

## **Second State Pension age review: independent report call for evidence**

### **Independent Age response**

**April 2022**

#### **About Independent Age**

Independent Age's mission is to ensure that as we grow older, we all have the opportunity to live well with dignity, choice and purpose. Founded over 150 years ago, we are an established voice for people in later life, their families and carers. We offer free and impartial advice and information, as well as providing connection services to improve wellbeing and reduce loneliness. In addition, we use the knowledge and understanding gained from our frontline services to campaign on issues that affect older people.

We are responding to this call for evidence as we regularly hear directly from people in later life facing financial hardship, through our research programmes and services. We have responded only to selected questions.

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#### **Key points**

- When making State Pension age (SPA) policy, the government must take account of the significant disparities in life expectancy, healthy life expectancy and wealth among people in later life.
- Any further policy changes must be accompanied by clear communication of what those changes mean for people's SPAs. It is essential to avoid previous poor communication which contributed to financial hardship for many women in later life.
- Many people approaching SPA have dropped out of the labour market during the COVID-19 pandemic. It is vital that employers become more age-friendly to enable people to work for longer.
- Factors that influence people's retirement decisions include health problems, caring responsibilities, bereavement and career opportunities in later life.
- The Terms of Reference for this review should consider some of the *wider impacts* of increasing the SPA, including in relation to welfare benefits and declining health. It should also consider the *conditions* under which SPA policy should change, and any *mitigations* required to offset the impacts of policy change

#### **3.1. Intergenerational Fairness:**

##### ***What factors relating to intergenerational fairness should be considered when determining the State Pension age?***

Fairness across generations is important when determining the State Pension age (SPA) but the government should also consider fairness *within* generations.

While life expectancy overall is set to rise further<sup>1</sup> there are significant disparities in life expectancy, and healthy life expectancy, including by area deprivation, gender and region. Among people living in deprived areas, improvements in life expectancy since 2011 stalled for men and decreased for women.<sup>2</sup> Mortality rates worsened among women aged 85+ between 2011 and 2016, bucking previous trends towards improvements.<sup>3</sup> More recently, the COVID-19 pandemic has impacted life expectancy, which has fallen for both men and women according to the latest data.<sup>4</sup>

There are also important disparities in terms of healthy life expectancy. For example, women living in the most deprived areas in England may live for 28 years with a limiting illness or disability compared to 20 years among women in the least deprived areas.<sup>5</sup> This is a longer period in terms of the number of years but also a larger proportion of total life expectancy.

There are also significant disparities of wealth among people in later life. Analysis by Age UK in 2014 highlighted the wide variation in wealth among older people, noting that 'the top 10 per cent of households aged 55 to 64 had more than £1.3 million [in household wealth] while the bottom 10 per cent [had] wealth of less than £28,000.'<sup>6</sup> While the data are not very recent, it illustrates the importance of looking beyond the statistics on *average* wealth for all older people to see that many older people have very little to no wealth. Having little wealth impedes people's ability to live safe and healthy lives in the absence of other income.

These differences in health, life expectancy and wealth should have a direct bearing on SPa policy. SPa policy must reflect the challenges and needs of older people in difficult circumstances rather than just reflecting the 'average' experience. Older people in poor health and with lower wealth are much more likely than others to struggle to 'reach' their SPa. Our research at Independent Age has heard from people in later life who have been unable to work due to illness or caring responsibilities, who have used up (limited) wealth in the years leading up to SPa, or have felt they had no option but to continue working despite ill health. We have also seen some cases like this through our helpline. The impact of this is some older people living very difficult lives on low incomes while they wait to qualify for the State Pension.

It is also important to particularly consider disparities affecting women in later life. Women are more likely to take on caring roles, less likely to be in full time work, and more likely to be financially worse off after a separation. Any changes to the SPa timetable should consider the particular impacts on women, including from an equalities perspective.

While intergenerational fairness is important, SPa policy must take into account the specific circumstances affecting the generation currently approaching retirement. This includes the impacts of the COVID-19 pandemic and the cost-of-living crisis on the value of private pension investments, savings and income.

***Is it reasonable to give people a fixed period of notice for State Pension age changes, and if so what period?***

It is essential that people can effectively plan and save for their retirement. Often decisions on saving are years in the making and changes made with little or no notice can be detrimental. Changing the SPa will have a significant impact on many, and there are past examples which show the damage that can be done when decisions are not communicated effectively or in a timely manner.

The government's previous commitment to 10 years' notice as part of the 2017 Cridland review<sup>7</sup> seems reasonable. However, it is vital that the government effectively makes people aware of their specific SPa and if it has changed, to help them financially plan.

The government must avoid a repeat of the experiences facing many women in their 60s who were not aware of the rises to women's SPa. In research conducted by Independent Age into experiences of poverty in later life we heard from some women about the consequences this decision and poor communication had on their lives, throwing the financial plans they had made into disarray and tipping them into poverty.

One woman called Georgina shared her experience with us. She is 66 and has lived alone since the death of her husband four years ago. When she was younger, she took time away from work to care for their children, before returning to work part-time in a precarious role. Because of this, she has no private pension and only a small State Pension. When her husband was diagnosed with a terminal illness, she took early retirement to spend time with him before he died. She planned to live off her savings before she could draw her State Pension. But, after she retired, she found out that the age at which she could claim her State Pension had increased by five years. This rapid change meant she used all her savings to survive until she reached State Pension age. She now lives off her small State Pension and has no savings to fall back on, in case of unexpected costs or expenses.

*"We'd got the savings, so we dipped into the savings if we wanted anything...And we battled through. Time crept on, and then, 6 months after I retired, they moved the retirement age to 65. So now I haven't got 5 years to go until my pension...we could just about last [until me] being 60. But then when they moved it to 65, suddenly I've got to go 10 years....So financially, it caused a great deal of concern...And it's been dire. Absolutely dire. Keeping the heating down low, being careful with buying food and all these things...But I must say, I think women of my age have been cheated big time, and I think we are the worst off. At least if you're 50, you've got time to think for yourself and you're a bit more pension-savvy."* (Georgina, 66 years old)

### **3.2. Changes in the Nature of Work:**

***How have changes to the types of jobs people do affected working lives? What are the anticipated future changes to the workplace? How could this impact on people's working lives?***

A higher SPa will only work for everyone if people are supported to stay in work for longer. However recent events have shone a light on some of the realities facing older workers. Since the pandemic there are '19,000 more people aged 50-64 unemployed and 228,000 more economically inactive than there were pre-pandemic'.<sup>8</sup> Some of these will have chosen to retire but there is testimony from people who have been made redundant from their roles and cannot find a new role. There will also be people who have dropped out of the workforce to care for a family member, to look after grandchildren, or because they have physical or mental health conditions. Some of these may have wanted to continue working, but lacked the support from their employer to do so.

A recent study by the ONS confirms these points, highlighting that many people moved out of the labour market 'because of complex and interrelated factors, including being unable to find a job, their age, ill health, caring for others, concerns about catching COVID-19, and financial security'.<sup>9</sup> While it remains to be seen whether the changes seen during COVID-19 represent a permanent change, the government should be very cautious about making changes to SPa policy in light of these.

A higher SPA, without age-friendly employers, will leave more people out of work, on low incomes and struggling to reach their SPa. We echo the recommendations from the Centre for Ageing Better (CFAB) calling for workplaces that support longer working lives. This includes calls on the government to enhance flexible working rights and carers leave. We also support CFAB's calls on employers to make improvements such as ending age bias in recruitment, supporting staff with health conditions and introducing more flexible working.<sup>10</sup>

Research conducted by Independent Age into experiences of poverty in later life heard from some participants about their experiences of working in later life. A discussion with a man in his mid-70s gave the simple example of the length of shifts. He said the move

from 8- to 12-hour shifts in his work at a distribution centre made it more difficult to keep working, with his knees getting sore. However, he also said his employer supported him to work as long as he did, for example by making sure he could take regular breaks.

### ***What factors do people consider when making decisions about when to retire?***

#### Health problems

Many people in later life have multiple short- and long-term health conditions. 2017 analysis by Age UK suggested approximately 4 in 10 people aged 65-69 could be living with two or more health conditions.<sup>11</sup> A significant minority, approximately 1 in 10 people in this age group, live with three health conditions. Analysis by CFAB highlights the average age at which certain common health conditions are diagnosed, with hypertension, cancer and coronary heart disease typically diagnosed at 67 or 68.<sup>12</sup> People on lower incomes are more likely to report living with health conditions.<sup>13</sup> Men and women in the most deprived circumstances are much more likely to spend their later life with a limiting illness or disability. Indeed, women in the most deprived decile can expect to live only 50.7 years free of disability (compared to 66.5 for the least deprived). Men in the most deprived decile can expect to live only 52.6 years free of disability (compared to 69.4 for the least deprived).<sup>14</sup>

While the severity and impacts of health conditions vary, this is important context about people in their mid-to-late 60s, and could curtail many people's ability to work, earn and save. A higher SPa would mean people with health problems would have to wait longer wait for their State Pension, often drawing on limited wealth and getting by on a low income.

In our research, we spoke to one woman who gave the example of being off work due to illness and the stresses of returning to work afterwards:

"I then got, in 2009, breast cancer. So anyway, I had treatment, I was off work for a year. I went back, I had a new boss....The first day there, she yelled at me. So anyway, the stress was so great, it gets cumulative, doesn't it? And I decided that I wanted to retire." (Georgina, 66 years old)

#### Caring responsibilities

According to Carers UK there could be more than two million people aged 65+ in the UK providing informal care to a disabled, seriously ill or older relative or friend.<sup>15</sup> Many people approaching their SPa provide care for friends and family, including older relatives, adult children, and grandchildren. Caring can impact people's decisions about whether or not they can work in the run-up to retirement, and how many hours they can do. This in turn impacts their ability to save and make pension contributions, and their level in income before retirement.

In our research, we spoke to one woman who explained her decision-making when her husband needed care:

"I'm retired. I actually gave up work to look after my husband before he died. I actually gave up work quite a lot earlier than I would have liked to, really. I would have liked to carry on working but I didn't have a choice in that matter." (Christine, 65 years old)

Caring can also impact someone's physical and mental health. In our research, one woman who worked part-time described some of the stresses she experienced:

"I have my uncle also, he's 84, he's on his own and I do shopping for him once a fortnight but I still have to, he'll say, 'Oh, I need some slippers', or 'I need some new braces.' So, that's me trundling off to get them for him and that. Again, he's got no-one else to look after him, so I'm a carer in my personal life as well as in my work life." (Sue, 65 years old)

### Bereavement

Being bereaved of a partner as someone approaches SPa can impact their decisions about when to retire. During research conducted by Independent Age into experiences of poverty in later life we heard about the impact of bereavement on people's financial situation. We spoke to one woman who told us about the impact losing her husband and son had had on her life:

"When [my husband] died I couldn't work because I lost our eldest son in a road traffic accident and he'd just turned 30...And then two weeks later I lost my husband from cancer. And so you can imagine I was not fit for work. I was a wreck...And then what I was getting was £75, I can remember it, widow's pension. But how's anybody supposed to live on that? So eventually after 18 months I went back to work." (Yvonne, 76 years old)

This case illustrates how bereavement can cause a steep fall in the remaining partner's income. This leads some people to return to work through need rather than choice, which can be difficult to sustain if people also have mental or physical health challenges. For others, bereavement can mean surviving on a much lower income until they reach their SPa.

### Career opportunities in later life

People in later life often face significant challenges getting (back) into work, or moving roles. CFAB have highlighted that older people were 'more likely to be made redundant during the pandemic and – once redundant – less likely to be re-employed than younger workers.'<sup>16</sup>

In our own research, we spoke to one man who expressed the feeling that it is very difficult to get work in later life:

"You can't just go and get a job at our age. You can't just go around the corner, jump in a job and away you go because there's no job out there for, I'm not being funny, old codgers." (man, 70-80 years old)

People who are unable to get into work, or who feel it's not possible, may choose to 'retire' before their SPa, leaving them with a considerable wait to receive their State Pension, during which they have to support themselves without income from work.

## **3.4. Metrics for Setting State Pension Age**

### ***Is it reasonable for people to expect to spend a fixed proportion of their adult life in receipt of State Pension?***

It is difficult to talk about a fixed proportion of adult life receiving the State Pension when we know life expectancy and healthy life expectancy vary so much. Given this variation, it is not clear how practical this would be to implement. It would risk establishing a higher SPA resulting in a significant number of people – those with health conditions, lower life expectancy, etc. – living for less time than the intended proportion in receipt of the State Pension.

### ***Are there options for taking account of differences in circumstances when setting State Pension age in future? What are the advantages and disadvantages of these options, and how could they operate within the current pensions framework?***

We cannot comment on how this could be done, but the evidence is clear that some groups are at more risk of poverty during their life, including in later life.<sup>17</sup> Targeting support at these groups and considering how the SPa could best support them should be explored.

### 3.5. Additional Information

#### **Do you have any other comments which relate to the Terms of Reference of this review, that you wish to share?**

The Terms of Reference for this review should consider some of the *wider impacts* of increasing the SPa, including in relation to welfare benefits for people at SPa or over. With Pension Credit, for example, a higher SPa means there will be a group of people aged 66/67 who would no longer be eligible for Pension Credit. Receiving Pension Credit would have brought their income up to the minimum level set by that benefit. Taking into account the additional benefits that receiving Pension Credit can link people to – Housing Benefit, the Warm Home Discount, Cold Weather Payments, etc. – this could be a loss for people of approximately £7k per annum.<sup>18</sup>

The review should also consider the stigma around claiming benefits that exists, particularly among people in later life. We speak to older people who tell us they don't think they are in a bad enough situation to claim a benefit (despite living in poverty), people who don't want to claim a benefit as they associate it with people who haven't worked hard, or people who just think there is always someone 'worse off' than them. Older people do not seem to have the same stigma attached to the State Pension, which they see as an entitlement they have contributed towards. With this in mind, if the SPa was to rise further, the government should put in place effective strategies to increase the uptake of benefits which people in later life, but younger than the new State Pension age, could receive.

It may also be useful for the government to review the extent to which working for longer with health conditions, or declining health more generally, speeds up the deterioration of people's health. This would likely vary by industry/role but would be instructive, especially if it indicates any additional costs to the taxpayer such as through increased NHS spending.

The Terms of Reference should also consider the *conditions* under which SPa policy should change, and any *mitigations* required to offset the impacts of policy change. For example, a mitigation could be a review of pensions guidance policy to ensure more people take-up free pensions guidance to inform their financial planning for retirement.

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<sup>1</sup> [Past and projected period and cohort life tables - Office for National Statistics \(ons.gov.uk\)](#)

<sup>2</sup> [Mortality and life expectancy trends in the UK - The Health Foundation](#)

<sup>3</sup> [Mortality and life expectancy trends in the UK - The Health Foundation](#)

<sup>4</sup> [Health | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>5</sup> [Health | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>6</sup> [ageuk\\_generation\\_r\\_research.pdf](#)

<sup>7</sup> [John Cridland CBE and the Government Actuary's Department release reports into the future State Pension age - GOV.UK \(www.gov.uk\)](#)

<sup>8</sup> [Work | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>9</sup> Impact of coronavirus on people aged 50 to 70 years and their employment after the pandemic - Office for National Statistics (ons.gov.uk)

<sup>10</sup> [Work | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>11</sup> [the\\_health\\_and\\_care\\_of\\_older\\_people\\_in\\_england\\_2017.pdf \(ageuk.org.uk\)](#)

<sup>12</sup> [Chapter 3: trends in morbidity and risk factors - GOV.UK \(www.gov.uk\)](#)

<sup>13</sup> [Health | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>14</sup> [Health | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>15</sup> "Facts about carers." Carers UK, Aug. 2019, [www.carersuk.org/images/Facts\\_about\\_Carers\\_2019.Pdf](#)

<sup>16</sup> [Work | The State of Ageing 2022 | Centre for Ageing Better \(ageing-better.org.uk\)](#)

<sup>17</sup> Poverty in later life: How people in older age move in and out of poverty, and what should be done to reduce it | Independent Age

<sup>18</sup> [Credit where it's due: Ending the £3.5 billion Pension Credit scandal | Independent Age](#)