



INDEPENDENT REVIEW OF THE STATE PENSION AGE 2022

Baroness Neville-Rolfe DBE CMG



Department for Work and Pensions

Independent Review of the State Pension Age 2022

Final Report

Presented to Parliament pursuant to Section 27 of the Pensions Act 2014

March 2023



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Foreword

I was honoured to be asked to undertake this statutory review of the State Pension Age (SPa). Friends warned that this attitude was courageous, code for unwise. However, I was glad to turn my attention to a matter of long-term significance to everyone, and of particularly great importance to the least advantaged.

The recent economic background can best be described as turbulent. Over the last 15 years the economy has absorbed 4 enormous shocks – the biggest ever financial crisis in 2008, the convulsions of Brexit, the COVID pandemic and the results of the Russian invasion of the Ukraine. As I write, inflation is at its highest level for decades and the UK is in the middle of a cost-of-living crisis that is affecting millions of households. I hope and expect that we will put these economic woes behind us in due course. It is important to remember that pensions are a long-term enterprise.

The State Pension has always, rightly, been regarded as the bedrock of the welfare system. It was the first nationwide welfare support to be introduced at the beginning of the 20th century. Its fundamental place in welfare is not contested and its universality attracts cross party support.

My Approach

I was asked in December 2021 by the Rt Hon Thérèse Coffey MP, the then Secretary of State for Work and Pensions, to undertake this independent review of the SPa in accordance with the Pensions Act 2014. This is the second such review following that undertaken by John Cridland CBE in 2017. My terms of reference are at Annex A.

I have been supported by a fine team of civil servants in producing this report. I also appointed two academic advisers. I adopted an evidence-based approach and was fortunate to meet and receive representations from a wide range of organisations, stakeholders and individuals, both at events across the four nations and online.

Flattening life expectancy and the right choice of metrics

I have been asked to advise on the metrics on which to base the age we pay State Pension. Our success in extending the human life span is a marvellous achievement and should be celebrated. However, all other things being equal, it increases the costs

of the State Pension massively. A parallel decline in fertility leads to a dilemma: how can the cost be shared equitably across generations? This has been further complicated since 2010 as we have not seen the increases in life expectancy previously expected, a trend observed in many other OECD countries.

This report explores many metrics that could be used in determining the SPa taking account of the considerations of affordability, sustainability, and intergenerational fairness involved and of the many representations made. It reflects a near universal feeling that timely access to the State Pension is very important, particularly for the more disadvantaged in society, and, notably those whose work is of a physical kind which becomes very challenging at older ages.

My conclusion is that it continues to be broadly right for there to be a fixed proportion of adult life that people should, on average, expect to spend over SPa. However, this alone is not satisfactory for reasons of sustainability and fairness. It needs to be tempered by another metric linked to the proportion of GDP absorbed by the State Pension. This is needed to ensure that State Pension-related expenditure does not take an unfair share of public expenditure as the population ages and the triple lock - outside my remit - bites.

The State Pension is an important fact of political and economic life. A recent Office of Budget Responsibility report has underlined the huge cost of pensions. Even a change of one year in the SPa costs or saves billions. Without real policy change, this will be further compounded in future, as estimates suggest the number of people aged over 67 will increase from 12m in 2025 to 18m in 2070.

My conclusion is that the increase in SPa to age 67 in 2026-28 should go ahead as planned and as has been scheduled since 2014. My approach also implies that the move in the SPa to age 68 should move back from 2037-39 to 2041-43. This is four years later than John Cridland proposed, but three years ahead of what is already provided for in legislation. Based on my recommended metrics the move to 69 would take place during 2046-48, although the next review in 6 years would need to re-assess this in the light of life expectancy and other data.

I looked carefully at other possibilities, for example the merits of using measures of healthy life expectancy as a metric. However, although they may indeed give an

indicator of health status, they are too subjective and unreliable to use as a metric. I also explored the regional and social inequalities in life expectancy we see across the UK. I concluded, and most to whom we spoke agreed, that it would not be practical or right to seek to set different pension ages by region or locality.

Wider considerations

A range of broader issues were raised with me throughout the evidence gathering phase of my review. One major example is carers where we had evidence both of the contribution this dedicated group make in supporting the ill, disabled and older people, and the difficulties they face. I believe further work is required in this area. Another example is auto-enrolment which has been a successful means of getting many more people to save for retirement with the help of a significant financial contribution from employers. This is a major positive development. In future decades many millions will face a better retirement as a consequence. In the long run there may be scope for linking it with the State Pension in beneficial ways, but that time is a long way off.

I also see a clear case for some recommendations on the workplace, on limited early access to pensions and on communication.

It is apparent from evidence I have seen, for example in Japan where I was visiting in the late stages of my review, that maintaining workers in the workforce for longer can be helpful for their wellbeing and health and that more flexible working post COVID can play a part. It can also help to tackle the labour shortages being experienced in the UK. However, I have been particularly concerned about a disappointing and widespread discriminatory attitude to older workers, their needs and the value of their contribution at work. This needs to change.

I am also concerned about the ability of some people to continue to work up to SPa, particularly those who have worked in physically challenging jobs for many years and not drawn on benefits. I am asking the Government to look at the options for early access to pensions with an actuarial adjustment if appropriate.

Finally, there is clearly a major issue of awareness and communication which was highlighted by the history of WASPI women (Women Against State Pension Inequality), although I am sure that increases in SPa at such a rapid rate will never be

repeated. I have recommended that, in future, individuals should receive a communication of their SPa 10 years in advance to allow forward planning for retirement. I also believe that financial and retirement planning should be an embedded part of the education system.

It remains for me to thank my excellent team Penny Higgins, Christopher Steer, Ingrid Philion, Meghan Delaney, Josh Meakings, Liz Roebuck, Abdul Muiz Ahmed, James Hurkett and Thomas Sculpher and our advisers Emerita Professor Carol Jagger, Newcastle University and Dr Paul Sweeting, Honorary Professor, University of Kent. The report and its conclusions are mine, but their input was invaluable as was that of some 300 representatives and individuals we met or heard from in writing.

A handwritten signature in black ink, reading 'Lucy Neville-Rolfe'. The script is cursive and fluid, with the first name 'Lucy' being more prominent and the last name 'Neville-Rolfe' written in a continuous, flowing style.

Baroness Neville-Rolfe DBE CMG

Independent Reviewer

16 September 2022

Recommendations

Metrics

1. As this report makes clear, no single metric balances fairness between, and within, generations whilst addressing the challenges of an ageing society. The existing metric – the proportion of adult life that people should, on average, expect to spend over State Pension age (SPa) – still has much merit. However, it is not sufficient on its own and is unsustainable. A second metric is required.
2. Following our assessment of many possibilities, we believe the additional metric that best addresses concerns around affordability and sustainability is a limit on the share of GDP spent on State Pension-related expenditure. This would help to manage this growing source of Government expenditure and promote intergenerational fairness by managing costs across generations.
3. We therefore recommend:
 - that it remains right for there to be a fixed proportion of adult life people should expect to spend, on average, in receipt of State Pension and we conclude that the proportion of adult life metric is still fit for purpose
 - reflecting recent trends, that this proportion should be set at up to 31% of adult life
 - that the Government sets a limit on State Pension-related expenditure of up to 6% of GDP (this could be met through changes to SPa, eligibility rules or uprating).

Impact on State Pension age

4. Considering two different metrics when setting SPa will require the Government to make a judgement between the different timetables that each suggest. The proportion of adult life principle should be maintained wherever possible, but costs should be managed to avoid an unfair burden on future generations.
5. The legislated rise in SPa to 67 should continue as planned between 2026 and 2028. Given the very real economic challenges faced by Government and the

stark increases in State Pension-related expenditure explored in this report, it is not appropriate to increase costs further by postponing the move to age 67. We note that this change has been set out in primary legislation since 2014 which meets our recommendation of an appropriate length of notice of change (although we note that personal notifications have not yet been sent to this cohort).

6. SPa should rise to age 68 over the period 2041-2043. This is earlier than currently legislated for, but later than John Cridland proposed in the first independent SPa review¹. We have tried to strike a balance: to reflect both the slower rate of improvement that we have seen in life expectancy and the rising number of older people relative to the working age population seen in higher old age dependency ratios. This approach is also consistent with a limit of up to 6% of GDP on State Pension-related expenditure.
7. Although we make no firm recommendation, current projections of GDP and State Pension-related expenditure suggest that SPa should rise to age 69 over the period 2046-48. This possible rise should be reassessed at the next SPa review in the light of new fiscal and life expectancy projections. We note that the Government has other tools to control State Pension-related expenditure as a share of GDP beyond adjusting the SPa, including the generosity of pension uprating.

Other Findings

Support for Older Workers

8. There are substantial benefits for all if more people could continue working until later in life. The evidence shows the importance of inclusive working conditions for older workers such as flexible working, access to training and effective policies to tackle age discrimination. There is a role for Government to champion

¹ Cridland, J. 2017 "Smoothing the Transition: Independent Review of the State Pension age". Department for Work and Pensions. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/611460/independent-review-of-the-state-pension-age-smoothing-the-transition.pdf

and support best practice to raise standards amongst employers. The best employers do this well, but a wider change in culture and practice is needed.

9. We therefore recommend:

- that the Government trial a scheme where businesses, large and small, are accredited as displaying best practice with a public commitment to supporting and respecting older workers and ensuring access to workplace adjustments and training and development opportunities.

Early Access to State Pension

10. Whilst more inclusive working conditions may support some people to work for longer, some individuals will be unable to continue to work to SPa, especially as this rises further. While, in general, there should continue to be a single SPa and the universality of the scheme has many benefits, consideration should be given to providing early access to State Pension in certain limited circumstances.

11. We therefore recommend:

- that the Government explores the possibility of an early access scheme whereby workers who meet certain qualifying criteria can access their State Pension early at an actuarially reduced rate. This could include individuals aged, say, 65 and above and with 45 years of National Insurance contributions or equivalent and should aim to help those who have performed physically demanding roles over many years.

Improving Awareness and Communications

12. Evidence suggests that knowledge of SPa is patchy despite its importance for retirement planning. It is also vital to inform people personally of their own SPa within a clearly defined period of notice.

13. There is also a need for a better awareness across society. SPa could be emphasised further if details were published by the Office for National Statistics alongside their estimates of life expectancy. This is already the practice in the Netherlands.

14. Wider financial awareness and education can also be improved, starting from school age. This should cover pensions, especially the benefits of higher automatic enrolment contributions and an understanding of savings, investments and assets. Preparing people for later life and security in retirement can make a major difference to their wellbeing and prospects and thus the sustainability of our pension system.
15. We therefore recommend that Government should:
- communicate to individuals their SPa at least 10 years in advance of them reaching this age. This should be by letter, or another method to be agreed with individuals
 - for those already within 10 years of their SPa, issue such notifications as soon as is practicable
 - monitor SPa and financial awareness regularly, a minimum of every two years, particularly amongst vulnerable groups and young people to support improvements and feed into ongoing communications and education activity.

Chapter 1: Introduction

Purpose of the Report

16. The purpose of this report is to consider what metrics the Government should use when setting State Pension age (SPa). This report forms part of the evidence-base informing the wider, periodic Government review of SPa required by the *Pensions Act 2014*.
17. The precise Terms of Reference of the review are attached at Annex A, but in brief, the report should take account of:
 - recent life expectancy data
 - the importance of sharing costs fairly between generations
 - whether it remains right for there to be a fixed proportion of adult life people should, on average, spend over SPa
 - affordability and sustainability issues.
18. To recommend suitable metrics for setting SPa, it is necessary, amongst other things, to understand how State Pension has changed over time. A brief history of the scheme is set out in paragraphs 20 to 24.
19. In gathering evidence to inform the recommendations of this report we have been fortunate to meet and receive representations from a wide range of organisations and stakeholders. We examine a range of topics in arriving at our conclusions on suitable metrics, having assessed the strength and breadth of evidence received.

Background to the State Pension

20. State-funded old age pensions were first introduced in 1909 under the *Old Age Pensions Act 1908*, which provided for means-tested pensions for men and women over the age of 70.
21. Contributory pensions began in 1925 when legislation introduced payment of a flat-rate pension to all citizens over the age of 65. This was funded by contributions from employers, employees and the state. The SPa for women was

then lowered to 60 by the *Old Age and Widows' Pensions Act 1940*, whilst men's pension age remained at 65. This was intended to recognise the extent of caring responsibilities many women carried out for significant portions of their lives, as well as the fact that married women tended to be younger than their husbands and would want to draw their pension at a similar time.

22. The State Pension was introduced as part of the package of measures establishing the modern welfare state which followed the Second World War. The modern National Insurance (NI) scheme was established by the *National Insurance Act 1946* to provide unemployment benefits, sickness benefit, retirement pensions and other benefits in cases where certain conditions were met. Workers and their employers paid National Insurance contributions into the National Insurance Fund ('the NI Fund') and benefits would be paid out of the fund on a 'pay-as-you-go' basis.
23. After the differentiation of SPa for women at 60 and men at 65, no changes were made to the age at which people became entitled to State Pension for many decades. However, changes to SPa have increasingly been enacted in legislation since the mid-1990s. The *Pensions Act 1995* equalised the SPa for men and women at age 65 and a series of legislative measures in the early 21st Century introduced gradual increases to SPa.
24. The current UK SPa is 66 and is legislated to increase to age 67 for both men and women from 2026-2028 and to age 68 from 2044-2046.

Private pensions

25. There is also a long history of private pensions in the UK. As Sweeting² notes, the first company to establish a funded occupational pension scheme under trust law was Colman's of Norwich in 1900. This decision was taken to keep the scheme at arm's length from the company, but also to benefit from tax advantages. The Colman's scheme was Defined Benefit (DB) in nature and growth in such schemes in the UK continued throughout the 1950s and 60s.

² Sweeting, P. 2017, "Surfing the Tsunami: A Plan for State Pension Reform". Paul Sweeting Ltd. Accessed 13/10/2022. Available at <http://paulsweeting.com/library/170604SPA.pdf>

26. From 1988, the provision of personal pension schemes was made through the Social Security Act 1986. Personal pensions made Defined Contribution (DC) schemes more accessible, with many employers adopting grouped versions in preference to occupational (trust-based) DC schemes.
27. From the 1990s onward, there was a large shift towards the provision of DC schemes which continued through to the 2010s. The Occupational Pension Schemes Survey³ explained how the fall in active membership numbers of DB schemes was linked to the rising costs to employers. It showed how, partly due to DB schemes' approach to risk and partly due to gains in life expectancy, employers have sought to 'de-risk' their provision of pensions by closing DB schemes and then replacing them with DC ones.
28. Alongside the shift from DB to DC the 1990s saw several other key developments in the private pensions landscape. The Barber equalisation resulted from a European Court of Justice judgment in the case of *Barber v Guardian Royal Exchange (GRE) 1990*, which made it unlawful for occupational pensions to have different retirement ages for men and women⁴.
29. The Pensions Act 2008 introduced an automatic enrolment duty for employers, as well as the establishment of the National Employment Savings Trust (NEST). (See paras below for further detail on auto-enrolment)
30. A further important change for DC came with the *Pension Schemes Act 2015* and the *Taxation of Pensions Act 2014*. These introduced flexibility around individuals' ability to access their DC pension pots, (or what are often referred to as 'pensions freedoms'). This significantly reduced the rules around drawing down assets from DC pensions.

³ Office for National Statistics, Occupational Pension Schemes Survey, UK: 2015. Accessed 05/10/2022 Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/pensionssavingsandinvestments/bulletins/occupationalpensionschemesurvey/2015>

⁴ Sweeting, P. 2017. "Surfing the Tsunami: A Plan for State Pension Reform"

Pension reform and the Pensions Commission

31. The Pensions Commission was an independent body established by the Government following the pensions Green Paper in December 2002. It found that since the 1980s, there had been a downward trend in private sector employer pension contributions and levels of funded pension savings were much less than those of official estimates. The Commission reported that, for technical reasons, many DB schemes were able to delay making changes in the way they operated until the late 1990s. These schemes closed to new members and, as set out above, the shift to less generous DC plans followed. As underlying levels of funded pension savings have fallen and pension right accrual becomes even more unequal, risk is shifted from companies to individuals, some of whom are ill placed to deal with such responsibilities⁵.
32. The Commission estimated that at least 75% of all DC scheme members had contributions below the level likely to provide adequate pensions in retirement and 9 million people might be under-saving by varying amounts. The Commission's First report highlighted not only insufficient pension savings accrual overall, but also widening inequality between workers on different plans, even within the same company.
33. In response to this, the Commission's second report in 2005⁶ noted that the average pensioner income at the time compared well with previous generations. Though many still had adequate pensions savings, the distribution of pensioner income was very unequal and inequality was growing.

Automatic enrolment

34. The Pension Commission's second report recommended the adoption of automatic enrolment, a system whereby employers are required to enrol eligible

⁵ Pensions Commission, 2004, "Pensions: Challenges and Choices. The First Report of the Pensions Commission". The Stationary Office. ISBN 0 11 702780 4, pp1-310. Accessed 13/10/2022. Available at <http://image.guardian.co.uk/sys-files/Money/documents/2005/05/17/fullreport.pdf>

⁶ Pensions Commission, 2005, "A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission". The Stationary Office. Accessed 13/10/2022. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/+/http://www.dwp.gov.uk/publications/dwp/2005/pensionscommreport/main-report.pdf>

employees, who earn over a certain amount, into a workplace pension scheme and pay contributions.

35. The *Pensions Act 2008* put this recommendation into law, and employers' duties were phased in between October 2012 and February 2018, according to the size of the employer⁷. In April 2019, total minimum contributions rose to 8% of an employee's salary, a minimum of 3% of which must come from the employer⁸.
36. Automatic enrolment has significantly increased the number of people covered by pension arrangements. Since its introduction in 2012, there has been a large increase in the number of employees participating in a workplace pension. In 2012, 10.7 million employees eligible for automatic enrolment (55%) participated in a workplace pension rising to 20.0 million (88%) by 2021, showing the positive impact of the workplace pension reforms to date⁹.
37. However, many part-time workers are excluded, along with the self-employed. There are also some concerns around the relatively low levels of contributions and the possibility that this may give people a false sense of security around the adequacy of their retirement savings¹⁰.

Pensions reform and the link to life expectancy

38. In the 2011 Green Paper *A State Pension for the 21st century*, the then Government sought views on two options for setting SPa. The first was a more automatic mechanism for reviewing the SPa, using a formula to link life

⁷ Department for Work and Pensions, 2015, "Automatic Enrolment evaluation report 2015". Department for Work and Pensions. Research Report no. 909. ISBN 978 1 911003 09 0. Accessed 13/10/2022. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/20170129113511/https://www.gov.uk/government/publications/automatic-enrolment-evaluation-report-2015>

⁸ Department for Work and Pensions, 2020. "Automatic Enrolment evaluation report 2020". Department for Work and Pensions. DWP ad hoc research report no. 76. ISBN 978-1-78659-206-4. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/883289/automatic-enrolment-evaluation-report-2019.pdf

⁹ The Department for Work and Pensions, 2022. "Official Statistics: Workplace pension participation and savings trends of eligible employees: 2009 to 2021". Accessed 05/10/2022. Available at <https://www.gov.uk/government/statistics/workplace-pension-participation-and-savings-trends-2009-to-2021/workplace-pension-participation-and-savings-trends-of-eligible-employees-2009-to-2021#sect-one>

¹⁰ Sweeting, P. 2017. "Surfing the Tsunami: A Plan for State Pension Reform".

expectancy projections to SPa changes. The second option consisted of undertaking a review, which would occur at regular pre-determined intervals.

39. Although the second option, a review at regular intervals, was the option chosen, the Green Paper provided the framework for the future explicit link between the proportion of life expectancy and SPa.
40. Following the Green Paper, in 2013, the Chancellor of the Exchequer announced an explicit government principle that would underpin the periodic review of SPa: 'we think a fair principle is that, as now, people should expect to spend up to a third of their adult life in retirement'¹¹.
41. The subsequent *Pensions Act 2014* stated that a specific proportion of adult life should be spent in retirement but did not define what the proportion should be. The legislation set out a requirement for the Government to review SPa at least once every six years. DWP are currently undertaking the second SPa review and as part of this have commissioned:
 - a report from the Government Actuary that provides an analysis of the latest life expectancy projections using specified proportions of adult life over SPa
 - a report on other factors the Secretary of State considers relevant (this report).
42. The Government has a statutory requirement to complete the Second Review of SPa by May 2023, taking both of these reports into account.
43. In 2017, John Cridland published the first independent report of SPa. The Cridland report's main recommendation was that the SPa should rise from 67 to 68 over a two-year period, from 2037 to 2039. He also proposed a number of other recommendations to ease the transition to SPa, including that all employers adopt care offers, adapting automatic enrolment for the self-employed and expanding access to a mid-life MOT.

¹¹ Autumn Statement, 2013. UK Parliament. Hansard. Volume 571: debated on Thursday 5th December 2013. Accessed 13/10/2022. Available at <https://hansard.parliament.uk/commons/2013-12-05/debates/13120554000002/AutumnStatement>

44. The Government published its first review of SPa in 2017, noting that in future, it will aim for 'up to 32%' in the long run as the right proportion of adult life to spend in receipt of State Pension. The Government accepted, in principle, the Cridland proposal to bring forward the SPa rise to age 68 but stated it would 'carry out a further review before legislating to bring this about to enable consideration of the latest life expectancy projections and to allow us to evaluate the current rises in State Pension age'.

New State Pension

45. The structure and make up of State Pension has undergone considerable change. Those reaching SPa from 6 April 2016 are entitled to what is now known as the new State Pension. This new simplified system pays a flat rate based on an individual's National Insurance (NI) record. The full amount of the new State Pension can be received after 35 NI qualifying years (with transitional arrangements in place to recognise pre-2016 NI records). However, whilst NI contributions fund a significant proportion of the overall cost of the State Pension, it is not fully funded by these contributions. As the Cridland report noted, Pensions Policy Institute analysis indicate that, on average, those reaching State Pension age can expect to receive significantly more in State Pension monies than they have contributed through NI contributions. This is true even accounting for lower life expectancies amongst lower socio-economic groups, and is true for those in both the highest and lowest income quintiles.

Chapter 2: Developing the Evidence Base

Introduction

46. Over the course of producing this independent report, we met with, and received written evidence from, a wide range of organisations and individuals. We used various channels of consultation, including:

- a Call for Evidence (an online consultation, open to the public)
- support from expert academic advisers
- several roundtable events and individual meetings with key stakeholders
- two cross-party roundtable events with MPs and peers
- stakeholder visits to Leeds, Edinburgh, Cardiff and Belfast
- externally commissioned research into how State Pension age (SPa) is determined internationally
- an internal review of existing research into public attitudes and awareness.

Call for Evidence

47. Our Call for Evidence was an important part of the evidence gathering stage of the report. Through this open consultation, we welcomed evidence from members of the public and all interested parties. These included experts in the fields of longevity and ageing, older people and the labour market, intergenerational fairness and the fiscal challenges associated with an ageing population.

48. In keeping with the report's Terms of Reference, the Call for Evidence questions were drawn from the following themes: intergenerational fairness, changes in the nature of work, sustainability and affordability and metrics for setting SPa. We also welcomed any additional information relating to the Terms of Reference.

49. The Call for Evidence received 228 responses in total, of which 179 were from individuals and 49 were from organisations. These included submissions from various respondents whom we would go on to engage with in greater depth, as part of the stakeholder engagement process (such as Age UK and Centre for

Ageing Better). Other respondents included various academics, policy and research institutes (e.g. Centre for Social Justice), advocacy organisations (e.g. Scottish Women's Convention), trade unions (e.g. the TUC, National Education Union), public bodies (e.g. Public Health Scotland) and large private sector employers (e.g. the Association of British Insurers, Boots). The key themes of submissions to the Call for Evidence follow. Annex B gives a full list of the Call for Evidence respondents.

Intergenerational fairness

50. Respondents outlined options for ensuring the costs of SPa are shared fairly across generations. These included linking SPa to life expectancy (with consideration also given to healthy life expectancy) and maintaining the 'pay as you go' funding principle (in which current National Insurance contributions fund current State Pension expenditure). They also included maintaining a fixed dependency ratio and implementing wider government policies to support younger generations. Other views related to the wider workplace and private pensions landscape, protected characteristics and the prevalence of caring responsibilities amongst older people.
51. When considering whether it is reasonable to give people a fixed period of notice for SPa changes, respondents outlined the importance of effective communication to ensure adequate public awareness of such changes and allowing flexibility in some circumstances. Many respondents agreed with the principle of a fixed period of notice.

Sustainability & affordability

52. In relation to the most suitable and affordable way of managing the cost of SPa in the long term, respondents broadly advocated one of the following options: managing the level of National Insurance contributions, adjusting the level of State Pension expenditure directly, adjusting the SPa, or managing wider government expenditure with a cap or equivalent to ensure sustainability. Respondents identified factors they thought were the drivers of increasing State Pension expenditure. They also provided perspectives on the relative desirability of 'pay as you go' unfunded systems, such as the current State Pension, and

funded systems such as Defined Contribution workplace pensions and private pensions.

Changes to the nature of work

53. Various evidence on current and future workplace practices relevant to the scope of the report were also submitted. These practices included increasingly flexible and transient employment, a move towards mobile working (facilitated by technological advancements) and a continuing move from Defined Benefit to Defined Contribution based workplace pensions. Respondents understood the factors people consider when making retirement decisions to be: health and wellbeing, income adequacy, caring responsibilities (and other family considerations), the SPa and employment opportunities for older people. Respondents also commented on the pensions pay gap for women as a result of employment patterns and caring responsibilities.

Metrics

54. Respondents broadly agreed that it is reasonable for people to spend, on average, a fixed proportion of their adult life in receipt of the State Pension although many noted that this creates winners and losers. Some respondents outlined ways to account for differences in circumstance when setting SPa, such as targeted support for those in geographical and socio-economic groups with below average life expectancy. Others noted that there are challenges in taking account of differences in this way.
55. Alternative metrics suggested for setting SPa included a fixed proportion of adult life or number of years spent in retirement, healthy or disability-free life expectancy, measures of deprivation or poverty, a fixed dependency ratio or pension/worker ratio, and a fixed proportion of State Pension expenditure as a share of Gross Domestic Product (GDP).

Additional information

56. Respondents also provided information which fell outside the Terms of Reference. These included perspectives on the historic and current rates at which the State Pension has been paid. Other perspectives were offered by women

born in the 1950s and 1960s, including self-identified advocates of the Women Against State Pension Inequality (WASPI) campaign. Some respondents gave information on their history of working, paying National Insurance contributions, as well as their transition into and experiences of, retirement. The TUC proposed that future changes should be considered by an independent Pension Commission.

Expert advisers

57. We solicited expressions of interest from individuals with relevant academic expertise to support the development of the report. We recruited Paul Sweeting (Honorary Professor of Actuarial Science at the University of Kent) and Carol Jagger (Emerita Professor, Newcastle University), whose support has been invaluable.
58. Professor Sweeting and Professor Jagger participated in various briefing and stakeholder engagement sessions, to contextualise the evidence received with their wider knowledge. They also provided opportunities for us to test their interpretation of the evidence base against their own expertise and supported the development of this report.

Stakeholder engagement

59. We engaged a wide range of key stakeholders in the fields of pensions policy, longevity, the labour market and related areas through roundtable events, individual meetings, and visits to all UK nations. These stakeholders represented a broad professional spectrum, including academia, policy and research institutes, advocacy organisations and private consultancies. We also met with the British Youth Council, which gave us a valuable insight into the perspective of a younger cohort of people. They provided their perspectives on the inclusion of pensions and financial advice in an educational setting, the likely adequacy of future retirement incomes and the challenges facing younger generations (particularly around home ownership).

Academia

60. We consulted with various academic experts in the fields of gerontology, public health and epidemiology, social policy and social work, and work and employment. We identified key trends in areas relevant to the report, namely health, longevity, employment, and retirement. This included the immediate impacts of COVID-19 on longevity, as well as longer-term trends such as changes in the old age dependency ratio and healthy life expectancy.

Policy and research institutes

61. From policy and research institutes, we consulted with the Resolution Foundation, Institute of Fiscal Studies, and Centre for Policy Studies. We also consulted with the Pension Policy Institute, International Longevity Centre, Institute for Employment Studies, and The Policy Institute. We identified a broad range of perspectives on maintaining an intergenerationally fair and sustainable SPa. Proposals included increasing the SPa to mitigate affordability challenges; or targeting a fixed number of years above SPa, rather than a fixed proportion of adult life (and therefore an increasing number of years). Throughout our stakeholder engagement, it was widely acknowledged that there is no credible option for setting SPa at regional or local level.

Advocacy organisations

62. From advocacy organisations, we consulted with Age UK, Age Scotland, Age Cymru and Age NI. We also consulted with Centre for Ageing Better, Silver Voices and Scottish Pensioners Forum. We identified advocacy organisations' concerns regarding the adequacy of support available to older people below SPa, the importance of informal care in determining older people's working patterns, and the importance of sufficient and well communicated notice periods for SPa changes. Organisations such as Age UK also put forward issues around tackling age discrimination in the workplace. A common theme raised throughout our stakeholder engagement were concerns around the ability of some people to continue working up to SPa, particularly those in physically demanding jobs. Many commented on the adequacy of the benefits system in supporting people nearing SPa. We heard from a number of advocacy organisations and others on

options for early access to State Pension (either at full rate or an actuarially reduced amount) for people who cannot carry on in work.

Consultancy organisations

63. From consultancy organisations relevant to pensions policy and longevity, we consulted the National Innovation Centre for Ageing, First Actuarial LLP and Lane Clark and Peacock. Through this, we identified concerns around the adequacy of private pension savings and the challenges inherent to certain reform proposals (such as an optional early drawdown of State Pension, or region-specific State Pension ages). We also heard views regarding what employer good practice looks like in supporting employees to achieve a healthy working life, as they approach SPa (such as providing options for flexible working).

UK Parliament

64. We also engaged widely with Parliamentarians, from across both the political spectrum and the nations of the UK through roundtable events and individual meetings. Those engaged included MPs and Peers from across the major political parties, providing opportunities to seek their views on metrics for setting SPa, their impact on affordability and sustainability, the Call for Evidence and other relevant issues. In particular, Parliamentarians raised issues around the increasing costs of State Pension in the longer-term and the disparity in life expectancy and healthy life expectancy across regions.
65. We held introductory meetings with Guy Opperman MP, the then Minister for Pensions and Financial Inclusion and the Rt Hon. Simon Clarke MP, the then Chief Secretary to the Treasury. We also held individual meetings with the Rt Hon. Stephen Timms MP (Chair, Work and Pensions Select Committee) and the Rt Hon. Stephen Crabb MP (Chair, Welsh Affairs Select Committee).
66. These meetings covered topics including: the Work and Pensions Select Committee's concerns about low pension savings for some people over 50, the role of automatic-enrolment and pensions dashboards in supporting retirement, the 50+ Choices strategy (recommending how employers can support older

workers) and how Her Majesty's Treasury has sought to manage pressures on government expenditure.

UK Devolved Administrations

67. To ensure representations from both the Scottish Government and Welsh Government, we held individual meetings with Ben MacPherson MSP (Scottish Government Minister for Social Security and Local Government) and Hannah Blythyn MS (Welsh Government Deputy Minister for Social Partnership). In these meetings, we discussed SPa considerations specific to those nations, such as the disparity in projected life expectancy in Scotland compared to the rest of the UK, and initiatives such as the Welsh Strategy for Ageing Society, to support people's health and wellbeing into later life. The Scottish Government made clear their preference for no further increases to SPa.
68. As part of our visits to the nations of the UK, we engaged with a wide range of civil servants and public officials from the Scottish Government, Welsh Government and Northern Ireland Executive, across various fields and professions. In Scotland, we met with work coaches from a Jobcentre Plus in Edinburgh Waverley, where we discussed the various health-related barriers preventing older people from returning to the labour market, as well as geographical disparities (e.g., Edinburgh has a healthier population than Glasgow). We held a roundtable with the Scottish Pensioners Forum and others where we discussed the lower life expectancy projection in Scotland and wider concerns about supporting people adequately in later life.
69. In Cardiff, we met with the Older People's Commissioner for Wales and Welsh Government officials. We discussed the increase in age discrimination cases, as well as Welsh Government initiatives such as the Valley's Taskforce (to improve Welsh living standards) and Business in the Community (to understand how flexible and phased approaches to retirement can benefit older people).
70. In Belfast, we met with Senior Civil Servants from the Department of Finance and the Department for Communities and senior officials with expertise in public service pensions, including the Chair of the Northern Ireland Civil Service Pension Board and an official from the Police Service of Northern Ireland's

pensions branch. We discussed Northern Ireland policy and legislation regarding public service pensions. Meeting a Minister was not possible at this time due to the timing of Northern Ireland elections. Through these visits, we gained an understanding of the nation-specific implications of SPa changes, given variations in life expectancy, the labour market and other relevant characteristics.

Trade unions, membership organisations and Employers

71. We engaged with various national representatives from the UK's major trade unions, through roundtable events and individual meetings. We met with the TUC, GMB and Unison. Through our visits, we also engaged with trade union representatives specific to the nations of the UK. These included NASUWT, The Teachers' Union (Scotland), as well UNISON Northern Ireland and the Irish Congress of Trade Unions, Northern Ireland Committee. Through this engagement, we discussed union concerns regarding the impacts of SPa increases on people with below average life expectancy and particularly people with certain socioeconomic, regional, and protected characteristics.
72. We also met with other membership organisations, such as NHS Employers. As part of this, we discussed the significance of the normal pension age of public sector pension schemes (e.g. the NHS Pension Scheme) being linked to the SPa and the wider implications of employees retiring later for public services such as the NHS.

Civil Service and public bodies

73. We supplemented the evidence obtained from external experts through extensive engagement with the Civil Service in order to incorporate the significant expertise that exists in the public sector into the report. From the Department for Work and Pensions (DWP), we held introductory meetings with those responsible for both State Pension and private pensions portfolios, as well as 50+ Choices. Through these meetings we gained an insight into DWP's administration of the State Pension and pensioner benefits, the link between certain workplace pensions and the SPa and the wider interactions between the State Pension and workplace and private pensions.

74. To understand the implications of the latest Office for National Statistics (ONS) data regarding healthy life expectancy for the 2018-20 period, we organised a briefing session with the ONS' health state life expectancies lead, alongside Professor Carol Jagger and Professor Paul Sweeting. We obtained insights into the trends in the data, their assumptions and drivers, and the coherence of healthy life expectancy with other metrics (such as disability-free life expectancy).
75. Further insights on this topic were obtained through our meeting with the Government Actuary's Department (GAD). This involved discussion of how mortality projections have slowed over the last decade and their differential trends regarding socioeconomic, ethnic, and other sub-groups. The affordability of the State Pension was also discussed, with reference to GAD's review of the National Insurance Fund, and their assessment that this Fund would be exhausted beyond 2044 without additional funding.

Other engagement

76. We held a regional stakeholder engagement event in Leeds City region, which included a roundtable event with local stakeholders, meetings with Leeds City Council and Wakefield Council and a visit to Jobcentre Plus work coaches in Wakefield. The Leeds Partnership team highlighted the work they are doing to provide employment support for those aged 50 and over and the impact that potential changes to SPa might have on this cohort. We also met with representatives from Age Friendly Leeds, a partnership between Leeds City Council, Leeds Older People's Forum and the Centre for Ageing Better, to learn about their five-year partnership to improve the quality of later life in Leeds.
77. In addition, we visited Jobcentre Plus work coaches from the 50+ Choices team in Wakefield (as well as a representative from Wakefield Council's Step-Up programme) to learn about their work to enable those aged 50 and over to stay in, progress in, or return to work and to build their future financial resilience and wellbeing. Work coaches demonstrated commitment and understanding in supporting older claimants back to work. They also identified how the main barriers for older people remaining in, or re-entering, the labour market were a

lack of digital skills, reluctant attitudes towards work and long periods spent out of work.

78. As part of a trip to Japan the reviewer met with officials from the Ministry of Health, Labour and Welfare Pension Bureau and the Japan Centre for Economic Research. We heard of the challenges facing the current pensions system in Japan and potential reasons for the different patterns of life expectancy in Japan (which has not slowed in line with other OECD countries), advancement in healthcare and medicine, and increased awareness of public health. We also heard about Japan's approach to sustainability of their pension system in the light of improvements in life expectancy and falling fertility. The Japanese system includes macroeconomic indexation¹², whereby the assets and liabilities of the pensions system are projected forward and the pension benefit level can be adjusted to keep costs manageable in the light of demographic changes.

International evidence

79. To ensure the report was informed by international best practice, we commissioned RAND Europe to conduct research into how comparable OECD countries set their equivalent of the SPa, including the metrics they consider. Countries highlighted by the research included Denmark, France, Italy, Malta, Netherlands, Portugal and Slovakia. It should be noted that, due to differences in other countries' State Pension systems and broader circumstances such as the cost of health care, direct comparisons with the UK are not always possible.
80. The research showed differences in life expectancy across OECD countries and found that increasing SPa was the most common legislative measure adopted in response to gains in life expectancy and increases in the old age dependency ratio. Across these countries, SPa has been changed by setting a given age in legislation (e.g., France), detailing a fixed schedule of review legislation (e.g., Malta), setting up an automatic adjustment mechanism (e.g., Italy, Portugal, Denmark) or using some combination of these (e.g., Netherlands, Slovakia).

¹² Organisation for Economic Co-operation and Development (OECD), 2021. "OECD Pensions at a Glance 2021: How does Japan compare?". OECD. Accessed 13/10/2022. Available at <https://www.oecd.org/japan/PAG2021-JPN.pdf>

Within these countries there are a range of ages upon which State Pension becomes payable: Denmark, 67; France¹³ 66 and 7 months; Italy, 67; Malta 63, Netherlands 66 and 4 months; Portugal 66 and 6 months and Slovakia 62 and 8-10 months¹⁴.

81. Changes to SPa were informed by different policy targets: most often setting a particular ratio of adult life, or a set number of years, above SPa. Life expectancy was the main variable used to determine changes in SPa. Several countries have had recent experience of automatic or semi-automatic adjustment mechanisms, where the SPa changes automatically depending on changes in life expectancy.
82. The research 'Understanding decision-making around changing the SPa: A review of international evidence', is published separately alongside the report¹⁵.

Existing research into public attitudes and awareness

83. To ensure insights from existing social research on the topic of SPa were incorporated into the report, we conducted secondary analyses of datasets including Planning and Preparing for Later Life¹⁶ and the 2020 British Social Attitudes Survey¹⁷.

¹³ A full-rate pension is available to people with a full set of contributions (41.75 years for people born in 1958) that are aged above the minimum legal Pension age (62 years old, for people born in 1955 or later) or to be aged at least 67 (for people born in 1955 or later) From <https://www.oecd.org/els/public-pensions/PAG2021-country-profile-France.pdf>

¹⁴ Harker, R. 2022. "Pensions: International Comparisons". Research Briefing. House of Commons Library. Available at <https://researchbriefings.files.parliament.uk/documents/SN00290/SN00290.pdf>

¹⁵ State Pension age: A review of international evidence (2022) <https://www.gov.uk/government/publications/understanding-decision-making-around-changing-the-state-pension-age-a-review-of-international-evidence>

¹⁶ Department for Work and Pensions, 2022. "Research and Analysis: Planning and Preparing for Later Life". DWP research report no. 1008. ISBN 978-1-78659-394-8. Accessed 13/10/2022. Available at <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life/planning-and-preparing-for-later-life>

¹⁷ NatCen, 2021. "British Social Attitudes" accessed 05/10/22. Available at <https://www.bsa.natcen.ac.uk/>

84. Other survey data explored included Pensions Portfolio: New State Pension Communication Tracking Research¹⁸, Attitudes to Pensions^{19,20,21} and Public Awareness of SPa Equalisation²². We were therefore able to consider the wider evidence base within the context of people's attitudes, perceptions and expectations around SPa and pensions issues more broadly.
85. For example, according to the Planning and Preparing for Later Life survey, of respondents aged between 40-75 who were asked what their own SPa was in years and months, 56% could accurately state their SPa, 24% overestimated it and 20% underestimated it.

¹⁸ Department for Work and Pensions, 2016. "New State Pension tracking research. Findings from survey research between July 2014 and April 2016". Department for Work and Pensions. Accessed 13/10/2022. Available at

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/564547/new-state-pension-communications-tracking-research-july-2014-april-2016.pdf

¹⁹ Clery, E. et al. 2006. "Attitudes to Pensions: The 2006 survey". The Department for Work and Pensions. Research Report No 434. ISBN 978 1 84712 215 5. Accessed 13/10/2022. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/20100208134416/http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

²⁰ Clery, E. et al. 2009. "Attitudes to Pensions: The 2009 survey". The Department for Work and Pensions. Research Report No 701. ISBN 978 1 84712 860 7. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/214476/rrep701.pdf

²¹ MacLeod, P. et al. 2012. "Attitudes to Pensions: The 2012 survey". The Department for Work and Pensions. Research Report No 813. ISBN 978 1 908523 93 8. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/193372/rrep813.pdf

²² Murphy, C. 2004. "Public Awareness of SPa Equalisation". The Department for Work and Pensions. Research Report No 221. ISBN 1 84123 730 2. Accessed 13/10/2022. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/20100208134416/http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

Chapter 3: Life Expectancy

Introduction

86. The population of the UK is ageing. The ageing of the post-war 'baby boomer' cohort, coupled with general increases in life expectancy, means that by 2045 the number of people aged 85 years and over is projected to nearly double to 3.1m (4.3% of UK population) from a figure of 1.7m (2.5% of UK population) in 2020²³. In addition, there are projected to be fewer young children in mid-2045 as assumed future fertility rates reflect the decrease in UK fertility since 2012²⁴.
87. Shifts in demographics in the UK have important implications when reviewing State Pension age (SPa) and considering what metrics can best inform these decisions. **Table 1** and **Figure 1** show the changes to the UK population by age group from 1972 to 2072.

²³ Office for National Statistics, 2022. "National population projections: 2020-based interim". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2020basedinterim#changing-age-structure>

²⁴ Office for National Statistics, 2021. "Vital statistics in the UK: births, deaths and marriages". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/vitalstatisticspopulationandhealthreferencetables>

Table 1 – Historic and projected share of the UK population by age group in 1972, 2022 and 2072

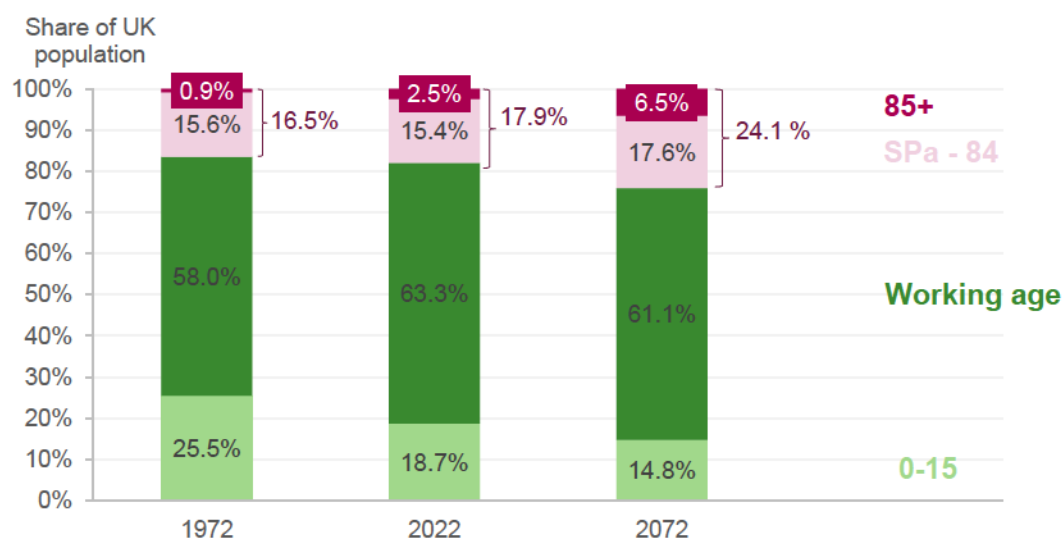
	1972		2022		2072	
Age (years)	Number (millions)	Share of Population	Number (millions)	Share of Population	Number (millions)	Share of Population
0-15	14.3m	25.5%	12.6m	18.7%	10.6m	14.8%
Working Age	32.6m	58.0%	42.8m	63.3%	43.8m	61.1%
State Pension age – 84	8.7m	15.6%	10.4m	15.4%	12.6m	17.6%
85+	0.5m	0.9%	1.7m	2.5%	4.7m	6.5%
Total		100%		100%		100%

Sources: National Population Projections: 2020-based interim²⁵ and UK population estimates, 1838 to 2020²⁶

²⁵ Office for National Statistics. 2022. “National population projections: 2020-based interim”. Accessed 17/10/2022. Available at [National population projections - Office for National Statistics](https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/nationalpopulationprojections2020basedinterim)

²⁶ Office for National Statistics. 2020. “Population estimates for the UK and constituent countries by sex and age; historical time series”. Accessed 13/10/2022. Available at <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland/mid2001tomid2020detailedtimeseries/ukpopulationestimates18382020.xlsx>

Figure 1 – Historic and projected share of the UK population by age group in 1972, 2022 and 2072



Sources: National Population Projections: 2020-based interim²⁷ and Regional population estimates for England and Wales, 1971 to 2030²⁸

88. Life expectancy determines how many citizens will reach SPa and, crucially, how long an individual may expect to be in receipt of State Pension. Estimates of life expectancy are often given from birth or from age 65. The following sections explore trends in life expectancy at age 65 unless otherwise stated.

How life expectancy is measured

89. The Office for National Statistics (ONS) produce two measures of life expectancy: period life expectancy and cohort life expectancy²⁹.

²⁷ Office for National Statistics. 2022. "National population projections: 2020-based interim". URL: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2020basedinterim>

²⁸ Office for National Statistics. 2022. "Regional population estimates for England and Wales, 1971 to 2030". Available at <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland/mid2001tomid2020detailedtimeseries/regionalpopulationestimatesenglandandwales19712020.xlsx>

²⁹ Office for National Statistics, 2019. "Guide to interpreting past and projected period and cohort life tables". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/methodologies/guidetointerpretingpastandprojectedperiodandcohortlifetables>

Box 1 – Period and Cohort Life Expectancy Explained

Period life expectancy estimates how long people live on average given the probability of dying at each age, based on observed deaths over a fixed period (for example, 2018-2020). This measure does not account for any projected changes to mortality rates, such as those arising from the availability of new medicines or the impact of lifestyle improvements.

Cohort life expectancy uses a combination of observed data on deaths and assumptions about future developments to project how long people are expected to live on average. This measure is regarded by the ONS to be a more appropriate measure of, on average, how long a person of a given age would be expected to live³⁰. Cohort life expectancy is the measure used by the Government Actuary's Department in their statutory report for the SPa Review.

90. Both cohort and period life expectancies can be useful for specific purposes:

Cohort life expectancies

- Cohort life expectancies offer more realistic projections of life expectancy in the future, as mortality rates change over time. However, these assumptions add an inherent subjectivity into the projection.
- Assumptions for cohort life expectancy projections are developed and reviewed by an expert panel, who estimate that by 2045, the UK will be at a long-run rate of improvement in mortality rates of 1.2% per year for most ages. This figure is routinely reviewed and despite the slow-down in improvements over the last 10-years, the long-run assumption has not been changed.

³⁰ Office for National Statistics. 2019. "Period and cohort life expectancy explained: December 2019". Accessed 07/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/methodologies/periodandcohortlifeexpectancyexplained#what-estimates-of-life-expectancy-do-we-produce>

Period life expectancies

- Period life expectancies use only observed data when measuring periods that have passed, so there is no requirement for subjective assumptions of future mortality improvements. However, this is less realistic when considering future life expectancies. For example, the most recent data (2018-20) covers a period where COVID-19 led to a substantial increase in mortality. Using these estimates assumes that the unusually high mortality rates during this period would continue.
- Period life expectancy provides an objective way of comparing trends in mortality over time³¹ and offer a more detailed assessment of life expectancies by different characteristics.

91. Estimates of period life expectancy are produced annually (with the latest available data covering 2018-20) and estimates of cohort life expectancy every 2 years (with the latest data being the 2020-based interim projections). The most recent cohort life expectancy projections are 'interim' projections using Census 2011 data. Whilst fertility and mortality data are observed annually, the underlying population data is based on the previous Census data from 2011 updated with registered births and death and estimated migration. Life expectancy and population projections using the new Census 2021 data were not available at the time of drafting this report.

Impact of COVID-19 on latest life expectancy data

92. The COVID-19 pandemic has had a significant impact on mortality. Between March 2020 and December 2021, there were over 130,000 excess deaths in England and Wales compared to the 2015-19 average³².

³¹ Office for National Statistics, 2019. "Period and cohort life expectancy explained: December 2019"

³² Office for National Statistics, 2022. "Excess deaths in England and Wales: March 2020 to December 2021". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/excessdeathsinenglandandwales/march2020todecember2021>

93. When producing the latest life expectancy and population projections, the ONS made assumptions about the impact of COVID-19 on these measures. In the 2020-based projections used in our analysis, COVID-19 increased the mortality rates experienced in 2020 and projected for all subsequent years. After 2022 ONS assume improvements in these mortality rates will be in line with those projected assuming COVID-19 had not occurred.³³
94. Key stakeholders, including Professor Sarah Harper of the Oxford Institute of Population Ageing, indicated that there is no consensus around the long-term impact that COVID-19 will have on future life expectancy trends, individual health, and the health system itself.

Recent trends in life expectancy

95. Period life expectancy has increased in the UK over the last 40 years³⁴ with improvements in life expectancy across this period linked to advances in medical care and behavioural changes such as a reduction in the rate of smoking³⁵. However, over the last decade, these increases have slowed in common with many other OECD countries³⁶. This can be seen in **Figure 2**, where, with the exception of Japan, we see that life expectancy has grown more slowly since 2010 in selected OECD countries³⁷.

³³ Office for National Statistics, 2022. "National population projections, mortality assumptions: 2020-based interim".

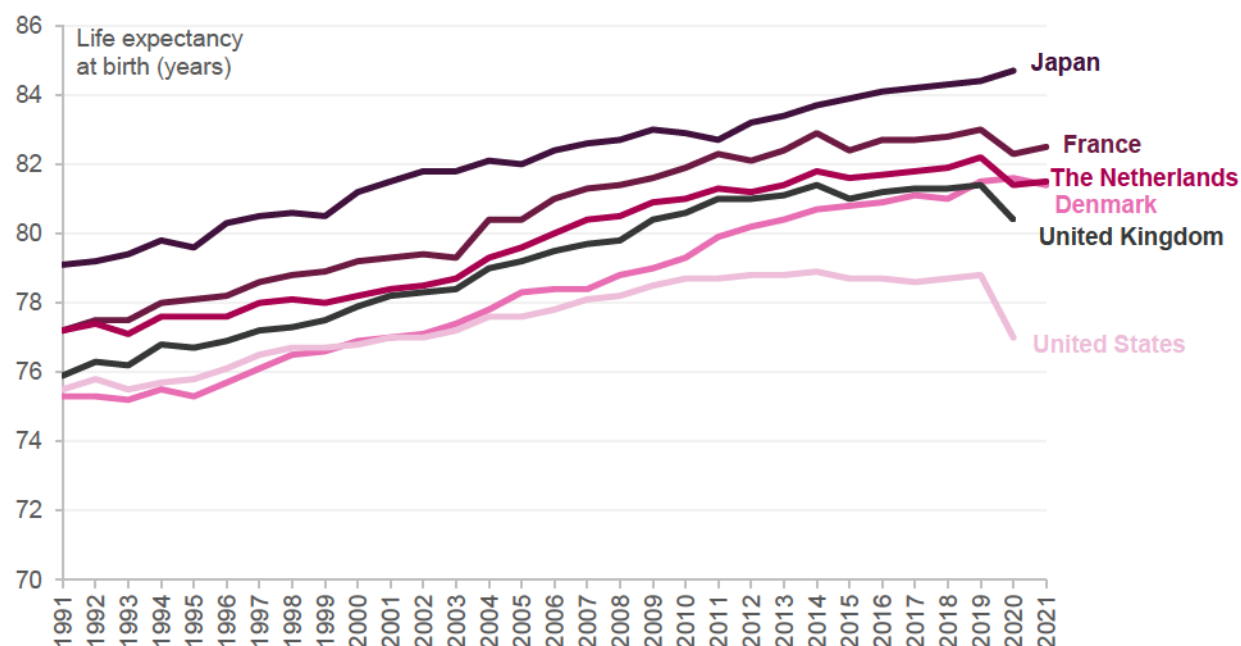
³⁴ Office for National Statistics, 2022. "Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/pastandprojecteddatabyperiodandcohortlifetables/2020baseduk1981to2070>

³² Office for National Statistics, 2018. "Changing trends in mortality: an international comparison: 2000 to 2006". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/articles/changingtrendsinmortalityaninternationalcomparison/2000to2016>

³⁶ Office for National Statistics, 2021. "National life tables – life expectancy in the UK: 2018 to 2020". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2018to2020#national-life-tables-life-expectancy-in-the-uk-2018-to-2020-data>

³⁷ Organisation for Economic Co-operation and Development (OECD), 2022. Accessed 05/10/2022. Available at <https://stats.oecd.org/>

Figure 2 – Average unisex period life expectancy at birth in selected OECD countries between 1991 and 2021



Source: OECD.Stat³⁸

96. The reasons for this slowdown are not fully understood but academics, and bodies such as Public Health England, have cited factors including increased mortality rates from seasonal influenza, dementia, slowing improvement in treatments for cardiovascular diseases, rising numbers dying from drug-related accidental poisoning and historically low increases to UK health care spending between 2009 and 2015 alongside real-term cuts to adult social care in England between 2009 and 2016.^{39,40,41,42}

³⁸ OECD. 2022.

³⁹ Luchinskaya, D. et al. 2017. "UK health and social care spending". IFS Green Budget 2017. IFS. Accessed 13/10/2022. Available at <https://ifs.org.uk/books/uk-health-and-social-care-spending>

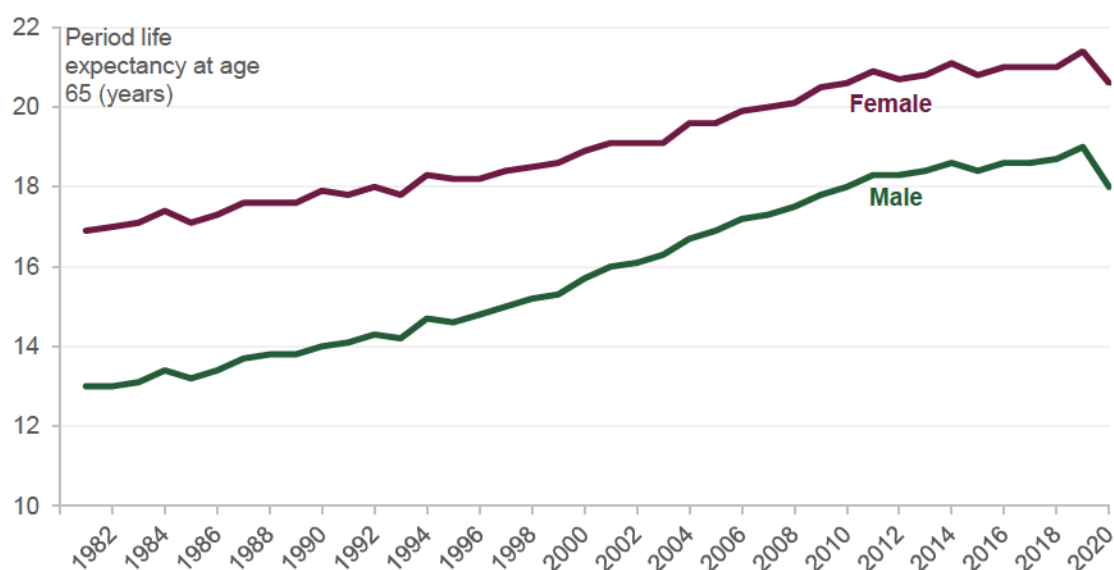
⁴⁰ Public Health England, 2018. "A review of recent trends in mortality in England". PHE publications. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/827518/Recent_trends_in_mortality_in_England.pdf

⁴¹ Office for National Statistics, 2021. "National life tables – life expectancy in the UK: 2018 to 2020".

⁴² Welsh, C. et al. 2021. "Trends in life expectancy and healthy life years at birth and age 65 in the UK, 2008-2016, and other countries of the EU28: An observational cross-sectional study". The Lancet Regional Health – Europe. Vol. 2 N. 100023. Accessed 13/10/2022. Available at <https://www.sciencedirect.com/science/article/pii/S2666776220300235?via%3Dihub>

97. **Figure 3** shows how the steady growth in period life expectancy at age 65 has slowed since 2010. In the ten years between 2000-2009, period life expectancy at age 65 grew by 2.1 years for males and 1.6 years for females. However, in the subsequent ten years between 2010 and 2019, male and female period life expectancy at age 65 grew by half as much across the period (1 year and 0.8 years respectively). Period life expectancy for the most recent three-year period (2018-2020) at age 65 years was 18.5 years for males and 21.0 years for females. The most recent data shows a fall in period life expectancy largely attributable to increased mortality rates experienced in 2020 due to COVID-19⁴³.

Figure 3 – UK Average single year period life expectancy at age 65 by Sex



Source: National life tables – life expectancy in the UK: 2018 to 2020⁴⁴

98. Female period life expectancy is higher than male period life expectancy, though the gap has narrowed due to improvements in treatments such as for cardiovascular disease and lung cancer⁴⁵.

⁴³ Office for National Statistics, 2021. "National life tables – life expectancy in the UK: 2018 to 2020".

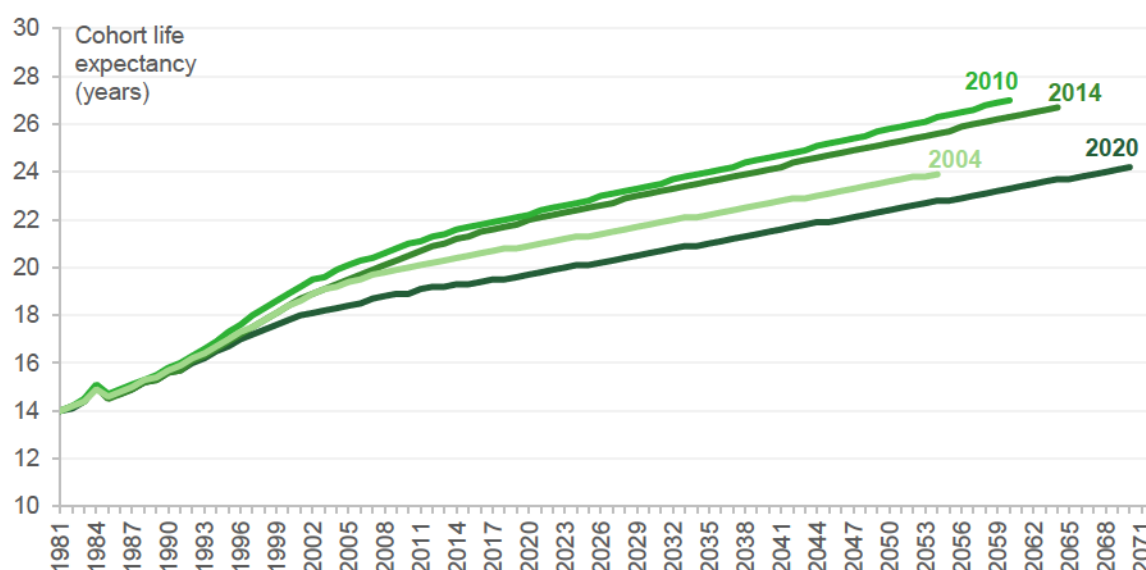
⁴⁴ Office for National Statistics, 2021. "National life tables – life expectancy in the UK: 2018 to 2020".

⁴⁵ Bennet, J. et al. 2015. "Future inequalities in life expectancy in England and Wales – Author's reply". The Lancet. Vol. 386. Issue 10011. Pp2391 – 2392. Accessed 13/10/2022. Available at [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(15\)01194-0/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(15)01194-0/fulltext)

99. **Figure 4** and **Figure 5** show the trends in male and female cohort life expectancy at age 65 using different iterations of cohort life expectancy projections, including the most recent data and the 2014-based projections which were used at the time of the first SPa review. These charts show that improvements in life expectancy have been slowing since 2010 for both males and females. Between the 2004 and 2010 releases, the ONS projected successively larger increases in life expectancy with each publication reflecting observed mortality improvements higher than those experienced in the previous decade⁴⁶. Since the 2010-based projections, each subsequent projection of life expectancy has been lower than the previous projection following slowdowns in improvements in that measure, with the 2020-based release now lower than that projected in 2004.

⁴⁶ Office for National Statistics, 2022. "Single-year life tables, UK: 1980 to 2020". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/datasets/singleyearlifetablesuk1980to2018>

Figure 4 – UK Average male cohort life expectancy at age 65



Sources: Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070⁴⁷, Past and projected data from the period and cohort life tables: 2014-based, UK, 1981 to 2064⁴⁸, Period and cohort life expectancy tables, 2010-based⁴⁹, Cohort life expectancy for males and females for the UK from the 2004-based principal projections⁵⁰.

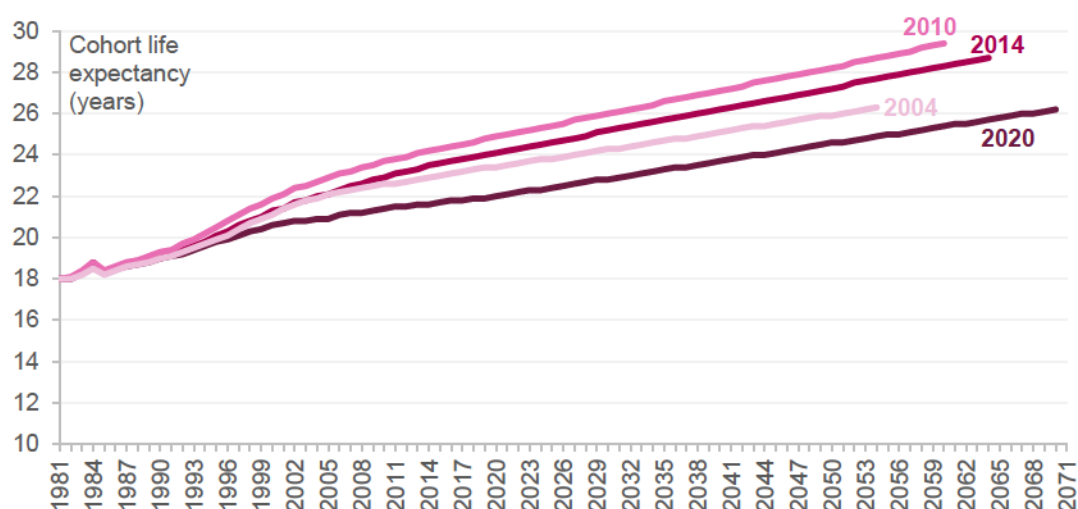
⁴⁷ Office for National Statistics. 2022. "Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070".

⁴⁸ Office for National Statistics. 2015. "Past and projected period and cohort life tables: 2014-based, UK, 1981 to 2064".

⁴⁹ Office for National Statistics. 2011. "Period and cohort life expectancy tables, 2010-based". Accessed 13/10/2022. Available at <https://webarchive.nationalarchives.gov.uk/ukgwa/20111121214341/http://www.ons.gov.uk/ons/rel/life-tables/period-and-cohort-life-expectancy-tables/2010-based/index.html>

⁵⁰ Office for National Statistics. 2017. "Cohort life expectancy for males and females for the UK from 2004-based principal projections". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/adhocs/006728cohortlifeexpectancyformalesandfemalesfortheukfromthe2004basedprincipalprojections>

Figure 5 – UK Average female cohort life expectancy at age 65



Sources: Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070⁵¹, Past and projected data from the period and cohort life tables: 2014-based, UK, 1981 to 2064⁵², Period and cohort life expectancy tables, 2010-based⁵³, Cohort life expectancy for males and females for the UK from the 2004-based principal projections⁵⁴

100. The latest 2020-based cohort life expectancy projections for those aged 65 show:

- Male life expectancy is projected to have increased to 84.9 years in 2022 – up 5.9 years from 1981. By 2047 this is projected to increase a further 2.2 years to 87.1. However, this is lower than the 2014-based data, where a male aged 65 in 2047 was projected to live until 89.9 years.
- Female life expectancy is projected to have increased to 87.2 years in 2022 – up 4.2 years from 1981. By 2047 this is projected to increase a further 2.1 years to 89.3. However, this is lower than the 2014-based data, where a female aged 65 in 2047 was projected to live until 91.9 years.

⁵¹ Office for National Statistics. 2022. "Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070".

⁵² Office for National Statistics. 2015. "Past and projected period and cohort life tables: 2014-based, UK, 1981 to 2064".

⁵³ Office for National Statistics. 2011. "Period and cohort life expectancy tables, 2010-based". Accessed 13/10/2022.

⁵⁴ Office for National Statistics. 2017. "Cohort life expectancy for males and females for the UK from 2004-based principal projections".

101. It is important to note that these figures are all averages and there is substantial variation by geography, deprivation and other factors. The following sections consider each of these in turn, before discussing health state life expectancies.

Regional variation in life expectancy

Life expectancy by country

102. Beneath the UK-wide estimates of cohort life expectancy, the ONS produce estimates at a constituent UK country level. **Table 2** shows the 2020-based cohort life expectancy data for people at age 65.

Table 2 – Average cohort life expectancy at age 65, by UK country

	Country	Life expectancy at age 65	
		in 2022	in 2050
Male	England	85.1	87.6
	Northern Ireland	84.6	87.1
	Wales	84.4	87.0
	Scotland	83.8	86.5
Female	England	87.4	89.7
	Northern Ireland	86.9	89.3
	Wales	86.8	89.2
	Scotland	85.9	88.3

Source: Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070⁵⁵

103. **Table 2** shows, for both sexes, that cohort life expectancy at age 65 is highest in England, followed by Northern Ireland and Wales, with Scotland having the lowest life expectancy. Between 2022 and 2050, all constituent UK countries are projected to experience growing cohort life expectancy at age 65.

Life expectancy by region

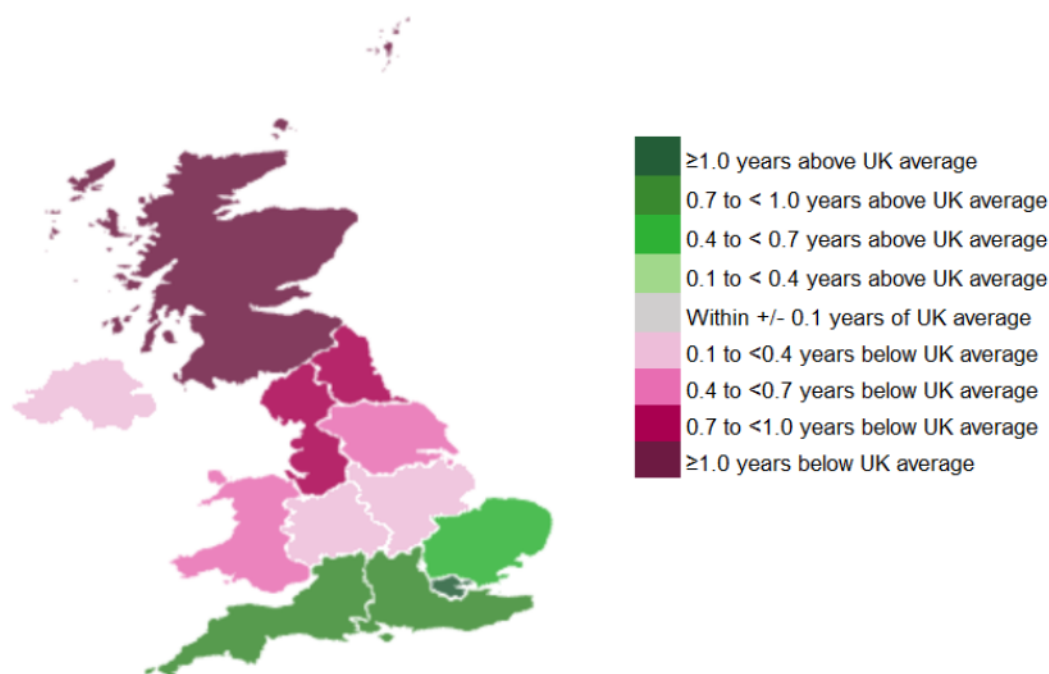
104. Analysis of life expectancies below UK constituent country level is only possible using the period life expectancy measure. Measures on a cohort basis would

⁵⁵ Office for National Statistics. 2022. "Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070".

require assumptions to be made on projected mortality improvements for each local area.

105. Period life expectancy data has shown persistent differences between regions with higher male and female life expectancies found in the South of England and lower period life expectancies found in other parts of the UK, particularly the North-East and Scotland. **Figure 6** shows the range in female period life expectancies using the latest 2018-20 period life expectancy data.

Figure 6 – Average period life expectancy at aged 65 for Females, across the UK, by region (2018-20)



Source: National life tables – life expectancy in the UK: 2018 to 2020⁵⁶

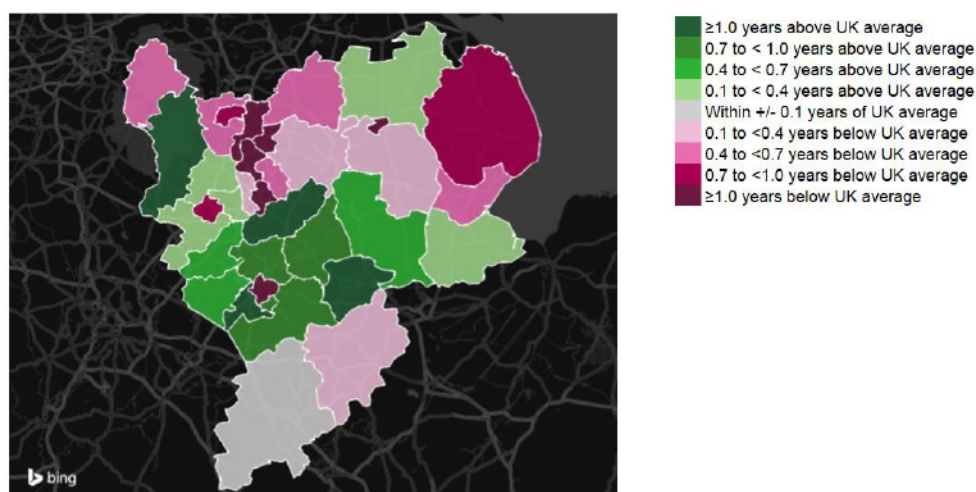
106. In the latest 2018-20 data, there was a gap of 2.3 years between the average female period life expectancy at age 65 in London (22.0 years) and Scotland (19.7 years). For males at age 65, there was a difference in average period life expectancy of 1.9 years between the South-East (19.4 years) and Scotland (17.5 years).

⁵⁶ Office for National Statistics. 2021. "National life tables – life expectancy in the UK: 2018 to 2020".

Life expectancy by local area

107. Within each region there is further variation at local authority area level. **Figure 7** shows the difference in female period life expectancy at age 65 in the East Midlands. Despite period life expectancy in this region being around the UK average level, the map shows a range in the life expectancies for different local authority areas within the East Midlands. Females in the local authority with the highest period life expectancy in the East Midlands (Rutland) can expect, on average, to live for 3.3 years longer than those in the local authority with the lowest average period life expectancy (Bolsover).

Figure 7 – Gap to UK female average period life expectancy at age 65, by local area in the East Midlands (2018-20)



Source: Life expectancy for local areas of the UK: between 2001 to 2003 and 2018 to 2020⁵⁷ (ONS, 2021)

108. Mirroring the variation in the East Midlands, at a whole UK level there is substantial variation in life expectancy across local areas. The gap between areas with the lowest and highest life expectancies has increased over the last ten years. In 2018-20, a 65-year-old man in Westminster could expect a higher average period life expectancy (23.1 years) than a 65-year-old man in Glasgow City (15.3 years), a difference of 7.7 years. Over the same period, a 65-year-old

⁵⁷ Office for National Statistics. 2021. "Life expectancy for local areas of the UK: between 2001 to 2003 and 2018 to 2020". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/lifeexpectancyforlocalareasoftheuk/between2001to2003and2018to2020>

female in Camden (25.4 years) could expect to live an additional 7.4 years more than a 65-year-old in Glasgow City (18.0 years). The areas with the highest and lowest average period life expectancies at age 65 have remained broadly the same over successive data releases.

109. At even smaller geographies there is evidence of wider variation in life expectancy. Analysis in England of middle super output areas (geographies of around 8,000 people) showed evidence of declining life expectancy in some local areas between 2002 and 2019, with a fall of 3 years in female life expectancy in an area of Leeds. At its most extreme, in 2019 there was a gap of 20 years in life expectancy for women (74.7 years compared to 95.4 years) and 27 years for men (68.3 years compared to 95.3 years) between the communities with the highest and lowest life expectancies⁵⁸.

Variation in life expectancy by socioeconomic status, deprivation and ethnicity

Life expectancy by socioeconomic status

110. The ONS have also produced new analysis estimating period life expectancy by socioeconomic classification. This data covers England and Wales between 1982 to 1986 and 2012 to 2016⁵⁹.
111. National Statistics Socio-economic Classification is a measure incorporating factors such as occupation (an indicator of the risk and physical demands of these roles), education and income. There are 8 groupings:
- Class 1: Higher Managerial and Professional (e.g. doctors, lawyers and IT project managers).

⁵⁸ Rashid, T. et al. 2021. "Life expectancy and risk of death in 6791 communities in England from 2002 to 2019: high-resolution spatiotemporal analysis of civil registration data". The Lancet Public Health. Volume 6, Issue 11. Accessed 13/10/2022. Available at [https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667\(21\)00205-X/fulltext](https://www.thelancet.com/journals/lanpub/article/PIIS2468-2667(21)00205-X/fulltext)

⁵⁹ Office for National Statistics, 2022. "Trend in life expectancy by National Statistics Socioeconomic Classification, England and Wales: 1982 to 1986 and 2012 to 2016". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/trendinlifeexpectancyatbirthandatage65bysocioeconomicpositionbasedonthenationalstatistics socioeconomic classification england and wales/1982to1986and2012to2016>

- Class 2: Lower Managerial and Professional (e.g. nurses, teachers and journalists).
- Class 3: Intermediate (e.g. armed forces [sergeant and below], paramedics and bank staff).
- Class 4: Small Employers Own Account Workers (e.g. farmers, shopkeepers and driving instructors).
- Class 5: Lower Supervisory and Technical (e.g. plumbers, electricians and chefs).
- Class 6: Semi-Routine (e.g. receptionists, care workers and telephone salespeople).
- Class 7: Routine (e.g. labourers, bar staff and lorry drivers).
- Unclassified (e.g. students, long-term unemployed and those with occupations inadequately described).

112. The most recent data shows that:

- In 2012-16, males in the Higher Managerial and Professional socioeconomic class had the highest life expectancy at 65 of 20.8 years – 3.7 years longer than the life expectancy of males in the Routine socioeconomic class (82.2 years). Females in the Higher Managerial and Professional socioeconomic classes had the highest life expectancy at 65 of 22.6 years – 2.7 years longer than the life expectancy of males in the Routine socioeconomic class (84.9 years).
- Over the last 30 years, male life expectancy at 65 has grown more slowly amongst the Routine group than any other socioeconomic class. Over this period, female life expectancy at 65 has grown fastest for those in the Intermediate socioeconomic class and slowest in the Lower Supervisory and Technical classes.

Life expectancy by deprivation

113. Life expectancy in the UK also varies by a measure of area deprivation. Indices of Multiple Deprivation are measured as a combination of different socioeconomic

factors such as income, health, crime and education. Each UK nation produces individual measures of deprivation, applying different importance to factors in the measure. Deprivation is calculated at very small geographies – in England there are 32,000 ‘lower layer super output areas’ compared to 330 local authorities. These are grouped into deciles or quintiles based on the deprivation score.

114. As each country calculates life expectancy by area of deprivation within a country only, it is not possible to compare these across the UK as a whole. **Table 3** shows the average period life expectancy at age 65 and estimates for the most and least deprived decile (England and Scotland) or quintile (Wales and Northern Ireland) for each UK nation in 2018-20. Differences by decile (where the population is split into equal sized groups of 10) will be larger than corresponding differences by quintiles (where the population is split into equal sized groups of 5) as the data are more detailed.

Table 3 – Period life expectancy at age 65 (2018-20)

		Average LE (years)	Most Deprived	Least Deprived	Absolute Difference
Male	England	18.7	15.5	21.0	5.5
	Northern Ireland	18.5	16.6	19.6	3.0
	Wales	18.2	15.9	19.7	3.8
	Scotland	17.5	14.6	20.1	5.5
Female	England	21.1	18.1	23.2	5.1
	Northern Ireland	20.7	19.1	21.7	2.6
	Wales	20.5	18.2	22.1	3.9
	Scotland	19.7	17.2	22.3	5.1

Sources: Health state life expectancies by national deprivation deciles, England: 2018 to 2020⁶⁰, Life expectancy in Northern Ireland 2018-20⁶¹, Health state life expectancies by national deprivation quintiles, Wales: 2018 to 2020⁶², Life Expectancy in Scotland, 2018-20⁶³.

115. There are significant differences between the most and least deprived areas within the UK nations. In England, between 2011-13 and 2018-20, the range in period life expectancy at age 65 between the most deprived and least deprived decile increased from 4.3 years to 5.1 years for females, and for males this gap increased from 4.9 years to 5.5 years.

⁶⁰ Office for National Statistics. 2022. "Health state life expectancies by national deprivation deciles, England: 2018 to 2020". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthinequalities/datasets/healthstatelifeexpectanciesbynationaldeprivationdecilesengland2018to2020>

⁶¹ Department of Health Northern Ireland. 2021. "Life expectancy in Northern Ireland 2018-20". Accessed 13/10/2022. Available at <https://www.health-ni.gov.uk/publications/life-expectancy-northern-ireland-2018-20>

⁶² Office for National Statistics. 2022. "Health state life expectancies by national deprivation quintiles, Wales: 2018 to 2020". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthinequalities/bulletins/healthstatelifeexpectanciesbynationaldeprivationquintileswales/2018to2020>

⁶³ National Records of Scotland. 2022. "Life expectancy in Scotland, 2018-2020". Accessed 13/10/2022. Available at <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/life-expectancy/life-expectancy-in-scotland/2018-2020>

Life expectancy by ethnicity

116. In 2021, the ONS released experimental statistics on life expectancy by ethnicity for England and Wales⁶⁴. These statistics covered the period 2011 to 2014 and are therefore not impacted by COVID-19. Mortality statistics show that COVID-19 had a disproportionate impact on some ethnic groups⁶⁵.

117. **Table 4** shows that period life expectancy at birth was lowest in the white and mixed ethnic groups and highest amongst the Black African and Asian (Other) groups for males and females.

Table 4 – Average period life expectancy at birth by sex and ethnic group: England and Wales, 2011-2014

Ethnic group	Female	Male
Asian (Other)	86.9	84.5
Bangladeshi	87.3	81.1
Black African	88.9	83.8
Black Caribbean	84.6	80.7
Black (Other)	86.8	82.0
Indian	85.4	82.3
Mixed	83.1	79.3
Other	86.9	84.0
Pakistani	84.8	82.3
White	83.1	79.7
Ethnic group range (years)	5.8	5.2

Source: Ethnic differences in life expectancy and mortality from selected causes in England and Wales: 2011 to 2014⁶⁶

⁶⁴ Office for National Statistics, 2021. "Ethnic differences in life expectancy and mortality from selected causes in England and Wales: 2011 to 2014". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/articles/ethnicdifferencesinlifeexpectancyandmortalityfromselectedcausesinenglandandwales/2011to2014>

⁶⁵ Office for National Statistics, 2021. "Updating ethnic contrasts in deaths involving the coronavirus (COVID-19), England: 10 January 2022 to 16 February 2022". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/updatingethniccontrastsindeathsinvolvingthecoronaviruscovid19englandandwales/10january2022to16february2022>

⁶⁶ Office for National Statistics. 2021. "Ethnic differences in life expectancy and mortality from selected causes in England and Wales: 2011 to 2014".

118. The ONS⁶⁷ noted that whilst findings were consistent with other research, further work is required to investigate the reasons for the differences in life expectancy by ethnicity. Suggested explanations for differences across ethnic groups included different patterns of disease prevalence and variable patterns of engagement in harmful behaviours such as smoking and drinking across ethnic groups. Research also noted the ‘healthy migrant effect’, where some ethnic groups may have higher proportions of migrants that are healthier than those born in the UK⁶⁸.

119. However, the ONS note that the relationship between some common wider determinants of health, such as area deprivation, and ethnic group is unclear. Bangladeshi, Pakistani and Black ethnic groups experienced higher life expectancies than the White ethnic group.

Health state expectancies

120. Period life expectancies may also be assessed by health status, to show the proportion of an individual’s life expected to be in ‘good health’ or without persistent health condition or illness that limits day-to-day activities.

121. The ONS produce two measures of period life expectancy by health status: healthy-life expectancy and disability-free life expectancy (these are collectively known as health state life expectancies). This section focusses on health state life expectancies from birth, as these are a better indicator of the potential healthy life an individual may expect over their lifetime⁶⁹.

⁶⁷ Office for National Statistics, 2021. “Ethnic differences in life expectancy and mortality from selected causes in England and Wales: 2011 to 2014”.

⁶⁸ Fernandez-Reino, M. 2020. “The health of migrants in the UK”. The Migration Observatory at The University of Oxford. Accessed 13/10/2022. Available at <https://migrationobservatory.ox.ac.uk/resources/briefings/the-health-of-migrants-in-the-uk/>

⁶⁹ Office for National Statistics, 2022. “Health state life expectancies, UK: 2018 to 2020”. Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/healthstatelifeexpectanciesuk/2018to2020>

Box 2 – ONS Health state life expectancy definitions

Healthy life expectancy is an estimate of lifetime spent in "very good" or "good" health based on a self-assessment of how individuals perceive their general health⁷⁰.

Disability-free life expectancy is an estimate of lifetime free from a limiting persistent illness that limits day-to-day activities based upon a self-rated assessment of how health conditions and illnesses reduce an individual's ability to carry out day-to-day activities⁷¹.

122. Healthy life expectancy is measured by asking respondents to the Annual Population Survey to assess, in general, if their health is: very good, good, fine, poor, or very poor⁷². If an individual responds Very Good or Good they are deemed to be in good health in that period. These are used along with a measure of period life expectancy to indicate the average number of remaining years in good health. Years of good health may not be consecutive (for example, an individual may experience a period of poor health and then recover to experience a period of good health). Healthy life expectancy can measure the average number of years spent in good health across the whole life span.

123. We have assessed the potential for using this data as a metric in Chapter 7. However, there are known limitations with this data⁷³. First, assessment of health is self-reported and subjective, with responses influenced by different

⁷⁰ Office for National Statistics. 2022. "Health state life expectancies, UK: 2018 to 2020".

⁷¹ Office for National Statistics. 2022. "Health state life expectancies, UK: 2018 to 2020".

⁷² Office for National Statistics, 2012. "Annual population survey (APS) QMI". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/annualpopulationsurveyapsqmi>

⁷³ Office for National Statistics, 2022. "Health state life expectancies, UK: 2018 to 2020". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandlifeexpectancies/bulletins/healthstatelifeexpectanciesuk/2018to2020>

socioeconomic factors such as age⁷⁴, sex and deprivation⁷⁵. Self-assessment of health has been found to more strongly reflect feelings of ‘vitality’^{76,77}. Second, there may be bias in the sampling of the Annual Population Survey data, where those in institutional care settings are not surveyed, potentially underestimating poor health⁷⁸. Third, healthy life expectancy data are only backwards looking and not projected for future years. Without understanding trends in future years, it is difficult to use this data as a metric to determine the SPa. Historic trends show that health state life expectancies are more variable over time than life expectancies and therefore any projections would be subject to greater uncertainty. For these reasons it is challenging to use health state life expectancy in any metric to determine SPa.

124. Disability-free life expectancy is measured using the same Annual Population Survey data source. Individuals are asked if they have a physical or mental condition that they expect to last 12 months or longer and, if they do, if this condition reduces their ability to carry out normal day to day activities. If an individual agrees, they are counted as currently having a disability. While this measure is also based on self-assessment and is subject to similar critiques as the healthy life expectancy measure, it may be less subjective than the healthy life expectancy measure.

⁷⁴ Jagger, C., 2015. “Trends in life expectancy and healthy life expectancy. Future of an ageing population: evidence review”. Foresight, Government Office for Science. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/464275/gs-15-13-future-ageing-trends-life-expectancy-er12.pdf

⁷⁵ Health Profile for England, 2017. “Chapter 1: life expectancy and healthy life expectancy”. Public Health England. Accessed 13/10/2022. Available at <https://www.gov.uk/government/publications/health-profile-for-england/chapter-1-life-expectancy-and-healthy-life-expectancy#life-expectancy-and-healthy-life-expectancy-at-age-65>

⁷⁶ Au, N. and Johnston, D. W. 2014. “Self-assessed health: What does it mean and what does it hide?” *Social Science and Medicine*. Volume 121. Pp21-28. Accessed 13/10/2022. Available at <https://www.sciencedirect.com/science/article/abs/pii/S0277953614006534?via%3Dihub#preview-section-abstract>

⁷⁷ Lynch, M. et al. 2022. “Projections of healthy working life expectancy in England to the year 2035”. *Nature ageing*. Accessed 05/10/2022. Available at <https://www.nature.com/articles/s43587-021-00161-0>

⁷⁸ Health Profile for England, 2017. “Chapter 1: life expectancy and healthy life expectancy”. Public Health England.

Trends in health state life expectancies

125. As seen in **Table 5**, since 2011-13, estimates of healthy life expectancy at birth have remained broadly unchanged. In the latest 2018-20 data, men could expect to spend 62.8 years in good health and women slightly more at 63.6 years. This compares to a period life expectancy of 79.1 and 82.9 respectively, meaning men spend a greater proportion of their lives in good health.

126. Disability-free life expectancy at birth follows similar trends. In 2018-20, females were estimated to have a disability-free life expectancy of 60.7 years, whereas males were expected have a disability-free life expectancy of 62 years. Female disability-free life expectancy has fallen by 1.3 years since 2014-16.

Table 5 – Period life expectancy and health state life expectancies at birth, by sex

		2011-13	2012-14	2013-15	2014-16	2015-17	2016-18	2017-19	2018-20
Male	Period	79.0	79.2	79.2	79.2	79.2	79.3	79.4	79.1
	Healthy	62.9	63.1	63.1	63.0	63.1	63.1	62.9	62.8
	Disability-free	-	-	-	62.6	62.7	62.6	62.3	62.0
Female	Period	82.8	82.9	82.9	82.9	82.9	83.0	83.1	82.9
	Healthy	63.7	63.7	63.8	63.7	63.6	63.6	63.3	63.6
	Disability-free	-	-	-	62.1	61.9	61.6	61.0	60.7

Source: Health state life expectancies, UK: 2018 to 2020⁷⁹

Health state life expectancies by region and local area

127. The latest data shows that those in the North-East were likely to have fewer years in good health (males: 59.1 years, females: 59.7 years) than those in the South-East (males: 65.5 years, females: 65.9 years). This is mirrored in the disability-free measure, with disability-free life expectancy at birth highest in London and the South-East and lowest in the North-East and North-West.

⁷⁹ Office for National Statistics. 2022. "Health state life expectancies, UK: 2018 to 2020".

128. Beneath these regional averages there is further variation by local area. However, ONS acknowledge that, at small areas, the APS data has small sample sizes, which may make these estimates more volatile and increases the margin of error⁸⁰. The areas with the highest and lowest healthy life expectancies are broadly unchanged across the different periods of data. This indicates that factors driving healthy life expectancy may be persistent and difficult to change.
129. The latest data shows that healthy life expectancy at birth for females in the Orkney Islands was 77.5 years. This was 23.5 more years in good health than the healthy life expectancy at birth for females in North Ayrshire (54.0 years). For males the gap was 21.2 years between men in Rutland (74.7 years) and men in Blackpool (53.5 years). The disability-free life expectancy at birth was highest in the Orkney Islands for males and females (72.2 years and 70.7 years respectively) and lowest in Blackpool for males (52.7 years) and Hull for females (51.5 years).
130. Health state life expectancies are also measured by indices of deprivation in each UK country^{81,82,83,84}. These show substantial gaps between the healthy life expectancy of those in the most and least deprived areas, particularly for females. In Scotland alone, there is a gap in the healthy life expectancy of 24 years for males and females from the most to the least deprived areas. The smallest gap is in Northern Ireland at 15 years.

⁸⁰ Office for National Statistics, 2022. "Health state life expectancies, UK: 2018 to 2020".

⁸¹ Office for National Statistics, 2022. "Health state life expectancies, UK: 2018 to 2020".

⁸² Office for National Statistics, 2022. "Health state life expectancies by national deprivation quintiles, Wales: 2018 to 2020". Accessed 05/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthinequalities/bulletins/healthstatelifeexpectanciesbynationaldeprivationdecileswales/2018to2020>

⁸³ National Records of Scotland, 2021. "Life Expectancy in Scotland, 2018-2020".

⁸⁴ Department of Health Northern Ireland, 2021. "Life expectancy in Northern Ireland 2018-20".

Healthy working life expectancy

131. Healthy life expectancy and disability-free life expectancy are independent National Statistics produced by the ONS. Academics at Keele University have produced estimates of healthy working life expectancy at age 50 in England⁸⁵.
132. This analysis, using English Longitudinal Study of Ageing data from between 2002 and 2013, provides an assessment of the number of years an individual is healthy and in work; healthy and not in work; unhealthy and in work; or unhealthy and not in work, allowing for movements between each state. This is a welcome extension of existing healthy life expectancy work which also aims to capture economic activity.
133. Health status was gathered from self-assessment of limiting long-standing conditions. Self-assessment was used in order to reflect those with conditions that individuals can manage and may otherwise be in good health. Self-assessment of limiting long-standing conditions may also capture an individuals perceived ability to work. Economic status was gathered according to whether or not someone was in paid employment or self-employment in the preceding month.
134. This analysis showed that at age 50:
- a divide in healthy working life expectancy (7.34 years in the North-East, 10.73 years in the South-East)
 - lower healthy working life expectancy for females (8.25 years) than males (10.94 years)
 - lower healthy working life expectancy for those in manual occupations (8.72 years) than those in non-manual occupations (10.32 years)
 - higher healthy life expectancy for those with increased education (7.68 years for less than secondary education, 11.27 for those with tertiary education).

⁸⁵ Parker, M. et al. 2020. "Population-based estimates of health working life expectancy in England at age 50 years: analysis of data from the English Longitudinal Study of Ageing". The Lancet. Pp395-403. Accessed 13/10/2022. Available at <https://www.thelancet.com/action/showPdf?pii=S2468-2667%2820%2930114-6>

135. Follow-up research, using a simpler methodology projected (to 2035) healthy working life expectancy in England at age 50⁸⁶. This analysis showed that healthy working life expectancy had been growing but has stalled in recent years for men and women and is expected to grow more slowly than period life expectancy between 2015 and 2035. However, the modelling approach may have underestimated healthy working life expectancy estimates due to the methods used and the confidence intervals around these estimates were substantial due to small sample sizes.

Conclusion

136. The evidence we have set out in this chapter shows that improvements in life expectancy at age 65 have slowed since 2010. However, cohort life expectancy is still projected to increase across the UK over the coming decades. Between 2022 and 2047 the life expectancy of a 65-year-old in the UK is expected to rise by 2.2 to 22.1 years for males and 2.1 years to 24.3 years for females taking them to 87.1 and 89.3 years respectively. As we have set out, these averages mask considerable variation across regions, gender, socioeconomic status, deprivation measures and ethnicity. In addition, the impact of COVID-19 on future life expectancy and the health system are uncertain.

137. Measures of healthy life expectancy provide an alternative perspective on period life expectancy measures but are backwards looking and too subjective to be used in a metric to determine SPa. Exploratory work on a healthy working life expectancy measure, encouragingly, extends the assessment of healthy life expectancy to incorporate a measure of economic activity and we encourage further research in this area to better inform any future reviews of SPa.

138. We discuss life expectancy measures and how they can be used in setting metrics in Chapter 7.

⁸⁶ Lynch, M. et al. 2022. "Projections of healthy working life expectancy in England to the year 2035"

Chapter 4: Affordability and Sustainability

Background

139. The cost of State Pension constitutes a significant share of Government expenditure. The Office for Budget Responsibility's 2022 Fiscal Risks and Sustainability report estimated that in 2021/22 State Pension-related expenditure was 4.8% of GDP, equivalent to £116bn (2020/21 prices). This percentage is expected to rise substantially over the next 50 years, on present policies.

140. Government spending on older people is wide-ranging, from welfare payments such as the State Pension, through to age-related entitlements such as bus passes and prescriptions (entitlement may differ across UK nations). In addition to this, a growing share of health and social care expenditure is spent on older people. This chapter focusses solely on expenditure on three broad categories related to State Pension and other DWP benefits only.

- State Pension expenditure – this is expenditure on the new State Pension, basic State Pension, Over 80 Pension and Additional State Pension (such as the State Second Pension and the State Earnings Related Pension Scheme). With the exception of Additional State Pension, which is uprated by CPI, these elements have been uprated by the Triple Lock since 2010 (except in 2022).
- State Pension-related expenditure – this is State Pension expenditure plus Pension Credit and Winter Fuel Payment. The Standard Minimum Guarantee of Pension Credit is uprated by the largest of earnings or the cash increase made to the basic State Pension. Winter Fuel payment is not uprated.
- Pensioner benefit expenditures – this is State Pension-related expenditure plus other benefits paid to pensioners such as Housing Benefit and Attendance Allowance (this does not include wider entitlements such as prescriptions or bus passes).

141. Beyond direct State Pension-related expenditure and pensioner benefits, Government also pays the occupational pensions of public sector workers. Many existing public sector pension schemes were replaced in 2015 and since the

pension age in many of these is now linked to the State Pension age (SPa)⁸⁷ any changes to the SPa will have a direct impact on costs. Many pensions paid to former public sector workers are unfunded and represent a significant future liability. These costs are not considered elsewhere in this report.

142. Ultimately, the affordability of State Pension (and related benefits) is a political decision – it is the prerogative of the Government of the day to choose its spending priorities and if it considers spending in one area to be sufficient, excessive, or appropriate. However, understanding the projected spend and the drivers behind this spending, allows Government to make an informed assessment taking account of the latest data and life expectancy projections.

143. Sustainability can be measured in different ways.

- The **old age dependency ratio**, a measure of the number of people above SPa as a share of those in working age, can capture the relationship between those making National Insurance contributions and recipients of State Pension. If this ratio grows, more pensioners are supported by relatively fewer working age people and, all other things being equal, those of working age will need to contribute more to sustain State Pension at the same level. The old age dependency ratio is considered more fully in the metrics chapter
- The **share of GDP spent on State Pension-related benefits** shows how much of national output is spent on these DWP benefits (as set out above). This metric has the advantage of being linked to economic growth, so an assessment can be made of the ‘slice of the pie’ pensioners receive through these benefits, whilst being a commonly produced measure for other Government spending to facilitate comparison.

⁸⁷ Thurley, D. 2021. “Public service pension age” Research briefing no 6581. House of Commons Library. Accessed 13/10/2022. Available at <https://commonslibrary.parliament.uk/research-briefings/sn06581/>

144. This chapter considers the most recent trends for State Pension expenditure as a share of GDP using the latest Office for Budget Responsibility (OBR) Fiscal Risk and Sustainability report, published in July 2022⁸⁸.

Projected State Pension-related expenditure as a share of GDP

145. The OBR's Fiscal Risks and Sustainability report draws upon ONS population projections and projections of State Pension-related expenditure (including Winter Fuel Payment and Pension Credit) provided by DWP. These projections were adjusted by OBR to reflect updated assumptions. For example, the OBR assumes lower net migration (129,000 a year) than the ONS does (205,000), reducing the projected population by almost 6 million people by 2072 against the ONS estimate. This reduces the number of working age people relative to the number of people of SPa and worsens the projected financial position, increasing projected national debt in 2071/72 from 217% of GDP to 267%.

146. In the 2022 Fiscal Risks and Sustainability report, the OBR assume as their baseline that SPa reaches 67 between 2026 and 2028 (legislated) and 68 between 2037 and 2039 (the timetable proposed in the Cridland report). After this, the OBR use the 'up to 32%' proportion of adult life in receipt of State Pension principle set out at the 2017 SPa review to determine any further projected increases to SPa.

147. Final OBR projections were not available to incorporate fully in this analysis.

Figure 8 shows the projected expenditure on State Pension-related benefits using the DWP projections but consistent with the OBR's baseline scenario.

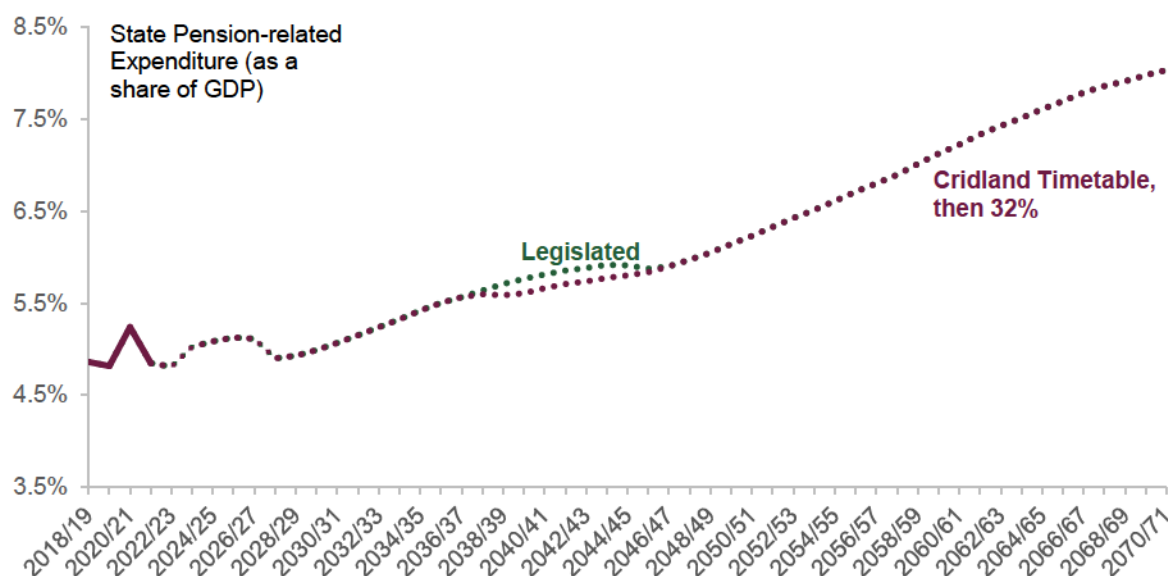
Under this scenario State Pension related expenditure as a share of GDP would rise substantially from 4.8% in 2022/23 to 8.1% by 2071/72, with much of the rise occurring from the mid 2040's onwards.

148. This figure includes State Pension-related benefits such as new and basic State Pension, Pension Credit and Winter Fuel Payment. It does not include other substantial benefits paid to pensioners such as disability and housing benefits.

⁸⁸ Office for Budget Responsibility. 2022. "Fiscal risks and sustainability". ISBN 978-1-5286-3375-8. Accessed 13/10/2022. Available at https://obr.uk/docs/dlm_uploads/Fiscal_risks_and_sustainability_2022-1.pdf

DWP modelling suggests that the share of GDP spent on Housing Benefit for pensioners could rise from 0.3% in 21/22 to 0.5% by 2071/72. The share of GDP spent on pensioner disability benefits is projected to remain around 0.4% of GDP over the same period (20/21 prices).

Figure 8 – Projected Expenditure on State Pension-related benefits as a share of GDP



Source: Independent Report team modelling

149. State Pension-related expenditure as a share of GDP is determined by both the amount spent on State Pension-related benefits and the relative performance of the UK economy. Since the financial crisis in 2008, economic growth has been poor compared to pre-crisis trends. The OBR assumes weaker long-term real GDP growth in their 2022 Fiscal Risks and Sustainability report than in their previous 2018 report. As State Pensions are a source of expenditure not tied to economic performance, any weakening of GDP will raise the relative costs as a proportion of GDP.

150. State Pension-related expenditure is determined by three key factors:

- **The number of pensioners:** The previous chapter showed the demographic trends that underpin some of the rise in State Pension expenditure. The number of people above SPa is growing, in part from the ageing of historically large cohorts of births such as the 'baby boomer' generation and from projected increases in cohort life expectancy. The number of people above

SPa (under current legislated plans) is expected to increase from 12m people in 2021 (SPa: 66) to 17.2m people in 2071 (SPa: 68) – an increase of nearly 44%. Beyond the number of people of SPa alone, eligibility rules for State Pension also affect expenditure.

- **The average length of time in receipt of State Pension:** Cohort life expectancy at SPa is increasing and is projected to increase further despite the slowing rate of increase in recent years. In 1981 the average male at SPa could expect to live an additional 14.0 years. By 2021 this had increased to 18.9 years and by 2051 this is expected to increase further to 19.8 years – despite increases to the SPa over this period. Improved life expectancy at SPa is expected to increase average lengths of receipt of State Pension.
- **Amount of State Pension:** The rate of State Pension paid is clearly a determinant of overall costs, and uprating is a crucial factor. The IFS and other external commentators have noted the ratcheting effect of the Triple Lock which has increased the relative generosity of State Pension in real terms^{89,90,91,92}. The OBR have revised its anticipated Triple Lock premium upwards compared to their 2018 report to account for high inflation expected over the coming year, as well as the effects of greater volatility in earnings growth in recent years.

State Pension expenditure and uprating

151. State Pension-related benefits are uprated each year by different methods. The new State Pension and basic State Pension are uprated by the Triple Lock – the

⁸⁹ Hood, A. 2017. “A ‘double lock’ on the state pension would still be a bad idea”. Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://ifs.org.uk/articles/double-lock-state-pension-would-still-be-bad-idea>

⁹⁰ Hanton, A. 2021. “The wretched ratchet of the triple lock on the state pension”. Intergenerational Foundation. Accessed 06/10/2022. Available at <https://www.if.org.uk/2021/06/17/the-wretched-ratchet-of-the-triple-lock-on-the-state-pension/>

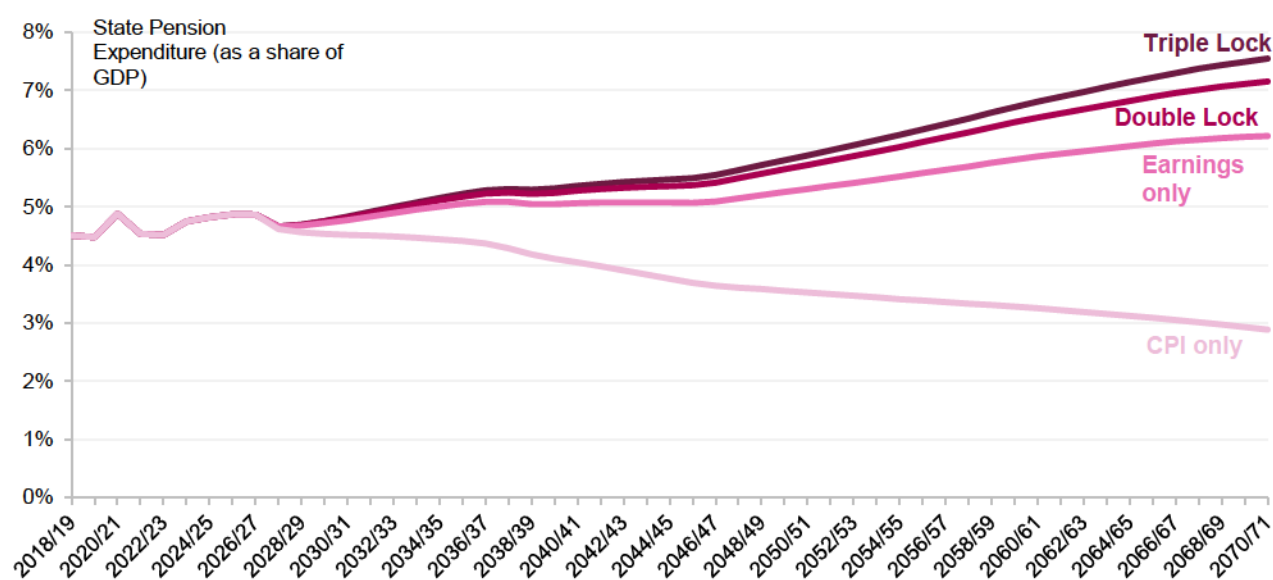
⁹¹ Bell, T. and Gardiner, L. 2020. “Locked in? The triple lock on the State Pension in light of the coronavirus crisis”. Resolution Foundation. Accessed 06/10/2022. Available at <https://www.resolutionfoundation.org/publications/locked-in/>

⁹² Centre for Policy Studies, 2020. “Saving £30 billion: 9 simple steps”. ISBN 978-1-910627-94-5. Accessed 06/10/2022. Available at <https://cps.org.uk/wp-content/uploads/2021/07/201020170730-Saving30Billion2.pdf>

largest of 2.5%, earnings or CPI – other pensioner benefits are uprated by earnings, CPI or the cash equivalent of the increase to basic State Pension.

152. **Figure 9** shows the projected share of GDP spent on State Pension expenditure using DWP projections and different uprating methods.

Figure 9 – Projected Expenditure on State Pension as a share of GDP



Source: Independent Report team modelling

Note: Includes Basic State Pension, New State Pension, Over 80 Pension and Additional State Pension. Additional State Pension is uprated by CPI only and unchanged between each scenario.

Figure 9 demonstrates the stark impact an uprating mechanism can have on overall State Pension expenditure. Uprating by:

- CPI alone (the least generous uprating, but consistent with uprating of most working-age benefits) expenditure would fall as a share of GDP reaching 2.8% of GDP by 2071/72. Pensioner poverty would increase as pension incomes would not keep pace with increasing working age income growth
- earnings growth – the minimum required for new State Pension – expenditure would rise to 6.1% of GDP by 2071/72. This would maintain pensioner incomes relative to those of working age
- double lock (the larger of CPI or average weekly earnings) State Pension expenditure would rise to 7.1% of GDP by 2071/72. This would be more generous than average growth in working age incomes.

- triple lock (the largest of CPI, average weekly earnings or 2.5%) State Pension expenditure would rise to 7.5% of GDP. This would be even more generous than average growth in working age incomes.

153. Up-rating by either a double or triple lock would lead to State Pension rising faster than earnings or prices in the long run⁹³. This 'ratchet effect' may be less easy to rationalise since the rate of relative pensioner poverty (after housing costs) has more than halved since 1990⁹⁴. In 20/21, relative pensioner poverty (after housing costs) in the UK was 14.7% - lower than the rates of poverty for children (27.1%) and working age adults (19.6%) which suggests the Triple Lock has improved the relative position of pensioner incomes.

154. Pensioner benefits (including Housing Benefit and disability benefits such as Attendance Allowance) are also increasing as a share of GDP throughout the projected period, partly driven by increasing numbers of pensioners.

Demographic changes affecting State Pension-related expenditure as a share of GDP

155. Alongside increases in cohort life expectancy and the growth of the number of people over SPA, the fertility rate is projected to fall. By mid-2045, the long-term assumption of the average number of children per woman is 1.59. This compares to 1.91 children per woman for the 1970s cohort, the last cohort to complete childbearing⁹⁵.

156. This fertility rate represents the lowest birth rate assumed in any set of official population projections published over the past seven decades in the UK⁹⁶. Fewer

⁹³ Emmerson, C. and Hood, A. 2017. "Moving from a Triple to a Double Lock does little to long-run state pension affordability". Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://ifs.org.uk/articles/moving-triple-double-lock-does-little-long-run-state-pension-affordability>

⁹⁴ Institute for Fiscal Studies (IFS). 2022. "Institute for Fiscal Studies: Living Standards, Inequality and Poverty Spreadsheet". Accessed 06/10/2022. Available at <https://ifs.org.uk/sites/default/files/2022-08/Incomes%20poverty%20and%20inequality%20%285%29.xlsx>

⁹⁵ Office for National Statistics. 2022. "National population projections, fertility assumptions: 2020-based interim". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/nationalpopulationprojectionsfertilityassumptions2020basedinterim>

⁹⁶ Office for Budget Responsibility. 2022. "Fiscal risks and sustainability".

children born will eventually translate into fewer people of working age to support those in receipt of State Pension.

157. The OBR also assume that long-term net migration will be lower than the ONS assumption, and lower than previous estimates used in their 2018 report due to the changes to inward migration rules. Different views and assumptions of migration increase the uncertainty of estimates of the true share of GDP spent on State Pensions. Lower net migration will raise dependency ratios as migrants are more likely to be of working age when they arrive than the average resident. This leads to lower projected real GDP growth.
158. The net effect of increasing numbers of pensioners and falling fertility are positive on the public finances in the short run, due to falling child-related welfare payments and education expenditure. However, in the long run a fertility rate significantly below replacement level, if sustained, leads to serious problems with public finances because of the continuous reduction in the number of those working as a share of the population.

State Pension-related expenditure in context

159. **Table 6** sets the challenge of State Pension-related expenditure in context with other age-related expenditure taken from the most recent Fiscal Risks and Sustainability report 2022.
160. The OBR estimate that in 2021/22 4.8% of GDP will be spent on State Pension-related benefits. This is 0.6 percentage points greater than education spending. By 2071/72 expenditure is projected to increase to 8.1% of GDP, whereas spending on education is due to fall to 3.3% of GDP. This should, however, be considered in the context of an increase in pensioner numbers and fewer children in education.
161. Similarly, health expenditure as a share of GDP is expected to grow by nearly 6 percentage points over the next 50 years. A substantial driver of this increase is the projected increase in the number of older people as older populations are associated with higher health costs.

Table 6 – Age Related Expenditure as Share of GDP⁹⁷

	Per cent of GDP						
	Estimate		FRS Projection				
	2021-22	2026-27	2031-32	2041-42	2051-52	2061-62	2071-72
State Pension-related Expenditure	4.8	5.1	4.9	5.5	6.2	7.3	8.1
Pensioner Benefits	0.7	0.7	0.8	1.0	1.2	1.4	1.5
Total Pension Expenditure	5.6	5.9	5.7	6.6	7.5	8.7	9.6
Health	9.1	8.3	8.7	10.1	11.7	13.3	15.0
Other Welfare Benefits	4.8	4.6	4.4	4.2	4.2	4.1	4.0
Education	4.2	4.2	3.8	3.4	3.5	3.5	3.3
Adult Social Care	1.2	1.4	1.5	1.8	2.0	2.3	2.5
Public Service Pensions	2.0	2.0	1.9	1.8	1.7	1.8	1.7
Total Age-Related Spending	26.8	26.3	25.9	27.8	30.5	33.7	36.1

Note: Assumes SPa increases to 67 (2026-28) and according to the Cridland timetable for 68 (2037-39). Basic and new State Pension are uprated by the Triple Lock and all other elements of pensioner benefits uprated by average weekly earnings, CPI or the cash equivalent increase to basic State Pension (for the Pension Credit Standard Minimum Guarantee).

162. The Government Actuary's Department (GAD) produces a Quinquennial review of the National Insurance Fund (NIF) every 5 years. This is a notional fund not backed by assets. The latest review, using ONS population projections, showed that the current NIF surplus is projected to grow, peaking at a little over £100 billion in 2032, before being run down to exhaustion by 2044 in the absence of any additional funding⁹⁸. If these projections materialise, annual HM Treasury grants to the NI Fund will be required before 2044. The Quinquennial review also projects that after 2058, the grants required will be larger than the current maximum permitted under legislation, which is 17% of estimated benefit

⁹⁷ Office for Budget Responsibility. 2022. "Fiscal risks and sustainability"

⁹⁸ Government Actuary's Department (GAD). 2022. "Government Actuary's Quinquennial Review of the National Insurance Fund at April 2020". Accessed 06/10/2022. Available <https://www.gov.uk/government/publications/government-actuarys-quinquennial-review-of-the-national-insurance-fund-as-at-april-2020>

expenditure⁹⁹. Demographic changes are cited as the most significant reason for this change; in 2020, 94% of the Fund's benefit expenditure was on State Pensions. The pay-as-you-go structure of the State Pension means that a worsening old age dependency ratio will increase demand on funds whilst lowering the relative size of potential contributors.

Call for Evidence: affordability

163. The Call for Evidence asked for views on how to best manage the cost of State Pensions in the longer-term. Many respondents questioned the concepts of affordability and sustainability and suggested there was increased scope for funding State Pensions through additional taxation of business, such as corporation taxes, or trade-offs with Government spending elsewhere. Stakeholders also noted the role of the Triple Lock as a key driver of increased State Pension-related expenditure. Some suggested linking the spend on State Pension to a share of GDP, changing the State Pension amount or increasing the role of private retirement saving through things like automatic enrolment.
164. The affordability of State Pensions was also considered in the context of intergenerational fairness. Here, respondents noted the challenge of reconciling the pay-as-you-go principle with sharing the costs of State Pension-related expenditure across generations. Groups such as Age UK noted that, with an ageing society, expenditure may need to increase over time and cautioned not to frame the debate across generations as current workers will become future pensioners.

Conclusion

165. State Pension is a substantial and growing source of Government expenditure. Demographic changes, such as increased life expectancy and the ageing of large cohorts (such as the 'baby boomers') will increase these costs further, though the choice of uprating is a key factor in determining the overall State Pension cost.

⁹⁹ Government Actuary's Department (GAD). 2022. "Government Actuary's Quinquennial Review of the National Insurance Fund at April 2020".

166. Current State Pension-related expenditure (4.8%) is greater than expenditure on education (4.2%), though changes to the number of young people relative to the number of older people mean that State Pension-related expenditure as a share of GDP will rise relative to spending on education.
167. The increased estimates of State Pension-related benefit expenditure are stark, reflecting an ageing population and the current uprating mechanism. There are various ways to mitigate this which will require difficult decisions by Government. However, there is no doubt that SPa plays an important part in ensuring sustainability and this is considered in more detail in Chapter 7 on metrics.

Chapter 5: Work and Health

168. This chapter considers how working patterns and practices are developing, particularly for older workers aged over 50. It explores the implications of changes in work and health on an ageing society and potential increases to the State Pension age (SPa). In particular, we explore the reasons older people may find it difficult to remain working for longer and consider whether additional support may be appropriate to facilitate any changes in SPa in future.

Changing nature of work

169. Over decades, there has been increasing participation in the labour market with marked increases amongst those closest to the SPa. The employment rate for people aged 50 to 64 was 70.7% in the 3 months to June 2022 (9.2 million people) increasingly steadily during the 1990s from a low of 55.9% (4.8 million people) in the 3 months to June 1993. In recent decades the average age of exit from the labour market has increased for both sexes, especially for women¹⁰⁰.

170. Respondents to the Call for Evidence noted the increasing transience of the UK's working population. The average number of occupations for the self-employed is between seven and ten jobs over a lifetime and between six and nine jobs for employees¹⁰¹. This is creating a more complex system for individuals to manage their pension pots and to understand their preparedness for retirement. Increases in self-employment and the 'gig economy' may also increase reliance on the State Pension as a future source of income as these individuals may not be automatically enrolled into a pension scheme (there is no automatic provision at all for self-employed people) with the opportunity to save for retirement and benefit from any employer contributions.

¹⁰⁰ Department for Work and Pensions. 2022. "Economic labour market status of individuals aged 50 and over, trends over time: September 2022". Accessed 06/10/2022. Available at <https://www.gov.uk/government/statistics/economic-labour-market-status-of-individuals-aged-50-and-over-trends-over-time-september-2022>

¹⁰¹ Department for Work and Pensions. 2019. "Enabling retirement savings for the self-employed: pensions and long-term savings trials". Accessed 06/10/2022. Available at <https://www.gov.uk/government/publications/pensions-and-long-term-savings-trials-for-self-employed-people/enabling-retirement-savings-for-the-self-employed-pensions-and-long-term-savings-trials>

171. ONS analysis of Wealth & Assets Survey data showed almost a third of people did not expect to have any pension provision beyond the State Pension when they retired¹⁰².

Factors affecting labour market participation

172. Generally, the difference in the rate of employment between younger and older workers has narrowed over the past 10 years. However, in 2018 less than half of the UK population were in work the year before they were eligible for the State Pension¹⁰³. The Centre for Social Justice gave evidence which suggests that the UK is not responding to the needs and potential of an ageing workforce. This is partly responsible for an increased number of older workers leaving the labour market before SPa.
173. Inactivity rates amongst those closest to SPa have also risen noticeably since the COVID-19 pandemic. In the three months to June 2022, 3.6 million adults aged 50-64 were economically inactive, up from 3.2 million adults in the 3 months to June 2019¹⁰⁴. Of the 3.6 million inactive individuals, nearly 40% gave 'sick or disabled' as their main reason for inactivity – up 1.3 percentage points over the previous year¹⁰⁵. However, analysis from the Institute for Fiscal Studies (IFS) suggests that rising inactivity of those aged 50-69 has also been driven primarily by lifestyle choices rather than poor health¹⁰⁶.
174. Beyond this, the reasons for early exit are wide ranging and include illness, disability, discrimination and unmet desires for flexible working. These multiple issues have been raised throughout our review, in responses to the Call for

¹⁰² Office for National Statistics. 2022. "Saving for retirement in Great Britain: April 2018 to March 2020". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/pensionwealthingreatbritain/april2018tomarch2020>

¹⁰³ Thomson, P. 2018. "A silver lining for the UK economy. The intergenerational case for supporting longer working lives". Centre for Ageing Better. Intergenerational Commission. Accessed 13/10/2022. Available at <https://ageing-better.org.uk/sites/default/files/2018-02/Silver-lining-UK-economy-crucial.pdf>

¹⁰⁴ Office for National Statistics. 2022. "Labour market overview, UK: September 2022".

¹⁰⁵ Department for Work and Pensions. 2022. "Economic labour market status of individuals aged 50 and over, trends overtime: September 2022".

¹⁰⁶ Boileau, B. and Cribb, J. 2022. "The rise in economic inactivity among people in their 50s and 60s". Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://ifs.org.uk/publications/rise-economic-inactivity-among-people-their-50s-and-60s>

Evidence as well as in stakeholder engagement meetings. We note that we are now seeing a tightening in the labour market – with the recent near record number of vacancies and unemployment close to a 50-year low in recent months¹⁰⁷. This may provide incentives for employers to target additional recruitment activity towards older workers.

Health

175. Poor health is one of the main reasons for workers leaving the labour market before they reach SPa. This corresponds with responses to our Call for Evidence from members of the public who cited concern around physical ability, particularly in more demanding physical roles. This is discussed further below.
176. Employment can be beneficial for health. In 2019, Public Health England (PHE) published information on health and work showing that being in good work is better for health than being out of work, where they define ‘good work’ as having a safe and secure job with good working conditions and hours, supportive management and training and development opportunities. Good work can improve health and wellbeing across the lifespan and protect against social exclusion, whilst unemployment is bad for health and wellbeing and is associated with an increased risk of mortality and morbidity¹⁰⁸.
177. We also heard that whilst good jobs are good for health, the same health benefits may be absent for those in poor quality jobs. Responses to our Call for Evidence highlighted the importance of the quality of work. In his response, David Blane (UCL) noted that those working longer in poorer health find that their health improves if they retire from paid work but worsens if they continue working. He also noted that these effects may not be limited to those with pre-existing health problems, as those older and employed in disadvantaged jobs face the same dangers.

¹⁰⁷ Office for National Statistics. 2022. “Labour market overview, UK: June 2022”.

¹⁰⁸ Public Health England. 2019. “Health matters: health and work”. Accessed 06/10/2022. Available at <https://www.gov.uk/government/publications/health-matters-health-and-work/health-matters-health-and-work>

178. People in physically demanding or low paying sectors are six times more likely than professional or managerial workers to leave the workforce before SPa because of sickness or disability¹⁰⁹.
179. Concerns about the ability of people in physically demanding jobs to continue in work up to SPa was a persistent theme throughout our stakeholder engagement. In our Call for Evidence responses. Unite noted that whilst technology has reduced the physical demands of some jobs, this is not the case for many manual occupations, where many will struggle to work in those roles through to SPa. During our stakeholder roundtables, we heard from NHS Employers in relation to the work produced by the NHS Working Longer Group, who noted the difficulty for older workers continuing in many NHS roles. In particular this may affect nurses, midwives, porters and paramedics, where lifting and manoeuvring patients may be roles where working longer is not possible or manageable. We acknowledge that, in some cases it simply will not be possible for people to continue in their chosen profession up to SPa and in many instances individuals will have built skills and experience in similar roles throughout their working lives. This makes a transition to other types of work more difficult.

Unpaid Carers

180. Estimating the number of informal or unpaid carers is challenging as some caring activity may go unrecognised and numbers may have been affected by the COVID-19 pandemic. Estimates from the Family Resources Survey (FRS) indicate that there were 4.2 million people in the UK providing informal care in 2020/21¹¹⁰ but those from the Understanding Society survey suggest that this figure was significantly higher at around 8.9 million in the period 2019/21¹¹¹.
181. The FRS data showed that adults aged 55-64 were most likely to care for others, with women more likely to provide informal care than men. However, among

¹⁰⁹ Trades Union Congress (TUC). 2021. "Extending working lives – How to support older workers". Accessed 06/10/2022. Available at <https://www.tuc.org.uk/research-analysis/reports/extending-working-lives-how-support-older-workers>

¹¹⁰ Foley, N. et al. 2022. "Informal carers". House of Commons Library. Research Briefing no 07756. Accessed 13/10/2022. Available at <https://researchbriefings.files.parliament.uk/documents/CBP-7756/CBP-7756.pdf>

¹¹¹ Understanding Society. 2022. "The UK household Longitudinal Survey". Accessed 06/10/2022. Available at <https://www.understandingsociety.ac.uk/>

those aged 75 and over, men were most likely to provide informal care. Carers are increasingly older people themselves, often struggling with their own health issues, and many elderly couples partially care for each other, rather than having a defined role of either carer or cared for¹¹².

182. The issue of caring responsibilities was raised on all regional stakeholder visits, in Edinburgh, Leeds, Cardiff and Belfast. Stakeholders noted that, as women are more likely to be providing care than men, they are disproportionately affected financially from needing to reduce hours or leave the labour market to provide care. Age Scotland mentioned that caring responsibilities can lead to poverty and for those over the age of 50, getting out of poverty can be very difficult as there are few opportunities for change. Similarly, Age Cymru spoke of the difficulties for carers re-entering the workforce and trying to upskill or update their knowledge after time out of work.
183. The challenge of managing care and employment was frequently mentioned throughout our stakeholder engagement. We note Carers UK's helpful response to our Call for Evidence which highlighted several recommendations for Government. This included a call to resolve the structural benefit issues which are decreasing carers' working ability when they are in receipt of Carer's Allowance, where they advocate aligning the earnings limit at 16 times the National Living Wage. They also proposed the creation of a mechanism for auto-enrolment payments for carers in receipt of Carers' Allowance and noted the need to legislate on unpaid carers' leave.
184. Whilst provision for carers is not a matter for this review, we acknowledge the very difficult issues faced by this group. We believe that further work may be required to design a more comprehensive and targeted package of support for people who are doing such important work in an unpaid capacity. We believe the Government should work with stakeholders to consider these crucial issues in more detail.

¹¹² Oliver, D. et al. 2014. "Making our health and care systems fit for an ageing population". The Kings Fund. ISBN: 978 1 909029 27 9 Accessed 13/10/2022. Available at https://www.kingsfund.org.uk/sites/default/files/field/field_publication_file/making-health-care-systems-fit-ageing-population-oliver-foot-humphries-mar14.pdf

Attitudes toward older workers

185. The presence, or perceived presence, of age discrimination may discourage older workers from remaining in or returning to employment. Evidence from the Planning and Preparing for Later Life (PPLL) survey¹¹³ found that whilst 3% of workers surveyed had actively experienced age discrimination, a sizeable minority believe there either was (8%) or could be (a further 6%) age discrimination.
186. The most common reasons given for believing there was age discrimination was that older people are thought to be less likely to be hired or promoted than their younger counterparts and that older workers were more likely to be criticised or viewed negatively by colleagues. The survey also found that 22% of those not yet retired would find a change in workplace attitudes towards older workers as something which would help them to keep working for longer.
187. This survey evidence was supported by evidence from stakeholders. Heléna Herklots, Older People's Commissioner for Wales, mentioned during stakeholder engagement in Cardiff that age discrimination is sometimes still seen as acceptable and is not taken as seriously as discrimination based on other protected characteristics. She asserted that we are seeing the effects of this age discrimination in employment tribunals, where age discrimination case numbers are going up and there is the risk of many thousands of people not being able to get back into work.

Good practice

188. Encouragingly, we found evidence of good practice with regards to older workers. Zurich have a FlexiWork policy which offers vacancies on a part-time or job-share basis as well as the ability to work alternative hours and locations around the employee's needs. Zurich also have the option for employees to take full or partial pension benefits and carry-on working (potentially in conjunction with

¹¹³ Department for Work and Pensions. 2022. "Planning and Preparing for Later Life". DWP research report no. 1008. Accessed 06/10/2022. Available at <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life/planning-and-preparing-for-later-life>

reducing working hours) providing flexibility for older workers. B&Q are well known for their age friendly employee practices and the valuable advice older staff give to customers.

189. As part of our stakeholder engagement, we noted Boots' response which set out their appreciation for older workers' value in the labour market. They note that older workers possess valuable skills that may not always be prevalent in less experienced employees and aim to ensure their policies are inclusive and accessible to all. With a quarter of their workforce aged over 50, Boots openly promote their employment opportunities to people across all age groups and demographics, so that everyone can have a fulfilling work experience irrespective of their age and stage in life. Additionally, they offer a wide variety of flexible and part-time working hours with policies in place to support employees with parenting or caring.

Flexibility for employers to help older workers

190. Data from the PPLL survey showed that the ability to work flexibly (mentioned by 44%) and the potential to work fewer hours when approaching retirement (mentioned by 52%) would be key factors in extending working lives. However, delivering on flexible working and reduced hours presents challenges for employers and policy makers and access to flexible working varies significantly by income and occupation¹¹⁴.
191. Those with health concerns (35%) or caring responsibilities (26%) were among the most likely to have requested a change in their working arrangements from their employer in the past five years. However, flexible working is not a panacea for those with caring responsibilities and health concerns. In fact, support such as 'workplace adjustments for a health condition or disability' was the most cited as the main factor to enable working longer amongst those with poorer health¹¹⁵.

¹¹⁴ Department for Work and Pensions. 2022. "Planning and Preparing for Later Life".

¹¹⁵ Crawford, R. et al. 2021. "Changing patterns of work at older ages". Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://ifs.org.uk/publications/changing-patterns-work-older-ages>

192. Different working patterns have emerged over the past few years in particular.

Evidence from ONS shows that the wellbeing of staff is the most common reason for businesses moving to permanently to homeworking¹¹⁶. In their response to our Call for Evidence, the Scottish Women's Convention noted that since COVID-19, there has been a shift towards hybrid working which many women have benefited from, especially disabled women and those with caring responsibilities. However, not everyone can work from home flexibly in their current occupation.

193. A significant majority of stakeholders felt additional flexibility could help keep older workers in the labour market for longer. However, the PCS Union noted that, whilst hybrid working patterns may reduce some aspects of stress, they may also result in social isolation and reduced levels of exercise, especially amongst already disadvantaged groups.

Support from the Government

194. The Government has expanded employer related support to help people, including those with health conditions, to remain in or access the labour market through 50PLUS: Choices (previously known as the Fuller Working Lives strategy)¹¹⁷. Government initiatives and support available in this area include:

- guidance on GOV.UK with help and support for older workers to gain employment, retrain, plan for retirement and much more
- a Business Champion for Older Workers, Andy Briggs, who leads on the Government's work to support employers hiring and retaining older workers
- specific employment support for the over 50s through a number of programmes delivered via Jobcentre Plus. This includes targeted support for those who need help overcoming barriers to work, training and support to re-

¹¹⁶ Office for National Statistics. 2022. "Is hybrid working here to stay?". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/isahybridworkingheretostay/2022-05-23>

¹¹⁷ Department for Work and Pensions. 2021. "Help and support for older workers". Accessed 06/10/2022. Available at <https://www.gov.uk/government/publications/help-and-support-for-older-workers/help-and-support-for-older-workers>

join the labour market as well as training and work experience in a particular industry

- additional work coach time to ensure that older job seekers who are eligible receive more intensive, tailored support during the first nine months of their Universal Credit claim. Work coaches will spend more time with older job seekers who have recently become unemployed, to tackle any barriers, training needs or difficulties in finding work.

195. These initiatives demonstrate that training and educational opportunities are important in supporting older workers. Although less likely to want training than their younger counterparts, there is still an active demand for workplace training among older workers. PPLL data showed that 36% of 55–59-year-olds and 26% of 60–65-year-olds in paid work would like more training¹¹⁸.

196. During a visit to work coaches in Leeds working with the 50+ cohort, we learned more on the support offered to this group. These work coaches engaged individuals who were unable to work in their previous role by identifying their transferable skills. For example, a plumber who was no longer physically able to continue their job instead found a new role supporting apprentice plumbers. Further support for workers to move into another profession, to identify their transferable skills or to transition into another sector, may help older workers remain in the labour market for longer¹¹⁹.

197. We heard mixed evidence on the success of support available to older workers. The Jobcentre staff on our regional visits to Edinburgh and Leeds emphasised that the main barrier to providing support were perceptions and attitudes towards older workers. The Government should continue its programme of work and place as much emphasis on employment support for older workers as it does for younger workers.

¹¹⁸ Department for Work and Pensions. 2022. “Planning and Preparing for Later Life”.

¹¹⁹ Altmann, R. 2015. “A New Vision for Older Workers: Retain, Retrain, Recruit”. Accessed 06/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/411420/a-new-vision-for-older-workers.pdf

198. Further support is offered to individuals through the welfare state, with working age benefits available to support those below SPa and looking for work, or unable to work through illness or disability. However, it is important to note that these benefits are less generous than the State Pension. Many of the benefits have conditions attached to them that must be met for entitlement, such as a requirement to look for work or an assessment of disability or ill health. Many of our stakeholders noted that there can be a reluctance in applying for benefits, especially amongst older people, who may feel embarrassed about the need to do so or apprehensive about the claims process.

Early access to State Pension

199. One of the most common themes raised throughout our stakeholder discussions was the potential for early access to State Pension for people who are no longer able to work but have contributed to the labour market for a significant number of years, or those that have been forced to leave the labour market early due to health reasons.

200. Suggestions ranged from allowing access to a full rate State Pension, to making payments at an actuarially reduced amount to those who have made National Insurance (NI) contributions for at least 45 years. This could primarily affect those who joined the labour market straight after school. The cost of this scheme would depend on several factors ranging from savings to working age benefits expenditure and a reduction in taxes from those opting to leave the labour market and claim State Pension at an earlier age.

201. As part of a stakeholder event with Peers, many agreed with the principle of a more flexible State Pension system which could be paid earlier when an individual can no longer work for health and caring responsibilities. However, it was also noted that this could be problematic operationally and would need to be carefully worked through. An additional concern was that such an approach might result in paying individuals a lower amount of State Pension pushing people onto means-tested pensioner benefits in the future.

202. Baroness Altmann agreed with the principle of a more flexible State Pension system which could be paid earlier when an individual can no longer work

because of health and caring responsibilities. The need for early access for certain groups was supported by Carers UK in their response to our Call for Evidence.

203. Phoenix Insights carried out a survey which asked ‘Should certain groups be able to access the State Pension early?’¹²⁰. The responses showed:

- 76% believe early access should be given to those unable to continue work (e.g. for health reasons)
- 58% supported early access for people in physically demanding jobs
- 39% supported early access to people who started work earlier (e.g. before the age of 18).

204. Early access schemes are also in place internationally. For example, in Portugal, workers aged 60 or older and with at least 40 years of contributory periods can retire early, with the early retirement pension reduced by 0.5% for each month before the SPa. If the contributory period is longer than 40 years, the SPa is reduced by 4 months for each additional year. In Denmark, from January 2022 people who have been employed for at least 42 years before the age of 61 are able to retire and receive a pension up to 3 years before the State Pension age of 67, with a benefit reduction of 4.2% per year (DWP, 2022).

Recommendations

205. There are substantial benefits for all if more people could continue working until later in life. The evidence shows the importance of inclusive working conditions for older workers such as flexible working, access to training and effective policies to tackle age discrimination. There is a role for Government to champion and support best practice to raise standards amongst employers. The best employers do this well, but a wider change in culture and practice is needed.

¹²⁰ Thomson, P. 2022. “Reaching a certain age’: Public attitudes to the state pension”. Phoenix Insights. Accessed 06/10/2022. Available at https://www.thephoenixgroup.com/sites/phoenix-group/files/EC1162679_Phoenix_Insights_StatePensionReport.pdf

206. Whilst more inclusive working conditions may support some people to work for longer, some individuals will be unable to continue to work to SPa, especially as this rises further. While, in general, there should continue to be a single SPa and the universality of the scheme has many benefits, consideration should be given to providing early access to State Pension in certain limited circumstances.

207. **We therefore recommend that:**

- the Government trial a scheme where businesses, large and small, are accredited as displaying best practice with a public commitment to supporting and respecting older workers and ensuring access to workplace adjustments and training and development opportunities
- the Government explores the possibility of an early access scheme whereby workers who meet certain qualifying criteria can access their State Pension early at an actuarially reduced rate. This could include individuals aged, say, 65 and above and with 45 years of National Insurance contributions or equivalent and should aim to help those who have performed physically demanding roles over many years.

Chapter 6: Intergenerational Fairness

Introduction

208. Intergenerational fairness can broadly be defined by the principle of equity of provisions and services across different generations at comparable stages of life. It can also be described as a fair share of government expenditure and taxation for all generations.
209. Intergenerational fairness has several other facets, such as relative wealth across cohorts. Some of these factors are explored below for context. When considering intergenerational fairness, it is important to acknowledge that generations are not homogenous and will contain substantial intragenerational differences. In addition, generations' positions are not static; younger generations will become pensioners in future.
210. As discussed in Chapter 4, State Pension related expenditure as a share of GDP, on present policies, is projected to rise substantially from 4.8% in 2021/22 to 8.1% by 2071/72, with much of the rise occurring from the mid 2040's onwards. Without intervention this would require a redistribution of government funding from other services or higher taxation. It is important that the impacts of such increases in expenditure, which would broadly fall on the shoulders of younger generations, form an important part of the assessment of the metrics to set State Pension age (SPa). For example, a fixed proportion of adult life spent above SPa helps to avoid generations benefiting from improvements in life expectancy without contributing to the future costs. These issues are addressed in detail and recommendations made in Chapter 7.

How are the circumstances of generations changing?

211. Our Call for Evidence asked what factors relating to intergenerational fairness should be considered when determining the SPa. Responses, and wider stakeholder engagement, highlighted several other key factors for consideration which we set out in the following paragraphs.

Employment and the Labour Market

212. As set out in the previous chapter, employment rates have increased over time. In the 3 months to June 2022, the rate of employment for 16–64-year-olds in the UK was 75.5% (31.3 million people). In the 3 months to June 1971, the employment rate was 72.0%, with 24.2 million people employed¹²¹.
213. The employment rates of women have also increased steadily over time, from 52.7% in the 3 months to June 1971 to 72.2% in the 3 months to June 2022¹²². Women in younger generations are more likely to be in employment during their 20s than those from previous generations¹²³.
214. Increases in labour market participation have been accompanied by increases to the average age of exit from the labour market. The average age that women exited the labour market in 1950 was 63.9 years. It fell and reached its lowest point in 1986 at aged 60.3 years before increasing by 4.0 years to aged 64.3 years in 2022. For men, the average age of exit in 1950 was 67.2 years. It fell to 63 years in 1996 before increasing by 2.4 years to 65.4 in 2022¹²⁴.
215. Our discussions with stakeholders also highlighted intergenerational and ‘socially necessary’ labour such as caring for older relatives and young children. Increased life expectancies, and the cost and accessibility of childcare, may place further demands on different generations than those faced by their predecessors.

¹²¹ Office for National Statistics. 2022. “Labour market overview, UK: September 2022”. Accessed 06/10/2022. Available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2022>

¹²² Department for Work and Pensions. 2022. “Economic labour market status of individuals aged 50 and over, trends over time: September 2022”. Accessed 06/10/2022. Available at <https://www.gov.uk/government/statistics/economic-labour-market-status-of-individuals-aged-50-and-over-trends-over-time-september-2022>

¹²³ Resolution Foundation. 2018. “A new generational contract: The final report of the Intergenerational Commission”. Intergenerational Commission. Accessed 13/10/2022. Available at <https://www.resolutionfoundation.org/app/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf>

¹²⁴ Department for Work and Pensions. 2022. “Economic labour market status of individuals aged 50 and over, trends over time: September 2022”.

Occupational Pensions

216. Automatic enrolment has significantly increased the number of people covered by pension arrangements. Since the introduction of automatic enrolment in 2012, there has been a large increase in the total number of people participating in a workplace pension from 11.9 million in 2012 to 22.6 million in 2021¹²⁵. This is driven by memberships in DC schemes with a continuing fall in the number of active members of DB schemes¹²⁶.
217. While the coverage of occupational pensions is increasing, the income from DC pensions is likely to be much less than the income of past DB schemes. Analysis by LCP¹²⁷ of pensions in the private sector suggests that men retiring in the next few years will have higher incomes than previous, or successive generations, but the real incomes of newly retired men will fall by around 20% over the coming two decades. Women are less likely to have a private sector DB pension but are more likely to have a DB pension overall owing to more women in public sector roles¹²⁸. As a result, women are less affected directly by these trends and will gain modestly from increased coverage of DC schemes.
218. The introduction and growth of auto-enrolment are welcome developments, enabling many more people to build pensions savings for their retirement. Although changes to automatic enrolment are not a matter for this review, a significant number of stakeholders proposed extending the scheme further, for example, by lowering the age of access to those aged 18 and lowering the

¹²⁵ Office for National Statistics. 2022. "Pension type by age group and gross weekly earnings bands: Table P1". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/workplacepensions/datasets/annualsurveyofhoursandearningspensionablespensiontypebyagegroupandbygrossweeklyearningsbandsp1>

¹²⁶ Pension Protection Fund. 2021. "The Purple Book 2021. DB pensions universe risk profile". Accessed 06/10/2022. Available at https://www.ppf.co.uk/sites/default/files/2021-12/PPF_PurpleBook_2021.pdf

¹²⁷ Lane, Clark and Peacock (LCP) LLP. 2022. "The ski slope of doom" – is this the most important chart in pensions?" Accessed 06/10/2022. Available at <https://www.lcp.uk.com/media-centre/2021/04/the-ski-slope-of-doom-is-this-the-most-important-chart-in-pensions/#:~:text=%E2%80%93is%20this%20the%20most%20important%20chart%20in%20pensions%3F,-Media%20centre&text=A%20major%20new%20research%20report,than%20had%20previously%20been%20thought.>

¹²⁸ Office for National Statistics. 2022. "Pension type by age group and gross weekly earnings bands: Table P1".

earnings threshold to include part-time workers and low-income occupations. We encourage the Government to work with stakeholders to continue developing the automatic enrolment arrangements to benefit even more people in future.

Welfare

219. Levels of working age and pensioner benefits have deviated sharply over the last decade. Between 2013/14 and 2015/16, most working age benefits were increased by 1%, followed by a 4-year benefit-freeze from 2016/17 until 2020/21. Across this period, basic and new State Pension were uprated by the Triple Lock – the largest of 2.5%, CPI or average weekly earnings¹²⁹. This was alongside other welfare changes that affected working age adults.

220. As the Triple Lock (temporarily suspended in 2021) ensures pensions are always uprated at least in line with the rate for working age benefits, this gap is likely to widen further.

Wealth and Income

221. IFS analysis shows that, until the 1980s, successive new generations could broadly expect increases in median household income at each age compared to the generation that preceded them. Whilst increasing numbers of people are in work compared to previous generations, lower pay in real terms for those in employment is dragging down average incomes¹³⁰.

222. Lower incomes limit the ability to accumulate wealth and preparedness for retirement. Those born in the early-1980s were estimated to have accumulated around 20% less wealth than those born in 1970s at the same point in their lives. Lower homeownership and property wealth were cited as key drivers in this trend.

223. Inheritance is expected to form an increasingly important part of the wealth of younger generations, with those born in the 1970s and 1980s more likely to

¹²⁹ Matejic, P. 2022. “Fifty years of benefit uprating”. Joseph Rowntree Foundation. Accessed 06/10/2022. Available at <https://www.jrf.org.uk/report/fifty-years-benefit-uprating>

¹³⁰ Cribb, J. 2019. “How are younger generations faring compared to their parents and grandparents?” Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://ifs.org.uk/articles/how-are-younger-generations-faring-compared-their-parents-and-grandparents>

report that they expect to receive an inheritance than those born in earlier generations. However, inheritances are more likely to be received by those individuals with higher incomes which may exacerbate intragenerational inequity¹³¹.

Housing

224. One of the most important sources of wealth for many people is home ownership. This was emphasised by our engagement with the British Youth Council who raised concerns around the affordability of housing for younger generations and effects on intergenerational fairness.

225. Younger generations are less likely to own a home at age 30 than older generations. 40% of those born in the 1980s owned a property at age 30 compared to 55% of those born in the 1970s and around 60% of those born in the 1960s¹³². Millennials (those born between 1981 and 2000) are four times as likely to be private renters as were than baby boomers¹³³.

226. Housing costs, as a share of income, are substantially higher for younger people than for previous generations. On average Millennials spend almost a quarter of their income on housing. However, all generations alive today devote a higher share of their income to housing than their predecessors¹³⁴. Higher costs for housing experienced by younger generations may inhibit the ability to save for retirement.

How can State Pension age policy affect intergenerational fairness?

227. The issues above provide important contextual detail to SPa decisions. Across generations, levels of employment have increased, particularly for women, and

¹³¹ Cribb, J. 2019. "Intergenerational Differences in Income and Wealth: Evidence from Britain". Institute for Fiscal Studies (IFS). Accessed 06/10/2022. Available at <https://onlinelibrary.wiley.com/doi/10.1111/1475-5890.12202>

¹³² Cribb, J. 2019. "Intergenerational Differences in Income and Wealth: Evidence from Britain".

¹³³ Resolution Foundation. 2018. "A new generational contract: The final report of the Intergenerational Commission". Intergenerational Commission. Accessed 13/10/2022. Available at <https://www.resolutionfoundation.org/app/uploads/2018/05/A-New-Generational-Contract-Full-PDF.pdf>

¹³⁴ Resolution Foundation. 2018. "A new generational contract: The final report of the Intergenerational Commission".

more people are active members of a pension scheme. However, changes to patterns of home ownership and income and wealth accumulation may inhibit the ability for younger people to save sufficiently for retirement in later years. This indicates the State Pension will continue to be a central part of retirement income in future years.

228. We turn to the part that metrics can play in supporting Intergenerational Fairness in the following chapter.

Chapter 7: Metrics

Introduction

229. This chapter draws on the themes discussed throughout the report and the extensive evidence gathered, to address two core questions from the Terms of Reference of the report:

- whether it remains right for there to be a fixed proportion of adult life that people, on average, can expect to spend over State Pension age (SPa)
- what additional, or alternative metrics are appropriate to consider when making SPa decisions.

230. We consider the trends, strengths and limitations of each metric in turn before an overall assessment is made of the most appropriate metrics to use when considering SPa changes.

231. Metrics for determining SPa can fulfil one of two roles:

- **Rules** – these metrics specify conditions that, if met, would trigger a change in the SPa. For example, if the old age dependency ratio increases above a level deemed unsustainable, a policy response to this might include increasing the SPa.
- **Context** – these metrics provide crucial context that should be considered by the Government when reviewing the SPa, but do not directly indicate how or if it should change. For example, it is important that Government regularly monitors the awareness of SPa to ensure citizens have the knowledge to prepare appropriately for retirement.

232. Metrics used to determine the SPa should be trusted by the public, facilitate long term planning for retirement, and be transparent and easily understood. It is important that metrics use the best available projected data as these will allow decisions to consider future circumstances and provide sufficient notice to those affected. These metrics should also balance affordability and sustainability of State Pension with intergenerational fairness.

233. For each metric, an assessment was made of the impacts on State Pension-related expenditure (including new State Pension, basic State Pension, Pension Credit, Additional State Pension and Winter Fuel Payment) as a share of GDP. This used DWP modelling and economic assumptions consistent with the OBR's Fiscal Sustainability and Risk report 2022 to allow consideration of the affordability and sustainability of these metrics.

234. Among the wide range of metrics reviewed and considered, we have focussed in detail on four metrics within this chapter:

- a proportion of adult life
- an old age dependency ratio
- limiting State Pension-related expenditure at up to a fixed share of GDP
- targeting a fixed number of years in receipt of State Pension.

235. We also summarise other metrics explored later in this chapter.

Proportion of adult life

Background

236. The principle that SPa changes should be linked to changes in life expectancy and, specifically, the share of adult life spent, on average, in receipt of State Pension was first outlined in the 2013 Autumn Statement as we set out in Chapter 1.

237. The Government set out a principle that people should expect to spend, on average, up to a third of their adult life in receipt of State Pension. The 2017 Government review of SPa revised the proportion to 'up to 32%' of adult life to ensure fairness between generations and consistency with the proportion of life experienced above age 65 between 1992 and 2016. This is calculated using the formula below:

$$\begin{aligned} &\text{Proportion of adult life in receipt of State Pension} \\ &= \frac{\text{Unisex Cohort Life Expectancy at SPa}}{(\text{Unisex Cohort Life Expectancy at SPa} + \text{SPa} - 20)} \end{aligned}$$

238. The cohort measurement of life expectancy is used in line with a Pension Commission recommendation¹³⁵ and adult life is considered to start at age 20, based on OECD conventions. Life expectancy at SPa is used in this calculation, so it does not take account of those that do not survive to SPa.
239. As well as exploring the merits of the continued use of this measure, we also consider the appropriate proportion that should be used, if this is applied in the light of recent trends. We note that those who reached male SPa between 1996 and 2020 could expect, on average, to spend around 31% of adult life above this. This is in line with the methodology used in the Government Review of SPa in 2017¹³⁶.
240. All modelling of the proportion of adult in this chapter is consistent with the methodology used by the Government Actuary's Department as part of the 2017 'Periodic review of rules about State Pension age Report'¹³⁷. As set out in Chapter 1, the Government Actuary's Department are producing a new report in parallel, using the latest ONS data, to look at the impact of using different proportions of adult life (proportions as specified by the Secretary of State) on the SPa timetable.
241. **Figure 10** shows the historic trends in the proportion of adult life spent above SPa (for those that reach SPa), between 1981 and 2020. This chart shows that, before the recent changes to SPa, an increasing proportion of adult life has been spent above SPa. Females spent a greater proportion of adult life above SPa than males due to longer life expectancies and as they had a lower SPa (60 for women and 65 for men). Although this proportion has fallen in recent years due to

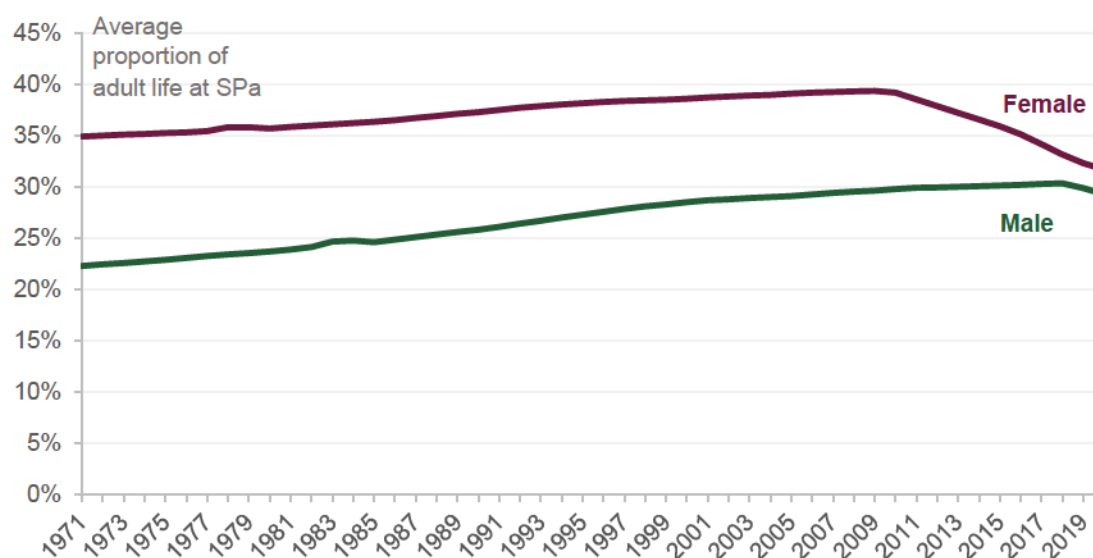
¹³⁵ Pensions Commission. 2005. "A New Pension Settlement for the Twenty-First Century. The Second Report of the Pensions Commission". Accessed 06/10/2022. Available at <https://web.archive.org/web/20051206020837/http://www.pensionscommission.org.uk/publications/2005/annrep/annrep-index.asp>

¹³⁶ Department for Work and Pensions. 2017. "State Pension age review". Department for Work and Pensions. Print ISBN 9781474143875. Web ISBN 9781474143882. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630065/state-pension-age-review-final-report.pdf

¹³⁷ Government Actuary's Department and Department for Work and Pensions. 2017. "State Pension age periodic review: report by the Government Actuary". Department for Work and Pensions. Accessed 13/10/2022. Available at <https://www.gov.uk/government/publications/state-pension-age-periodic-review-report-by-the-government-actuary>

the equalisation of SPa and the increase to age 66, it is still higher than the average proportion for males over the last 50 years.

Figure 10 – Historic average proportion of Adult Life spent above State Pension age, for those that reach State Pension age, by Sex.



Source: Independent Review team modelling

Proportion of Adult Life: Strengths and Limitations

242. Strengths:

- This metric clearly links anticipated changes to life expectancy to changes to the SPa through a transparent formula. Increases to SPa are unpopular but linking them to life expectancy helps demonstrate the rationale for change. It also shows how the SPa would adjust for changes to life expectancy, which may increase public support¹³⁸.
- The data required for this metric is produced every two years and is projected 50 years into the future. This allows longer term assessments of SPa and sensitivity analysis. ONS also produce variants to illustrate how life expectancy may change under different future scenarios to allow analysis of the sensitivities of this metric. The frequency with which updated data are

¹³⁸ Organisation for Economic Co-operation and Development (OECD). 2021. "Pensions at a Glance". Accessed 06/10/2022. Available at https://www.oecd-ilibrary.org/finance-and-investment/pensions-at-a-glance-2021_ca401ebd-en

available allow this metric to be monitored regularly if there are changes in trends.

- Aiming for a consistent share of adult life to be spent above SPa across generations supports intergenerationally fair outcomes for workers and retirees. For each additional year of life expectancy there is an implicit expectation that those benefiting from this increase may need to extend their working lives for some of this increase too. This helps to avoid generations gaining from these improvements without appropriately contributing to the increased expected State Pension costs. The OECD suggest that setting this link so a one-year increase in life expectancy results in a 4 month increase in SPa, broadly ensures the share of adult life in retirement remains constant across cohorts¹³⁹.
- This metric is in line with many other OECD countries that use metrics linked to life expectancy. Several European countries, including Denmark, The Netherlands and Portugal, utilise the life expectancy link, including by targeting an average share of adult life in receipt of State Pension. For example, in Portugal the SPa is linked to two-thirds of an increase in period life expectancy at age 65. For every year, 8 more months would be spent of working age and 4 months would be spent after SPa¹⁴⁰ (DWP, 2022).

243. Limitations:

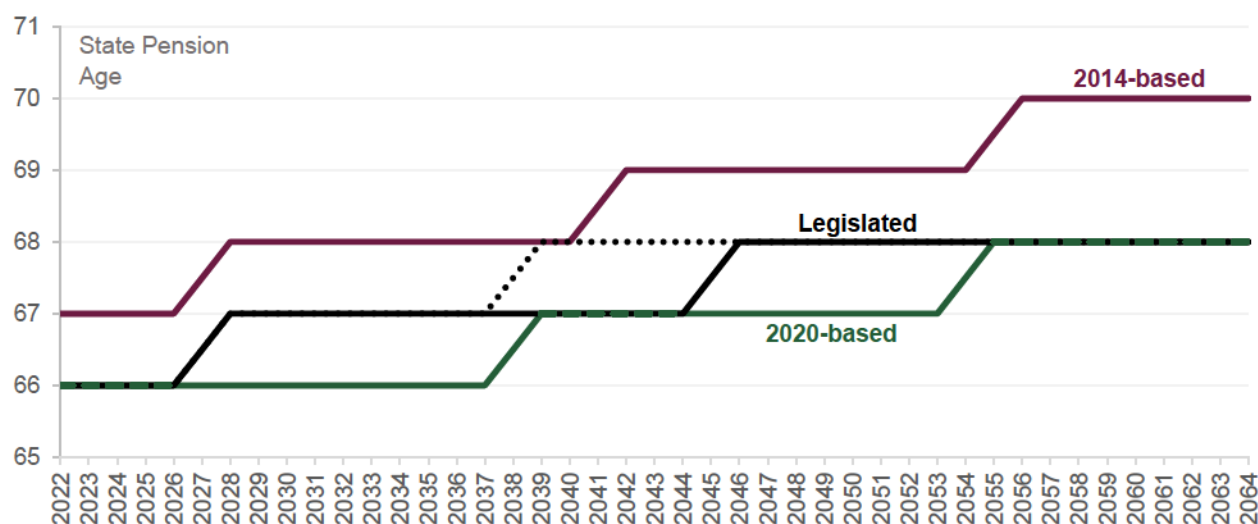
- This metric is sensitive to changes in projected life expectancy. As Chapter 3 explained, though life expectancy is still expected to increase, since 2010 the increases have been lower than previous projections. Using 2014 data, and an 'up to 32%' proportion of adult life principle, this metric would increase SPa to age 68 in 2028. Using 2020 data, the increase to age 68 would not take place until 2055. **This is a 27-year difference** (See **Figure 11**). There are also similar sized gaps using a 31% principle (for example, the difference

¹³⁹ OECD. 2021.

¹⁴⁰ State Pension age: A review of international evidence (2022)
<https://www.gov.uk/government/publications/understanding-decision-making-around-changing-the-state-pension-age-a-review-of-international-evidence>

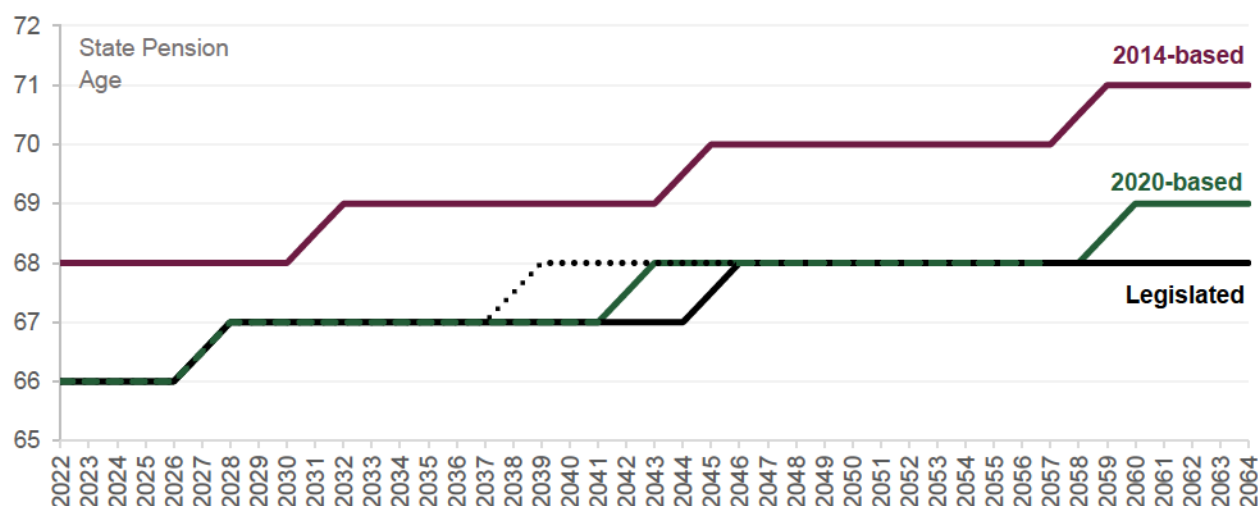
between the timetables for an increase in SPa to 69 in **Figure 12** shows 28 years between the two data releases).

Figure 11 – Prospective State Pension age Timetables using an ‘Up to 32%’ Threshold using 2014-based and 2020-based ONS Cohort Life Expectancy Projections



Source: Independent Review team modelling

Figure 12 – Prospective State Pension age Timetables using an ‘Up to 31%’ Threshold using 2014-based and 2020-based ONS Cohort Life Expectancy Projections



Source: Independent Review team modelling

- This metric also uses average cohort life expectancy, which does not account for variations in life expectancy across regions, sex, socioeconomic and deprivation

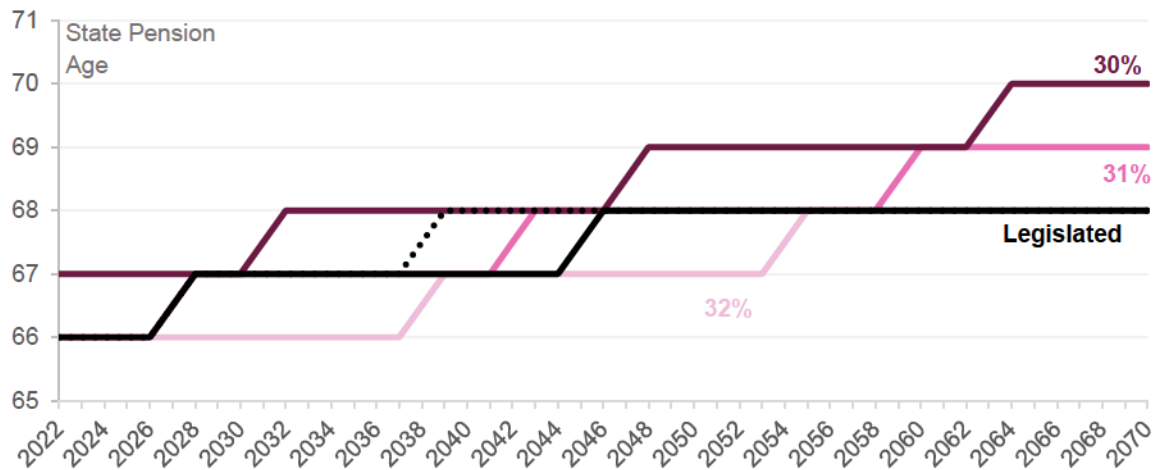
statuses and ethnicity. Several responses to the Call for Evidence including the TUC, Age UK, Unite and the Older People's Commissioner for Wales highlighted these inequalities across different income and deprivation deciles. The most disadvantaged in society may be least likely to achieve the 'average' proportion of adult life in receipt of State Pension. However, as we have said elsewhere in this report, throughout our evidence gathering we have found no satisfactory method of reflecting these differences when setting SPa. Many stakeholders acknowledged the insurmountable logistical and administrative challenges of, for example, regional State Pension ages.

- This metric does not account for the affordability of State Pension-related expenditure. A constant proportion of adult life between generations may be desirable to promote intergenerational fairness but this may be incompatible with the pay-as-you-go principle of State Pension, particularly with an ageing society and the large baby boomer cohort retiring. Without acknowledging the fiscal costs from these timetables, there may be undue pressure on current and future taxpayers to sustain the costs of those in receipt of State Pension.

Using Proportion of Adult Life as a metric

244. It is important to consider the appropriate thresholds for the proportion of life metric in order to determine the impacts on the SPa timetable. **Figure 13** shows the prospective timetables using the up to 30%, 31% and 32% principles.

Figure 13 – Prospective State Pension age Timetables using the 'Up to 30%', 'Up to 31%' and 'Up to 32%' principles using ONS 2020-based Cohort Life Expectancy Projections



Source: Independent Review team modelling

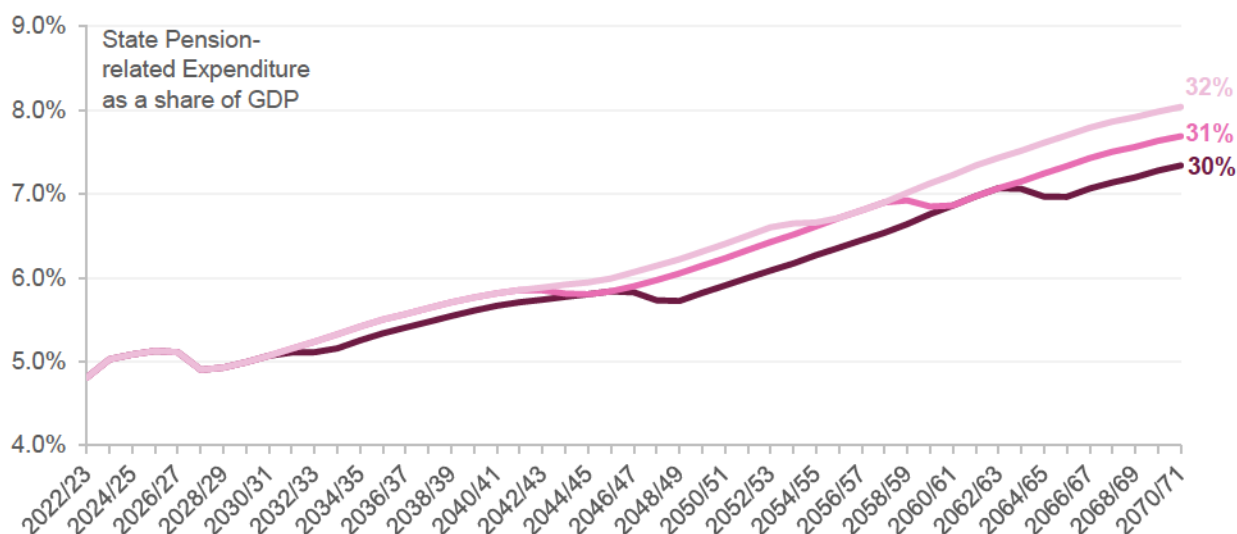
245. **Figure 13** shows that:

- Using an 'up to 30%' principle: SPa would need to rise to 68 between 2030-32 with a subsequent increase to 69 between 2046-48 and another increase to 70 starting from 2062.
- Using an 'up to 31%' principle: SPa would need to rise to 68 between 2041-43 – earlier than currently legislated for but later than proposed in the Cridland report – and rise to 69 starting between 2058-60.
- Using an 'up to 32%' principle: Increases to the SPa to 67 and 68 would be delayed later than currently legislated plans. SPa would increase to 67 between 2037-39 with a further increase to 68 between 2053-55.

246. It is essential to consider how these proportions impact on the affordability and sustainability of State Pension-related expenditure (such as State Pension, Pension Credit and Winter Fuel payment). **Figure 14** shows the modelled share of GDP spent on these benefits from each threshold considered.

247. Given that those who reached male SPa between 1996 and 2020 could expect, on average, to spend around 31% of adult life at male SPa – the current SPa – we propose that this figure becomes the proportion applicable for future SPa.

Figure 14 – Impact on State Pension-related Expenditure, as a Share of GDP, of implementing a 30%, 31% and 32% threshold



Source: Independent Review team modelling; Note: Assumes rise in SPa to 67 between 26-28

248. **Figure 14** shows that under each of the proportions considered, expenditure as a proportion of GDP is expected to rise substantially over the forecast period to 2070/71 to 8.0% (32% threshold) to 7.7% (31% threshold) and 7.3% (30% threshold), equivalent to around £382bn - £418bn (20/21 prices) respectively.

249. Setting SPa by this metric alone does not manage the future sustainability of State Pension-related expenditure. This would result in expenditure exceeding the combined cost of education and adult social care under all the scenarios explored.

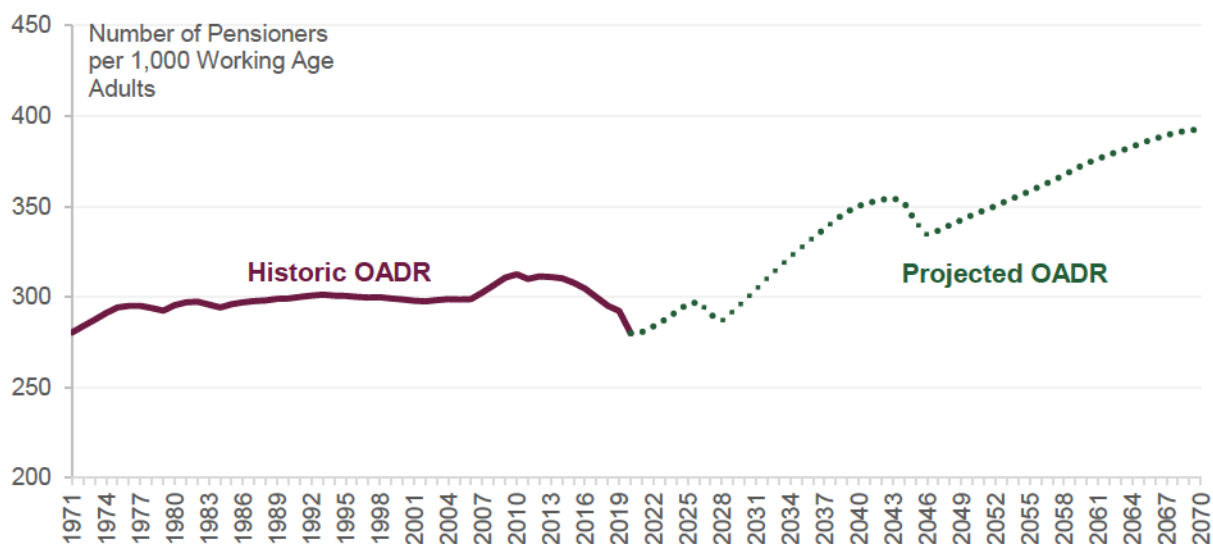
Old Age Dependency Ratio

Background

250. The old age dependency ratio (OADR) compares the number of people above SPa per 1,000 people of working age (those aged between 16 and SPa). Such ratios are monitored and reported by national statistics institutes, including the ONS, and international bodies like the OECD.

251. **Figure 15** shows the historic OADR and the projected series using the recent 2020-based national population projections using currently legislated SPa changes.

Figure 15 – Historic and Projected Old Age Dependency Ratio



Sources: National Population Projections: 2020-based interim¹⁴¹ (ONS, 2022); UK Population Estimates, 1838 to 2020¹⁴²

252. The OADR has remained broadly flat since the mid-1970s, falling in recent years due to the equalisation of SPa between men and women. In future years, the OADR is projected to rise sharply from 280 (2020) to 345 (2050) pensioners per 1,000 working age adults. This is a consequence of increased longevity, the ageing of the baby boomer cohort and lower fertility rates and immigration.

OADR: Strengths and Limitations

253. Strengths:

¹⁴¹ Office for National Statistics. 2022. "National Population Projections: 2020-based interim". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2020basedinterim>

¹⁴² Office for National Statistics. 2021. "UK Population Estimates, 1838 to 2020". Accessed 13/10/2022. Available at <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesandnorthernireland/mid2001tomid2020detailedtimeseries/ukpopulationestimates18382020.xlsx>

- This metric is an internationally recognised measure of demographic trends and was supported by some Call for Evidence respondents including the Centre for Social Justice and the International Longevity Centre. It is simple to understand and has an obvious link to the pay-as-you go principle (as SPa would increase to balance fewer working age people).
- This metric uses ONS population projections with estimates for the next 100 years. Whilst this data will, understandably, change in the interim with new migration, fertility and mortality assumptions, the length of this projection allows estimates to be made of the trends using this metric far into the future. Estimated State Pension ages using this metric can be communicated far in advance which may allow people to better plan for their retirement.
- This metric produces a relatively stable and predictable pattern for SPa increases between statistical releases. **Figure 16** (later) shows that, in the short-run, projected SPa rises were much closer when comparing the 2014-based population projections with the 2020-based population projections, than was the case using the respective 2014 and 2020 series for the proportion of adult life calculation.

254. Limitations:

- In isolation, an OADR cannot indicate if State Pension-related expenditure is sustainable. For example, if the level of State Pension was smaller, more pensioners could be supported for a given number of working age adults. Without the context of the cost to service each pension per working age adult, it is difficult to assess sustainability.
- This metric may overstate the level of economic dependence of older people, particularly as increasing numbers work past SPa¹⁴³. Some academics¹⁴⁴ (such as Spijker) note that using the working age population is a flawed

¹⁴³ Office for National Statistics. 2019. "Living longer and old-age dependency – what does the future hold?". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerandoldagedependencywhatdoesthefuturehold/2019-06-24>

¹⁴⁴ Spijker, J. 2015. "Alternative indicators of population ageing: An inventory". Econstor. Vienna Institute of Demography Working Papers, No. 4/2015. Accessed 13/10/2022. Available at <https://www.econstor.eu/bitstream/10419/110984/1/824590503.pdf>

indicator of the population that is supposed to support older people, with 'less than half of people waiting until the state retirement age to leave the labour market' and understates the social security support received by working age people. However, using an alternative approach such as the pensioner worker ratio (the ratio of people above SPa to those in work) would require long term projections of employment by age. Making changes to the SPa on this basis would then, in turn, affect employment projections.

- Increasing SPa is not necessarily the only policy response to a rising OADR. The size of different sections of the UK population is influenced by fertility rates, life expectancy and immigration. If there were increased flexibility towards immigration the OADR would improve, particularly as immigrants are often younger¹⁴⁵ and have higher fertility rates than UK-born mothers¹⁴⁶.

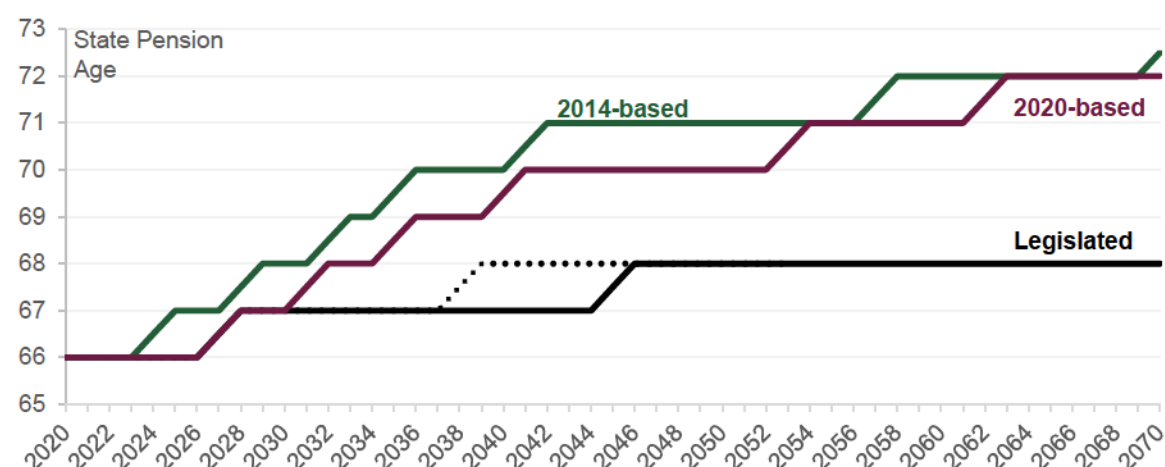
Using OADR as a metric

255. It is important to consider potential ratios if using the OADR as a metric. If it is projected that any agreed ratio will be breached – and policies to increase fertility or immigration were not pursued – this would trigger an increase in the SPa.
256. **Figure 16** gives an indicative timetable of State Pension ages that would keep the OADR at, or below 305 pensioners per working age adult, around the average level it has been over the last 25 years. The chart shows the timetable using the most recent 2020-based population projections and the 2014-based population projections used at the first review of SPa.
257. Under this scenario, SPa would increase to 67 and 68 more rapidly than currently legislated for or that proposed by John Cridland at the time of his review. By 2046, the SPa would be 2 years higher than currently planned using the 2020-based data.

¹⁴⁵ Vargas-Silva, C. and Rienzo, C. 2022. "Migrants in the UK: An Overview". The Migration Observatory. Accessed 06/10/2022. Available at <https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-an-overview/>

¹⁴⁶ Office for National Statistics. 2021. "Births by parents' country of birth, England and Wales: 2020". Accessed 06/10/2022. Available at <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/livebirths/bulletins/parentscountryofbirthenglandandwales/2020>

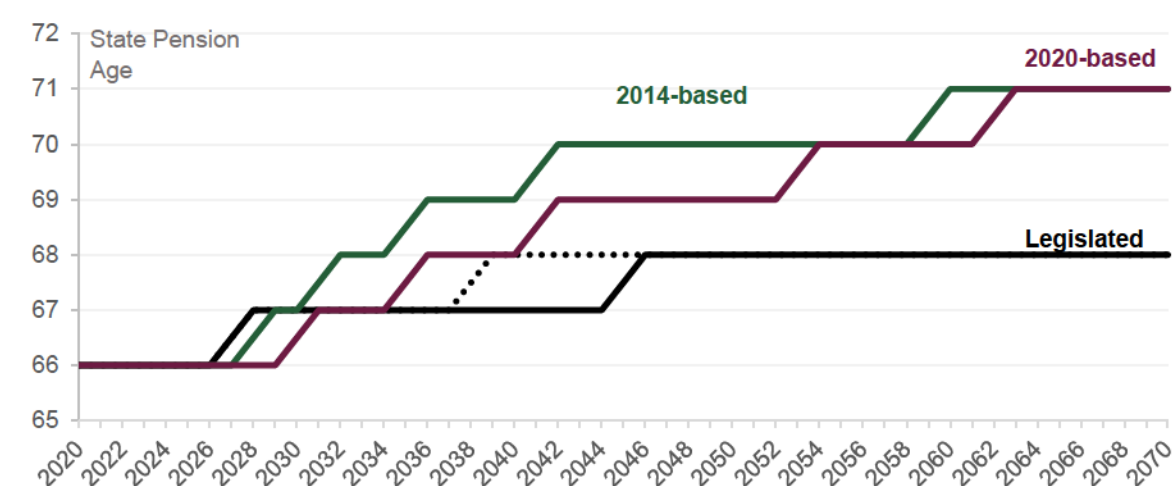
Figure 16 – Prospective Timetable of State Pension age using a OADR Threshold of 305 pensioners per 1,000 working age adults (2020-based and 2014-based, National Population Projections)



Source: Independent Review team modelling

258. **Figure 17** shows the prospective timetable using a more generous threshold of 330 (to acknowledge the unique challenge of the large baby-boomer cohort ageing). Using the 2020-based data, this suggests a rise in SPa to 68 by 2036 and a further increase to 69 by 2042.

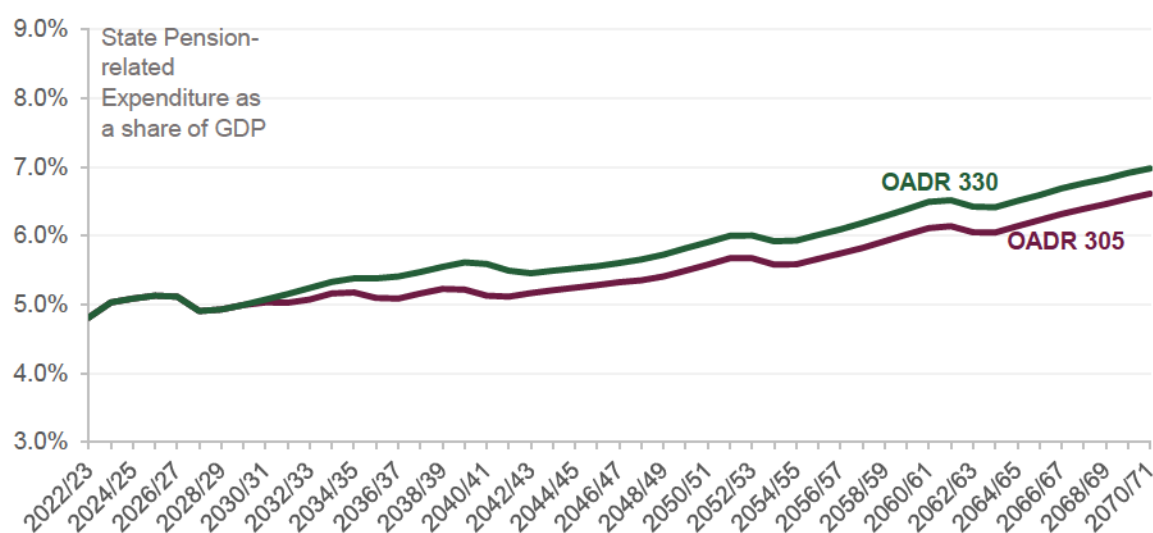
Figure 17 – Prospective Timetable of State Pension age using a OADR Threshold of 330 pensioners per 1,000 working age adults (2020-based and 2014-based, National Population Projections)



Source: Independent Review team modelling

259. If either of the OADR thresholds modelled in **Figure 16** and **Figure 17** were adopted, there would be expected savings from bringing forward the rise to 68 from current plans. In 2050/51, modelled expenditure on State Pension-related benefits (such as State Pension, Pension Credit and Winter Fuel Payment) using the OADR of 330 would be £13bn lower (20/21 prices). Using the OADR of 305 would be £26bn lower (20/21 prices). Expenditure on State Pension-related benefits as a share of GDP would fall from 6.2% to 5.9% and 5.6% respectively (see **Figure 18**).

Figure 18 – Impact on State Pension-related benefit expenditure, as a Share of GDP, of implementing an OADR Threshold of 305, or 330, pensioners per 1,000 working age adults



Source: Independent Review team modelling

Note: Assumes rise in SPa to 67 between 2026-28

Up to a fixed share of GDP

Background

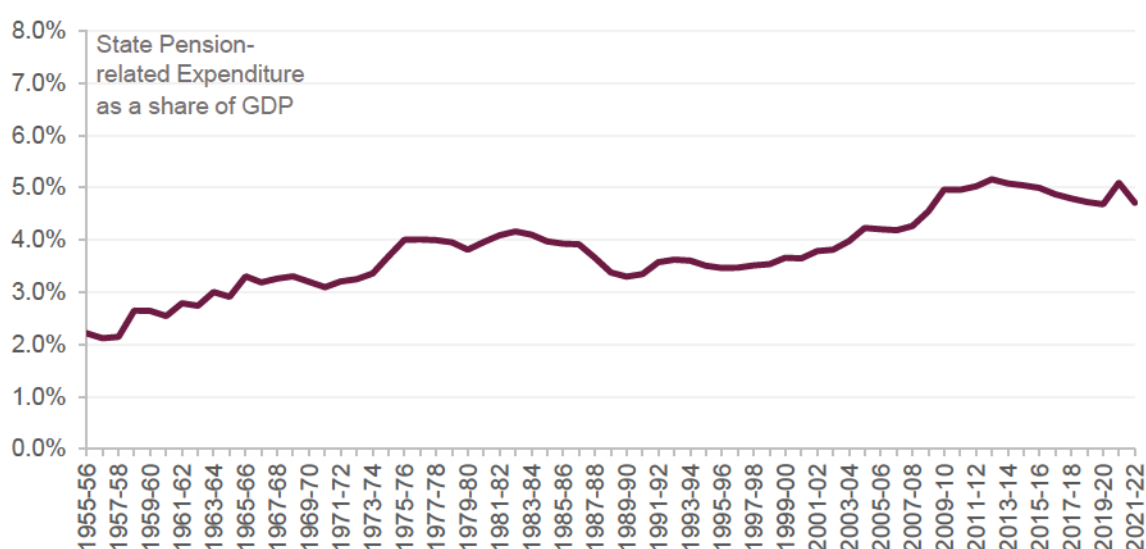
260. Chapter 4 showed that expenditure on State Pension-related benefits is a large and growing share of national output. In 2021/22, the Office for Budget Responsibility estimate that 4.8% of GDP will be spent on these benefits, comparable to the 4.2% estimated to be spent on Education¹⁴⁷. Growth in this

¹⁴⁷ Office for Budget Responsibility. 2022. "Fiscal risks and sustainability".

expenditure is driven by increased projected longevity, the ageing of the baby boomer cohort and the generosity of the current Triple Lock uprating provision.

261. **Figure 19** shows the historic trends of the share of GDP spent on State Pension-related benefits (such as basic and new State Pensions, Additional State Pension, Pension Credit and Winter Fuel Payment) using DWP Benefit and Expenditure Caseload data from Spring Statement 2022.

Figure 19 – Historic Trend in State Pension-related benefit Expenditure as a Share of GDP



Sources: Benefit expenditure and caseload tables, Spring Statement 2022¹⁴⁸, GDP deflators at market prices and money GDP March 2022¹⁴⁹

262. **Figure 19** shows:

- in the early years shown on the graph, State Pension-related expenditure rises (as a share of GDP) due to increased entitlement and – after the National Insurance Act 1974 – a move to uprate State Pension-related benefits by the greater of prices or earnings

¹⁴⁸ Department for Work and Pensions. 2022. "Benefit expenditure and caseload tables, Spring Statement 2022". Accessed 13/10/2022. Available at <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2022>

¹⁴⁹ HM Treasury. 2022. "GDP deflators at market prices and money GDP March 2022 (Spring Statement)". Accessed 13/10/2022. Available at <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2022-spring-statement>

- the share of GDP falling from the mid-1980s after the earnings link was removed in 1980 and pensions uprating was determined by RPI, which grew more slowly than GDP per adult¹⁵⁰
- this share increasing again from the late 1980s to 2007/08, as more women became entitled to State Pensions in their own-right, and an increase in the average amount of State Pension award per person¹⁵¹.
- the share of GDP spent on State Pensions increasing by around 1% between 2007/08 and 2012/13. This reflected relatively generous uprating driven by high inflation rates, weak GDP growth across the period, and increases to the number of pensioners¹⁵².
- the share of GDP spent on State Pension-related benefits falling slightly in recent years (though spiking in 2020/21 alongside the fall in GDP due to COVID-19). This is due the equalisation of State Pension ages for women and men and the subsequent increase in SPa to age 66¹⁵³.

263. Some stakeholders have suggested that Government limit State Pension-related expenditure as a share of GDP to manage these costs. If used, this metric would need to avoid judgments based on short-term and temporary fluctuations to GDP from recessions.

264. Limiting expenditure to a proportion of GDP could operate by looking at future State Pension-related benefit expenditure and noting any years where spending at the current SPa exceeds this limit. Where this occurs, SPa could be increased from the two years before this to ease transition. For example, if a 5.5% threshold was chosen and it was projected that State Pension-related expenditure as a share of GDP would exceed 5.5% in 2038, the SPa would increase from 2036 to phase this increase in. This means that the average proportion of GDP spent on State Pensions would always be lower than the agreed threshold.

¹⁵⁰ Office for Budget Responsibility. 2014. "Welfare trends report". Accessed 06/10/2022. Available at https://obr.uk/docs/dlm_uploads/Welfare_trends_report_2014_dn2B.pdf

¹⁵¹ The Office for Budget Responsibility. 2014. "Welfare trends report".

¹⁵² The Office for Budget Responsibility. 2014. "Welfare trends report".

¹⁵³ The Office for Budget Responsibility. 2014. "Welfare trends report".

Up to a Fixed Share of GDP: Strengths and Limitations

265. Strengths:

- This metric will always ensure that State Pensions-related costs are managed within an agreed sustainable amount, regardless of whether demographic changes or uprating are the chief driver of pressure on State Pension-related benefit expenditure.
- Establishing a limit on State Pension-related expenditure as a share of GDP may facilitate greater discussion on the appropriate share of national output to spend on recipients against other Government priorities. Any limits set will likely be compared to other visible targets, such as the target on Official Development Assistance – currently 0.5% - and the 2% NATO defence target. This transparency may also highlight the fiscal challenge of an ageing population.
- Limiting the share of GDP spent on State Pension-related benefits can promote an element of fairness across generations. In the absence of changes to uprating, this metric may suggest higher State Pension ages and lower average proportions of adult life in retirement for those yet to retire. However, it will ensure that future generations will not spend ever increasing shares of national output on State Pension.

266. Limitations:

- It is a blunt instrument that does not reflect the inequalities in life expectancy experienced across the UK. The prospective timetables – set out later in **Figure 20** – would require substantial increases to the SPa over the projected time period. This could have a disproportionately large impact on those most disadvantaged or with the lowest life expectancies.
- Projections of the share of GDP spent on State Pension-related benefits are inherently uncertain. Estimates of future State Pension-related benefit expenditure require assumptions for determinants including demographic factors (such as life expectancy, fertility and immigration) and government policy. These factors also influence estimates of future GDP, alongside

additional uncertainties for trends in the macro economy. As a result action may be taken, or not taken, which is later found to be unwarranted.

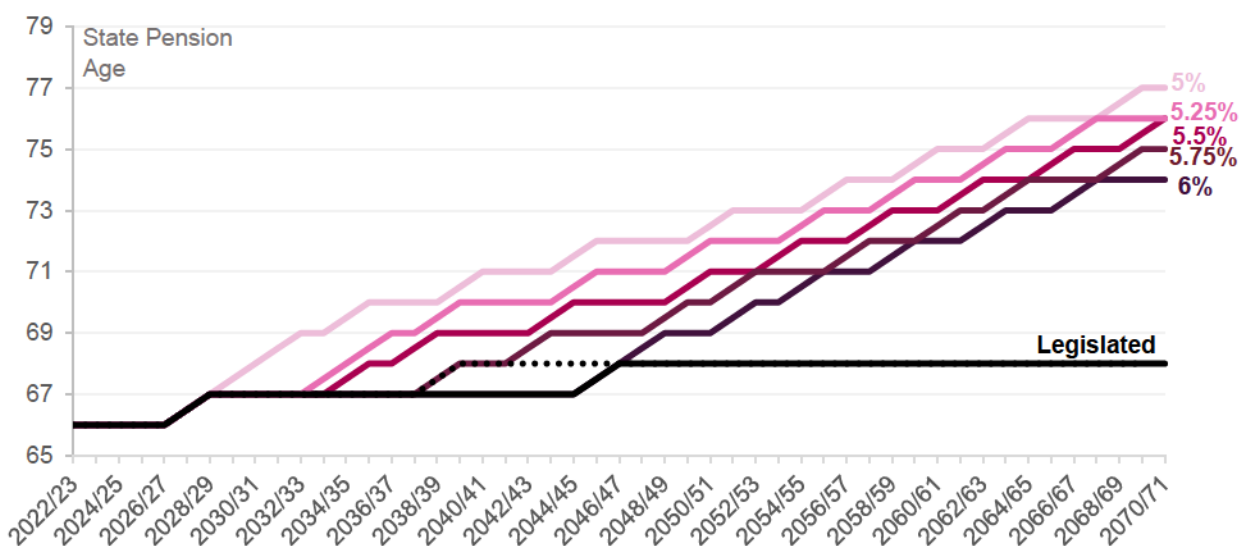
- This metric does not consider the impacts on working age benefit expenditure on GDP. Although generally much less generous than State Pension, some of those affected by a rise in the SPa may claim other benefits such as Universal Credit which will result in costs to the State elsewhere. There may also be implications for housing and disability benefits.

Using State Pension-related benefit expenditure/GDP as a metric

267. It is important to scrutinise the potential expenditure thresholds when considering using the State Pension-related benefit expenditure/GDP ratio as a metric.

Figure 20 shows example timetables for SPa changes using a 5%, 5.25%, 5.5%, 5.75% and 6% of GDP threshold.

Figure 20 – Prospective Timetable of State Pension ages using a range of limits for the ratio of State Pension-related benefit expenditure to GDP



Source: Independent Review team modelling

Note: Assumes rise in SPa to 67 between 2026-28

268. If a limit of 5.5% of GDP is set, SPa would need to have increased to 70 by 2044/45 with subsequent increases of one year every 4-5 years. By 2070/71, SPa is projected to need to increase to 76. We do not consider that such aggressive increases in SPa are a viable option. In practice other changes may be introduced first. Using a limit of 5.75% would currently suggest a rise in the

SPa to 68 from 2037/38 to 2039/40 and a further rise to 69 between 2041/42 and 2043/44. Using a limit of 6% would currently suggest a rise in the SPa to 68 from 2044/45 to 2046/47 and an immediate further rise to 69 between 2046/47 to 2048/49.

269. Using SPa as the only means to manage expenditure on State Pension-related benefits ignores the role of uprating as a key lever to control these costs.

Figure 9 in Chapter 4 showed that the choice of uprating is important, with uprating by earnings or prices alone leading to substantially lower shares of GDP in the long term.

Fixed Number of Years

Background

270. We sought evidence from other countries within the OECD to establish the criteria and metrics used to set SPa (DWP, 2022). This research established that some countries set SPa so that citizens may, on average, spend a fixed period of life in receipt of State Pension. Any increases to life expectancy are expected to lead to an increase in the working life of a citizen rather than increased time in retirement.

271. Countries using this approach reviewed their State Pension ages frequently (often every year) using period-based life expectancies and allowed for the SPa to change by increments of less than one year.

272. As Chapter 3 explained, period life expectancies are often lower than cohort life expectancies as they do not account for changes in future mortality. Cohort life expectancies offer more realistic projections of life expectancy in the future, as mortality rates change over time, so are used in this analysis in this section.

273. In **Denmark**, State Pension ages are set for 15 years' time according to the formula in **Box 3**:

Box 3 – How State Pension age is calculated in Denmark (DWP, 2022)

$$\text{State Pension age} = 60 + (LE_{t-15} + 0.6) - 14.5$$

Where LE_{t-15} = the unisex period life expectancy at age 60 (2-year average)

0.6 = the assumed increase in life expectancy over the next 15 years

274. This formula examines the change in period life expectancy at age 60 and assumes a further increase in life expectancy of 0.6 years over the next 15 years. SPa accounts for this projected increase and is then set to maintain a constant average number of years in receipt at 14.5 years (DWP, 2022).

275. If this figure is lower than the current SPa, SPa would remain unchanged. The Danish Agency for Labour Market and Recruitment (STAR) publish a timetable of planned and prospective SPa changes produced by Statistics Denmark based on this calculation¹⁵⁴. This timetable shows State Pension increases of 1 year every 5 years between 2030 and 2050 (reaching 72 in 2050) with projected increases of 0.5 years every 5 years thereafter.

276. Until 2019, **The Netherlands** adopted a similar approach. **Box 4** sets out the approach below:

Box 4 – How State Pension age was calculated in the Netherlands (DWP, 2022)

$$\text{State Pension age} = (LE_{t+5} - 18.26) - (\text{Current SPa} - 65)$$

Where LE_{t+5} = projected unisex life expectancy at 65 in 5 years' time

18.26 = average unisex period life expectancy at 65 between 2000 and 2009

¹⁵⁴ Styrelsen for Arbejdsmarked og Rekruttering (STAR). 2021. "State pension age now and in the future". Accessed 06/10/2022. Available at <https://star.dk/ydelser/pension-og-efterloen/folkepension-tidlig-pension-foertidspension-og-seniorpension/folkepension/folkepensionsalderen-nu-og-fremover/>

277. This formula aimed to target an average of 18.26 years in receipt of State Pension. If the average life expectancy above SPa, minus the fixed 18.26-year target, was greater than 0.25 (3 months), SPa was increased. SPa could only increase by a maximum of 3 months each year and any subsequent increases would need to happen in following years.

278. Both approaches target a fixed period of adult life an individual can, on average, expect to spend in receipt of State Pension. If this approach were adopted by the UK to set SPa, agreement would need to be reached on the appropriate number of years the public should expect which would pose considerable problems.

Fixed Number of Years: Strengths and Limitations

279. Strengths:

- The approach is easy for the public to understand and has an international precedent amongst OECD countries.
- The data required to use this metric are updated every two years, with projections of life expectancy 50 years into the future. This allows frequent assessment and re-assessment of the implications of the metric whilst allowing a long-term indication of the direction of SPa changes to be communicated.
- Setting a SPa to target an average fixed number of years of receipt, is consistent with alternative perspectives of ageing used by some demographers¹⁵⁵ noted that, for example, a 45-year-old in 2050 might well behave in many ways like a 35-year-old in 2000 if they had the same remaining life expectancy. This reflects how functional capabilities at a given age may change over time. They have suggested that SPa could be linked to the current average remaining life expectancy, remaining a consistent length across time as life expectancy improves.

¹⁵⁵ Sanderson, W. C. and Scherbov, S. 2007. "A new perspective on population ageing". Demographic Research. Volume 16. Article 2. Pp 27-58. Accessed 13/10/2022. Available at <https://www.demographic-research.org/volumes/vol16/2/16-2.pdf#search=%22scherbov%22>

280. Limitations:

- As all of the projected adjustments to life expectancy are reflected in the SPa, this metric places the burden of change on those of working age. If life expectancy increases are lower than projected, an average individual may enjoy fewer years above SPa than intended. However, if life expectancy increases faster than projected, an average individual may enjoy more years above SPa than the policy intended. Some countries, such as Estonia and Greece, insure against this by frequent assessments of SPa and also allowing it to decrease if life expectancy falls¹⁵⁶.
- Using a fixed number of years approach will result in a falling share of adult life in receipt of State Pension, which may be seen as an intergenerationally unfair outcome. There have been international moves away from this approach. From 2019, The Netherlands changed their method from targeting a fixed number of years in receipt of State Pension to an approach where SPa increases by 4 months for every year added to life expectancy¹⁵⁷. An independent commission in Denmark has also suggested moving away from a fixed number of years and proposed that in future 80% of any increase in average life expectancy should be spent in work with the remaining 20% spent in retirement¹⁵⁸.
- Cohort life expectancy is difficult to project and can change substantially between data releases. Using a metric where State Pension ages are linked one-to-one with these projections will incorporate this risk fully into prospective SPa timetables.
- This approach implicitly assumes that, as noted above, life expectancies increase, capabilities at a given age also increase. However, it does not account for potential decreases in functionality and ability to work for some people as they age.

¹⁵⁶ State Pension age: A review of international evidence (2022)
<https://www.gov.uk/government/publications/understanding-decision-making-around-changing-the-state-pension-age-a-review-of-international-evidence>

¹⁵⁷ See footnote 156 above

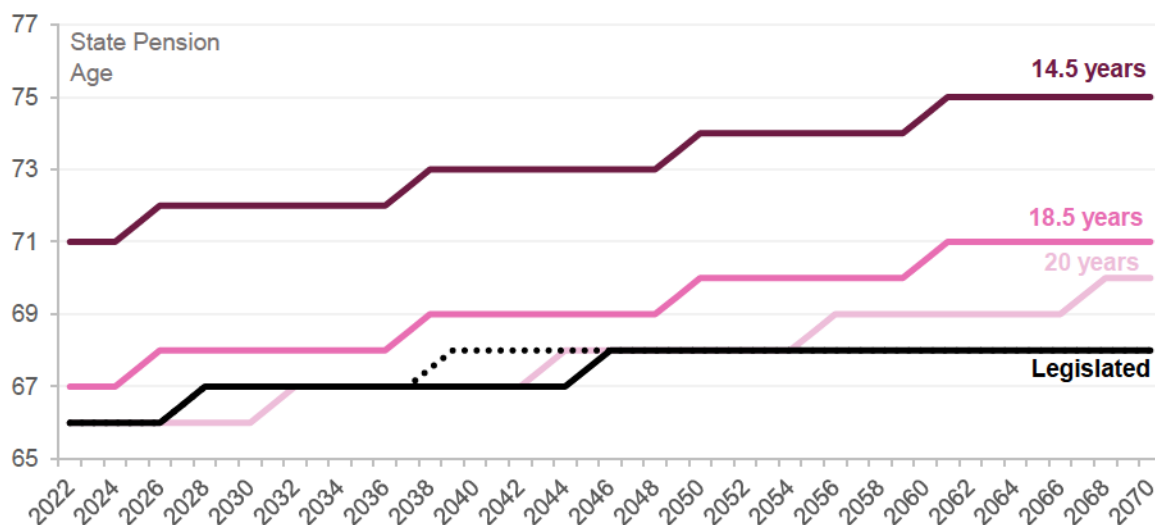
¹⁵⁸ See footnote 156 above

- As with the proportion of adult life metric, this metric uses average cohort life expectancy which does not reflect inequalities in life expectancy across regions, sex, socioeconomic and deprivation statuses and ethnicity. Those with a lower life expectancy on average are unlikely to achieve the targeted number of years in receipt of State Pension.
- This metric does not account for costs. Targeting a fixed number of years in receipt of State Pension does not acknowledge changes to the number of people in receipt of State Pension nor the average cost of a pension and may place undue pressure on current, and future, taxpayers.

Using a Fixed Number of Years as a metric

281. To use this metric, an appropriate number of years someone should expect to spend, on average, in receipt of State Pension needs to be determined. Between 2013 and 2022, the average cohort life expectancy at age 66 is expected to be 19.86 years. **Figure 21** compares the projected timetable for SPa using a target of an average of 20 years above SPa (in line with the average in the UK over the last 10 years), 18.5 years (in line with the previous target in the Netherlands) and 14.5 years (in line with the target in Denmark).

Figure 21 – Prospective Timetable of State Pension ages for an average of 14.5, 18.5 and 20 years in receipt of State Pension, using ONS 2020-based Cohort Life Expectancy Projections

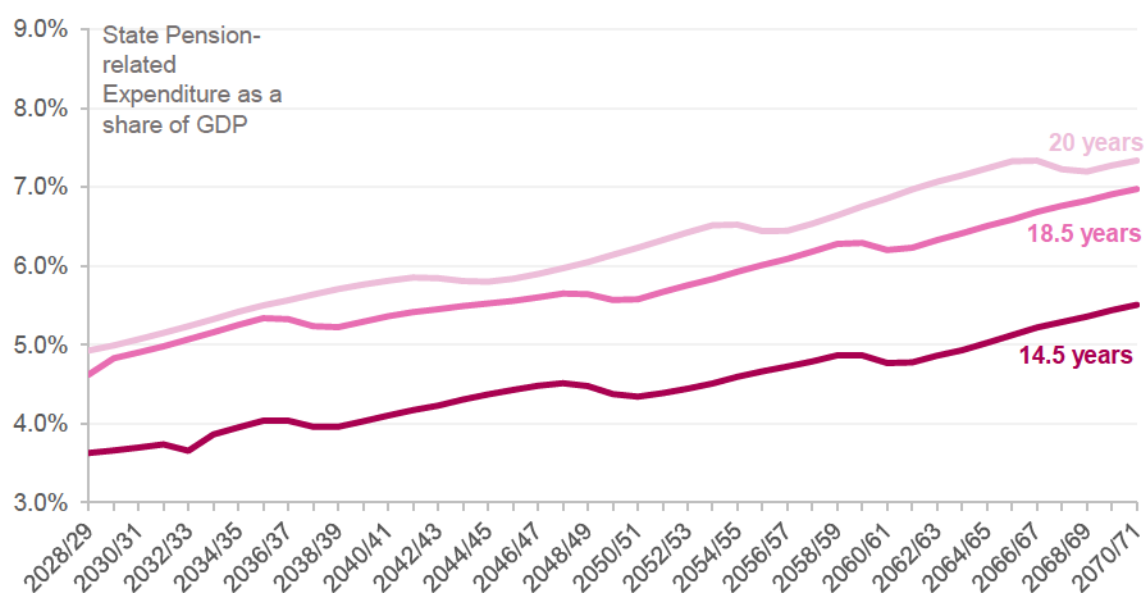


Source: Independent Review team modelling

282. Under a 20-year average target, the rise to 67 would be delayed 4 years to complete by 2032 and the rise to 68 would complete by 2044 – later than recommended in the Cridland report but slightly earlier than currently legislated. Further increases would occur, broadly every 12 years, with SPa reaching 70 by 2068/69. Under a 14.5-year target, SPa would need to be 71 years already, reaching 75 years by 2061/62.

283. **Figure 22** shows the impact of these timetables on the share of GDP spent on State Pensions from 2028/29. Under all scenarios, State Pension-related benefit expenditure increases as a share of GDP to between 5.5% of GDP (14.5 years) and 7.3% of GDP (20 years) by 2070/71.

Figure 22 – Modelled shares on GDP spent on State Pension, for 14.5, 18.5 and 20 years on average in receipt of State Pension



Source: Independent Review team modelling

Note: Chart starts from 2028/29 as SPa under the 14.5 year scenario would require significant immediate increases to SPa.

Other metrics considered

Background

284. Beyond the four metrics outlined above, we received additional suggestions from stakeholders through the Call for Evidence and roundtable events. These metrics included:

- linking SPa to life expectancy by deprivation
- linking SPa to regional, or local, measures of life expectancy.
- increasing the focus on healthy life expectancy (or disability-free life expectancy) over period or cohort life expectancies
- setting SPa such that a constant proportion of individuals survive to the eligible age to receive State Pension
- setting the State Pension so that State Pensions cost a constant proportion of income per person.

285. This section outlines and assesses each of these metrics, providing a rationale for why we are not proposing their use.

Metrics linked to Deprivation

286. Lane, Clark & Peacock proposed a metric linked to deprivation¹⁵⁹. To calculate this, 2020-based projections of cohort life expectancy at a UK level were scaled using the period life expectancy estimates by Index of Multiple Deprivation for England. The scaled life expectancies were then put into a proportion of adult life formula and compared to the 33.3% threshold originally announced at Autumn Statement 2013.

287. Their analysis showed that a rise in the SPa to 67 could not be justified for the most deprived 40% of the population before 2064 although they suggest the

¹⁵⁹ Lane, Clark and Peacock (LCP) LLP. 2022. "Analysing longevity during a pandemic. Practical guidance to navigate an uncertain journey". LCP longevity report. Accessed 06/10/2022. Available at <https://indd.adobe.com/view/a76a7502-8365-4086-a847-aa9cfcec2086>

results of reducing deprivation through 'Levelling Up' policies (if successful) might facilitate bringing the SPa increase in sooner than this.

288. Linking SPa to measures of life expectancy has some merit; this clearly acknowledges intragenerational fairness issues and unequal outcomes in life expectancy within birth cohorts.
289. However, there are limitations with this as a metric. First, as Chapter 4 shows, State Pension-related expenditure is becoming unsustainable as a share of GDP and any slowing of the timetable, to the degree suggested, could damage things further. Second, data is not projected by the index of multiple deprivation on a UK basis. Deprivation is measured differently across the UK and projecting life expectancy by deprivation would require assumptions of growing, or narrowing inequalities, which would be uncertain and dependent on Government policies. Third, the threshold used in the analysis was replaced following the first SPa review and its use suggests that SPa increases should be delayed further than would be found using the current threshold (up to 32%). Finally, a slower increase to the SPa would result in those least deprived, with the longest life expectancy, benefiting from more years of State Pension receipt. If Government wishes to support those in more deprived deciles, there are more targeted and effective ways to do this.
290. On balance, the potential impact of using this metric would be an unsustainable increase in State Pension-related benefit expenditure, at a cost to current taxpayers across the income distribution. It would benefit the more deprived, but at enormous cost.
291. An alternative approach from stakeholders suggested weighting measures of life expectancy by decile of deprivation using an inverse of a measure of assets as a proxy of prospective future and current dependence on State Pension. This approach has similar strengths and limitations to the LCP approach outlined above, but also requires complex data and assumptions to calibrate a model to produce an acceptable SPa timetable. It would be less transparent for public to understand.

Metrics linked to regional or local geographies

292. Stakeholders acknowledged the regional disparities in life expectancy, with some suggesting an alternative approach where SPa could vary across the UK.
293. The Cridland report concluded that setting SPa to vary across regions was unworkable. No evidence has been submitted to suggest this picture has changed. Setting different SPa according to local area or regions would be logistically challenging to implement. Chapter 3 also showed that, even within regions, there are substantial variations in life expectancy.

Metrics linked to Healthy, or Disability-Free, Life Expectancy

294. Responses to the Call for Evidence from David Blane at University College London and trade unions including Unite and Unison advocated the use of health state life expectancies, such as healthy life expectancy or disability-free life expectancy, in setting metrics. Descriptors of these health state life expectancy measures are set out in Chapter 3.
295. No respondent provided an indication of how the health state life expectancies could be used to determine future SPa, but some highlighted the importance of considering these measures in the context of making decisions.
296. There are major challenges with using health state life expectancies, the first two of which in our view rule it out. First, as outlined in Chapter 3, there are issues with the self-assessment of both disability-free and healthy life expectancies, where assessment of circumstances varies by factors such as age, sex and deprivation. Second, as these series are not currently projected forward, it is difficult to see how they can be used to set policies and SPa many years into the future. Finally, setting SPa according to health status could result in a SPa that is lower than necessary for many parts of the population who may be healthy enough to continue in employment. Supporting the incomes of those in poor health, or to support the additional costs of poor health, is better dealt with in other parts of the benefit system more targeted towards these needs and in improving health and social care.

Constant Survival Rate

297. As part of their 'Not If, But When' presentation of a range of metrics¹⁶⁰, the International Longevity Centre discussed a 'Fairness rule'. This metric set SPa such that the probability of a person born each year would survive to SPa was the same going forward.
298. Their analysis of the 2018-based cohort life expectancy tables suggested that 85.5% of the UK population reached age 66, the current SPa, in 2022. Maintaining this proportion reaching SPa would result in an increase to the SPa to 68 by 2032, 69 by 2036 and 70 by 2042¹⁶¹.
299. Using this approach would have the advantage of leading to lower State Pension-related benefit expenditure. Ensuring an equal probability of receiving a State Pension across birth cohorts might also be seen as an intergenerationally fair outcome as SPa is not set at an age where one generation may be more likely to reach it than previous generations were. However, there are several limitations that prevent it being recommended for further consideration.
300. First, this approach would explicitly set a rule for setting SPa that meant that nearly 15% of a birth cohort would never reach that age. Whilst it is the case that for any SPa there will be some that do not survive to receive it, setting the SPa explicitly with this in mind would be both politically and socially problematic. Second, any rule setting a proportion of the population to survive to SPa would disadvantage those from more deprived parts of the UK, or with a disability, where life expectancy is lower than average. Finally, this method does not consider the size of a birth cohort; 85.5% of a larger cohort would be less affordable than 85.5% of smaller cohort sizes. This would be particularly difficult in relation to the baby boomers.

¹⁶⁰ International Longevity Centre UK. 2022. "Not if but when: The demographic and fiscal case for increases to State Pension Age". Accessed 06/10/2022. Available at <https://indd.adobe.com/view/a76a7502-8365-4086-a847-aa9cfcec2086>

¹⁶¹ International Longevity Centre UK. 2022. "Not if but when: The demographic and fiscal case for increases to State Pension Age".

Constant Share of Earnings

301. Another metric considered to manage State Pension-related benefit expenditure was to try and maintain the annual cost of State Pension as a share of workers incomes. Analysis by Sweeting¹⁶² found the annual cost per person of working age (excluding those in full-time education) of the State Pension was around £2,500 in 2015. A constant share of earnings metric would seek to keep this as a constant share of average income. This analysis suggested that there should be an increase to the SPa to 68 by 2035 and 69 by 2040.
302. This approach acknowledges both costs and changes to population structures within the metric. The average cost as a share of earnings could decrease through higher immigration or, over time, increased fertility, but would also increase alongside an ageing population or decreases to immigration and fertility. The metric clearly addresses affordability and sustainability as key concerns and offers a tangible way to address this.
303. However, when calculating the average share of earnings State Pension costs per person of working age, it does not consider if those of working age are in work. This understates the dependency of those of working age. This metric also suggests that increases to SPa would result in the wealthiest receiving an ever-increasing share of the State Pension. It was proposed that this could be counter-balanced by means-testing of State Pension. This would be controversial and expensive to implement and might encourage moral hazard where individuals deliberately reduce their wealth to fall below the means test.

¹⁶² Sweeting, P. 2017. "Surfing the Tsunami: A Plan for State Pension Reform". Paul Sweeting Ltd. Accessed 06/10/2022. Available at <http://paulsweeting.com/library/170604SPA.pdf>

Summary of Core Metrics Proposals

Table 7 – Prospective timetable for State Pension age changes for Core Metrics considered (for years up to 2070)

		Rise to 68	Rise to 69	Rise to 70	Rise to 71	Rise to 72	Rise to 73	Rise to 74	Rise to 75
Proportion of Adult Life	30%	30-32	46-48	62-64					
	31%	41-43	58-60						
	32%	53-55							
Old Age Dependency Ratio	305	30-32	34-36	39-41	52-54	61-63			
	330	34-36	40-42	52-54	61-63				
	350	38-40	50-52	59-61					
Fixed Share of GDP	5%	28-30	30-32	33-35	38-40	43-45	49-51	54-56	58-60
	5.25%	32-34	34-36	37-39	43-45	48-50	53-55	57-59	61-63
	5.5%	33-35	36-38	42-44	48-50	52-54	56-58	60-62	64-66
	5.75%	37-39	41-43	47-49	50-52	55-57	59-61	62-64	67-69
	6%	44-46	46-48	50-52	53-55	57-59	61-63	65-67	
Fixed Number of Years	14.5					24-26	36-38	48-50	59-61
	18.5	24-26	36-38	48-50	59-61				
	20	42-44	54-56	66-68					

Table 8 – Impacts of Core Metrics on SP/GDP Ratio and £m (20/21 prices)

Metric		Measure	2020/21	2030/31	2040/41	2050/51	2060/61	2070/71
Proportion of Adult Life	30%	% of GDP	5.2%	5.1%	5.7%	5.9%	6.9%	7.3%
		£bn (20/21 prices)	£112bn	£144bn	£191bn	£232bn	£309bn	£382bn
	31%	% of GDP	5.2%	5.1%	5.8%	6.2%	6.9%	7.7%
		£bn (20/21 prices)	£112bn	£144bn	£196bn	£245bn	£309bn	£400bn
	32%	% of GDP	5.2%	5.1%	5.8%	6.4%	7.2%	8.0%
		£bn (20/21 prices)	£112bn	£144bn	£196bn	£251bn	£326bn	£418bn
Old Age Dependency Ratio	305	% of GDP	5.2%	5.0%	5.1%	5.6%	6.1%	6.6%
		£bn (20/21 prices)	£112bn	£142bn	£173bn	£219bn	£275bn	£344bn
	330	% of GDP	5.2%	5.1%	5.6%	5.9%	6.5%	7.0%
		£bn (20/21 prices)	£112bn	£144bn	£188bn	£232bn	£293bn	£363bn
	350	% of GDP	5.2%	5.1%	5.6%	6.2%	6.6%	7.3%
		£bn (20/21 prices)	£112bn	£144bn	£191bn	£241bn	£297bn	£382bn
Fixed Share of GDP	5%	% of GDP	5.2%	4.8%	4.7%	4.7%	4.7%	n/a
		£bn (20/21 prices)	£112bn	£137bn	£159bn	£184bn	£211bn	n/a
	5.25%	% of GDP	5.2%	5.1%	5.0%	4.9%	5%	5.1%
		£bn (20/21 prices)	£112bn	£144bn	£170bn	£193bn	£227bn	£268bn
	5.5%	% of GDP	5.2%	5.1%	5.4%	5.2%	5.3%	5.1%
		£bn (20/21 prices)	£112bn	£144bn	£181bn	£206bn	£239bn	£268bn
	5.75%	% of GDP	5.2%	5.1%	5.7%	5.5%	5.5%	5.5%
		£bn (20/21 prices)	£112bn	£144bn	£191bn	£216bn	£247bn	£287bn
	6%	% of GDP	5.2%	5.1%	5.8%	5.8%	5.7%	5.9%
		£bn (20/21 prices)	£112bn	£144bn	£196bn	£229bn	£259bn	£306bn
Fixed Number of Years	14.5	% of GDP	5.2%	3.7%	4.1%	4.3%	4.8%	5.5%
		£bn (20/21 prices)	£112bn	£105bn	£138bn	£170bn	£215bn	£287bn
	18.5	% of GDP	5.2%	4.9%	5.4%	5.6%	6.2%	7.0%
		£bn (20/21 prices)	£112bn	£139bn	£181bn	£219bn	£280bn	£363bn
	20	% of GDP	5.2%	5.1%	5.8%	6.2%	6.9%	7.3%
		£bn (20/21 prices)	£112bn	£144bn	£196bn	£245bn	£309bn	£382bn

Note: Data for 20/21 reflects the spend at the current SPa (66) rather than at the SPa implied by this metric. Unable to assess the costs of the 5% fixed share of GDP option in 2070/71 due to modelling constraints.

Conclusion

Is it right to expect, on average, a fixed proportion of adult life above State Pension age?

304. The Terms of Reference asked us to consider ‘whether it remains right for there to be a fixed proportion of adult life people should, on average, expect to spend over State Pension age?’

305. Responses to the Call for Evidence were generally supportive of this principle with some respondents highlighting how the metric supports fair and consistent outcomes across generations. Other respondents were less enthused with the metric and highlighted the importance of considering wider factors beyond just life expectancy when setting SPa. Some respondents did not think it was appropriate for Government to change this rule simply because slower life expectancy growth may not support planned changes to the SPa.

306. However, sustainability and affordability were cited by respondents as an important determinant in setting SPa to avoid any further strain on public finances. This chapter has shown that using the proportion of adult life metric alone is insufficient to manage rising State Pension-related benefit expenditure.

307. **We therefore recommend that:**

- it remains right for there to be a fixed proportion of adult life people should expect to spend, on average, in receipt of State Pension and we conclude that the proportion of adult life metric is still fit for purpose
- reflecting recent trends, that this proportion should be set at up to 31% of adult life.

What additional or alternative metrics are appropriate to account for when making SPa decisions?

308. Throughout this review a range of metrics have been examined to understand their trends, strengths and limitations, and relevance to SPa decisions. No single metric identified could balance fairness between and within generations with the

growing concern about an ageing population and a declining fertility rate and the resulting implications for the affordability and sustainability of State Pensions.

309. We carefully considered the use of the old age dependency ratio. This would have a clear link to the pay-as-you-go principle that underpins the State Pension, where the pensions paid are funded from National Insurance and tax revenues collected today. Using an old age dependency ratio also produces fairly stable projected timetables. However, this metric does not indicate if State Pension-related expenditure is sustainable and oversimplifies the concept of dependence as more older people work past SPa.
310. The 'targeting a fixed number of years' metric for receipt of State Pension is simple to explain but it is very sensitive to life expectancy projections and implicitly assumes that the ability to continue working increases alongside life expectancy. It does not account for the cost and sustainability of State Pension. Countries using this metric have, or are planning to, move away from its use.
311. Other metrics considered looked at how inequalities by area of deprivation, health or geography could be reflected in the SPa. All of these approaches had limitations from data availability to sustainability concerns and there was no clear evidence on how they could be practically implemented. There are better ways to target support for the most deprived.
312. The only additional metric we considered that fully addressed concerns around the affordability and sustainability was a limit on the share of GDP spent on State Pension-related expenditure. This metric explicitly limits expenditure to a pre-agreed level and brings out the challenges and costs of an ageing-society whilst promoting a greater element of fairness in expenditure across generations. Unlike other metrics considered, this also accounts for changes in the size of the economy, demographic trends, and policy decisions, such as uprating using the Triple Lock.

313. We therefore recommend:

- that the Government sets a limit on State Pension-related expenditure of up to 6% of GDP (this could be met through changes to SPa, eligibility rules or uprating).

Impact on State Pension age

314. Considering two different metrics when setting SPa will require the Government to make a judgement between the different timetables that each suggest. The proportion of adult life principle should be maintained wherever possible, but costs should be managed to avoid an unfair burden on future generations.

- The legislated rise in SPa to 67 should continue as planned between 2026 and 2028. Given the very real economic challenges faced by Government and the stark increases in State Pension-related expenditure explored in this report, it is not appropriate to increase costs further by postponing the move to age 67. We note that this change has been set out in primary legislation since 2014 which meets our recommendation of an appropriate length of notice of change (although we note that personal notifications have not yet been sent to this cohort).
- SPa should rise to age 68 over the period 2041-2043. This is earlier than currently legislated for but later than John Cridland proposed in the first independent SPa review¹⁶³. We have tried to strike a balance: to reflect both the slower rate of improvement that we have seen in life expectancy, and the rising number of older people relative to the working age population seen in higher old age dependency ratios. This approach is also consistent with a limit of up to 6% on State Pension-related expenditure.
- Although we make no firm recommendation, current projections of GDP and State Pension-related benefit expenditure suggest that SPa should rise to age 69 over the period 2046-48. This possible rise should be reassessed in

¹⁶³ Cridland, J. 2017 "Smoothing the Transition: Independent Review of the State Pension age". Department for Work and Pensions. Accessed 13/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/611460/independent-review-of-the-state-pension-age-smoothing-the-transition.pdf

the light of new fiscal and life expectancy projections. We note that the Government has other tools to control State Pension-related expenditure as a share of GDP beyond adjusting the SPa, including the generosity of pension uprating.

Chapter 8: Awareness and Communicating Change.

Introduction

315. A recurring theme of our stakeholder engagement was the importance of providing an adequate fixed notice period for future State Pension age (SPa) changes. The focus reflected concern over the experience of certain women born in the 1950s, who saw increases to SPa of up to six years in quick succession. Many of them wrote to us individually and others have been represented by Women Against State Pension Inequality (WASPI). WASPI is a prominent group who have campaigned on the way in which SPa changes were implemented with what was perceived to be inadequate notice. A small number of respondents indicated they were linked to other groups, including Silver Voices, a campaign organisation for the over 60s.
316. The SPa increases from age 60 to 66 in a relatively short timescale were a major change and are very unlikely to be repeated. We currently expect changes of one year at any one time and it is relatively easy to establish currently legislated retirement dates for an individual, using the 'Check your State Pension' calculator.

Accessing State Pension information

317. GOV.UK's website supports individual plans for retirement using the following digital tools:
- Check your State Pension age¹⁶⁴
 - Check your State Pension forecast¹⁶⁵
 - Delay (defer) your State Pension¹⁶⁶

¹⁶⁴ Government Digital Service, (2021). 'Check your State Pension age'. Gov.uk. Available at <https://www.gov.uk/state-pension-age>

¹⁶⁵ Government Digital Service, (2016). 'Check your State Pension forecast'. Gov.uk. Available at <https://www.gov.uk/check-state-pension>

¹⁶⁶ Government Digital Service, (2015). 'Delay (defer) your State Pension'. Gov.uk. Available at <https://www.gov.uk/deferring-state-pension>

- Plan your retirement income: step by step¹⁶⁷

318. In future, many people will also be able to access a dashboard service provided through the Money and Pensions Service (MaPS). This is a digital platform that will give people a comprehensive view of their potential retirement income, including the State Pension, to support retirement planning. The dashboard will be available on smartphones, laptops and computers. For those who are not digitally enabled, the Pension Service¹⁶⁸, also provides support via telephone and textphone numbers. We look forward to seeing swift progress with the dashboard to support people in preparing for retirement

Awareness of State Pension age

319. While we recognise Government's efforts to improve online information and support, we are concerned that some people do not know when they will reach SPa or if they will prepare for retirement early enough. Direct communication could help to remedy this. A report from the Institute of Fiscal Studies¹⁶⁹ echoed concerns that individuals are not informed about what age they will receive State Pension or how much they will receive. Among those aged between 55 and SPa in 2018/19:

- 59% correctly reported their SPa (within a 3-month period)
- 22% overestimated their SPa
- 7% underestimated their SPa
- 12% reported that they did not know it.

¹⁶⁷ Government Digital Service (2018). 'Plan your retirement income: step by step'. Gov.uk. Available at <https://www.gov.uk/plan-for-retirement>

¹⁶⁸ Government Digital Service (2015). 'Contact The Pension Service'. Gov.uk. Available at <https://www.gov.uk/contact-pension-service>

¹⁶⁹ Institute for Fiscal Studies (IFS). 2020. "The Dynamics of Ageing: Evidence from the English Longitudinal Study of Ageing 2002-2019". Accessed 07/10/2022. Available at https://11a183d6-a312-4f71-829a-79ff4e6fc618.filesusr.com/ugd/540eba_a521228fef944892b2942d6135be6734.pdf

320. The Planning and Preparing for Later Life¹⁷⁰ survey found that, of respondents who had a SPa between 66 and 68:

- 56% could identify their SPa; 24% overestimated; and 20% underestimated their SPa
- Men (58%) were slightly more likely than women (54%) to know their SPa
- 75% of respondents with a SPa of 66 were aware of the date of their SPa.

321. This survey also found that people who had used the Check your State Pension¹⁷¹ website were more likely to identify their SPa correctly. However, people for whom the State Pension was likely to be their only source of income in retirement were least likely to have used the site and were among the least knowledgeable.

322. Age UK's response to the Call for Evidence also shared feedback on interviews it conducted with people in their 50s and early 60s which showed that while there was some awareness of rising SPa, very few knew exactly when they would receive their pension and what they would get.

Notice period

323. The period of notice that individuals should receive of any change to SPa has long been a subject of discussion. In 2005, The Pensions Commission recommended at least 15 years of notice on any change to SPa. The Cridland review also recognised the significance of notice periods. A recommendation of that report was that people should be given at least 10 years notice of any SPa changes. This was important when considering the impact of changes on individuals and households, and to mitigate the effects of uncertainty around their State Pension age.

¹⁷⁰ Department for Work and Pensions. 2022. "Planning and Preparing for Later Life". Accessed 07/10/2022. Available at <https://www.gov.uk/government/publications/planning-and-preparing-for-later-life>

¹⁷¹ Gov.uk (2016). 'Check your State Pension forecast'

324. The Government's 2017 SPa review report accepted that it should provide a minimum of 10 years notice for individuals affected by changes to their SPa¹⁷², although we note this was not put into legislation.
325. Throughout our review we received a substantial number of representations about the importance of notice periods. Stakeholder preferences on ideal notice period ranged from setting at the start of working life (at age 20) to a period no less than 10 years before SPa. There was broad agreement that a reasonable notice period should be between 10 and 15 years before SPa. Others sought a definitive policy that protected certain individuals from future changes, for example, for anyone within 10 years of their current SPa to be exempted from future changes, irrespective of the cost or changes in life expectancy.
326. On the other hand, in their Call for Evidence response, the Investment and Savings Alliance's noted that, while adequate notice was important, the notice period needed to have a degree of flexibility, to reflect scenarios where assumptions are not borne out by events (for example, when life expectancy increases exceed projections).

The importance of notice and preparing for retirement

327. For most people, the State Pension is a fundamental component of retirement planning. Currently half of pensioners derive nearly two-thirds (64%) of their income from the state (from the State Pension and other benefits)¹⁷³. For that reason, it is essential that individuals have a sensible notice period.
328. Several stakeholders noted the link between SPa and Normal Minimum Pension Age (NMPA). NMPA is the earliest point individuals can access their private pensions and it is set broadly at 10 years before SPa (currently set at age 55 and increasing to age 57 in 2028, reflecting the increase in SPa to 67 at this point.)

¹⁷² Department for Work and Pensions. 2017. "State Pension age Review". Web ISBN 9781474143882. Accessed 07/10/2022. Available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/630065/state-pension-age-review-final-report.pdf

¹⁷³ Phoenix Insights. 2022. "Reaching a certain age": Public attitudes to the state pension". Accessed 07/10/2022. Available at https://www.thephoenixgroup.com/sites/phoenix-group/files/EC1162679_Phoenix_Insights_StatePensionReport.pdf

Individuals who are considering drawing down their pension must at that point have clarity on future income, including when their State Pension is payable. There are concerns that these pensions' freedoms have led some people to focus on short term priorities at the expense of their provision for retirement.

329. Many responses to the Call for Evidence also advocated improved education for younger generations about the importance retirement planning. For example, during a roundtable with young people from the British Youth Council, all agreed this should be a compulsory part of the curriculum. The Pensions Policy Institute conducted a survey 'Young People and Pensions Survey 2021'¹⁷⁴. It found that policies aimed at improving the future outcomes of younger savers will need to address affordability concerns, financial literacy and knowledge of pensions, and societal inequalities that increase the risk of poor retirement outcomes.

330. We note the useful work Young Enterprise have been doing in this area, providing resources and teacher training on financial education. In particular, they noted that, although financial education is part of the school curriculum in secondary schools, it is not universally taught. Young Enterprise's work helps train teachers: so that more young people leave school with a better appreciation of the practical finance issues. Additionally, the MaPS have been piloting the 'Children and Young People Financial Education Innovation and Evaluation Programme' looking at the barriers to providing financial education in schools.

Recommendations

331. Evidence suggests that knowledge of SPa is patchy despite its importance for retirement planning. It is also vital to inform people personally of their own SPa within a clearly defined period of notice

332. There is also a need for a better awareness across society. SPa could be emphasised further if details were published by the Office for National Statistics.

¹⁷⁴ Pension Policy Institute. 2021. "The Future Life: How can younger people be supported to achieve adequate retirement outcomes?". Pension Policy Institute. Accessed 07/10/2022. Available at <https://www.pensionspolicyinstitute.org.uk/media/3930/20211028-bn128-the-future-life-younger-people-and-retirement.pdf>

alongside their estimates of life expectancy. This is already the practice in the Netherlands.

333. Wider financial awareness and education can also be improved starting from school age. This should cover pensions, especially the benefits of higher automatic enrolment contributions and an understanding of savings, investments and assets. Preparing people for later life and security in retirement can make a major difference to their wellbeing and prospects and thus the sustainability of our pension system.

We therefore recommend that Government should:

- communicate to individuals their SPa at least 10 years in advance of them reaching this age. This should be by letter, or another method to be agreed with individuals
- for those already within 10 years of their SPa, issue such notifications as soon as is practicable
- monitor SPa and financial awareness regularly, a minimum of every two years, particularly amongst vulnerable groups and young people to support improvements and feed into ongoing communications and education activity.

Annex A

Government Review of State Pension Age: Terms of Reference for the Independent Report

Purpose

The government is required by the *Pensions Act 2014* to conduct a periodic review of State Pension age. The independent report on other specified factors (independent report) will provide evidence to inform that Review.

Context

As part of the evidence-base that informs the government review of State Pension age, the Secretary of State must commission two reports. These are:

- a report from the Government Actuary that provides an analysis of the latest life expectancy projections using specified proportions of adult life over State Pension age
- a report on other factors she considers relevant – the terms of reference (TOR) for the latter are set out below.

Scope

The independent report should explore what metrics government should take into account when considering how to set State Pension age. It should include the following factors:

- a consideration of recent trends in life expectancy in every part of the United Kingdom.
- whether it remains right for there to be a fixed proportion of adult life people should, on average, expect to spend over State Pension age?
- what metrics would enable State Pension costs, and the importance of sharing these fairly between generations, to be taken into account when making State Pension age decisions?

- what additional or alternative metrics would be appropriate to take into account when making State Pension age decisions?

In conducting analysis and reaching conclusions, the independent report should have regard to both the sustainability and long-term affordability of the State Pension and the views of organisations, individuals, and other interested parties.

The government review is expected to take account of a range of evidence including: life expectancy, socio-economic issues and the future affordability and sustainability of the State Pension. The independent report is not expected to cover questions related to the structure of State Pension including, for example, how State Pension is uprated.

Deliverables

The government will consider the findings as part of its review of State Pension age; therefore, emerging findings and recommendations must be submitted to the Secretary of State for Work and Pensions at a date to be determined by the Minister for Pensions and Financial Inclusion and the Secretary of State. The content of the independent report is the sole responsibility of the person appointed to conduct the work who will have the final say on all key outputs and recommendations. The timing and manner of the publication of the independent report will be determined by the Secretary of State.

Annex B

Responses to the Call for Evidence

AEGON

Age UK

AJ Bell

Association of British Insurers (ABI)

Blackburn and District Trades Union Council

Boots Ltd.

Carers UK

Centre for Ageing Better

Centre for Social Justice

Club Vita

Dr Emily T Murray, with Professor Nicola Shelton, Professor Jenny Head and Dr Paul Norman, Department of Epidemiology and Public Health, University College London (the Health of Older People in Places, or HOPE, research project)

East Midlands Region National Pensioners' Convention (EMNPC)

Financial Services Consumer Panel

David Blane, Professor Emeritus of Imperial College London

Independent Age

Intergenerational Foundation

Dr Ross Wilkie, Keele University

Lane Clark & Peacock (LCP) LLP

Later Life Ambitions

Legal and General

NASUWT The Teachers' Union

National Education Union (NEU)

National Pensioners Convention (NPC)

Emerita Professor Carol Jagger and Dr Andrew Kingston, Newcastle University
Population Health Sciences Institute

Comisiynydd Pobl Hŷn Cymru / Older People's Commissioner for Wales

Pension Reform Alliance

Pensions and Lifetime Savings Association (PLSA)

Phoenix Insights

Public and Commercial Services Associate and Retired Members (PCS ARMs)

Public and Commercial Services Union (PCS)

Public Health Scotland

Public Service Pensioners' Council (PSPC)

Resolution Foundation

Scheme Advisory Board of the NHS Pension Scheme

Scottish Women's Convention

Silver Voices

Society of Later Life Advisers (SOLLA)

The Investing and Saving Alliance (TISA)

The Longevity Science Panel

The Trades Union Congress (TUC)

The University and College Union (UCU)

Uncertain Futures Project

UNISON

Unite the Union - Northwest Wales Retired Members' Branch

Unite the Union

Professor Wendy Loretto, Dr Belinda Steffan, Dr Laura Airey and Dr Jakov Jandrić,
University of Edinburgh Business School

Professor Sarah Vickerstaff and Dr Mariska van der Horst, University of Kent School of Social Policy, Sociology and Social Research

Dr Liam Foster, University of Sheffield

Zurich UK

179 responses from individuals

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