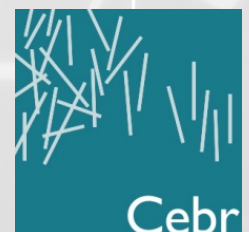




# The Saga Generations

Supporting employment across the UK economy

A report for Saga  
June 2014



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**Authorship and acknowledgements**

This report has been produced by Cebr, an independent economics and business research consultancy established in 1992. The study was led by Scott Corfe, Cebr Managing Economist with analytical and research support from Cebr Economist Osman Ismail. The views expressed herein are those of the authors' only and are based upon independent research by them.

London, June 2014

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## Foreword



Lance Batchelor, Group Chief Executive, Saga plc

The analysis in this report shows that, as the UK population ages, and the economy emerges from the aftermath of the financial crisis, the economic contribution of the over 50s is growing. More over 50s are working and their spending power and incomes have become relatively more important over the past decade.

This report goes further by demonstrating that the growing economic importance of the over 50s is not to the detriment of younger age groups, just as women entering the labour force en masse did not act to the detriment of job opportunities for men. The reality is that the over 50s, through their spending power and tax contributions, support millions of jobs in the private and public sector. Indeed, the analysis in this report suggests that spending by the over 50s is more effective at creating jobs in the UK than spending by the under 50s.

Not only does the spending power of the over 50s support employment directly in industries such as retail and hospitality, it also supports thousands more jobs through the supply chains associated with goods and services purchased. We estimate that over 50s' spending supported 5.7 million full-time equivalent jobs in the UK in 2013.

Clearly youth unemployment remains a concern, and the latest official data show that those aged 16-24 are still affected by the impacts of the financial crisis. What this report shows, however, is that measures such as forced retirement at an arbitrary age are likely to be counterproductive in reducing youth unemployment – particularly in the long run. This is because forcing earlier-than-desired retirement reduces spending power in the economy, which in turn curbs demand for jobs. Far from criticising those who choose to work longer, policymakers looking to reduce youth unemployment should encourage ideas that continue to support economic activity and jobs for all age groups.

A handwritten signature in black ink, appearing to read 'L. Batchelor', written in a cursive style.

Lance Batchelor  
Group Chief Executive

## Executive Summary

This report examines the jobs supported by the over 50s in the UK economy through their spending power and tax contributions. The report draws on Cebr's in-house input-output models of the economy, which have been adapted to analyse how consumer spending benefits the wider economy through the supply chains associated with goods and services purchased by the over 50s.

The key findings of the research are as follows:

- **The over 50s are becoming relatively more important in economic terms.** The gross income of over-50s households amounted to 48.1% of total UK household income in 2013. Analysis of ONS Family Expenditure Survey data shows that the over 50s' share of UK household income has grown since the financial crisis, with the share rising from 41.4% in 2007. We estimate this share will rise to 49.9% by 2018.
- **In line with this increasing share of income, over-50s households now make up a larger share of household consumption than before the financial crisis.** We estimate that spending by over 50s households in 2013 amounted to 47.8% of household expenditure in that year. This is up markedly from 42.5% of household expenditure in 2007, meaning that the silver pound has become relatively more important as a driver of the consumer economy.
- **The over 50s supported 5.7 million jobs in the UK economy last year through their expenditure** – Cebr's analysis shows that the over 50s, through their spending power, supported over 5.7 million full-time equivalent jobs in the UK in 2013 - 21.7% of total full-time equivalent employment. Some 2.8 million of these jobs are directly supported by the spending power of the over 50s, while an additional 2.9 million jobs are supported in supply chains associated with over 50s spending, and induced additional economic activity.
- **The number of full-time equivalent jobs supported by the expenditure of the over 50s is forecast to increase from 5.7 million in 2013 to 6.3 million in 2018.**
- **Our analysis suggests that in 2013 the expenditure of the over 50s supported about 878,000 full-time equivalent youth (16-24 year old) jobs in the UK.** The number of full-time equivalent youth jobs supported by the expenditure of the over 50s is forecast to rise from 878,000 in 2013 to 916,000 in 2018, helping youth employment recover following the damage to the job market seen during the financial crisis.
- **Most of the youth jobs directly supported by the over 50s' expenditure - 76% on the latest data - are in the wholesale & retail, hotels & restaurants sector.**
- **Spending by the over 50s is more effective at creating UK jobs than spending by the under 50s.** A billion pounds of spending by the over 50s creates 10% more jobs than a billion pounds of spending by the under 50s, and 12% more *youth* jobs. In 2011, £1 billion of spending by the over 50s supported 13,309 full-time equivalent jobs in total. We estimate this spending supported 2,074 full-time equivalent youth jobs.
- **In 2013 we estimate that the over 50s generated £113 billion in tax revenue, through income taxes paid and taxes on products and production accrued as a result of their economic activity.** This amounts to 19.7% of government tax revenues in the 2013/14 fiscal year, according to ONS statistics on public finances.

# 1. Introduction

This report examines the jobs supported by the over 50s in the UK economy, through their spending power and tax contributions.

For decades, there has been significant public concern over how an increase in the size of the potential workforce could exclude some individuals from the labour market - based on the assumption that the number of jobs in the economy is fixed. If a group - such as women or the over 65s – enter the workforce en masse or choose to stay in work for longer - then others will lose out on job opportunities. Or so the argument goes.

This is a fallacy - known in economics as the *lump of labour fallacy* - because the argument that the number of jobs in the economy is fixed is incorrect. The reality is, that with more women in work and more individuals working for longer, there is growing consumer spending power and economic activity which feeds through into the creation of more jobs in the economy. Women entering the labour force on a large scale did not reduce the number of jobs available for men; the total number of jobs in the economy expanded so that there were more jobs for everyone. Women in work are consumers as well as workers and the spending power generated through their employment supports millions of additional jobs in the UK economy.

The same is true for more over 50s who choose to remain in work for longer, and this is likely to become increasingly relevant over the coming years as the over 50s make up a growing share of the UK population.

This research for Saga quantifies the number of jobs supported by the over 50s through their expenditure. We have examined the spending power of the over 50s and the supply chains associated with this spending, to assess the number of jobs that are supported. We have estimated the number of these jobs that are likely to be youth jobs, helping to dispel the myth that over 50s working longer leads to fewer job opportunities for young people.

The structure of the report is as follows:

- **Section 2** provides a brief overview of the over 50s' role in the economy, in terms of employment, income and spending power;
- **Section 3** presents the results of in-depth input-output analysis of the economy, which quantifies the number of jobs supported by the over 50s through their spending power; and
- **Section 4** analyses the tax contributions the over 50s make, which help support public sector employment and government service delivery

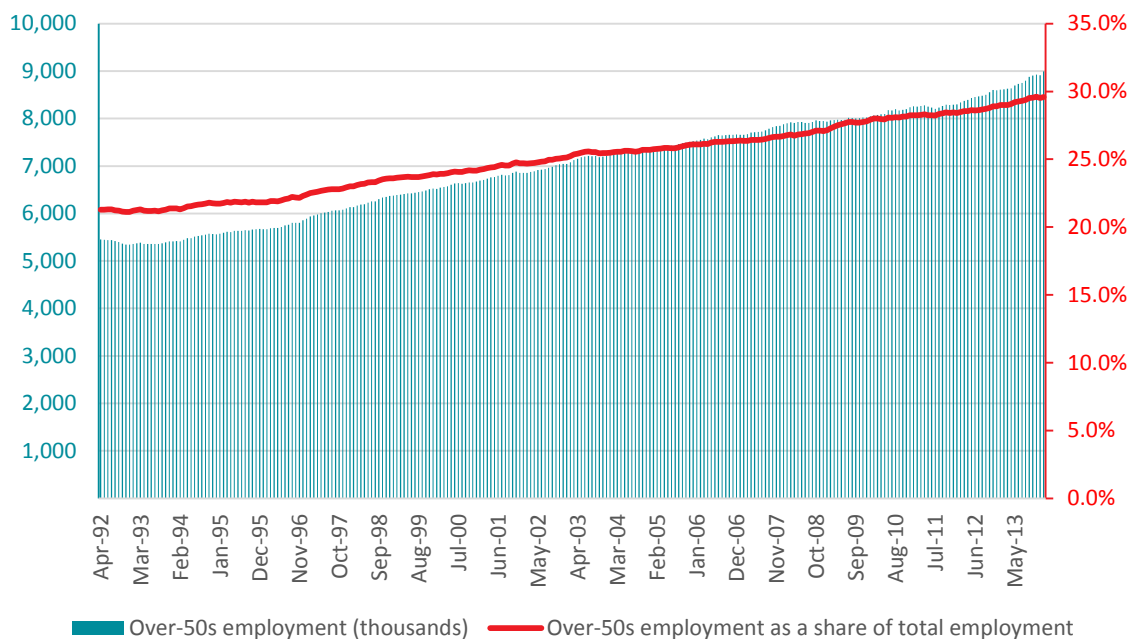
## 2. Overview of the role of over-50s' in the UK economy

The role of the over 50s in supporting the UK economy has grown significantly in recent years, both in terms of their spending power and also the amount of jobs in the economy that they hold.

The over 50s make up a growing share of UK employment. Office for National Statistics (ONS) data show that, in the final quarter of 2003, just over a quarter (25.5%) of those in employment were aged over 50. By the end of 2013, a decade later, this had risen to just under three tenths (29.6%). This is shown in Figure 1 below.

A significant driver of this increasing share of employment is a structural shift towards more over 65s choosing to remain in work partly driven by the abolition of the DRA and the changes to state pension age. Between the end of 2003 and the end of 2013, the number of individuals aged 65 or over in employment doubled – rising from 531,000 to 1.062 million.

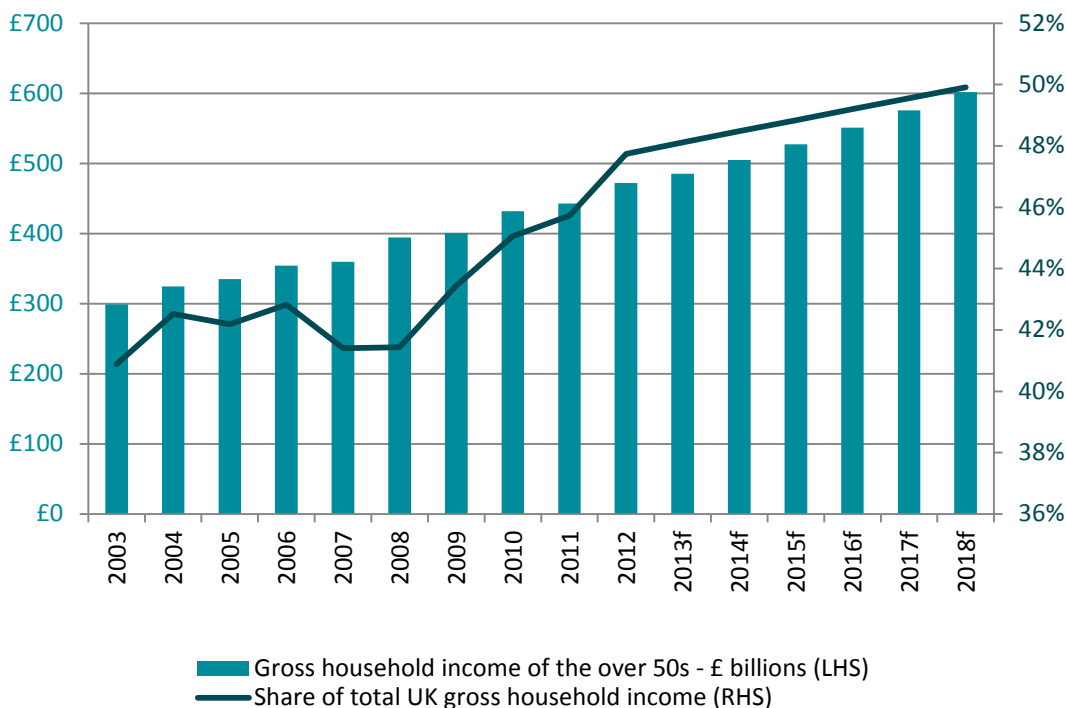
**Figure 1: Over-50s employment, thousands and as a share of total UK employment**



Source: ONS, Cebr analysis

The gross income of over-50s households amounted to an estimated £486 billion in 2013, some 48.1% of total UK household income. Analysis of ONS Family Expenditure Survey data shows that the over 50s' share of UK household income has grown since the financial crisis, with the share rising from 41.4% in 2007. We estimate this share will rise to 49.9% by 2018. This is illustrated in Figure 2 below.

**Figure 2: Gross household income of over-50s households (£ billions) and as a share of total UK gross household income**

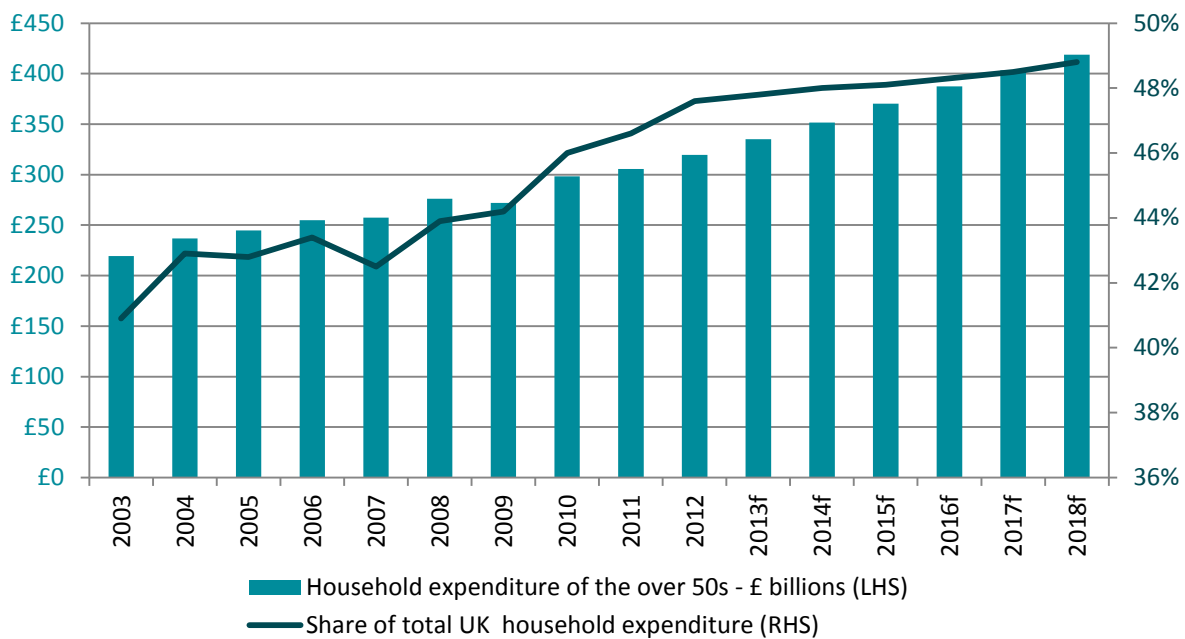


*Source: ONS Family Expenditure Survey, Cebr analysis. As the Family Expenditure Survey only covers up to the year 2012, figures beyond this year are estimates and forecasts. Note that data in the Family Expenditure Survey may not reconcile with other data sources on household incomes such as the ONS National Accounts.*



In line with this increasing share of income, over-50s households now make up a larger share of household consumption than before the financial crisis. We estimate that over-50s households spent £335 billion in 2013, some 47.8% of household expenditure in that year. This is markedly up from 42.5% of household expenditure in 2007, meaning that the silver pound has become relatively more important as a driver of the consumer economy since the financial crisis. This is illustrated in Figure 3 below.

**Figure 3: Household expenditure of over-50s households (£ billions) and as a share of total UK household expenditure**



Source: ONS Family Expenditure Survey, Cebr analysis. As the Family Expenditure Survey only covers up to the year 2012, figures beyond this year are estimates and forecasts. Note that data in the Family Expenditure Survey may not reconcile with other data sources on consumer spending such as the ONS National Accounts.

### 3. The number of jobs supported by the spending power of the over 50s

The preceding analysis clearly shows that the economic importance of the over 50s has grown significantly over the past decade – in terms of the number of jobs they are employed in, their income and the amount of money they spend on goods and services.

It would be incorrect to assume that this increasing economic importance is to the detriment of younger age groups. This is because over 50s, through their economic activity – working and spending – generate new jobs in the economy. Their spending power directly supports hundreds of thousands of UK jobs in industries such as retail and hospitality. It also supports thousands more indirectly, along the supply chains of the firms producing goods and services consumed, as well as through the additional employee spending in the wider economy as a result of this economic activity.

Cebr has modelled the number of jobs supported by over 50s' expenditure through its **input-output models** of the UK economy. These models draw upon the most detailed available national accounting data, which reveal how UK industries interact with one another, with consumers, government and the external sector in generating the UK's output and national income.

By adapting the models to isolate those industries which supply the goods and services purchased by over 50s, we are able to quantify how much economic activity is stimulated by their consumption. In addition, Cebr's input-output models 'trace' the inputs that these industries draw upon from other parts of the economy, sustaining further activity and employment along their supply chains. These models are used to estimate:

- **The number of jobs directly supported by the expenditure of the over 50s** – e.g., those jobs in hospitality industry supported by the expenditure of the over 50s on dining and drinking
- **The number of jobs indirectly supported by the expenditure of the over 50s** – e.g., those jobs supported by over 50s in the supply chains of these drinking and dining establishments
- **The number of jobs supported through induced economic activity associated with expenditure by the over 50s.** For example, the expenditure of over 50s supports jobs, and thus employee incomes, in the aforementioned dining establishments. These incomes, as well as the incomes of workers in the establishments' supply chains, are spent in the wider economy, supporting additional activity and jobs.

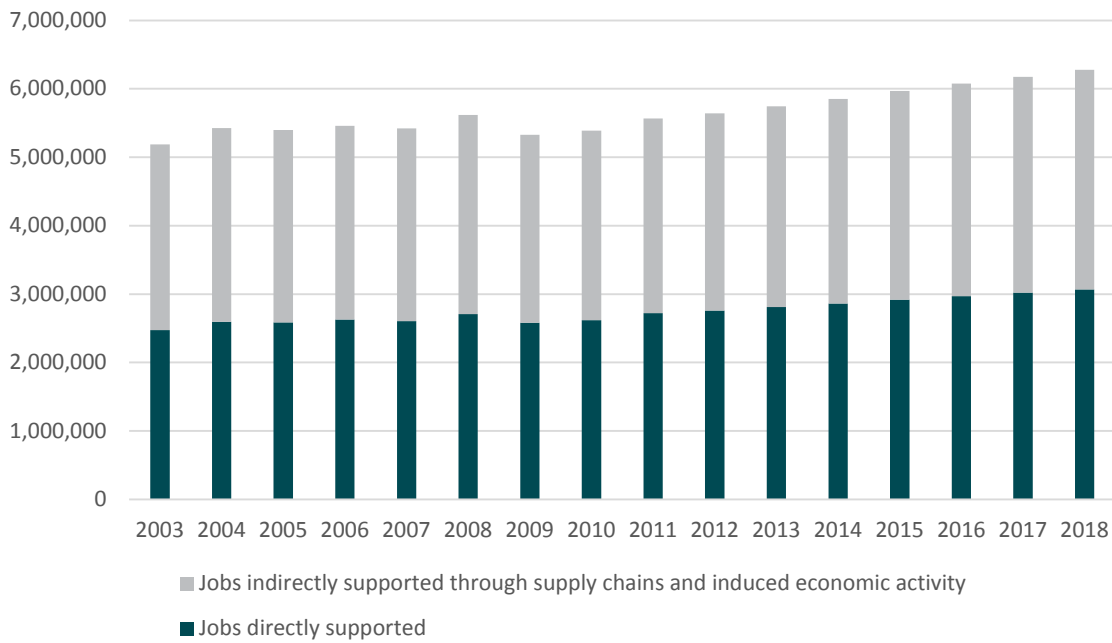
The results of Cebr's input-output analysis are shown in Figure 4 and Table 1 below. The analysis shows that the over 50s, through their spending power<sup>1</sup>, supported over 5.7 million full-time equivalent jobs in the UK in 2013 – 21.7% of total full-time equivalent employment. Some 2.8 million of these jobs are

<sup>1</sup> Note that the Family Expenditure Survey data presented in the previous section of this report is likely to underreport the total consumption of the over 50s, reflecting underreporting of some expenditure categories in the survey. To calculate the jobs estimates here, we have scaled the spending reported in the Family Expenditure Survey so that it reconciles with ONS National Accounts data on consumer spending across the whole economy.

directly supported by the spending power of the over 50s, while an additional 2.9 million jobs are supported in supply chains associated with over-50s' spending, and induced through additional economic activity.

The number of full-time equivalent jobs supported by the expenditure of the over 50s is forecast to increase from 5.7 million in 2013 to 6.3 million in 2018, as the economic importance of over-50s households continues to rise.

**Figure 4: Number of full-time equivalent jobs supported by the expenditure of the over 50s**



Source: Cebr analysis

**Table 1: Number of full-time equivalent jobs supported by the expenditure of the over 50s**

	Jobs directly supported	Jobs supported through multiplier impacts	Total number of jobs supported
2003	2,472,799	2,715,828	5,188,627
2004	2,594,664	2,831,729	5,426,394
2005	2,589,034	2,808,296	5,397,329
2006	2,628,824	2,829,419	5,458,243
2007	2,604,698	2,818,386	5,423,084
2008	2,709,242	2,910,161	5,619,403
2009	2,582,961	2,743,661	5,326,622
2010	2,617,271	2,771,734	5,389,005
2011	2,722,959	2,844,470	5,567,429
2012	2,759,681	2,882,830	5,642,511
2013	2,810,367	2,935,778	5,746,145
2014	2,863,227	2,990,997	5,854,224
2015	2,919,615	3,049,902	5,969,517
2016	2,971,947	3,104,569	6,076,516
2017	3,021,272	3,156,095	6,177,367
2018	3,070,079	3,207,080	6,277,160

Source: Cebr analysis. Note that numbers may not sum due to rounding.

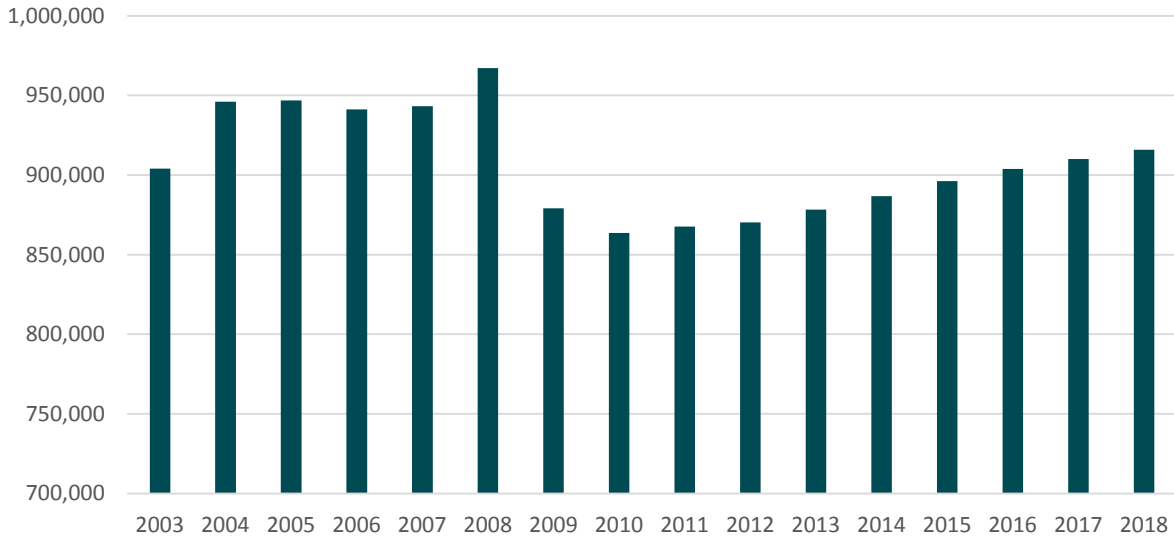
Through analysing the levels of employment of different age groups across industry sectors, Cebr has been able to examine the number of youth (16-24 year old) jobs supported by the expenditure of the over 50s. Our analysis suggests that in 2013, the expenditure of the over 50s supported about 878,000 full-time equivalent youth jobs in the UK – this is shown in Figure 5 below.

The number of full-time equivalent youth jobs supported by the expenditure of the over 50s is forecast to rise from 878,000 in 2013 to 916,000 in 2018, helping youth employment recover following the big hit to jobs seen during the financial crisis.

Our analysis suggests that over-50s spending is more effective at creating jobs than spending by the under 50s. A billion pounds of spending by the over 50s creates 10% more UK jobs than the same amount of spending by the under 50s, and 12% more *youth jobs*, reflecting differences in the supply chains associated with over 50s and under-50s spending. In 2011, the latest year in which we are able to provide detailed estimates (because the ONS supply chain data are released with a significant delay), £1 billion of spending by the over 50s supported 13,309 full-time equivalent jobs in total. We estimate this spending supported 2,074 full-time equivalent youth jobs. The equivalent figures for £1 billion of under-50s spending were 12,102 and 1,849 respectively.

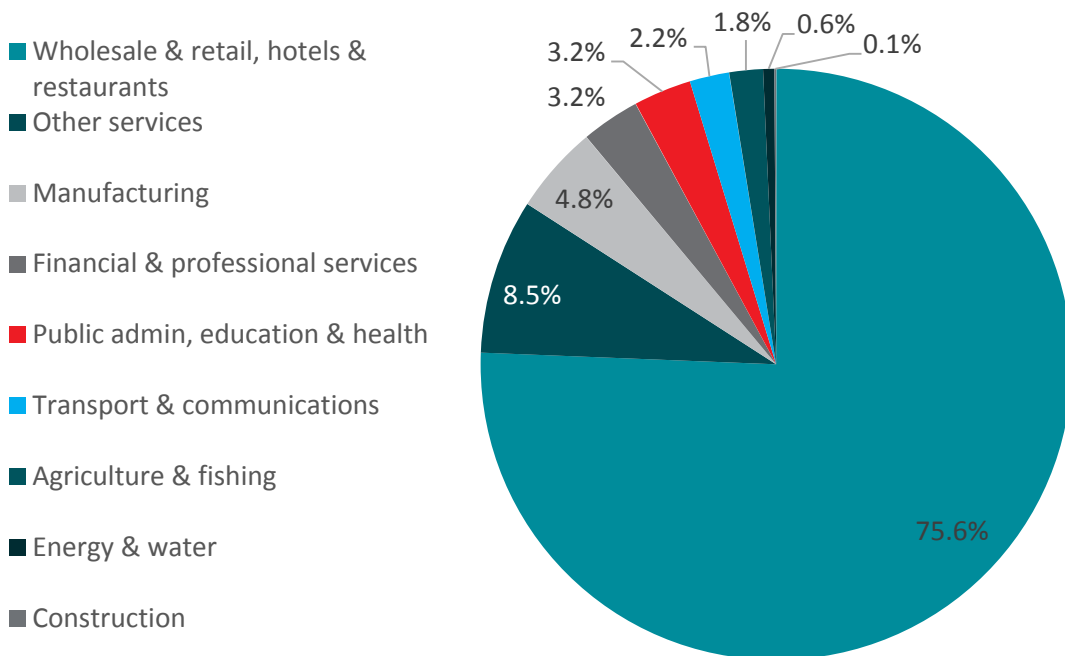
As Figure 6 shows, most of the youth jobs directly supported by the over 50s' expenditure – 76% on the latest data are in the wholesale & retail, hotels & restaurants sector.

**Figure 5: Number of youth (16-24 year old) jobs supported by the expenditure of the over 50s**



Source: Cebr analysis

**Figure 6: Distribution of youth (16-24 year old) jobs directly supported by the expenditure of the over 50s, 2011, %**



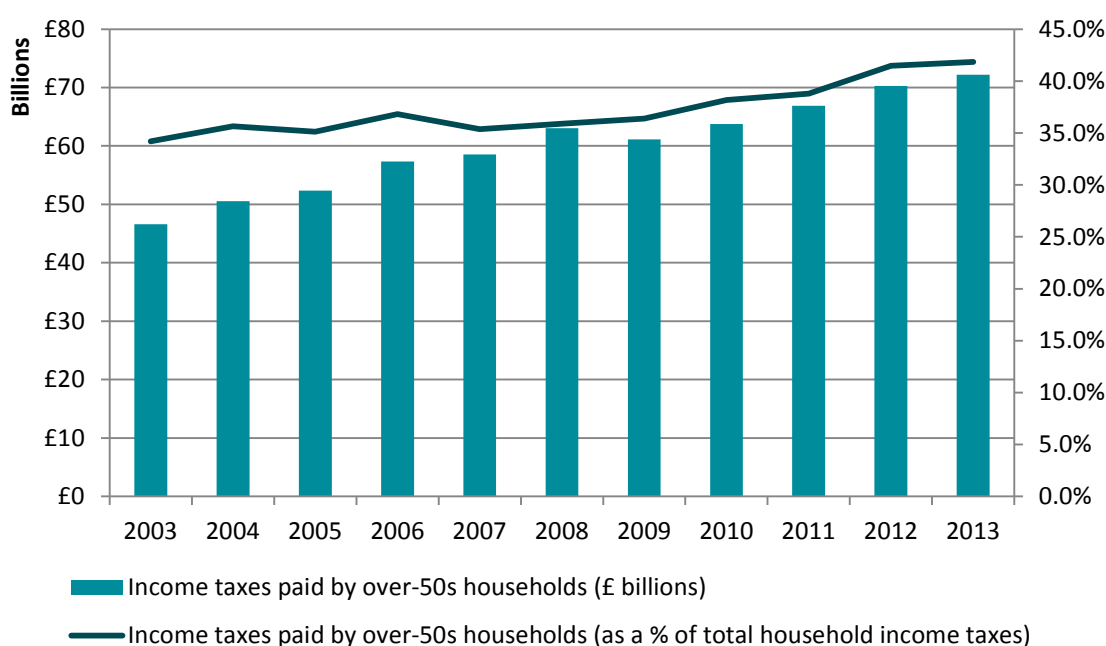
Source: Cebr analysis. Note that figures relate to 2011 because this is the latest year for which granular data are available.

## 4. Exchequer contributions of the over 50s

Official data show the over 50s accounting for a growing share of income tax revenue in the UK, supporting public sector employment and government services.

We estimate that over-50s households paid an estimated £72 billion in income taxes in 2013 – which accounted for over two fifths (41.8%) of household income tax receipts<sup>2</sup>. This share is up from just over a third, 34.2%, in 2003. The proportionate tax contribution of over-50s households has increased significantly since the financial crisis.

**Figure 7: Income taxes paid by over-50s households (billions) and as a share of total income tax receipts**

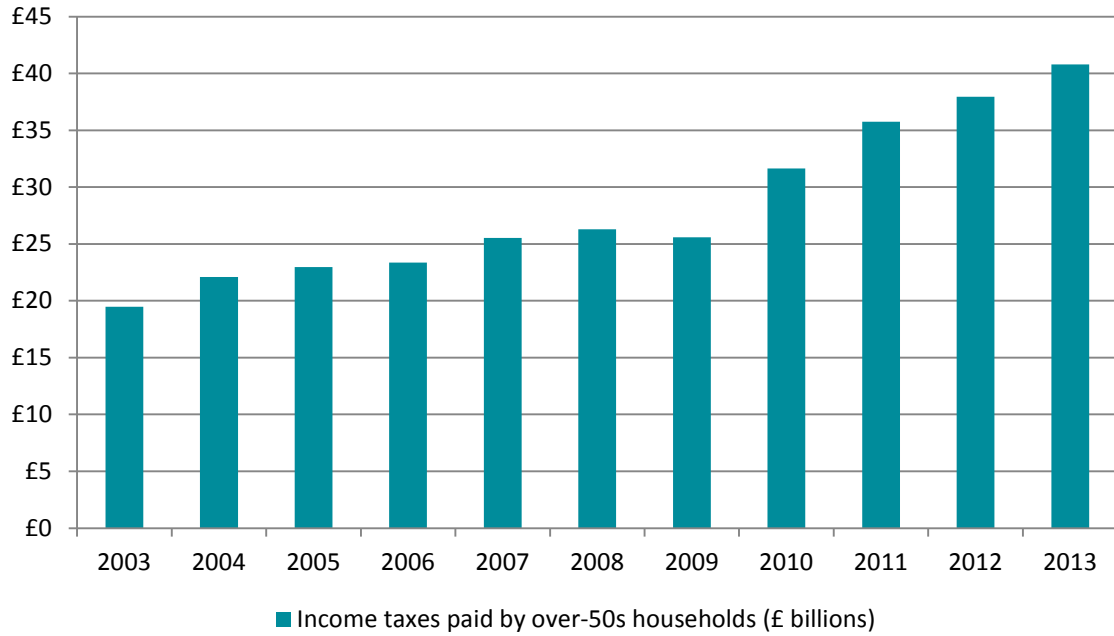


Source: ONS Family Expenditure Survey data on household gross and disposable income, Cebr analysis

Further, the consumer spending of the over 50s generates additional tax revenue in the form of VAT receipts, fuel duty, excise duty and other taxes on the products they consume; as well as various taxes on production associated with the industries which meet the demand presented by over 50s expenditure (such as business rates). As Figure 8 shows, taxes associated with over 50s' expenditure amounted to an estimated £41 billion in 2013, up from £19 billion in 2003.

<sup>2</sup> This is based on ONS Family Expenditure Survey data and may not align perfectly with other data on income tax receipts such as that provided by HM Revenue & Customs. As the Family Expenditure Survey dataset only covers up to the year 2012 at present, the 2013 figure quoted is an estimate.

**Figure 8: Taxes on products and production generated by over-50s spending, £ billions**



Source: *Cebr analysis*

In 2013, therefore, we estimate that the over 50s generated £113 billion in tax revenue through income taxes paid, taxes related to their expenditure and the supply chains in the economy they support. £113 billion amounts to 19.7% of government tax revenues in the 2013/14 fiscal year, according to ONS statistics on public finances.

