

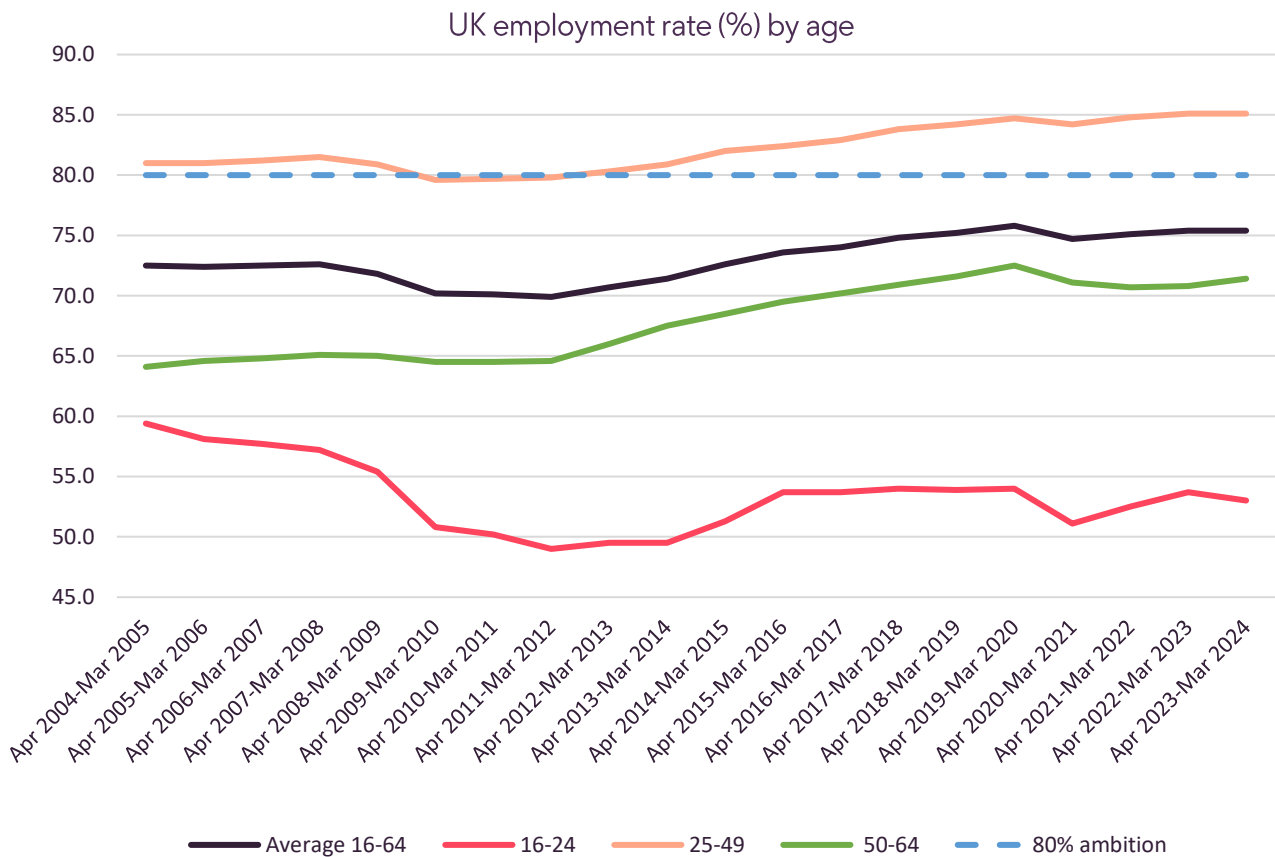
# Could closing the “age gap” meet the government’s 80% employment ambition?

August 2024

## An ambition for 80% employment

The new government has a [long-term ambition to achieve an 80% employment rate](#) among 16 to 64 year olds. Currently that would mean over 2 million more people in work. That would represent a huge undertaking which could have enormous economic and social benefits in terms of national productivity as well as for people’s ability to earn and save for their futures. To make progress on this target we need to replicate the best international performers in the G7, but we should also look to match the groups within the UK who already have high employment rates.

Whether 80% is a realistic employment target, depends on who you are talking about. People aged 25 to 49 rarely see their employment rate fall **below** 80%. Even following the 2008 recession their employment rates only briefly dipped below 80%, and today sit above 85%



Annual Population Survey

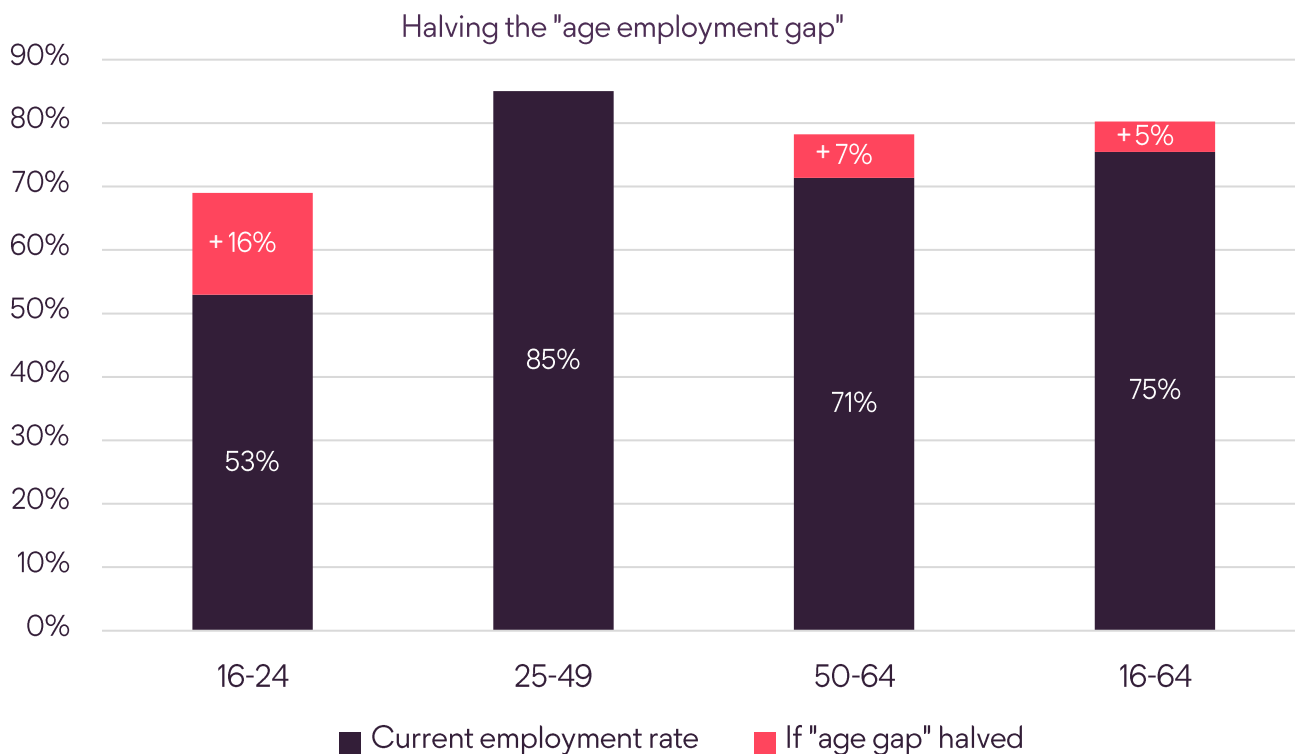
## What is the “age employment gap”

There is currently a gap between the peak employment years in the early to middle stage of people’s careers (ages 25 to 49) and younger and older age groups in the labour market. 50 to 64 year olds have an employment rate of 71% (an “age gap” of 14% points with 25 to 49 year olds) and just 53% of 16 to 24 year olds are in employment (an “age gap” of 32% points with 25 to 49 year olds).

- Sometimes these gaps exist for positive factors, with people actively choosing not to work for some reason. For example, some may choose and be able to afford to retire early. We also see larger proportions of younger people remain in full time education compared to previous generations, delaying their entry into the labour market. This may mean their skills and qualifications are better matched for the needs of longer working lives, but also means that those under 24 have a lower employment rate than was the case in previous decades. The new government have committed to a Youth Guarantee to offer training, an apprenticeship, or help to find work for all young people aged 18 to 21. These factors could in time help boost the under 24 employment rates. But we do not have specific guarantees for those over the age of 50, facing challenges in work such as long-term health conditions, caring responsibilities or experiencing ageism at work which all contribute higher rates of economic inactivity.

## What would be the impact of halving the “age employment gap”?

It may not be possible or desirable to eradicate the age employment gap completely, we will always have some differentiation based on age, as people gradually enter and leave the labour market. But if the “age employment gap” were to reduce by 50%, bringing the employment rate of those under 24 and those over 50, closer to the peak employment rates of those aged 25 to 49, the government could meet it’s 80% employment target without any other changes. This would bring 1.1m more under 24s and 0.9m more over 50s into the labour market.



Annual Population Survey (Apr 2023-Mar 2024)

## Could these kind of changes be achieved?

Changes on this scale for particular groups of the labour market have happened before. The 50 to 64 year old employment rate increased 1% point every year for eight years in the lead up to the Covid-19 pandemic, from 64.2% in the 12 months to March 2012 to 72.5% in the 12 months to March 2020.

Those weren't ordinary years, however. Alongside long-term trends in employment growth across the economy, we saw particular increases among older age groups. Between 2010 and 2020 we also saw significant policy changes with increases in state pension ages for both men and women. Since the pandemic we have seen a significant [rise in economic inactivity](#) of those aged 50 to state pension age, with their employment rates still to recover to the pre-pandemic high point. With the state pension age rising again to 67 starting in 2026 individuals may change their

working patterns further. But while remaining in work for longer helped many people to save more for their futures, the shift in the age of access to the state pension, has also contributed to the worrying increase in [pre-retirement poverty](#).

Time will tell if an 80% employment target is feasible, and it is unlikely that if it is achieved it will solely be through closing the age employment gap. We will need action to support people of all ages who face barriers or bias in the workplace. Alongside the Youth Guarantee, we believe that a workforce plan aimed specifically at people aged 50 and over is essential and should include:

- **Development of a cross departmental strategy** that recognises the unique challenges and opportunities for people aged over 50 covering policies around retention, recruitment, training, support and health.
- **Promotion of inclusive employment practices** such as flexible work, paid carers leave, support for health and wellbeing across workplaces to nurture an age-friendly culture.
- **Active career management** which addresses the employment advice gap and supports career moves, job changes and helps people back into work. Employment support and career advice need to be available to everyone so that workers can find the right job and return to work with confidence.
- **Focus on lifelong learning, skills and training** to close the skills gap and increase adult participation in further education to ensure that we are reskilling all age groups. Local skills strategies should also reflect local need and demographics to support local economic growth.”

If we can make changes that improve accessibility to work for carers and those with long-term health conditions, and make workplaces more [age-friendly](#), individuals, employers and the economy will all benefit.

### Appendix: Impact of halving the “age employment gap”

		Current situation			If “age employment gap” halved		
Age	Total pop.	No. in work	Employment rate	Gap with 25-49	Increase in employment	Employment rate	Gap with 25-49
16-24	6.9m	3.6m	53%	32%	+1.1m	69%	16%
25-49	21.6m	18.4m	85%	NA	NA	85%	NA
50-64	13.2m	9.4m	71%	14%	+0.9m	78%	7%
16-64	41.7m	31.5m	75%	10%	+2.0m	80%	5%

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