



*Championing better
work and working lives*

Intergenerational Fairness and Provision

Submission to the House of Lords Select Committee on
Intergenerational Fairness and Provision

Chartered Institute of Personnel and Development (CIPD)

September 2018



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Background

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has over 145,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Our membership base is wide, with 60% of our members working in private sector services and manufacturing, 33% working in the public sector and 7% in the not-for-profit sector. In addition, 76% of the FTSE 100 companies have CIPD members at director level.

Public policy at the CIPD draws on our extensive research and thought leadership, practical advice and guidance, along with the experience and expertise of our diverse membership, to inform and shape debate, government policy and legislation for the benefit of employees and employers, to improve best practice in the workplace, to promote high standards of work and to represent the interests of our members at the highest level.

Our response

General

1. *Is the intergenerational settlement in the UK currently fair? Which generations are better off or worse off, and in which ways?*

1. This is a difficult judgement to make as it requires comparing the material and non-material aspects of well-being. In addition, it requires forming a view of future prospects for different generations. “Fairness” is also a slippery concept to apply practically.
2. Nevertheless, “intergenerational fairness” ought to be a factor in future public policy decisions, if it is understood as a requirement that the expected costs and benefits of different policy options to current and future generations are identified clearly and discussed openly.

2. *What are the future prospects for different generations in the light of current economic forecasting?*

3. Governments should seek to outline the range of possibilities that exist, and their residual uncertainty, when considering future policies.
4. There are three particular uncertainties that need to be considered:
 - The impact of technological change on the demand for labour. In the long run, the impact of technological change on unemployment has always been neutral, with any jobs displaced by technology being offset by job creation elsewhere in the economy. Some commentators have however questioned whether this assumption can be maintained in the future.
 - The productivity slowdown. Since the last recession, the growth rate of labour productivity has been much slower than its pre-recession growth rate for reasons not entirely understood (the “productivity puzzle”). To an extent, this has been an issue in many advanced economies, not just the UK. It is unclear if this reduction in productivity growth is temporary or if it will be sustained. This is important because a lower rate of productivity growth means a lower rate of growth in incomes. The implicit assumption that future generations will be richer than current generations – which underpins a lot of policy thinking, for example, on pensions – may need to be reconsidered.

- **Brexit.** The effect of the UK's decision to leave the European Union could affect both the short-run and the long-run growth rate and the effects, it is asserted, could be positive or negative.

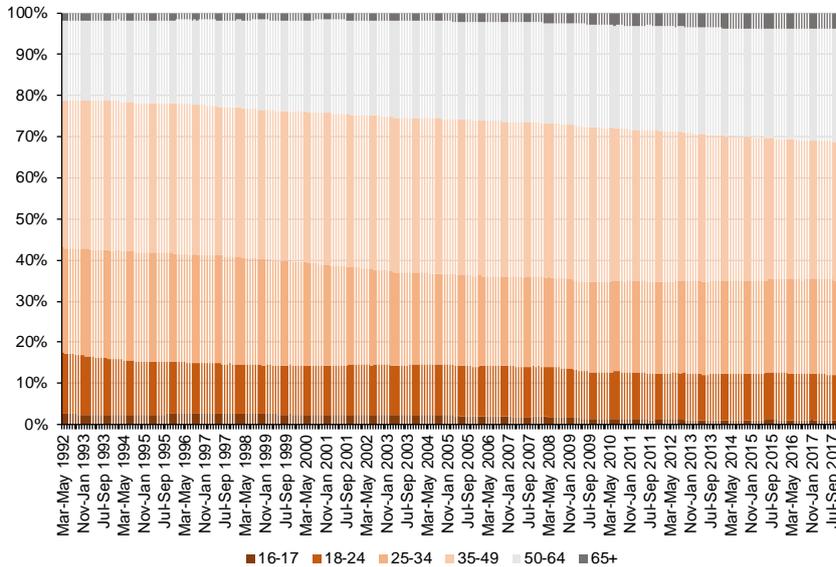
Jobs and the workplace

3. To what extent do different generations have a better or worse experience of the labour market?

5. It may not be possible to judge whether the labour market experience of different age cohorts is better or worse than that faced by other age cohorts. What can be described is the labour market experiences of different age groups.
6. Over the last quarter century, the age profile of those in employment has changed as the average age of the population has increased. In 1992, 18% of those employed were aged under 25; in 2018, the figure was just 12%. Over the same period, the proportion of those in employment who were aged over 50 has increased from 21% to 32% (Figure 1).

Figure 1: Employment by age group, 1992-2018

UK, seasonally adjusted



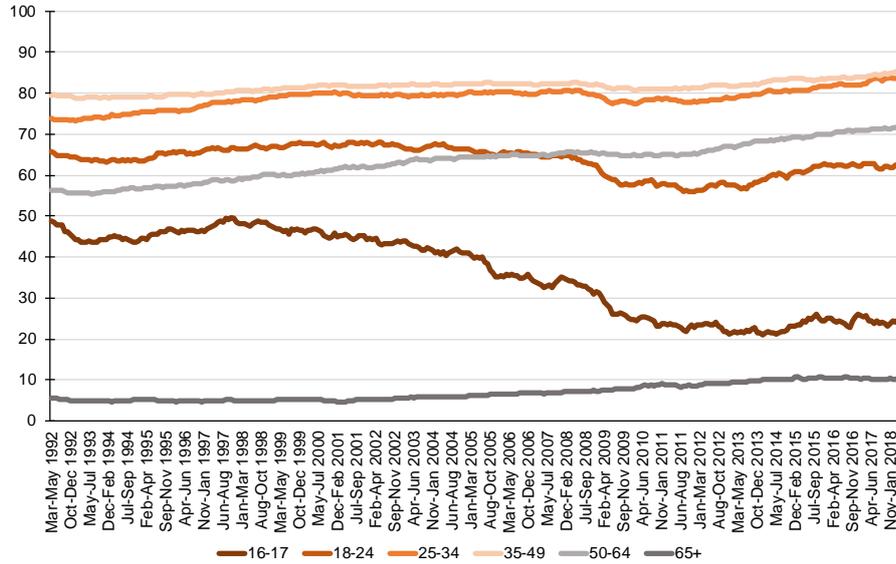
Source: Labour Force Survey.

7. The same underpinning data shows that the employment rates of different age groups has changed over time (Figure 2). The employment rates of younger age groups have fallen, which can be attributed to them being more likely to participate in full-time education. In contrast, employment

rates for the over 50s have increased. While the employment rate for the over 65s is still low – at a little over 10% - it has doubled in the last quarter century.

Figure 2: Employment rates by age group, 1992-2018

UK, seasonally adjusted



Source: Labour Force Survey.

- Those in the youngest and oldest age groups are more likely than those aged 25-49 to be working part-time, in a temporary job, or to be employed on a zero-hours contract; but less likely to be full-time employees, possibly because they are more likely to be in education or training or in a job that fits with other commitments or interests (Table 1). Self-employment is more common among the over 50s than it is for younger age groups. The issue here is that many older self-employed appear unable or unwilling to stop working for themselves.

Table 1: Type of employment by age group, 2018

	16-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70+
% part-time	63%	27%	17%	19%	23%	24%	22%	23%	28%	39%	62%	76%
% self-employed	2%	5%	8%	11%	14%	16%	16%	17%	18%	18%	21%	28%
% temporary (employees only)	20%	13%	5%	5%	4%	4%	3%	3%	3%	5%	10%	9%
% zero-hours contracts (Oct-Dec 2017, employees only)	14%	7%	2%	2%	1%	1%	1%	2%	2%	3%	5%	4%

Source: Labour Force Survey, January-March 2018.

9. We can use the results of the CIPD UK Working Lives Survey to compare the quality of jobs held by people of different ages. The CIPD UK Working Lives Survey is a survey of over 6,000 people in employment that was conducted at the beginning of 2018¹. Results were used to compile a Job Quality Index for employees of different age groups (Table 2)².

Table 2: CIPD Job Quality Index by age group, 2018

	25-39	40-54	55+
Pay and reward	0.42	0.41	0.34
Terms of employment	0.75	0.74	0.72
Nature of work	0.60	0.61	0.61
Social support	0.69	0.69	0.72
Health and well-being	0.58	0.58	0.63
Work-life balance	0.54	0.53	0.61
Voice	0.33	0.34	0.29

Source: CIPD UK Working Lives Survey³.

10. Compared to younger employees, the jobs held by those aged 55 and over were less attractive in terms of pay and rewards, but more attractive in terms of health, well-being and work-life balance. Employees aged 55 and over were much less likely to think their jobs put them under regular excessive pressure and more likely to think their work aids their mental and physical health. This may be a result of older age groups being more likely to work part-time or to be self-employed, both types of work being associated with enhanced well-being⁴.
11. When asked more direct questions about various aspects of their job, employees aged over 55 were more likely to be satisfied with their jobs, although they were not likely to be more satisfied with the pay and benefits offered (Table 3). Again, this may be due to older workers being more likely to be part-time or self-employed; full-time employees aged 55 and over were no more likely to be satisfied with their job than younger full-time employees.

¹ CIPD (2018) *UK Working Lives*; see <https://www.cipd.co.uk/knowledge/work/trends/uk-working-lives>

² The survey covered those in employment aged 16 and over. However, results for the 16-24 age group are not presented. This is because the sample size is relatively small (n=206) and because many of those in work aged 16-24 are also in full-time education and training, so, for this age group, perceptions of their current job may be a less reliable indicator of their long-term situation.

³ CIPD (2018) *UK Working Lives*; see <https://www.cipd.co.uk/knowledge/work/trends/uk-working-lives>

⁴ CIPD (2018) *Megatrends: more selfies?* <https://www.cipd.co.uk/knowledge/work/trends/megatrends/self-employment> and CIPD's Megatrends on flexible working (forthcoming).

Table 3: Job perceptions by age group, 2018

	25-39	40-54	55+
Satisfaction with job (% very satisfied/satisfied)	62%	62%	69%
Satisfaction with pay (% very satisfied/satisfied)	44%	45%	44%
Satisfaction with benefits excluding pay/pension (% very satisfied/satisfied)	45%	38%	35%
Good prospects to develop skills (% agree/strongly agree)	56%	45%	41%
Good prospects for career advancement (% agree/strongly agree)	41%	26%	16%
Easy to find job as good as current one (% easy/very easy)	34%	24%	20%
Likely to lose job in next 12 months (% likely/very likely)	15%	13%	11%

Source: CIPD UK Working Lives Survey.

12. However, older people were less likely than those in work aged 25-39 to think their jobs were likely to develop their skills or offer a career. While older employees were slightly less likely than younger employees to expect they would lose their job in the near future, they were much less likely to think it would be easy to find another job as good as their current one.
13. The official labour market statistics suggest such apprehension might be justified. Although the overall unemployment rate for those aged 50-64 is relatively low, long-term unemployment – unemployment for a year or more – is highest as a percentage of the overall unemployment rate. For those aged 50 and over who lose their jobs, getting back into any work – never mind a job comparable in benefits or status to their previous one – is a risky endeavour.

4. What needs to change to enable longer and fuller working lives for all? What role should employers play in providing solutions? What role can technology play?

14. CIPD research suggests some of the underlying conditions are favourable. Both employers and employees recognise the potential benefits from age-diverse teams, especially when it comes to sharing knowledge and different ways of thinking, even if there are also potential barriers to overcome, such as ensuring different age groups have enough in common⁵. However, most employers were failing to anticipate the implications of population ageing or plan for it in any strategic manner, with most preferring to deal with problems as they arose (if they did so at all). This

⁵ CIPD (2014) *Managing an age-diverse workforce* https://www.cipd.co.uk/Images/managing-an-age-diverse-workforce_2014_tcm18-10838.PDF

reflects the inability, or unwillingness, of most UK employers to engage in strategic workforce planning.

15. CIPD provides information and resources for HR professionals and managers, most recently in the context of workforce planning for the possible implications of Brexit⁶. There is, however, a limit to what can be achieved through providing information and guidance. Measures may also be needed to strengthen the demand for workforce planning within organisations, including the demands placed on organisations by stakeholders such as investors and regulators.
16. A means of encouraging more employers to adopt workforce planning and to think and invest more strategically about their people would be through enhanced workforce or Human Capital Management (HCM) reporting. CIPD research⁷ finds that the quality of workforce reporting, while improving, remains inadequate, suggesting action is needed to improve this, for example by Government supporting the creation of voluntary human capital reporting standards. These standards would provide a suggested framework on HCM reporting and could be used to set a target for improved practice. The alternative to a voluntary approach would be to require more prescriptive, mandatory workforce reporting via changes to Section 172 of the Companies Act (2006).
17. Improvements to workforce reporting and strategic workforce planning are unlikely to provide a catalyst for more progressive people management practices among small firms however. Workforce planning or even making best use of the skills, knowledge and experience of workers of different ages, may be daunting tasks for many firms, especially SMEs, which often lack access to specialist advice. CIPD, with funding from the JP Morgan Foundation, worked with SMEs in three localities – Hackney, Stoke-upon-Trent and Glasgow – to raise their HR capability⁸ by providing up to two days of free HR support to small firms employing between 1 and 50 employees over the course of 12 months,
18. The evaluation of these HR support pilots found that the demand for people management support for small firms was at a very basic level, for example help with providing written terms and conditions, job descriptions and the basics of good recruitment practice. However, even though the support provided was at a low ‘transactional’ level, its impact was evaluated as extremely valuable and was associated with improvements to workplace relations, labour productivity and financial performance at a firm level.

⁶ CIPD (2018) *Preparing for Brexit through workforce planning* https://www.cipd.co.uk/Images/brexit-workforce-planning-guide_tcm18-38797.pdf

⁷ CIPD (2018) *Hidden figures: the missing data from corporate reports* <https://www.cipd.co.uk/knowledge/strategy/governance/hidden-figures-workforce-data>

⁸ CIPD (2017) *Building HR capability in small UK firms* <https://www.cipd.co.uk/knowledge/strategy/hr/hr-capability-small-firms>

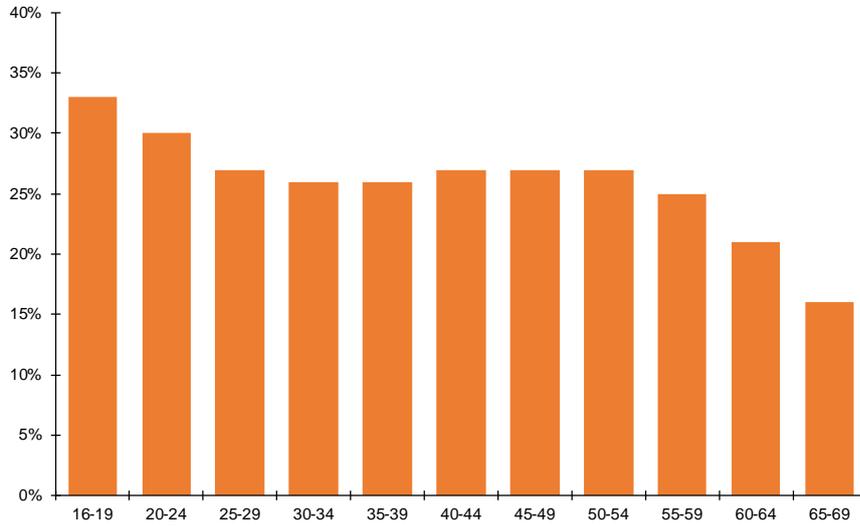
19. As a result, CIPD is calling for the provision of high-quality HR support to small firms at a local level embedded through key partnerships such as Local Enterprise Partnerships, chambers of commerce and local authorities which have the potential to reach large numbers of employers and make a material difference to owner manager confidence and capability and support productivity growth over time. The CIPD recommends that People Skills support hubs, which would provide a finite amount of free, high-quality HR support to small firms in order to boost their basic management capability and enhance job quality, are established across all Local Enterprise Partnerships (LEPs) in England at a total cost of £13 million a year, funded via the National Productivity Investment Fund.
20. Flexible working can help people in older age groups stay in the labour market, especially past state pension age (see Table 1). However, the types of flexible working most attractive to older workers may not be those most attractive to other groups traditionally regarded as the target group for such initiatives, such as working parents. Employers may need to rethink what they provide and how they promote it to different age groups within the workplace. CIPD is pleased to co-chair the government's new Flexible Working Task Force established by the Department for Business, Energy and Industrial Strategy to promote wider understanding and implementation of inclusive flexible work and working practices. The task force will draw together action plans and recommendations with the intention of increasing flexible working opportunities, and will also feed directly into the evaluation of the effectiveness of the Right to Request Flexible Working Regulations in 2019.

5. What are the barriers to greater in-work training and skills development for all generations?

21. Probably the greatest barrier facing employees of any age is a lack of demand for the skills they already possess. If existing skills are not used or valued, what motivation do individuals - or their employers - have to invest time or money in more training and development? According to the CIPD UK Working Lives Survey, 38% of employees think they have the skills to cope with more demanding duties.
22. The proportion of employees who said they had undergone some job-related education or training within the last three months drops off among employees aged 60 and over (Figure 3). It is not clear how much this is due to employers not offering employees training and development opportunities versus employees deciding not to take advantage of opportunities.

Figure 3: Participation in job-related education and training in last three months by age group, 2018

UK, employees, not seasonally adjusted



Source: Labour Force Survey, January-March 2018.