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*Jobcentre Plus*

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## CONTENTS

1. MAIN CHALLENGES IN RELATION TO THE LABOUR MARKET..	1
2. SERVICES FOR OLDER WORKERS: OVERALL STRATEGY AND APPROACH .....	2
3. PREVENTATIVE PES SERVICES AND MEASURES FOR OLDER WORKERS.....	4
4. PES SERVICES AND MEASURES FOR UNEMPLOYED OLDER WORKERS.....	6
5. MONITORING AND EVALUATION .....	10
CONCLUSIONS .....	11

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# **1. MAIN CHALLENGES IN RELATION TO THE LABOUR MARKET**

## **1.1. What is the labour market situation of older workers?**

The economic downturn has had a significant impact on the UK labour market over the past four years with significant consequences for the level of unemployment, the claimant count and the pressure on the UK PES Jobcentre Plus to manage increasing workloads.

The latest figures for the period of November 2011-January 2012 show 2.67 million people unemployed on the ILO measure, a rate of 8.4 % and an employment rate of 70.1 %. The latest estimate is that GDP contracted by 0.2 % in the final quarter of 2011, but compared to the same quarter of 2010, it grew by 0.7 %.

Older workers accounted for the largest percentage rise in unemployment, increasing by 4.8 % in the quarter November 2011-January 2012: with almost half (185 000) of the total of 428 000 unemployed over 50s having been out of work for a year or more, an 8.3 percentage rise over the previous quarter.

The UK Office for Budgetary Responsibility (OBR) expect unemployment to continue rising to 2.8 million in quarter 3 of 2012 before levelling out during 2013 and falling during the second half of that year, reducing to 1.78 million by early 2017.

OBR also forecast GDP growth of 0.7 % in 2012, picking up to 2.1 % in 2013, 2.7 % in 2014, and 3 % from 2015.

The IMF World Economic Report (March 2011) states that 'UK economy activity is likely to get worse before it gets better', predicting GDP growth of 0.6 % in 2012, and 2 % in 2013. This would make the UK the best performing major economy in Europe. The CIPD/ Annual Barometer Forecast 2012 (January 2012) predicts further rises in unemployment to 2.8 million by the end of 2012 (8.8 %), reaching a peak of 2.9 million in the first half of 2013 before falling back to 8.8 % by the end of 2013. CIPD also forecast economic growth to remain below 2 % until 2014, which in combination with a return to faster growth in productivity will moderate the pace of job recovery and prevent unemployment from falling below 2.5 million before the middle of the decade.

## **1.2. What are the main challenges facing PES in working with older workers and which groups among older workers are the most difficult to support?**

The main challenges for the UK PES are problems encountered by some clients due to some employers' attitudes, and working with job seekers who have not been in the market applying for new jobs for a considerable time. Employed workers in the UK are directed to self service channels, and do not receive assistance from Jobcentre

Plus counsellors, with the exception of some individuals in pre-redundancy situations, where a large employer is closing down. Jobcentre Plus has the most difficulty supporting clients with low skills. There are however, also issues with higher skilled older workers who may need to lower their expectations about the type of jobs that are available to them when they become unemployed.

## **2. SERVICES FOR OLDER WORKERS: OVERALL STRATEGY AND APPROACH**

### **2.1. What is the main strategic approach of the PES in dealing with the issue of demographic change and unemployment among older workers?**

The UK shares the view of the German PES that not all people belonging to one group have integration difficulties and not all people with integration difficulties are confronted with identical problems. The UK also has a common perspective that offering assistance exclusively on the basis of a target group also involves the danger of undermining the focus on individual needs and risks stigmatising people. The UK recognises the German view that it is beneficial to avoid linking labour market policy instruments to the age of jobseekers, as obstacles can occur regardless of age.

The UK PES business model is based upon a broad assumption that almost all jobseekers are integrated from the first day of their unemployment, and has a strong work first emphasis. There is a focus on self help where ever possible which enables the PES to concentrate its resources on those who have failed to find work. After an initial period of brief but frequent meetings at the PES to prove they are looking for work, those clients left on the unemployment register receive more in depth support. Half of these clients find work in thirteen weeks three quarters in six months, and only 10 % remain after a year and are referred to private providers. A UK profiling model would need to achieve very high accuracy to be cost effective, though in principle the PES would introduce one if it proved to be cost effective.

### **2.2. Are there specific counsellors for older workers and/or specific employer counsellors to deal with the challenge of demographic change, and if so, what training do they receive?**

Jobcentre Plus does not provide specific counsellors/employer counsellors for older workers.

**2.3. What types of special measures does the PES offer to (unemployed and employed) older workers and how effective are they?**

Type of measure	Offered? (yes/ no)	Brief operational description of measure	Year introduced	Year abolished	Effectiveness of measure (scale: 1 = not very effective, 5 = very effective)	Reasons for effectiveness or ineffectiveness
Legal regulations e.g. exemption from activation	No					
Benefits e.g. longer duration	No	Benefit entitlement is indefinite for all subject to strict job search requirements.				
Subsidies e.g. wage subsidies, social contribution subsidies	No					
Other activities or measures e.g. training or coaching of placed older unemployed, upskilling of older employees, other preventative actions	Not specific ally for older workers					

### **3. PREVENTATIVE PES SERVICES AND MEASURES FOR OLDER WORKERS**

**3.1. Based on your experience (ideally backed up by performance measurement), what works best in relation to preventative measures?**

**3.1.1. *What is the PES' role and which measures have been taken to raise awareness of the importance of recruiting/retaining older workers? What has been the impact of such measures?***

**3.1.2. *Do the PES provide HR counselling to employers in relation to the demographic challenges facing them? If so, what is the nature of this service; is this provided in-house or externally; if in-house, is it provided by specialist counsellors? Which types of employers have been the target of such services and what has been the result?***

**3.1.3. *What specific measures are available to help retain older workers and enhance their HR potential (e.g. in work training)? What has been the take-up of such measures and their results on the long-term sustainability of older workers' employment?***

**3.1.4. *Are there specific measures to support the retention of older workers in restructuring situations? What types of services are offered and how successful have these been?***

**3.1.5. *Which partnerships with external organisations are in place and have proved to be effective and why?***

#### **Extending working life and redefining retirement in the UK**

In October 2011 the UK abolished the Default Retirement Age (DRA). Employers can no longer force employees to retire just because they reach the arbitrary age of 65. This means that most people will be able to retire at a time which is right for them.

The UK Government is also working with employers and employers' organisations, through the Age Positive Initiative; to challenge outdated assumptions about older workers. The Department is working in partnership with key business leaders in nine occupational sectors to drive forward sustained programmes in the employment, training and retention of older workers as part of a mixed age workforce. A UK Department for Work and Pensions report (2011) points to a growing body of evidence that there are benefits for employers in recruiting older workers. These include lower staff turnover, a positive influence from older workers' skills on younger members of the workforce with increased productivity, and business benefits of a mixed age workforce in tune with changing demographics.

UK Health and Safety Executive evidence suggests that, except for a very limited range of jobs, work performance does not deteriorate with age, at the least up to the age of 70 (2010). However, in a survey of UK individuals over age 50 looking for work, conducted by The Age and Employment Network (2009), two thirds said that they had been viewed as too old by employers.

The UK Government has consolidated anti-discrimination legislation in the 2010 Equality Act which now provides a comprehensive framework to protect jobseekers and employees from discrimination on grounds of sexual orientation, gender, religion or belief, and age. The burden of responsibility rests with an employer to prove that they have no alternative than to introduce an age based practice.

The UK PES recognises the need for raising employer awareness as noted in the German Paper. Jobcentre Plus has sales teams who actively seek co-operation with employers most likely to respond positively to applications from a broad range of customers referred by the PES. This can include long term, and older unemployed people. Particular support is offered to small employers without their own in-house HR capability, again mirroring aspects of the good practice described by the German PES.

### **3.2. What do you see as the main challenges in relation to delivering preventative services for older workers, including the specific PES services offered, as well as aspects of the broader policy framework?**

The UK does not offer specific PES services for older jobseekers or employed individuals (see paras 1.2 and 4.1 above). The broader policy framework includes encouraging a positive attitude to older workers: the Age Positive initiative- involves promoting the advantages of employing older workers to employers. Many UK employers have contributed to a DWP report (January 2011) identifying best practice case studies of HR strategies to positively encourage the recruitment and retention of older workers. Best practice methods include: flexible working patterns, intra-company job mobility, and innovative approaches to job design, and performance management. Policies to extend working life include: abolishing the default retirement age, and introducing work incentives into the social security system. These include paying premiums to people deferring claiming retirement pensions, requiring some people in receipt of sickness benefits to participate in active measures with the PES, and removal of previous disincentives paying higher rates of sickness benefit to some people the longer they were out of work, and discouraging their participation in any PES programmes. UK workers do not tend to be party to collective wage agreements and where these exist, they do not typically include preferential conditions based upon seniority.



## **4. PES SERVICES AND MEASURES FOR UNEMPLOYED OLDER WORKERS**

**4.1. Based on your experience (ideally backed up by performance measurement), what works best in relation to measures and services for unemployed older workers?**

***4.1.1. In the context of the overall approach of PES services for unemployed older workers (individualised or targeted), what specific supports are available to this target group that have proved successful regarding outcomes?***

***4.1.2. Are any Active Labour Market Policies (ALMP) measures specifically targeted at unemployed older workers and which ALMPs have proved most effective for older workers and why (key factors affecting their success/failure)?***

***4.1.3. What are the best ways of encouraging employers to offer employment opportunities to older workers? And what is the relation of services to financial incentives/subsidies?***

***4.1.4. Which partnerships are in place and have proved to be effective with external organisations and why?***

### **UK New Deal 50 Plus Programme**

The UK introduced a voluntary employment scheme for older jobseekers in April 2000, the New Deal 50 plus programme. People aged 50 or over, who were unemployed for at least six months, were eligible to join this scheme. It provided: access to one to one advice and guidance about finding work from a specialist personal advisor, a tax free wage top up (the Employment Credit-in 2002, this was subsumed into a wider tax credit scheme eligible to all age groups) for up to a year for people starting work with earnings below a specific threshold, and a training grant.

Early evaluation by Kodz and Eccles (2001) identified the main barriers to finding work, as identified by New Deal 50 plus clients included: ageism, decline in certain industries, fear of being financially worse off after starting an entry level job, health and disability issues, caring responsibilities, and a lack of confidence.

A third of clients said the programme was key to their getting a job, though a fifth said it had no impact. Where the scheme was not identified as crucial to someone starting work, some positive benefits were still identified in enabling people to pay off debts and build confidence. The degree of deadweight was commented upon, as were limited results with the most severe and multiple barriers.

Atkinson and Dewson (2003) reported a generally positive appraisal of the programme by clients, but noted that over a quarter had not found it to be of any help. The personal advisor service was seen as helpful by clients, but it had a limited

impact upon job outcomes, with those more job ready individuals not needing this service. Substantial deadweight was identified with more than half of the clients surveyed stating that the Employment Credit had made no difference to their taking up employment. Grierson (2003) identified a substantially higher job retention rate after six months receipt of Employment Credit than for others who had been in receipt of unemployment benefits.

Atkinson, Evans, et al. (2003) found a very high proportion of employment survival rates compared to active labour market programmes generally. They however identified the key explanatory factors behind this as the voluntary character of the programme, and the work ethic of individuals attracted to it, and noted surprisingly little impact when Employment Credits expired. Very little use of the Training Grant was identified, clients being content in their current job. Consequently there was little use of the New Deal 50 plus programme as a career springboard.

Harari (2010) noted the considerable research into the costs, benefits, and effectiveness of various employment schemes under the UK New Deal programmes. The Ninth Public Accounts Committee Report (2007-2008) found a negative return on the net benefit cost to the Exchequer (the UK Government department responsible for the management and collection of taxation and other government revenues) in 2005-2006 for most programmes, including for the New Deal 50 plus scheme. This built upon the conclusions of the National Audit Office study (November 2007) noting significant cycling, and a need for better links between New Deal schemes and employers.

From October 2009, the previous New Deal schemes, providing specific programmes for different cohorts of unemployed people (i.e. aged 18-24, over 25, over 50 years), were phased out with the introduction of a revised Flexible New Deal (FND) programme across half of the UK. This differed from its predecessors in several key areas.

The FND was less proscriptive with less regulation of what providers were required to include in their programmes. There was more of a focus on the achievement of sustainable employment than on any job outcome which had incentivised creaming and parking. Providers were now awarded longer contracts, and required to work with customers for longer periods of time, possibly a year, rather than thirteen weeks, building up a longer term relationship and rapport with clients. This was intended to ensure that more personalised support was provided, realigning customer and provider interests, and enabling a more in depth focus on overcoming barriers to employment.

In April 2010, as an exception to the revised UK approach (to provide flexible support based on individual clients' barriers to finding jobs, irrespective of their age), additional support was reintroduced for clients aged over 50 years of age. This included the offer of more frequent and lengthy interviews with employment advisors, and work trials with employers. Thomas and Pemberton (2010) found that little use was made of these measures. Advisors cited funding issues, little additional potential benefit above what was already available, and especially the heterogeneity of the 50

years plus customer group, suggesting that categorising a specific age group as needing specific assistance was not the best approach.

FND was scheduled to be introduced across the other half of the UK from October 2010; however, the new UK Coalition Government that came into office in May 2010 cancelled this as part of its plans to introduce a new nationwide Work Programme from June 2011. It concluded that the previous New Deal and FND programmes had been fragmented, had over specified interventions, and contained poor incentives allowing providers to stay in business without delivering strong results (2011).

## **The Work Programme**

The new UK Coalition Government has two key interrelated strands to its welfare proposed reform proposals – changes to the structure of the benefits system and to labour market programmes. The ‘21<sup>st</sup> Century Welfare’ proposals are intended to ensure that work always pays and is seen to pay. The proposal is to introduce by 2013 a single integrated Universal Credit that combines all the current out-of-work benefits, housing benefits and tax credits into a single payment. The tapered withdrawal of benefits as earnings increase will remove the disincentives to work and to work longer, than currently exist. Changes to conditionality are also being considered. Simplification of the benefits regime has been the goal of many governments and the Coalition has an ambitious programme of reform, widely considered to be essential.

The Work Programme was introduced from June 2011. It provides an ‘integrated, personalised package of support to those who need it and to help them to get back to work and stay in work’. Unlike the previous New Deal programmes support for individuals, it is determined by client need irrespective of the benefit clients receive, though some client groups are referred to the Work Programme at an earlier stage than others. For example, unemployed people under 25 years of age, people in receipt of sickness benefits and deemed capable of working in the future, and some of those identified as being furthest from the labour market (those with basic skills deficits, ex-prisoners) are referred to the Work Programme at an earlier stage than other clients: there is no bespoke approach to older jobseekers. People over 50 years of age enter the programme at various times dependent upon their situation, and delivery partners determine what clients need and what support is to be supplied, in a mixed model of provision between Jobcentre Plus and other private or third sector providers.

Unlike the New Deal programmes which specified in varying levels of detail what interventions providers were required to deliver, the Work Programme does not ask them to offer ‘one size fits all’ services. They have the freedom to personalise support for individuals irrespective of their age in a way that fits the local labour market. This is referred to as a ‘black box’ commissioning approach.

## **Background to the UK approach to increasing older workers' participation**

Assessments of previous New Deal programmes which had been targeted at specific cohorts have been ambivalent at best. There have especially been concerns in the UK about excessive costs per job outcome. These factors have led the UK Government to adopt a personalised approach to activating long term unemployed people, and others with the most significant barriers to employment. These groups include some, but by no means all, older jobseekers.

The logic of incentivising private companies to provide personalised support to those furthest from the labour market, providing them with the freedom to employ the approach they think works best for an individual client, specifically precludes the use of designated programmes reserved for all individuals in any particular cohort. A regulated framework with a menu of referral options and rules about the specific nature of support to be offered by a provider can clearly mitigate the advantages sought from employing private sector entrepreneurial initiatives.

The development of behavioural economics, especially following the award of a Nobel Prize to Daniel Kahneman (2002) 'for having integrated insights from psychological research into economic science, especially concerning human judgement and decision making under uncertainty', has been influential. Babcock, Congdon, et al. (2010), and others have provided an extensive body of research on the impact of applying behavioural economics to labour market policy.

Spinnewijn (2009) emphasised the benefits of expanding access to employment services, noting that individuals underestimate the benefits of search. Positive labour market outcomes from encouraging people to participate in activities beyond those they might chose themselves were identified by Director and Englander (1988), arguing that this approach could assist individuals in overcoming a tendency for people to procrastinate, limiting their job search horizons.

This positive re-enforcement hypothesis, using psychology and behavioural economics in policy making was expanded into concepts of 'nudge economics' by Thaler and Sunstein (2009). Their concept of 'libertarian paternalism', that government could help people help themselves without violating their liberty, has been influential in UK Government with the establishment of a Cabinet Office Behavioural Insight Team. The approach incorporating the promotion of positive messages into policy design to encourage desired outcomes, is increasingly influential in the UK. This is clearly consistent with enabling activity, stressing capability, but not negative stereotyping, e.g. assuming an individual necessarily has problems and barriers to work.

Therefore, the emerging philosophy behind UK policy development, evidence from previous employment programmes specifically aimed at older jobseekers, and consideration of the way to optimise results from utilisation of private capital, have moved the UK PES away from generic programmes for particular cohorts of unemployed individuals.

Unlike many other European countries, the UK has adopted the same approach as Germany, in no longer targeting specific programmes at older jobseekers; it seeks to enhance opportunities for older jobseekers through the promotion of a level employment playing field, attacking age discrimination, and promoting the use of enabling actions rather than positive discrimination.

The UK has identified the same issues as Germany, recognising the need for measures to encourage unemployed people to take up self employment through its New Enterprise Allowance scheme.

The UK seeks to optimise labour market incentives and avoid the encouragement of perverse behaviours from its social security system; this has involved the removal of premiums based on the length of benefit receipt. The UK view of direct subsidies to employers is that if used at all, they should be short term and extremely carefully targeted so as to prevent labour market distortion. As such, a broad brush approach to subsidies for older workers would be seen as too blunt an instrument, and potentially counter productive in a UK context.

**4.2. What do you see as the main challenges in relation to delivering services and measures for unemployed older workers, including the specific PES services offered, as well as aspects of the broader policy framework?**

*See para 3.2 above*

## **5. MONITORING AND EVALUATION**

**5.1. What systems are in place for performance measurement and evaluation for older workers / unemployed?**

The UK PES does not offer specific programmes targeted at older workers.

**5.2. What are the main indicators used in evaluating the effectiveness and efficiency of services and measures for older workers?**

N/A

**5.3. What have been the main evaluation results in recent years?**

N/A

**5.4. Have these results led to any changes or are changes being considered in the organisation and delivery of services to improve the labour market situation of older workers?**

There is now a strong UK evidence base for not providing specific programmes for older workers (see above). Previous schemes e.g. New Deal 50 plus, were not cost effective or sufficiently successful to justify the UK continuing with such programmes. With the exception of the young unemployed, the UK does not target programmes at any specific age cohorts. The policy is to provide personalised individual support and not assume that older workers per se have problems.

**6. CONCLUSIONS**

**6.1. What do you see as the main challenges in relation to delivering effective services to (unemployed) older workers?**

The UK has decided, following the evaluation of previous initiatives, that designing programmes specifically for older workers is not the best way to proceed and address challenges. Dealing with negative employer attitudes is the most important area for the UK to address: hence, the Age Positive publicity campaign to educate public perceptions about older workers.

**6.2. What are your conclusions on what works best in relation to the delivery of effective services for (unemployed) older workers?**

Dealing with people as individuals irrespective of their age, not labelling them, focussing on the positives, and maintaining a work first approach to PES services with Active Measures to ensure labour supply in a flexible labour market works best. The UK supports creating a level playing field for older workers e.g., incentivising longer working life through social security/pensions reform, and removing the default retirement age.

**6.3. In the Peer Review discussions, on which of the following topics would you most like to focus and what would you most like to learn from others?**

Topics	Importance of the topic (scale: 1 very unimportant, 5 = very important)	What would you most like to learn from others in the topic(s) you are most interested in? (maximum three bullet points)
PES services for older workers: overall strategy and approach	4	<i>Which type of services are offered and why.</i>

Preventative PES services and measures for older workers	4	<i>Impact of preventative strategies on efficiency/productivity.</i>
PES services and measures for unemployed older workers	3	<i>How PES is offering these services and avoiding deadweight.</i>
Monitoring and evaluation	4	<i>Which performance measures are used to assess benefit from programmes.</i>  <i>What evidence base/evaluation exists for programmes.</i>