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# Economic inclusion and older people

Briefing paper  
September 2009

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# Economic inclusion and older people

## Briefing paper

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# 1 Background

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The [Baseline Report on Economic Inclusion](#) in the West Midlands 2009 presented a picture of worklessness in the region and included sections highlighting the issues in relation to older people.

This briefing paper further examines the issues surrounding older people and aims to increase understanding among the region's policy makers of the underlying issues. It also examines any changes to the picture that have occurred since the baseline data was produced.

The report begins by examining demographic change in the region, specifically around the ageing population. We then look at the issues surrounding older people in relation to employment, including the effects of the recession on this age group. We conclude by examining levels of poverty amongst older people.

This briefing paper forms part of a series of 'spotlight reports' following on from the Economic Inclusion Baseline Report. Other reports in the series can be downloaded when complete from our website and cover:

- [Youth unemployment](#)
- [Mental Health and Employment](#)
- Minority Ethnic Groups and employment (Due November)

## 2 Key messages

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- The population of the region is ageing, particularly in rural areas. Over the next 25 years the population aged over 50 is projected to increase by 24% in rural areas compared to a 9% increase in this age group in urban areas. Most of this increase will occur in the group aged over state pension age.
- Over the last 15 years the employment rate of people aged over 50 has been rising and is now similar to the rate for those of all working age. This is partly due to a smaller fall in the employment rates of those aged over 50 during the recession. Although much lower, the employment rate of those aged over state pension age has not decreased during the recession.
- Retirement remains a steady economic state even during the recession. Less than 1% of those who were retired a year ago have since moved into employment or unemployment.
- People aged over 50 have not been adversely affected by redundancies in the recession. Their redundancy rate is lower than for those aged 16-24 and 25-34.
- Older people are more likely to be employed in education, engineering and other manufacturing sectors than younger age groups. Engineering and other manufacturing are the two sectors which have seen the biggest reduction in employment levels over the last five years.
- There has been a substantial reduction in the number of pensioners living in poverty over the last 10 years although some groups of pensioners, particularly some minority ethnic groups, are much more likely to be living in households in poverty than others.
- There has not been a big increase in the number of pensioners claiming Pension Credits as a result of the recession. However, there remains a problem of low take up of this means-tested benefit, which tops up the income of the poorest pensioners.

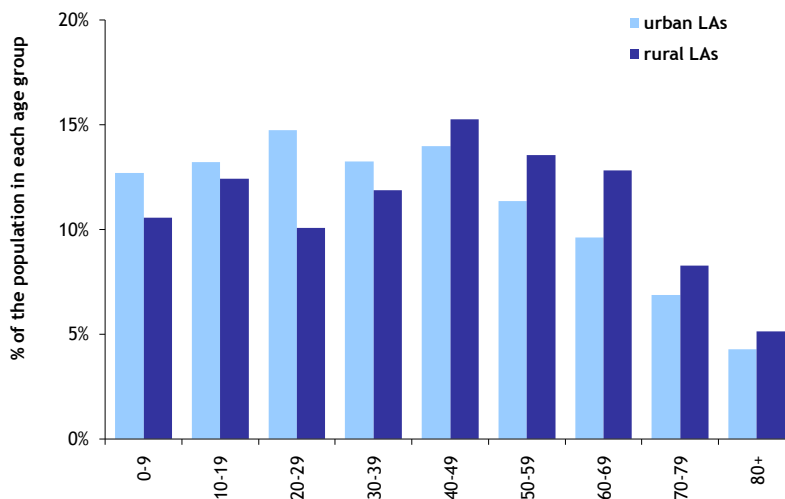
### 3 Changing regional demographics

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In line with the rest of the UK, the population of the West Midlands is ageing. The number of people aged over 50 increased by 19% between 1981 and 2008 compared with a slight decrease in the numbers of people aged less than 50. This means that 35% of the population in the West Midlands is now aged over 50, up from 31% in 1981. There are now 1.88 million people in the region aged over 50, 817,000 of whom are aged between 50 and state pension age (SPA) and 1.06 million over SPA.<sup>1</sup>

The ageing of the population has been more apparent in rural areas than urban areas, so, whereas in 1981 the age profiles of rural and urban areas were similar, there is now a distinct difference (see chart 1).

**Chart 1: Age profile of urban and rural local authorities in the West Midlands**



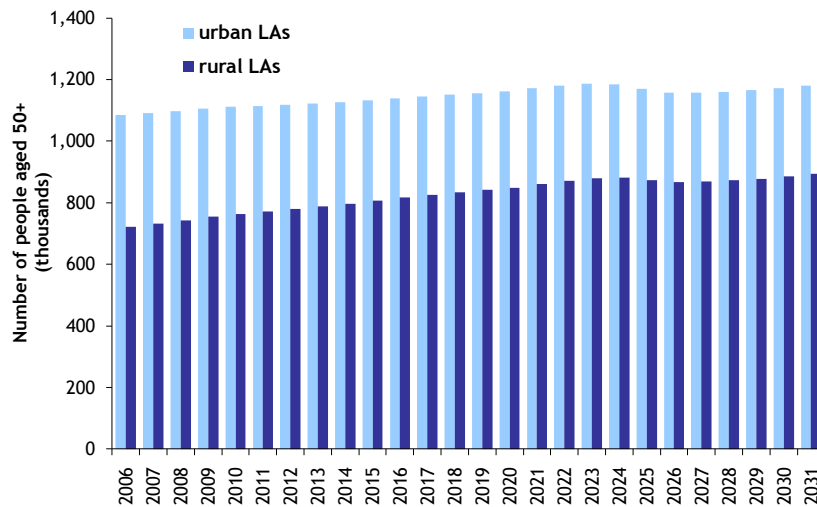
Source: ONS 2008 mid-year population estimates

The diverging age profiles of urban and rural areas is projected to continue with the number of people aged over 50 in rural areas projected to increase by 24% between 2006 and 2031 compared with a 9% increase in this group in urban local authorities. Chart 2 shows the projected increase in the numbers of people aged over 50 in urban and rural local authorities.

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<sup>1</sup> ONS 2008 mid-year population estimates

**Chart 2: Projected population aged 50+ in the West Midlands**



Source: ONS 2006-based subnational population projections

Although there are more people aged over 50 living in urban areas (and more people of all ages), this age group makes up a smaller proportion of the population in these areas. In 2006, 32% of the population in urban areas consisted of people aged over 50 compared with 39% in rural local authorities. By 2031, the proportion of the population in urban local authorities aged over 50 will have decreased slightly (from 32% to 31%) whereas in rural areas the proportion will have increased (from 39% to 41%).

Within the overall age group aged 50+ it is relevant to break this down and look at the projected increase in the population aged between 50 and SPA and those aged over SPA. The biggest increases will occur in the group aged over SPA with a 26% projected increase in this age group across the region compared with an increase of just 1% in the number of people aged between 50 and SPA.

The ageing population will have an impact on the wider economy. As the number of people aged over SPA increases disproportionately to the working age population so there will be more people over SPA for every working age person, particularly in rural areas. This is demonstrated by the old age dependency ratio which is the number of people aged above SPA as a proportion of the number of people of working age. In 2006 the old age dependency ratio in rural areas was 35% compared to 29% in urban local authorities. Without the forthcoming changes to the SPA the old age dependency ratio would be expected to increase in rural areas. However, the SPA is going to be increased gradually by the Government up until 2046 when it will be 68 for both men and women. The change to the SPA will mean that the old age dependency ratio will not increase as much as it would have done without the changes, but national estimates still suggest that it will increase slightly by 2051<sup>2</sup>.

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<sup>2</sup> ONS (2008) 'Pension Trends' chapter 2

## 4 Employment of older people

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After decreasing for many years the employment rates for older workers (aged over 50) started to increase around 1993<sup>3</sup> and continued to increase until last year when there was a slight fall due to the recession. Even so, older people have seen smaller falls in employment rates than other age groups. Within the 50+ age group the employment rates for those aged between 50 and SPA are understandably much higher than for those aged over SPA, but both have been rising.

**Table 1: Employment rates in the West Midlands by age group**

Date	Employment rates (%)		
	Aged 50 - SPA	Over retirement age	All working age
2005	70.5	10.0	73.3
2006	72.1	10.8	72.9
2007	72.1	10.9	72.4
2008	71.7	10.9	71.7
Apr-Jun 2009	70.6	11.5	70.0

Source: ONS Annual Population Survey and Labour Force Survey

By June 2009, the employment rate for those aged over retirement age had not fallen at all due to the recession and had actually increased slightly. There was a slight fall in the employment rate for those aged from 50 to SPA but the bigger fall in the overall working age employment rate means that the rate for those aged from 50 to SPA is now very similar to the rate for those of all working age. Contrast this with the data ten years ago when the working age employment rate was 74% and the rate for those aged from 50 to SPA was just 68%.

The recession has so far impacted less on older people than on younger people. The rises in unemployment have been greater in the 16-24 and 24-49 age groups than the 50 to SPA age group (see Table 2).

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<sup>3</sup> ONS Labour Market Trends (February 2005) 'The Employment Rate of Older Workers'

**Table 2: Unemployment rates in the West Midlands by age group**

Age Group	Unemployment rates (%)		Percentage point increase
	Apr-June 2008	Apr-June 2009	
<b>16-24</b>	15.7	26.6	10.9
<b>25-49</b>	5.2	8.7	3.5
<b>50 - SPA</b>	3.5	6.3	2.8

Source: ONS Labour Force Survey

However, people aged over 50 have still experienced job losses due to the recession and an additional 13,500 people aged over 50 were claiming Jobseekers Allowance in July 2009 compared to a year ago.

We can also examine data from the Labour Force Survey to see whether the recession has had an impact on the numbers of people leaving retirement and re-entering employment.

In the quarter to June 2009, there were 7,600 fewer people who were economically inactive because they were retired compared to the same quarter in 2008 (falling from 916,600 to 909,000 retired people, representing a decrease of 0.8%). Interestingly, the reduction in the numbers retired has all been amongst women with a slight rise in the number of men who are retired. However, because the total number of economically inactive people in the region has also decreased over this period the proportion who are retired has remained the same at 56%. There have been bigger falls among the other groups of economically inactive people - the biggest decrease has been amongst those who are looking after a family/home (6.9% decrease in numbers in this group over the year to June 2009).

The Labour Force Survey also allows us to analyse labour market transitions. We can look at individuals' current economic status compared with their status 12 months ago. Of the people who were retired a year ago, 96.7% are still retired. Only 0.4% have moved into employment and 0.2% into unemployment with the remaining 2.7% moving into a different category of economic inactivity. These data show us that retirement is a much steadier economic state than other inactive categories, even during a time of recession. For example, only 73% of people who were economically inactive and looking after a family/home a year ago were still in this position, with 8% moving into employment and 7% into unemployment. 81% of people who were long term sick/disabled a year ago were still classified as long term sick/disabled, 3% had moved into employment and 4% into unemployment. These data suggest that the recession has not had a significant impact on the retired population with the vast majority of retired people remaining retired.

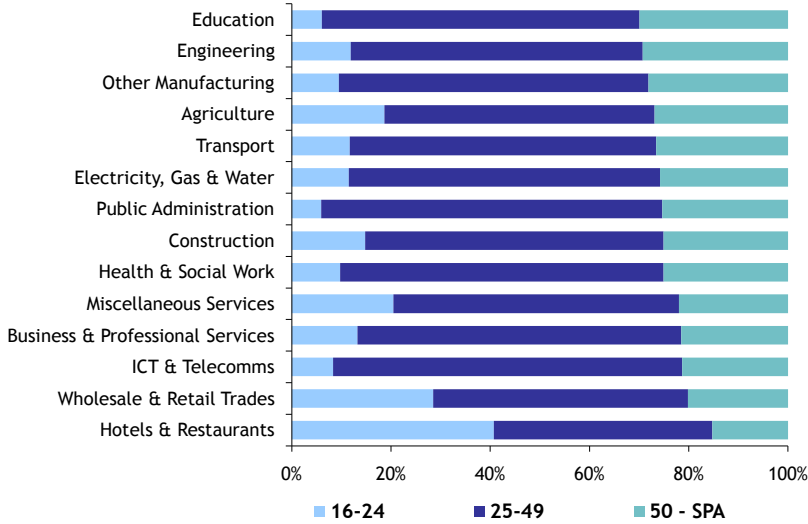
## 4.1 Redundancies

Looking at redundancy data for the West Midlands shows that over the year to June 2009 there were approximately 116,000 redundancies in the region, 31,000 of which were people aged over 50.<sup>4</sup> Redundancy rates show the number of redundancies as a proportion of the number of employees in a particular age group. Nationally, in the quarter to June 2009, the redundancy rate for those aged over 50 was 10.5 per 1,000 employees. This rate is higher than for the 35-49 age group (9.5 per 1,000) but lower than the rates in the younger age groups (11.1 per 1,000 for 16-24 year olds and 12.3 per 1,000 for 25-34 year olds).<sup>5</sup> These redundancy data together with the unemployment and employment data show that older people are not yet being affected by the recession as much as younger people.

## 4.2 Industries employing older workers

Within the region, there were just over 690,000 people aged over 50 in employment in 2008 (580,000 aged between 50 and SPA and 110,000 aged over SPA). We can look at which industries older workers (aged 50 to SPA) are employed in. Chart 3 below shows that education, engineering and other manufacturing sectors have larger proportions of older workers (aged 50 to SPA) with wholesale and retail trades and hotels and restaurants sectors having much younger workforces.

**Chart 3: Age profile of industries in the West Midlands**

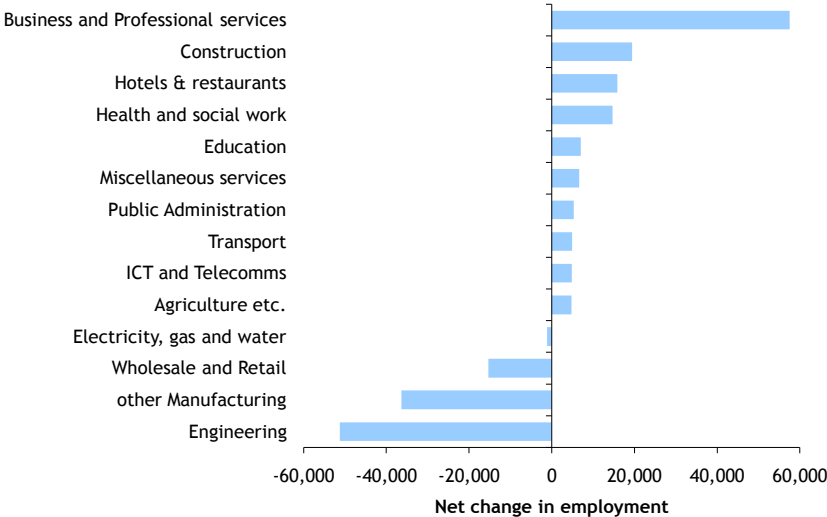


Source: ONS Labour Force Survey, Oct-Dec 2008

<sup>4</sup> Data compiled from 4 quarters of the Labour Force Survey to June 2009. The survey asks people if they have been made redundant in the last 3 months and relies on respondents correctly classifying their redundancy as occurring in the last 3 months so that they are not double counted in two consecutive quarters of data.

Chart 4 shows the change in employment levels in each sector over the last five years to give an indication of which sectors are the growth sectors.

**Chart 4: Net change in employment, 2003 - 2007**



Source: Annual Business Inquiry

It is noteworthy that the two sectors which have had seen them biggest reduction in employment levels are engineering and other manufacturing which are sectors which tend to have older age profiles.

<sup>5</sup> ONS analysis of Labour Force Survey data  
<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9474>

## 5 Poverty

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Over the last decade the proportion of pensioners living in poverty<sup>6</sup> has decreased substantially from 29% in 1997/98 to 18% in 2007/08 in the UK and there has been a similar decrease in the West Midlands. The reduction in the proportion of pensioners living in poverty has meant that pensioners are now less likely to be living in poverty than either children or working age people<sup>7</sup> whereas in 1997/98 working age people were far less likely to be living in poverty than pensioners.

However, within the overall group of 'pensioners' there are some important differences in levels of poverty between pensioners. Across the UK, for example, pensioners living in couples are less likely to be living in households in poverty than single pensioners (16% compared with 21%) and men are less likely to be in poverty than women (16% compared with 20%). Pensioners who own their house are far less likely to be living in poverty than those who rent their home (16% compared with 28%). There are also some striking differences between pensioners from different ethnic groups: 17% of white pensioners are living in households in poverty compared with 30% of those from the black/black British group and 34% from the Asian/Asian British group. Within the Asian/Asian British group, nearly half of Pakistani/Bangladeshi pensioners are living in households in poverty (49%).<sup>8</sup>

The reduction in the proportion of pensioners living in poverty over the last decade can partly be attributed to the introduction of the Minimum Income Guarantee and then Pension Credits in 2003. These benefits provide help to the poorest pensioners and top up their weekly income to a set minimum income level. In the West Midlands, the latest data (from Feb 09) show that there are nearly 280,000 pensioners in the region claiming Pension Credits<sup>9</sup>. This is from a total of 1.06 million people who are over state pension age in the region<sup>10</sup>.

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<sup>6</sup> Poverty is defined here as people living in households below 60% median income after deducting housing costs.

<sup>7</sup> This is not true if we use the figures before housing costs are taken into account. As pensioners often have very low housing costs some people can be in the low income before deducting housing costs but not after deducting housing costs. The Government's PSA target on the number of pensioners in low income uses the 'after housing costs' measure.

<sup>8</sup> Households Below Average Income 2007/08, DWP. Data are for the UK

<sup>9</sup> DWP, Work and Pensions Longitudinal Study

<sup>10</sup> ONS 2008 mid-year population estimates

The number of people claiming Pension Credits has not changed significantly in response to the recession. In the year to February 2009 the number of people claiming this benefit increased by just 1,000 in the region, from 277,700 to 278,700. However, there is a problem with take up of income related benefits generally and this is also a problem with Pension Credits. The take up of Pension Credits has increased over the last few years but nationally, in 2007/08, only between 61% and 70% of people eligible to claim this benefit were claiming, leaving around a third of eligible claimants who are not claiming Pension Credits.<sup>11</sup> The take up of Pension Credits is lower than for some of the other income related benefits (e.g. Income Support and Housing Benefit). Research<sup>12</sup> has suggested that the two main reasons why people who are eligible to claim Pension Credits do not claim are because of a belief that they are ineligible or because of concern about how receiving Pension Credits would interact with other benefits. Another reason given, although less significant, was due to a lack of awareness of Pension Credits.

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<sup>11</sup> DWP, Income Related Benefits: Estimates of Take-Up in 2007/08

<sup>12</sup> Bunt, K., Adams L. & Leo, C (2006) 'Understanding the relationship between the barriers and triggers to claiming Pension Credit' DWP Research Report No. 336

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