

The real impact of raising the State Pension age

January 2023

Age UK
7th Floor, One America Square
17 Crosswall
London
EC3N 2LB
T 0800 169 87 87 F 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House 1-6 Tavistock Square, London WC1H 9NA.

Introduction

State Pension age is rising. For decades it was 60 for women and 65 for men but now it is 66

This could apply, for example, to people within three years of State Pension age who have no realistic prospect of returning to work because they are carers HQWLW O H G WR & D U H Allowance or have long term health conditions or disabilities which entitle them to certain disability benefits.

In addition, we believe there should be changes to means-tested benefits to support a wider group of lower income people approaching State Pension age to ease the transition to retirement for those unable to work, or unable to find work. This could be done by setting Pension Credit age below State Pension age or through a more generous Universal Credit system. These changes should be introduced as soon as possible to support people facing difficulties now.

People need to be individually notified of any changes in State Pension age at least 10 years before. There must also be at least a decade between any changes, and once people are within 10 years of State Pension age, they should be given a clear commitment that their State Pension age will not rise again. There is also a need for much better information and communications about what people can expect from the State Pension and other retirement provision to improve understanding and to encourage people to think more about their future income.

Summary of findings

This report explores the lives, circumstances, and views of people in their 50s and early 60s who will be reliant on their State Pension in retirement and may find it difficult to wait until 66 or later to receive their pension. We commissioned 20 in-depth interviews with people aged 51-64 who were: in low paid work; unemployed; had caring responsibilities; and/or had health conditions or disabilities. We also received feedback from nearly 1,500 Age UK campaigners aged 55-65.

Most interviewees were aware that State Pension age was around 66 or 67 but few had looked into exactly when they would receive their pension or how much it was likely to be. The reasons why the interviewees had not done more to find out about their pension included:

- x A focus on trying to get by day-to-day on a low income - sometimes with additional pressures due to ill health or caring responsibilities.
- x A feeling that there was little they could do to change their current or future financial position.
- x Not wanting to think about retirement because of negative connotations.
- x An expectation that things will change for the worse.
- x Uncertainty about where to get trusted information.

The Age UK campaigners were generally now

by the time they reach State Pension age. More generally, the people we interviewed often had limited knowledge about the State Pension and other financial support in retirement and were not sure where they could go for trusted information.

1. Background

State Pension age is being reviewed again

State Pension age is currently 66, having been 60 for women and 65 for men from 1948 until 2010. Under the current law, it will rise from 66 to 67 between 2026 and 2028 and then from 67 to 68 between 2044 and 2046. However, the law requires the Government to review the State Pension age every six years. The first review was published in 2017. At the time, the Government said it intended to bring forward the rise to 68, to between 2037 to 2039, however, the decision would be made after the next review. This is now underway, with the Government due to publish its report by May 2023. The review will be informed by a report from the Government Actuary based on the latest life expectancy projections and a report by Baroness Neville-Rolfe commissioned by the Government to look at wider factors and measures to be used when setting State Pension age.

Age UK responded to Baroness Neville-Rolfe's 2017 report with evidence emphasising the needs of more disadvantaged groups and the wide differences in life expectancies.ⁱ While life expectancy at age 65 is increasing, improvements are lower than previously projected, and the position is uncertain going forward. And importantly, there are wide inequalities within the population in the number of years people can expect to live, and how many of these are likely to be in good health. For example, male life expectancy between local areas in the UK grew from 10.0 years in 2015 to 2017 to 11.6 years in 2018 to 2020; for females, it grew from 7.8 years to 9.6 years in the same period.

Many people rely heavily on their State Pension in retirement

The UK State Pension is paid at a relatively modest level. The full rate of new State Pension in 2022-23 is £185.15 (£9,628 a year) but most pensioners receive less than that. In May 2022 average payments received were £8,592 for all pensioners and £9,027 for those receiving the new State Pension.ⁱⁱⁱ However, the State Pension remains the largest single source of income for most pensioners. It is particularly important for those who have low and modest lifetime earnings or substantial periods of time unable to work due to factors such as ill health or caring

responsibilities. Nearly three in five (58%) pensioners (single people or couples) receive at least half their income from State Pensions and benefits.

Campaigners are now only too aware of rises in State Pension age

As would be expected from a survey of individuals interested in campaigning, knowledge

4.

One interview who is 50 had to leave a job he loved several years ago due to problems with his knee and back and a serious heart condition. He is very aware of financial issues and well informed but is uncertain about what retirement will be like. His focus is on getting

E\ QRZ +H LV H[WUHPHO\ RUJDQLVHG VD\LQJ³, FDQ ORRN
WR WKH SHQQ\ H[DFWO\ DOO RI (Interviewer, age 50) W KDYH J

5. Retirement savings dwindle as people wait to get their pension

While for some people the inability to work in the years leading up to State Pension age means living on benefits such as Universal Credit, others have to draw private pensions early or spend down savings built up for their retirement. We heard from many campaigners in this situation. Some typical comments are below.

‡ gave up work at 50 WR FDUH IRU P\ SDUHQWV ZLWK SDQFUHDWLF

6. Many are unable to improve their financial position

In general, the interviewees felt their options to change their position now or for the future were limited due to a combination of life circumstances, health challenges, and the rising cost of living.

One interviewee s DLG VKH ZDV ³ SHUFHQW VXUH' WKDW VKH ZLOO
State Pension age in order WR JHW E\ ZKLFK VKH IHOW ZRXOG EH ³VR
³ZRUNHG IRU WKHLU HQWLUH OL(InterView Date 17 Dec 2016) RQWULEX

with chronic health conditions, disabilities or who had previous serious illnesses, including cancer. But although some were pessimistic about the future, others were resilient and talked about making the most of life and enjoying what they could.

8. Information and support

As set out above, there are several reasons why some people we interviewed had not

where he can work. He had heard there were jobs in a local warehouse, but he cannot work in cold environments anymore. (Interviewee, male, aged 57)

Another interviewee had been unemployed for some time, having been made redundant in

One woman interviewed was a care worker who worries about staying fit and healthy in order to support her family. She said, ³ FDULQJ LV D WRXJK MRE \RX KDYH ZRUN¶ *LYHQ WKH aspects of her work, she feels that carers should be able WR UHWLUH HDUOLHU EHFDXVH ³DIWHU LW V JRLQJ WR not feel it would be easy to get a different type of job as she gets older. (Interviewee, female, aged 54)

Another woman, aged 63, who works in a catering role in a school was also worried about how she will keep working. Her job involves six-hour days, in a physically demanding role. 6KH LV RQ KHU IHHW IRU PRVW RI KHU ZRUNLQJ GD\ DQG LV suffered a stroke nine \HDUV DJR EXW DOWKRXJK KHU KHDOWK KDV NQRZ P\ OLP Lf increasingly concerned and stressed about her ability to continue LQ WKLV MRE VD\LQJ ³, ZRXOG OLNH WR UHGXFH WKLQJV E RSW (Interviewee, female, aged 63)

Campaigners also told us how hard it was for people with physical jobs and/or health problems

company. He was one of the better-informed interviewees and knew his State Pension age was currently 67. However, while he expected to carry on working, he had concerns about the effect

Being a carer can be a full -

11. Improving the situation of people in their 50s and 60s

The interviews we commissioned, and feedback from campaigners, clearly illustrate the difficulties that some people in their 50s and 60s are facing if they are not able to work until State Pension age or if they cannot find suitable work. In our view, there needs to be action now to support people approaching State Pension age both in terms of help to get

in our response to the Independent Review of State Pension age.^{viii} Some key recommendations are:

- x Despite age equality legislation, ageism is still rife in UK workplaces. The Government should work with agencies such as the Equality and Human Rights Commission to improve promotion of the law and enforcement where it is being broken. It should also look at how to spread and embed good practice among employers, for example in terms of HR policies to tackle age discrimination.
- x The Right to Request Flexible Working has been available to all employees with 26 weeks service since 2014. This was a positive move, but this has not resulted in the flexibility that many workers in their 50s and 60s need. Age UK has long argued right, as the legislation currently passing through Parliament will do, would go some way to improving the position although further steps will be required to make flexibility widely available.
- x A *RYHUQPHQW FRPPLWPHQW WR LQWURG Xn2022 was a welcome step in the right direction. However, this has not yet become reality, and although there is a Bill currently in Parliament, the Government needs to implement it as soon as possible. However, it does not go far enough, and we believe that a PLQLPXP RI GD\V SDLG FDUHUV OHDYH SHU \HDU ZL leave should be available to all employees as soon as possible.

There should be more support for people who cannot work until State Pension age

As part of our survey of campaigners, we asked what would help them manage until they reached State Pension age. There were suggestions for improved benefits for carers and disabled people but, in general, respondents who could not work due to ill health and/or caring responsibilities wanted to be able to draw their State Pension at an earlier age.

It would have to be an increase in what is now ESA and the Support group of it, However, it would be better all round if a person is unable to carry on with the work front through ill health etc then let that person retire with some dignity and with help to carry on with their OLYHV LQ D (Campaigner, male, aged 65-66)

I am also the only carer for an ill 89 year old parent and feel that having done this now for years and now enduring poor health myself I would not have so many GP appointments nor need to work so long if the carer allowance was sufficient to live on (cover bills and food). (Campaigner, female, aged 60-61)

Being able to receive state pension at 60 would enable us to manage financially as I am an unpaid carer for my father (Campaigner, female, aged 61)

‡ have debilitating arthritis and had to finish work on health grounds several years ago and waiting until I'm 66 for my state pension has been difficult. I'll get it next year as I'm now 65 but having it at 60 would have been a great help financially. (Campaigner, female, aged 65).

Appendix

About Prescient

Prescient is an experienced full-service research consultancy, running iterative multi-staged research, or stand-alone qualitative and quantitative projects. They develop creative research projects based on the aims and objectives of each client, with the clear goal of providing actionable insights, enhanced understandings, and business growth.^{ix}

The Interviews

Prescient carried out the 20 in-depth qualitative interviews by video call or by phone during

8. Male aged 58, single, and lives alone in a one-bedroom flat. He has health conditions affecting his ability to walk and has recently had to give up voluntary work due to his health. He receives Personal Independence Payment and other benefits.
9. Female, aged 53, lives with her husband and two teenage children. She works as a hotel receptionist. Her husband has a health condition and is not working. They receive Universal Credit.
10. Male, aged 50, has a wife and three teenage children living at home. He has been unable to work for several years due to health conditions and receives Employment and Support Allowance and Personal Independence Payment.
11. Female, aged 61, divorced, and has two grown up children. She has done a number of different jobs and currently works part-time as a receptionist and takes on other jobs on an ad hoc basis.
12. Male, aged 64, divorced and lives with daughter who is his carer, and his grandson. He worked as a bus driver and then had his own gardening business but had to give this up due to health problems. He receives Employment and Support Allowance and Personal Independence Payment.
13. Female, aged 62, is divorced with a grown up son. She worked for many years but developed major health problems following a medical procedure which has left her with ongoing problems. She receives Employment and Support Allowance and other benefits.
14. Female, aged 59, married with grown up children who have left home. She has not worked for some time and is trying to improve her prospects and confidence through courses.
15. Male, aged 61, gave up work to care for his mother until she died. He has been receiving Universal Credit and looking for work which has taken longer than he expected due to the pandemic.
16. Male, age 59, combines paid work with caring for his mother whose needs are increasing.
17. Male, aged 57, divorced. He is a long-term jobseeker. He has had a number of manual jobs but has health conditions which makes it hard to find work.
18. Female, aged 59, divorced. She cares for her son and daughter who both have autism and has a grandchild living with her.
19. Male, aged 53, unable to work due to multiple health conditions. He receives Universal Credit and Personal Independence Payment.

