

# Demographic change, older workers and the 'new' labour market in Scotland

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## Introduction

Over the next thirty years, the UK's population will age markedly (ONS, 2000). Importantly for Scottish policy-makers, demographic change will be more marked in Scotland than other parts of the UK. For example, the number of children aged under 16 is projected to fall to 85 percent of its 1998 level, while Scots aged between 24-34 are forecast to decline by 20-25 percent over the next 20. This clearly has major ramifications for future economic development policy in Scotland [1].

The key aim of this paper is to identify the key implications of demographic changes taking place in Scotland over the next 20 to 30 years, with particular reference to the issues surrounding population ageing and the role of older workers. Older workers are defined as people between the age of 50 and state pension age. Using secondary sources, the research undertakes an overview of existing data and literature to highlight the impact these changes will have for the Scottish economy and how public policy will have to adapt to Scotland's changing demographic profile.

The paper is structured as follows. First, it begins with a brief introduction to the changing demographic profile of Scotland's population and the varying spatial impact this will have across Scotland. Second, it assesses the economic activity and unemployment rates of older workers in Scotland. Third, it examines the barriers to employment faced by older workers. Fourth, it examines some of the potential costs to the Scottish economy of age discrimination and continuing the current levels of economic inactivity of this age group. Fifth, it assesses the productivity of older workers. Finally, it ends with a discussion of policy changes which will have to be considered by economic policy makers in Scotland.

## Demographic change in Scotland

Rapid advances in life expectancy in older age groups mean that successive generations of older people are living much longer. At the same time, low birth rates mean that the number of younger people in the population will shrink. As a consequence of this the UK population will gradually become older with the average age expected to rise from 38.6 years in 1998 to 41.9 years by 2021. The UK is not alone in experiencing this age shift. In the 15 countries of the EU, the population will not change between now and 2020 – but the number aged between 25 and 50 will fall by an eighth, from 139 million to 122 million. However, with the exception of Ireland, the UK compares quite favourably with some other EU countries. For example, in Britain, the fall will be 8 percent whereas in Germany and Italy it will be 11 and 19 percent respectively.

Significantly, from a Scottish perspective, demographic change will be more marked in Scotland than other parts of the UK (see Table 1 below). According to the ONS, Scotland has been experiencing lower fertility levels than the rest of the UK since the early 1980s and its total fertility rate (TFR) has been below 1.6 for each of the last five years. Indeed, Scotland's population is projected to decline slowly from 1998, while the populations of Wales and Northern Ireland are projected to peak in around 30 years' time and then start to fall (ONS, 2000). The population of England is projected to increase up to 2038 but at a very low rate of growth after 2031. Consequently, while Scotland had 9.3 percent of the total UK population in 1974 this had fallen to 8.6 percent in 1998, and is projected to fall to 7.5 percent in 2036 (Webster 2000).

**Table 1: Projected population of United Kingdom and constituent countries, 1998-2031**

	1998	2001	Longer-term projections		
			2011	2021	2031
UK	59,237	59,954	61,773	63,642	64,768
England	49,495	50,187	51,922	53,715	54,924
Wales	2,933	2,950	2,993	3,047	3,061
Scotland	5,120	5,109	5,087	5,058	4,947
N. Ireland	1,689	1,708	1,771	1,821	1,836

Source: ONS, 2000

The 1998 Scottish population projections undertaken by the General Registrar for Scotland (GROS), show that Scotland's population is projected to continue to fall slowly from 5.12 million in 1998 to 5.06 million by 2021, falling below 5 million by 2031. During this time

Scotland will also face a decrease in the population of pre and working age people coupled with large increases in workers aged 45 to 64. Meanwhile the number of children aged under 16 is projected to fall to 85 percent of its 1998 level by the year 2021. Perhaps most significantly, the number of young Scots aged between 24-34 (a core groups of entrants to the labour market) is expected to decline by 20-25 percent over the next 20 years (e.g. from roughly 800,000 to 631,000). These changes clearly have major ramifications for future labour market policies in Scotland.

Importantly, the changing demographic profile of Scotland's population will have an uneven spatial impact. While there will be a tendency for the populations of all areas to become older, a trend that will be particularly acute for some rural areas (e.g. the Borders), there seems to be a broad distinction between the west and the north/east of the country. Recent research undertaken for Scottish Enterprise based on the 1996 population projections, shows that between 1998 and 2013 there will be population growth in six local enterprise companies (LECs) areas and decreasing populations in seven areas, with the area covered by SE Glasgow losing most in absolute terms (Ekos, 1998). As we can see from Table 2, areas in the west of Scotland will experience declining populations coupled with an increase in the number of people of retirement age. In contrast, some regions in the east and north of Scotland are projected to have increasing populations (e.g. Lothian and Grampian). The population decline in Glasgow and other LECs in the west of Scotland are compounded by short distance out-migration from the city to adjacent areas and long distance out-migration to other parts of the UK (especially the South East of England) and the rest of the world, resulting in net Scottish outflows (Webster, 2000). As others have highlighted, very little intra-Scotland migration actually takes place between the west coast and the east coast (Webster, 2000).

### Economic activity and unemployment rates among older workers

As with employment activity rates more generally, the activity rates for older workers are generally more favourable in England than in Scotland and Wales. Economic activity rates for the 50 plus are higher in England (70.6 percent) than in Scotland (63.4 percent) and Wales (60.6 percent) (Ashdown, 2000). Plus, activity rates among older workers are considerably lower in Scotland/northern England than southern parts of the UK (Collis et al 2000). This applies equally for men and women, but female activity rates are particu-

larly low in the 55-59 and 60-64 age brackets (Collis, 2000).

**Table 2: Regional breakdown of population change in Scotland between 1998 and 2013, by LEC area**

LEC Area	1998	2013	Change
Lothian	772,684	801,230	28,546
Lanarkshire	632,146	609,403	-22,743
Glasgow	609,812	556,536	-53,276
Grampian	445,144	455,819	10,675
Tayside	391,690	387,308	-4,382
Ayrshire	375,199	361,992	-13,207
Renfrewshire	351,971	336,590	-15,381
Fife	347,981	349,601	1,620
Forth Valley	275,494	278,411	2,917
Dunbartonshire	232,670	222,784	-9,886
Dumfries & Galloway	147,284	145,122	-2,162
Borders	106,181	108,266	2,085
Moray & Badenoch	97,235	99,963	2,728

Source: Ekos 1998

In winter 1999, the ILO unemployment rate for older workers was 3.3 percent in Wales, 4.3 percent in England and 6.3 percent in Scotland (Ashdown, 2000). Scotland, therefore, stands out as the area within the UK with the highest level of unemployed older workers. According to data from NOMIS, see Table 3, there were 16,707 people aged 50 and over registered as out of work (and claiming unemployment benefit) in Scotland during September 2000. As we can see from Table 3, unemployment among older workers in Scotland is considerably higher among men than women. Another point to note is the fact that unemployment is concentrated in the lower end of the age spectrum in Scotland (i.e. 50-54), with substantially less unemployment among those aged 60 and over. This is due to older unemployed workers being moved on to different types of state benefits, such as sickness or disability benefit, following periods of redundancy (Turok and Edge, 1999).

**Table 3: Number of people unemployed aged 50 and over in September 2000, by LEC area**

LEC	Male	Female	Total	50+ Unemployment *
SE Ayrshire	1313	546	1859	18%
SE Borders	225	82	307	20.8%
SE Dumfries & Galloway	508	194	702	22%
SE Dunbartonshire	758	234	992	20%
SE Fife	1050	373	1423	17.9%
SE Forth Valley	682	237	919	15.8%
SE Glasgow	2094	494	2588	12.9%
SE Grampian	676	195	871	16.6%
SE Lanarkshire	1586	568	2154	15.8%
SE Edinburgh & Lothians	1411	360	1771	14.9%
SE Moray, Badenoch and Strathspey	138	46	184	18.1%
SE Renfrewshire	903	335	1138	17.8%
SE Tayside	1289	510	1799	19.8%
Total	12633	4074	16707	16.5%

\*as a % of all unemployment in LEC area

Source: NOMIS

Because not all people are covered by official (claimant count) unemployment figures, the data outlined in Table 3 should be seen as indicative of a larger problem. Although older workers are not disproportionately affected by unemployment, it is clear that older workers (particularly men) have a greater propensity than their younger counterparts to leave the labour market on losing their jobs. Plus, they are also more likely to be inactive because they are 'sick' or 'disabled' (Meager and Dench, 1999). The unemployment rate for older workers may not, therefore, be a good indicator of the extent of under-utilisation of the potential older workforce. For example, according to some estimates there are 1.7 million 'hidden unemployed' 50-64 year olds in the UK in addition to the 0.3 million registered unemployed over 50 (EFA, 2000). It is also noteworthy that older unemployed workers are much more likely to be long-term unemployed than their younger counterparts. This is true for both men and women, and it is a pattern that persists over the economic cycle.

Table 3 also shows that older workers appear to be disproportionately affected by unemployment compared to the population as a whole across Scotland. Plus, while unemployment in this age group appears to be high across Scotland, it appears disproportionately acute in rural areas such as Dumfries and Galloway, the Borders, Dunbartonshire and Tayside. However, the

areas with the highest overall levels of unemployed older workers are Glasgow (2588), Lanarkshire (2154) and Ayrshire (1859). The reason for this spatial pattern (and west of Scotland bias) probably owes to the high levels of male workers who have been displaced from traditional industries, such as manufacturing and heavy engineering etc, that have failed to find alternative employment. Worryingly, research suggests that the longer older people are unemployed, the greater is their chance of becoming involuntarily detached from the labour market (Ashdown, 2000).

### Barriers to employment for older workers

Older workers face a number of particular problems in the labour market, most notably age discrimination and lack of training opportunities. Recent research suggests that, despite some evidence of changing attitudes among UK employers, not only does age discrimination remain prevalent, but age criteria continue to be used by UK employers in the process of employment restructuring (Kodz et al, 1999). There is little general evidence of a shift towards an approach avoiding early labour market exit. Indeed, researchers show that various forms of voluntary retirement are often used as an alternative to redundancy among older workers (Worsley, 1996). Research also suggests that early retirement schemes, lower recruitment levels of older workers and delaying within organisations has reduced the training and development opportunities for older workers (Kodz et al, 1999)

Age discrimination also exists due to pension arrangements. Most EU countries' pension regulations have in-built disincentives for older people to work until retirement age (Meager and Dench, 1999). This applies particularly to final-salary based pension schemes (the most common form of occupational pension) to which employer contributions can be considerably higher for older than for younger workers. Employers thus have a strong cost incentive to target restructuring on older workers, and there is clear evidence of a faster fall in employment and activity rates among those who are members of occupational schemes than among those who are not (Tanner, 1998). The OECD estimate that removing those disincentives might increase the participation rate by as much as 10 percent (Gavigan 2000).

Another potential barrier to employment is the lack of training given to older workers. Figures from the labour force survey show that in 1998 only 17 per cent of employees aged 50 plus had received training in the last 13 weeks, compared with 29 per cent of those

aged below 50. As older workers are generally less likely to participate in job-related training, they have higher barriers to overcome should they be confronted late in their career with the need to engage in instructor-led learning. Indeed, there is now considerable evidence that older workers in the UK are less likely to receive work-related training that their younger counterparts.

Furthermore, public support has tended to focus enterprise and new business training and advisory services on younger generations, while services for those over 50 are very limited. This seems especially worrying given that research indicates that older workers who establish businesses tend to have better success rates than younger workers who set up in business (Blackburn et al, 1988).

### Estimating the cost of age discrimination

An ageing population has major consequences for society. First, it affects the future dependency ratio, i.e. the ratio between those in a society that work (and hence pay taxes) and the rest of its inhabitants. This clearly has major financial repercussions for society as less working and more people are in receipt of state benefit. Calculating this is a complicated task which involves forecasting earnings and state benefits etc. Work undertaken by the Employers Forum on Age shows that the total cost to the UK Exchequer is estimated at £5.5 billion. For Scotland this figure would be approximately 10 percent of this total (i.e. £550 million). [2]

The full cost to the Scottish economy would however be greater than this figure suggests. For example, the loss of output is another major cost of unemployment amongst older workers. This is also difficult to estimate owing to the multifaceted nature of the problem and the lack of Scottish-level data. Notwithstanding this, estimating the quantitative costs of premature economic activity has been undertaken. According to work undertaken by the Employers Forum on Age, dividing the GDP (at factor cost) by the workforce in employment produces an average product (at factor cost) of £25,500 per working person of foregone output. Using these figures, they estimate that institutionalised ageism costs the British economy £26 billion annually (see EFA 2000 for a full explanation of how these costs are calculated). Given Scotland has just under a tenth of the UK's population then the total for Scotland would be just under £2.6 billion. To put this cost into perspective, the cumulative cost over the next five years will amount to the equivalent of one fifth of the country's output of goods and services (EFA, 2000).

### The productivity of older workers

As we can see in Table 4, the evidence on the relationship between productivity and age is mixed. For example, some employers have realised that there are lower rates of staff turnover amongst older recruits than younger staff, who may wish to change jobs in order to progress their career. According to a recent study by the Institute for Employment Studies, older workers are also likely to demonstrate a high degree of commitment to their work (Kodz et al, 1999). For example, the British Social Attitudes Survey in 1996 found nearly three-fifths of those aged 50 and over 'do the best they can', with respect to their job, 'even if it interferes with the rest of their life'. This compares to less than two-fifths of those aged 18 to 24. Within some organisations, a lower incidence of short-term sickness absence amongst older workers has been identified (Kodz, 1999).

These differences are crucial given the importance of 'attitude' as a core skill employers look for when recruiting new workers. Recent research on core skills in Scotland shows that younger workers often have a bad attitude towards the work environment which causes various problems for employers (Lange and Gibbons-Wood, 2000). This observation becomes less frequent as we move to higher age brackets, suggesting a correlation between attitudes to work and maturity of the workforce (Lange and Gibbons-Wood, 2000). In contrast, the most frequently identified gap in core skills among older workers is a poor understanding of modern technology, especially regarding IT-related matters. Notwithstanding this, the transition from manufacturing to an increasingly knowledge-based, service-driven economy may actually increase the efficacy of older workers as more emphasis is placed on core skills such as teamwork and social skills in this environment.

### Conclusions and future policy issues

Demographic change will obviously have major policy repercussions for Scotland. These changes will have major implications for Scottish policy makers in a whole host of different aspects of social life, such as local government, spatial planning, housing and economic development. In terms of economic development, these changes will have serious knock-on effects for Scotland's lifelong learning and entrepreneurship policies.

Within a Scottish context very few firms or public organisations appear to have embraced policies towards the 50 plus. There are some examples of good practice in relation to business attitudes and policies towards age diversity but these tend to be isolated.

**Table 4: Selected evidence on ageing and productivity**

Attributev	Evidence	Implication
Physiological Performance	Strength, reaction speeds, sight, balance, etc. decrease with age after 25-35 – but the variation within age groups is high, as is the overlap between age groups	Would tend to place older workers at some disadvantage, but demand for heavy manual work requiring physical strength is decreasing
Intelligence and cognitive ability	IQ does not mater much up to the age of 65 years, although memory and speeds of processing information decrease to some degree with age	Older workers would tend to be at a disadvantage in contexts where rapid (re) learning is required because of obsolescence of old knowledge; the increasing pace of change would appear (at face value) to work to the detriment of older workers
Social Skills and awareness	Tend to increase with age and experience	Increased emphasis on social skills favours older workers; older workers also favoured in situations where substantial knowledge-based judgement is required
Motivation and capability for learning	Depend more on prior experience of learning than age	Older people less likely to have engaged in recent learning but there is variation within age groups

Source: Collis et al, 2000

What is also noticeable is that most of the examples of best practice in Scotland and the UK tend to come from the service sector, especially retail, which traditionally recruit a high proportion of part-time workers and women. Although there are some signs that companies in Scotland are adapting their recruitment strategies, at least in part, this seems to be driven by the fact that older workers offer organisations certain productivity benefits, such as reduced labour turnover, time-keeping etc.

As yet, there does not appear to be a proper recognition among Scotland's employers' or policy makers that Scotland's demographic profile is changing. Given this situation, public agencies, such as Scottish Enterprise, should therefore take on board these changes and try and promote age diversity across the workforce and adapt current policies to harness the economic potential of older workers. Raising the number of older people in the workforce will simultaneously increase economic growth and promote economic inclusion. It also seems particularly appropriate in light of emerging skill shortages in some sectors of the Scottish economy.

Here are just some of the policy issues which ought to be examined:

First, existing training and lifelong learning initiatives will have to help widen access to training among older workers both for those who are unemployed and for those who are currently employed. Although newer initiatives such as the New Deal 50 plus could help to promote older workers to re-engage in the workforce, increasing access to National Training Programmes and amending Investors in People should also be examined. Furthermore, greater consideration will have to be given to developing appropriate training courses for older people. One of the key core skills which will have to be developed among older workers is IT skills. Given that older people do not respond well to classroom environments, training should also be designed for them to go at their own pace within their chosen learning environment. Therefore, the use of web-based training packages may be appropriate in some cases. Large increases of people in retirement age would suggest a need to focus training provision on personal and protective service skills, such as elderly care services etc.

Second, further action should be taken to promote awareness of the costs to the economy and individual businesses of age discrimination. Indeed, some action has already been taken to promote age diversity across the workforce. For example, the current Foresight initiative on the Ageing Population is trying to raise the profile of this issue in Scotland, particularly across businesses and large public sector employers. However, enterprise bodies will have to consider how they can influence business, especially SMEs, to recruit more older workers either through greater awareness raising or incentivising this objective.

Third, given the uneven spatial impact of these changes some consideration should be given to targeting resources towards older workers who are in most need of assistance. Given the very high rates of unemployment among older workers in certain regions in Scotland, especially in Dunbartonshire, Lanarkshire, Glasgow, and Ayrshire some consideration should go towards pilot projects in these areas. This could take the form of developing courses for unemployed older workers, which offer intensive support and training for older workers seeking employment in newer industries such as IT-related employment. Similarly, given the low level of labour market participation among older women, pilot schemes could also usefully be targeted at this group.

Fourth, there is also significant scope for examining support provision offered to older entrepreneurs. Are we currently maximising the number of start-ups within this segment of the population? Small business promotion and new ventures activity undertaken by Scottish Enterprise should take this on board when seeking to target older client groups. There could, for example, be greater bespoke assistance given to older skilled people especially in rural areas, e.g. the Borders and Grampian, where in-migration of older skilled workers is substantial (Findlay et al, 1999). These people could also be utilised as business angels either in a formal (equity) or informal (mentoring) capacity.

Fifth, given the ageing nature of Scotland's workforce perhaps some consideration should be given to encouraging people to return to Scotland, especially those who are young and have good skills and qualifications. This seems particularly appropriate given that much of the *short-term* decline in Scotland's population owes to out-migration of young skilled workers, especially females (Ekos, 1998) [3]. This is something that the Irish authorities are attempting in certain industries such as electronics to alleviate skill shortages. In future, economic development agencies in Scotland will have

to play a much more proactive role in attracting the right skills in order to secure high quality inward investors such as Cadence and Motorola (see Brown and Raines, 2000).

Finally, there is a need for more research on this issue. The best examples of 'good practice' towards population ageing across Europe are to be found in Scandinavia, who faced demographic problems earlier than western and southern parts of the EU (Walker and Taylor, 1998). The US also provides us with some interesting comparative information due to the proactive nature of some companies who are recruiting older workers to deal with extreme labour shortages (The Economist, 1999). More research could usefully identify and assess the policy responses adopted in the US and parts of Scandinavia to further our understanding of the issues involved. Further research is also needed on the process of out-migration from Scotland, especially of young skilled workers. This seems important given that previous research has discovered that the level of knowledge among statutory agencies of migration processes is poor in Scotland (Findlay et. al, 1999). Analysis of the Scottish Household Survey, currently being undertaken by the Scottish Executive, will also provide policy makers with additional information to inform public policy. Future research on older workers in Scotland will also benefit from the data gathered in the 2001 Census.

## Endnotes

The views expressed in this paper are those of the author and do not necessarily represent Scottish Enterprise. I would like to thank the GROS, Age Concern Scotland and the Employers Forum on Age for the data they provided for this research. The usual disclaimer applies however.

The arbitrary method of estimating the figures suggests that they may have a wide margin of error.

Within the 1998 population projections by GROS, a loss of 1,000 persons a year is anticipated.

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