

Active Ageing  
through Social Partnership  
and Industrial Relations in Europe.  
National Report  
for the United Kingdom

SUMMARY

Chris Ball and Matt Flynn



# The UK Labour Market and its Significant Features for Social Dialogue on Active Ageing

Chris Ball and Matt Flynn

## Executive summary

Like other European countries, the UK is an old population having gone through the Demographic Window in the mid-1990's. The economy is facing significant skills and labour shortages. Older workers' participation rates have been steadily rising since the start of the millennium, especially the 65+ workforce. However, the workforce is stratified with clear winners and losers. Many older workers who are in work are able to negotiate accommodations from their line managers. Older unemployed people however find it difficult to get back into work, with 42% of 50+ unemployed out of work for over a year. There have been a number of relatively high profile innovative approaches to workplace active ageing which we cite in this report- the Mid-Career Review, NHS Working Longer Review Group and Barclays' Bolder Apprenticeship programme. Many of these programmes have developed with the active involvement of social partners but are outside the formal collective bargaining structures.

The current government programme on ageing workplaces, *Fuller Working Lives*, is focused on providing incentives to employers to "Recruit, Retain and Retrain". It is mainly based on presenting a business case for employers to retain older workers supported by a series of pilot studies and a process of gathering good practice examples through a partnership with the Centre for Ageing Better (a National Lottery funded foundation) and a large employer oriented charity, Business in the Community. The Government's approach is best seen as facilitating a process of employer led engagement with the ageing workforce. While some limited funding has been made available for specialist, sector based back to work support of older benefits claimants and encouraging the Government agency Jobcentre Plus to identify local Older Workers' Champions to support older people back to work, there is no major "free standing" pot of funding to make things happen.

A coalition of trade unions, national career services and other stakeholders to pilot a 'mid-life career review' for older workers to support job transitions. The pilot, held in 2014-15, offered career advice to nearly 3,000 workers aged 45 to 64 covering future employment, training, financial planning and health issues. It was particularly focussed on people out of work, facing redundancy, or wanting to adapt to a new way of working. It supported those seeking a job change either within or outside their organisations. The initiative was very positively received by all involved, including the Government, but has not at this point been rolled out as a national programme.

In order to address chronic skills shortages, an employer levy has been introduced to fund workplace apprenticeships. A small but growing number of apprenticeships are going to older apprentices-

mostly older workers in work (leading to criticism that employers are using apprenticeships to fund workplace training), but with some older workers using apprenticeships to make changes to occupations or careers.

Local Enterprise Partnerships are developing programmes to manage regional older workforce issues, particularly focused on hard to employ groups such as older migrants, low skilled and those with a history of precarious work. LEPs in the North are coordinating activities through the Northern Powerhouse to promote regional economic development.

The UK represents a liberal market economy/liberal residual safety net welfare state. The UK government prides itself on taking a light touch/business friendly approach to employment regulations. In relation to active ageing, the LME framework is on display as follows:

The Employment Equality (Age) Regulations 2007 were written to have a light regulatory approach, prohibiting workplace ageism but giving employers some scope to maintain age related Human Resource Management (HRM) practices where the practice meets a legitimate business aim and is a proportionate means of achieving it.

Government focus in regulating workplace ageism has been to remove barriers faced by older workers in maintaining employment. In 2010, government abolished the 'Default Retirement Age'. With a few exceptions (like fire services), employers cannot lawfully dismiss workers solely on the basis of age. They can however dismiss older workers on the basis of performance and/or capabilities.

The Employment Equality (Age) Regulations 2007 were consolidated with other anti-discrimination regulations into the Single Equalities Act 2010. The present consolidated law was introduced in part to address intersectional discrimination.

The government's light touch approach is exemplified by the Right to Request flexible working, first offered to people with childcare and eldercare responsibilities, but now extended to all staff. Although the regulations only give employees the right to have a conversation with their employers, most requests have led to a negotiated accommodation.

The UK welfare state can be considered a basic safety net in which most social welfare (including pensions) is privatised with the government providing a minimal amount of support to the individual with the expectation that most provision will come from employers, families or personal savings.

The first-tier pension is a basic Beveridgian pension: universal for everyone with 30 (recently raised to 35) years contribution, but with a pension well below the poverty line. Retirement savings therefore depend on employer pension provision and personal savings. In order to address old age poverty, government introduced a 'triple lock' which guarantees annual pension increases of at least inflation, average earnings or 2.5% whichever is highest.

A new basic pension was introduced in 2015 which provides a universal pension of £155 for individuals but eliminates means-testing and state second pensions. One of the knock on effects of the introduction of the basic pension has been to phase out ‘contracting out’ of employer national insurance contributions for employers who provide occupational pensions, thus making second tier pensions more expensive to provide.

State pension ages are rising: Women’s pensions are being equalised to 65 by 2018, then pension ages for both genders will rise to 66 by 2020, 67 by 2028, and 68 by 2046. The largest public sector occupational pension schemes have linked their pension ages to SPA for all new employees and existing employees who were 50 or younger from 2014.

There is a significant divide between public and private sector employees in terms of pension entitlements. Only a minority of private sector employees have access to an employer funded pension scheme. Many employers are closing their pension schemes for new employees.

In order to address under-saving toward retirement, the government has introduced the National Employment Savings Trust (or Workplace Pension), an opt-out, jointly funded, defined contribution pension. Contributions into the scheme are made by employers and employees. Initially the minimum joint contribution into the scheme is 2 per cent of an employees’ “qualifying earnings” – qualifying earnings falling between £5,876 and £45,000 per annum. Of the 2% legal minimum, the employer must pay at least 1% (more if they wish) whilst the employee pays at least the other 1%. The pension scheme is currently being rolled out and will eventually result in contributions equivalent to 10% of the average employees’ salary.

The Government’s main services for job seekers are delivered via Jobcentre Plus (JCP). While there are presently no separate, government funded jobseeker support services targeted at older people, people aged below 65 can access the main support services by enrolling as “jobseekers” and signing a claimant’s agreement to actively seek work. Long term unemployed are assigned to contracted-out “Welfare to Work” programmes operated by private “providers”. The main current programme (the Work Programme) and the special programme for people with health conditions and disabilities (Work Choice) are being replaced by a new programme called the Health and Work Programme in 2018. There may be some limited special focus on older job seekers in this as well as a possibility of limited targeted support for older workers in the European Social Fund, so long as it continues to be available to the UK.

Industrial relations is voluntary (although a statutory procedure for gaining union recognition was introduced in 2000). Trade unions operate an agency model meaning their primary responsibility is to bargain for members to receive maximum remuneration for their skills and labour. Unions are also defensive organisations, focused primarily on protecting existing rights of active members over promoting new rights.

Unions have traditionally discouraged extended working life in order to prevent employers from tamping down wages of working age members; protecting younger workers from being crowded out; and protecting the right to retire. Macnicol and Blaikie ((Macnicol & Blaikie, 1990) p38) described post-industrial industrial relations as ‘confirming the economic uselessness of older people.’

As union membership bases have aged, unions have shifted their focus toward both protecting the right to retire and preventing workplace ageism. The union movement has worked with age charities and like-minded employers to promote more robust age discrimination regulations and the abolition of the default retirement age.(Flynn, Upchurch, Muller-Camen, & Schroder, 2013)

In the health sector, prolonged discussion with unions from 2011-2012 resulted in changes to pension arrangements and a new scheme to be phased in from April 2015. Part of the agreement included the establishment of an “Working Longer Review Group,” established on a partnership basis with employer and union representation (NHS Working Longer Review Group, 2014). The group commenced work in March 2012. In October 2014 it was commissioned to deliver a body of work including an age awareness toolkit, guidance on the pension scheme and a library of resources for managers, staff and union representatives on the challenges and impact of an ageing workforce. It has now completed its remit.

Other collective agreements include BAE Systems where a phased retirement programme was developed to in part help the organisation workforce plan.

Flynn, M., Upchurch, M., Muller-Camen, M., & Schroder, H. 2013. Trade union responses to ageing workforces in the UK and Germany. *Human Relations*, 66(1): 45-64.

Macnicol, J., & Blaikie, A. 1990. The politics of retirement, 1908-1948,. In M. Jeffreys (Ed.), *Growing Old in the Twentieth Century*: 21-42. London: Routledge.

NHS Working Longer Review Group. 2014. *Preliminary Findings and Recommendations for the Health Departments*. Leeds: NHS Employers.