decline. GDP growth over the longer term is the sum of the growth in the employed workforce and the rise in productivity of that workforce, so the faster the working population goes up, the more quickly, other things being equal, the economy grows. Over the past decade, the growth in working population has added well in excess of £50 billion to GDP, and swelled the Treasury's coffers by nearly half that. Since the number of under-50s is expected to drop by 2% over the next ten years, this sort of performance cannot be maintained unless the proportion of over-50s in the working population goes on rising.

Just as important, a growing workforce is needed to counter a rising "dependency ratio" – the number of economically inactive people expressed as a proportion of the working population. A rising dependency ratio leads to higher taxes on producers to finance the social spending which is necessary to support the unproductive parts of the population. Such additional tax burdens would depress economic performance.

There are of course a number of ways in which a growing working population can be achieved. It might come about as a result of a rising birth rate or increasing immigration instead of higher participation rates. The first however adds to the dependency ratio until the young population joins the labour force; and both result in a rise in Britain's population. By contrast, an increase in the participation rate of older people who already live here increases the working population just as effectively – perhaps more so, in light of their experience, skills and reliability – without generating the costs associated with the other two routes. Raising the participation rate offers the double benefit of reducing the inactive population at the same time as the numbers in the productive population are increased, further improving the dependency ratio, and of relieving rather than increasing budgetary pressures as those in the higher age groups who are on benefits come off them. Moreover many of the social and environmental costs generated by a rising population – the need for more housing, more cars, more roads, resulting in more congestion and pollution – do not arise if the existing population is being redeployed rather than increased.

So what do we need to do to up our game and finally get the numbers of inactive over-50s on a declining trend? This is the question which the report addresses. It was commissioned by PRIME – the Prince's Initiative for Mature Enterprise – a charitable foundation established by the Prince of Wales to help unemployed older people set up their own businesses, with the following aims:

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- to characterise the inactive population in the 50-64 age category – social groups, gender split, regional spread, racial mix, educational levels, sick versus healthy;
- to identify the barriers to employment faced by these groups in returning to the labour market;
- to evaluate the extent to which public policies and employer practices are aligned with the need to overcome these barriers – in fact, after some years of legislative activity, the need is much more to change attitudes and practices on the ground than make further amendments to government policy;
- to advance practical proposals to help increase the participation rate of the over-50 age group, identifying as part of this analysis the role which can be played by efforts to increase self-employment.

The authors have drawn on a wide range of published sources and benefited from a series of conversations with government departments, private sector employers, charitable organizations and university academics. We are

particularly grateful to the Department of Work and Pensions (DWP), the Department of Trade and Industry (DTI), the CBI, the TUC and the Chartered Institute of Personnel Development (CIPD); to HSBC and J Sainsbury plc; to Age Concern, The Age and Employment Network (TAEN), the Employers' Forum on Age (EFA), as well as PRIME; and to Professor McNair of Surrey University, for the time they made available and the assistance they gave us in relation to this project. Many others also commented, and we are grateful for their help.

The report is presented in four sections, mirroring the four aims set out above, with a brief final piece elaborating the economic and fiscal benefits of employing more over-50s already touched on. The remainder of this summary sets out our findings.

The inactive population between 50 and State Pension Age (SPA): who are they?

According to the Office of National Statistics, the rapid increase in the number of people aged 50 and over represents the most significant demographic trend affecting the size and composition of the labour force for at least the next 15 years. The number of people aged 50 and over is expected to rise from 19.8 million in 2005 to 24.5 million by 2020, an increase of nearly a quarter. By 2030, this number will have risen to 27 million or 40% of the total population. So strong is this trend that, despite there being well over a million more people within this age group in employment than 10 years ago, the number who are economically inactive is also higher than it was in 1997. At best, we have been racing to stand still.

2.4 million people in the UK in this cohort are economically inactive, 25% of men and 30% of women. There are significant regional variations in inactivity rates of older people. Section One of the report shows that whereas in Spring 2006 just over 20% of this age group in the South East were inactive, the equivalent figure in the North East was 35%. The North West and Merseyside, Inner London and Wales also registered inactivity rates of about one third. A series of factors contribute to this regional spread – relatively depressed manufacturing economies further north, together with larger numbers of sick and disabled people in these areas, and a concentration of ethnic minorities in inner cities.

Looking at these factors in more detail, the DWP has found that ill health is the single most common reason for which people in this age group disengaged from the labour market. One third of adults between 50 and 64 count as disabled, and about 1.2 million or nearly 15% of those aged between 50 and 64 are on Incapacity Benefit (IB) – half of those who are inactive. Half of this 1.2 million are likely to remain on IB

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indefinitely, since the chances of someone beyond the age of 50 returning to work once they have left it on grounds of ill health or disability are small, and decline as their period of unemployment increases. Two thirds of the IB claimants in this group are men. IB is more attractive than jobseekers allowance (some 160,000 are on benefits related to unemployment) as it is not means tested and does not require the claimant to be actively seeking work. However, one third of those on IB say they would like to be in paid employment.

Carers make up another substantial part of the inactive total. There are at least 6 million carers in the UK, and one person in five in their 50s is an informal carer. About 400,000 carers between 50 and SPA are economically inactive. Carers are far more likely to be women than men – a quarter of women who are not in paid employment are in this category. 1 in 3 carers not currently working say they would like to return to work if the right alternative care was available.

In terms of education and skills, many outside the workforce lack formal qualifications, which makes it difficult for them to compete. Older people are more likely to have skills related to declining industries. Half of inactive men aged 50-64 were previously employed in manufacturing and construction, whereas half of inactive women had previously worked in health and social work and wholesale and retail businesses.

Only a very small proportion of older people in the UK are from minority ethnic groups. These groups do suffer labour market disadvantages – for any given level of qualifications, such people are less likely to be employed than white people, so that it is fair to say that there is an “ethnic penalty” still to be addressed. But this is not an important part of the solution to the general problem of economic inactivity.

There are also of course the “affluent early retired”, the 22% of the age group identified by the DWP as financially secure and not wanting a job. There are obviously “two nations” in early retirement, but beyond the affluent group able to live on accumulated pension rights it is clear that large numbers of people are facing hardship and would like to return to work if they could see a way of doing so.

How many are willing and able to rejoin the labour force?

A number of attempts have been made to answer this question. According to Age Concern’s calculations, between 430,000 and 1 million older people could return to work. The bottom of this range includes only those inactive over-50s who match the profile of those currently in work. The top end includes all people who say they want to work if the barriers they face are tackled. The TUC has estimated that there are about 250,000 actively looking for work to which can be added 750,000 who may not currently be looking for a variety of reasons but who say they want work. These figures suggest that a realistic answer to the question is likely to be less than a million, but before driving the figure down too far it is as well to bear in mind the evidence which suggests that there is a considerable attachment to work in the UK. Across the country, 80% of people in work say that they would like to go on beyond retirement age, whilst half of those now retired report that they wish they had gone on longer.

The analysis in our report, based on an examination of the groups discussed above, suggests that about a third of the 2.4 million inactive over-50s could return to work given the right circumstances. It appears that about a third of those on incapacity benefit who say they want work may be capable of returning to employment. The same is probably true of about half those classed as early retired, including some of those with a health condition and “discouraged workers”. And it is probably realistic to think in terms of a third of carers who could make alternative arrangements if they saw themselves as employable once again. Our

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more micro analysis is therefore broadly in line with the estimates provided independently by Age Concern and the TUC, and it seems reasonable to think in terms of a “reserve army” of up to 800,000 people which might be mobilized to swell the workforce if the barriers to employment could be overcome.

From what has been written so far, it is fairly obvious what type of barriers these are. Disabled people need employers to give thought to whether the requirements of a job could actually be met by a person with disabilities and their willingness to organize work facilities to enable them to do so. Those with caring duties would benefit from a willingness among employers to facilitate flexible working arrangements. Poor skills and qualifications characterise many of the economically inactive: older people have lower qualifications and there is often a reluctance among employers to fund training for older staff because of shorter payback times. Hence providing direct and easy access to training and development is a key response to the problem of over 50s inactivity. Those in lower socioeconomic groups come up against benefit traps since the low-skilled low-paid work which may be their only option may not pay much more than benefits, especially after housing costs and travel costs are taken into account.

After a period of unemployment, people may come to see themselves as unemployable and give up. Or they may remain unemployed because they are not prepared to consider working in sectors where jobs are available – retailing say or call centres – either because they think their own work experience is not relevant, or because they are too selective in terms of status or salary. Some employers’ perception of older workers is also an important barrier. Research conducted by the University of Kent found that more people report facing age barriers than any other form of discrimination and that from age 55 people are nearly twice as likely to have experienced age barriers than any other form of discrimination. The National Audit Office has also reported that many employers have negative perceptions about the capabilities of older people.

The report argues that the barriers to employment faced by the 50-64 age group need to be tackled in the context of improved employer attitudes and practices. Our analysis is carried forward in terms first of what the government can do – both as legislator and employer - and then the response which is needed from private sector employers. The policies and practices of employers are scrutinised with a view to identifying and spreading best practice, so that as many as possible of those 800,000 people can be helped back to work. The outcomes of this analysis can be summarised as follows.

Is more legislation needed?

Section Two of the report reviews the Government’s approach in recent years towards improving the employment prospects of older workers. There has in fact been a clear recognition of the importance of increasing the participation of the 50 – SPA age group in the workforce, and the official aspiration is to achieve an 80% participation rate among this group, which would involve employing an additional 1 million older workers.

A battery of policies has been adopted in pursuit of this objective, which have contributed to the rise in the employment rate among the over 50s referred to earlier, although their impact has not been sufficient to bring about an absolute reduction in the number of the economically inactive.

The measures the government has pursued include legislation to combat age discrimination which has made compulsory retirement below the age of 65 unlawful on grounds of age alone. It encourages employers to recruit, train and retain in ways that do not discriminate against people on grounds of age. Part of the role of the new Commission for Equality and Human Rights (CEHR) is to discourage discrimination on grounds of age. The eligibility for Jobcentre Plus employment programmes has been

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extended to those receiving Pension Credit, allowing many inactive people aged 60 or over access to a range of back to work support. Tax rules have been changed to allow people to continue working for their employer while drawing an occupational pension and the age at which an occupational pension can be taken raised from 50 to 55. The Age Positive campaign was introduced to encourage a change in employer attitudes, making “Employer Age Champion” awards. The Train to Gain programme is the means by which the government attempts to assist older workers to improve their skills. Carers have been given a legal right to request flexible working. New Deal 50 Plus has supported the return to work of more than 150,000 people in the older age group since it was introduced in 2000, although its effectiveness appears to have reduced somewhat in recent years. Many other initiatives are detailed in our report.

Our conclusion therefore, on the public policy front, is there has been a commendable effort to alleviate the employment problems of the 50+ age group. There are of course criticisms, also set out in the report. For example, a report by the National Audit Office suggested that more should be done to tackle regional disparities. Age Concern disputes the effectiveness of the government’s policies to improve adult skills in helping older people gain qualifications. It also argues that the Pathways to Work programme is less effective for older people than other claimants, and that there are significant problems accessing self-employment support through Jobcentre Plus. New ideas are also appearing, such as the Freud Report’s proposal that Jobcentre Plus, having supported claimants for a period of time, should hand over back-to-work support to the private and voluntary sectors, which would be paid on a success-related basis.

Our report presents a list of fresh ideas like this which seem to us to be interesting and worth consideration. But in the opinion of the authors, it would be unrealistic to expect more progress to have been made in the area of public policy than has been achieved over the past 10 years. A pretty comprehensive legislative framework is now in place which is sufficient to enable improvements in the employment position of older age groups to continue to be made. The barriers to employment have been identified and efforts to overcome them are proceeding, albeit with varying degrees of success in different areas.

The problem is that while progress has been made in reintroducing good numbers of the over 50s to work as a result of these efforts, it has not been quick enough to bring down the absolute number of economically inactive older people, whose ranks are constantly replenished by demographic trends. And, given the efforts which have been made, it is not realistic to expect the rate of improvement achieved by public policy initiatives to be greater in the future than it has been in the past. The solution to this problem cannot be supplied by public policy alone; it requires a sea-change in the attitudes and practices of employers out there in the wider economy, together with greater emphasis on the possibilities for self-employment. It is to these two areas that the final two sections of the report are devoted.

How do employers’ policies and practices need to change?

The research we have reviewed in this report suggests that the attitudes and practices of employers towards older workers are critically important in determining the age at which many people stop work. Older workers make decisions about whether to continue or stop working within the constraints imposed by their employers. In terms of public policy, the success or failure of labour market programmes can depend on the extent to which they succeed in winning employers’ engagement and support. This is the area now where the greatest effort is needed. Buy-in is patchy at best.

For the majority of employers, the need to recruit, retain and retrain older workers is by no means front of mind. Research into the international experience in this area shows that age discrimination legislation is

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important but not sufficient in itself to prevent discrimination against older workers. There is a need for a far-reaching cultural change, just as in other areas where legislation has banned discrimination: research for the DTI in 2005 for example found that employers did not view the then impending age discrimination legislation as a major driver for change.

Policies and practices in the public sector, which employs about six million people, are ahead of most of the private sector, but far from perfect. Public sector employers are more likely to have formal procedures like appraisal schemes or equal opportunities policies in place to protect against discrimination, and in some areas are breaking new ground. HMRC, for example, has committed to helping potential surplus staff retrain, introducing a pilot scheme to help staff train for accredited qualifications such as nursing, teaching or social work. On the other hand, age diverse policies at the top are not always reflected in practice on the ground. Some parts of the NHS, for example, have shown little interest in the issue of age diversity. Moreover, although skills shortages appear to be more acute in parts of the public sector, research suggests that only a small minority of public sector employers encourage applications from people who are 50 and over.

As for the private sector, studies of employers' responses to skills gaps and labour shortages show that only a minority of businesses target older workers as part of their recruitment strategy. Other research findings reveal: a reluctance on the part of many employers to provide training for older workers; little evidence of strategies for knowledge retention or for managing the age balance of the workforce; few formal flexible retirement schemes; and a gap between policies and practice – age diverse policies adopted at the top of companies not carried through to ground level. Where policies are in place they are more effective in relation to retention than recruitment, and it is the recruitment of older workers which represents the most serious and intractable problem.

Section Three of the report illustrates these shortcomings by reviewing policies and practices in major sectors of the economy – retail, hospitality, construction, business services, manufacturing and logistics. Experience varies widely. Retail sales is obviously a good area for older workers, since flexible time schedules can be devised and employment opportunities provided for the low skilled, often reflecting a policy of matching customer and employee demographics. The jobs however are mainly at the bottom of the organizations concerned. The hospitality sector suffers from a high level of vacancies and skill shortages but employers are generally unsympathetic to the notion of extending working lives. Employers will have to focus much more on training and recruitment amongst older age groups as the number of young people continues to drop.

On the other hand, construction, where there are considerable skills shortages, employs a high proportion of workers over 55, although practices vary a great deal across the large number of small firms dominating the sector. These comments also apply to manufacturing, which seems less likely than other sectors to have anti-discrimination policies in place. The research suggests that recruitment and retention practices in logistics also militate against older workers.

One theme running through our sectoral analysis is the huge difference in policies and practices between large and smaller firms. Outstanding examples of excellent practice, for example by HSBC bank and J Sainsbury are illustrated in the report. But these are very big companies. Most people working in the private sector work for small and medium sized enterprises (SMEs). SMEs – firms with fewer than 250 employees – represent 94% of all employers in the UK. DTI surveys have shown that SMEs are less likely than large firms to use formal channels of recruitment, to have equal opportunities policies in place in their workplaces, or to provide flexibility for carers. Other research shows that small firms in sectors like

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manufacturing and construction are likely to offer little formal protection against discrimination although they are not necessarily 'ageist' and may, as Patrick Grattan of TAEN puts it, "employ the best person for the job without a thought for age though they may be unconscious of age legislation and such matters as fixed retirement ages".

More than a third of employees in the UK work for SMEs, and if there is to be a change of attitude to older workers across the economy, SME employers should be a particular target. Their potential impact in terms of the participation of currently inactive over 50s in the workforce is huge. For economically inactive people to find jobs, employers have to be prepared to offer them. To enable carers and disabled people to return to work, they have to be prepared to allow their staff to work more flexibly and adjust their workplaces helpfully. There are excellent companies which have understood that it makes economic sense to draw talent and ideas from all segments of the population, but many have a long way to go and the report sets out a number of suggestions for spreading best practice more widely particularly across the SMEs.

There is an urgent need to publicise age aware management practices and to help firms understand what constitutes age discrimination because the evidence suggests many employers are not clear about this. They need to undertake diversity training and to develop the skills required to manage a balanced workforce, not least in the area of performance management, helping older employees to maintain an up-to-date portfolio of skills. The gap between policy and practice, of which substantial evidence is displayed in the report, has to be bridged. Research shows that practice varies greatly, even within the same organizations. The Employers Forum for Age has suggested that the most effective means to do this is through an education programme aimed at all employees. More flexible working options need to be developed to enable carers and others with competing demands on their time to return to work. The right to request flexibility is now enshrined in law, but there is no obligation on employers to accede to such a request. Career structures need to allow for a shift to more suitable work as people age.

Part of the problem of course is that many of the part-time flexible jobs for the over 50s are low paid. This itself can be a barrier for some people who regard themselves as over-qualified for such jobs. A DWP study of people using Jobcentre Plus services reported disappointment with the quality of work on offer, particularly the lack of specialist and well paid vacancies. Employers need to address the tendency for senior and better paid roles to be offered mainly on a full-time basis, and job centres need to employ officers dedicated to the needs of the over 50s, who can reach out to local employers to advertise with them the sort of jobs which, increasingly, available over 50s are qualified to fill.

There is enormous scope to define and roll out best practice in this area, and now that a good legislative framework is in place, a comprehensive effort to do just this is what pre-eminently is needed now.

Expanding self-employment

It may take many years to reverse the culture of age discrimination, so there need to be real opportunities for people who want to work to create their own jobs through self-employment. Amongst other advantages, a self created job may be home based and can accommodate individual circumstances such as caring responsibilities or a disability. Self employment often provides an opportunity for self-fulfilment which might otherwise not exist.

One of the objectives of economic policy is to foster a robust start-up market for small businesses, and contrary to popular belief the majority of new businesses are created by people in their 40s and 50s.

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Moreover, with the decrease in the number of people under 30, the number of younger people starting a business will decline. It is important therefore to put in place policies and structures which support older people developing their own enterprises.

Older people who wish to become self-employed face a number of challenges including access to training, finance and post start-up support. The government's focus in this respect has very much been on young people: Economic Insight, an enterprise campaign receiving significant Treasury funding to encourage entrepreneurial spirit, specifically precludes investment in the encouragement of older entrepreneurs, and much more can be done for the older age groups. Moreover the New Deal self-employment programme, which helpfully allows people to take a course, develop a business plan and test trade for six months, has been cut back, so that in many regions there is less free provision of business support than there has been for several years.

What is needed to help more economically inactive people into self employment? Some people are knowledgeable and confident and can be helped by Business Link. But the majority, particularly the most needy, need support and assistance to get to the position where they can benefit from what organizations like Business Link have to offer. The Prince's Foundation, PRIME, offers support of this kind, which is complementary to mainstream provision. In Wales, PRIME Cymru supports older people wishing to become self-employed by employing a team of client advisers and outreach workers to engage with older people where there are high levels of economic inactivity. They also use unpaid volunteers. Again, the emphasis is on pre-business start-up support – raising awareness of self-employment as an option, workshops to explore self-employment ideas, mentors to provide encouragement and advice. Then, when they are equipped to see a business adviser, they can be passed on to the mainstream agencies. This is undoubtedly a gap in the market which government agencies have not filled and an important role which needs to be generalized across the country. The impact could be significant: independent research by the Welsh Assembly showed that some 40% of older clients who were assisted to become self-employed had previously been economically inactive.

Section Four of the report discusses the different types of support needed to encourage self-employment in some detail – awareness raising, mentoring, and personal development covering such areas as IT training and basic business knowledge in areas offering the best opportunities, such as franchises and direct selling. Business planning is vital: Barclays has shown it is the key factor determining the survival or otherwise of a new business. The sort of assistance provided by New Deal has already been mentioned in this respect. Finance is of course crucial – to fund market research, purchase of equipment or stock, marketing and working capital. Unfortunately, the DTI's Phoenix Fund which underwrites loans from banks for new enterprises was regionalised last year, and there are now many areas where loans for small businesses are not available for the over 50s. There is also a need for post start-up support. Business Link and its Welsh, Scottish and Northern Ireland counterparts offer some help in this respect. The Business Volunteer Mentor scheme ensured that those who wanted a business mentor after start-up had access to one, but government funding for this has also been withdrawn.

This section of our report makes a number of recommendations to help over 50s set up their own businesses which relate to all these areas – including more encouragement for training in the New Deal programme; improved guidance by trained Jobcentre Plus staff; post start-up support; improved access to finance, especially for market research; and research into appropriate outreach models for different regions, sub-regions and communities.

If these recommendations were implemented and a determined effort made to encourage and support self-

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employment in all the nations and regions of the UK, what could be achieved? There is no precise scientific answer to this question, but a number of positive observations can be made. According to Barclays, the number of businesses being set up by people in their 50s is on the increase. Older entrepreneurs account for 15% of all business start ups in England and Wales. Older entrepreneurs are also responsible for 50% more start ups than they were 10 years ago. Secondly, companies started by older people have a 70% chance of surviving the crucial first five years compared with only 28% for younger people: so the 50+ age group is worth supporting.

Thirdly, the proportion of people between 50 and 65 starting up new enterprises varies substantially across the UK, as does the share of the self employed in the employment totals (see tables in section four), suggesting that there is plenty of unexploited potential, especially in Wales and the northern regions where the economically inactive over 50s are particularly concentrated. Focused efforts to guide people, especially in these areas of the country, into self employment, to bring the rate of self-employment up more into line with the national average, could deliver impressive dividends. Each 1% off the economically inactive list and into self employment is at least 25,000 jobs – more, since some of these businesses will employ a number of people – and, given the size of the regional disparities, it should be possible to achieve more than this.

According to PRIME, the average annual cost of IB and other benefits for the 50+ age group is around £7,000 per person, so the saving in welfare payments associated with each 1% drop in the number of economically inactive over 50s is £175 million. Add to this saving the tax payments made by the newly self-employed, and it is clear that the benefits to the exchequer are such that it is likely to be worth putting significant funding behind the drive for more self-employment which our report proposes.

Postscript – the size of the prize

It is clear that, if we could succeed in transferring 800,000 people aged between 50 and 65, who say they want to work, from the economically inactive list to paid employment, the benefits in terms of the welfare of those individuals would be huge. It would be worth spending a significant amount of money to achieve this, just in those terms.

But if the policies proposed in this report are pursued effectively, they are likely to result not in additional net costs, but in substantial gains for both the economy and the exchequer. To model the economic and financial impact of such an addition to the labour force in detail is beyond the resources available for this study, but some basic figuring makes it quite evident what the scale of the benefits to Britain's economy might be.

The employed labour force is 29 million, so an additional 800,000 people represent a boost of some 2.75%. As explained earlier, GDP growth in the long term is the sum of the growth in the labour force and the growth of labour productivity, so with GDP currently £1,300 billion, an increase in the labour force of 800,000 would be associated with a rise in GDP of about £35 billion. It could be less than this to the extent that the productivity of the new entrants was below average. Over time however their productivity would improve, and even with some writedown to take account of this effect the resulting increase in national income remains large.

The government currently appropriates 37% of GDP in tax. Assuming that this order of tax take continues to be the norm, the rise in tax revenues, on the basis of a £35 billion increase in GDP, would amount to

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around £13 billion per annum, once the 800,000 were all back in employment. Again this might have to be written down to reflect a lower productivity performance, but again the figure will remain large.

Moreover, the gains to the exchequer would not be limited to higher tax revenues. The benefit savings which would arise as people came off IB and the other benefits they currently receive, must also be taken into account. According to PRIME, the welfare costs associated with the 50 – SPA cohort amount to almost £10 billion per annum. Hence if a third of this group returned to work, the proportion which 800,000 people represents, the saving would be more than £3 billion per annum.

Clearly it will take several years to achieve a return to work on this scale, but taking account of the progress achieved in the course of the last 10 years, it does not seem over-ambitious to assume that it might be accomplished on a 10 year timescale. In this case, the benefits to the exchequer would rise at the rate of about £1.5 billion a year.

Even though this figuring is crude, it is surely perfectly clear that it is worth putting substantial funding behind the two main sets of proposals in this report - a major effort to transform attitudes and practices relating to age discrimination across the bulk of the private sector, and a drive to raise the rate of self-employment – not just to generate social benefits, but on hard-headed financial and economic grounds.

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