

Careers at 48: A Human Resource Perspective

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As the workforce ages, with declining birth rates and rising life expectancy, Government is seeking to persuade people to stay in work longer. The core aim is to maintain a viable dependency ratio between people in and out of the workforce¹ and enable older people to live a satisfying life both in and after work. One key to achieving this must be ensuring that people get better advice about work, finance and retirement in their late 40s. This represents a new challenge for careers providers, and especially for the Government's proposed new adult careers service.

This paper presents a human resource perspective on the older labour market, examining what human resources we have available, in numbers of people, skills, motivation and organisational capacity. It concludes with some observations about the guidance needs which these issues raise and the challenges facing us in developing a service to respond to them.

The size of the UK population has been rising steadily for more than a century, but in recent years this has been mainly due to extending lifespan, which does not increase the size of the workforce. Although fertility rates have been rising for the last five years, at 1.8 children per woman they remain firmly below population replacement level², and the numbers of young women are themselves falling. As a result, the numbers of new young entrants to the labour market are beginning to fall, and employers have begun to notice problems, though few yet recognise the cause (McNair & Flynn, 2007). Most recently the underlying trend has been masked by two new factors. The first has been immigration from the A8 countries. The scale of this migration is historically unprecedented, and relates to a single event, the accession of 8 new countries to the EU, which will not be repeated in the foreseeable future. Furthermore, it seems likely that the imbalance of the economies of western and eastern Europe will prove temporary, and a large proportion of these migrants will return home at some point (IPPR, 2007). The second factor has been a sharp rise in the numbers of older people who

remain economically active. Since 1997 the number of people over 50 in work has risen by over a million, with the most rapid growth in people working after 65 (DWP, 2007). Although part of this growth merely reflects a growth in the size of the age cohort, there has also been a significant underlying growth in the employment rate of the over 50s.

However, the human capacity of the population is not simply a matter of numbers. It also depends on the skills of those people, an issue examined by the Leitch Review, commissioned by the Chancellor, and published in December 2006 (HM Treasury, 2006). Using OECD comparative data, Leitch presents an apocalyptic picture, showing that the UK lies well down international league tables in terms of qualifications held by the workforce, and while our qualification levels are rising, they are not keeping pace with our competitors. The social and economic consequences, he argues, will be severe unless firm remedies are applied. He suggests that the two strategies pursued in the past – planning by the state, and funding colleges to provide what they believe is required – have both failed. His remedy is to create a 'customer-led' system, with two key customers: employers and individuals. Employers should have more control over the design and delivery of qualifications, and be assisted by informed brokers to find appropriate training to meet their needs. Alongside this, individuals, advised by the new adult careers service, will be able to use individual learning accounts (and their own money) to buy training to meet their own development needs. The idea of allowing the customers to drive the system has some appeal but the scale of the shift is very large: to move from the present model, where most education and training is provided through state-funded institutions aiming at Government targets, to an open market of competing providers selling training to sceptical employers and individuals, will certainly create some transitional problems, and could risk destabilising the supply of training altogether.

However, this is not the only problem with Leitch's plans, most of which the English Government has accepted (DIUS, 2007)³. A much larger problem lies in his dependence on formal qualifications, both as a measure of skills, and to tackle shortages. In reality, despite its qualifications shortfall, Britain has one of the most successful economies in the world, which suggests either that skills make no difference to economic performance

¹ At November 2007 the life expectancy for 65 year old men in England was 17 years and for 65 year old women almost 20 years. Improvements in health mean that for most the majority of this period will be spent in without major limiting health problems.

² Normally defined as 1.2 children per woman. The only exception is among women of South Asian origin, whose fertility rate has been falling but is still above 2.1.

³ Leitch was an English report, and his conclusions and recommendations have been viewed less enthusiastically by the Developed Administrations in Scotland and Wales.

(possible but unlikely), or that qualifications do not measure the skills which make people productive, and there is a growing body of academic evidence for the latter hypothesis. The "Skills at Work" report published by the SKOPE consortium (Felstead, 2007) examines in some depth how individual workers describe their own skills, and a recent study by Felstead based on NIACE's annual Adult Learner Survey, confirms its findings. When asked to rank a variety of ways in which people had learned to be good at their jobs, they did not talk about qualifications or training courses. Most people list learning from line managers, workmates, trial and error and internal projects within the firm, well before formal courses. This is, of course, uncomfortable for Government, since it suggests that the central issue is more to do with how employers manage, which the state has little influence over, rather than what courses are provided, which the state can affect. This is not to argue that qualifications do not matter. It is likely that they matter for entrants to the labour market as a convenient way for employers to sort applicants but it is far from clear that they matter to those already established in the workforce.

In relation to older people (who are generally less well qualified anyway), the role of qualifications is even more problematic. To consider an extreme, but by no means unrealistic, case of two people who acquired the same vocational qualification thirty years ago, one of whom has never practised in the industry, and the other who has worked in it ever since. It is likely that the first is now unsafe to practise, since technologies move on, and people forget skills that they never use; for the second, the qualification now represents a very small part of his or her expertise, which will have evolved through practice and experience. In the context of an ageing workforce, where initial qualifications play a smaller part, it may be that Leitch is wrong about how serious the problem is. Furthermore, the evidence that qualifications produce economic returns to individuals and employers, which derives from samples of the whole workforce, is necessarily skewed by the concentration of qualifications among young people. The lifetime return to an NVQ acquired at 25 is inevitably higher than the return to the same qualification acquired at 55. This does not mean that learning, and perhaps formal training, is irrelevant for older workers, though the evidence for this is inconclusive at best (McNair & Maltby, 2007); rather it suggests that the focus of Government policy, following Leitch, on formal qualifications, may be inappropriate for this age group. It may be that employers and individuals are making rational decisions when they choose not to embark on them, although such decisions, rational at the level of the individual firm, may be damaging in the long term to the economy as a whole.

Whatever skills are available in principle, they are valueless unless people are willing to apply them, and whether older people are willing to use their skills depends, to a large

extent, on motivation and management. Research on older workers shows very clearly that most people who are working after 50 like work, and many would like to stay longer than they expect to be allowed to (McNair & Flynn, 2004). However, they often do not like their present job, but are reluctant to ask for change (promotion, new roles, flexible or part time working) because of a – sometimes justified – fear of age discrimination. It is easy to be branded a 'difficult' employee by asking for inconvenient changes to ones working pattern, or a move to something less stressful (Flynn & McNair, 2008). What then do older people want from work? Respect for oneself as a person, and for one's skills and knowledge is one critical factor, and many older people report that they want to feel that these are valued, and that they can use them. Lack of respect, and devaluing of skills are things often cited by those who have retired prematurely as motives for labour market exit. Older workers also seek a degree of control over how they work, sometimes including flexible or part-time working hours (particularly for those in stressful jobs). However, it is important to recognise that attachment to work and motivation does not necessarily mirror traditional occupational hierarchies. There is good evidence that some people in very low status jobs remain strongly attached to the work, while some in high status professional and managerial roles are keen to escape (Owen-Hussey, 2006). Money also matters, especially to those whose pensions have been damaged by changes in company pension schemes over the last decade. However, in surveys older people rarely put this at the top of their lists, and many older people seek work despite being relatively secure financially. Finally, social contact is important: for many people, especially men, the workplace provides a network of acquaintances and friends who are an important part of identity and wellbeing. Indeed, the people with the highest levels of wellbeing and life satisfaction in their 60s are, significantly, not those who have retired, but those in part-time work, and one reason why retired men are particularly prone to depression is the difficulty they have in replacing this social support after leaving work (Barnes, Parry & Lakey, 2002). If employers do not respond these needs, they are likely to lose good people, and sometimes the only people available to do particular jobs (good or not), but how far are older people different? One might reasonably observe that these requirements are not peculiar to older people: most young workers also want good work-life balance, respect and social contacts. The difference for older people is that, at some point after the mid 50s, the possibility of escaping from an uncongenial work environment becomes real, albeit often at a financial cost. While a 30 year old who becomes unemployed has to find another job, a 59 year old can simply opt out, retiring with some dignity, rather than face the humiliation of repeated rejection, or major downgrading in status.

Just as employees have to be motivated to employ their skills, so employers have to be motivated to deploy older workers. How far do employers recognise the potential of

older workers? CROW's 2007 study for DWP of employer response to ageing (McNair & Flynn, 2006) found that, despite a shrinking working age population⁴, many employers, and their representatives, continue to pursue old strategies, trying ever harder to recruit from the dwindling pool of young people, rather than adapt their policies to the aspirations of the older people who are still available. However, there was evidence that employers generally are beginning to recognise that the supply of young people is drying up, and in sectors where labour shortages are particularly severe were beginning to develop strategies to make work more attractive to groups, including older people, who have traditionally been seen as marginal). There was very little hostility in principle to older people, and indeed most of the stereotypes of older workers are generally positive: they were seen as more reliable, hardworking, conscientious and motivated, as well as bringing more experience to the job. As one employer commented, "if it was legal to discriminate, I would always prefer Poles or older people". There are also some specific kinds of job which are seen as particularly attractive to, or appropriate for, older people. In construction, experience of old materials and construction techniques is valued in maintaining and renovating old buildings; in health and social care older workers are sometimes seen as better able to deal with the emotional distress of terminal care or to act as mentors for stressed younger colleagues; in transport, coach operators have found that they can fill labour gaps with retired people who seek interest and social contact without the pressures of their former managerial responsibility. Many employers are happy to retain existing older people, whose strengths and weaknesses are known, longer. However, despite positive general views, most employers appear to be suspicious about recruiting people over 50, who are seen as a risk, and line managers in particular are often reluctant to negotiate employment arrangements which add to the complexity of their workload.

Having skilled and motivated workers is not, however, sufficient. How far do their skills match the work available, or potentially available? Some of the recent trends in the labour market are clear. Current estimates suggest that during the period from 1984 to 2020 professional and managerial roles will grow from 30% to 46% of the workforce, mirrored directly by a fall in manual roles from 44% to 25% (Wilson, 2006). For the growing majority of jobs the key skills of the emerging economy involve negotiating, doing deals, persuading people, and organising things, rather than making and moving them. Many older people have these 'soft' skills, and employers often identify them as more easily found among old than young workers, since they are perceived to come with life experience. However, this does represent a 'feminisation'

of the workforce which can be problematic for men who have spent most of a working life in manual jobs with little contact with customers, and where capability was very specifically linked to a particular role in a particular workplace. Such workers can find themselves stranded when a particular firm collapses or closes, unable to demonstrate their capabilities through qualifications, and perhaps unwilling to redefine themselves and their skills for a new world. At the individual level this can result in unemployment, ill health and premature exit from the labour market. However, one must not overstate the case: there remains an irreducible demand for skilled craftsmen, and the high age profile of such occupations means that there will continue to be a high demand, simply to replace those who retire. Furthermore, as Keep has pointed out, the largest labour shortages in the UK economy continue to be for jobs which require no qualifications at all (not even speaking English), but are not worth automating.

Our ability to effectively deploy the skills we have among older people also depends on the match between those skills and the pattern of firms, by sector, size, aspiration and skill need. Firm size is clearly an important variable. Although policymakers sometimes talk about 'SMEs' as if all firms employing less than 250 people were alike, this is plainly nonsense. Firms employing fewer than 50, for example, are very unlikely to have a dedicated HR function, without which some changes in the management of human capital are difficult, but they often retain personal management relationships which allow considerable creativity (and sometimes exploitation). Such firms are often keen to keep their older staff, both to retain their expertise, and because the individual's needs and circumstances are more visible to senior managers (McNair & Flynn, 2006). Firms employing over 100, on the other hand, are likely to have HR professionals, management strategies and agreements which make managing more systematic, but also potentially less flexible. In large firms line managers also play a critical role in mediating between (possibly enlightened) organisational policy and individual aspirations, and they are frequently identified by senior managers and individual employees as a barrier to creative management. One should also beware of assuming that all firms (or individuals) have common aspirations. For an economist, growth is the natural and desirable process, but for a small employer, paying the chief executive's mortgage and securing his pension may be much more important. For such an employer, or for line managers in some larger firms, increased managerial complexity comes at a real price in extra work and stress, and one which he or she may be disinclined to pay. As a result increased flexibility of working patterns which might make work more attractive to older workers may be rejected out of hand.

⁴ "Working age" continues to be widely defined as 20-60/65, despite the evidence that all the expansion in employment in recent years has been of people over 65 (ref ONS/DWP).

The age profile of firms also varies greatly, and many firms have few or no workers over 50. Large firms have historically used early retirement as a relatively painless way of downsizing their workforces, and as a result many have few older workers. Small firms are different: since the turnover of small firms in the economy is high, many have not existed for long, they started with a group of young people, none of whom are yet anywhere near retirement age. Some sectors have heavily skewed age profiles, because of the nature of the work (the average age of workers in hospitality is in the early 20s) (McNair & Flynn, 2006), or for historical reasons (periods of recession leading to cut backs in recruitment) which mean that the average engineering technician is in his (*sic*) late 50s. Some sectors have particular reasons for age balances: most gas inspectors are former gas fitters who have long experience and worn out knees (McNair and Flynn, 2005). Some sectors have eccentric profiles and priorities: public services like the police are subject to sudden periods of expansion and contraction as a result of public policy decisions, which leaves them with an uneven age profile, with large numbers all retiring at the same time, and few people in the next age cohort. Some firms and sectors have also traditionally offered forms of work which appeal to older people: many retailers, for example, can offer flexible working arrangements to older people seeking to reduce stress or phase gradually out of full time work, because the whole workforce works on flexible contracts.

The overall picture is, therefore, relatively clear. Government wants people to stay longer in work, though on a voluntary basis⁵. Older people in general want to stay longer, but to do this on a more flexible and less stressful basis. Employers are generally well disposed to older workers, especially when labour is scarce, as at present, especially to retaining good current employees. However, with exceptions, they are less willing to adapt work to meet the aspirations of their older employees, and generally cautious about recruiting older people to fill vacancies. This ought to be a soluble problem.

The core problem for the deployment of human capital is that, as a result of prejudice, risk avoidance and inappropriate and obsolete practices, the labour market seizes up after people enter their 50s, with everyone sticking to what they know and minimising risk. Employers avoid recruiting older people who might prove difficult to manage or remove if they are unproductive. Employees avoid seeking new challenges or reduced responsibility for fear of drawing attention to themselves and exposing themselves to age discrimination. As a result people with real attachment to work and potential to offer become stale and unmotivated, and in due course confirm their employer's preconceptions about unproductive and worn out workers. At worst they stay, blocking promotion for others, reducing profitability and sapping energy from the

organisation. At best the employer buys them out, losing expertise and potential, and depriving the individual both of the rewards of work and the sense of leaving with dignity after a successful career.

The missing element in the equation is honest conversations between employer and employee about what both seek from the relationship and how to meet both needs. Where levels of trust and ethics are high this happens, but too often one or other of the factors is missing. One response to this situation would be to improve employment relations in the workplace – an aspiration to which all would subscribe, but not easily achieved, particularly given the relatively low level of management skills in the UK workforce. Another might be the development of more effective careers guidance. There are perhaps three elements to this. One would be a systematic approach to mid career review, giving people in their 40s the chance to explore their career and life choices, before the forces of age discrimination begin to bite seriously. The second would be a good guidance service for those into their 50s and 60s in work, to help them to keep their careers energised, and escape the staleness which leads to premature retirement. The third would be a broader ongoing service of guidance, recognising that people after 50 continue to have aspirations for 'career', in paid and unpaid work, and in their broader lives. The chance to discuss one's aspirations and how they might be met is no less for someone leaving the workforce than for someone entering it. What is critical is that these services should recognise the different patterns of opportunity, circumstances, capacity and aspiration of people as they approach retirement and the impact of widespread age discrimination on morale and attitudes.

Developing these services is a particular challenge for the Government's new adult careers service which is to be set up as part of the 'World Class Skills' process following Leitch. Some of the issues were explored by Geoff Ford in *Challenging Age* (Ford, 2003); and the subsequent study for the Government's Review of Information, Advice and Guidance carried out by NIACE with TAEN and the Centre for Guidance Studies (Ford, 2006) provided the beginnings of a map of current provision and the issues to be explored. Critically, the latter highlighted the relatively low attention which the largest existing services give to older people, with only 6% of learndirect clients and 16% of Next Step ones being over 50. There is also anecdotal evidence that a number of more specialised services which sought to address the guidance needs of this group directly, and which Ford documented, have more recently ceased to operate, as a result of the ending of short term project funding. This is particularly ironic since many of these were funded through the European Social Fund, which is giving particular priority to the older workforce in

⁵ There are plans to raise State Pension Age, but only after male and female ages are harmonised in 2020.

its current funding round, with many programmes required to ensure that 20% of beneficiaries are over 50. One of the larger surviving initiatives is the ReGrow project which is piloting work-based guidance for older workers across the South East on a relatively large scale, but even this is time limited.

The challenges for the new adult careers service are many, but in relation to older workers, there are three major ones:

- developing expertise which reflects the distinctive needs of the older workforce: in terms of the impact of age discrimination (which is illegal but continues); of limited career opportunities; of individuals' desire to downscale and move into more flexible work; and of the blurring of the boundaries between paid and voluntary activity as people phase into retirement
- developing structures to bring together understanding of labour market, education and training with health and finance (the latter a highly regulated sector), since for many older people health issues can affect employability and, for all, decisions about whether to work and on what basis depend on understanding complex questions about pensions and taxation
- developing more effective ways of delivering guidance in the workplace (probably with closer relationships with HR professionals), since many employers are much more willing to retain employees they know than to recruit people over 50, making changing work within the current firm more realistic, and less risky, than trying to move on the open market.

How far these needs will and can be met through the new adult careers service, and who will pay for which elements of them remains to be seen. It is encouraging that Government has finally grasped the nettle of creating the long overdue adult service, but the constraints of resource and competing pressures mean that there will be many problems to overcome.

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