

Beyond the Great Retirement:

Understanding and tackling economic inactivity amongst the over 50s

6th March 2023

Introduction

Phoenix Insights is a new think tank from Phoenix Group, dedicated to catalysing the changes we need to see in society if more of us are to be able to make the most of the opportunities of longer lives. A key element of this is supporting people to stay in good work for as long as they want and need. Understanding why the UK is seeing dramatic changes to workforce participation amongst over 50s is therefore a central concern.

Our previous report [‘What is driving the Great Retirement?’](#) explored what is behind the recent rise in economic inactivity amongst 50-64 year olds. We identified the following key findings:

- People in the UK have significantly more negative attitudes towards their job and their views about work have been significantly more affected by the Coronavirus pandemic compared to those in other countries
- Higher levels of financial comfort among this age group in the UK may have enabled increased levels of economic inactivity
- A large number of people who have left the workforce since the pandemic do not want to work or have retired
- That concerns over access to health care since the pandemic, compared to other countries, may explain the decrease in flows back into activity from those who are inactive due to ill health.

In this next phase of research we wanted to explore these trends in further depth and develop a more nuanced understanding of the roughly 1 million people aged 50-64 who have left the workforce since the pandemic. Specifically this included looking at:

- The reasons why people in the UK feel so negatively towards work
- Whether this has an effect on their likelihood to leave the workforce early
- Whether factors such as financial comfort effect groups differently
- What support might help people return to, or remain in, the workforce

About this research

We therefore commissioned public policy consultancy Public First to undertake a second phase of research between October 2022 and February 2023.

Public First is a global strategic consultancy that works to help organisations better understand public opinion, analyse economic trends and craft new policy proposals. It has worked directly with some of the world's biggest companies, government departments, top universities and major charities to produce bespoke, original policy proposals and reports derived from an evidence base of economic analysis and public opinion research. Public First is a member of the British Polling Council and Company Partners of the Market Research Society, whose rules and guidelines it adheres to.

This phase of the research included the following:

- Analysis of available datasets in the UK on labour force participation, wealth and assets, and job satisfaction these include the Labour Force Survey (Q3 2022), the Wealth and Assets survey and Understanding Society.
- Polling of over 3,000 adults over the age of 50 in the UK, Germany and USA, plus a booster sample of over 1,500 50-64 year olds who are not in the workforce.
- 7 focus groups (3 UK groups; 2 US groups and 2 German groups) of over 50s with a mix of social grade, age, gender and education level. The groups included a mixture of retired, working and out of work people.

Executive summary

Key findings:

- **Those choosing to retire early are significantly wealthier than others.** People aged 50-64 who have chosen to retire hold median total wealth of almost £1.25 million - more than £500,000 higher than those people of this age who are still working.
- **But those who have left the workforce due to ill health or disability or to look after their families are much more financially vulnerable.** Median household wealth for 50 - 64 year olds who have left work early due to long term ill health or disability is only £57,000 - significantly less than the average for this group overall and over 20 times lower than the figure for those who have chosen to retire.
- **This raises significant concerns about the ability of many of those who have left the labour to sustain a decent standard of living in retirement.** Unless these individuals can re-enter the labour market and add to these assets, very few of them will be able to afford a comfortable retirement - based on estimates of what this requires - and many may struggle to maintain even a basic standard of living.
- **Owning a home outright is a critical factor in whether people feel able to retire early.** 27% of 50-64 year olds who own their home outright have chosen to retire, compared to less than 5% of homeowners with a mortgage.
- **Those who have become economically inactive do not disproportionately come from any one industry, or the public or private sector.** No one industry, or the private or public sector stands out as losing a disproportionate share of its employees in this age group. A large number of those who have left the workforce early were previously working in sectors such as health and social care or education but the profile of this group in terms of the industry they last worked in largely mirrors where those over 50 tend to be employed.
- **However, the reasons why people are leaving different industries vary widely.** The majority of people leaving industries such as finance are choosing to retire, but this is true for less than 25% of admin or hospitality workers. People working in the financial services industry are three times more likely to retire early compared to those in the hospitality industry (69% vs 23%), whilst those working in transport and storage are 15 times more likely to leave the labour market early due to ill health compared to those working in finance and insurance activities (32% vs 2%).
- **We also see large variations in why people have left work by occupational role.** The occupational profile of those that have become economically inactive since the pandemic also reflects the positions in the workforce that the over 50s tend to hold. However, the reasons given for becoming inactive vary significantly. For example, only a small proportion of professional workers are leaving due to ill health but this is the most common reason given by those in elementary professions or who operate machinery. Compared to those people working in process, plant and machine operative jobs are over seven times more likely to leave the workforce early due to ill health compared to those in professional occupations (39% vs 5%).

- **Where people live makes a big difference to why they are leaving the workforce.** By some measures there is a clear divide between the Midlands and the North and London and the South East. For example, people in Yorkshire and the Humber are twice as likely to have left the workforce early due to sickness or disability compared to those in London and the South East (24% vs 12%). But those in London are the most likely to have left the workforce early to look after family or the home, with 50-64 year olds in the capital twice as likely to this compared to those in the South West (17% vs 8%). People in the South West are most likely to have given retirement as the reason they have left the workforce early (57.3%), and least likely to do this are people in the North East (42.2%).
- **There are important differences between genders.** Men are more likely to say they have left work because they are retired, and also more likely to say they have done so due to long-term sickness and disability. Women are more likely to give looking after home and family as a reason.
- **Only 12% of respondents disagreed with the statement “older people are left behind by employers”.** Our focus groups supported this with many participants sharing that they felt undervalued and under supported by their employers.
- **Job satisfaction over time is a key indicator of how likely people are to drop out of the workforce.** Analysis of data which records the job satisfaction since 2009-10 of those who are now aged 50-59, shows that those with prolonged levels of lower average job satisfaction are more likely to have chosen to leave the workforce since the pandemic.
- **Openness to returning to work - either part or full time - decreases with age.** Those aged 55-64 are 10% more likely to want to retire than 50-54 year olds.
- **The most popular forms of return to work support were more flexible work (64%), support with new technologies (57%) and the opportunity to work from home (54%).** Although there appears to be a difference in support preference between those who own their homes outright and those who don't i.e. support with new technologies (64% vs 47% respectively).

How should the Government respond?

These findings further confirm that the rise in economic inactivity among people over 50 since the pandemic is not one phenomenon and that there is no single policy which can effectively respond to it.

But we have identified a number of trends which a package of policies will need to address in order to be successful. As the Government considers how to reduce economic inactivity in the over 50s, it should attempt to do this in six key ways:

1. **Take a regional approach** - by enabling Combined Authorities and others working at a local level to tackle the specific drivers of economic inactivity in their region.
2. **Work with employers** - by taking a sectoral approach that recognises the specific reasons people are leaving different industries.

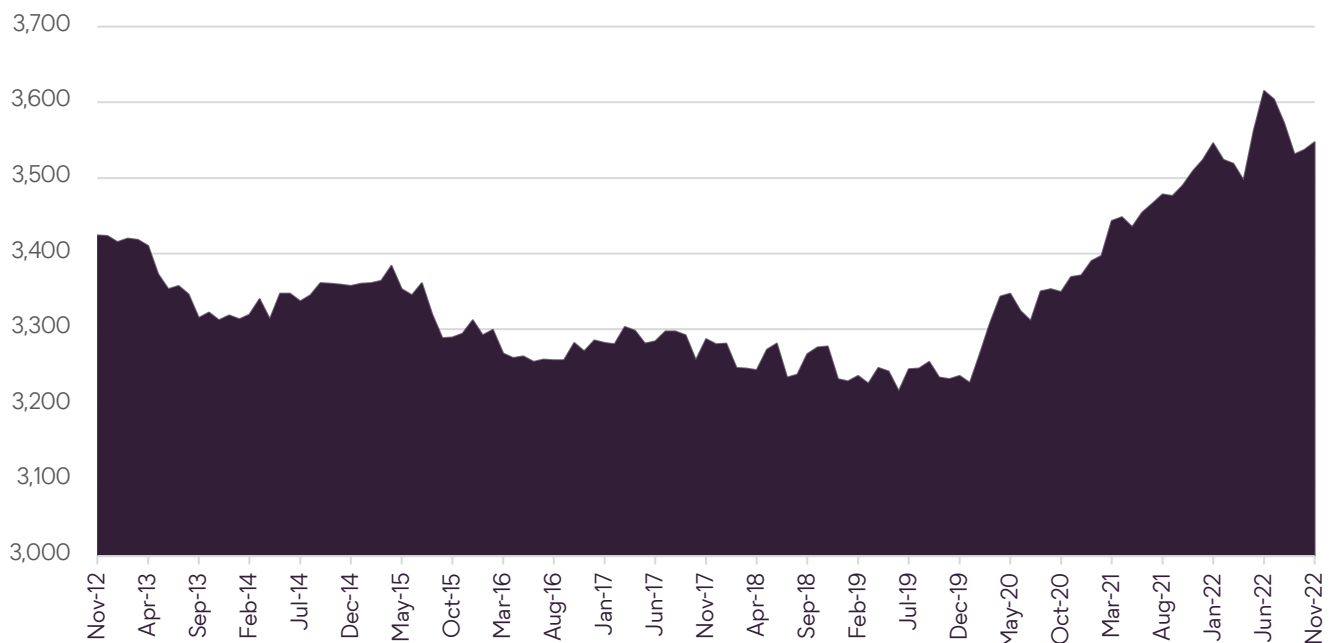
3. **Create more flexibility** - by responding to the strong preferences over 50s show for being able to work more flexibly.
4. **Improve people's quality of work** - by focusing on the importance of job satisfaction for keeping people in work or encouraging them to return, especially for those who feel financially comfortable enough to retire.
5. **Improve the provision of financial and careers advice** - by finding new ways to ensure this group have access to guidance about their personal financial security and their options for staying in or returning to work.
6. **Take a long term approach** - by improving the experience of work for people below the 50-64 age group, recognising that the reasons people leave the workforce early are a product of issues, such as low job satisfaction or poor health, that develop over time.

Update on economic inactivity since our first publication

Our latest analysis of ONS data suggests that the increase in economic inactivity amongst those over 50 may have peaked but remains elevated compared with pre-pandemic levels.

The total number of economically inactive 50-64 year olds peaked in June 2022 (approximately 3,615,000). The latest data, covering the final quarter of 2022, show a slightly lower number of economically inactive people in this age group - 3,547,000. This means that 27.1% of 50-64s are not in the labour force, up from the pre-pandemic low of 25.2%.

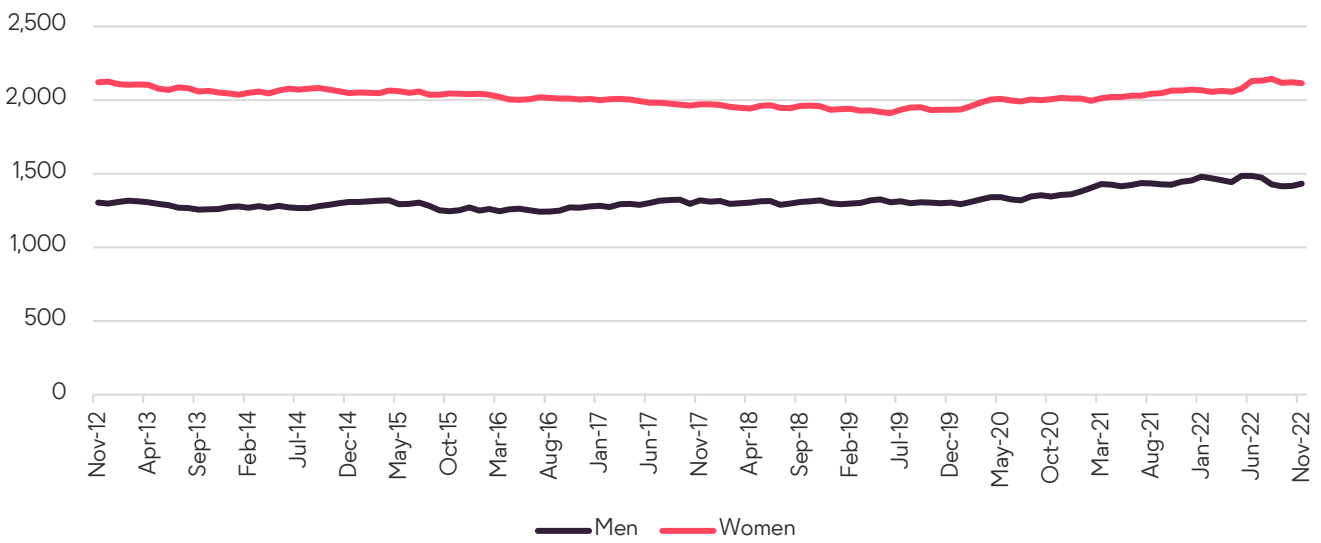
Figure 1 - The number of economically inactive 50-64 years olds (thousands)



Source: ONS data (Labour Force Survey)

The decrease in economically inactive 50-64 year olds since the summer appears to have been driven largely by men returning to work. However, the latest statistics show a slight uptick in economic inactivity among men.

Figure 2 - Number of economically inactive 50-64 years olds, (thousands, by sex)



Source: Labour Force Survey

Analysis of raw data from the Q3 2022 Labour Force Survey - the latest publicly available edition of the raw data at the time of writing - suggests that just under a million (900,000) people aged 50-64 left work since the pandemic.

Those who say they have retired make up are just under half of this group.

Of those that became economically inactive since the pandemic, about 160,000 (17% of the total) say that they would like to work.

Figure 3 – Reasons for economic activity, all economically inactive 50-64 year olds, and those who left work since 2020

All economically inactive 50-64 year olds - 3.6 million people



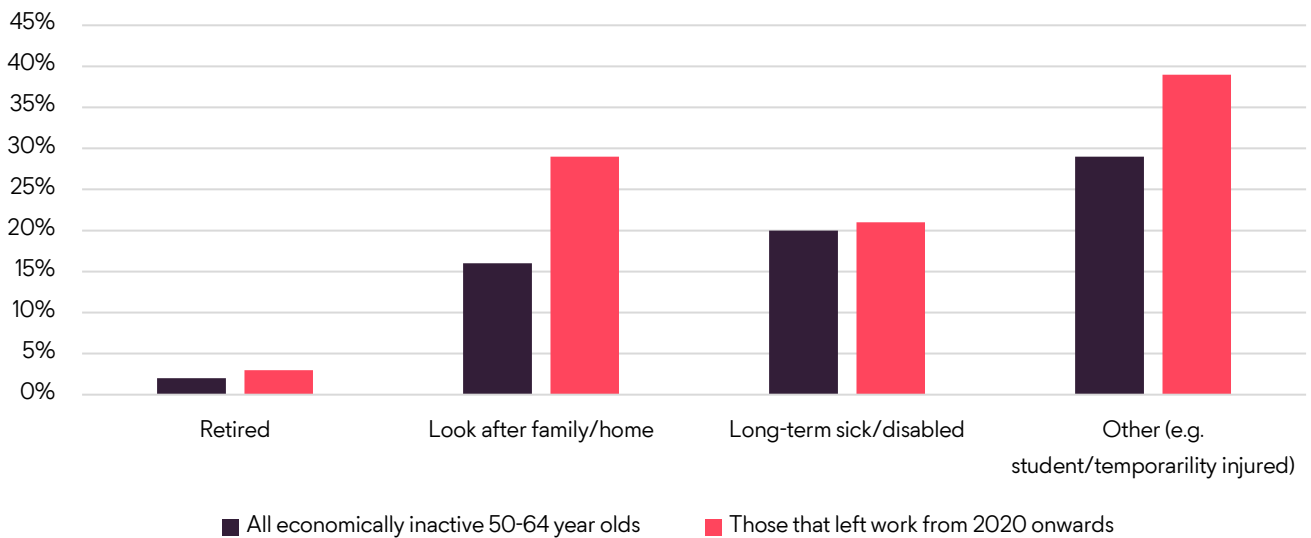
- Retired - would not like to work
- Long-term sick/disabled - would not like to work
- Looking after family - would not like to work
- Other - would not like to work
- Retired - would like to work
- Long-term sick/disabled - would like to work
- Looking after family - would like to work
- Other - would like to work

Left since pandemic (2020 onwards) - 911,000 of the total



Attitudes to returning to work vary considerably depending on why people have left. Substantial minorities of those who have left because of sickness or disability, to look after family or for other reasons would like to work again.

Figure 4 - Share of inactive 50-64 year olds that would like to work, by reason for activity



Given this, our research takes a deeper look at the reasons why people are leaving work and what might help them return.

Why are people leaving the workforce early?

In this section of the report we look in greater depth at the economically inactive 50-64 year old group and the different trends within this that explain why they have left the labour market.

The role of wealth

Those choosing to retire early are much more likely to be wealthy than others. This is as we would expect but the size of the gaps in wealth between this group and others is especially notable.

The median total wealth (as estimated according to their total pensions, property, financial and physical assets) of those choosing to retire is over £1,240,000. This compares to a median figure of £750,000 for 50-64 years old still in work.

However, we see a very different story for over 50s leaving the labour market for other reasons.

Median wealth for those who are economically inactive because they are looking after their family or home is well below the median for all those aged 50-64 (£137,000 vs £758,000). This suggests it is more likely that this group are being forced to leave the labour market due to domestic pressures than because they would like to concentrate on family life and feel they can afford to.

Median wealth for those who are economically inactive due to long-term sickness or disability is lower still at just £57,000. This is more than 21 times lower than those who have chosen to retire.

This raises significant concerns about the ability of many of this group to sustain a decent standard of living in retirement. With individuals estimated to need around £23,000 in income per year, or £34,000 a year as a couple¹, to sustain a 'moderate' standard of living in retirement - such as being able to afford an overseas holiday or replace their car every 10 years - very few of this group will be able to afford this on their current savings.

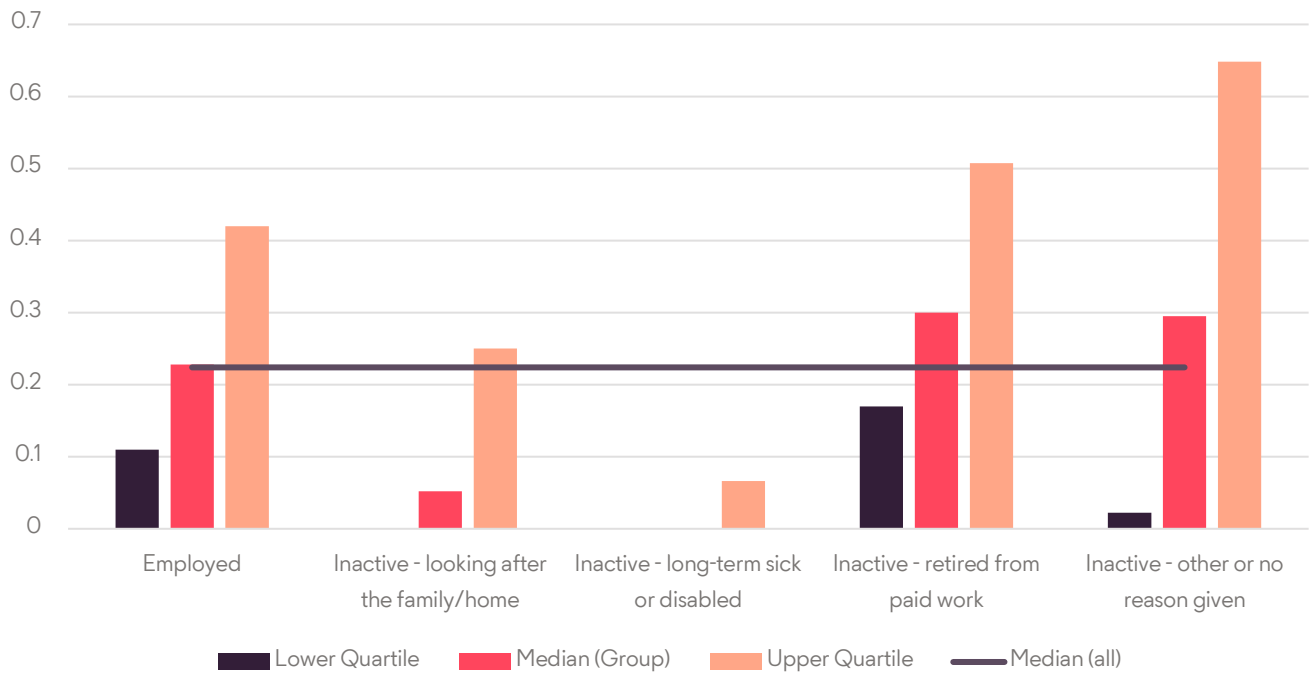
Many could even struggle to afford the 'minimum' standard of living in retirement - which does not include any foreign holidays or a car - which is estimated to require around £13,000 a year for an individual or £20,000 a year for a couple.

These wealth statistics suggest a significant share of the economically inactive lack the wealth to purchase an annuity generating such an income, and would rapidly run out of money if reliant on drawing down savings.

With around 1 million 50-64 year olds economically inactive due to long-term sickness or disability, this risks leaving very large numbers of people in a state of significant financial vulnerability, unless they can be helped back into work.

¹ [Retirement Living Standards](#)

Figure 5 - Household property wealth, ages 50-64 by economic active status and reason



Source: ONS data (Wealth and Assets survey)

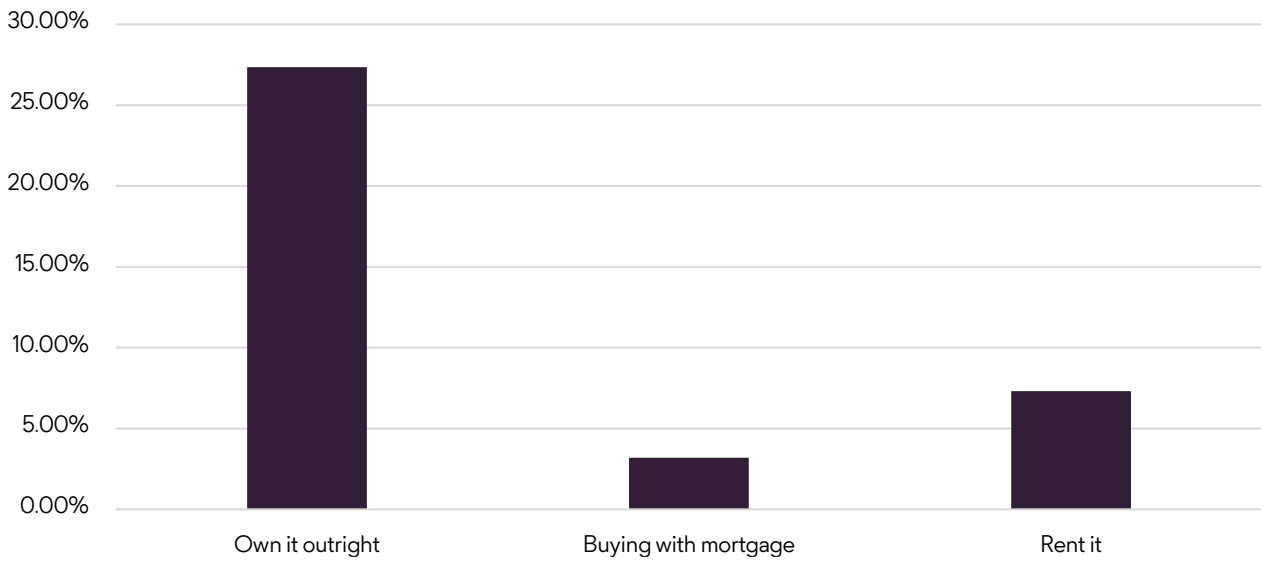
The role of home ownership

Our analysis of the ONS Wealth and Assets Survey supports the finding of our previous research that people’s decision to retire is strongly linked to home ownership.

In particular, we find that owning your own home outright is a key factor. The ONS data suggests 27% of homeowners aged 50-64 who own their home outright are retired.

However, the pressure of having a mortgage appears to be a strong driver for keeping people in work. Less than 5% of homeowners with a mortgage in this group have retired.

Figure 6 - Proportion of 50-64 year olds who are retired, by whether they own their home



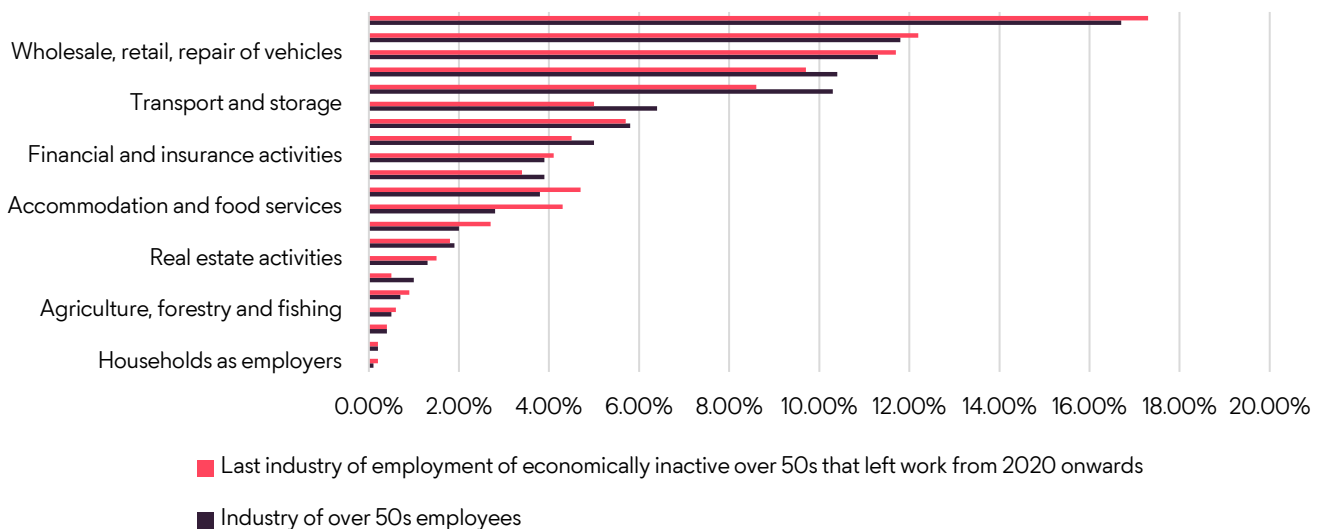
Source: ONS data (Wealth and Assets Survey)

"if you're one of those fortunate people that has got a bulletproof pension and plenty of money in the bank, then you're going to be guaranteed a good retirement with plenty of life choices" - Retired Ex-Railway Planner, 67, Hull

The role of employment type

Those choosing to retire do not disproportionately come from any one industry, or the public or private sector. The industry profile of those that have recently left the workforce (where they were working before leaving) largely mirrors that seen for the over 50s workforce.

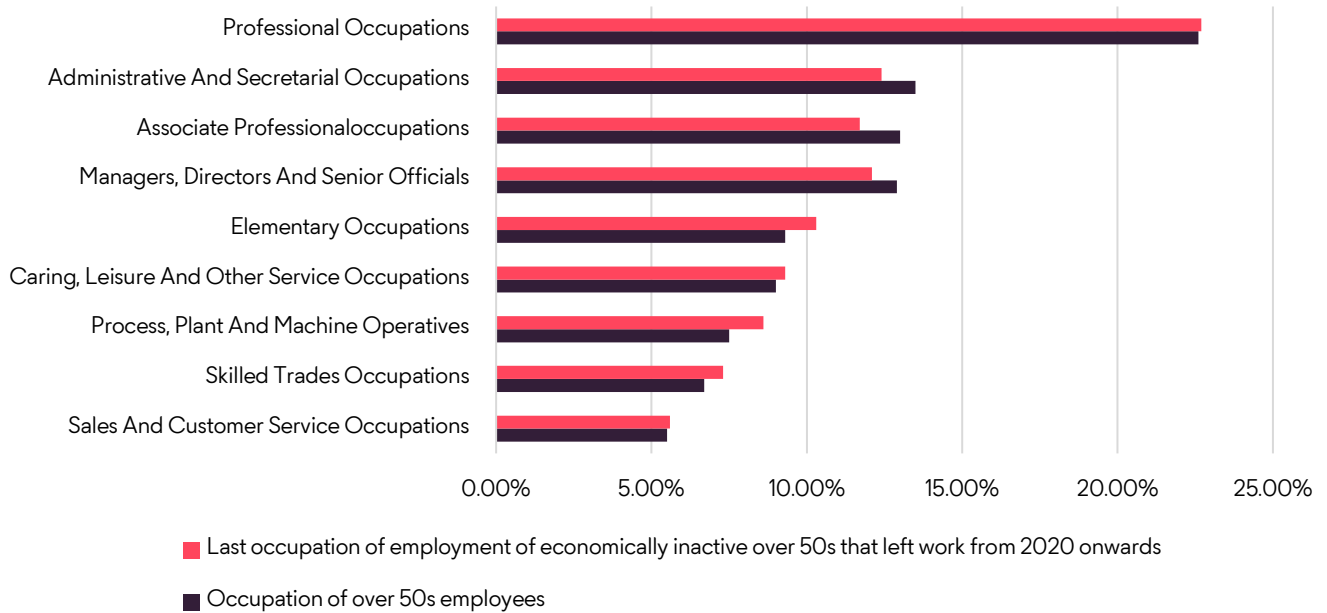
Figure 7 - Last industry of employment of economically inactive 50-64 year olds for those that left work from 2020 onwards compared to industry employment rate of over 50s



Source: ONS data (Labour Force Survey, Q3 2022)

This was also not just about the professional classes. The occupational profile of those that have recently left the work also largely mirrors that for the over 50s workforce.

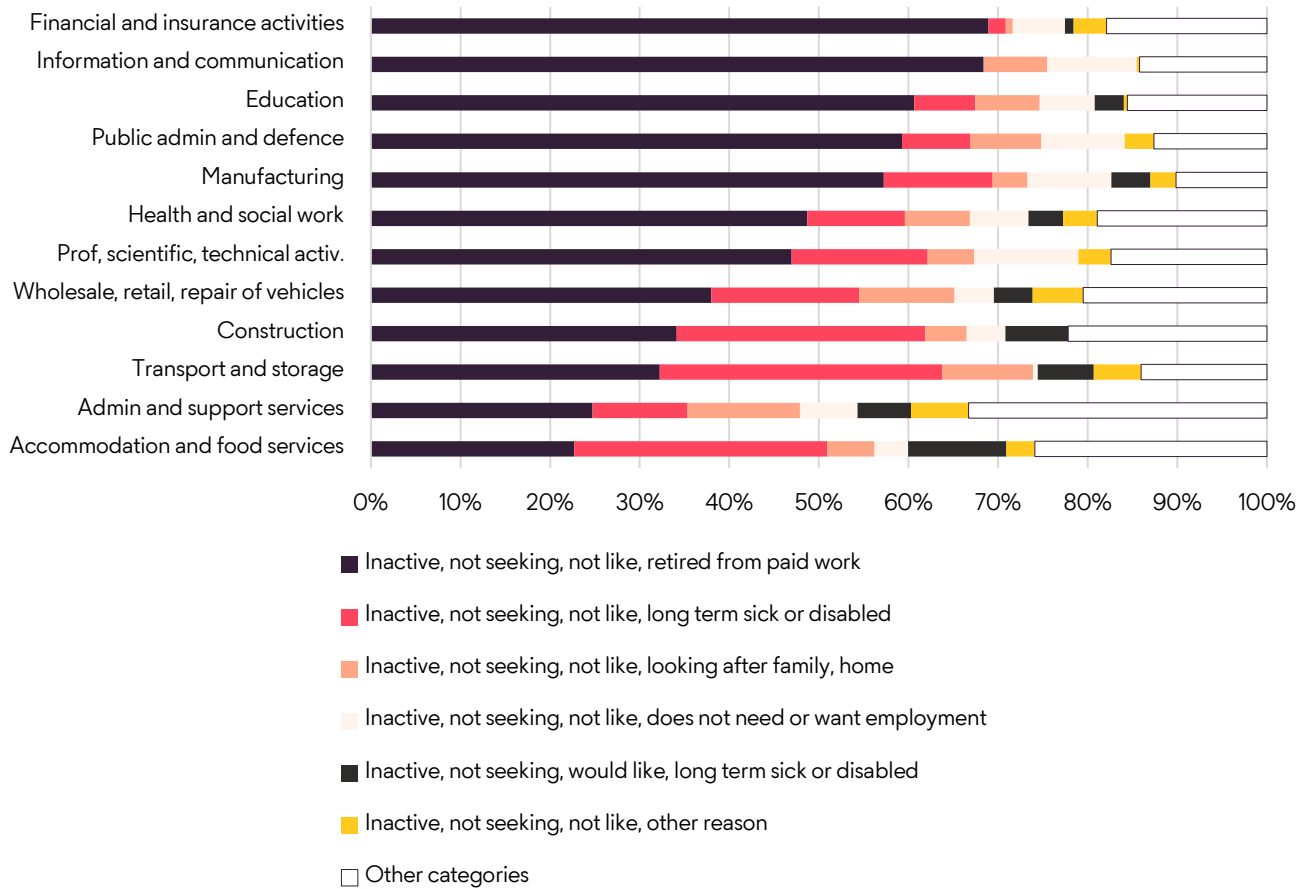
Figure 8 - Last occupation of employment of economically inactive 50-64 year olds for those that left work from 2020 onwards, compared to occupation of employment for in-work over 50s



Source: ONS data (Labour Force Survey, Q3 2022)

However, the reasons why people are leaving different industries vary widely. The majority of people leaving industries such as finance are choosing to retire, but this is true for less than 25% of admin or hospitality workers. Almost no-one is leaving industries like finance because of ill health, but this is a key reason cited by those in hospitality, transport and construction.

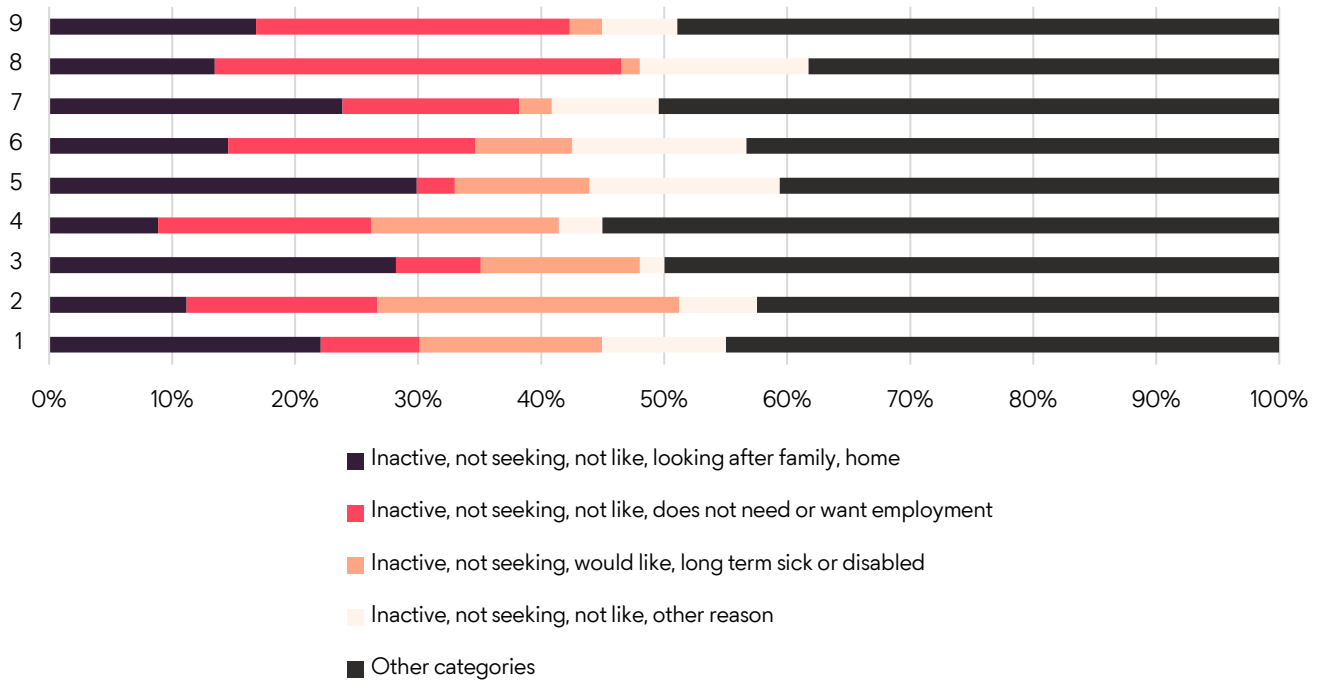
Figure 9 - Reasons for economic inactivity, 50-64 year olds that left the workforce from 2020 onwards, by last industry of employment



Source: ONS data (Labour Force Survey, Q3 2022)

We also see large variations by occupational role. Only a small proportion of professional workers are leaving due to ill health but this is the most common reason given by those in elementary professions or who operate machinery.

Figure 10 - Reasons for economic inactivity, 50-64 year olds that left the workforce from 2020 onwards, by last occupation of employment

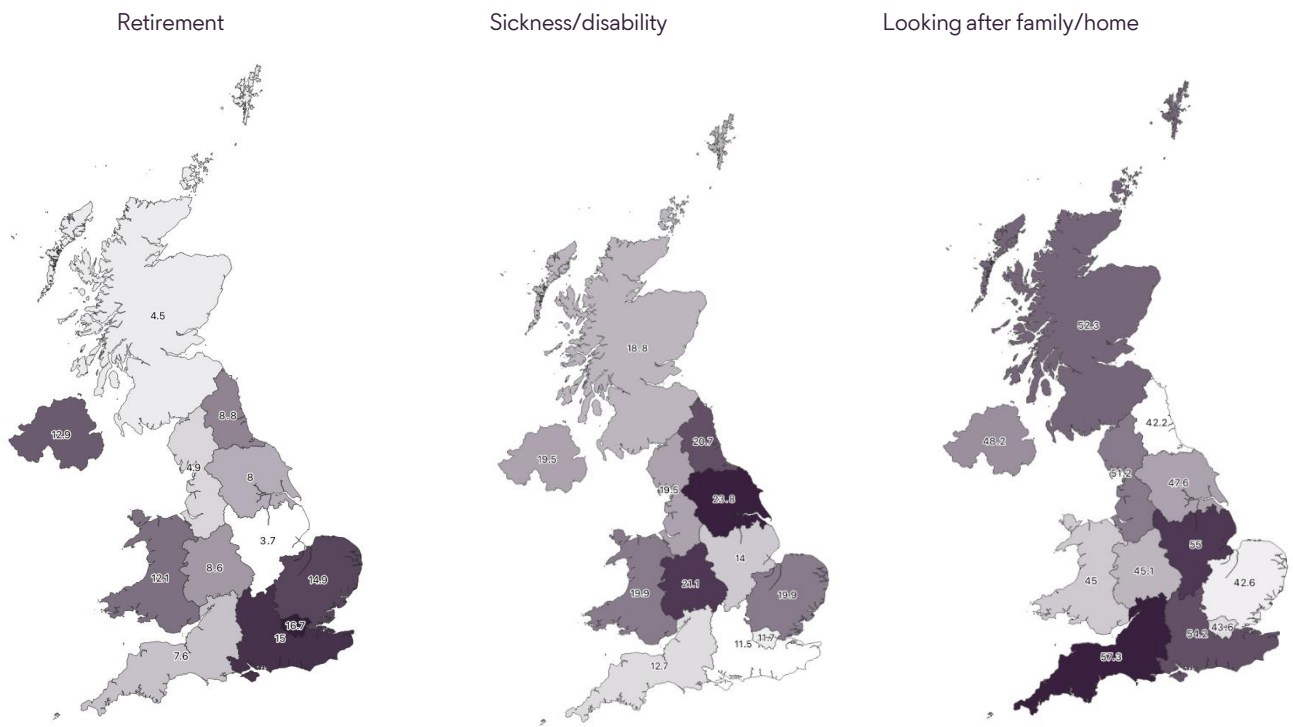


Source: ONS data (Labour Force Survey, Q3 2022)

The role of place

This variation by industry, occupation and income groups means there are sizeable regional differences in reasons for economic inactivity. For example, caring responsibilities are a relatively more significant reason for leaving the workforce in London and the South East. While sickness/disability are relatively more significant reasons for leaving the workforce for people in the West Midlands and North West. We see higher rates of people choosing to retire in Scotland, the South East, South West and East Midlands.

Figure 11 - Reasons for economic inactivity, 50-64 year olds that left work from 2020 onwards, by region (%)

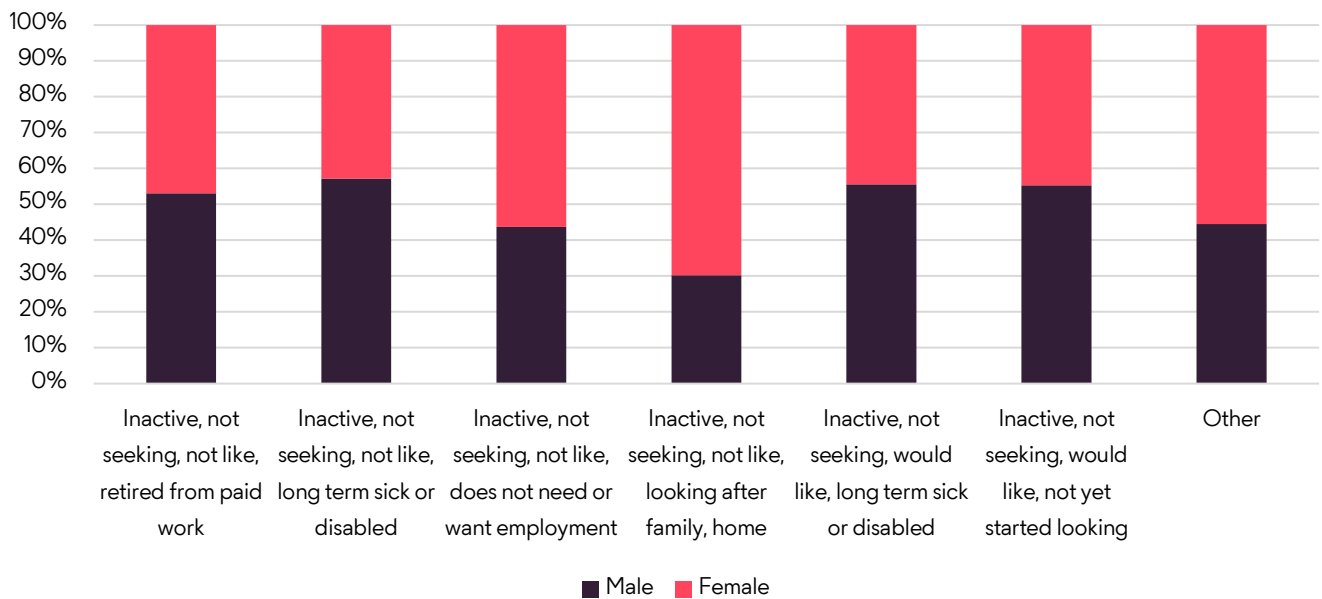


Source: ONS data (Labour Force Survey, Q3 2022)

The role of gender

There are some gender differences in reasons for economic inactivity. Men are more likely to say they have left work because they are retired, and also more likely to say they have done so due to long-term sickness and disability. Women are more likely to give looking after home and family as a reason.

Figure 12 - Reasons for economic inactivity by sex, 50-64 year olds that left work from 2020 onwards

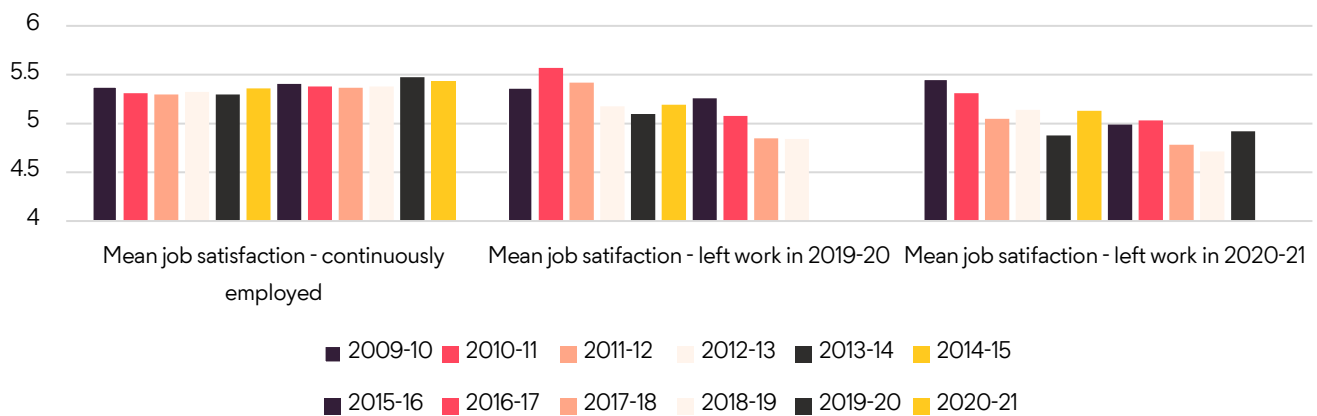


The role of job satisfaction

Job satisfaction appears to be a key indicator of likelihood to drop out of the workforce.

Analysis of longitudinal data on job satisfaction in the Understanding Society survey suggests that those leaving the workforce in their 50s on average see declining job satisfaction in the years running up to their departure from the labour market. In contrast, job satisfaction is seen to increase slightly for those not dropping out of the workforce.

Figure 13 - Evolution of job satisfaction - those aged 40-49 in 2009/10. 1= Completely dissatisfied, 7= Completely satisfied



Source: Public First analysis of Understanding Society

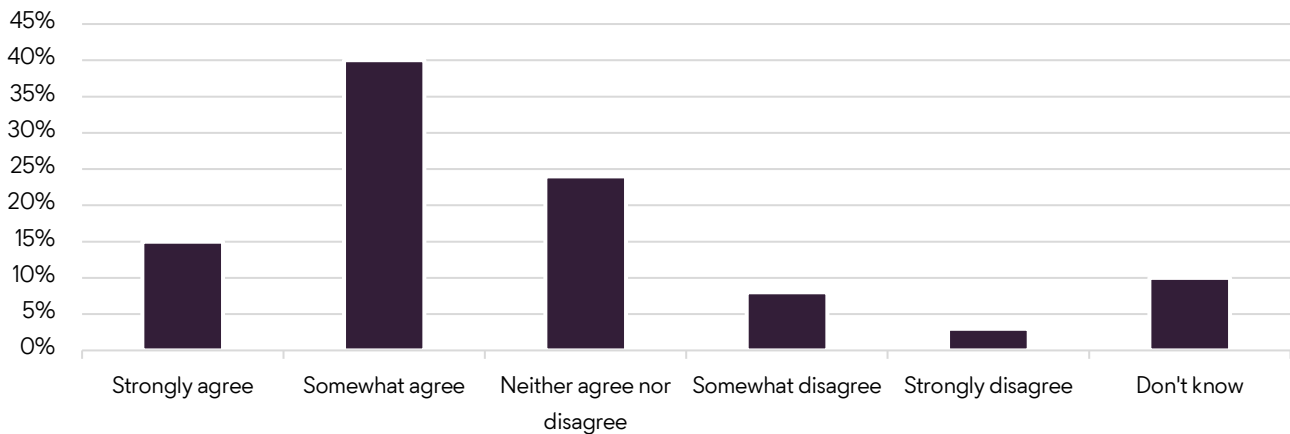
This was also supported by a number of interactions in our focus groups:

"I think it's just that everybody needs to be a little bit more flexible and a little bit more understanding [about older people in the workplace]...I think it's the UK, it's just awful, it's just the way that they do things is so backwards and it's just crazy." - Hairdresser, 55, Liverpool

Focus group participants in the US and Germany were marginally more positive about older workers' experiences in the workplace compared to those in the UK. Many spoke about their relationships with colleagues and their employers being key to whether they enjoyed their roles or not and subsequently whether they'd like to leave the workforce early.

Despite many focus group participants enjoying work earlier on in life, many shared that their experiences in the workplace became increasingly negative with age. Only 12% of poll respondents disagreed with the statement "Older workers are left behind by employers" (55% agree).

Figure 14 - "To what extent do you agree or disagree with the following?: Older workers are left behind by employers"



Source: Public First polling

"There's sort of an idea floating around, "oh this guy's a bit of an old has been, he's going to be out of here quite soon." So, they tend to maybe bypass through a little bit and ignore you somewhat even though you've got a lot to add in terms of value because of your experience, et cetera. I feel as I've got to the end of my career, I did tend to feel that vibe about the place." - Retired Ex-Railway Planner, 67, Hull

Fundamentally, there are many different reasons why people are leaving the workforce early driven by different factors such as asset wealth, caring responsibilities and low job satisfaction. Despite this, our polling shows that there are a number of people who are open to returning to the workforce given the introduction of the right support.

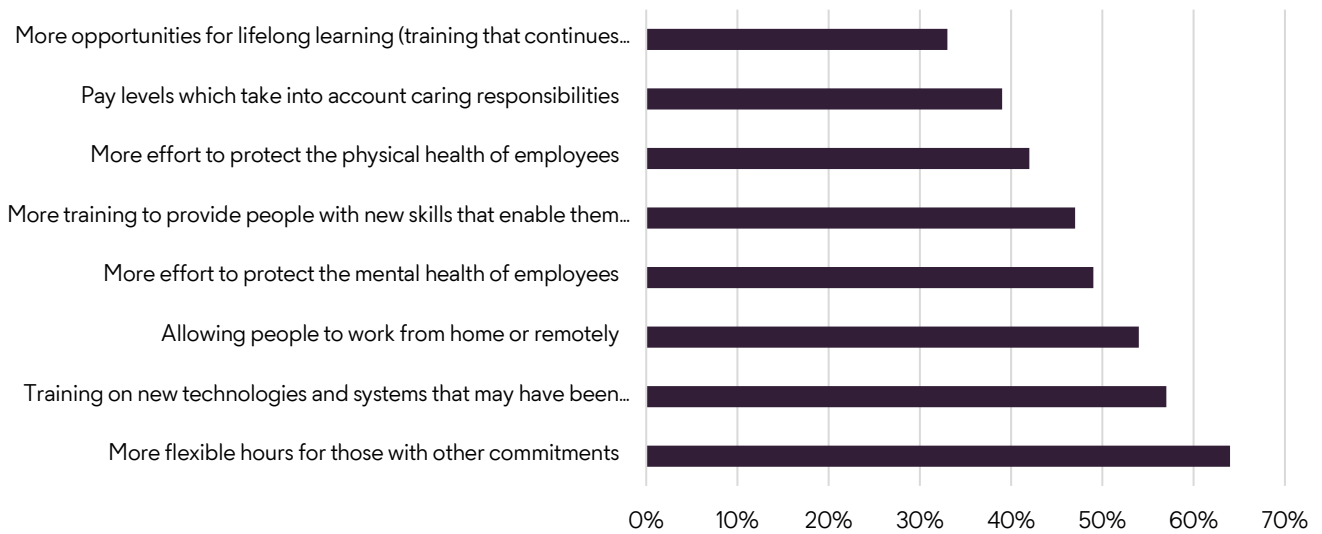
What do over 50s tell us might help them stay in work or return to it?

In this section we explore what those aged over 50 told us when we asked them what might encourage more of this group to stay in work or return to it.

Overall, respondents to our poll were more likely to consider the support offered by companies for people to return to work after a period of retirement to be insufficient (22% vs 14% sufficient). Over half of respondents (64%) did not know whether provision was sufficient which highlights a potential lack of awareness of the support that is on offer from employers.

Respondents who felt that support was insufficient identified flexible hours (64%), training on new technologies (57%) and remote working (54%) as the most important forms of support to help people return to work.

Figure 15 - "You said you do not think sufficient support exists for people who want to return to work. What support do you think should be offered? Please select all that apply."



Source: Public First polling

The desire for flexible work is well documented. Research from the think tank Onward showed that 65% of parents not in work agreed with the statement "the main reason I do not work is because the demands of childcare are too great" versus 16% who disagreed². The Timewise Flexible Jobs Index highlights that part-time is offered in only 12% of job adverts (with variable hours being offered in only 3% of job adverts) even though 25% of all employees work part-time³.

"For me, the idea of the world of work has changed in the last couple of years in that I've seen a massive shift now to hybrid working, which I do and that's changed, I think for the better in terms of work/life balance, being able to work from home at least a couple days a week." - IT Engineer, 50, Nottingham

Females were more likely to want employers to make more effort to protect the mental health of employees compared to males (56% vs 44%). Similarly, females also wanted employers to make more effort to protect the physical health of employees (46% vs 38%). Interestingly, 43% of male respondents wanted pay levels which take into account caring responsibilities compared to 36% of females.

"I went for the interview, I was the oldest person there at this interview because it was only a starter job at Tesco's or something and I got it, which was one thing but by the time they'd given me my shifts it was like, oh no, I can't make

² [First Steps: Fixing Childcare - Report - Onward](#)

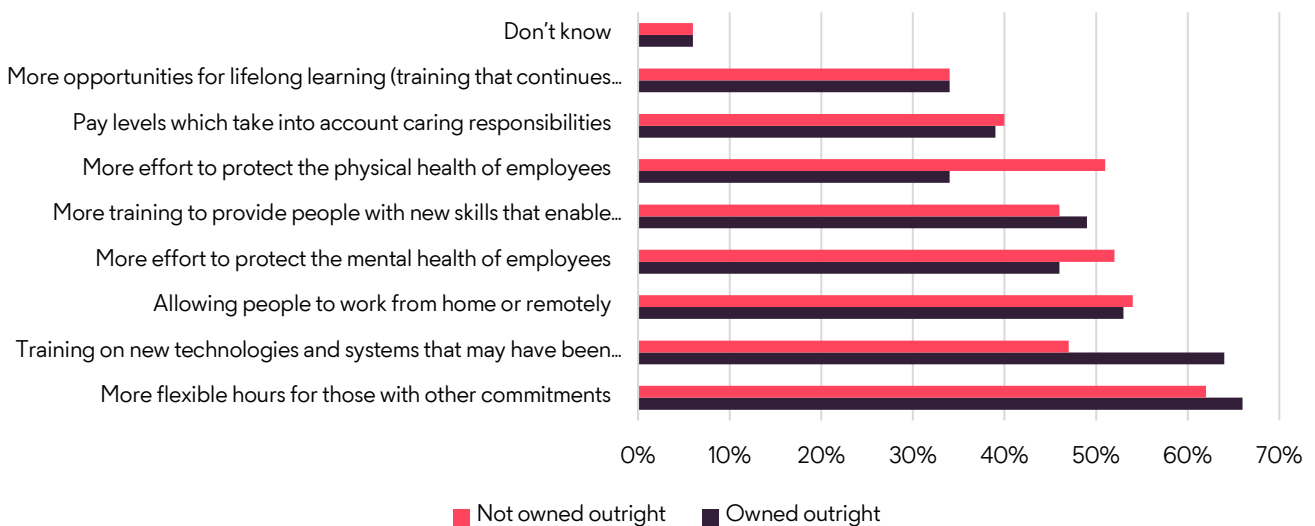
³ [The Timewise Flexible Jobs Index© 2022](#)

that, I've got to do this and I can't do that. So, that was that. So, I had a P45 and I actually hadn't gone to work! I did tell them why I didn't go though, I said it's just not worth it." - Personal Assistant, 52, Sutton

"We had to look after my mum who had Alzheimer's and it's very difficult after that person's died to go back [to work], so, you almost have to keep trying to work through it. I mean we did all sorts of juggling, if you've had that gap because of caring, it can be hard to go back because you're older." - Ex-University Tutor, 66, Surrey

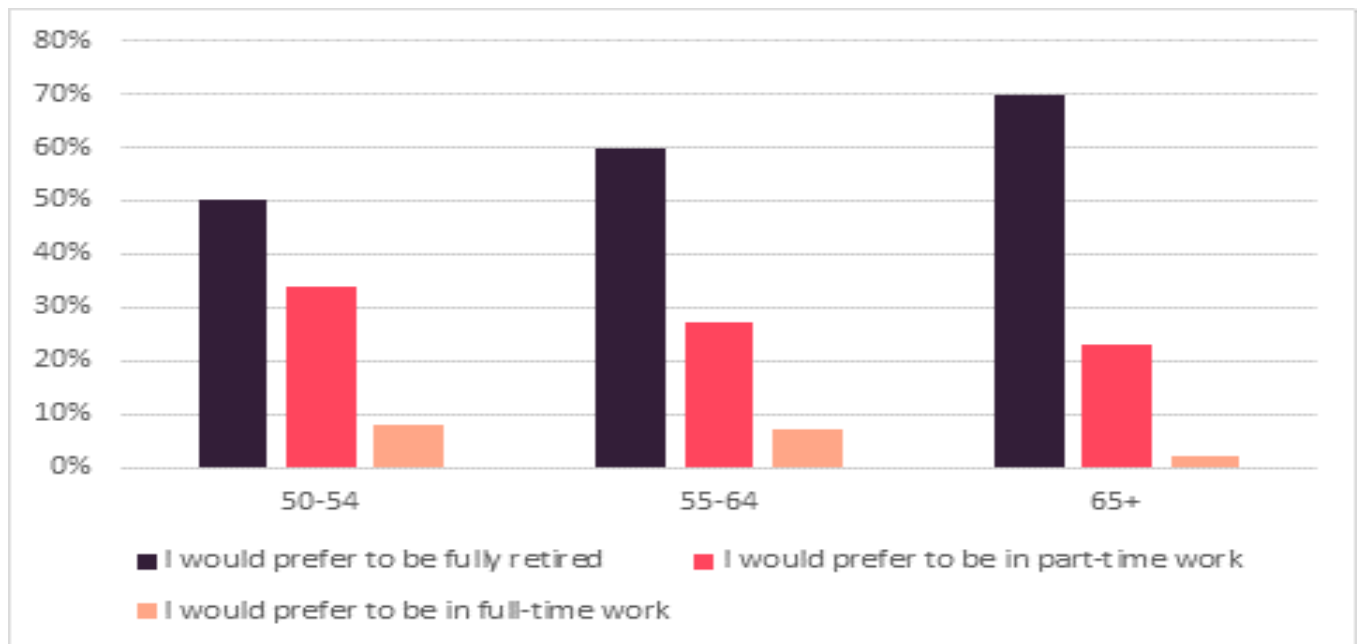
Our data analysis highlighted that many of the people retiring early felt able to do so because they felt financially comfortable and had significant asset wealth. Our polling found that people who owned their homes outright were more likely to want support and training in new technologies to return to work (64%) than those who did not own their homes outright (47%). Similarly, people who do not own their homes outright are more likely to want employers to do more to support employee physical health (51% vs 34%). However, both of these factors may reflect differences in occupation and/or social grade.

Figure 16 - "You said you do not think sufficient support exists for people who want to return to work. What support do you think should be offered? Please select all that apply" by tenure



Openness to returning to work - either full time or part - decreases by age. Part time work is considerably more popular than full time work if cost and income weren't an issue. However, the preference for retirement increases with age which suggests that people aged 50-54 are more likely to respond to policy interventions to encourage them to remain in or return to the workforce.

Figure 17 - "Which of the following options for your retirement would you prefer, if cost and income were not an issue?"



Source: Public First polling

How do these issues affect individuals?

Our data analysis above hides the stories of millions of people aged over 50, who have left the workforce for their own personal reasons.

In this section report we have created 5 different 'personas' to illustrate how the trends we have identified could be affecting people across the UK - and what support they might need to return to work. We have used quotes from real participants in our focus groups to show how people speak about these issues in their own words.

David

David recently left the labour market at age 55, following a 36 year long career as a Car Mechanic in the North East. He left his job due to developing arthritis and being physically unable to carry out the work anymore. He felt he had nowhere else to go workwise and is worried about returning to physical work in case his condition gets worse. He is also concerned about how he will pay his mortgage.

"It is really, really hard to suddenly say, right, I want to go off and retrain to do this or develop these skills because where's the money coming from to do it? Because the cost of the courses and the living costs while you're doing the courses, there isn't any funding."

David would love to get back to work and retrain to go into another sector but is unsure of his options and finds the idea of returning to the classroom is scary.

What could bring David back into the workforce:

The opportunity to retrain: The introduction of the Lifelong Loan Entitlement (LLE) in 2025 may provide David and others in a similar position the catalyst to reskill and move sectors. However, our previous research highlights a number of barriers to engagement with the LLE including a reluctance to take on additional debt later on in life¹.

Targeted careers advice: Engaging and enabling David and others like him to change careers later in life will require changes to the current provision of adult careers support. Brave Starts¹ is one innovative new careers service which helps mid to late careers people contemplate their next steps.

Health and wellbeing support: Finally, David like many others in physically demanding jobs should be provided with better support to ensure their health is not negatively impacted by their job. Continuing to support programmes such as the Greater Manchester Combined Authority's Working Well scheme¹ and creating similar programmes in other other parts of the country could help people like David navigate barriers to finding employment and end up in fulfilling work.

Sally

Sally is 53 years old and lives in South East London. She has recently left her job in administration to help look after her grandchildren whilst her son and daughter-in-law work.

"It's got to be worth your while to go to work. If it costs you more in childcare to do the task then, it all comes down to money, doesn't it?"

Now her grandchildren are eligible for more subsidised childcare she has more spare time. She is looking to go back to working in admin part time but has found it hard to access roles that work around looking after her grandchildren when they're not in a nursery.

What could bring Sally back into the workforce:

Childcare support: Sally needed to leave her original job due to the cost of childcare for her grandchildren. Reducing the cost and complexity of childcare through wider reform could help reduce barriers to accessing childcare support - especially amongst low income households - and subsequently reduce barriers to work*.

Good flexible work: Employers providing more information on what they mean by flexible working as well as incorporating it into more roles could enable people like Sally to identify opportunities that are right for her and return to the workforce.

Inclusive employer recruitment practices: There are currently a number of sources of advice for employers to ensure they are supporting their midlife and older employees effectively - such as the Centre for Ageing Better's 'Good Recruitment for Older Workers (GROW) Guide'¹ and the Government Equalities Office's 'Return Programmes: Best Practice Guidance for Employers'¹. Promoting work such as this will help employers recruit and retain older workers more effectively.

*<https://www.resolutionfoundation.org/app/uploads/2023/02/Post-pandemic-participation.pdf>

Ann

Ann is a 58 year old hairdresser from the West Midlands. She has recently been feeling that she is being left behind by her employer and that job has changed beyond recognition from when she first started. She is keen to stay in work as she likes her colleagues and would be worried about how she would meet the current cost of living if she retired early.

"There's always going to be things that somebody younger can do that I can't but that doesn't mean that I'm useless, it just means that then I've got a skill that I can probably teach them or something."

She would love to stay in her role but wants to feel that her skills are put to good use and that she feels like a valued member of the team. She also wants additional support with elements on the job like the new booking system for the salon. She wants to raise this with her employer but is unsure when or how to go about it.

What could help Ann stay in the workforce:

Midlife MOT: Both Ann and her employer are able to access the free online Midlife MOT¹. However, increasing awareness of the support available through this scheme is key to ensuring it has the desired impact on people working in all sectors and particularly those working in SMEs like Ann.

Support for employers: Ann's employer may not be fully understand her needs or be equipped to support her. Accredited learning programmes such as the Employability Support for Over 50s course ran by the Centre for Ageing Better and the Institute for Employability professionals (IEP) could help them support Ann more effectively¹.

Pension Wise: Ann could also access free impartial guidance from Pension Wise¹ to help her plan for the future financially and understand when and how she could access her pension pot(s).

Amir

Amir is 60 years old and moved to the South West coast when he retired three years ago. He retired after selling his business and has downsized his property in relocating.

"Why would I want to carry on working when I can cash in on the fact that I'm near a railway station and it's [my property] worth a chunk?"

Having been retired for just over three years Amir is interested in picking up some work to keep himself busy and to keep his pension pot topped up. However, he is questioning whether returning to work would be "worth it" financially and isn't sure what sort of role would be enjoyable enough to give up his free time.

What would help Amir return to work:

Increasing job satisfaction: Developing job opportunities for midlife and older people which are both accessible and enjoyable could help encourage people like Amir to return to the workplace. Promoting positive stories of people returning to work after a period of retirement could also help support the decision.

Financial incentives: Some countries have used individual tax breaks and credit to encourage more affluent older people to return to workforce, however this has had mixed impacts on workforce participation, often only engaging middle and lower earners¹. There are also models of providing employer side incentives to provide wage subsidies and incentives to help tackle age discrimination in the workplace.

How should the Government respond?

Our analysis shows that the reasons why over 50s have left the labour market are hugely varied - with no single intervention likely to be effective in supporting them to return. Instead, a package of policy measures will be needed to address this issue.

To be successful, this policy package will need to target the different drivers of economic inactivity in this group and bring them together as part of a wider strategy. New Zealand's Older Workers Action Plan provides one model for this⁴.

As the Government considers its response, we suggest its policies should look to tackle economic inactivity amongst the over 50s in five key ways:

1. Take a regional approach

The reasons people have left work vary significantly between regions. Different regions will therefore require different policy responses.

Rather than a one size fits all approach being imposed from Whitehall, the Government should give Combined Authorities and others working at a regional level greater responsibility for solving economic inactivity.

This could include providing funding for them to design and deliver interventions, such as the 'Working Well' programme overseen by the Greater Manchester Combined Authority, which provides individuals with a dedicated key worker who can bring together physical and mental health, housing and education to help overcome long term unemployment.

The People and Skills element of the UK Shared Prosperity Fund is well placed to fund this kind of support but needs to be brought forward to 2023/24, so there is not a gap between this provision and existing initiatives funded through the European Social Fund.

In the longer term, economic inactivity could also become a clearer focus for devolution deals, with Mayors and Combined Authorities given integrated budgets for tackling the problem locally, alongside targets for delivering improvements.

⁴ [Older Workers Employment Action Plan](#)

2. Work with employers

Reasons for leaving work also vary significantly by occupation and sector. Therefore some sectors of the economy will need more targeted support to enable them to continue working in or help them transition into a new sector.

Government should ensure that policy responses target both individuals *and* employers to support over 50s to return to/remain in employment within their current sector or transition into a new sector.

This could include funding, supporting and promoting schemes such as the Centre for Ageing Better's Age-friendly Employer Pledge⁵ (of which Phoenix Group is proud to be a founding signatory) to enable over 50s to be fairly recruited and retained. This could also include expanding existing programmes such as Restart to engage over 50s regardless of their benefit entitlement - this could be funded through reinvesting part of the Plan for Jobs underspend.

The Government could also consider supporting the NHS and other healthcare providers to work directly with sectors that lose a large proportion of their older workers to long-term sickness and disability, or incentivise employers to offer occupational health support, in order to help keep them in work for longer.

3. Create more flexibility in work

Our polling shows that people value flexible work options including the ability to work from home and flexible hours. However, there is also evidence that those over 50 have less flexibility than other groups. For example, ONS data shows that those aged 55-64 are the less likely to have the option to work remotely than any group other than those aged 16-24⁶.

Supporting employers to provide flexible working arrangements for employees - including over 50s - should therefore be a priority, especially given the potential benefits to groups such as those with additional caring responsibilities who are currently leaving the workforce without good levels of financial security.

It is welcome that the Government have given their support to new legislation which will enshrine the right for employees to request flexible working from day one of a new role and have indicated this could come into place from 2024.

⁵ [Age-friendly Employer Pledge](#)

⁶ <https://www.ons.gov.uk/releases/whoishomeworkingingreatbritainjunetoseptember2022>

However, sufficient Parliamentary time must be allocated to make this a reality and the legislation should be specific enough to empower employees in their requests. For example, in Finland employees can shorten or extend their workdays with certain agreed limits - recently the act has increased this limit from three to four hours daily flexitime⁷. More support is also likely to be needed to ensure that employees take up this right and that employers respond positively. This could include government funded pilots to help employers build models for what works effectively and official analysis of the business case for flexible working.

4. Improve people's quality of work

This research demonstrates the link between people's job satisfaction and how likely they are to leave work early. Our previous research also found that by some measures, those aged 50-64 in the UK have relatively low job satisfaction compared to other countries and are more likely to feel they have been 'left behind' at work.

As a result, any successful policy response needs to have a focus on the quality of people's work, as well as their ability to do it and the financial incentives to continue working.

This is particularly important given the large number of people in this age group who have chosen to retire and feel financially able to do so, as this group are less likely to respond to financial incentives - for example, tax breaks.

Often part time work opportunities are sparse and low quality, which can lead people in this age group - in particular women - to take jobs below their skill level. Policy responses which help employees to develop their skills at work and allow them to feel these are still relevant, or which enable them to move to jobs which suit them could help with retention.

The current proposal for a Lifelong Loan Entitlement to support retraining has the potential to be a powerful intervention, though we know that the positioning of this, especially concern about taking on debt in later life, is a potential barrier to uptake⁸.

Exploring alternative or additional funding models such as the employer, individual and government co funding model in the Australian Skills and Training Incentive⁹ could make this a more attractive option for both individuals

⁷ [Finland: New working hours rules in Finland - Taylor Vinters.](#)

⁸ [Phoenix Insights response: Lifelong Loan Entitlement \(LLE\) consultation1](#)

⁹ [Skills and Training Incentive - Department of Employment and Workplace Relations, Australian Government](#)

and their employers. This approach could also help support the delivery of Local Skills Improvement plans through engaging both employers and individuals.

5. Improve the provision of financial and careers advice

Our research also suggests that there is an urgent need to improve the quality of information people in this age group have access to when making decisions about their careers and their options for retirement.

In particular, our analysis of the wealth held by this group suggests a worrying number of those who are now economically inactive have left the labour market without sufficient savings to give them a decent standard of living in retirement.

Ensuring people have a sound understanding of when they can afford to stop working should therefore be an urgent priority. The Midlife MOT plays an important role in this but needs to be better promoted, especially to those with lower incomes who are the most financially vulnerable but who also may be less likely to use it.

But there is also a need to help workers understand the range of options available to them as they enter the final stages of their career, so that they can find work that suits their situation and abilities, rather than see a binary choice between staying in their current role or retiring.

Many of those who could be working longer, to benefit both their own financial security and the economy overall, will not have previously been jobseekers or used to interacting with existing services that support those looking for work.

Engaging them successfully will require finding new and more creative ways of providing information and guidance. This should include working closely with employers, unions, charities and social enterprises on communications campaigns that can reach people.

It could also mean engaging the businesses and organisations that this group already come into contact with and elements of the recruitment industry that already offer guidance and support to workers.

6. Take a long term approach

This research has identified how job satisfaction over time plays an important role in people's decision making once they reach later life. Our previous research also identified the way that a large proportion of those aged 50-64 who have more recently become economically inactive due to sickness or disability had pre-existing conditions - suggesting their health had deteriorated over time.

We also know that reluctance to return to work increases with age - meaning that there is an important window of opportunity as people enter their 50s and before this to make feel people more positive about work and ensure they stay in the workforce.

As such, policy responses which engage people *before* the age of 50 are an important part of tackling this issue - rather than purely focusing on the stock of people aged 50-64 now.

There is also a need to gather better data on this topic, as the definitions of why people have left the workforce are currently too broad to allow for very detailed analysis. More specific data on, for example, on the options people can give for why they are economically inactive, would enable researchers and others to identify trends and effective interventions more easily.