The Economic Benefits of Adults Reskilling

April 2015
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Authorship and acknowledgements

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Scott Corfe, Associate Director at Cebr with analytical and research support from Cebr Senior Economist Alicia Higson. The views expressed herein are those of the authors only and are based upon independent research by them.

This study has been commissioned by the Association of Accounting Technicians (AAT).

London, April 2015
# The Economic Benefits of Adults Reskilling

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AAT is the UK’s leading vocational qualification and professional body for accountants. We have a long history of offering individuals from all ages and backgrounds a non-graduate entry route into the accountancy profession regardless of work experience or previous qualifications.

Our organisation is committed to providing people with the opportunity to reskill at any stage of their professional development, ensuring the longevity of their careers.

Currently, skills policy has been heavily geared towards young people whilst the older generations are faced with the greatest barriers when it comes to reskilling. Given rapid economic and technological changes, many traditional jobs are less secure than in the past and older workers are increasingly facing the threat of redundancy.

Moreover, the UK’s ageing population is growing and the increased retirement age means people are working for longer. The challenge is therefore to ensure people can continue to participate in the labour market at the later stage of their working lives.

To facilitate this it is becoming essential for older workers to retrain and develop skills so they can quickly move back into employment, either in their current sector or a new one.

We strongly believe that improving labour market prospects and reducing long term unemployment rates for older workers through reskilling is vital to social mobility and essential to building sustainable growth for our economy.

With that in mind, AAT commissioned the Centre of Economics and Business Research (Cebr) to examine the current benefits to the UK economy from active reskilling of the older labour force.

As well as the monetary gains, some of the advantages of lifelong learning include a more productive workforce, a flexible labour market and shorter periods of unemployment. We feel there is capacity to improve the system allowing it to offer more support to people seeking employment in later life, whilst contributing to the future of our economy.

Mark Farrar
AAT Chief Executive
Executive Summary

This report for the Association of Accounting Technicians (AAT) examines the benefits to the UK economy that could arise from more active reskilling of the labour force. Currently, a huge share of older workers do not undertake training. This is despite the fact that the rapid pace of technological and economic change means that jobs are less secure than in the past, necessitating the need for retraining into middle and older age. The model of training in youth and remaining in one occupation for life thereafter no longer applies. Policies need to adjust to take account of this new norm.

In January 2015, there were approximately 94,000 unemployed people aged 55-64 looking for work, with 37,500 unemployed for longer than 12 months. Individuals aged 55-64 are 9% more likely to end up in long term unemployment than a person aged 25-54. This indicates that once a person aged 55-64 falls into unemployment they find it much more difficult to find a job than younger individuals.

A skills deficit can explain part of this problem. Although the 55-64 age group in England perform well when compared internationally for literacy they are only around average for numeracy. The 55-64 age group are also less likely to be highly qualified and more likely to only have received basic education than younger cohorts. Finally, and most importantly for employment in today’s economy, there is a deficit in technological skills as 8% of 55-64 have never used a computer and a further 10% only on an infrequent basis1.

A weak skill set can leave an individual vulnerable to the changing demands of employers in the labour market. The main concern for males aged 55-64 are future job losses in mining and quarrying, manufacturing, and agriculture, and for those in craft trades and machine operators. Retraining and reskilling should be targeted at those who work in the declining sectors and occupations with an aim to increase the presence of males aged 55-64 year olds in growth sectors. The main concern for females aged 55-64 are future job losses in the public sector and clerical support work.

If this problem is not resolved and future older generations face the same skills deficits it could result in greater inequality and social immobility in the UK as 55-64 year olds who are in the least skilled positions are the least likely to participate in training. Those who work as managers, professionals, and associated professionals were three times more likely to have participated in training than machine operatives, and those in ‘elementary’ occupations. Clerks and sales persons were twice as likely.

The 55-64 year olds have low rates of participation in both employer provided and self-initiated training and are most likely to choose to not undertake a qualification. The survey results show that 26% of over 55s would not want to undertake a qualification compared to 8% of 45-54 year olds. Therefore both employers and individuals over 55 need to be convinced of the added value of participating in lifelong learning.

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1 Less than once a week or over 3 months ago.
So what type of training should policymakers be considering when focusing on reskilling the over 55s? Three key messages have emerged from this report. Firstly, the survey results indicate a stigma attached to retraining with 30% of the over 55s cohort citing age-related reasons for not undertaking another qualification.

Secondly, for those that would consider retraining, vocational qualifications were the most popular choice amongst over 55s.

Table 1: Summary of first and second most likely additional qualifications a person would learn by age group

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Most likely</th>
<th>Second most likely</th>
<th>18-24</th>
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<tr>
<td>18-24</td>
<td>A master's degree</td>
<td>A bachelor's/ undergraduate degree</td>
<td>29%</td>
</tr>
<tr>
<td>25-34</td>
<td>A master's degree</td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>22%</td>
</tr>
<tr>
<td>35-44</td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>45-54</td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>55+</td>
<td>I would not undertake a formal qualification</td>
<td>A master's degree</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: YouGov, Cebr calculations

Finally, policymakers also need to enable individuals to participate in studying for a qualification without having to sacrifice their existing life commitments, as the majority of over 55s would like to work in either full or part time employment and study in their spare time.

There are a plethora of benefits to be extracted by the government, employers and individuals from lifelong learning. These include shorter periods of unemployment, a more flexible labour market, and more productive staff. This report has focused on the potential reduction in long term unemployment and has calculated that hypothetically the government could reap £105.2m over the next five years in unemployment benefit savings by reducing the long term unemployment ratio of the 55-64 year old age group to that of the 25-54 year olds. This money could then be used to fund further training, which would lead to subsequent falls in unemployment, and more savings in unemployment benefit expenditure.

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2 The long term unemployment ratio is here defined as the number of people in long-term unemployment as a proportion of the total persons in unemployment for a given age bracket.
Policy recommendations:

- Focus on how to change the ‘too old to learn’ mentality of the 55-64 year old age group and understanding of the contribution technological skills could make to their current job.
- Provide training targeted at the 55-64 year old age group.
- Offer more vocational training for the 55-64 age group.
- Ensure that opportunities are available to fit in with full and part-time work patterns.
- Encourage employers to ensure that their older staff members participate in training and undertake career development activities.
- Target training at males in the mining & quarrying, manufacturing, and agriculture industries and parts of the craft and related trades (such as printing, wood working, metal workers) and plant and machine occupations.
- Target training at females in the public sector and clerical administrative occupations.
1 Introduction

This report for AAT produced by the Centre for Economics and Business Research (Cebr) investigates the cost to the UK economy of the skills mismatch of 55-64 year olds.

Skill mismatches refer to the poor matching of workers to jobs in terms of their skillset. This may especially be the case for older workers who acquired skills during the early part of their career. If 55-64 year olds fail to move away from occupations in which they are over exposed to job shedding and into growing occupations, they risk unemployment in their older years.

Currently, a significant share of older workers do not undertake training. This is despite the fact that the rapid pace of technological and economic change means that jobs are less secure than in the past – necessitating the need for individuals to participate in retraining throughout their career. The old model of training in youth and a “career for life” thereafter no longer applies. Policies need to adjust to take account of this new norm.

This research examines recent trends in the UK labour market and provides a forward view of how the market is going to change over the coming years – in terms of the sectors in which jobs are provided and the skill levels required of employees. This forward view is compared with the skills and qualifications possessed by different age groups in the UK, analysing the extent to which a mismatch between skills acquired and those demanded by employers poses a risk to the future job prospects of different 55-64 year olds.

The structure of this report is as follows:

- Section 2 provides an overview of the recent overall and age-specific trends in the labour market.
- Section 3 examines possession of basic skills, computer skills and qualifications by age group.
- Section 4 looks at the match between the skills possessed by older individuals and future developments in the labour market.
- Section 5 investigates how willing 55-64 year olds are to gain new skills. In addition, it examines perceptions of the importance of reskilling.
- Section 6 calculates the cost of long term unemployment of 55-64 year olds.
- Section 7 sets out the conclusions and policy recommendations supported by the evidence in this report.
2 Recent labour market developments

The UK labour market has not yet fully recovered following the recent financial crisis, but good progress has been made and Cebr forecasts that the labour market will continue to improve during 2015. The headline unemployment rate\(^3\) has in some regions, such as the South East, returned to pre-crisis levels. In other areas such as the North East, Wales, and Scotland, there is still some way to go. Cebr forecasts suggest some of the weaker regions, economically speaking, will not make a full recovery until post 2020 (Figure 1 illustrates).

Figure 1: Average unemployment rate by region

Source: ONS, Cebr analysis

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\(^3\) The headline unemployment rate is the proportion of persons who are unemployed and are actively looking for work as a share of persons who are either employed or unemployed but actively looking for work i.e. as a share of the labour market. See footnote number 4 for a definition of the labour market.
Trends by age group

Participation in the labour force has increased for both men and women over the age of 25 in the last 15 years\(^4\). The most significant rises have been for men and women aged over 55, as more people are extending their career. However, there remains a gap between male and female participation in the labour market. There is a growing body of literature which points towards a positive relationship between higher female labour force participation and improved gender equality, higher per capita GDP, and more competitive economies.\(^5\) It is expected that both male and female participation in the labour force will continue to rise going forward as people live longer and the pension age increases. Moreover, it is anticipated that the female participation rate among the 55-64 year old age group will rise more quickly than the male rate until 2018 when the male and female retirement age are equalised at 65.

Figure 2: Labour force participation rate by sex and age

![Bar chart showing labour force participation rate by sex and age](chart.png)

Source: ONS

Female economic inactivity\(^6\) for the 55-64 age group is on average 15 percentage points higher than male inactivity in the same age group. Meanwhile, the employment rate for women aged 55-64 remains about 13 percentage points below that for males in the same age group across the UK.

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\(^4\) The labour market refers to people who are either employed or unemployed but actively looking for work. The labour market participation rate is the number of people who are part of the labour market as a proportion of the adult population. Labour market participation rates can be calculated for the country as a whole or subsets of the UK e.g. region, age group, sex, ethnicity etc.


\(^6\) The number of persons who are defined as ‘economically inactive’ refers to those who are not in employment and are not looking for a job e.g. retired persons, those in full time education, stay at home parents, etc.
However, what both men and women have in common is that the regions of the UK with the highest employment rate are also those with the highest rates of labour market participation. This suggests that choosing to participate in the labour market is strongly affected by the employment opportunities in that region. Thus improving the employment rates of the older workforce within a region will encourage greater participation in the labour market.

Figure 3: Regional economic inactivity rate for 55-64 by sex and region for 2013

Source: Eurostat, Cebr calculations

Figure 4: Regional employment rate for 55-64 by sex and region for 2013

Source: Eurostat, Cebr calculations
According to the headline long term unemployment statistics, men and women aged 55 and over are less likely to be unemployed than those aged 25-54. However, this statistic masks the fact that older unemployed people are more likely to give up on searching for a job and leave the labour market altogether if they are unsuccessful at securing a job. Their younger counterparts are more likely to persevere for longer.

The proportion of unemployed persons aged 55-64 who have been out of work for 12 months or more is higher than the equivalent group for persons aged 25-54. This rate is referred to as the long term unemployment ratio for the purposes of this report.8

Figure 5: Persons who have been unemployed for 12 months and over as a proportion of total persons unemployed in that age bracket, January 2015

At this stage it is worth noting that while females aged 55-64 have a lower long term unemployment ratio than males, as depicted in Figure 5, this does not imply they are more employable than men. Earlier it was seen that females have a lower labour market participate rate and are probably more easily discouraged from searching for a job than men at the same age.

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7 This is the worst rate out of all standard working aged persons, i.e. those aged 15-64
8 The long term unemployment ratio is here defined as the number of people in long-term unemployment as a proportion of the total persons in unemployment for a given age bracket.
3 Skill and Qualification trends

A good set of skills and qualifications can positively affect an individual’s labour market outcomes – improving their career, income, lifestyle, and wellbeing. However, skills can go stale and be made redundant, and it is important for individuals to actively participate in reskilling in order to keep up with the demands of today’s labour market. Computerisation and modern technology has made its mark on the UK jobs market, complementing those who can work with technology and rendering those who can be replaced by technology redundant. There are many sectors in the UK which do not make the best use of technology but given the infiltration of technology into all sorts of jobs the message is clear – those who are able to work with technology rather than against it are set to gain. This section looks at the skills and qualifications possessed by the 55-64 age group to identify where the deficits lie. It focuses on three core skills: numeracy, literacy and problem solving skills among 55-64 year olds in England.

55-64 year olds in England have the literacy and numeracy skill level of a 16-24 year old

There is a deficit in numeracy skills for adults aged 55-64 compared to younger cohorts. This is a common trend seen in other countries around the world. Out of 21 Organisations for Economic Co-operation and Development (OECD) members surveyed England was 11th for numeracy skills. Numeracy skills peak in England for the middle age group, 35-44 year olds, but among the 16-24 and 55-64 age groups it is roughly the same.

Figure 6: Average numeracy proficiency, by age groups in England compared to the OCED in 2012

The older age group also scored roughly the same as 16-24 year olds for their literacy skills. The average literacy score for adults aged 55-64 years old is higher compared to other countries. Out of 21 OECD members surveyed England was third. Literacy skills peak for 25-34 year olds, who perform marginally better than the 35-44 year olds.
Older people significantly underperform at problem solving when compared to their younger counterparts

Problem solving skills in technology-rich environments is an area in which the older generation significantly underperform against all their younger counterparts. The OECD defined problem solving skills as the ability to “access, evaluate, analyse and communicate information through the use of digital devices and applications”9. These skills are becoming increasingly important in today’s world as information and communication technology has spread through the education system, workplace, home, and has changed the way we socially interact with one another. Whilst England is above average internationally when compared to the 21 OCED members, it is clear that this is an area in which the skill divide is most apparent. The older group’s relative lack of computer proficiency will have heavily impacted their ability to solve such technology-related problems.

9 OECD (2013), OECD Skills Outlook 2013: First Results from the Survey of Adult Skills, OECD Publishing page 56
Overall the oldest cohort has a skill deficit which they need to overcome in order to remain competitive in the labour market. It is most acute in the area of problem solving skills. Given the rise of the knowledge-intensive economy that the UK has become over the past few decades, a deficit in key basic skills poorly prepares 55-64 year olds for the ongoing structural shift in the economy.

**Computer skills of the 55-64 age group are good but not excellent**

Computer-based jobs have removed the need for routine, repetitive jobs, such as the low skilled manufacturing roles that are becoming increasingly automated, but have increased a big pool of new occupations in data processing and IT services. Computer skills are therefore important to ensure the longevity of a person’s career. Figure 9 depicts the level of computer usage across age groups. It can be seen that usage is high amongst the 55-64 age group, 74% of people in this age bracket use computers on a daily basis, but this is 9 percentage points behind the 45-54 cohort, and 12 percentage points behind the tech savvy 25-34 year olds and 35-44 year olds. It can be assumed that the remaining 26% of 55-64 year olds who are infrequent computer users will, as a result of their low usage, lack basic computer skills and be the most exposed to future technology job displacement.

At the other end of the scale it is notable that 8% of persons aged 55-64 have not used a computer in the past three months\(^\text{10}\). This group, if they have a job or are looking for work, are the most vulnerable to the technology shift which is occurring, as they have not learnt sufficient technological skills set to keep up with the modern economy. Here, there is room for policies to target this group to give them some basic technological skills.

\(^{10}\) This is the worst rate out of all standard working aged persons, i.e. those aged 15-64.
To estimate how proficient those who use computers are, the results of a YouGov survey which was conducted for this report have been used as an indicator. The survey included a question on basic computer skills proficiency. As this survey was conducted online a basic level of computer skills was necessary to take part in the survey.

Figure 10 informs us that the 55+ group were less likely to have rated their computer skills as strong as the younger cohorts. They were more likely to have perceived their computer ability to be scored as 7.2 out of 10, ‘good’, while the youngest age group, 19-24 year olds on average rated themselves as 8.2 out of 10, ‘very good’. Hence, there appears to be a basic computer skills deficit for 55+, compared with other age groups.
Focusing on one basic computer skill, the transfer of electronic files, the same pattern is discovered as that revealed in Figure 10. Older age groups are less likely to use all forms of electronic transfer, and they particularly struggle with using less common means of data transfer such as USB pens and cloud computing.
Combining the results from the previous figures, it can be discerned that usage is lower for the older cohort and, partly as a result, there is a gap in the technological skills possessed by the 55-64 age group. The lack of advanced computer skills spells problems for the job prospects of the 55-64 year olds, and also the 45-54 cohorts - who if they age without reskilling, could similarly be out-competed by more tech literate and capable potential employees.

Large number of over 55s with no high level qualifications

As qualifications are commonly used as an alternative measure for skills, it is helpful to compare the distribution of different levels of qualifications between age groups. Before looking at the data, it is useful to note that we would not expect the distribution of qualifications to be the same between groups because experience is often considered a trade-off for qualifications and is also a valuable asset in the labour market.
It can be seen in Figure 12 that younger cohorts are more likely to possess higher level qualifications, tertiary education, than the older group. Indeed, the biggest differences in qualifications come at the top and the bottom of the scale. Males aged 25-34 are 10% more likely to have obtained a high level qualification than a 55-64 year old. The story is more extreme for females, with the 25-35 year olds being 16% more likely to possess a high level qualification than a 55-64 year old. Given that the economy has been transitioning towards a higher skilled workforce this data highlights that reskilling is necessary to tap into the new jobs being created.

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11 Tertiary education includes universities, and institutions that provide specific higher learning such as college, technical training institutions, nursing schools, research laboratories, and distance learning centres.
Secondary education includes middle school, high school and sixth form colleagues.
Primary education includes primary or elementary school.
Russell Hague was made redundant at 46 years old. Having worked as a heavy vehicle mechanic for the majority of his life, redundancy made Russell realise that in order for him to gain employment again, it was essential that he reskilled.

“I searched for a qualification that was recognised, affordable and flexible and AAT’s Accounting Qualification ticked all the boxes. I came to appreciate my skills mismatch and what I once deemed to be ‘desirable’ qualifications were in fact essential.”

“As a result of reskilling, my career is now poles apart from when I was a mechanic. Upon completing my AAT Accounting Qualification, I now spend half of my time working as a Finance Manager at Oulsnam Group of Companies, carrying out a multitude of bookkeeping, accounting and payroll tasks associated with a small but busy group of companies. The other half, I work as a Lecturer at Sheffield City College and Buxton College.”

Whilst studying part time and working in the industry, Russell’s employer supported his reskilling. In return, Russell offers a more valuable contribution to his company, in effect repaying his employer’s investment in him and highlighting the significance of employer’s encouraging staff members to participate in training.

“I think the older generation has a lot to offer in terms of skills and experience, all of which can be invaluable in the workplace.”

The next section examines the implications of the skills and qualification deficit and the impact this would have on the employability of over 55s in the future.
4 Skills Mismatch

Over time, the skills an economy demands change in response to economic developments such as, but not limited to, changes in technology, the services and products an economy produces, demographics, and social shifts. The share of positions suitable for highly skilled and educated persons only is growing, and has been doing so for some decades now. As such, it is important for policymakers to help individuals make informed decisions in terms of their education and training so they can tap into the jobs of the future and avoid falling into stagnant occupations and sectors, or worse, declining ones.

Skill mismatches refer to the poor matching of workers to jobs in terms of their skillset. The type of skill mismatching this chapter seeks to analyse is the imbalance between the macro level skill demand and skill supply. Specifically the focus is on the 55-64 age group and, if they fail to move into the right industries and learn the new 'right' skills, how this would result in a worse skill mismatch in 2020 than today.

Males exposed to manufacturing, agriculture and mining declines

Figure 13 (overleaf) depicts the forecasted increase in employment by industry. According to this analysis 55-64 year olds are expected to experience a gross loss of around 75,000 jobs over the next five years, but a net gain of 281,000 over the same period. The extent to which the 55-64 year olds stand to gain or lose out from future employment changes depends on the industries in which they tend to work. For instance 55-64 year olds represent a higher share of health care employment than employment in distribution and transport. Therefore it is more likely that 55-64 year olds will get a job as a result of employment growth in the health care sector than in the distribution and transport sector.
There are risks attached to any age group being too concentrated in some sectors, as an uneven distribution across sectors leaves age groups vulnerable to industry specific shocks. For instance, the number of jobs in the agriculture sector fell sharply by 18% between 2011 and 2013. Given that 55-64 year olds as an age group are overrepresented in this sector they will have been more exposed to this job shedding than other age groups. Moreover, the agriculture sector is forecast to shed 97,000 jobs between 2015 and 2020, of which 18,000 are likely to be possessed by males aged 55-64 and a further 8,000 by females aged 55-64 years.

Another area in which males aged 55-64 are concentrated is manufacturing. There has been a long term decline in the number of jobs in this sector which bottomed out in 2011. Since then employment in the sector has held steady, but is expected to restart its decline over the coming years. Males aged 55-64 years old also make up 11% of the mining and quarrying industry, where employment is forecast to decline over the next five years by 35,000.

Females are heavily overrepresented in parts of the public sector. In 2013/2014 they represented 76% of the local government public sector workforce. In addition, the public sector workforce is also on average, ten years older than those employed in the economy as a whole. Therefore given that the government is forecast to continue shedding jobs over the next parliament in order to reduce the fiscal deficit, older women will be more vulnerable to these cuts than other demographics.

Source: Eurostat and Cebr calculations
Overall, the picture painted here is that males aged 55-64 year olds are exposed to job losses in agriculture, mining, quarrying, and manufacturing. The main concern for women on the other hand is public sector job cuts.

**Females exposed to clerical occupations decline**

Whilst industrial trends are useful for a big picture analysis of the risks of job mismatching, it is also informative to look at the occupation forecasts as these categories are more closely related to an individual's skill set than the industry in which they work.

Figure 14 depicts the number of jobs which will be created, split out by occupation, over the next five years. The occupations which are expected grow most strongly are the higher-skilled positions; managers, professional occupations, and technicians & associate professionals. These three occupations will add an extra two million jobs over the next five years.

The occupations which are expected to shed jobs are; clerical support workers, craft and related trades, and plant and machine operators. Collectively these occupations are forecast to fall by 450,000 jobs over the next five years.

**Case Study**

Linda Fleet, 69, worked for Asda for 13 years as a checkout supervisor and a customer service assistant.

"When I turned 50, I decided to use this milestone as an inspiration to pursue a new career path. I always had a passion for accounting but had never worked in finance before, so I knew that I needed to reskill. This was a daunting yet exciting experience.

At first I studied full time but when I did six weeks work experience during the course, the accountancy practice asked me to stay on permanently. As a result of that placement, I didn’t even have to look for a new job once I had completed AAT's Accounting Qualification.

After ten years of working at the practice, I decided to branch out alone and I started my own practice in management accounting. Several clients joined me from my previous employer and I gave out flyers advertising my business to 50 accounting firms in my area. I now work two days a week on a contract basis for one company and the other days are taken up with various other clients, including a delicatessen in Notting Hill.

The flexibility in terms of hours and time is fantastic and despite being at an age when most people retire, I will keep going as long as possible.

I think the older generation has a lot to offer in terms of skills and experience and AAT definitely gave me the confidence to go it alone."
Males are more evenly distributed across occupations than females, suggesting that there is a lack of diversity in the skill set of females aged 55-64 compared to males. This over exposure in certain occupations poses a problem for females aged 55-64 as they are overrepresented in a clerical support worker capacity. As such they are vulnerable to the forecasted declines in this occupation. In addition, they are also missing out on the strong growth in manager jobs given they currently make up only 6% of the total number of persons in these roles. Males are not as exposed to changes to occupations as females, but those employed in the occupations of craft & related trades (such as printing, wood working, metal workers) and plant & machine occupations (such as drivers) may face job losses over the next five years.

Source: Eurostat, Cebr calculations
5 Willingness to reskill

This section provides an overview of some existing data on the amount of education and training the oldest members of the employed labour force have undertaken. It then moves on to analyse the results of a YouGov survey data on how willing and able older persons are to reskill, and their perceptions of the importance of training.

The underlying trends for uptake of training and education are:
- Females, in general, are more likely to participate in training at any age compared to males.
- From an age perspective, females or males who are aged 55-64 are significantly less likely to participate in training compared to those aged 25-54.

Participation in training

Unemployed men aged 55-64 are more likely to participate in training than those employed

Figure 15 highlights that those who are employees are the most likely to participate in training, whilst those who are self-employed being much less likely to participate. This is perhaps due to the additional burdens that self-employed persons have in addition to their work tasks. As unemployed people are trying to get a job it is perhaps unsurprising they are participating in training in an attempt to secure employment.

Figure 15: Participation rate in education and training (last 4 weeks) by type, sex, age group, and labour status, 2013

Source: Eurostat, Cebr calculations
Employers provide the majority of the training

On average, a person is 30% more likely to participate in job-specific training than broader training. The oldest age group, 55+, are the least likely to have participated in any training recently. Moreover, there is a clear drop in the rate of participation in training once a person reaches 45. More worryingly, the proportion of each age group undergoing training only surpassed 50% for one age group, 35-44 year olds.

This graph also highlights the importance of employer-led training at any age. However, it is interesting to note that even in employer led training older staff have much lower participate rates than their younger counterparts.

Figure 16: Proportion of people who are employed and have taken part in training in the last six months, by age group, type, and initiator, 2015

Source: YouGov, Cebr calculations

Higher skilled professions are the most likely to participate in training

When comparing levels of training across occupations, those who are in the most skilled occupations are also the most likely to participate in training. At the other end of the scale, those who have the least skilled positions are the least likely to participate in training. This distribution may be a result of the difficulty of their jobs and the work environment.

Those in the positions which require the highest quality skills need to keep their skills up to date the most as their work tasks change on a more frequent basis than those at the bottom of the scale. For example, a person in a scientific position is in a work environment which is much more technological and progresses at a faster rate than the work environment for a person in an elementary occupation.

Secondly, there might be more onus on training and education in higher skilled occupations as the added value is more likely to be recognised by those who already possess higher qualifications and have received more training.
throughout their career. A combination of these factors leads to a training hierarchy which leaves those in the least skilled jobs more vulnerable to occupational shifts\textsuperscript{12} than those at the top of the scale.

**Figure 17: Participation rate in education and training in last 4 weeks, by type, sex, age and occupation, 2013**

![Participation rate in education and training](image)

*Source: Eurostat, Cebr calculations*

### Desire to obtain skills, computer skills, and qualifications

**The importance of learning new skills to an individual falls with age**

Lower training provision for older cohorts reflects in part a lack of enthusiasm of the over 55s. It is notable in Figure 18 (overleaf) that the perceived importance of learning new skills falls with age. The youngest cohort consider learning new skills to be ‘very important’ to stay in their current job, but this slips to ‘fairly important’ as a person ages. This is probably because once a person reaches the top of their career they feel that additional skills will add little job security. Also, an additional factor is that they have been in their current occupation for a number of decades and feel they have mastered the most important skills. This mind-set leads to a lower uptake of training.

\textsuperscript{12} Occupational shifts are when the demand for people in occupations changes over time due changes in the goods and services the economy produces.
The majority of over 55s do not believe that computer skills will help them do their current job

The appreciation of the value of computer skills is an area of particular interest given the technological skill deficit seen in Section 3. The picture told by focusing on computer skills and training is a similar story as older cohorts, both 45-54 and 55+ consider that technological skills will not add much to their ability to carry out their current job. This perception of low added value is in part due to a lack of knowledge of what modern/technological tools there are available which could assist them with carrying out their tasks. This is combined with an uncertainty that acquiring these skills will bear little fruit once gained.
Over 55s less interested in learning advanced computer skills than younger cohorts

Delving further into 55-64 year olds interest in acquiring computer skills, it can be seen that 9% of over 55s would not learn any new computer skills when presented with a range of options. Those who would have a preference for what is classed as ‘intermediate computer skills’ such as working with spreadsheets and databases is roughly equal to the proportion of people who would like to learn ‘advanced computer skills’ such as developing a website or learning advanced software and hardware skills. When compared to the younger groups this equal interest stands out as there is typically a stronger preference towards learning more advanced than intermediate skills.
Older cohorts prefer vocational training or none at all

Learning new computer skills composes just one part of a person’s education and training. Another key area where a deficit was seen in Section 3 is qualifications. Respondents were asked if they would undertake another qualification, and if so which one. Table 2 presents the first and second most likely additional qualifications a person would learn by age group. There is a clear age related shift as the most likely qualification younger groups wish to undertake is a high level academic qualification such as a degree, rather than a high level vocational qualification such as a diploma or NVQ. Those in the middle age bands are most likely to wish to undertake a vocational qualification. Finally, those who are in the oldest cohort are most likely to not undertake a qualification. The reasons for these preferences can be discerned from Figure 21 presented later in this section.

Source: YouGov, Cebr calculations

**Figure 20: The most preferred types of computer based training across age groups, 2015**

- Other advanced software/hardware skills (e.g. computer programming, setting up networks systems)
- Advanced - website development (e.g. creating a new website using a template)
- Intermediate - Spreadsheet work (e.g. Excel)
- Intermediate - Creating a database (e.g. Access)
- Not applicable - I would not undertake computer training
Table 2: Summary of first and second most likely additional qualifications a person would learn by age group 2015

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Most likely</th>
<th>Second most likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>A master's degree</td>
<td>29% A bachelor's/undergraduate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>degree Vocational qualification</td>
</tr>
<tr>
<td>25-34</td>
<td>A master's degree</td>
<td>22% A master's degree</td>
</tr>
<tr>
<td>35-44</td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>20% Vocational qualification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(such as diploma/NVQ)</td>
</tr>
<tr>
<td>45-54</td>
<td>Vocational qualification (such as diploma/NVQ)</td>
<td>24% Don't know</td>
</tr>
<tr>
<td>55+</td>
<td>I would not undertake a formal qualification</td>
<td>26% Vocational qualification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(such as diploma/NVQ)</td>
</tr>
</tbody>
</table>

Source: YouGov, Cebr calculations

Barriers to undertaking qualifications

Age related reasons deter 31% of over 55s from undertaking qualification

One of the main reasons cited by the over 55s cohort for not undertaking a qualification is a perception that they are too old to learn new skills (15%). This is corroborated by the statistics that 14% believe that the programmes available are not targeted at their age group. Policies aimed at removing the barriers to reskilling should consider how to target programmes at older cohorts and remove the stigma and perception attached to participating in learning throughout a person's career. Interestingly the proportion of people who perceived no barriers to training and were aged over 55 is slightly less than other age groups at 13%, with the exception of the youngest age bracket 18-24. This suggests that while over 55s face fewer barriers than younger cohorts to undertake a qualification they lack the appetite to do so.

A major constraint for younger age groups is having too many other commitments. This, combined with the cost of undertaking a course, in terms of training materials and wages forgone, reflects the feeling that other life pressures stand in the way of further learning and education. The group aged 24-34 saw this as the main barrier, but this problem presents itself as a significant issue for all surveyed. Policies looking at how best to alleviate this barrier ought to consider how education and further training can fit around existing commitments and ways of minimising the cost to the individual. These issues could explain a trend seen earlier suggesting that training is much more likely to be provided by the employer rather than the individual.
Figure 21: Barriers to undertaking a qualification by age group, 2015

Solutions to encourage reskilling

Over 55s would like to continue working, either full or part time, and undertake a qualification alongside their job

The next part of the report moves from barriers to solutions. Respondents were asked, if they were to undertake another qualification which group of work/study scenarios they feel would be most suitable for them. The overwhelming majority of those aged 18-54 would like to be able to work full time and study, with a stronger preference towards studying in their spare time over learning a new qualification through work, or some combination of spare time and work based studying. This preference to study in spare time rather than through work or a combination of both is also true for those who would like to work full or part time.

Therefore, training and education programmes need to find ways to be as flexible as possible to fit around full time jobs and to a lesser extent part time work. The over 55s have a roughly equal preference between full and part time study and work. Programmes targeted at this subset should be tailored more towards these two different preferences.
Lesley Warne decided to retrain at the age of 54, and now runs a successful accounting practice in Shropshire.

“Ten years ago, I decided to start my own business as a bookkeeper. I thought this would help me get some sort of normality to my life as I had little time for life outside of work. I wanted to choose my own hours, holidays and working days so I could spend more time with my family”.

“I was qualified in HR through the CIPD, but after building up a small network of clients I soon decided that it was essentially accounting that interested me. I consider finance and HR essential tools for strategic planning, and with this thought I decided in 2009 at the age of 54 to return to college and study the AAT Accounting Qualification.”

Lesley says: “Since qualifying, my life has improved enormously; I now have time to live a little, be with my family, and walk my dogs. I used to live to work, now I work to live, and it’s all thanks to AAT helping me achieve a goal that I thought I never would because I felt I was too old.”
6 The economic benefits of reskilling

This chapter looks at the economic benefit associated with reskilling the 55-64 age group.

Unemployment duration

We learnt in Section 2 that a larger proportion of unemployed persons aged 55-64 end up in long term unemployment than the 25-54 year olds. This section calculates the reduction in Jobseeker’s Allowance (JSA) which would occur if the 55-64 year olds had the term unemployment ratio\(^\text{13}\) of the 25-54 age group.

JSA is just one part of the payments received whilst out of work, other unemployment entitlements include Employment and Support Allowance and housing benefit, but this chapter focuses on JSA due to methodological issues in estimating other associated benefit payments which are conditional on other personal situations.

For men, the difference between 25-54 and 55-64 year olds long term unemployment ratio was nine percentage points in January 2015. If the unemployment ratio were equalised in the fiscal year 2015-2016 using Cebr’s projections this would represent a fall of approximately 5,222 claimants. For women the gap was five percentage points; this would be a fall of 1,203 claimants in the fiscal year 2015-2016. In total, it is estimated that by taking these 6,425 people out of long term unemployment, there would be a cost saving of £23.3 million in the fiscal year 2015-2016.

Using Cebr’s forecasts for the next five fiscal years, the amount which could be saved up to 2020 has been calculated and presented in the table below.

Table 3: JSA savings from 55-64 year olds attaining the same long term unemployed ratio as the 25-54 year olds

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of projected JSA claimants in the UK</td>
<td>782,000</td>
<td>735,000</td>
<td>709,000</td>
<td>673,000</td>
<td>627,000</td>
</tr>
<tr>
<td>Reduction in number of claimants</td>
<td>6,425</td>
<td>6,036</td>
<td>5,820</td>
<td>5,529</td>
<td>5,152</td>
</tr>
<tr>
<td>Cost saving of reduced number of claimants (million)</td>
<td>£ 23.3</td>
<td>£ 21.9</td>
<td>£ 21.1</td>
<td>£ 20.1</td>
<td>£ 18.7</td>
</tr>
<tr>
<td>Original Cebr forecasted JSA spending (million)</td>
<td>£ 2,922</td>
<td>£ 2,704</td>
<td>£ 2,593</td>
<td>£ 2,482</td>
<td>£ 2,348</td>
</tr>
<tr>
<td>New Cebr forecasted JSA spending (million)</td>
<td>£ 2,899</td>
<td>£ 2,682</td>
<td>£ 2,572</td>
<td>£ 2,462</td>
<td>£ 2,329</td>
</tr>
<tr>
<td>OBR forecasted JSA spending (million)</td>
<td>£ 2,500</td>
<td>£ 2,500</td>
<td>£ 2,700</td>
<td>£ 2,900</td>
<td>£ 2,900</td>
</tr>
</tbody>
</table>

Source: Cebr analysis

\(^{13}\) The long term unemployment ratio is here defined the number of people in long-term unemployment as a proportion of the total persons in unemployment for a given age bracket.
The cost savings decrease over time as the total number of people in unemployment is projected to fall, thus there would be fewer persons in long term unemployment eligible to claim JSA. The cumulative total savings over the next five years would be £105.2m. This is just one part of the cost savings that could be achieved, for if these people were to subsequently enter full time jobs in the growing occupations and sectors in the UK economy, the government would gain increased income tax receipts, national insurance contributions, and other indirect tax receipts such as VAT as a consequence of having a larger income to spend on items with are VAT rated.

Figure 23: JSA savings from 55-64 year olds attaining the long term unemployment rate of the 25-54 year olds, in millions of £

Source: Cebr calculations
7 Conclusions and Policy recommendations

This report highlights the skills deficit of 55-64 year olds in the labour market and the subsequent challenges which the UK faces. There is a need to reskill these individuals to mitigate the negative impact of job losses in particular sectors and occupations between 2015 and 2020.

Trends in the labour market show 55-64 year olds are more likely to be vulnerable to high long term unemployment compared to those aged 25-54. This indicates that once an older individual enters unemployment they find it harder than the younger cohort to re-enter the labour market. Many unemployed over 55s have resigned themselves to the fact they may never get another job. This is a concern for policymakers given the forecasts for job losses in industries and occupations in which 55-64 year olds are overrepresented. For example, older women are at risk from public sector job shedding.

In England, basic skills such as numeracy and literacy are lower for individuals who are aged over 35, while problem solving skills deteriorate from age 24 onwards. Technological skills peak in 18-24 year olds, the youngest age group, this is unsurprising given that at the other end of the age spectrum there is a significant share of over 55s who never use the internet. In addition, older workers acquired qualifications and skills several decades ago and these skills might not match the demands of modern employers.

The rapid pace of economic change leaves many older workers vulnerable to unemployment. A “job for life” no longer applies and those in declining industries, such as manufacturing, agriculture, and mining, and the occupation of clerical work, need to be prepared to reskill if they wish to stay in work if their existing positions are made redundant. There are some examples of reskilling aimed specifically at older age groups such as the apprenticeships with Barclays Bank and B&Q, but more schemes should be rolled out given 75,000 individuals aged 55-64 are forecast to lose their jobs over the next five years as part of the decline in employment in some sectors in the UK.

Research investigated over 55s’ understanding of the importance of skills in the modern economy. The survey results show that older workers think that learning new skills is important to get a new job, but are less sure of the benefits with regards to their current positions and the value that technological skills could add. Indeed, there are low rates of training participation, both employer provided or self-initiated, and those in high skilled positions are more likely to engage in training than those in low skilled occupations. Hence, there is a need for policymakers and employers to encourage lifelong learning whether or not an individual is seeking a new job. This is particularly true for those in lower skilled positions.

When considering what training to provide three key points have emerged from the survey, firstly, over 55s are most likely to reject the choice of undertaking a qualification. Action should be taken to encourage the 55-64 year olds to undertake qualifications even late into their career. Policymakers should consider providing more vocational training as opposed to academic, as the most popular qualification choice among over 55s was a vocational qualification such as a diploma or NVQ.

Secondly, where possible, learning a new qualification should take place alongside their job. There was a clear preference for over 55s to work and study as opposed to giving up their job and focusing solely on studying. Therefore, programmes ought to be designed to fit around an individual’s job and not necessitate a choice to be made between work and study.

Thirdly, many over 55s feel deterred from learning new skills due to the stigma attached to training at an older age and a lack of training aimed at their age group. Individuals should be made more aware of programmes through targeted marketing and ‘myth busting’ to remove the stigma attached and highlight the benefits for older learners. Where there is a lack of appropriate programmes, or existing programmes fail to meet the needs of 55-64 year olds, new opportunities should be created and/or existing ones tailored.
To target this hard-to-reach group it is best to understand what they perceive the barriers are and to design suitable training. The policy recommendations which have emerged from this report are presented below.

<table>
<thead>
<tr>
<th>Problem</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many over 55s feel they are ‘too old to learn’ and do not feel learning technological skills would help them carry out their current work.</td>
<td>Focus on how to change the ‘too old to learn’ mentality of the 55-64 year old age group and help this group see how new technological skills could change how they carry out their current job.</td>
</tr>
<tr>
<td>Training is not targeted at 55-64 year olds and/or programme content is not appropriate for 55-64 year olds.</td>
<td>Provide training targeted at the 55-64 year old age group.</td>
</tr>
<tr>
<td>55-64 year olds are less likely to take part in training than younger cohorts.</td>
<td>Encourage employers to ensure that their older staff members participate in training and undertake career development activities. Promote a mentality of lifelong learning.</td>
</tr>
<tr>
<td>What type of qualification would 55-64 year olds be most interested in undertaking?</td>
<td>Offer more vocational training for the 55-64 age group.</td>
</tr>
<tr>
<td>Under what circumstances are 55-64 year olds most likely to want to undertake a qualification</td>
<td>Studying for a new qualification should be able to take place alongside existing full time and part time work commitments.</td>
</tr>
<tr>
<td>Males aged 55-64 years old are forecast to lose jobs over the next five years in the industries of manufacturing, agriculture and mining. Occupations such as parts of the craft &amp; related trades (e.g. printing, wood working, metal workers) and plant &amp; machine occupations are also expected to decline.</td>
<td>Target training at individuals who are employed in declining industries and occupations.</td>
</tr>
<tr>
<td>Females aged 55-64 years old are forecast to lose jobs over the next five years in the public sector, education and clerical occupations</td>
<td></td>
</tr>
</tbody>
</table>