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**Research Report**

## Recent and future patterns of work around state pension age

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**Institute for Fiscal Studies**

**IFS Report R212**

**Jonathan Cribb  
Carl Emmerson**

# **Recent and future patterns of work around state pension age**



**Economic  
and Social  
Research Council**



# Recent and future patterns of work around state pension age

Jonathan Cribb

Carl Emmerson

Copy-edited by Rachel Lumpkin

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## Key findings

- 1 **The patterns of employment among people in their 50s and 60s are dramatically different to those seen a few decades ago.** The biggest change has been the increase in employment rates among women aged 60–65. Employment rates in that age group are now around 25 percentage points higher than in 1995, in part driven by the increases in the state pension age since 2010. For men, the striking fact is how gradually men's employment rates now decline at older ages compared with the mid-1970s. In 1975, over half of men left paid work between the ages of 62 and 66, whereas now just three in ten men leave paid work over the same ages.
- 2 **Between 2011 and the pandemic, economy-wide employment rates consistently – and often substantially – outperformed official government forecasts.** However, since the pandemic, employment has fallen and economic inactivity has risen whereas, before the pandemic, employment had been forecast to continue rising and economic inactivity to continue falling. This is especially the case for those aged 50+. With a forecast of flat, or gradually declining, employment rates over the next five years, the official forecast implicitly assumes that these declines for older people will not be reversed in the next few years.
- 3 **There are reasons to think that employment rates among people aged 50–69 could rise in coming years.** First, each successive generation approaches retirement with greater labour market attachment, work experience over their lives, and education than their predecessors. This is particularly true of women. We would expect these patterns in general to keep people in work for longer, pushing up employment rates. Second, the state pension age is rising from 66 to 67 between 2026 and 2028. Given the strong rises in employment for 65 year olds seen as a result of the recent increase in the state pension age from 65 to 66, it would be surprising if this did not act to push up employment further.
- 4 **Consistent with this, there have been large increases in expected retirement ages.** The proportion of people aged 40–54 expecting to retire after the age of 65 increased sharply between 2006–08 and 2018–20, from 10% to 49% among men and from 6% to 45% among women. These increases were most dramatic between 2008 and 2014, but continued to rise more gradually between 2014 and 2019.

- 5 **Increased economic inactivity among people aged 50–69 has been driven by greater moves out of employment into retirement and other forms of economic inactivity since the pandemic started.** The evidence does not suggest that this is primarily driven by individuals leaving their jobs due to poor health. In the second half of 2021, the number of workers aged 50–69 leaving employment for retirement or other inactivity was at least 20% higher than pre-pandemic, even as the labour market bounced back from the pandemic, and the risk of hospitalisation from COVID-19 had been substantially curtailed by the vaccination programme.
- 6 **It seems likely that full-time work will play an increasingly important role for workers aged 50–69 in the coming years.** There has been a dramatic increase in the share of women working full-time in particular, doubling from 17% for women aged 50–69 in full-time work in 1992 to 34% in 2021. This is despite that fact that around a quarter of full-time workers in their early 60s say they want to work fewer hours. In contrast, rates of part-time work at these ages have fallen back since the pandemic, with higher fractions of part-time employees moving into economic inactivity. Similarly, since the pandemic, there have been falls in the proportion of people who are self-employed, both overall and among older individuals. Since the pandemic, older self-employed workers have also been more likely to leave paid work for economic inactivity than previously.
- 7 **Higher state pension ages encourage some people to delay retirement and continue to work at older ages, but most people do not work longer as a result.** The increase in the state pension age from 65 to 66 caused the number of employed people aged 65 to increase by 55,000 in 2021. But it also meant that 5,000 more people aged 65 were unemployed (rather than retired) and 27,000 more 65 year olds who were out of work reported that it was because they were long-term sick or disabled (again, rather than being retired). There is an increasingly large gap between the generosity of state support provided once someone reaches the state pension age compared with what is available prior to this age. In other words, the increases in the state pension age lead to more out-of-work people relying on the comparatively less generous working-age benefit system for longer.
- 8 **Reductions in household income for people aged 65 resulting from the most recent increase in the state pension age have caused absolute income poverty amongst 65 year olds to more than double, rising by 13 percentage points.** This is because most 65 year olds who are below the

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state pension age are not in paid work and do not have a partner who is in paid work. While some in this group have reasonable – or even substantial – private pensions, others do not. The increases in poverty at age 65 have been larger for groups that are generally closer to the poverty line: single people, people with fewer educational qualifications, and renters.

# 1. Introduction

There have been dramatic changes in the patterns of work among people in their 50s and 60s over the last 50 years. The gradual increases in employment since the mid-1990s are generally welcome. A longer working life boosts household incomes, as people are reliant on their wages and salaries for longer (as opposed to state benefits), they have longer to accumulate private pension wealth, and fewer years in retirement to draw upon their private pension resources. There have been changes not only in the number of people in work, but also in the types of work they have been undertaking, with particularly large rises in full-time work for women.

Increases in employment – particularly for women in their early 60s – have also been driven by increases in the state pension age since 2010. Rises in the state pension age are a coherent response to the public finance challenge of increased longevity, and they have increased employment significantly. But a higher state pension age also exposes more individuals to the much less generous working-age benefit system for longer; state support for those not in paid work is much more generous for those just above the state pension age than for those just below it, and this gap has increased substantially over the last 20 years. A higher state pension age is particularly challenging for those who would like to be in paid work, but cannot work due to poor health or being unable to find a suitable job.

In contrast to the long-running trends of higher employment and falling economic inactivity, the labour market for older workers has seen a sharp turnaround since the pandemic, with lower rates of employment driven not by much higher unemployment (people unable to find work) but by economic inactivity (people out of work who are not searching for work, for various reasons). Since the beginning of the pandemic, long-standing increases in self-employment have reversed, including amongst older workers among whom self-employment is relatively more common.

This report brings together new evidence on these issues to examine the recent trends in, and prospects for, the labour market for people in their 50s and 60s. We draw upon evidence from a two-year programme of work conducted in partnership between the Institute for Fiscal Studies and the Centre for Ageing Better whose key aim has been to understand better the changing patterns of work for older workers. But we also bring new evidence from analysis of recent microdata on labour market outcomes and expectations to help provide an assessment of the situation facing older workers in coming years.

We start by setting out how employment rates have changed for people of different ages in recent decades, and how the government's official forecaster, the Office for Budget

Responsibility (OBR), expects employment to evolve in the coming years. Figure 1.1 shows the employment rates of men aged 18–74 in 1975 (the earliest consistent microdata available), in 1995 (the point where employment rates of older men were at their lowest) and in 2021 (the most recent data available). The figure illustrates key points in changing work patterns for men. First, for every age from 18 to 63, men’s employment rates in 2021 were still lower than they were in 1975. This is clearest for young men – many more of whom remain in tertiary education now than they did in the 1970s. However, except for those youngest men, employment rates were – across the board – higher in 2021 than they were in 1995. But despite the big increases in employment among men aged between 50 and 63 seen since 1995, employment rates among these ages remain well below the rates seen in 1975.

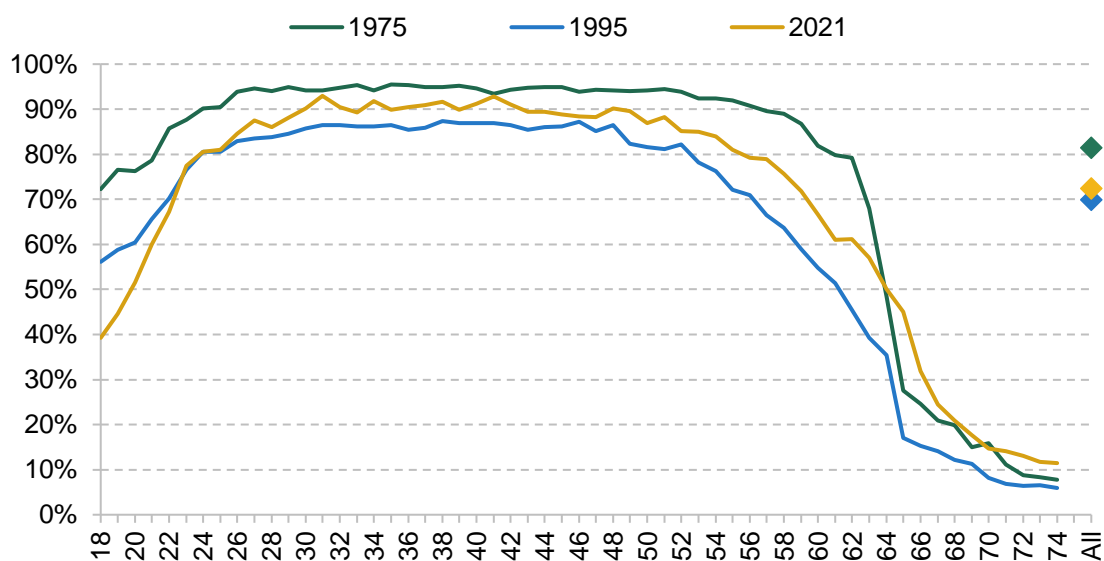
Second, men’s exit from the labour force has become a lot more gradual than it was in the 1970s. This is particularly noticeable when men are in their 50s and early 60s. For example, in 1975, male employment rates dropped by 55 percentage points between the ages of 62 and 66, whereas it fell by only 29 percentage points over the same ages in 2021. In other words, more than half of all men in 1975 retired between the ages of 62 and 66, whereas today this is true of fewer than one in three of all men. Banks, Emmerson and Tetlow (2018) highlight the potential role of the shift from defined benefit pensions (which tend to encourage retirement at specific ages) to defined contribution pensions (which do not) in helping to facilitate this smoother pattern of retirement.

Third, more men are undertaking paid work in their late 60s and early 70s, compared with either 1975 or 1995. One in every three men was employed at age 66 in 2021, compared to one in four in 1975 and one in six in 1995. Even at age 74, 11% of men in 2021 were employed compared to just 8% in 1975 and 6% in 1995.

The patterns are, unsurprisingly, very different for women, as shown in Figure 1.2. With the exception of the very youngest women (who also remain in education for longer), female employment rates are, consistently, significantly higher than in the mid-1970s and mid-1990s. The two decades between 1975 and 1995 led to large increases in employment for women in their 20s, 30s and 40s, but there were only small increases for older women. However, since 1995, employment has risen substantially for women in their 50s and early 60s, with the largest increases (of between 23 and 27 percentage points) for those between 60 and 65, driven in part by the increase in the state pension age from 60 to 66 since 2010. So, for example, despite the employment rate of women aged 60 being essentially the same in 1995 as it was in 1975 – at 35% and 34%, respectively – by 2021, 58% of women at this age were in paid work. And while fewer women work in their late 60s and early 70s than men, it is still the case that employment was much more likely at these ages for women in 2021 than it was in the 1990s or 1970s. 11% of women were in paid work at age 70 in 2021, compared to 3%–4% in 1975 and 1995.

## 7 Recent and future patterns of work around state pension age

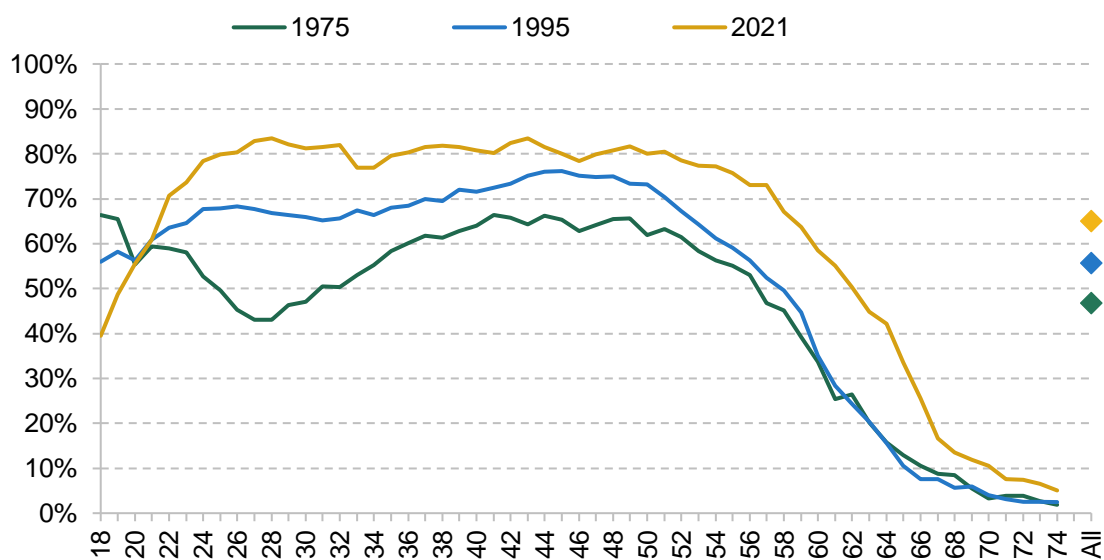
Figure 1.1. Employment rates of men aged 18–74, in 1975, 1995 and 2021



Note: 'All' refers to all men aged 18–74.

Source: Authors' calculations using the Labour Force Survey.

Figure 1.2. Employment rates of women aged 18–74, in 1975, 1995 and 2021



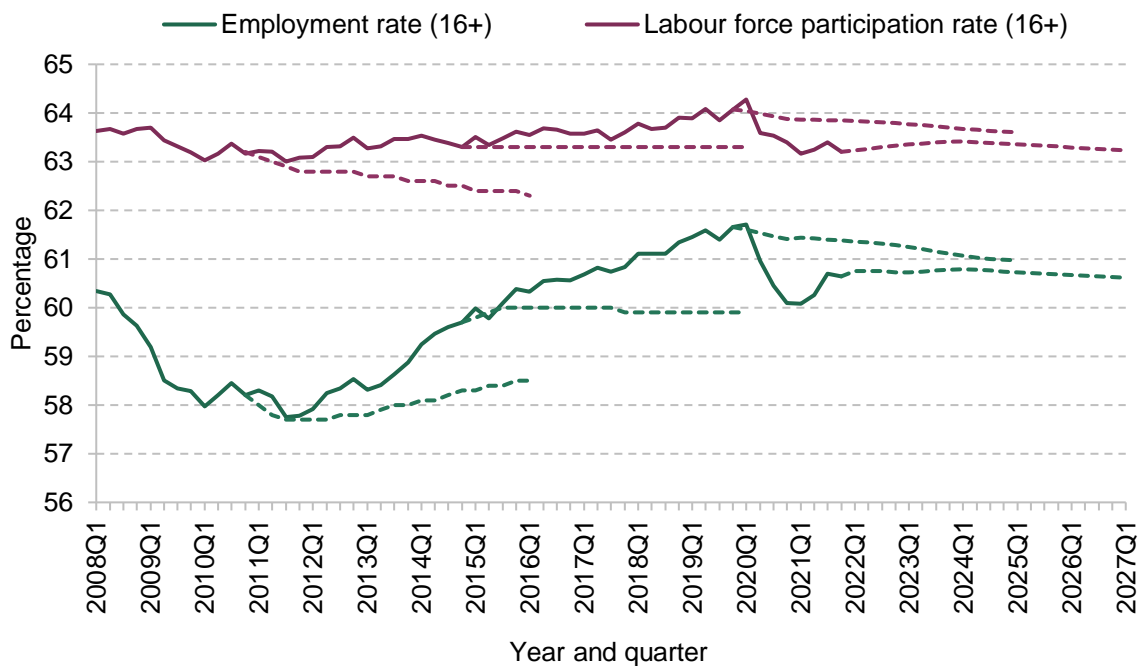
Note: 'All' refers to all women aged 18–74.

Source: Authors' calculations using the Labour Force Survey.

So there have been dramatic changes to employment, particularly for older people, in recent decades. But it is difficult to predict how employment rates will continue to evolve, either in aggregate or for particular parts of the population. Employment rates will be greatly affected by future macroeconomic performance, such as whether we face another large recession in the coming years, or whether we have a more stable macroeconomic climate.

Figure 1.3 illustrates how hard it has been to predict employment rates over the last 10 years. For those aged 16 and over, employment rates and labour force participation rates (which includes unemployed people as well as employed people) have evolved quite differently to how they have been forecast. The figure shows that between the Great Recession and the COVID-19 pandemic, the increases in employment have consistently been substantially larger than expected. Some of this was due to a faster employment recovery from the Great Recession, with rapidly falling unemployment. But even between 2015 (when employment had already reached its pre-financial-crisis peak) and 2019, employment and labour force participation rates continued to exceed expectations.

**Figure 1.3. Employment and labour force participation rates, and OBR forecasts, in March 2011, March 2015, March 2020 and March 2022**



Note: Solid lines are outturns and dotted lines are forecasts.

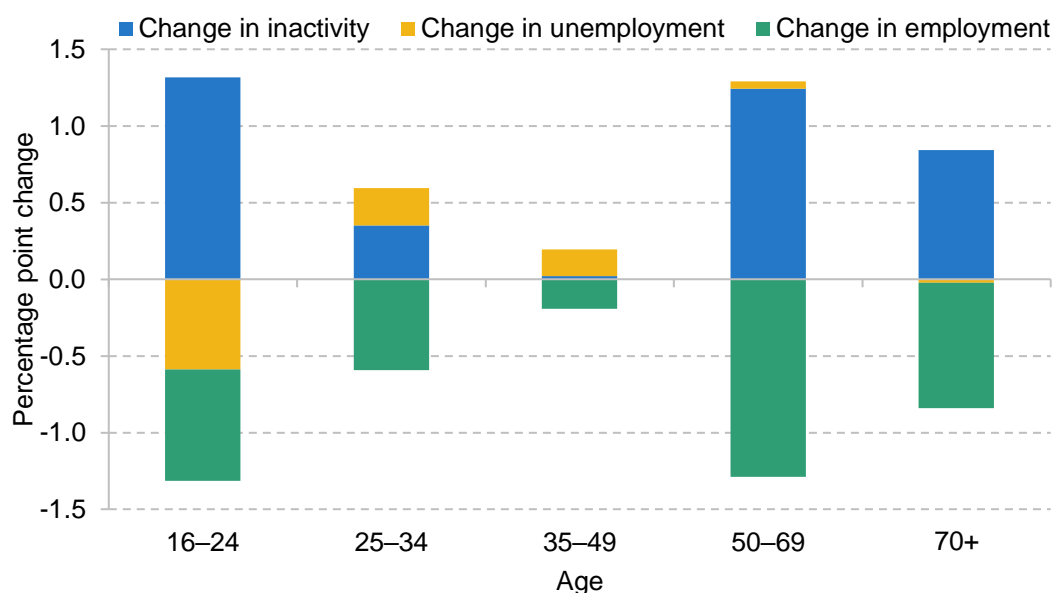
Source: OBR's Economic and Fiscal Outlook in March 2011, March 2015, March 2020 and March 2022.

Outturns are from the OBR's Economic and Fiscal Outlook publications, based on Labour Force Survey data.

On the eve of the pandemic, both labour force participation and the employment rate were forecast to fall slightly in coming years. In reality, the pandemic, and associated economic restrictions, led to a sharper fall in labour force participation and a much sharper fall in employment than expected. However, even at their troughs, both were in line with what had been forecast in 2015. Looking forwards, the latest official forecasts assume that both labour force participation and employment will now run at a lower level throughout the next few years than had been forecast immediately prior to the pandemic in March 2020.

The fall in labour force participation (and commensurate rise in economic ‘inactivity’) since the pandemic has reversed the entirety of the increase in employment seen over the four years prior to the pandemic. Figure 1.4 shows that this fall in employment, and increase in economic inactivity, has been much greater for older people, with the largest change being for those aged 50–69 between the beginning of 2020 and late 2021. There was a fall in the employment rate for this group of 1.3 percentage points, from 62.7% to 61.4%, with almost all of this fall being composed of more economically inactive people aged 50–69 (rather than an increase in unemployment among this group). Given that a large fraction of the fall in employment has been for those aged 50+, and the fact that the current forecasts suggest little recovery in employment beyond the end of 2021, one way that employment could outperform forecasts would be for a very strong recovery in employment for people aged 50+.

**Figure 1.4. Change in fraction of population who are employed, unemployed and economically inactive (percentage points), from October 2019–March 2020 to October 2021–March 2022, by age group**



Note: By definition, the changes in employment, unemployment and inactivity sum to zero.

Source: Authors' calculations using the Labour Force Survey.

In this report, we examine recent trends in employment for people in their 50s and 60s and we draw implications for future patterns of work. In Section 2, we discuss the prospects for employment rates at older ages, examining generational differences among those approaching retirement; how future state pension age increases could affect employment and retirement decisions; and the implications of the recent rise in economic inactivity among older people. In Section 3, we discuss the types of work that people in their 50s and 60s are undertaking – with a particular focus on the decision to be an employee or self-employed, and whether to work full- or part-time. In Section 4, we examine the situation facing those people who are not in paid work in the years approaching state pension age and how they have been affected by recent state pension age increases. We conclude in Section 5.

## 2. Future employment rates at older ages

Despite the difficulties in forecasting future employment rates, there are a number of factors that are likely to continue to push up employment rates of older people. These include: ‘cohort effects’ (the fact that each successive birth cohort that approaches retirement has life and work experiences that can be significantly different to those that came before them); and policy changes, including the continued planned rise in the state pension age to 67 by 2028 and to 68 by 2048. Against that is the recent trend of reduced employment and increased economic inactivity amongst older people seen since the pandemic, and the potential for these changes to be at least partly persistent.

Figures 2.1 and 2.2 highlight the differences in employment rates between people born in each decade, for men and women, respectively. They highlight the fact, particularly for women, that the generations currently approaching retirement have had higher employment rates throughout their 40s and 50s than those who came before them.

For men born in the 1960s, their employment rate at age 56 was 77%, compared to 74% for those born in the 1950s and 73% for those born in the 1940s. Similarly, there are small generation-on-generation rises for those born in the 1970s in their mid-40s compared with those born in previous decades. However, all these differences are small compared to the rises in male employment seen between those born in the 1930s and 1940s.

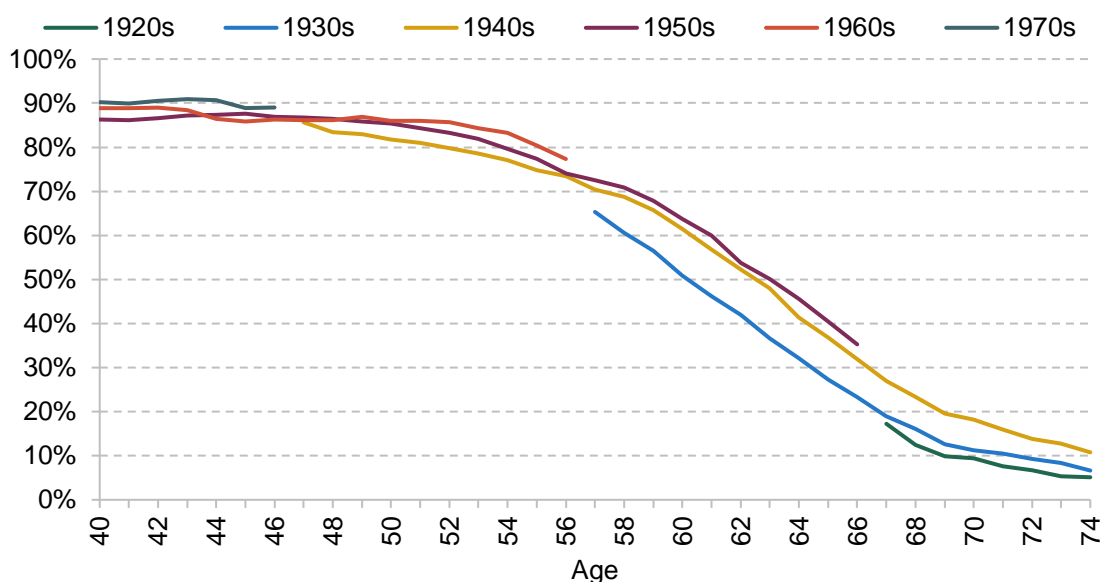
For women, the generation-on-generation rises for those approaching retirement are larger, with employment at age 56 higher by 5 percentage points for those born in the 1960s than those born in the 1950s, and 3 percentage points higher at age 46 for those born in the 1970s compared with those born in the 1960s. Bigger differences can be seen at older ages between the 1930s generation and the 1950s generation.

Overall, this means that women, and to a lesser extent men, approaching their 60s in the coming years and decades are more likely to be in paid work, and are likely to have a higher level of attachment to the labour market and more accumulated work experience over their life. In general, we would expect this to lead to persistently higher employment rates when people are in their 60s than the generations that come before them, albeit at a slower rate of change than that seen among women in previous decades. Changing levels of education might also have important impacts; the proportion of people born in the 1960s who had a degree or other higher

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education qualification was 37% (when measured in their mid-50s) compared to 29% for the 1950s generation. Amongst other reasons, higher levels of work experience and education would be likely to feed into higher potential wages, incentivising people to remain in paid work for longer.

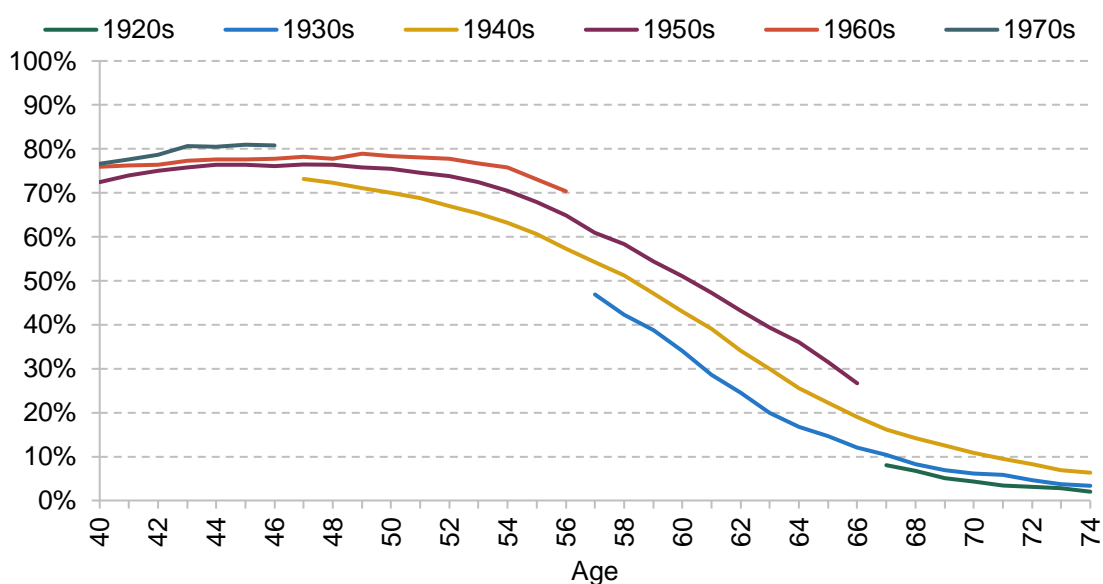
**Figure 2.1. Employment rates by age and decade of birth, men**



Note: Age is the average (median) age of a ten-year birth cohort in a given year of data.

Source: Authors' calculations using the Labour Force Survey, 1992–2021.

**Figure 2.2. Employment rates by age and decade of birth, women**



Note: Age is the average (median) age of a ten-year birth cohort in a given year of data.

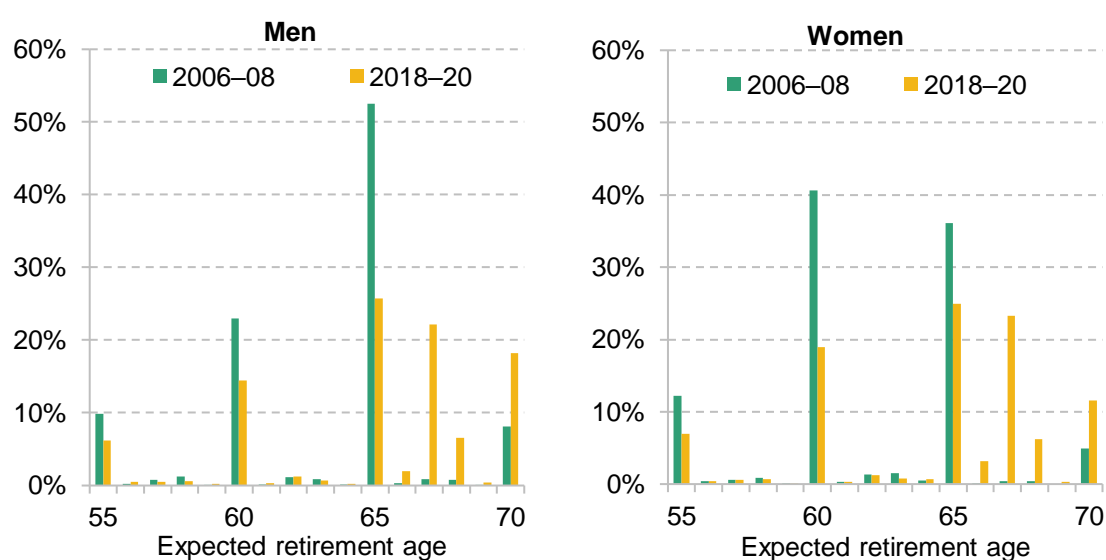
Source: Authors' calculations using the Labour Force Survey, 1992–2021.

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Further evidence that people approaching their 60s in the coming years will stay in work for longer in the future can be found in data that surveys the expected retirement ages of people in their 40s and early 50s who have not yet retired. Figure 2.3 uses data from the Wealth and Assets Survey (WAS) and shows that in the mid- to late-2000s, over half of men expected to retire at 65, and only 10% above 65. In comparison, in 2018–20, only 26% expected to retire at 65, there were falls in the proportion expecting to retire before 65, and almost half (49%) expected to retire at 66 or above, with particularly large numbers expecting to retire at age 67. There were large increases in expected retirement ages for women too, with a reduction in the proportion expecting to retire at 60 and 65 and an enormous increase in the proportion reporting that they expect to retire past aged 65 (from just 6% to 45%). As is shown in Figure A.1 in the Appendix, the proportion of men and women expecting to retire past the age of 65 rose particularly sharply between 2008 and 2014, but it also continued to rise steadily between 2014 and 2019.

An additional reason to expect higher employment rates for people in their 60s is further increases in the state pension age. The current state pension age (for both men and women) is 66, and it is legislated to rise to 67 between 2026 and 2028. This is likely to be why a large proportion of people in their 40s and early 50s expect to retire at age 67, as shown in Figure 2.3. Subsequently, further increases in the state pension age are likely. A rise from 67 to 68 is currently legislated to occur between 2046 and 2048. However, stated government policy is that, on average, people should spend up to one-third of their adult life in receipt of the state pension,

**Figure 2.3. Expected age of retirement among people aged 40–54**



Note: Sample is non-retired individuals aged 40–54 who answered the question ‘At what age do you expect to retire (from your main job)?’ with an expected retirement age. ‘55’ includes responses of 55 or below; ‘70’ includes responses of 70 or above. This figure updates Figure 5.1 from Crawford et al. (2020).

Source: Authors’ calculations using WAS wave 1 and round 7.

but that at least a decade of notice should be made in advance of any changes to the state pension age. In July 2017 – in response to the first independent review of the state pension age and on the basis of official longevity forecasts available at the time – the government announced its intention to bring forward the increase in the state pension age from 67 to 68 to between 2037 and 2039.<sup>1</sup>

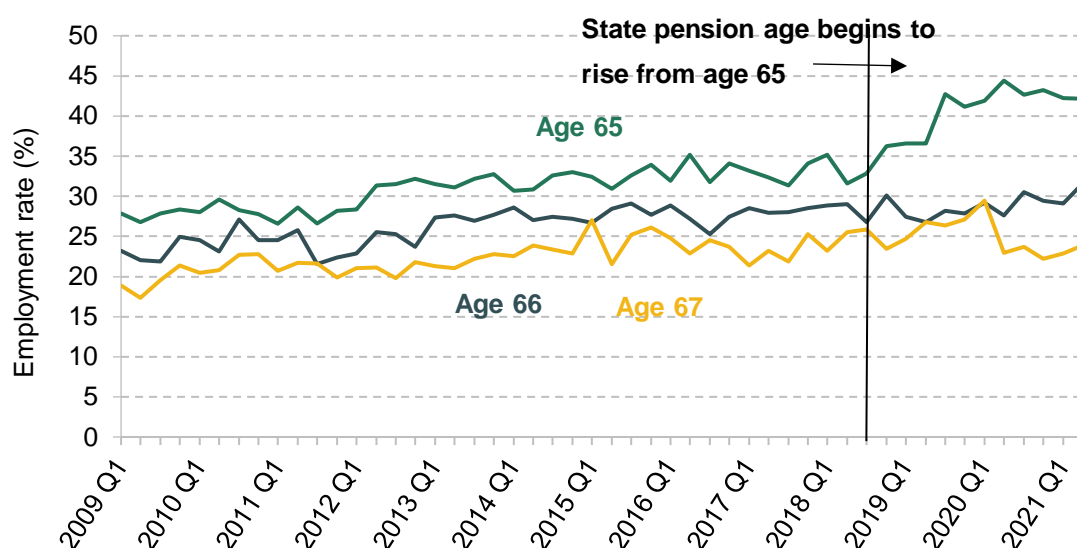
The second independent review of the state pension age is now underway and the timetable could be changed further in response, not least as longevity at older ages is not now expected to rise as sharply going forwards as was expected at the time of the first review. In addition to uncertainty around what the state pension age will be, it is also not known to what extent higher state pension ages will continue to push up employment rates of older people. However, we do have evidence from the latest increases in the state pension age, from 65 to 66 between 2018 and 2020. Figures 2.4 and 2.5 show the evolution of employment rates of those aged 65, 66 and 67, for men and women, respectively. These figures show that there have been large increases in the employment rates of those aged 65 directly after the state pension age started to rise in late 2018 (whereas there was little to no change for those aged 66 and 67).

Cribb, Emmerson and O’Brien (2022) conclude that this rise in the state pension age directly increased employment rates of men aged 65 by 7.4 percentage points, and of women aged 65 by 8.5 percentage points, meaning a total of 55,000 more 65 year olds in paid work in 2021 as a direct result of the reform. While we do not know exactly what will happen as the state pension age rises from 66 to 67 in the mid-2020s, it might now be surprising if we did not continue to see increases in employment as a result of that reform, given the strong increases in employment resulting from the rise in the state pension age to 66.

Although greater attachment to the labour force is a gradual process, and a higher state pension age boosted employment of 65 year olds in 2019 and 2020, these trends have not prevented the reductions in employment and rises in inactivity of people in their 50s and 60s seen since spring 2020. Indeed, Labour Force Survey data show increasingly large numbers of people aged 50–69 leaving work for retirement or other forms of inactivity since the pandemic started. Figure 2.6, reproduced from Boileau and Cribb (2022), shows that early on in the pandemic, increased numbers of people retired (i.e., they moved out of employment and stated their reason for being economically inactive as being retired), with this increased flow out of work into retirement persisting into 2021. In contrast, moves out of paid work into other forms of inactivity have occurred later in the pandemic, only picking up in late 2020 and into 2021.

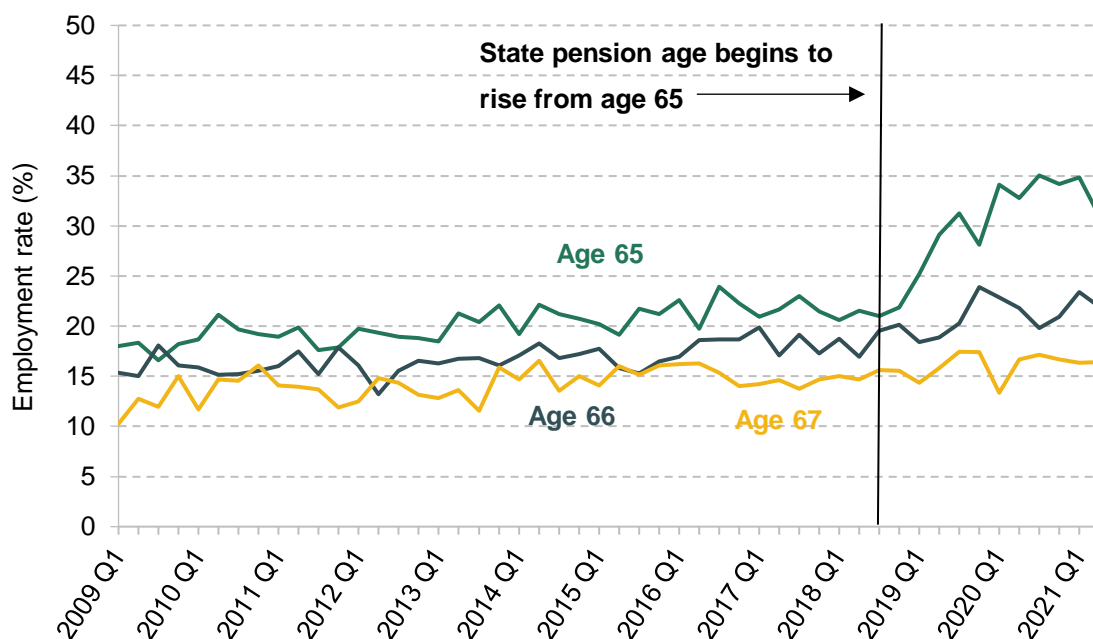
<sup>1</sup> See <https://www.gov.uk/government/news/proposed-new-timetable-for-state-pension-age-increases>.

Figure 2.4. Employment rates of men aged 65, 66 and 67



Note: See Figure 4 of Cribb, Emmerson and O'Brien (2022). The vertical line shows the last quarter in which all those aged 65 were over the state pension age (2018Q3). Based on analysis of data from the Labour Force Survey and the Annual Population Survey.

Figure 2.5. Employment rates of women aged 65, 66 and 67

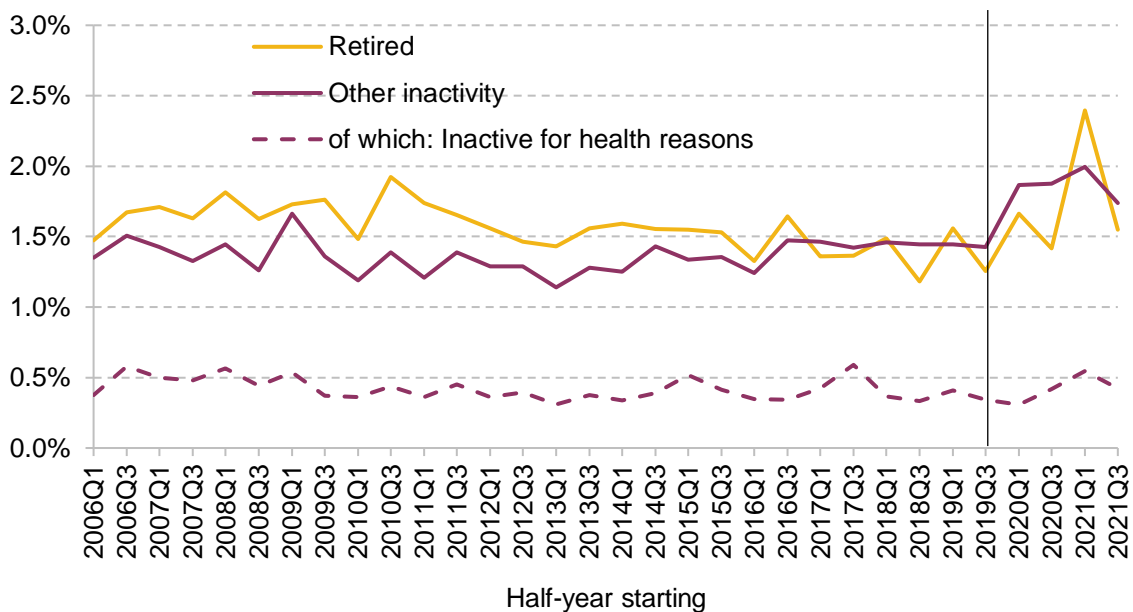


Note: See Figure 5 of Cribb, Emmerson and O'Brien (2022). The vertical line shows the last quarter in which all those aged 65 were over the state pension age (2018Q3). Based on analysis of data from the Labour Force Survey and the Annual Population Survey.

Moreover, it does not seem that the key drive of people leaving work is purely as a result of ill health: the flow of workers aged 50–69 into inactivity because they were sick or disabled rose slightly, but was no higher in 2021 than it had been in 2017.

One indication that these higher levels of inactivity may be a persistent trend is that the UK economy picked up substantially in the second half of 2021, with millions of people returning to work from the furlough scheme with barely any effect on unemployment, and by mid-2021 deaths and hospitalisations from COVID-19 were very low because the vast majority of the population (particularly those at higher risk from COVID-19) had been vaccinated. In the most recent data, movements of those aged 50–69 in paid work into either retirement or other reported forms of economic inactivity are still about a fifth higher than in the two years leading up to the pandemic. Having said that, we would be more confident that higher inflows into economic inactivity will be persistent once we have more data beyond the end of the furlough scheme, and it is still uncertain how important this trend will turn out to be for older workers in the coming years.

**Figure 2.6. Proportion of employed people aged 50–69 moving into different forms of economic inactivity in the following three months**



Note: The vertical line indicates the final data point unaffected by the COVID-19 pandemic.

Source: Figure 2.6 from Boileau and Cribb (2022) using two-quarter longitudinal LFS data.

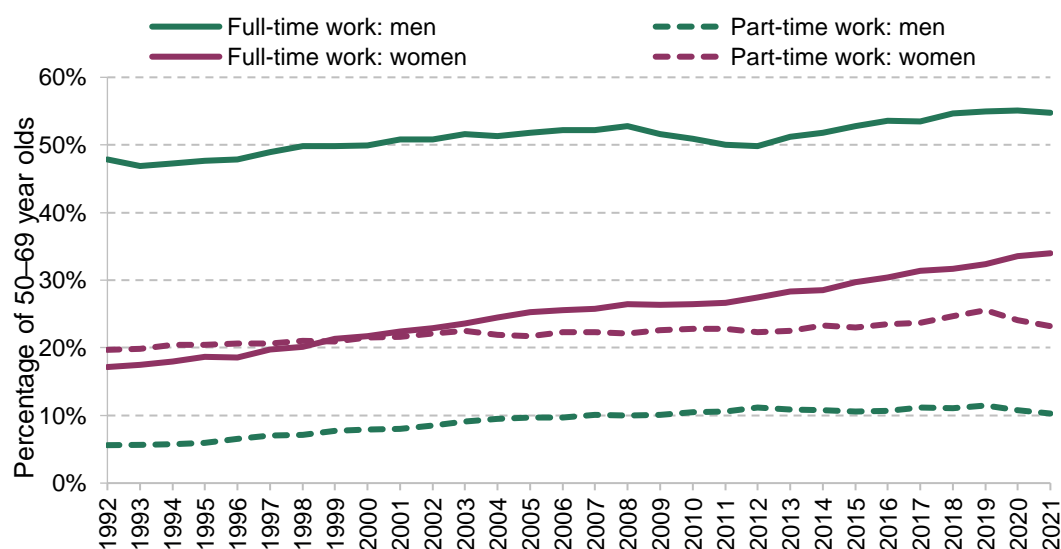
### 3. Patterns of work among older workers

Whether or not someone is undertaking paid work is a key economic outcome. But the kind of work they are doing, and the hours they work, are crucial to individual incomes, to their decisions about how long to keep working, and to their lives more generally. In this section we examine recent trends in working patterns of older workers (aged 50–69), in particular trends in full- or part-time work (defined as working more or less than 30 hours per week, respectively). We also look at recent trends in self-employment and how these patterns have been affected by the recent increase in the state pension age from 65 to 66, as well as what the prospects are for these trends in the future.

Figure 3.1 shows the proportion of those aged 50–69 who are working full- or part-time, split between men (green lines) and women (purple lines). It shows that among this age group full-time work is more common than part-time work, but this is particularly true amongst men. Though – as shown in Figure A.2 in the Appendix – older workers are more likely to work part-time than other workers, and over the age of 65 more than half of workers work part-time. Secondly, while there have been gradual increases in the proportion of men and women working both full-time and part-time since the early 1990s, the most striking, essentially uninterrupted, trend is for more women aged 50–69 to work full-time: this has doubled from 17% to 34% from 1992 to 2021. Thirdly, if anything, the proportion of people aged 50–69 working part-time has declined since the start of the pandemic, whereas full-time work has actually held up more strongly.

While full-time work is desirable and suitable for many, and usually brings the obvious benefit of a higher income, there is also evidence that for a significant minority of older workers, full-time work might not be their preferred outcome. Figure 3.2 shows that around 20%–25% of people working full-time in their 60s would rather work fewer hours per week, compared to only 10% of full-time workers in their late 30s and early 40s. Meanwhile, for many, part-time work appears desirable, with only between 5% and 10% of part-time workers in their 60s wanting to work more hours, compared to much higher levels at younger ages.

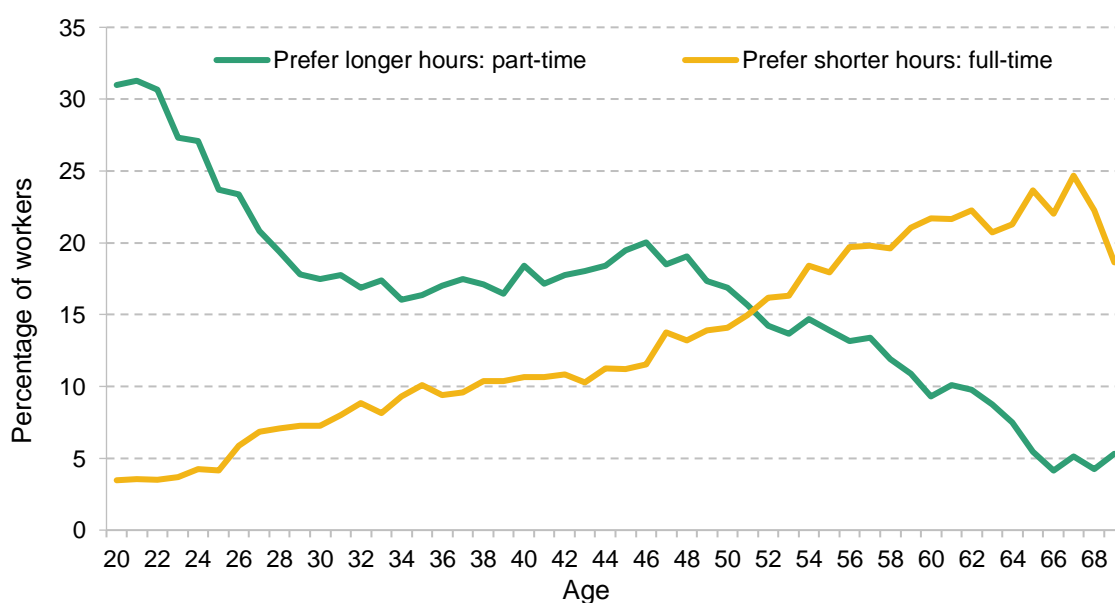
Figure 3.1. Proportion of men and women aged 50-69 undertaking full- and part-time work



Note: Full-time work is defined as normally working at least 30 hours per week including paid overtime. Part-time work is working less than 30 hours per week on the same basis.

Source: Authors' calculations using the Labour Force Survey.

Figure 3.2. Satisfaction with hours, by age and current hours status (2017-19)

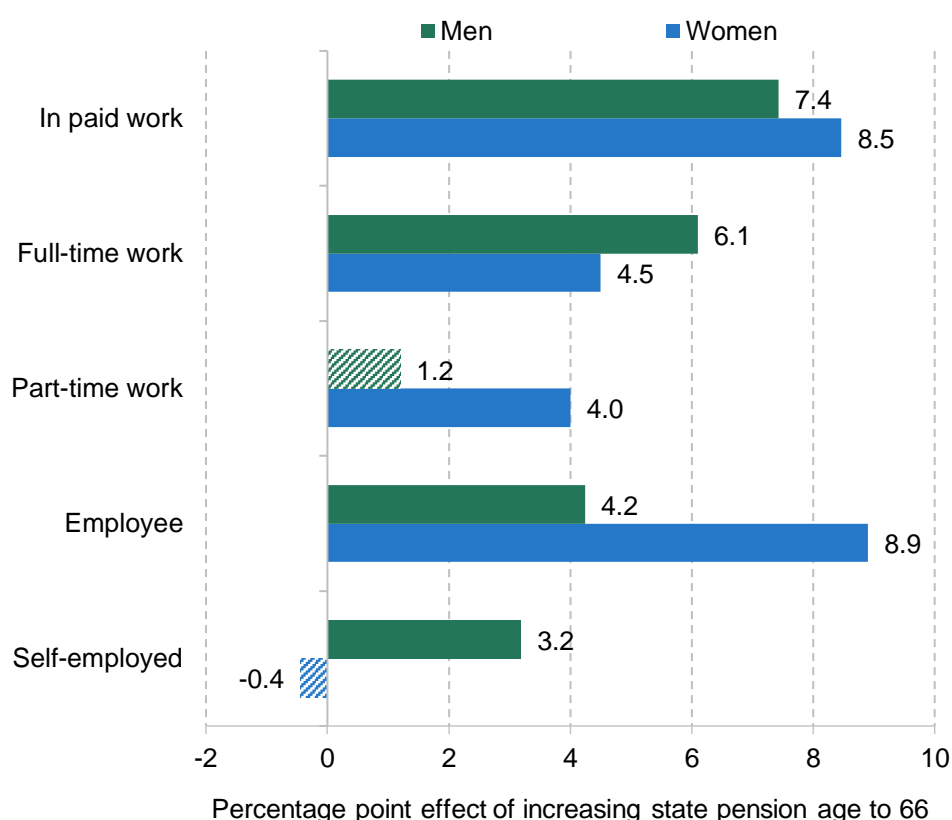


Source: Reproduced from Figure 3.2 in Crawford et al. (2021) using the Labour Force Survey.

In spite of this, when the state pension age went up most recently from 65 to 66, the increases were larger for full-time work than for part-time work, particularly for men, as is shown in Figure 3.3. This is despite the fact that only 20 hours of paid work per week at the National Living Wage would be sufficient to make up the financial shortfall from not receiving a full new state pension. This suggests there may be much as yet unmet demand from 65 year olds for part-time work. In addition, Crawford et al. (2021) found that those approaching retirement are increasingly likely to be in more stressful and more cognitively demanding jobs than previous generations. Currently, older workers in these sorts of jobs are significantly more likely to want to work shorter hours but are actually less likely to move into part-time roles. This suggests that there could be gains in the coming years for employers facilitating more flexible forms of work.

The decision to be self-employed or to find (or remain in) a job as an employee is another decision facing older workers. Among those in paid work, Figure A.3 in the Appendix shows that self-employment is more common amongst older workers than younger workers, with 21% of 60 year olds and 30% of 65 year olds in paid work being self-employed pre-pandemic, compared to only 15% of working 40 year olds. Figure 3.4 shows that the rise in employment

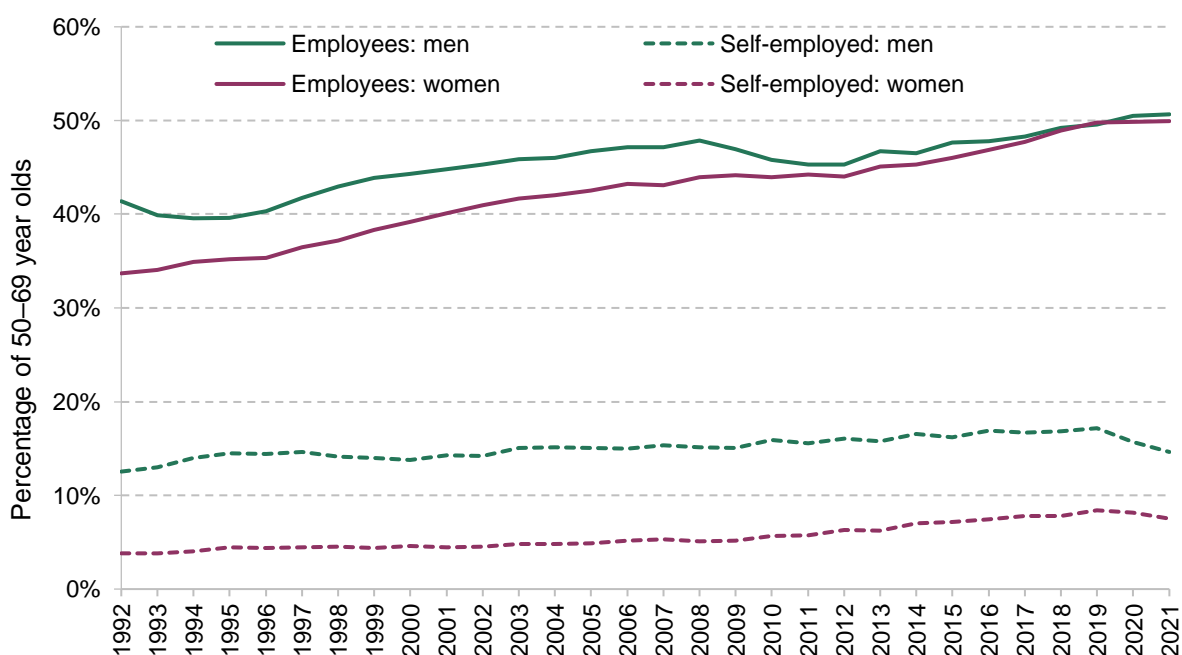
**Figure 3.3. Effect of increasing the state pension age from 65 to 66 on probability of 65 year olds being in different types of employment (in percentage points)**



Note: See Tables 2 and 3 of Cribb, Emmerson and O'Brien (2022) for full details. All effects are statistically significantly different from zero at (at least) the 5% level, except those with striped bars, which are not. Private sector includes the self-employed.

rates for those aged 50–69 in recent decades has been accompanied by rises in both people working as employees and in self-employment, though self-employment is much more common amongst men. Indeed, among those aged 50–69 the higher overall employment rate seen among men than women is entirely explained by men being much more likely to be self-employed than women; in the last few years, there has been no difference between men and women in terms of the proportion in a job as an employee.

**Figure 3.4. Proportion of people aged 50–69 who are employees or self-employed, by gender**



Source: Authors' calculations using the Labour Force Survey.

However, it is also clear from this chart that recent periods have seen a decline in the proportion of people who are self-employed. The fraction of men aged 50–69 who are self-employed fell by 2 percentage points – from 17% to 15% between 2019 and 2021 – wiping out the increase seen since 2002, and fell by 1 percentage point for women over the same period. A clear issue is whether this fall persists further beyond the pandemic.

Previous research has identified reasons for falling levels of self-employment in aggregate during the pandemic; Blundell, Machin and Ventura (2021) find that, in part, the fall in self-employment was due to people ‘re-classifying’ themselves as being employees rather than being self-employed – particularly amongst people in managerial occupations, where the distinctions between employees and self-employed people are weaker. But the authors also find that there were substantially fewer new entrants into self-employment than in the past. It remains to be seen the extent to which very high levels of job vacancies that emerged in the UK from summer 2021 onwards encouraged people to take employee jobs rather than self-employed ones, but

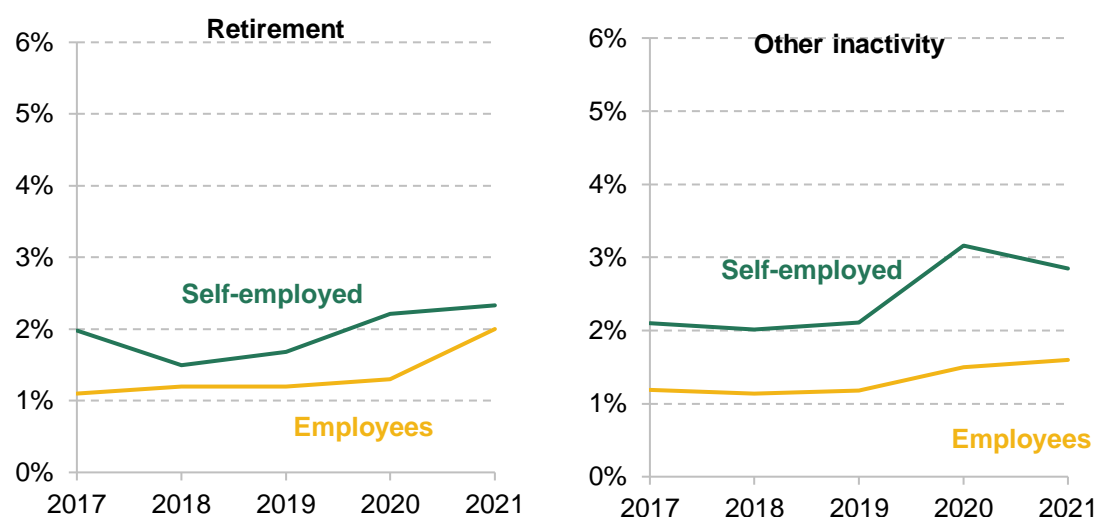
these trends perhaps suggest a more positive future for employee jobs rather than self-employed jobs.

Another driver of future trends in self-employment compared with employee jobs amongst older workers is the forthcoming further increases in the state pension age. The latest increase in the state pension age from 65 to 66 did not lead to any detectable increase in self-employment amongst women but led to a big increase the number of women working as employees. In comparison, over 40% of the increase in employment as a result of the higher state pension age for men came through self-employment (3.2 percentage points of the 7.4 percentage point rise in employment). To the extent that these trends continue with the increase in the pensionable age to 67, this could drive a difference between trends amongst older men and women.

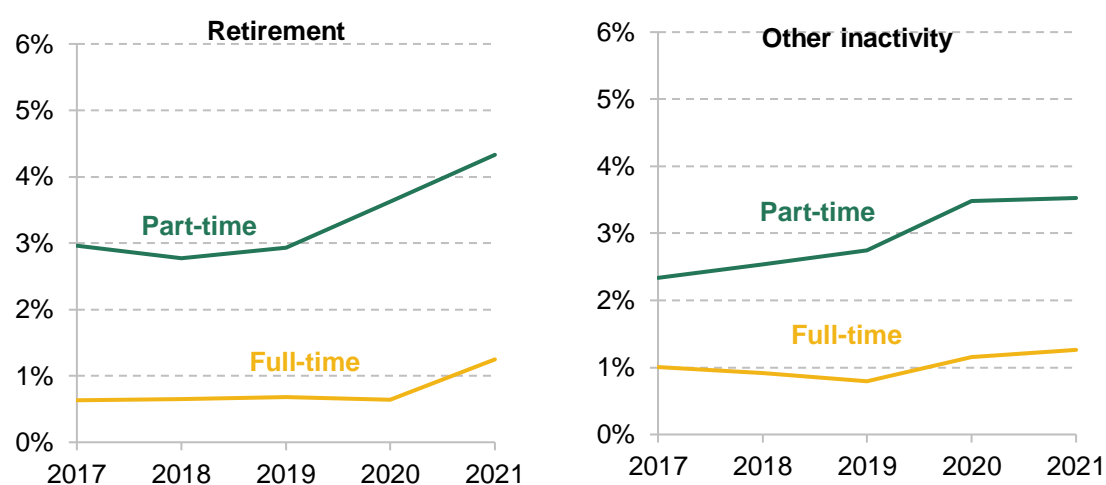
Finally, the patterns of increased employment – if they continue – potentially suggest further changes in the type of work that older workers are going to be undertaking in coming years. Figure 3.5 shows that the flows out of paid work and into economic inactivity have been larger for self-employed people aged 50–69 than for employees; in addition, it shows that the increases in flows into economic inactivity have been larger for people working part-time as opposed to people working full-time. These increased flows from self-employment and part-time work into economic inactivity are consistent with the reduced prevalence of these forms of work shown in Figures 3.1 and 3.4, though the data in Figure 3.5 suggest that for part-time workers leaving work for economic inactivity, there has been no slowdown in this trend in 2021 as the economy has recovered, and the public health situation improved, compared with 2020, although we will know more as data from early 2022 are published.

**Figure 3.5.** Proportion of 50- to 69-year-old workers moving into inactivity in a three-month period, by form of inactivity

**Panel A: differences between employees and self-employed**



**Panel B: differences between full-time and part-time workers**



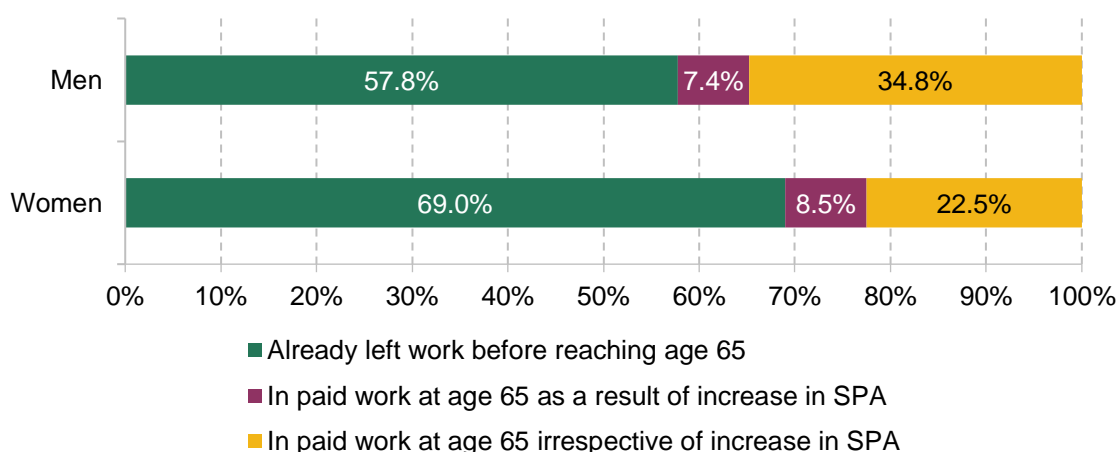
Source: Reproduced from Figures 3.3 and 3.4 of Boileau and Cribb (2022), based on two-quarter longitudinal Labour Force Survey.

## 4. Individuals who do not work in the years approaching state pension age

Despite many people working longer than previous generations, it is still the case that a majority of people are already out of paid work before they reach their state pension age. This means that most people have to finance some spending between leaving work and becoming eligible for a state pension. Indeed, it is a key challenge for policymakers that although employment rates have risen in response to higher state pension ages, most people do not respond to a higher state pension age by delaying their retirement, as most of them have already left the labour force.

This is shown in Figure 4.1, which shows an analysis of the increase in the state pension age from 65 to 66. It shows that almost 60% of men and almost 70% of women did not continue to work as a result of the higher state pension age, because they had already left work prior to reaching age 65. For both men and women, this group is far larger than either those who were in paid work at age 65 as a result of the reform, or those who work at age 65 irrespective of the state pension age rising to 66 (i.e., our analysis suggests they would have been in paid work even if the state pension age had remained at age 65).

**Figure 4.1. Men and women aged 65 who do and do not continue to work due to the increase in the state pension age from 65 to 66**



Note: Calculations based on Figures 4 and 5 and Table 2 of Cribb, Emmerson and O'Brien (2022).

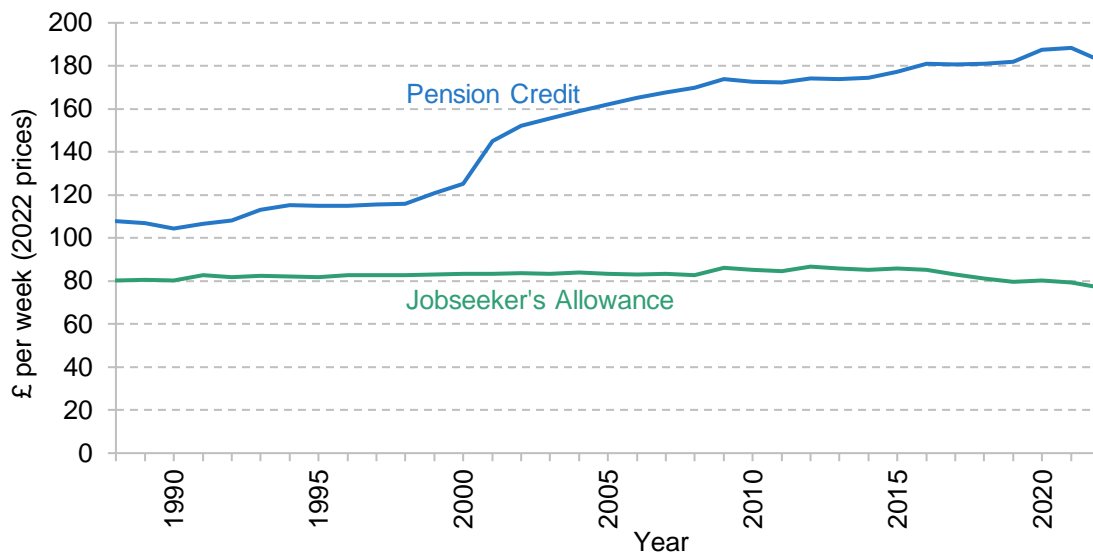
Of those who have already left employment before reaching 65, there is likely to be concern over two groups of people that are more likely to be negatively affected by a higher state pension age.

First, there are those who are unemployed, seeking a job, but who are unable to find paid work. Unless they manage to find new work, these people face longer unemployment before they reach the state pension age and can claim a state pension. Cribb, Emmerson and O'Brien (2022) estimated that increasing the state pension age from 65 to 66 led to around 5,000 more 65 year olds being unemployed (rather than retired) as a direct result of the reform.

This is particularly important given that the financial support provided by the state is considerably less generous below the state pension age than it is above the state pension age. Figure 4.2 compares the real levels of Pension Credit (targeted at those in low-income families over the state pension age) to Jobseekers' Allowance (JSA; available to jobseekers below the state pension age). This shows that while, in 1990, Pension Credit was worth 30% more than JSA, this has now risen to 137% by 2022. This is the result of Pension Credit being increased by much more than inflation, while JSA rates have roughly kept pace with inflation over this period (with modest increases over the period to 2010 offset by the four-year nominal freeze to rates in place from 2015 to 2019). This comparatively low level of support for people aged just below the state pension age means that people who are unemployed for longer as a result of a higher state pension age will likely be on a very low income for an extended period of time.

The second out-of-work group that faces key difficulties as a result of the higher state pension age are those who are out of work because they are long-term sick or disabled. Cribb, Emmerson and O'Brien (2022) estimated that an additional 27,000 65 year olds were out of work for this reason, as opposed to being retired, as a result of the state pension age rising from 65 to 66. This group will also often be reliant on the comparatively less generous benefit system provided to those below state pension age as opposed to the relatively more generous support provided to pensioners.

Figure 4.2. Pension Credit and Job Seekers' Allowance, 2020 prices (1988–2022)

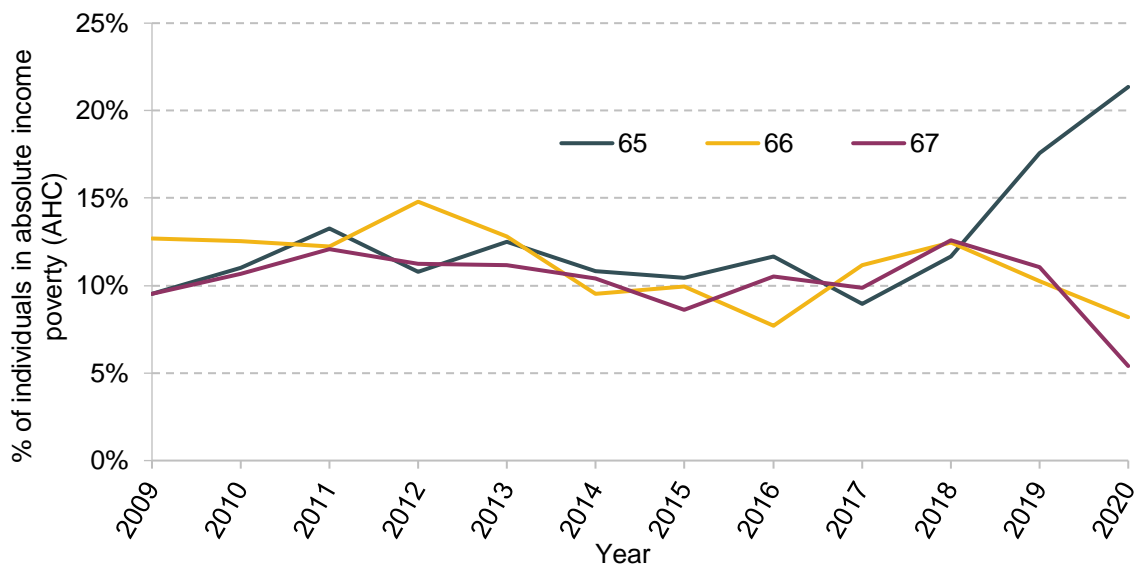


Note: Real levels in April of each year are shown. Entitlements are shown for single adults. Note that other forms of support are available to low-income people out of work above and below pension age, such as housing benefit.

Source: Abstract of Department for Work and Pensions benefit rate statistics, various years, <https://www.gov.uk/government/collections/abstract-of-statistics-for-benefits-national-insurance-contributions-and-indices-of-prices-and-earnings>.

The fact that a higher state pension age delays state pension receipt therefore clearly causes financial difficulties for some households, as the loss of a full new state pension is only made up for with higher employment income for a minority of people. Cribb and O'Brien (2022) have examined how these changes combine to affect household incomes and income poverty rates. Figure 4.3 shows the absolute income poverty rates (measured after deducting housing costs) of people aged 65, 66 and 67. It is clear that the increase in the poverty rate for 65 year olds (who saw a gradually rising state pension age) that occurs after 2018 is stark in comparison to the changes seen for older people (who are all over the state pension age). Cribb and O'Brien (2022) estimate that the higher state pension age doubled absolute income poverty rates of 65 year olds (an increase of around 13 percentage points, compared to a level of around 10% prior to the reform). Larger increases in the absolute income poverty rates were found among groups typically closer to the poverty line: single people rather than those in a couple, those with lower rather than higher levels of education, and renters rather than owner-occupiers.

Figure 4.3. Absolute income poverty rates among people aged 65, 66 and 67 (2009–20)



Note: People are categorised as living in absolute poverty if their equivalised household income after deducting their housing costs, falls below £259 per week in 2020–21 prices. 2018 is the last data point that is (mainly) unaffected by the reform, as the state pension age started to rise in December 2018.

Source: Cribb and O'Brien (2022) using the Family Resources Survey.

They also find that the increases are concentrated amongst people who are not in paid work. This highlights a challenge of raising state pension ages to higher levels – the fact that at higher ages fewer people are in paid work (or can rely upon a spouse who is in paid work) means people affected by higher state pension ages are more reliant on the state for support than those at younger ages. It also highlights the benefit from helping to ensure that those in their early to mid-60s who are able and who want to work are able to do so.

## 5. Conclusion

This report has set out recent patterns of work among those in their 50s and 60s and examined the prospects for future trends in employment for this group. We have drawn on a wide range of evidence produced over the course of two years in a joint programme of work undertaken by the Institute for Fiscal Studies and the Centre for Ageing Better, combined with new analysis of labour market microdata.

We have shown that since the 1990s, the employment rates of men and women in their 50s and 60s have increased substantially, and that exit from the labour market is now typically a much more gradual process than in the mid-1970s. The share of women aged between 50 and 69 who work full-time has doubled since 1975. Increases in employment rates have, in part, been affected by increases in state pension ages, particularly for women, whose state pension age rose sharply from 60 to 66 in just ten years between 2010 and 2020, having been unchanged over the previous 60 years. But since the pandemic, employment rates of those in their 50s and 60s have dropped, not because of increased unemployment but because of increased economic inactivity.

It is difficult to know exactly how employment will evolve in the future – forecasting changes in employment rates is hard and depends on a wide range of factors, one of which will be the extent to which changes seen during the pandemic prove to be long-lasting. On the one hand, if the trends of increased exit from the labour force in the wake of the pandemic persist, we could see continued falls in the employment rate of older individuals. On the other hand, each successive generation approaching retirement has more labour market attachment than the generation that preceded it, which we would expect to lead to higher employment rates at these ages. This will be particularly true of women. Rising levels of education, again particularly among women, would also be expected to push up employment rates further. And we would expect the next increase in the state pension age, from 66 to 67, which is legislated to take place between 2026 and 2028, to push up employment of those aged 66. In this context, it is also noteworthy that the share of those men and women aged 40–54 who report that they expect to retire at ages beyond 65 has risen sharply since 2008.

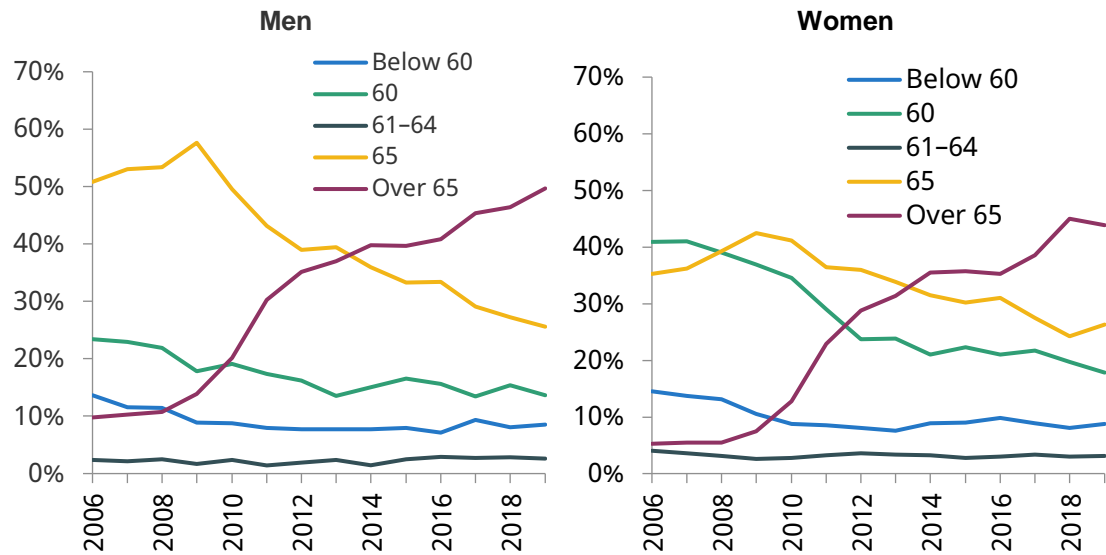
Despite a significant minority of older workers in full-time work reporting that they would like to work fewer hours per week, there are also reasons to think that full-time work will become increasingly important at older ages, particularly among women (who have seen very strong rises over recent decades). More recent data show part-time work falling back, and increased movement of people in their 50s and 60s into economic inactivity from part-time work. Similarly, the prospects for growth in the number of people aged 50–69 working as employees

seem to be better than for the self-employed, with fewer self-employed people in general compared with pre-pandemic, and larger increases (in percentage terms) in recent flows into economic inactivity from self-employment than from people working as employees.

Finally, particularly with the very recent trend of falling employment rates for those aged 50–69, it should be remembered that those who will find it hardest to adjust to a higher state pension age will be those who end up unemployed or not working for health reasons. Exposing these individuals to the relatively less generous working-age benefit system for longer pushes up income poverty rates significantly, particularly amongst those not in paid work.

# Appendix

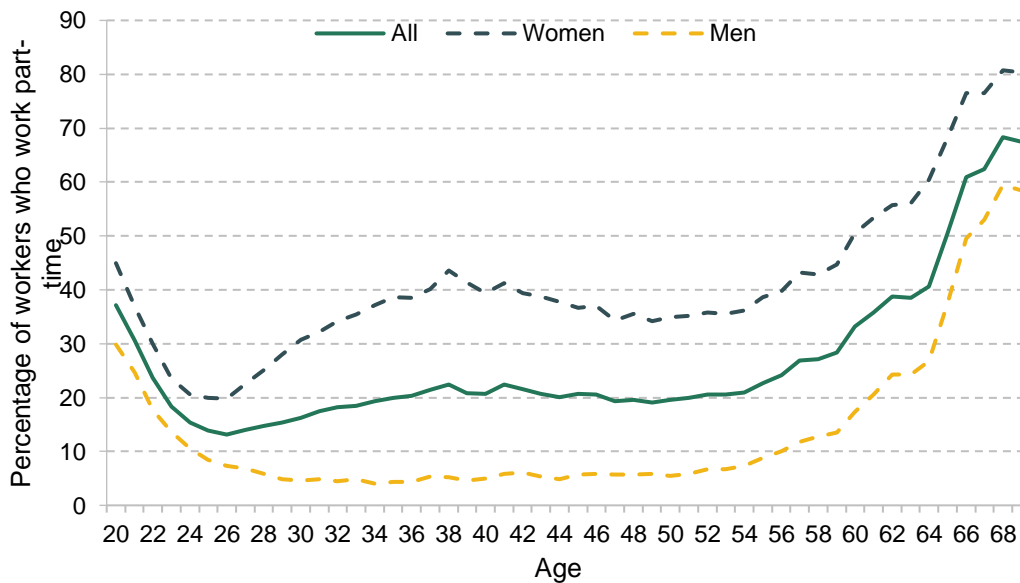
Figure A.1. Expected age of retirement among people aged 40–54



Note: Sample is non-retired individuals aged 40–54 who answered the question ‘At what age do you expect to retire (from your main job)?’ with an expected retirement age.

Source: Authors’ calculations using WAS waves 1–7.

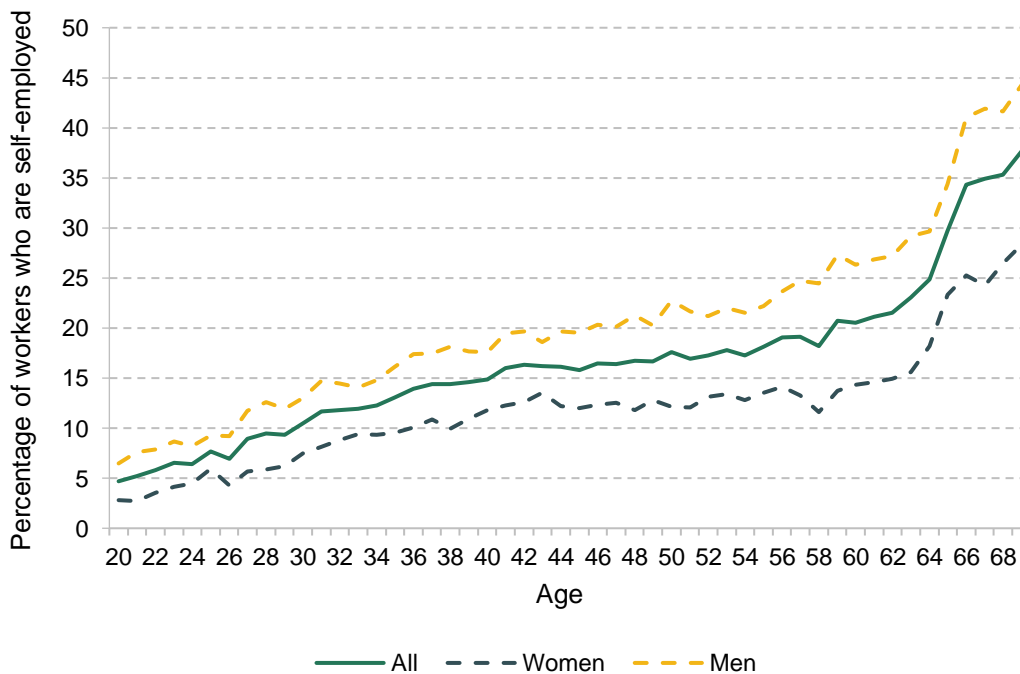
**Figure A.2. Share of workers who work fewer than 30 hours a week, by age and gender (2017–19)**



Note: Part-time workers are defined as those who work fewer than 30 hours in a normal week.

Source: Reproduced from Figure 3.1 of Crawford et al. (2021) based on Labour Force Survey data.

**Figure A.3. Share of workers in self-employment, by age and gender (2017–19)**



Source: Reproduced from Figure 5.1 in Crawford et al. (2021) using the Labour Force Survey.

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