



## Research Report

# Workforce ageing

*Report prepared for the Mature Workforce Initiative Group for Coventry & Warwickshire looking at issues surrounding workforce ageing*

**December 2004**



## BACKGROUND

The West Midlands Regional Observatory's '*State of the Region report 2004*' highlighted the effects that demographic change will have on the regional labour market in coming decades.

This report provides background information on projected demographic changes and presents a baseline assessment of some of the issues surrounding workforce ageing for the Coventry & Warwickshire sub-region.

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## KEY FINDINGS

- The population of the United Kingdom has aged significantly over the past 40 years, and is projected to age further over the next half-century. The latest government projections estimate that between 2002 and 2031 the number of under 16s will fall by 5%, the working age population will grow by 5%, but the number of people over state pension age will increase by 40%. The working age population will also become much older as the baby-boom generations age.
- The pattern of labour market participation at older ages in the United Kingdom is similar to that in other European Union countries. The average age of withdrawal from the labour force is higher in the UK than in Germany, but lower than for the USA or Japan.
- Research has emphasised the potential contribution that an increase in participation rates could make to the way in which population ageing will affect our economy and society. In the past, changes in labour market participation have outweighed the compositional effects of ageing in determining economic dependency.
- More than one in seven (15%) of all people aged between 50 and state pension age in Coventry are absent from the labour market because of long-term sickness or disability. The equivalent rate for Warwickshire is 8.8%, but in number terms there are more permanently sick/disabled people in Warwickshire – 7,400 compared to 5,900 in Coventry.
- The fall in unemployment rates since the mid 1980s has been paralleled by a rise in the number of older workers claiming other benefits – especially incapacity benefit. There is some evidence that the focus on moving people off the unemployment benefit regime has pushed significant numbers out of the labour market altogether.
- The highest levels of Incapacity Benefit claimants in Warwickshire are located in Nuneaton & Bedworth, Polesworth, Atherstone, and parts of Rugby. In the South of the County, only Brunswick and Willes wards in Leamington have rates on a par with those found in the North of the County (and above the average for England & Wales).
- The UK government has adopted a voluntary Code of Practice on age diversity, and is now considering how to legislate against age discrimination, following its adoption of an EC Directive requiring it to do so (Council Directive 2000/78/EC) by December 2006. Evidence of the potential affects of such legislation on the labour market, from countries that already have age discrimination legislation in place, is weak.

## POPULATION CONTEXT

“In 2001, for the first time in the United Kingdom, there were more people aged over 60 than under 16.”

1. The latest estimates, for mid-year 2003, suggest Warwickshire is home to 519,300 people. Warwickshire’s population has been steadily expanding in recent decades and has grown by over 40,000 in the past twenty years alone. This increase is primarily a consequence of continued in-migration from the urban areas of Coventry and Birmingham.
2. However, growth has not been consistent across the County. In the last ten years the population of South Warwickshire has increased by 10%, compared to 2% for the rest of the County.
3. The latest estimates also show Coventry’s population increasing, adding 4,000 residents in the last three years, and reversing a trend that saw its population drop by 11% in the thirty years to 2000.

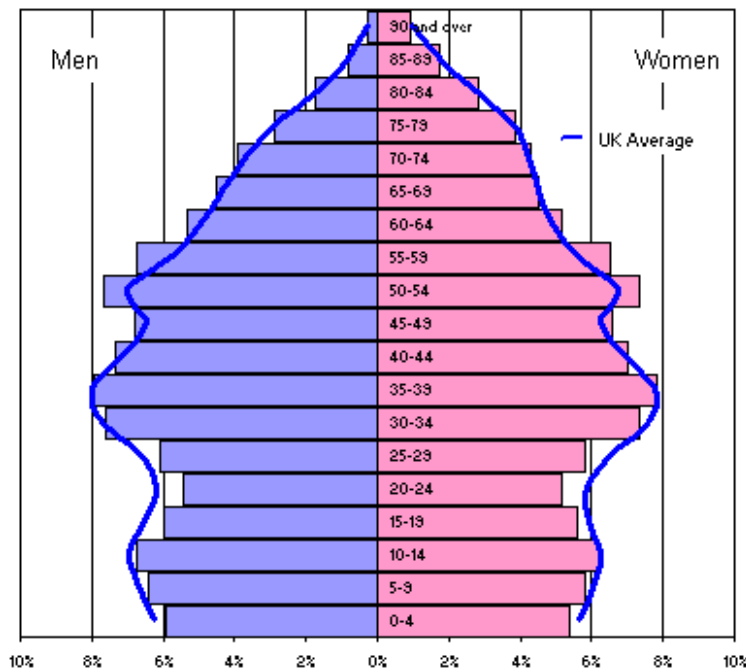
**Table 1: Population change, Coventry & Warwickshire, 1971-2003**

	1971	1981	1991	2001	2003	% change 2003/1991
Coventry & Warwickshire	796.4	796.6	791.0	809.0	824.3	4.2%
Coventry	338.3	319.4	303.9	302.8	305.0	0.4%
Warwickshire	458.1	477.2	487.1	506.2	519.3	6.6%
<i>North Warwickshire</i>	<i>58.4</i>	<i>60.0</i>	<i>61.0</i>	<i>61.8</i>	<i>61.8</i>	<i>1.3%</i>
<i>Nuneaton &amp; Bedworth</i>	<i>107.9</i>	<i>113.9</i>	<i>117.5</i>	<i>119.2</i>	<i>120.3</i>	<i>2.4%</i>
<i>Rugby</i>	<i>84.5</i>	<i>87.5</i>	<i>85.0</i>	<i>87.5</i>	<i>89.2</i>	<i>4.9%</i>
<i>Stratford-on-Avon</i>	<i>95.6</i>	<i>100.7</i>	<i>105.4</i>	<i>111.6</i>	<i>115.2</i>	<i>9.3%</i>
<i>Warwick</i>	<i>111.7</i>	<i>115.1</i>	<i>118.1</i>	<i>126.1</i>	<i>132.7</i>	<i>12.4%</i>
West Midlands	5,146.0	5,186.6	5,229.7	5,280.7	5,319.9	1.7%
England & Wales	49,152.0	49,634.3	50,748.0	52,360.0	52,793.7	4.0%

Source: Mid-year population estimates, National Statistics © Crown Copyright 2004.

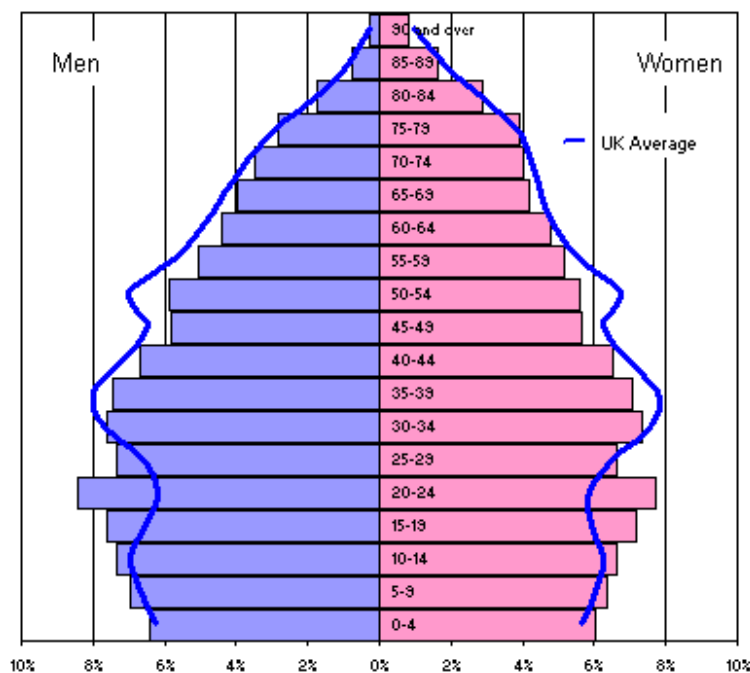
4. Warwickshire has a slightly older population profile than the UK average. **Figure 1** shows that the County is under represented among young adults, but has proportionately higher numbers of people aged 50+.

**Figure 1: Census age profile for Warwickshire**



5. Compared to Warwickshire, the age profile in Coventry is almost the exact opposite. As is the norm for urban areas, there is over representation in the younger age groups – this is heightened in the 15-19 and 20-24 groups by the presence of the two local universities.
6. Under-representation in the 35+ age groups is partly explained by out-migration among these groups to more rural areas, including Warwickshire.

**Figure 2: Census age profile for Coventry**



## An ageing population structure

“By 2025, more than a third of the UK's population will be over 55.”

7. The ageing of the UK population is not a new phenomenon. It is a continuation of a long-run trend common to almost all developed and most developing countries. This increase in the average age of the population is being driven by two separate forces:
- a reduction in age-specific mortality (longer lives)
  - a reduction in the fertility rate (fewer births)
8. The outcome of these mortality and fertility trends is a population in the United Kingdom that has aged significantly over the past 40 years, and that is projected to age further over the next half-century.

**Table 2: Life expectancy at age 65**

	Men	Women
1928	11.5	13.3
1960	12.1	15.3
2002	16.0	19.0

Source: Department for Work and Pensions.

9. The 2001 census showed that for the first time there are more people in the United Kingdom aged over 60 than under-16. However, many other developed economies have experienced and will continue to experience a more rapid rate of population ageing.

## Future impact of immigration

10. The difference between the age profiles of the white population and of the various black and minority ethnic populations indicates that past immigration has had some effect on the overall age structure of the United Kingdom. Since most immigrants are young adults, future immigration will tend to increase the size of the working-age population, and could reduce the rate at which the old-age dependency ratio rises.
11. A report by the House of Commons Select Committee<sup>1</sup> concluded that, although net immigration will tend, in the short run, to increase the relative proportion of younger persons within the population, it is neither appropriate nor feasible to attempt to counter the trend towards a more aged society in the United Kingdom through a manipulation of immigration policy.

<sup>1</sup> *Aspects of the Economics of an Ageing Population*, Select Committee on Economic Affairs, November 2003.

12. Most minority ethnic groups currently display an age profile which is younger than that of the white population, but the number of older people with ethnic origins other than white is increasing, especially in metropolitan areas, and service provision will need to account for this.

### Population projections

13. Assessment of the future scale and pace of population ageing in the United Kingdom depends critically on assumptions made about trends in fertility, mortality and immigration. The Government Actuary's Department uses different assumptions to produce a range of projections around a central estimate.
14. The most recent projections<sup>2</sup> contain significant revisions to estimated future mortality rates. Under the new assumptions the projected population aged 75 and over at 2031 is 717,000 (10.3%) higher than previously forecast (in the 2000-based projections).
15. The age structure of the population will become gradually older with the mean age of the population rising from 39.3 years in 2002, to 43.6 years in 2031. **Table 3** shows the number of children under the age of 16 is projected to fall by around 5%, from 11.8 million in 2002 to 11.2 million by 2031.

**Table 3: Actual and projected population by age, United Kingdom, 2002-2031**

	<i>thousands</i>			
	2002	2011	2021	2031
Under 16	11,759	10,981	11,090	11,160
Working age	36,565	37,836	39,412	38,449
Pensionable age	10,905	12,205	12,737	15,227
<i>Dependents per 1,000 persons of working age</i>				
Under 16	322	290	281	290
Pensionable age	298	323	323	396
Total	620	613	605	686

*Note:* The 'working age' population is that aged between 16 and state pension age, and the 'pensionable age' population is that over state pension age. This table takes account of the change in the present state pension age from 65 for men, and 60 for women, to 65 for both sexes, which will be phased in between April 2010 and March 2020.

*Source:* 'National population projections, 2002-based', GAD.

<sup>2</sup> National population projections, 2002-based, GAD.

16. The working age population is projected to rise from 36.6 million now to 37.6 million in 2010. Allowing for the change in women's state pension age from 60 to 65 between 2010 and 2020, it will then rise further to 39.4 million by 2020. The trend is then downward for the remainder of the projection period. The working age population will also become much older as the baby-boom generations age.
17. The number of people of pensionable age is projected to increase from 10.9 million in 2002 to 12.2 million in 2010. However, with the increase in women's state pension age, the pensionable age population will then rise much more slowly until 2020. The biggest percentage increases will be at the oldest ages: the number of persons aged over 75 is projected to double by 2040, while the number aged 90 and over will have more than tripled.
18. These changes in age structure will, in time have a marked effect on the proportion of dependents in the population. **Table 3** shows projected dependency ratios – the number of children under 16 or the population of pensionable age (or the sum of the two) expressed as a percentage of the working age population. However, these are arbitrary boundaries as full-time education ends and retirement starts at a range of ages.
19. Research has emphasised the potential contribution that an increase in participation rates could make to the way in which population ageing will affect our economy and society. In the past, changes in labour market participation have outweighed the compositional effects of ageing in determining economic dependency. Many people aged 15-64 are not economically active because of education, caring responsibilities, disability or early retirement. Conversely, some persons above retirement age continue to be active in the labour market.
20. Because of the better survival chances at older ages of women relative to men (see **Table 2**), the gender ratio changes with age. The 2001 UK census shows that, while the ratio of women to men in their late 60s is 1.07, this rises to 1.29 for people in their 70s, 1.91 in their 80s, and 3.46 for those in their 90s. As the Women's Budget Group has noted, ageing in the United Kingdom, as elsewhere, is a "progressively gendered experience".
21. These age-specific sex ratios have important implications for the living arrangements of older people. Nearly three quarters of men aged 65+ are married, and nearly half of men aged 85+ are married. By comparison, only 42 per cent of women aged 65+, and 10 per cent of women aged 85+ are married. Consequently, women aged 65+ are almost twice as likely to be living alone as are men of the same age. Current trends of increasing divorce and separation rates are likely to further increase the number of older people living on their own.

## SECTOR PROFILE

22. Historically, a distinctive feature of the Coventry & Warwickshire economy has been its heavy reliance on manufacturing and in particular automotive manufacturing and engineering. However, over the last 20 years a number of factors have contributed to declining manufacturing performance in the UK.
23. Manufacturing's share of employment in the Coventry & Warwickshire sub-region has dropped sharply in the last ten years; less than 17% of the Sub-region's workforce are now directly engaged in manufacturing activities and all long-range forecasts point towards a continuation of this trend.
24. Despite the well-publicised problems affecting many parts of the manufacturing sector the Sub-region's economy has proved remarkably resilient, largely because of significant service sector growth, but also helped by a move towards higher-value-added manufacturing sectors.
25. More than 225,000 people are employed in Warwickshire – concentrated in three main employment sectors: manufacturing (15%), wholesale and retail (20%), and business services (17%). Employment in Coventry is more heavily concentrated in the manufacturing (20%) and public admin, education & health sectors (28%).

**Table 4: Industry of Employment, 2002**

	England & Wales	West Midlands	Coventry	Warwickshire
Agriculture, hunting and forestry	0.8%	0.9%	0.1%	2.7%
Fishing	0.0%	0.0%	0.0%	0.0%
Mining and quarrying	0.2%	0.1%	0.0%	0.2%
Manufacturing	13.5%	19.2%	20.4%	14.7%
Electricity, gas and water supply	0.5%	0.6%	0.5%	0.5%
Construction	4.4%	4.3%	2.0%	5.8%
Wholesale/retail trade; repair, etc	18.1%	18.0%	17.9%	19.3%
Hotels and restaurants	6.6%	5.8%	4.7%	8.6%
Transport, storage and communication	6.1%	5.5%	5.1%	6.6%
Financial intermediation	4.2%	3.1%	4.0%	2.1%
Real estate, renting, business activities	15.6%	13.6%	13.8%	16.2%
Public admin/defence; social security	5.1%	4.6%	4.7%	3.2%
Education	8.8%	9.5%	13.5%	6.7%
Health and social work	10.7%	10.3%	9.4%	8.5%
Other community, social/personal service	5.2%	4.6%	3.8%	5.0%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Annual Business Inquiry, ([www.nomisweb.co.uk](http://www.nomisweb.co.uk)) © Crown Copyright 2004.

**Table 5: Index of Specialisation**

	Coventry	Warwickshire
Primary	44	226
Manufacturing	151	109
Construction	45	131
Wholesale/retail	99	107
Hotels & restaurants	71	130
Transport, storage, comms	82	108
Finance	95	49
Real estate	88	104
Public admin.	92	63
Education	154	76
Health	88	80
Other	73	95

*Note:* An index of specialisation measures the relative share of employment in an area compared to national employment shares. An index score of 100 indicates that a particular industry has the same employment weighting within Coventry/Warwickshire as in the UK as a whole; the greater an industry's share of employment in Coventry/Warwickshire compared to the national average, the greater the index score.

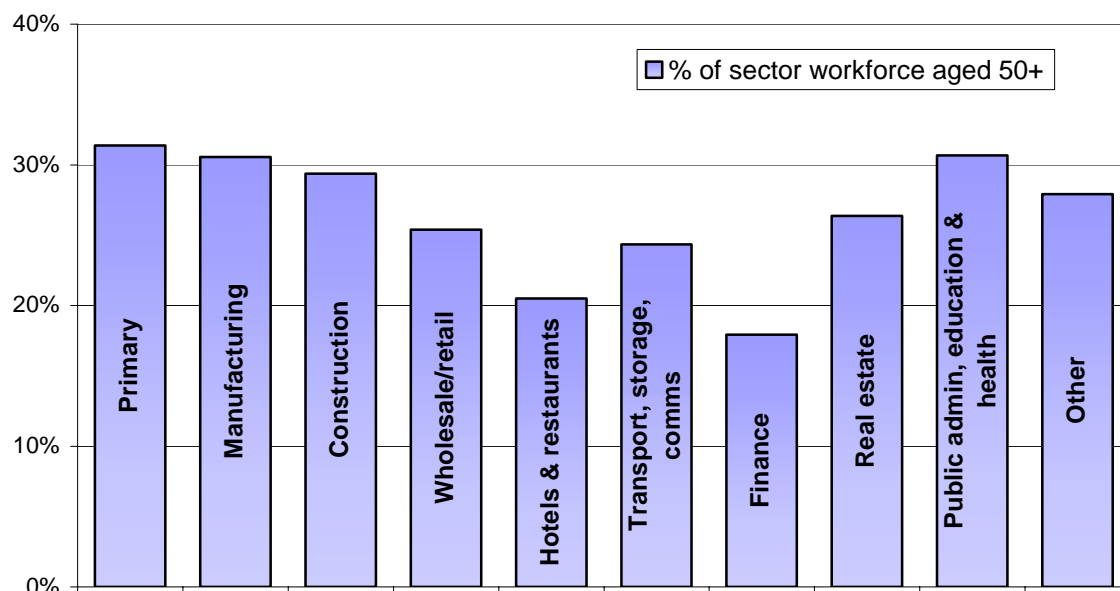
*Source:* Annual Business Inquiry, ([www.nomisweb.co.uk](http://www.nomisweb.co.uk)) © Crown Copyright 2004.

26. Compared to the national average, the profile of jobs in Warwickshire is skewed towards jobs in the primary (mainly agricultural jobs), distribution, hotels and restaurants, and construction sectors. Jobs in public administration, education and health are under-represented in the County compared with the national trend. Coventry is over represented in the manufacturing and education sectors.
27. In Summer 2004, Warwickshire County Council's Department for Planning, Transport and Economic Strategy commissioned an 'Economic Sectors Study' aimed at identifying key sectors for the Warwickshire economy and highlighting some of the opportunities, threats, challenges and pressures facing these key sectors. The completed report identified the following sectors, based on importance to the Warwickshire economy, rate of growth and potential for future development.

- Automotive
- Business services
- Construction
- Financial services
- Food and drink
- Information and Communication Technologies
- Manufacturing
- Medical technologies
- Motorsport
- Tourism and culture

28. The 2001 Census questioned respondents about the industry in which they were employed; the results can be combined with respondents' age to provide an age profile of employment by sector.

**Figure 3: Age profile of employment by sector in Warwickshire, 2001**



Source: 2001 Census, National Statistics © Crown Copyright 2004.

29. It is important to note that questions asked as part of the Census were self-completed by householders. The information provided has not been checked and is based on respondents' own perception of their employment status.
30. The age profile of employment in Warwickshire varies significantly by industry sector. Of the major employment sectors: agriculture (38%), education (34%), manufacturing (31%), health and social work (30%), and construction (29%) have the highest proportion of employees in the 50+ age-bracket.
31. The age profile of employment in the hotels and restaurants, financial intermediation, wholesale & retail trade, and transport, storage & communications sectors is much younger.
32. The implications for industry sectors with an age-profile skewed towards older workers include potential difficulties in meeting replacement demand as large numbers of their workforce near retirement.
33. Evidence suggests that these problems are amplified for sectors, such as construction and manufacturing, which have experienced problems in attracting young workers. In some cases this has led to chronic skills shortages, with sectors unable to attract or train enough people to replace skilled workers reaching retirement age.

34. The 2004 Local Employers Survey for Coventry and Warwickshire<sup>3</sup> raised the issue of those about to leave employment. The survey asked whether managers expected difficulty in replacing staff that planned to retire in the next few years.
35. Difficulty in meeting replacement demand due to retirement is anticipated across a range of economic sectors. Problems are expected to be particularly severe in education (many teachers approaching retirement), in transport (an ageing LGV driver workforce) and in manufacturing (with low entry rates to many skilled trades, particularly in engineering).

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<sup>3</sup> A copy of the 'Local Employers Survey Coventry & Warwickshire 2004' is available from the Research Unit website ([www.warwickshire.gov.uk/research](http://www.warwickshire.gov.uk/research)).

## SKILLS PROFILE

36. Young people's achievement at 16 in the Sub-region is below the national average, and is significantly lower in Coventry than Warwickshire. **Table 6** shows the proportion of 16 year olds who achieved 5 GCSEs A\*–C (a level 2 equivalent qualification) of those who were entered for the exams.

**Table 6: GCSE/GNVQ Achievement for 16 year olds**

		2000	2001	2002	2003
		%	%	%	%
Coventry & Warwickshire	5 A*–C	46.2	47.5	48.5	–
	1 A*–G	94.2	94.3	94.3	–
Coventry	5 A*–C	40.8	42.6	43.2	45.0
	1 A*–G	92.5	92.3	93.0	93.1
Warwickshire	5 A*–C	49.5	50.5	51.7	53.9
	1 A*–G	95.2	95.6	95.1	96.1
England	5 A*–C	49.2	50.0	51.5	53.3
	1 A*–C	94.4	94.5	94.6	94.6

Source: DfES, GCSE and GNVQ results.

37. The destination of school leaver's aged 16 is an important measure of progress for both Connexions and the Learning and Skills Council. The Destinations Index is a locally devised measure that examines the education and employment status of young people at November each year, following completion of their compulsory education in June. The Index provides a breakdown of the destinations into 7 broad categories, based on education, employment and training status.

A Positive Destination is defined as;

- Full time education
- Government supported training
- Full time employment with training
- Employment without training
- Voluntary work and part-time education or employment

A Negative Destination is defined as;

- Unemployment
- Not active
- Moved area to an unknown activity
- No response

**Table 7: Coventry & Warwickshire Activity Survey, residence analysis, 2003**

	Coventry	Warwick	Stratford	Rugby	N. Warks	Nun & Bed	Sub-region
Continuing in education	70.0%	78.0%	83.2%	72.7%	66.3%	63.0%	72.1%
Other positive outcomes	21.8%	15.7%	13.8%	20.0%	26.8%	26.8%	20.4%
Total positive outcomes	91.8%	93.7%	97.0%	92.7%	93.1%	89.8%	92.5%
Negative outcomes	8.2%	6.3%	3.0%	7.3%	6.9%	10.2%	7.5%

*Note:* Due to a change in categorisation it is not possible to provide comparisons with previous years' results. Comparisons will be provided in future years using 2003 as a baseline.

*Source:* Connexions Coventry & Warwickshire.

38. The analysis in **Table 7** provides information based on the home residence, by local authority, of the young people included in the sub-regional survey. They may have received their education in the area of another local authority.
39. The upward trend in the proportion of Warwickshire school leavers continuing in education experienced in recent years came to an end in 2003. Employment and training options appear to have increased in popularity, though this may be a result of the work performed by Connexions Coventry & Warwickshire and the Learning and Skills Council Coventry & Warwickshire to secure training for all those young people who required it.
40. The highest rates for continuing in education and for total positive outcomes are to be found in Stratford-on-Avon. Nuneaton & Bedworth and North Warwickshire have the highest rates of young people choosing a training or employment option. All areas show a decline in the percentage continuing in education from 2002.
41. The West Midlands Household Survey<sup>4</sup> (WMHS) measures individuals' qualification attainment in terms of formally accredited skills. **Table 8** matches recorded qualification attainment to the framework of National Vocational Qualifications (NVQs) equivalencies.
- Level 1 – at least one GCSE A\*–G or equivalent
  - Level 2 – at least five GCSEs A\*–C or equivalent
  - Level 3 – at least two A levels A–E or equivalent
  - Level 4 – first degree (BA or BSc) level or equivalent
  - Level 5 – higher degree (MA, MSc or MBA) level or equivalent

<sup>4</sup> The West Midlands Household Survey was commissioned by the Learning & Skills Council, Regional Development Agency and Advantage West Midlands. The results for Coventry & Warwickshire are based on 3,060 interviews (24,135 interviews across the West Midlands region).

**Table 8: Highest cumulative qualification held and economic status**

	<i>Column percentages</i>				
	<b>West Midlands</b>	<b>Coventry &amp; Warwickshire</b>	<i>Employed</i>	<i>Unemployed</i>	<i>Economically inactive</i>
No NVQ equivalence	20.3	17.2	14.0	19.0	28.4
NVQ level 1 or above	79.8	82.8	86.0	81.0	71.6
NVQ level 2 or above	68.3	71.3	75.7	62.0	56.7
NVQ level 3 or above	41.1	45.7	50.0	30.0	32.9
NVQ level 4 or above	24.5	27.9	31.4	15.0	17.1
NVQ level 5	3.8	4.7	5.3	4.0	2.6
<i>Base (all respondents)</i>	<i>24,135</i>	<i>3,060</i>	<i>2,316</i>	<i>100</i>	<i>644</i>

Source: West Midlands Household Survey.

42. The proportion of individuals in Coventry and Warwickshire with no qualifications is lower than for the West Midlands as a whole. Overall, 17% of individuals in Coventry & Warwickshire (questioned by the Survey) have no qualifications, compared to 20% for the West Midlands.
43. There has been a substantial reduction in the proportion of people with no qualifications in the Sub-region, from 24% in the 2000 Household survey. Just over a quarter have qualifications to at least first-degree level or above (level 4).
44. Close to 30% of the economically inactive have no qualifications.
45. The proportions who have no qualifications increase dramatically with age: 13.6% of those aged 16-24 and 14.5% of those aged 35-44 have no qualifications. For those aged 55 and over this proportion more than doubles, to 31%. Generally, qualification attainment at each level also decreases with age.

**Table 9: Qualifications for the working-age and 50+ populations, 2002**

	England & Wales	West Midlands	Coventry	Warwickshire
<i>Working age</i>				
% with NVQ4+	23.8	20.7	21.7	25.8
% with no qualifications	15.6	18.7	16.7	16.2
<i>50-retirement age</i>				
% with NVQ4+	21.8	19.3	17.3	22.7
% with no qualifications	25.2	29.4	33.7	23.7

Note: Working age is defined as 16-64 for males and 16-59 for females.

Source: Local area Labour Force Survey ([www.nomisweb.co.uk](http://www.nomisweb.co.uk)) © Crown Copyright 2004.

46. Results obtained from the annual Labour Force Survey<sup>5</sup> broadly support those from the West Midlands Household Survey (see **Table 9**). The working age population in Warwickshire is slightly better qualified than for England & Wales as a whole, but Coventry lies slightly below the national average.
47. The proportion of those aged between 50 and retirement age in Coventry with no qualifications is eight percentage points higher than the national average and ten percentage points higher than in Warwickshire.
48. The 2001 Census also collected information on individuals' level of qualifications. **Table 10** shows the difference in the proportions of unqualified people aged over 50 in the Sub-region, compared to the rest of the working age population. Results from the 2001 Census indicate much higher levels of unqualified people aged over 50 than reported by either the WMHS or the Labour Force Survey (LFS). Again, Coventry has a higher proportion with no qualifications aged over 50 compared to the national picture, and higher than might be expected given the corresponding rates for the 16-49 populations.

**Table 10: Qualifications for the working age and 50+ populations, 2001**

	Aged 16-49	50-59/64 age group
<i>No Qualifications</i>		
Coventry	23.5%	63.2%
Warwickshire	20.3%	52.3%
England & Wales	21.9%	54.5%

Source: 2001 Census, National Statistics © Crown Copyright 2004.

49. Basic skills can be defined as 'the ability to read, write and speak in English and use mathematics at a level necessary to function and progress at work and in society in general. Results from the WM Household Survey found that 9% of the Coventry & Warwickshire working age population (11% for the West Midlands region) had a basic skills deficiency. Although there are minorities of the youngest age groups who face basic skills issues, deficiencies are increasingly likely to exist as the age of the respondent increases.

<sup>5</sup> The Labour Force Survey (LFS) is a quarterly sample survey of households in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies.

50. Age is a key factor in learning participation: as age increases, learning participation decreases with a noticeable decline in learning for those aged 55 plus. The WMHS found that learning participation<sup>6</sup> among the over 55s in the Sub-region was 32.6%, compared to 46.9% for the 35-44 age group and 46.7% for the 45-54 age group.
51. Older age groups, particularly those over 55, also have the most negative view of future learning. As a result raising learning participation among older age groups represents a significant challenge, especially in light of an ageing population structure. Coventry & Warwickshire LSC has identified older people, along with minority ethnic groups, asylum seekers and refugees, and those with a disability or illness as specific populations of key importance.

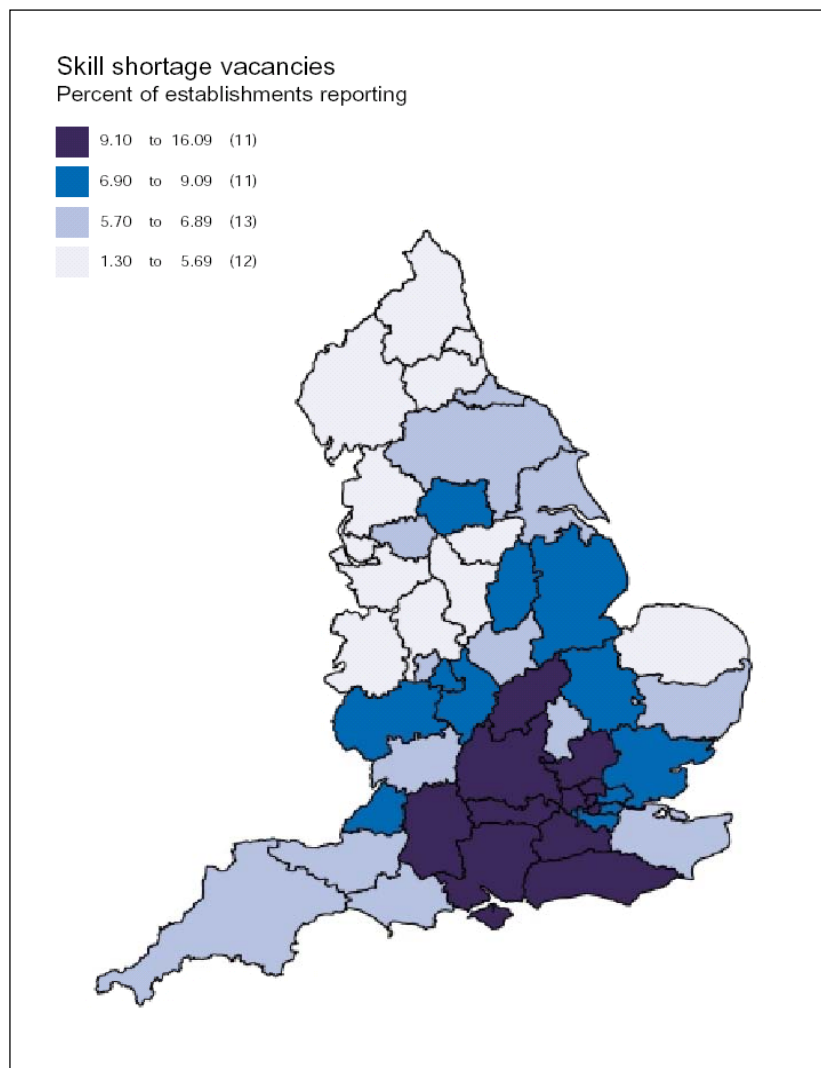
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<sup>6</sup> The definition used for 'participation in learning' was developed from the National Audit Learning Survey (NALS), undertaken for the first time in 1997. This definition is broad and includes both taught and non-taught learning activities that took place in the last 12 months.

## SKILLS SHORTAGES

52. The skills demanded by employers are increasing, both for formal qualifications and, key technical and generic skills. Skills mismatches and shortages are damaging economic performance among companies in some sectors and meeting replacement demand (arising from workers retiring) is becoming a major issue for many declining sectors and occupations.
53. In 2002 the Institute of Employment Research conducted a spatial analysis of the National Employer Skills Survey<sup>1</sup>. This study found that there was a general North-South divide, with the incidence of skill deficiencies greatest in southern England. Skills shortages were found to be more prevalent in Coventry and Warwickshire than any other area of the West Midlands. A map of the findings is shown below.

**Figure 4: Skill shortage vacancies, 2002**



<sup>1</sup> *Skills, local areas and unemployment*, (IER, DfES 2002).

54. The National Employer Skills Survey (NESS)<sup>7</sup>, conducted in 2003, found that overall, 12% or 1 in 8 establishments in the Sub-region employing 25 or more people has a skill shortage vacancy.

**Table 11: Percentage of managers reporting recruitment difficulty and recruitment difficulty due to skill shortage**

	West Midlands	Coventry & Warwickshire
<i>Percentage of establishments reporting:</i>		
Current vacancy	16%	18%
Hard-to-fill vacancy	7%	8%
Skills-shortage vacancy	4%	3%

Source: NESS 2003.

55. The importance of recruitment problems – and skill deficiencies more generally – is that they prevent or delay organisations achieving their business goals. The impact of recruitment problems on the economy is potentially profound; failure to find suitably skilled and qualified workers locally results in higher levels of in-commuting and can potentially dissuade employers from locating within an area.
56. The National Employers Skills Survey reveals that skills shortage vacancies in Coventry and Warwickshire are relatively concentrated in the following occupations:
- Sales assistants/checkout staff
  - Elementary personal services (waiters, bar staff, low grade care staff)
  - Cleaners
  - Admin. and clerical
  - Vehicle trades
  - Health care staff (intermediate)
  - Technical support in public services
  - Professional staff in public services
  - Therapists in health services
  - Professional engineers

<sup>7</sup>The NESS 2003 was commissioned by the Learning and Skills Council (LSC), in partnership with the Sector Skills Development Agency (SSDA) and the Department for Education and Skills (DfES). It provides detailed information about the extent, causes, and implications of England's recruitment problems and skill gaps. It also measures employers' training activities.

NESS was the largest survey of its kind ever commissioned, involving 72,100 interviews with a representative sample of employers in England. As such, it allows analysis at a level of detail not possible in earlier surveys. In particular, it provides robust estimates of skills deficiencies and workforce development for each of the 47 local LSCs and for 27 industries. 1,100 employer interviews conducted in Coventry and Warwickshire – representative of LSC area base (size and sector of establishments).

These occupations can be aggregated to three broad skill shortage groups:

**Table 12: Skill shortage groups**

<b>Low pay</b> <b>High turnover</b> <b>High volume</b>	<b>Public sector expansion</b> <b>Competitive labour mkts</b> <b>Specialist needs</b> <b>Poor planning</b>	<b>Manual craft shortages</b>
Sales assistants Waiters/ bar staff <i>etc.</i> Hairdressers HGV drivers Cleaners Clerical staff	Professional & technical staff in public services  Nurses and other health care staff	Construction trades  Engineering trades  Vehicle trades

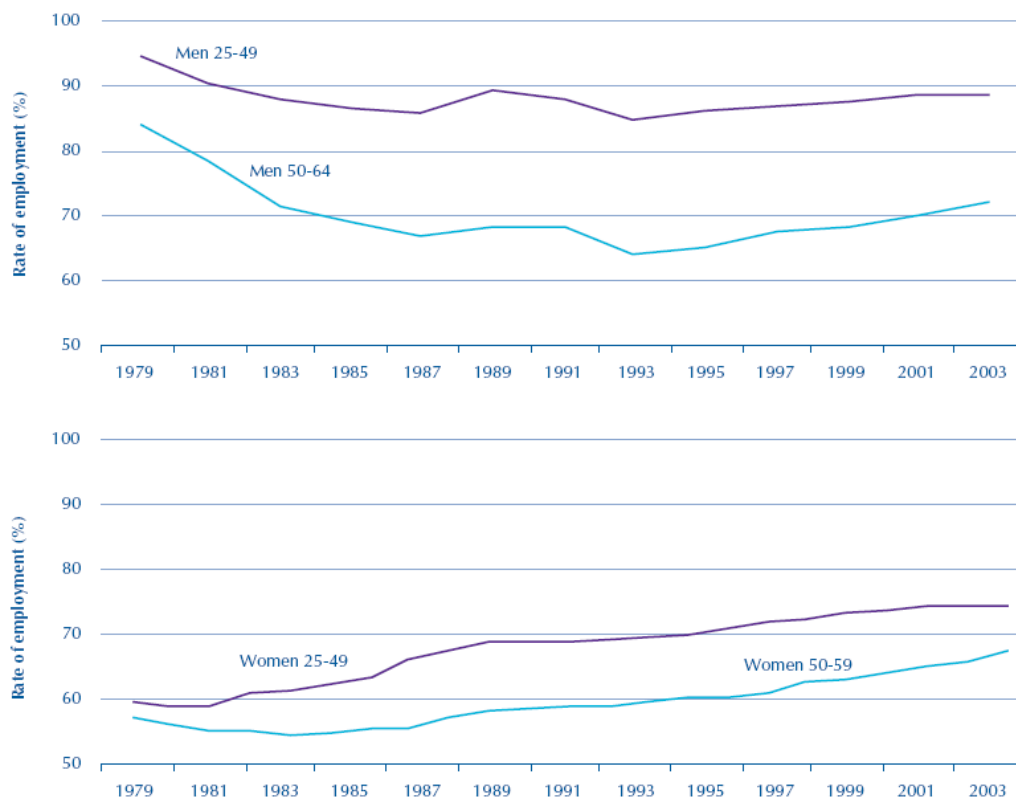
## TRENDS IN ECONOMIC ACTIVITY FOR OLDER PEOPLE

“Jobless over-50s costing UK £31bn.”

57. Participation in paid employment in the United Kingdom declined sharply for men over the age of 50 between the 1960s and the mid 1990s, since when participation rates have increased.
58. Since 1997, the employment rate for men aged between 50 and the state pension age has risen from over 67 per cent to 70 per cent. Participation rates for older women have also increased over this period, from 61 per cent to 66 per cent, but this has been driven by a rise in general employment rates for successive cohorts of women who entered the labour market from the 1960s onwards.

**Figure 5: Employment patterns for 50+**

**10** Employment patterns for men and women aged between 50 and state pension age show considerable differences over the last 25 years



Source: Labour Force Survey

Source: 'Welfare to Work: Tackling the Barriers to the Employment of Older People', National Audit Office, 2004.

59. Commentators appear to be divided on the question of whether the activity rates of adults in the 50-64 age-bracket are more likely to rise or fall during the coming decades.
60. The pattern of participation at older ages in the United Kingdom is similar to that in other European Union countries. The average age of withdrawal from the labour force is higher in the UK than in Germany, but lower than for the USA or Japan.
61. The UK government has adopted a voluntary Code of Practice on age diversity, and is now considering how to legislate against age discrimination, following its adoption of an EC Directive requiring it to do so (Council Directive 2000/78/EC) by December 2006. Evidence of the potential affects of such legislation on the labour market, from countries that already have age discrimination legislation in place, is weak.

### Coventry and Warwickshire

62. The 2001 Census provides a snapshot view of local labour markets. Alternative sources, such as the Labour Force Survey are unable to provide the same level of coverage particularly when looking at age-related analyses.
63. It is important to note that questions asked as part of the Census were self-completed by householders. The information provided has not been checked and is based on respondents' own perception of their employment status and may not fit with definitions used elsewhere.
64. There are nearly 180,000 people aged 50+ in Warwickshire, more than a third of the Counties total population. Warwickshire has more people, in both number terms and proportionately, in all the 50+ age bands than Coventry, although the gap narrows significantly in the oldest age bands.

**Table 13: Age structure of 50+ population, 2001**

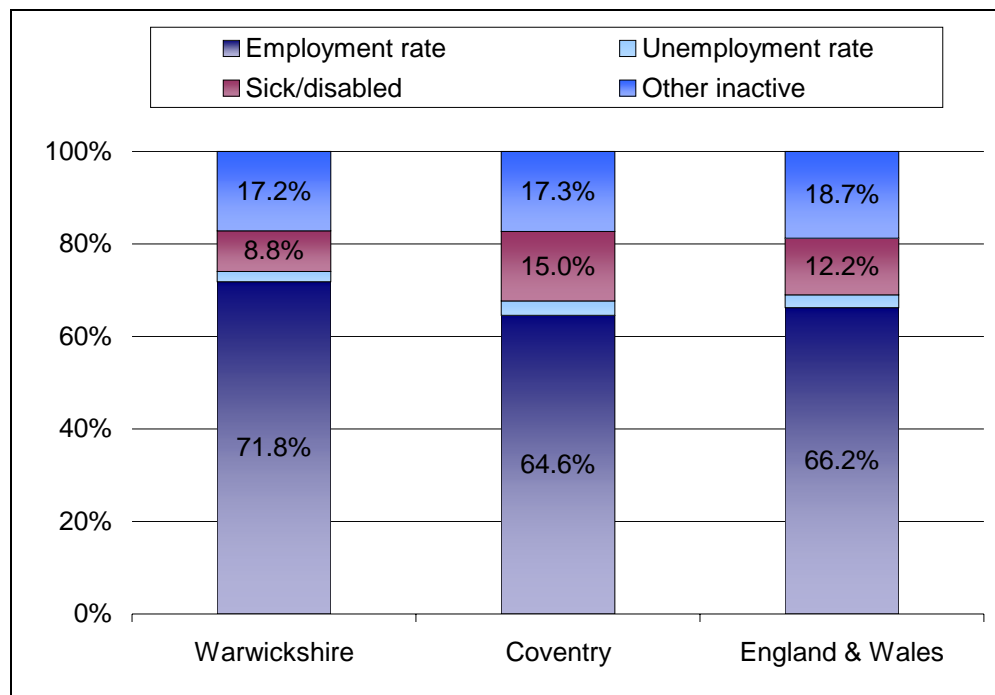
	Total 50+	50 to 54	55 to 59	60 to 64	65 to 74	75+
England & Wales	17,410,844 33.3%	3,591,043 6.9%	2,962,273 5.7%	2,544,754 4.9%	4,367,032 8.3%	3,945,742 7.5%
Warwickshire	179,752 35.5%	37,929 7.5%	33,465 6.6%	26,492 5.2%	43,541 8.6%	38,325 7.6%
Coventry	92,406 30.5%	17,278 5.7%	15,329 5.1%	13,844 4.6%	23,614 7.8%	22,341 7.4%

*Note:* Percentages refer to the proportion of the total population accounted for by specific age bands.

*Source:* 2001 Census, National Statistics © Crown Copyright 2004.

- 65. There are significant regional variations in labour market participation rates (those in employment or who are actively seeking work) of older people. These are matched by variations in the proportion of economically inactive older people – either early retired, long-term sick, with caring responsibilities or otherwise not seeking paid work.
- 66. However, the causes of inactivity vary by region: for example the South East has a relatively high proportion of people who are early retired and the North East a relatively large proportion receiving incapacity benefits. Variations within regions are even more extreme.

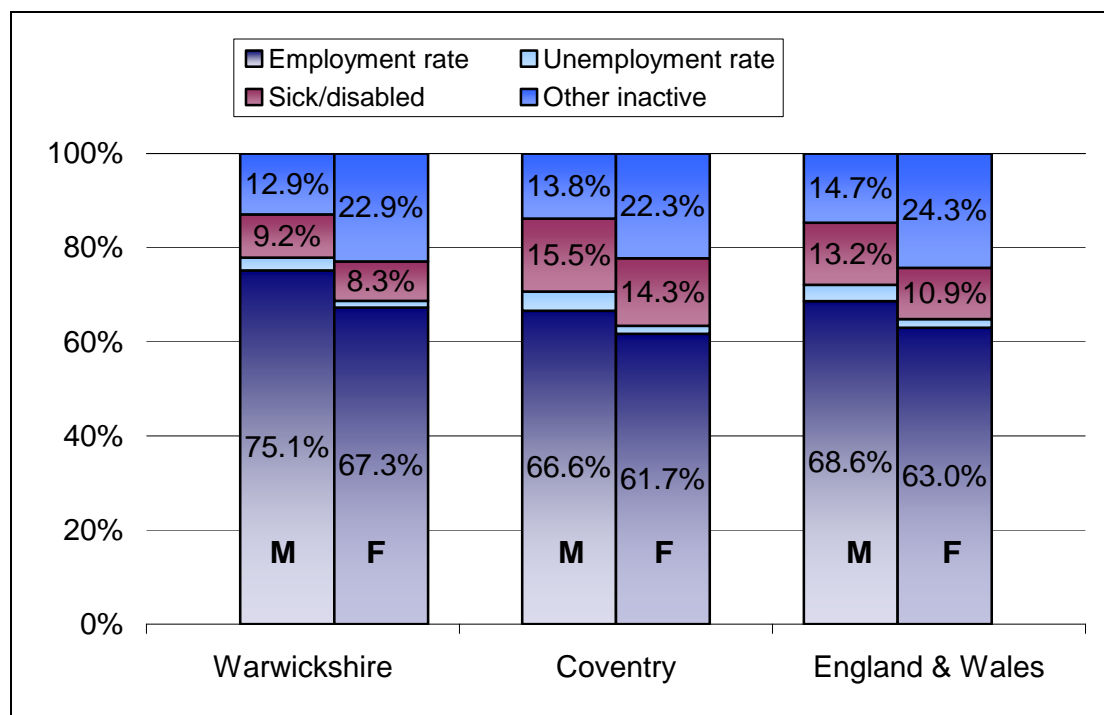
**Figure 6: Employment rates and economic activity rates for people aged between 50 and state pension age, 2001**



Source: 2001 Census, National Statistics © Crown Copyright 2004.

67. Data collected for the 2001 Census show the employment rate for over 50s in Warwickshire, 71.8%, was six percentage points higher than the equivalent for England & Wales (66.2%), and seven points higher than in Coventry (64.6%).
68. In England and Wales, the employment rate for the over 50s was six percentage points lower than the gross working age employment rate. In Warwickshire, it was 5.8 percentage points lower, but in Coventry only 2.6 percentage points lower.
69. The proportion of the 50+ working-age population not active in the labour market, because of early retirement, caring responsibilities or otherwise not seeking paid work, is almost identical in Coventry and Warwickshire, at a level slightly below that for England & Wales.
70. However, there is significant variation in the proportion of the over 50s reporting they are unable to work to work due to permanent sickness or disability. In Coventry, more than one in seven (15%) of all people aged between 50 and state pension age are absent from the labour market because of long-term sickness or disability. The equivalent rate for Warwickshire is 8.8%, but in number terms there are more permanently sick/disabled people in Warwickshire – 7,400 compared to 5,900 in Coventry.
71. There are considerable gender differences in economic activity patterns. In general, employment, unemployment and sickness rates for females are lower.

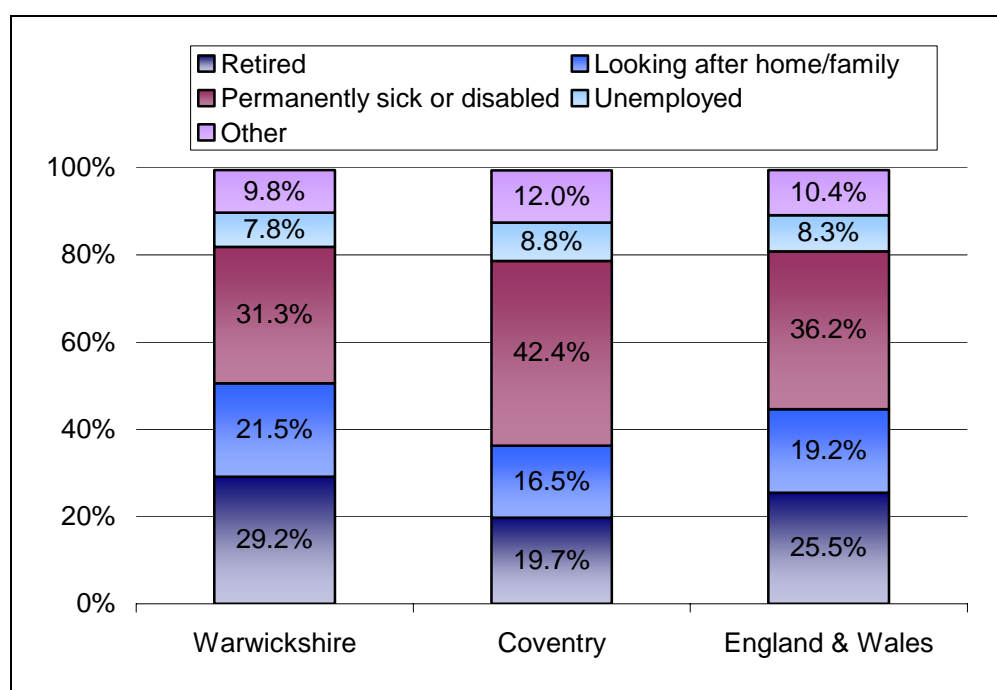
**Figure 7: Employment rates and economic activity rates for males/females aged between 50 and state pension age, 2001**



Source: 2001 Census, National Statistics © Crown Copyright 2004.

72. Females are also much more likely to be part-time employed – in Coventry and Warwickshire nearly half of all 50+ females, in employment, work part-time. Among males the figure drops to around 10%.
73. Above current pensionable age activity rates drop off markedly: among, the 65-74 age-band 10% are economically active in Warwickshire, 7% in Coventry, and 9% in England & Wales. The majority either working part-time or, especially in the case of men, self-employed.
74. The most recent results available from the annual Labour Force Survey (LFS), for the period March 2002 to February 2003, reveal a similar picture to that presented by the 2001 Census, with Warwickshire activity and employment rates for over 50s higher than the national average and Coventry lower.
75. **Figure 8** shows the characteristics of people aged 50+ who are not working in the Sub-region.

**Figure 8: Characteristics of people aged over 50 who are not working, 2001**



*Note:* Excludes a small number of economically inactive students.  
*Source:* 2001 Census, National Statistics © Crown Copyright 2004.

## INCAPACITY BENEFIT

“Since 1979 the number of working age people on incapacity benefits has nearly quadrupled.”

76. The fall in unemployment rates since the mid 1980s has been paralleled by a rise in the number of older workers claiming other benefits – especially incapacity benefit. There is some evidence that the focus on moving people off the unemployment benefit regime has pushed significant numbers out of the labour market altogether.
77. The most significant factor behind the rise in incapacity benefit has been the long average duration of recipients (the lack of people flowing off IB). One reason for this may be the lack of encouragement/support (from the Benefits Agency and the Employment Service) given to recipients of Incapacity Benefit to seek work. One of the conditions for the receipt of IB is that claimants must be deemed completely incapable of work. Claimants are not expected to seek work and there is concern (among claimants) that any attempt to do so will lead to disqualification from benefit.
78. The higher rate of IB compared to Jobseekers Allowance has also been highlighted as providing a strong incentive to move on to IB; and that once on IB it is difficult to move off it, since older IB recipients would typically take home only about 25 to 35 per cent more from work than from IB<sup>8</sup>.
79. *A person who is unable to work because of sickness or disability, either temporarily or permanently, may qualify for one of the following benefits: statutory sick pay (SSP); incapacity benefit (IB); or severe disablement allowance (SDA).*
80. *Incapacity Benefit replaced Invalidity and Sickness Benefit from 13 April 1995. It is paid to people who are assessed as being incapable of work and who meet the appropriate contribution conditions. Incapacity benefit is paid to a person who: is aged below 60 for a woman, 65 for a man; and is incapable of work because of sickness or disability; and is not entitled to SSP; and has paid sufficient national insurance contributions.*
81. *Severe disablement allowance is no longer payable to new claimants from 6 April 2001, unless making a backdated claim. Existing claimants can continue to receive it.*
82. The Department for Work and Pensions (DWP) make available a limited set of annual data (with age breakdowns) on numbers of people claiming incapacity benefit and severe disablement allowance. The data provided is drawn from a 100% scan of claimants in August 2003 and is considered to be of a high quality.

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<sup>8</sup> Confederation British Industry (CBI).

83. From August 2003 it has been necessary to combine together the breakdowns (e.g. age, gender) of IB and SDA claimants. This is because there are no new claims to SDA since April 2001, meaning that the breakdowns of SDA are now potentially too disclosive to be shown separately. IB and SDA are now effectively the same benefit and are considered together in most contexts.

**Table 14: Incapacity Benefit and Severe Disablement Allowance, persons aged 50+, 2003**

	Population*	Persons aged 50-64	IB and SDA claimants aged 50+**	% IB/SDA claimants of persons 50-64
Coventry	300,848	46,451	7,715	16.6%
<b>Warwickshire</b>	505,860	97,886	9,220	9.4%
<i>North Warwickshire</i>	61,860	12,401	1,490	12.0%
<i>Nuneaton and Bedworth</i>	119,132	22,060	3,210	14.6%
<i>Rugby</i>	87,453	16,705	1,340	8.0%
<i>Stratford-on-Avon</i>	111,484	24,054	1,390	5.8%
<i>Warwick</i>	125,931	22,666	1,790	7.9%
England & Wales	52,041,916	9,098,070	1,187,738	13.1%

Note: \* Census 2001. \*\* Incapacity Benefit will be paid at the short-term rate for people over state pension age for up to a year from the date of claim, but only if the incapacity began before they reached pension age.

Source: Census 2001, National Statistics © Crown Copyright 2004; Department for Work and Pensions.

84. In August 2003 there were just under 17,000 people aged 50+ claiming either incapacity benefit or severe disablement allowance in the Coventry and Warwickshire sub-region. This equates to 11.7% of the total 50-64 population, compared to 13.1% for the whole of England & Wales.
85. Within the Sub-region there are considerable differences in the level of IB/SDA take-up. The proportion of the 50-65 population claiming IB/SDA is nearly three times higher in Coventry (16.6%) than in Stratford district (5.8%). At a ward level the differences are even more extreme – 1.8% in Fenny Compton (Stratford-on-Avon), compared to almost one in three people (31.5%) in Foleshill (Coventry).

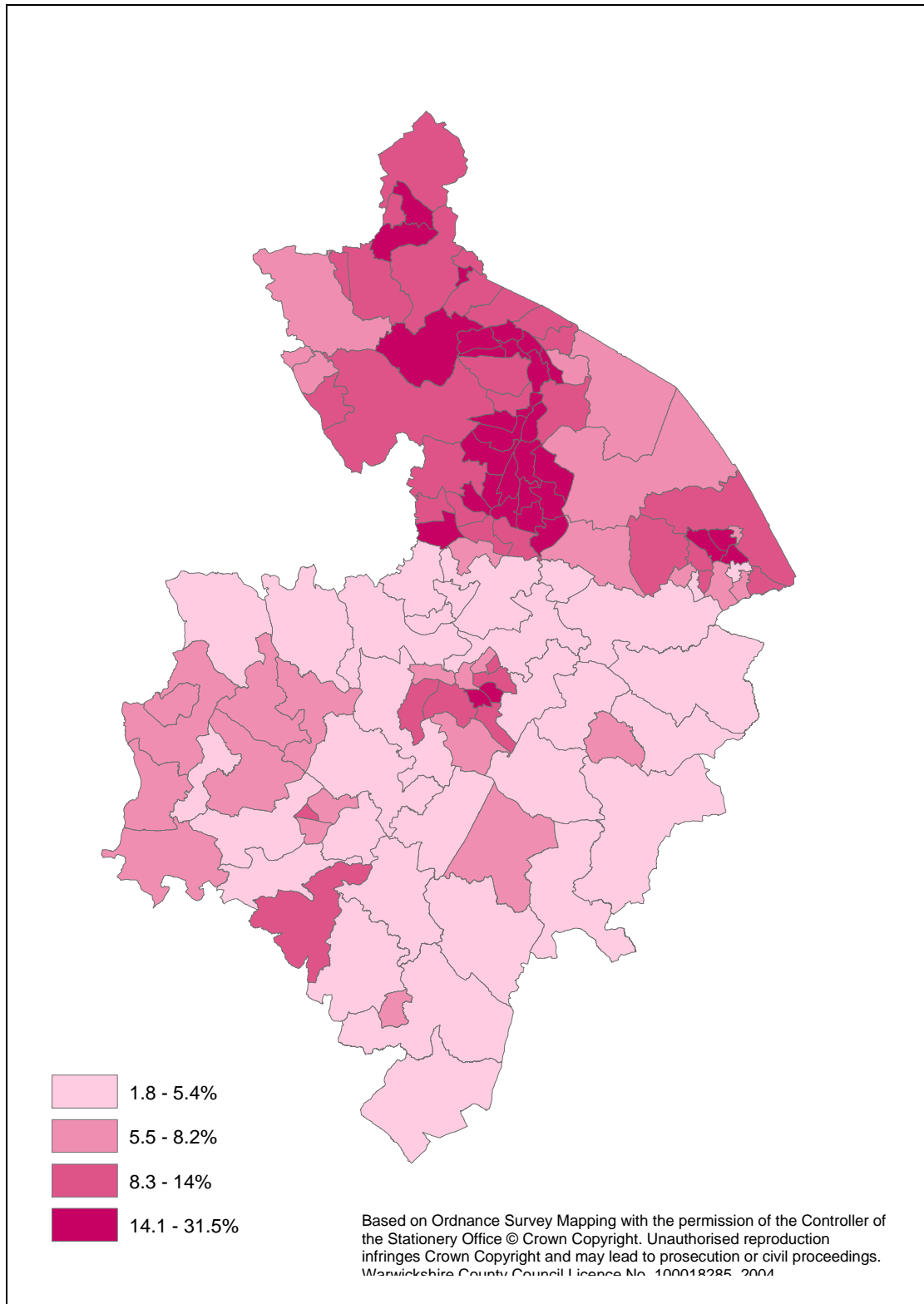
**Table 15: Wards with the highest proportion of 50+ IB/SDA claimants**

Ward name	IB/SDA claimants 50+	50-59/64 population	% claiming IB/SDA
Foleshill (C)	610	1,939	31.5%
St. Michael's (C)	460	1,537	29.9%
Radford (C)	535	2,297	23.3%
Longford (C)	635	2,732	23.2%
Wem Brook (NB)	275	1,194	23.0%
Atherstone Central (NW)	125	563	22.2%
Upper Stoke (C)	555	2,514	22.1%
Abbey (NB)	245	1,162	21.1%
Henley (C)	500	2,522	19.8%
Bar Pool (NB)	245	1,262	19.4%
England & Wales	–	–	13.1%

Source: Census 2001, National Statistics © Crown Copyright 2004; Department for Work and Pensions.

86. **Figure 9** maps the proportions of IB/SDA claimants aged over 50 by ward in Coventry & Warwickshire. There is a clear north south divide: wards in the north of the Sub-region have significantly higher proportions of older people claiming IB benefit.
87. In Warwickshire there are particular concentrations in and around Nuneaton & Bedworth, Polesworth, Atherstone, and parts of Rugby. In the South of the County, only Brunswick and Willes wards in Leamington have rates on a par with those found in the North of the County (and above the average for England & Wales).
88. The higher claimant rates in Coventry and north Warwickshire may well be a reflection of the industrial restructuring, particularly falling employment in the manufacturing and mining industries, that has occurred in these areas.
89. Those inactive and claiming disability benefits are more likely to be at risk from social exclusion.


Figure 9: IB/SDA claimants aged over 50 as a percentage of the 50-59/64 population



**FURTHER INFORMATION**

For further information on any of the data used in this report please contact the Research Unit, Dept. of Planning, Transport and Economic Strategy, Warwickshire County Council.

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