Department for Work and Pensions

Report on Pension Reform Government response to the Fourth Report of the Work and Pensions Select Committee, Session 2005-06 [HC 1068-1]

Cm 6956

Department for Work and Pensions

Report on Pension Reform
Government response to the Fourth Report of the Work and Pensions Select Committee, Session 2005-06 [HC 1068-1]

Presented to Parliament by the Secretary of State for Work and Pensions
by Command of Her Majesty
October 2006

Cm 6956 £9.00

WORK AND PENSIONS SELECT COMMITTEE REPORT ON PENSION REFORM

Introduction

1. The Government welcomes the Fourth Report of the Work and Pensions Select Committee, session 2005/06, on pension reform. The Committee's report is a substantial contribution to the Pensions White Paper, *Security in Retirement: Towards a New Pensions System* consultation exercise, raising many important issues and making a number of recommendations to Government.

2. The Government has tried to build as broad a consensus as possible between all political parties as well as key stakeholders and the UK population. Without such a consensus around the underlying principles for reform it will not be possible to create a long-lasting settlement for the 21st century. The Committee performs a crucial function in scrutinising the Government's reforms and consideration of its views is a fundamental part of this consensus-building process.

3. The Government has sought to provide substantial responses that address the Committee's concerns and, where at all possible, has accepted the recommendations made. Where it has not been possible to accept an individual recommendation the Government has attempted to explain why this is the case. The Government believes pension reform should be taken forward on a cross-party basis and welcomes the work of the Committee, who have looked at these proposals in the same spirit of co-operation.

4. The Pensions Commission, in its second report in November last year, made it clear that there were some stark choices ahead for the UK pensions system. In the next 50 years, the number of people over pension age will increase by more than half, and there will be only two people working for every one person in retirement – compared with four today. In addition, large sections of the working-age population are currently not saving enough for their retirement – the Pensions Commission suggested that between 9.6 million and 12 million people may not be making adequate provision.

5. The Government shared the Commission's view that taking no action was not an option – it would mean the retirees of the future on average earnings being significantly worse off than those today. It decided that a fresh balance between state, employers and individuals is needed to share the responsibility to save and provide for the future.

6. Inevitably this route involves difficult decisions for the Government, the pensions industry, employers and the population as a whole. However, the Government believes that the proposals set out in the Pensions White Paper at the end of May 2006 provide a coherent framework that

better reflects society and working lives in the 21st century. It also meets the Government's key tests of promoting responsibility and being affordable, fair, simple and sustainable over the long term.

7. The reforms will represent a comprehensive overhaul of the UK pension system. However, the Government believes that the debate that has preceded and followed the White Paper shows that there is a broad consensus on the principles behind these reforms.

8. This response seeks to address the Committee's recommendations and observations in as helpful and as informative a way as possible, whilst reflecting the fact that some detailed aspects of reform are at a stage of development that prevents more information being provided at present.

Conclusions and Recommendations

The Pensions Commission analysis and proposals

1. We applaud the Pensions Commission for its assessment of pension provision and recommend that it be regarded as a model of how to utilise expertise in the policy process. (Paragraph 15)

9. The Government shares the Committee's appreciation of the Pensions Commission's valuable work and its contribution to the pension reform process. The Government will continue to draw on independent expertise in policy development.

Taking reform forward: the importance of consensus

2. No reform of the pensions system will succeed unless it is able to transform individual savings and retirement behaviour, and employer and state contributions. For this to be achieved a political and then a public consensus must be reached. A consistent political commitment will then be required to make it stick. (Paragraph 22)

10. The Government has made clear throughout the reform process that it regards a broad consensus around the shape of reform as crucial to the success of future pensions policy. The Government agrees with the Committee that building this consensus around the underlying principles for reform is necessary to create a long-lasting settlement.

11. The Government believes that there is an emerging national consensus around these principles for reform. The National Pensions Debate, which was launched in June 2005, featured a series of structured events across the country and aimed to increase understanding of the pensions challenges and to capture the opinions, views and experiences of a wide range of people. The debate reflected widespread support for the idea that pensioners should not get poorer relative to the rest of society and that a solution should strike a balance between saving more, redirecting state spending on pensioners and a rise in the average age of retirement. The proposed reform strikes that balance and the White Paper consultation exercise confirmed that the overall package of reform has commanded wide-ranging support.

12. The Government is seeking to deepen the political and public consensus, through, for example:

- meeting with opposition parties to go through both the principles of reform and the details of the White Paper package

- making official briefings and modelling tools available to opposition parties

- publishing further detailed analysis underpinning the reform proposals

- holding a series of roadshows around the country to explain the pensions reform proposals and hear what people think of them

- meeting and working with stakeholders – seven seminars were held on personal accounts over the summer, covering the following topics:

    - the role of the employer
    - decumulation
    - employer exemption
    - transitional arrangements
    - consumer choice
    - the likely impact on existing provision
    - personal accounts and small employers

- consulting on further publications around personal accounts.

13. The Government will continue to engage with the opposition parties to maintain the political consensus, and remains open to further suggestions from all its stakeholders to deepen the consensus as a whole.

Follow-up reviews and pre-legislative scrutiny

3. We understand the Secretary of State's argument that there may not be time for the flagship Pensions Bill to be subject to pre-legislative scrutiny. We regret that the timing would appear to preclude this. We ask for a firm commitment that any follow-up bill on personal accounts, where much of the detail has yet to be finalised, will be made available for pre-legislative scrutiny. (Paragraph 27)

14. It is the Government's intention that people will be able to start contributing to the personal accounts scheme in 2012. This is based on a planning assumption that the Government is able to obtain parliamentary time during the 2007/08 session for a Personal Accounts Pensions Bill, and can achieve Royal Assent in summer 2008. The time required for completing the commercial stages – invitation to negotiate through to testing and implementation – means that the Government cannot afford to delay Royal Assent on the Personal Accounts Bill beyond July 2008.

15. The Government is currently planning to publish a personal accounts White Paper and accompanying Regulatory Impact Assessment in the first week of December. The publication will be followed by the mandatory 12-week consultation period until mid-March 2007. A formal response to the consultation will then be published in early spring.

16. It would be inappropriate for the Government to take the policy decisions required to instruct solicitors and Parliamentary Counsel to draft the Bill before the consultation period has expired and the results known. The Government anticipates that there will be several iterations of policy instructions with lawyers, as well as on the draft clauses with Parliamentary Counsel. This is a complex area of new policy. The Government has built in the period from April to October 2007 for these iterations to take place.

17. Setting aside the summer recess, the earliest the Bill could be introduced would be November/December 2007. Subject to full and proper parliamentary processes this should enable Royal Assent in summer 2008, which would enable procurement to commence.

18. This timetable is extremely tight, with little room for slippage. If the Government were to publish a draft Bill, it would need to be ready by April/May 2007 to allow time for scrutiny. This would mean that instructions would need to start on the policy in December 2006, when the Government will be issuing the White Paper. The Government would not be ready to do this.

19. The Government is keen to continue to build consensus on pension reform and to share proposals. It supports the principle of pre-legislative scrutiny. However, on this occasion pre-legislative scrutiny would mean that personal accounts could not be implemented in 2012. The earliest that a draft Bill could be produced would be November 2007 which, building in sufficient time for the Committee to scrutinise the Bill and for the Government to then consider the Committee's recommendations, would push back the legislative timetable by a year and consequently delay implementation of personal accounts by a year.

20. The Government will be publishing the White Paper on personal accounts at the beginning of December 2006. This will set out the Government's detailed policy proposals for personal accounts and the Government welcomes scrutiny of its proposals based on this. The Government is happy for officials to work with the Committee on alternative ways in which they can consider the details of the plans for personal accounts without putting the legislation and implementation timetable in jeopardy.

21. Furthermore, the Government would like to invite the Committee to a briefing session with officials, after the publication of the White Paper, to explain the policy and to answer any questions the Committee may have.

A Pensions Advisory Commission?

4. We ask the Government to set out what form its periodically commissioned pension reviews will take and what their remit will be. We recommend that they be held regularly, the timings set in advance, and that they result in reports which are laid before Parliament. We also recommend that by the end of the next Parliament the Government commissions an independent review to analyse how implementation is progressing, broadly along the lines of the Pensions Commission. (Paragraph 35)

22. The Government believes that periodic reviews are an important part of the strategy to maintain the current consensus. The reviews will build on the consensus generated by the Pensions Commission, a consensus the Government is promoting through the National Pensions Debate and in the consultation following publication of the White Paper.

23. The Government welcomes the Committee's recommendation that it should evaluate how implementation of the reforms is progressing. Although some aspects of the reforms will be introduced from 2010, personal accounts, one of the key elements of the proposed reforms, is not planned to commence until 2012. The Government will be monitoring the impact of the reforms from the outset. However, the Government thinks it appropriate to carry out a post-implementation review when reforms have had a chance to bed down, after a few years.

24. The Government proposes to legislate for changes that will take place over the next 40 years. This will provide clarity for those planning for their retirement. The Government recognises the importance of carrying out reviews to ensure that our proposals continue to meet the challenge of increasing longevity. The remit and timing of future reviews is dependent both on the timetable for changes to the State Pension age and on when the relevant demographic analysis is available – much of which is drawn from census data.

25. It is also important for successive governments to retain the flexibility to include within the remit of future reviews other areas where independent advice would be beneficial.

5. We recommend that the Government consider alternative ways of building additional stability into its proposed pensions reforms, to allow the new system to absorb external shocks and changes in political opinion more effectively over time. These could include predefined calculations akin to the Swedish 'balancing mechanism', to allow for changes in key variables such as longevity, rather than politically-based reviews, establishing an additional duty for the proposed personal accounts scheme trustees to analyse and comment on future proposed changes to the pensions system (from the point of view of maintaining

the Government's published criteria for success over time) and enshrining any variables which may prove vulnerable to future political fiddling in primary legislation. (Paragraph 37)

26. The Committee will be aware that the UK pension system differs fundamentally from the Swedish model and that the Government's package of reforms provides a stable balance between the key trade-offs that all pensions systems face. The Government proposes to set out in primary legislation the mechanism by which the basic State Pension will keep pace with earnings, and how it intends to raise State Pension age to retain the balance between the gains in longevity and the needs of the economy. This will support a pension settlement designed to endure for the years to come.

27. In its proposals for periodic review, the Government acknowledges concerns about the evolving nature of the evidence underpinning reform proposals. These reviews will better support the developing consensus and, unlike an automatic balancing mechanism, not impose changes to our pension system without the appropriate scrutiny by Parliament.

28. The forthcoming White Paper on personal accounts will explore further the governance arrangements for the proposed personal account scheme.

Undersaving and lack of consumer confidence: a poisonous combination

6. We recommend that the Government consults on what proactive measures it could take to rebuild confidence in the pensions system and savings generally. (Paragraph 47)

29. The Government recognises the need for individuals to have confidence in the pension system. The Pensions Act 2004 took forward the Government's proposals to rebuild confidence in the pensions industry by strengthening the partnership between employers, individuals and the state in pension provision. It also provided a balanced package of measures to ease the financial and administrative burden on employers whilst offering a sustainable system of protection to individuals.

30. The 2004 Act introduced the Pensions Regulator, the Pension Protection Fund, and the Financial Assistance Scheme, all of which increased member protection.

31. The Government is committed to long-term reform to enable individuals to plan for their retirement and make informed choices about saving and how long they work. It is seeking to achieve a fundamental shift in behaviours and attitudes across society.

32. As part of the reforms, the Government is working with the pensions industry and other stakeholders to produce a system of personal accounts which is clear and straightforward, and one which employees and employers understand.

Personal Accounts – participation in the scheme

Please note that the response to recommendations 7, 8, 9, 10, 12, 13, 14, 15, 16, 17, 18, 19 and 20 is provided in one response following recommendation 20.

7. The success of the new system of personal accounts will be critical to encouraging saving and delivering 'adequate' retirement incomes in the future for those on median earnings. This will need careful monitoring. (Paragraph 53)

The decision to opt out

8. The target group for the new system of personal accounts includes those on low to median incomes, many of whom do not currently have access to financial advice. For some people deciding to save for a pension will involve complex decisions regarding, for example, how to deal with existing financial commitments. Generic financial advice would assist people in doing this effectively (see para 453). (Paragraph 64)

Participation rates

9. In response to this report, the Department should outline its strategy for maximising participation in the new system of personal accounts, explain what targets it intends to set for participation in personal accounts, identify a level of participation below which it will review the policy of auto-enrolment and consider whether people should be compelled to participate, and outline contingency plans for coping with the work-load if participation is higher than expected. (Paragraph 72)

Employees in small and micro businesses

10. Small employers are more likely than large ones to offer no pension provision and there is concern among this group at the prospect of being obliged to administer and contribute to employees' pensions. The Government should outline its strategy for maximising participation among employees in small businesses. (Paragraph 79)

Self-employed

11. The White Paper does not provide the self-employed either with access to the State Second Pension or with an automatic enrolment process to the personal accounts system. This will make a strategy to

maximise participation in personal accounts by this group critical. (Paragraph 82)

33. The Government acknowledges that the self-employed do not easily fit into either the State Second Pension or the automatic enrolment process. This position will be fully accounted for as personal accounts are developed.

Additional contributions

12. The Department should set targets for additional contributions above the minimum 8% and publish a strategy to deliver, and closely monitor, progress. (Paragraph 86)

The implications for employers

13. We agree that the Government will need to monitor closely the impact of the new personal accounts scheme on existing occupational provision and guard against levelling down. This will need to be a key aspect of consideration in the regular reviews of the system and the further independent study that we have recommended (see para 35) should be instigated before the end of the next Parliament. (Paragraph 100)

Monitoring and compliance

14. The Committee welcomes the measures announced in the White Paper to support employers with the new requirements imposed on them by the personal accounts scheme. The Committee is concerned that employers should not encourage employees to opt out and recommends that the Government outline its proposed arrangements for monitoring and enforcing compliance with these requirements, the mechanisms for reporting breaches with compliance and the proposed penalty regime. (Paragraph 109)

How auto-enrolment will work

15. Participating in the new personal accounts scheme should be as simple as possible. We believe that employees should be opted-in within three months of beginning employment. Care will need to be taken to ensure that arrangements for auto enrolment are workable for firms with employees on ‘non-standard’ work patterns, for example, temporary contracts or more than one job. (Paragraph 117)

Charges

16. The Committee agrees with the Pensions Commission that the focus should be on keeping Annual Management Charges as low as possible in order to increase retirement incomes. The Committee notes that if

charges cannot be driven towards or below 0.3% over time it would substantially erode the value of people's pensions. We believe that the option of fixed administrative fees should be considered but note that the impact of such a charging structure on those saving small amounts would have to be considered as part of that review. (Paragraph 122)

17. The Government has set out a list of eleven criteria against which it intends to assess the two proposed alternative delivery models. We believe that two of these are particularly important: achieving a lower level of charges and simplicity for employers and individuals. For this reason, the Committee accepts the Government's initial view that this can be achieved through the delivery model proposed by the Pensions Commission. However, we await with interest the outcome of further work to establish whether similar objectives could be achieved through a limited multi-provider model. (Paragraph 127)

Investment risk

18. The Government has a responsibility for the running of the macro-economy and the regulatory framework for pensions. It does not have a responsibility for investment risk in the new system of personal accounts, but Government and regulators will have an obligation to communicate the risks and benefits clearly while still encouraging participation in the scheme. In response to this report, the Government should set out how it proposes to do this. We agree with the Pensions Commission that the default fund should be a 'lifestyle-smoothing' fund with a relatively high equity weight at early ages, and a gradual shift to bonds as people approach retirement. (Paragraph 134)

Governance arrangements

19. The Committee agrees with *Which?* and the IMA that governance arrangements – ensuring the scheme is overseen by trustees which are independent of government and have an overriding duty of care to protect the interests of savers – will be critical to the scheme's success. Independence will also be vital to ensure that corporate governance standards are not compromised. Political interference in investment strategy and on how the voting rights of the personal accounts scheme investments are exercised would be unacceptable. (Paragraph 137)

Setting up the new scheme

20. The Government and Pensions Commission have rightly recognised that establishing the infrastructure for the new system of personal accounts will be a challenge. We strongly recommend that Government involvement in the development of any necessary IT system is based on a clear understanding of lessons learned from previous government IT systems failures. (Paragraph 143)

34. As announced in the White Paper, *Security in Retirement: Towards a New Pensions System,* the Government intends to publish a White Paper later this year setting out the approach it intends to take on the operation of personal accounts. It will include proposals on:

- the organisational design for personal accounts
- arrangements for how employers will interact with the personal accounts system
- how individuals will join, contribute and participate in the personal accounts system
- the governance and regulatory regime for personal accounts and
- an analysis of how personal accounts will co-exist alongside the existing private and occupational pension sectors.

35. The White Paper will also include a section that will address the conclusions and recommendations made by the Committee in relation to personal accounts.

Contracting out and the future of DB schemes

21. We recommend that the Government should set a date when the future of contracting out for DB schemes is to be reviewed. This could form part of the further independent review we recommend should be commissioned by the end of the next Parliament. (Paragraph 165)

36. The Government agrees with the Select Committee's recommendation and is committed to reviewing the long-term future of Defined Benefit contracting out. It plans to do this around five years after the implementation of the reform package.

A rolling deregulatory review

22. While we welcome the Government's decision to set up a rolling deregulatory review of pensions regulation, we note that it will have to maintain fairness to those who have already accrued pension rights and effectiveness in terms of ensuring that DB schemes do not close because of unnecessary costs and provision. We welcome the fact that a group has been established to make recommendations to the Government, including employer and employee representatives. We ask the Government to outline the timetable for this review including interim progress updates. (Paragraph 173)

37. The Government's external Advisory Group on private pensions deregulation has now met three times. It has identified a number of priority areas of policy to be examined, and has begun work to build up an evidence base from which to develop proposals for regulatory change.

38. One of the Review’s key objectives continues to be striking an acceptable balance between the interests of members of pension schemes and those of the employers providing them.

39. The Review will report to ministers in the first half of 2007. It is hoped that the Review will be able to consult on emerging proposals in advance of its report.

Risk-sharing schemes

23. We recommend that the Government considers whether more needs to be done to create an overall level playing field in which risk-sharing schemes, as well as DC and DB schemes, can all develop to their full potential, and encourage higher levels of contribution to whichever form of scheme is chosen. (Paragraph 181)

40. The Government is considering the way in which the regulatory framework affects risk-sharing and hybrid schemes as part of the deregulatory review.

The level of the Basic State Pension and restoring the link to earnings

24. The Committee welcomes the decision to re-link the Basic State Pension to earnings but is concerned by the inconsistency between the unequivocal statement that the link will be re-established by the end of the next Parliament “in any event” and the Secretary of State’s statement that affordability will come first. We ask the Government to clarify this. In our view, the link should be restored as soon as possible, and certainly no later than April 2012. (Paragraph 200)

41. The Government welcomes the Committee’s endorsement. Re-linking the basic State Pension to rises in average earnings forms an essential part of the reform package and will provide people with a more certain, more generous state foundation as a platform for private saving.

42. There is no ambiguity around this commitment. While the Committee has some concern about the precise timing, the Government has made it clear that this commitment will be carried out within the next Parliament.

43. As stated in the White Paper, the Government’s objective is to restore the earnings link in 2012, subject to affordability and the fiscal position, but, in any event, at the latest by the end of the next Parliament.

44. The Government has said that it will make a statement on the precise date at the beginning of the next Parliament.

Increasing coverage

25. The Committee agrees that the focus should be on the outcome of increasing the numbers of people entitled to a full Basic State Pension. The Government has said that it is more practical to do this, with greater effect on outcomes, through changes to the current system of contributions and credits than through the introduction of a residence test. The reduction to 30 in the number of years required for a full BSP should go some way to providing people with more confidence about what they can expect from the state in the future. We therefore welcome the Government's proposals. (Paragraph 214)

45. The Government welcomes the Committee's positive reaction to the proposed State Pension reforms and the equally positive response from key stakeholders.

46. The Government's reforms modernise the contributory principle, promoting personal responsibility and positively rewarding contributions people make to society. The reforms will deliver improved State Pension outcomes much more quickly than a residency-based scheme, with an overnight step change in the number of women reaching State Pension age from 2010 with a full basic State Pension.

47. Government estimates indicate that around 70 per cent of women reaching State Pension age in 2010 will achieve a full entitlement, compared to just 30 per cent today. The Government expects that by 2025 the same proportion of men and women – over 90 per cent – will reach State Pension age with a full basic State Pension.

48. A fairer, more widely available State Pension will give individuals a clear idea of what they will receive from the state. This is crucial as it will provide the right foundation for additional private saving, complementing the introduction of personal accounts which, taken together, will embed a new culture of saving to meet the needs of future generations of retirees.

Who are the missing 10%?

26. We welcome the Secretary of State's undertaking that the DWP will do further analysis to establish which groups reaching State Pension Age after 2025 will not be entitled to a full BSP. We recommend that the analysis covers entitlement for those reaching SPA in 2010, and includes an assessment of the amount by which people will fall short of full entitlement. (Paragraph 217)

49. The Government agrees that it is important to understand which groups will not be entitled to full basic State Pension after reform. Analysis published in *Security in Retirement: Towards a New Pensions System* showed that, with the reform proposals, approximately 70 per cent of women, and over 95 per cent of men, reaching State Pension age in

2010 are projected to be entitled to a full basic State Pension. From 2025, over 90 per cent of men and women reaching State Pension age are projected to be entitled to a full basic State Pension, with most of the remainder receiving more than 60 per cent of the full rate.

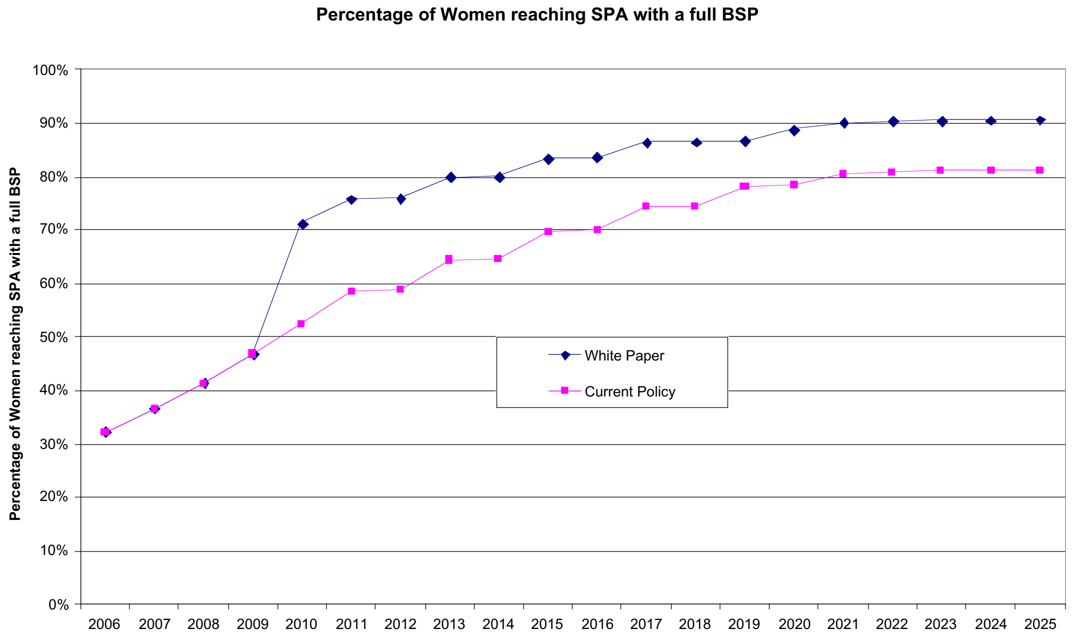
50. The Government is undertaking further analysis using administrative data, survey data and developing new primary research to examine in more detail the characteristics of individuals who may not receive a full basic State Pension after reform. Where possible this will consider those reaching State Pension age in 2010 as well as those reaching State Pension age after 2025, although there are inevitable uncertainties in making projections this far ahead.

The 2010 cliff edge

27. The Committee accepts that it might be difficult to apply the carer's credit retrospectively, but is concerned about those with interrupted work records reaching State Pension Age between now and April 2010 who will not benefit from the proposals to increase coverage. We recommend that consideration be given to mitigating the gap in entitlement of those born before April 1950 compared with those reaching SPA under the new rules. (Paragraph 221)

51. The Government welcomes the Committee's recognition of the difficulties with retrospection. This reform, from 2010, combined with the simplification of the entitlement conditions, will ensure that those with recognised caring responsibilities have the opportunity to build a State Pension in the same way as those who contribute through paid work.

52. As the Committee notes, the proposed reforms to State Pension coverage would not apply to those women born before April 1950. It is important to recognise, however, that women born before that date will keep the State Pension entitlement they have been expecting during their working lives. The proportion of women who are entitled to a full basic State Pension has been rising steadily. This is largely due to women's improved work records and the positive effect of Home Responsibilities Protection, which was introduced in 1978. The proposed reforms accelerate this general improvement.



53. Of course, those people reaching pensionable age before 6 April 2010, that is men born before April 1945 and women born before April 1950, will do so in a pension system that is based on different State Pension ages. This allows women to draw their State Pension at age 60 (five years earlier than men), and the age at which people become eligible for Pension Credit is 60. It would be unfair for people to gain from both these existing rules and the proposed changes.

54. Normally changes to the contributory pension system are introduced gradually and take a full working life before they take effect. Taking this approach would mean that only those women who contribute through paid work or caring responsibilities from 2010 would begin to build entitlement on the basis of the proposed reforms, and those women aged around 45 or over today, the very women for whom reform is most needed, would miss out. The Government believes women's lower State Pensions must be addressed as soon as possible and implementing the changes for those reaching pensionable age from 2010 means 70 per cent of women aged around 45 or over today will achieve a full basic State Pension, compared to just 50 per cent without reform.

55. The Government has, since 1997, focused on improving the position of the poorest pensioners. This includes those with interrupted work records, many of whom are women who, because of caring responsibilities for example, may have lower State Pension entitlement.

56. Through Pension Credit, and other reforms, the Government is successfully tackling pensioner poverty. As the Pensions Commission has noted, single male and female pensioners now receive similar

levels of state benefits in total.[1] Those born before April 1950 will continue to benefit from this approach. The Government's proposal to uprate the Guarantee Credit in line with average earnings beyond 2008 will particularly benefit those who have been unable to provide adequately for their retirement, including those women born before April 1950, who may have lower contributory State Pension entitlement.

The State Second Pension

28. The Committee believes that those on the Employment and Support Allowance should be credited into the State Second Pension after the 13 week assessment phase. (Paragraph 243)

57. The Government is considering this issue in more detail, and in light of all of the responses to the White Paper.

29. The Committee welcomes measures in the White Paper to improve coverage of S2P for carers and the simplification that would arise in the long term from moving to flat rate accrual. However, we note that inequalities in S2P provision are set to continue and the fact that, as the Secretary of State acknowledged, S2P will continue to be a source of complexity. DWP should provide estimates of how many people it expects to receive less than £135 a week in BSP and S2P in 2030 and in 2050. (Paragraph 245)

58. The Government welcomes the Committee's recognition that the reforms to State Second Pension will give more carers an additional pension and provide a simple flat-rate top-up to the basic State Pension. The reforms will bring an extra one million parents and carers into the State Second Pension, 90 per cent of whom are women.

59. The White Paper indicated that, taking account of all the changes proposed to State Pensions, those retiring in 2053 with 43 years of work or credits would be likely to receive a total State Pension at retirement of almost £135 per week. Some people will receive less than this, say, where they work or receive credits for fewer than 43 years, or if they have periods of self-employment.

60. Under the White Paper proposals, the Government projects that, by 2050, about half of individuals reaching State Pension age will have a total State Pension entitlement of at least £135 per week in today's earnings terms and around two-thirds will have an entitlement of at least £125 per week. Corresponding estimates for 2030 – which will not reflect the full impact of the reforms – are a third of those reaching

[1] Pensions Commission, *Pensions Challenges and Choices: The First Report of the Pensions Commission* (October, 2004), page 260.

State Pension age in 2030 are likely to have entitlement of at least £135 per week and half are likely to have at least £125 per week.

Should the state pension remain two-tier?

30. Moving to a simpler, single-tier system more quickly than the Government and Pensions Commission proposed would appear to be possible, using the 'offset' method. It would, however, require difficult decisions to be made – for example, whether to abolish contracted-out rebates for Defined Benefit schemes. It also requires a judgement on priorities and the extent to which moving more quickly to a simple, single-tier flat-rate state pension should take precedence over other objectives. We recommend that the Government conducts further work on the costings and on the feasibility of the offset method. (Paragraph 267)

61. Details of the Government's consideration of the issue of single-tier flat rate pensions is set out in the White Paper consultation summary published on the same day as this response.

62. The Government welcomes the Committee's focus on simplifying the structure of State Pensions. The evidence presented by the Committee and directly to the Government by key stakeholders has helped create an environment where a significant shift appears possible – but without compromising the underlying priority to achieve consensus on the overall approach to State Pension reform.

63. For these reasons the Government is exploring a radical simplification of the State Second Pension. One option is that the flat rate accrual-based element of the second pension could be replaced by a fixed amount which would be earned by contributors and those entitled through credits. This fixed amount would be revalued with earnings during a working life and uprated by prices in retirement. This simplified benefit, together with the basic State Pension, could provide a simple, single State Pension entitlement for most contributors.

64. The earnings-related element of State Second Pension could also be simplified but will be withdrawn gradually as recommended by the Pensions Commission.

65. These new pension arrangements will provide for a transparent and sustainable State Pension settlement. Consideration will need to be given during the post-implementation evaluation of the new system for the potential of further aligning the elements that make up the State Pension.

66. The new policy will make the State Second Pension much easier to understand. However, as it is a different policy, the costs and outcome figures will be marginally different. The policy change will only have a small effect on the figures and the broad thrust of the proposals, that is

providing a good-quality state pension on which people can base their private savings, will remain. The Government proposes to bring forward further detail on the costs and outcomes from this change in the Regulatory Impact Assessment that will accompany the introduction of the Pensions Bill (subject to the Queen's Speech).

67. Depending on the timing of the introduction of the Bill and of the Pre-Budget Report, the figures published in the Regulatory Impact Assessment may also take account of updated projections made for the Long-term Public Finance Report which is published alongside the Pre-Budget Report. The Government updates its long-term public finance projections for the Long-term Public Finance Report to take account of new data as it becomes available.

Alternative proposals – the Pension Reform Group

31. The Committee notes that there are some advantages in the model proposed by the Pension Reform Group, in that it might restore trust in pensions by establishing a guaranteed pension overseen by an independent body at arm's length from Government. However, we consider that other means might be adopted to reduce the risk of parameters of the pension system being successively changed over time – for example enshrining those that are most important in primary legislation. (Paragraph 278)

68. The Government welcomes the Committee's suggestion. The issue of protecting the most important components of the UK pension system in legislation is one the Government is considering as it drafts forthcoming legislation. That is why the Government intends that critical elements of the new settlement will indeed be enshrined in primary legislation. These include commitments to re-establish the earnings link for the basic State Pension; State Pension age increases and the percentage contribution to personal accounts that will be required from employers.

A pragmatic consensus?

32. The Committee recommends that the Government sets a date at which the feasibility of merging BSP and S2P should be examined, possibly as part of the further independent review we recommend should be commissioned by the end of the next Parliament. (Paragraph 281)

69. Please see the response to recommendation 30.

Means-testing

33. The Committee acknowledges the increase in pensioner incomes arising from the Pension Credit, and the contribution that this has made to reducing relative income poverty. It welcomes the commitment to continue to increase the Guarantee Credit in line with earnings beyond 2008. (Paragraph 283)

70. The Government welcomes the Committee's acknowledgement of its achievement in reducing pensioner poverty. The Government is determined to ensure that the gains made are secure for the future.

Eligibility for means-tested benefits

34. The Committee welcomes the fact that under the White Paper proposals the percentage of pensioners likely to be eligible for means-tested support in retirement would be expected to decline rather than increase, while the support available via the non-means tested pension will increase. The Committee notes that there is necessarily a degree of uncertainty in longer-term projections and welcomes the fact that the Government intends to produce analysis of the extent to which its proposals should reduce means-testing in the future. We recommend that this include the range of numbers of pensioner households likely to be eligible for Pension Credit in the future and the assumptions on which the figures are based. (Paragraph 289)

71. The Government will be publishing a paper giving details of the analysis that underpins the projections of future entitlement to Pension Credit published in Figure 3.v of the White Paper, and looking at how the estimates would vary with changes to some of the key assumptions. The Government is confident that the figures in the White Paper are robust and that they do not underestimate the numbers who are likely to be entitled to Pension Credit in the future. The estimates are based on reasonable assumptions of private-savings trends, and do not take into account the positive impact the Government believes personal accounts will have on the savings of low and moderate earners. The Government acknowledges the Committee’s comments around uncertainty in longer-term projections.

72. The White Paper projections are based on sophisticated modelling of the future accrual of pension entitlements by individuals. This enables them to capture the distributional effect of existing trends (for example, the maturing of State Second Pension) and the impact of the proposed reforms. Incomes in the lower half of the pensioner income distribution are projected to grow faster than the average following the reforms, mainly as a result of increases in State Second Pension entitlements. The paper also reports sensitivity tests which suggest that the estimates in the White Paper are robust to plausible changes in the key assumptions and that major changes in underlying projections would

be needed to produce appreciable changes in the projection of Pension Credit entitlement by 2050.

35. The Committee welcomes the fact that individuals with a full contributions record will be able to expect a retirement income above that provided by the Pension Credit Guarantee. In order to aid individual decision-making it would be useful if further details were provided on the types of individuals who might expect to receive a non-means-tested income below that of the Guarantee Credit. (Paragraph 293)

73. The Government cannot give financial advice but can provide information about particular options and outcomes.

74. Personal accounts will be designed in such a way that they will be suitable for the vast majority of eligible people and individualised, regulated advice should not be needed. However, it is essential that potential contributors get information or generic advice to help them decide whether, in the light of their personal circumstances, they want to opt out of saving in the scheme.

75. Assuming someone works and saves into personal accounts from age 25 onwards, a sample of the information it might be possible to give is set out below:

- A low earner (£230 per week in 2005/06 earnings terms) would need to work and save for 23 years to have a pension income above the level of the Guarantee Credit in 2053.
- A median earner (£440 per week in 2005/06 earnings terms) would need to work and save for 18 years to have a pension income above the level of the Guarantee Credit in 2053.
- A high earner (£630 per week in 2005/06 earnings terms) would need to work and save for 15 years to have a pension income above the level of the Guarantee Credit in 2053.
- It should also be noted that someone working and caring from age 25 to State Pension age will qualify for a State Pension of around £135 per week, well above the level of the Guarantee Credit.

76. The Government is planning to publish further analysis (see, for example, the response to recommendation 37).

Impact of other benefits

36. The proposals in the White Paper should reduce reliance on other means-tested benefits such as Housing Benefit and Council Tax Benefit. The Committee welcomes this, and would like the DWP to publish figures on the extent to which the proportion of pensioners eligible for any means-tested benefit would be reduced by the White Paper proposals. (Paragraph 295)

77. Projections of eligibility for any means-tested benefit under the White Paper proposals are not currently available. Such estimates are inevitably subject to a high degree of uncertainty and will depend in particular on future decisions about the nature of the Housing Benefit and Council Tax Benefit schemes.

Means-testing and incentives to save

37. In order to get a fuller view of the impact of the White Paper proposals on incentives the Committee recommends that projections of the proportion of pensioners facing different withdrawal rates are published, and that the DWP commissions or carries out further research on the likely impact of the reforms on individual decisions to work and/or save. (Paragraph 300)

78. The Government agrees that there are many factors which affect individual incentives and it is important to take this complexity into account in any discussions about the impact of the White Paper reforms, rather than focus on only one element such as the proportion on Pension Credit. The Government believes that any social security system necessarily includes some form of income-related safety net to protect the most vulnerable.

79. The majority of individuals can expect to see significant returns, with the combination of the employer contribution, tax relief and low charges boosting their pension pot on top of investment growth. This means that even those on the 40 per cent withdrawal rate of Savings Credit can expect to get a real return of more than £1 for each £1 they contribute.

80. In addition, those with small pension pots may be able to take them as a lump sum through trivial commutation. Where the pot is below benefit capital limits it will not affect their benefit entitlement.[2] Typically, most pensioners on the Guarantee Credit would not have been automatically enrolled for many years during their working lives. Trivial commutation will ensure that those who had managed to build up a small pension pot could take it as a lump sum, and might therefore avoid 100 per cent withdrawal rates.

---

[2] Under existing rules, the first £6,000 of a person's (or couple's) capital has no effect on their entitlement to means tested benefits.

81. Analysis done for the White Paper *Security in Retirement: Towards a New Pensions System* estimates that under the reformed system, just 6 per cent of pensioner households will be on the Guarantee Credit only in 2050. The Government intends to publish more detailed analysis which will look at the potential financial returns given the potential withdrawal rates and other features of the reformed pensions system. This will also look more broadly at the range of factors which affect the incentives and decisions of individuals to save for their retirement.

82. Further information on plans to improve the evidence base is contained in the response to the White Paper consultation, published alongside this document.

38. The Committee welcomes the Government's commitment to restricting the spread of means-testing over time through changes to the Savings Credit but recommends that care should be taken to avoid penalising those with modest savings who have not yet had a chance to build up a good base level of non-means-tested state pension. The mechanisms for achieving this should be placed in primary legislation to build confidence that they will be seen through. (Paragraph 305)

83. The Savings Credit will continue to reward people who have made modest provision for their retirement. The mechanism for setting the Savings Credit threshold is established in primary legislation (the State Pension Credit Act 2002). The rate of the threshold is set by secondary legislation and adjusted annually as part of the annual uprating order.

Current pensioners

39. The Committee notes that recent attempts to increase Pension Credit take-up have had limited success in terms of making progress against the PSA target. The Committee concludes that achieving and maintaining Pension Credit take-up levels of 80% in the future looks challenging, and asks the Government to set out its analysis of how take-up programmes and procedures for claiming all means-tested benefits to which pensioners may be entitled could be made more effective. In this context the Committee believes that the Government should not completely ignore the Pension Commission's recommendation of considering a residency test for older pensioners, and recommends that it remain an option when considering simplification of the system in the longer term. (Paragraph 315)

84. The Government notes the Committee's comments on take-up, and accepts that achieving a Pension Credit caseload of 3.2 million households by March 2008 will be challenging given the high levels already achieved, particularly for the Guarantee Credit element.

85. Extensive research has been conducted on the reasons why people are not claiming their entitlements. This is used to inform take-up

campaigns. About a quarter of potential recipients contacted say they are not interested in applying. The research has shown the extent and nature of people's knowledge of the benefit system, and of the barriers and triggers to applying for benefits, such as perceived ineligibility due to family or home-owning status.

86. One of the main barriers to take-up is perceived ineligibility on the part of pensioner households. The Government continues to seek to reach and persuade those entitled to smaller amounts, or to the Savings Credit only, to claim their entitlement, while continually looking at further ways to target these groups and encourage them to apply. For example, since July 2006, The Pension Service has targeted around 1 million households most likely to be entitled to Pension Credit by post, telephone, and personal visits where overall benefit entitlement is discussed. This has been supported by national and local media activity.

87. The Government is also seeking to make it simpler to apply for benefits. As a further step towards greater automaticity in the delivery of benefits to older people, The Pension Service is seeking to enhance the range of administrative data that can be used to target more effectively campaign and service delivery, at households which are likely to be eligible for different benefits. Furthermore, since December 2005, customers who apply for Pension Credit have been able to claim Housing Benefit and Council Tax Benefit during the same telephone call, using a new, shortened, three-page claim form. An integrated State Pension/Pension Credit application process is also being rolled out, from July 2006, allowing pensioners to claim both entitlements during the same telephone call.

88. Results from the evaluation of the Partnership Fund, a scheme which offered short-term funding for initiatives to increase take-up of benefits by older people, are due to be published next spring. These will cover a range of projects, including working with the 'third sector' and local authorities, to help find innovative ways of increasing take-up of benefits and services by older people, particularly by those who are harder for Government delivery agencies to reach.

89. The Government is also undertaking exploratory work to assess the potential of the English Longitudinal Study on Ageing for shedding more light on the characteristics and circumstances of households which are eligible to take up benefit entitlements but choose not to do so, or are unaware of their entitlements.

90. The Government considered the Pensions Commission proposal of a State Pension based on residency for older pensioners. Analysis suggests that the gains in basic State Pension would be significantly offset by Pension Credit for low-to-moderate income bracket pensioners.

91. The Government welcomes the Committee's careful consideration and, in particular, the emphasis placed on long-term simplification. The Government's proposition for reform, published in the White Paper, will radically simplify the structure of the State Pension scheme, modernise the contributory principle, and create and reward a new culture of saving. This will provide clear incentives and reduce reliance on means-testing. A full basic State Pension for older pensioners based on residency would introduce a layer of complexity and would go against the grain of the contributory-based principle and the personal responsibility that we seek to promote.

How much will this cost and where will the money come from?

40. The Committee recommends that the DWP publishes a breakdown of its spending projections into forecast spending on the Basic State Pension, the State Second Pension and means-tested elements such as the Pension Credit and Housing Benefit. These figures should be inclusive of additional spending on the State Second Pension arising from the abolition of contracted out rebates for Defined Contribution schemes and the savings from the planned increases in the State Pension Age. The Committee also recommends that the DWP publishes separate estimates of the impact of its proposed reforms on (a) spending on working age benefits such as incapacity benefits arising from the increase in the State Pension Age; (b) Income Tax and National Insurance receipts from the increase in both taxable benefits and the State Pension Age and (c) National Insurance receipts from the abolition of contracting out for Defined Contribution schemes. (Paragraph 319)

92. Figures for benefit expenditure and changes to National Insurance revenue are attached at Annex A in the format requested.

93. The Long-term Public Finance Report provides a comprehensive analysis of fiscal sustainability, with long-term projections of tax revenue and spending that take into account projections of employment rates. An updated analysis will be provided at the time of this year's Pre-Budget Report. We also plan to publish updated estimates of National Insurance receipts on the same basis.

41. We note that DWP forecasts suggest that the White Paper proposals would pass the Government's affordability test over the period to 2020–21 and recommend that, in order to clarify the tax consequences of the proposals for the period beyond 2020–21, the Government publishes updated projections for total public spending as a share of national income that take into account the proposals set out in the White Paper. (Paragraph 326)

94. The Government intends to publish its Long-term Public Finance Report alongside the Pre-Budget Report, as in previous years. The report will show long-term spending and revenue projections based on both the current system, and under the White Paper proposals.

The Report will provide comprehensive analysis of long-term socio-economic and demographic developments, and their likely impact on the public finances.

42. The Committee believes that the Government should be explicit about how it intends to use the increased revenue arising from the abolition of contracting out for Defined Contribution schemes. In particular, if the revenue is not being used to reduce Government debt in order to part-finance the resources needed to implement the White Paper proposals over the longer-term then the Government should explain why it has deemed this course of action to be appropriate. (Paragraph 336)

95. The Pensions Commission proposed in its Second Report that: 'Additional government cash flow generated from these changes should be used to increase government's contribution to national saving: this requires either the pay down of debt, the diversion of the money into a national "buffer fund", or its use to promote individual funded savings (e.g. by measures to ensure the success of the NPSS).' The Government recognises the Pensions Commission's arguments on this issue.

43. We recommend that the Government responds to the Pensions Commission view that "pensions tax relief is costly, poorly focussed and not well understood", highlights whether it believes the relief could be targeted better, and whether some of the resources devoted to tax relief might be used to finance the increases in state spending on pensioner benefits. (Paragraph 343)

96. The Government has recently introduced a radical simplification of the pensions tax regime brought in in April 2006. This will give greater flexibility to individuals over how they save and when they start to draw a pension as well as making pension schemes simpler and easier to understand.

97. In addition to the views expressed on the costs and targeting of pensions tax relief, the Pensions Commission came to the conclusion that moving to a system of tax relief for pensions contributions that moves away from the current regime to one with a single rate of tax relief for all savers would involve significant complexities for defined benefit schemes. The Government concurs with the view that changing the structure of tax relief on pension contributions, for example by abolishing higher-rate tax relief on pension contributions, would not be simple. This is because currently pension contributions and investment income are relieved at marginal rates of tax, and pensions in payment are also taxed at marginal rates.

98. Managing the transition to any new system of taxing pensions would need to distinguish between those who had previously had relief at 40 per cent and those who had not. In addition abolishing higher-rate

tax relief would be complex for employers to administer – they would need not only to restrict tax relief on individual contributions but also charge tax at the marginal rate on the value of employer contributions.

99. There would be additional complexities for those employers running Defined Benefit schemes – where employer contributions are not directly attributable to individual employees – and a mechanism for establishing an individual pension scheme member's increase in pension rights each year would need to be devised in order to calculate the marginal rate tax charge mentioned in the previous paragraph.

Increasing the State Pension Age

44. The Government has taken a bold step in proposing an increase in the State Pension Age (SPA), given the lack of public consensus on this point. We conclude, that the increase is justifiable. However, like many of those who gave evidence to the inquiry, we have concerns about the uncertainty of the projections on which execution of the policy is based, and we also fear that the policy will have a disproportionate effect on those in lower socio-economic groups, manual workers and those with health difficulties. We are also concerned at the potential lack of re-training packages and flexible job opportunities for those over 55. (Paragraph 366)

100. The Government welcome the Committee's comments on increasing State Pension age and notes the Committee's concerns over what it sees as the disproportionate effect of the proposals on some groups. The Government has responded elsewhere to these concerns.

101. Proposed increases will, if projections remain stable, broadly maintain the proportion of adult life spent post State Pension age at the current level. There are no official projections of life expectancy by social class. But if the current differentials remain static, men in the lowest socio-economic group would not experience any reduction in the length of life after State Pension age following the increase to 68. This will help to promote a cultural shift in expectations about 'normal retirement age' and underpin the strategy to encourage longer working and saving for retirement.

102. In response to the Committee's comments on potential lack of re-training packages and flexible job opportunities for those over 55, the Government has already put in place a range of packages aimed at improving back-to-work help. This includes re-training opportunities for the over-50s, details of which the Committee will be familiar with from previously published documents, including the 2006 Welfare Reform Green Paper, *A New Deal for Welfare: Empowering People to Work,*[3]

---

[3]*A New Deal for Welfare: Empowering People to Work,* DWP (Cm 6730).

Health Work and Wellbeing – Caring for our Future,[4] *and Opportunity Age – Meeting the Challenge of Ageing in the 21st Century.*[5]

103. In addition, the Government is strongly committed to tackling age discrimination, ensuring that people are judged on their merits and capabilities, and not on stereotyped assumptions based on age. The Government made a pledge to tackle age discrimination and has introduced age legislation covering employment, vocational training and guidance. Employment Equality (Age) Regulations came into effect on 1 October 2006. The Government also intends to create a new Commission for Equality and Human Rights, following the passage of the Equality Act 2006. Operational from 1 October 2007, the new Commission will fight discrimination and challenge inequality.

104. The appointment of Dame Carol Black as the Government's first ever National Director for Health and Work underlines our commitment to support all those facing barriers to remaining in employment. She will spearhead initiatives promoting and improving health in the workplace, ensuring that people with health conditions and disabilities are supported to enter, return to, and continue in work.

45. The raising of the State Pension Age (SPA) must be associated with a vigorous pursuit of the health inequalities PSA target. It must not be the case that by the time the State Pension Age rises, health inequalities have further increased. In our view, the achievement of the health inequalities PSA target needs to be a condition of a rise in the SPA, at least for those rises timetabled for the 2030s and 2040s. (Paragraph 371)

105. The Government shares the Committee's concern about the existing inequalities in health and life expectancy between different socio-economic groups and regions and this is reflected in our current Public Service Agreement targets. The causes of health inequalities are complex and there are links with people's social, economic and demographic circumstances in such diverse areas as education, occupational health and safety, type of occupation, housing, regional differences, lifestyle choices, material deprivation, and access to health services.

106. As the White Paper indicates, the evidence to date would suggest that increased life expectancy is also resulting in people staying healthier for longer. The proposed future reviews will draw on a range of independent expert advice, and will be able to advise future Governments about whether the timetable for increasing State Pension age – as set out in legislation – remains appropriate. The Government recognises more work needs to be done on understanding trends in healthy life expectancy.

---

[4]*Health Work and Well-being – Caring for our Future* (2005), DWP, Department of Health, Health and Safety Executive.
[5]*Opportunity Age – Meeting the Challenge of Ageing in the 21st Century* (2005), DWP

107. The Government refers the Committee to its recommendation 46 and the response to recommendation 46 which makes clear that a future Government will need to consider the evidence on differences in life expectancy between socio-economic groups at the time when changes to the State Pension age begin to take effect.

Keeping the Guarantee Credit at the age of 65: a necessary safeguard?

46. Keeping at 65 the age at which Guarantee Credit could be claimed could mitigate some of the impact of increasing the State Pension Age. However, we note the Pensions Commission's view that it could create disincentives to work. We agree with the Government that the decision on whether or not to increase the earliest age at which individuals can qualify for the Pension Credit in line with the State Pension Age should be made nearer the time when SPA may be raised, in light of evidence on both socio-economic differences in life expectancy and differences in labour market opportunities at older ages. (Paragraph 379)

108. The Government welcomes the Committee's comments on the proposals as set out in the White Paper and their concurrence that this is an issue for consideration closer to the time at which the changes to State Pension age will begin to take effect.

Uncertainty and the need for more research

47. We conclude that the uncertainty around future life expectancy is a powerful argument for the regularly commissioned reviews described in the first section of this report. (Paragraph 384)

109. The Government welcomes the Committee's comments and agrees that future life expectancy projections, which have in the past been consistently revised upwards, will be included in future periodic reviews.

48. We ask the Government to set out the principal research programmes currently underway on ageing, life expectancy and healthy life expectancy, including work on differentials by social class and ethnic group, and their budgets for the next ten years. Improved co-ordination of research into ageing will also be vital to inform policy makers about future life expectancy and healthy life expectancy. We welcome the Government's commitments made recently in the House of Lords on these issues. (Paragraph 390)

110. A Government response to the House of Lords debate on the scientific aspects of ageing was issued to the House of Lords Science and Technology Committee on 25 July 2006. This document contained details of the Government's approach to research co-ordination and presented information on research budgets and programmes on ageing. Many areas of work conducted by the Office for National

Statistics contribute to the understanding of patterns and trends in the demographic composition, longevity and health of the population. Details of their work programmes are included at Annex B.

State pension deferral

49. We welcome the measures already taken by Government to provide more flexibility to people about the form in which they take their state pension. We also welcome the Government's decision to review the rules for state pension deferral with a view to, possibly, making the system more flexible. In our view this would be a sensible measure which would increase the options available to those nearing retirement. We recommend that the Government sets out its timetable for this review. (Paragraph 401)

111. The Government welcomes the Committee's recognition of the importance of the measures it has already undertaken to enable people to take a more flexible approach to their retirement.

112. In its report the Committee noted that the Government has already decided to undertake a review of the measures introduced from April 2005. We can report that we are examining the arrangements for monitoring State Pension deferral take-up. The Government is also investigating the possibilities of undertaking research on a person's decision about their retirement plans, to help inform reasons for take-up and non take-up of the current arrangements for the deferral of State Pension. The information gained from these and from other sources will be used to inform the review and the development of options for any likely future changes.

Working longer

50. Partly because of this complexity, and the importance of older workers, the Committee has decided to conduct an inquiry in the autumn into the Government's employment strategy and will include as part of that a detailed study of this aspect of labour market policy. We will therefore return to the matter later this year. (Paragraph 411)

113. The Government welcomes the Committee's decision to conduct an inquiry. The Department will be submitting a memorandum to this inquiry that will include details of the Government's strategy for older workers. Helping older workers to gain and remain in employment is an important aspect of the Government's overall labour market policy and the Government is happy to support the Committee's inquiry with any further information that they may require in this area.

Public sector pensions

51. We agree with the point made by the Rt Hon Frank Field MP that informed discussion, rather than "merely shuffling our prejudices" is necessary for a debate on the future level and terms of public sector pensions. We recommend that the Government commission an independent review, which includes involvement from both the private and public sectors, about the future terms, benefits and financing of these schemes. (Paragraph 418)

114. All the major public service schemes have already been reviewing their schemes in the light of the proposals in the 2002 Pensions Green Paper, *Simplicity, Security and Choice: Working and Saving for Retirement*, and in line with the agreement the unions made in October 2005, after discussions at the Public Services Forum. The Government sees no merit in having an additional review on public sector pensions.

115. The Teachers' Pension Scheme and the NHS Pension Scheme have already sent out their proposals on scheme reforms for consultation with their members. The Local Government Pension scheme has also recently published its reform proposals for consultation. Reforms in the Civil Service Pension Scheme are being discussed with the unions and will be consulted on after that. Modernisation is also underway in other public sector schemes.

Information: forecasts and DWP publications

52. We think that there is scope to improve the format and the regularity with which the Pensions Service provides pensions forecasts and strongly believe that accurate Combined Pension Forecasting will be a key motivator for increasing retirement saving. While the Swedish orange envelope is not the complete solution to the problem, as it does not include information about private or occupational provision, it has two key advantages of being distinctive and simple and should be the starting point for reform. (Paragraph 438)

116. The Government agrees with the Committee about the importance of providing people with reliable information about their pension entitlement. The proposed changes to State Pensions are a good opportunity to reconsider the format of our forecasts, building on the research evidence about their effectiveness. The introduction of personal accounts in 2012 and our 10-year Financial Capability Strategy will also require the Government to reconsider individuals' information needs around pensions and savings more widely, and the role of forecasts with this.

Availability of DWP leaflets

53. We were concerned to learn from a recent NAO study that some leaflets relating to pensions were not available at DWP sites and were difficult to obtain elsewhere. We welcome the assurance given to the Public Accounts Committee that from now on "key leaflets" relating to pensions will be displayed in every Jobcentre Plus outlet. (Paragraph 442)

117. In response to the recommendations from the National Audit Office (NAO), and further to the commitments given during the Public Accounts Committee hearing on 7 June 2006, Jobcentre Plus has committed to display three key Department for Work and Pensions leaflets. These are in addition to those leaflets targeted at Jobcentre Plus's core customers.

118. One of the leaflets relates specifically to pensions: *Pensions: The Basics*. All three leaflets will be available from Jobcentre Plus offices from 31 October 2006.

Building financial capability – access to advice

54. We conclude that a strong case has been made for the provision of free generic financial advice to those on below median incomes and recommend that DWP, DTI and the Treasury continue to work with organisations such as Citizens Advice and the Resolution Foundation to develop a model to meet the needs of this group and make the necessary resources available. (Paragraph 453)

119. The Government continues to support the work of the Resolution Foundation and remains engaged in the work they are doing in conjunction with the Financial Services Authority. The Government looks forward to considering their proposals later in the autumn and will be taking account of these in the light of other funding priorities.

120. The Government is also developing proposals for a ten-year strategy on financial capability. This will draw on the knowledge and experience the Government has acquired whilst working closely with the Financial Services Authority on their national strategy during the past three years. The Government acknowledges that, in the years leading to the introduction of personal accounts, this work will become even more important.

121. The Government proposes to establish a pilot project of face-to-face guidance sessions with people approaching 50 or over. These pilots would deliver tailored and relevant information on working, training and planning for retirement. They would also help to provide an understanding of the issues that people require most help with when planning their working lives, and would enable identification of the type of information and support most needed to make sensible choices.

55. Identifying information and advice needs and developing an appropriate strategy for meeting them will be essential to ensuring the reforms are a success. This strategy must encompass a number of different elements, including pensions forecasts, DWP leaflets on the pensions system, the marketing of the new personal accounts scheme, building financial capability and giving people access to face-to-face generic advice. The crucial point is to ensure that the key messages in all these media are consistent and targeted towards key groups of under savers. (Paragraph 454)

122. The Government agrees with the need to have a strategy that embraces a wide range of information channels and ensures that key messages are consistent. This will be developed alongside legislation and the implementation of the pensions reform programme.

Annex A

INFORMATION IN RESPONSE TO RECOMMENDATION 40

Recommendation 40

The Committee recommends that the DWP publishes a breakdown of its spending projections into forecast spending on the Basic State Pension, the State Second Pension and means-tested elements such as the Pension Credit and Housing Benefit. These figures should be inclusive of additional spending on the State Second Pension arising from the abolition of contracted-out rebates for Defined Contribution schemes and the savings from the planned increases in the State Pension Age. The Committee also recommends that the DWP publishes separate estimates of the impact of its proposed reforms on (a) spending on working age benefits such as incapacity benefits arising from the increase in the State Pension Age; (b) Income Tax and National Insurance receipts from the increase in both taxable benefits and the State Pension Age and (c) National Insurance receipts from the abolition of contracting out for Defined Contribution schemes. (Paragraph 319)

Please see the following tables.

Total Spending on Pensioners

£bn cash	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040	2050
Basic State Pension	50.9	53.5	56.0	58.4	62.3	66.2	70.1	74.2	78.4	82.8	87.3	92.2	97.9	184.3	324.4	514.5
Additional pension	11.3	12.3	13.3	14.4	15.5	16.6	17.8	18.9	20.1	21.4	22.7	24.1	25.6	49.9	94.3	180.0
Pension Credit total	8.6	8.9	9.2	9.4	9.4	9.4	9.4	9.4	9.3	9.3	9.4	9.4	9.6	8.8	7.9	23.4
Other pension benefits	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2	3.2	3.3	3.4	4.9	7.0	10.0
Pensions expenditure	**74**	**78**	**82**	**85**	**90**	**95**	**100**	**106**	**111**	**117**	**123**	**129**	**136**	**248**	**434**	**728**
Housing and Council Tax Benefit	8.3	8.8	9.2	9.6	9.8	10.0	10.3	10.5	10.7	10.9	11.1	11.3	11.6	17.2	26.5	46.1
Disability benefits	8.6	9.0	9.5	9.9	10.4	10.9	11.3	11.8	12.3	12.9	13.4	14.0	14.7	24.6	38.1	54.7
Expenditure on pensioner benefits	**91**	**96**	**100**	**105**	**110**	**116**	**122**	**128**	**134**	**140**	**147**	**154**	**163**	**290**	**498**	**829**
Working age benefits for those aged 65–67													**0.0**	**2.1**	**5.3**	**13.1**
Total	**91**	**96**	**100**	**105**	**110**	**116**	**122**	**128**	**134**	**140**	**147**	**154**	**163**	**292**	**503**	**842**

Notes

Figures are based on the current White Paper proposals and do not take into account the proposals to further simplify the State Second Pension. See recommendation 30 for more information.

These tables break down expenditure estimates of reform published in the White Paper by individual benefit. Figures are shown in £bn cash, £bn today's (2006/07) price terms and as a proportion (percentage) of Gross Domestic Product. Totals may not sum due to rounding.

National Insurance figures are shown separately as additional revenue changes.

The figures are based on DWP long-term projections of United Kingdom benefit spend consistent with the Budget Report 2006 and DWP estimates of the costs of reform measures.

State Pension age reform costs included savings on pensioner benefits and additional spending on working age benefits; these are now shown separately.

Pensions expenditure includes basic State Pension, State Second Pension, Pension Credit and other pensioner benefits: Winter Fuel Payments, over-75s TV licences, and Christmas Bonus. Spending on State Pension reform also includes spending on Housing Benefit and Council Tax Benefit among pensioners and on working age benefits that results from increasing state pension age.

Working age benefits include: Incapacity Benefit, Jobseekers Allowance, and working age disability and income-related benefits.

Costs associated with personal accounts have not been included.

Figures exclude administrative costs and tax revenue implications of reform. National Insurance effects are shown in a separate table.

The savings from State Pension age equalisation in the period 2010 to 2020 are reflected in the expenditure totals.

Figures refer to financial years – 2020 is 2020/21.

Effects from higher employment as State Pension age rises after 2020 are not taken into account.

Changes to State Pension age in 2024–25, 2034–2035, 2044–2045 mean that the total costs of reform changes to State Pension age can fall in real terms and as a percentage of GDP in those years but will then continue to rise.

Total Spending on Pensioners

£bn 2006–07 prices	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040	2050
Basic State Pension	48.2	49.4	50.3	51.1	53.0	54.8	56.5	58.1	59.7	61.3	63.0	64.6	66.8	95.4	127.4	153.3
Additional pension	10.7	11.4	12.0	12.6	13.2	13.8	14.3	14.8	15.4	15.9	16.4	16.9	17.5	25.8	37.0	53.6
Pension Credit total	8.1	8.2	8.3	8.2	8.0	7.8	7.6	7.3	7.1	6.9	6.7	6.6	6.6	4.6	3.1	7.0
Other pension benefits	2.7	2.7	2.7	2.6	2.6	2.5	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.5	2.7	3.0
Pensions expenditure	**70**	**72**	**73**	**75**	**77**	**79**	**81**	**83**	**85**	**86**	**88**	**90**	**93**	**128**	**170**	**217**
Housing and Council Tax Benefit	7.9	8.1	8.3	8.4	8.3	8.3	8.3	8.2	8.2	8.1	8.0	8.0	7.9	8.9	10.4	13.7
Disability benefits	8.1	8.3	8.5	8.7	8.8	9.0	9.1	9.3	9.4	9.5	9.7	9.8	10.0	12.7	15.0	16.3
Expenditure on pensioner benefits	**86**	**88**	**90**	**92**	**94**	**96**	**98**	**100**	**102**	**104**	**106**	**108**	**111**	**150**	**196**	**247**
Working age benefits for those aged 65–67													**0.0**	**1.1**	**2.1**	**3.9**
Total	**86**	**88**	**90**	**92**	**94**	**96**	**98**	**100**	**102**	**104**	**106**	**108**	**111**	**151**	**198**	**251**

Notes

Figures are based on the current White Paper proposals and do not take into account the proposals to further simplify the State Second Pension. See recommendation 30 for more information.

These tables break down expenditure estimates of reform published in the White Paper by individual benefit. Figures are shown in £bn cash, £bn today's (2006/07) price terms and as a proportion (percentage) of Gross Domestic Product. Totals may not sum due to rounding.

National Insurance figures are shown separately as additional revenue changes.

The figures are based on DWP long-term projections of United Kingdom benefit expenditure consistent with the Budget Report 2006 and DWP estimates of the costs of reform measures.

State Pension age reform costs included savings on pensioner benefits and additional spending on working age benefits; these are now shown separately.

Pensions expenditure includes basic State Pension, State Second Pension, Pension Credit and other pensioner benefits: Winter Fuel Payments, over-75s TV licences, and Christmas Bonus. Spending on State Pension reform also includes spending on Housing Benefit and Council Tax Benefit among pensioners, and on working age benefits that result from increasing State Pension age.

Working age benefits include: Incapacity Benefit, Jobseekers Allowance, and working age disability and income-related benefits

Costs associated with personal accounts have not been included.

Figures exclude administrative costs and tax revenue implications of reform. National Insurance effects are shown in a separate table.

The savings from State Pension age equalisation in the period 2010 to 2020 are reflected in the expenditure totals.

Figures refer to financial years – 2020 is 2020/21.

Effects from higher employment as State Pension age rises after 2020 are not taken into account.

Changes to State Pension age in 2024–25, 2034–2035, 2044–2045 mean that the total costs of reform changes to State Pension age can fall in real terms and as a percentage of GDP in those years but will then continue to rise.

Total Spending on Pensioners

% GDP	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040	2050
Basic State Pension	3.6%	3.6%	3.6%	3.5%	3.6%	3.6%	3.6%	3.7%	3.7%	3.7%	3.7%	3.7%	3.8%	4.4%	4.8%	4.8%
Additional pension	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.2%	1.4%	1.7%
Pension Credit total	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.2%	0.1%	0.2%
Other pension benefits	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Pensions expenditure	**5.2%**	**5.2%**	**5.2%**	**5.1%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.2%**	**5.9%**	**6.5%**	**6.7%**
Housing and Council Tax Benefit	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%
Disability benefits	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%
Expenditure on pensioner benefits	**6.3%**	**6.4%**	**6.4%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.2%**	**6.2%**	**6.2%**	**6.9%**	**7.4%**	**7.7%**
Working age benefits for those aged 65–67													**0.0%**	**0.1%**	**0.1%**	**0.1%**
Total	**6.3%**	**6.4%**	**6.4%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.3%**	**6.2%**	**6.2%**	**6.2%**	**7.0%**	**7.5%**	**7.8%**

Notes

Figures are based on the current White Paper proposals and do not take into account the proposals to further simplify the State Second Pension. See recommendation 30 for more information.

These tables break down expenditure estimates of reform published in the White Paper by individual benefit. Figures are shown in £bn cash, £bn today's (2006/07) price terms and as a proportion (percentage) of Gross Domestic Product. Totals may not sum due to rounding.

National Insurance figures are shown separately as additional revenue changes.

The figures are based on DWP long-term projections of United Kingdom benefit spend consistent with the Budget Report 2006 and DWP estimates of the costs of reform measures.

State Pension age reform costs included savings on pensioner benefits and additional spending on working age benefits; these are now shown separately.
Pensions expenditure includes basic State Pension, State Second Pension, Pension Credit and other pensioner benefits: Winter Fuel Payments, over-75s TV licences, and Christmas Bonus.
Spending on State Pension reform also includes spending on Housing Benefit and Council Tax Benefit among pensioners and on working age benefits that result from increasing State Pension age.

Working age benefits include: Incapacity Benefit, Jobseekers Allowance, and working age disability and income-related benefits.

Costs associated with personal accounts have not been included.

Figures exclude administrative costs and tax revenue implications of reform. National Insurance effects are shown in a separate table.

The savings from State Pension Age equalisation in the period 2010 to 2020 are reflected in the expenditure totals.

Figures refer to financial years – 2020 is 2020/21.

Effects from higher employment as State Pension age rises after 2020 are not taken into account.
Changes to State Pension age in 2024–25, 2034–2035, 2044–2045 mean that the total costs of reform changes to State Pension age can fall in real terms and as a percentage of GDP in those years but will then continue to rise.

National Insurance Changes	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2030	2040	2050
£bn Cash																
Abolition of contracting-out from DC schemes from 2012	*0.0*	*0.0*	*0.0*	*0.0*	*4.9*	*5.1*	*5.3*	*5.4*	*5.6*	*5.8*	*6.0*	*6.2*	*6.4*	*8.0*	*11.2*	*17.7*
Flat Rate S2P by 2030	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.2*	*0.3*	*0.5*	*0.7*	*0.9*	*1.2*	*1.4*	*1.7*	*5.3*	*5.2*	*3.2*
Total	*0.0*	*0.0*	*0.0*	*0.0*	*4.9*	*5.2*	*5.6*	*6.0*	*6.4*	*6.8*	*7.2*	*7.7*	*8.1*	*13.3*	*16.4*	*21.0*
Potential effects of SPA change												0.0	0.0	0.4	0.8	1.9
£bn 2006–07 Prices																
Abolition of contracting-out from DC schemes from 2012	0.0	0.0	0.0	0.0	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.4	4.4	4.2	4.4	5.3
Flat Rate S2P by 2030	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.6	0.7	0.9	1.0	1.2	2.7	2.0	1.0
Total	0.0	0.0	0.0	0.0	4.1	4.3	4.5	4.7	4.9	5.0	5.2	5.4	5.5	6.9	6.5	6.2
Potential effects of SPA change													0.0	0.2	0.3	0.5
% GDP																
Abolition of contracting-out from DC schemes from 2012	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Flat Rate S2P by 2030	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.0%*
Total	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.3%*	*0.2%*	*0.2%*
Potential effects of SPA change													0.0%	0.0%	0.0%	0.0%

Notes

Figures are based on the current White Paper proposals and do not take into account the proposals to further simplify the State Second Pension. See recommendation 30 for more information.

These tables break down additional National Insurance revenue effects of the reforms published in the White Paper.

Figures are shown in £bn cash, £bn today's (2006/07) price terms and as a proportion (percentage) of Gross Domestic Product. Totals may not sum due to rounding.

National Insurance figures are shown separately as additional revenue changes (i.e. a positive figure indicates higher revenues).

The figures are based on DWP long-term projections of United Kingdom National Insurance consistent with the Budget Report 2006 and DWP estimates of the costs of reform measures.

The effects of State Pension Age equalisation in the period 2010 to 2020 are reflected in the expenditure totals.

Figures refer to financial years – 2020 is 2020/21.

Effects from higher employment as State Pension age rises after 2020 are not taken into account.

Annex B

INFORMATION IN RESPONSE TO RECOMMENDATION 48

Recommendation 48

We ask the Government to set out the principal research programmes currently underway on ageing, life expectancy and healthy life expectancy, including work on differentials by social class and ethnic group, and their budgets for the next ten years. Improved co-ordination of research into ageing will also be vital to inform policy makers about future life expectancy and healthy life expectancy. We welcome the Government's commitments made recently in the House of Lords on these issues.

The ONS work programme

1. Many areas of the work of the Office of National Statistics (ONS) contribute to the understanding of patterns and trends in the demographic composition, longevity and health of the population. Demographic change and the ageing of the UK population are among ONS's top analytic priorities. Work relevant to these topics includes specific pieces of research and analysis on the subject of ageing, life expectancy and healthy life expectancy; improvements in statistical methodology which support such work; and the significant contributions to these topics made by a range of ONS activities with a wider focus.

2. In the financial years 2006/07 and 2007/08, ONS research and analytical work which focuses directly on ageing, life expectancy and healthy life expectancy, including work on differentials by National Statistics Socio-Economic Classification (NS-SEC)[i] and ethnic group, is expected to produce analyses of:

   a) Trends in self-reported health status by age and sex, including analysis by birth cohorts (2006/07)
   b) Trends in health-related behaviours such as smoking and drinking (which impact on future life expectancy and healthy life expectancy) by age and sex, including analysis by birth cohorts (2006/07)
   c) Mortality rates by age, sex, NS-SEC and cause of death for England, Wales and Government Office Regions (GORs) (2006/07)
   d) Period life expectancy[ii] by sex for England, Wales, GORs and local authority districts, and for Scotland, Northern Ireland and their local government areas in collaboration with their respective Registrars General (annual publication)
   e) Period life expectancy by social class for England and Wales, based on the ONS Longitudinal Study (ONS LS)[iii] – this is an update to previous publications, incorporating improvements to methods for estimating life expectancy and assigning social class in the ONS LS (2006/07)

f) Healthy life expectancy, based on (i) perceived good health and (ii) activity limitations, for the UK, constituent countries, and local authority districts; and for 2001 Census wards by area deprivation (2006/07)
g) Period life expectancy by sex and NS-SEC for England, Wales and GORs (2007/08)
h) Time trends in disability-free life expectancy in Great Britain, based on activity limitations, with detailed analyses relating to (i) severity of disability and (ii) the dynamics of population health over time (2007/08)

Further details of the planned analyses and related statistical methods are available on request.[iv]

3. In November 2005, ONS published *Focus on Older People*, which paints a detailed picture of the people aged 50 and over in the UK today. It includes information on their characteristics, lifestyles and experiences, placing particular emphasis on changes with age. Other publications in this series have included *Focus on Social Inequalities* (December 2004) and *Focus on Health* (February 2006).[v]

4. ONS published estimates of the population of England and its local authority districts by ethnic group, as experimental statistics, in January 2006.[vi] *Focus on Ethnicity and Religion*, which provides more detailed analyses of population and household composition by ethnic group, was published in October 2006.[vii] The analysis of mortality rates, life expectancy and healthy life expectancy by ethnic group is the subject of continuing methodological development in ONS.

5. Other ONS work programmes which provide essential information on these topics, and underpin more specifically focused research, include:

   a) The decennial *Census of Population*, which is carried out in conjunction with the Registrars General for Scotland and Northern Ireland. The census is one of the principal sources of data on the age structure, ethnicity and other key characteristics of the population. Preparation is now in progress for the 2007 Census Test and the 2011 Census.
   b) *Population Estimates and Projections*. Population estimates by age and sex both nationally and by local authority, Government Office Regions and NHS areas are published annually. Estimates for smaller areas have also been developed. Population projections (both national and sub-national by local authority in England) are published regularly, based on past trends and best estimates of future fertility, mortality and migration patterns. Every two years, there is a full-scale review of the mortality (and other) assumptions underlying national population projections, taking account of the latest data, research and expert opinion.
   c) A major programme to improve migration and population statistics, which includes research into difficulties associated with specific

population groups and is taking forward recommendations from the 2003 National Statistics Quality Review into International Migration.[viii]

6. ONS reviews the allocation of resources to research and analytical work each year within the context of an overall business planning cycle, corporate and analytic priorities, and the current funding position. The specific outputs listed above are produced within broader budget allocations and across a number of organisational units, and have not been costed separately. In this context, future budgets for research on any one topic, whether funded by ONS itself or from other sources, cannot easily be predicted.

---

[i] NS-SEC replaced the Registrar General's Social Class based on Occupation as the preferred classification of socio-economic status in 2001. Information about the development and use of the NS-SEC classification can be found at http://www.statistics.gov.uk/methods_quality/ns_sec/default.asp

[ii] Period life expectancies are calculated using age specific mortality rates for a given period (either a single year or a run of years), with no allowance for any later actual or projected future changes in mortality after that period. They therefore provide an objective measure of historical trends in mortality over time and a means of comparison between areas, but not an estimate of how long any person may be expected to live, because mortality rates are likely to change in the future.

[iii] The ONS LS is a dataset comprising census and vital event records for 1 per cent of the population of England and Wales. It contains individual census records linked between successive censuses together with data for various events such as birth, deaths and cancer registration. This linkage of births and deaths to census data makes the ONS LS a unique source for analysis of mortality according to socio-economic and demographic characteristics as recorded in the census.

[iv] Contact myer.glickman@ons.gsi.gov.uk for information.

[v] The *Focus On* series of publications can be accessed at http://www.statistics.gov.uk/focuson/default.asp

[vi] The experimental estimates of population by ethnic group can be found at http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14238

[vii] *Focus on Ethnicity and Religion* can be found at http://www.statistics.gov.uk/statbase/product.asp?vlnk=10991

[viii] Documents on National Statistics Quality Reviews relating to population and migration can be found on the National Statistics website at http://www.statistics.gov.uk/about/data/methodology/quality/reviews/population.asp

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID5459533 10/06 19585 351046 AM4298

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
General enquiries: 0870 600 5522
Order through the Parliamentary Hotline *Lo-call* 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

TSO Shops
123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

TSO@Blackwell and other Accredited Agents

ISBN 0-10-169562-4