Centre for Ageing Better background briefing on the Independent Review of State Pension Age

August 2016

Introduction

This paper sets out the Centre for Ageing Better's initial views in response to the terms of reference of the Cridland Review of State Pension Age which the government announced on 1st March 2016. The Centre for Ageing Better is an independent charitable foundation working to create a society in which everyone enjoys a good later life. We draw together and use evidence on how people can age better. We bring fresh thinking to the challenges and opportunities that everyone faces as more people live longer. We have secured an endowment from the Big Lottery Fund to help us achieve this mission.

We understand that the Review will be seeking to publish an interim report in the autumn ahead of a final report to the Secretary of State for Work and Pensions in time to allow government to consider the recommendations by May 2017. While there has been no formal call for evidence we hope this short briefing paper, which sets out some of the issues and existing evidence relevant to the Review's considerations, will be useful both to the Review and others with an interest in the policy issues we face as more of us live longer.

The paper begins by setting out the issues relevant to the question of raising State Pension age as we understand them. We then take each of the areas set out in the terms of reference, namely fairness, affordability and Fuller Working Lives, and suggest how these issues need to be framed in light of the available evidence. We conclude by setting out some suggested actions that we believe could be considered further during the course of Review.

The issues

Demographic changes challenge the current welfare settlement

The number of people over 65 and over 85 years old in the UK is growing as life expectancy rises and the baby boomer generation reaches old age. The proportion of the population over 65 is also rising as birth rates remain low though they are no longer falling. As a result, the old age dependency ratio is expected to increase in future years.[1] Current projections show these trends are set to continue to 2028 and beyond, the time period this independent Review considers (see annex Figure 1).

Projections of the growth in the older population and the worsening of the old age dependency ratio suggest the need to reassess the current welfare settlement which broadly rests on the foundations of the Beveridge model, whereby individuals are net contributors during the middle years of their lives and net recipients in later life (see annex Figure 2). Any new settlement needs to consider who pays and who benefits at different ages and will require changes not only to State Pension age but other entitlements and taxes as well as a societal change in attitudes to retirement and work.

[1] **The changing UK population (ONS)** http://visual.ons.gov.uk/uk-perspectives-the-changing-population/

Tax and welfare policies need to be fair, not only across generations, but also between those who are well off and those who live in poverty, between different areas of the country, and between those who are healthy and those who are sick and disabled. This means a more sophisticated approach to public policy which does not assume that chronological age defines our need for support. Throughout our lives there will be times when we can contribute fiscally or in other ways to society, and times when we need assistance.

Inequalities in healthy life expectancy challenge universal State Pension age

Average increases in life expectancy mask inequalities within the ageing of the population and healthy life expectancy is not keeping pace with life expectancy. In England, people living in the poorest neighbourhoods, will, on average, die seven years earlier than people living in the richest neighbourhoods and the average difference in disability free life expectancy is 17 years.[2] Simply raising State Pension age in line with average life expectancy, would fail to recognise the huge variation in life expectancy and healthy life expectancy across income, geography, socio-economic situation and other demographic factors.

Labour market participation of older workers key to economic growth

Raising State Pension age without addressing the ability of people to work at older ages will neither address the fiscal issues nor enable people to live later life in financial security. The independent Review's Terms of Reference are right to consider the wider Fuller Working Lives agenda, and how to increase participation in the labour force of people over the age of 50. Raising the State Pension age, without any other action, will simply result in those people who are already out of work before State Pension age having to manage for longer on out of work benefits. And there is reason to believe that at least some people who work until the current State Pension age would not be able to work for longer without changes in the labour market or additional support.

From the Treasury's point of view, more people in work for longer has multiple benefits; it would increase economic growth, reduce benefit spend and increase tax revenues. However, it is important to look beyond the direct effects of full employment on tax and benefits, and to consider the wider impact on use of public services and the social and economic effects of worklessness on local areas.

There is a clear macroeconomic argument for increasing participation rates of people aged 50 to State Pension age. If the employment rate of this 50–64 age group matched that of the 35–49 age group, this would boost UK GDP by £88 billion per annum (5.6%).[3] Furthermore current trends suggest that the emerging gaps in the labour force cannot be adequately filled either by an increase in the birth rate or migration. Over the next ten

[2] 'Fair Society Healthy Lives' (The Marmot Review)
[3] The Missing Million (ILC-UK, 2014) www.bitc.org.uk/our-resources/report/missing-million-illuminating-employment-challenges-over-50s

years, there will be nearly twice as many job vacancies needing to be filled as there are school and college leavers. Older workers will be needed in order to avoid a labour shortage and skills gap. Increasing participation of people aged 50-State Pension age can therefore also help address the productivity challenge and the fiscal aim to move towards full employment. It is pleasing to see this strongly acknowledged in the Government Office for Science's Foresight Future of an Ageing Population project which the Centre for Ageing Better has contributed to over the past year.

Key message

While a simple actuarial model to increase State Penssion age in line with average rises in life expectancy is appealing in its simplicity we do not think it would meet principles of fairness. Without other policy changes it would not solve fiscal issues of affordability, nor result in improvements in later life particularly for individual financial security.

Affordability

It appears the major interest of government in commissioning this Review has been to address a narrow fiscal question of how to limit growth of public expenditure on State Pensions in future. Government as a whole must take a much wider perspective of the overall economic impact of raising the State Pension age. This must take in to account the wider welfare settlement as well as the macroeconomic impact on other aspects of tax and spend, productivity and other major areas of expenditure such as health, social care and housing. We would encourage you to look at the affordability question more holistically and make clear to government the need to assess the wider implications of an ageing society by:

- modelling the impacts on the other age-related benefits such as pensioner tax credits, universal pensioner benefits such as winter fuel allowance, and attendance allowance
- modelling the displacement effect and impact on pre-State Pension age benefits such as Employment Support Allowance, Jobseeker Allowance and Personal Independence Payments/Disability Living Allowance;
- considering the impact on other public expenditure such as NHS and local authority social care budgets, disabled facilities grant, income support and housing benefit;
- considering the income, wealth and assets that people have and the expenditures they will face at different ages, estimate the impact on individual e.g. self-funded social care costs;

- assessing the opportunities for government to raise additional revenue (including from wealthier older people) to fund growing expenditure due to demographic change
- considering the cost of displacing other economically and socially beneficial activities that are currently unpaid, such as caring, child care and volunteering.

Recent experience from the equalisation of female State Pension age has shown that more (but by no means all) of those in the affected group remained in paid work for longer. A one-year increase in the female State Pension age from 60 to 61 was associated with an increase of 27,000 more women and 8,300 more men in paid work.[4] However, these changes also resulted in an increase in the proportion of women who were unemployed and actively seeking work. More analysis needs to be undertaken to assess the full impacts of these changes economically, socially and to individual wellbeing in later life. While some people may be prompted to extend their working life by a change in State Pension age, there are many others who will be unable to work for longer and left facing an income gap in the pre-State Pension age period.

Only around half of people are in work the year before they are eligible for their State Pension currently (see annex Figure 3). This suggests that for many people the issue lies with push factors out of work rather than a lack of pull factors for remaining in work.[5] Many people not working in the years prior to State Pension age, do so due to ill health or disability. Of the 10.23m people aged 50 to State Pension age in the UK 2.49m are economically inactive. 1.04m of which have a long term health condition or disability, 70% of these people say that they probably or definitely will not work again. Raising the State Pension age further will only increase the economic inactivity and unemployment rate of people aged 50 to State Pension age if those people are unable to work.

There is a risk that without policy mitigation, raising the State Pension age will lead to an increased transfer of people onto pre-State Pension age sickness and disability benefits. Full impact modeling will be required, but the enhanced rates of the two components of Personal Independence Payment (eligible to people below State Pension age) together are higher than those available for Attendance Allowance (eligible to people over State Pension age). This may negate any potential savings to the overall pension and benefit budget. Another unintended consequence to consider is the psychological impact of larger numbers of people entering later life being classified (by the benefit system) as disabled people, and how this may impact on their attitudes and aspirations for themselves in retirement.

[4] IFS Working Paper, Incentives, shocks or signals: labour supply effects of increasing the female state pension age in the UK http://www.ifs.org.uk/wps/wp1303.pdf

[5] Fuller Working Lives background evidence (DWP, 2014)

The Department for Work and Pensions by reviewing the State Pension age clearly recognises the significant costs to the state of a larger older population and longer lives. But surprisingly there has been no similar process for other key elements of our welfare settlement. Health and social care costs are higher per capita for people at older ages - a combination of higher prevalence of long term conditions and the intensity of medical care in the last months of life. Health and social care costs will grow even faster as more people live for longer, often with long term health conditions. Any short term savings to State Pensions are likely to be outweighed by increases in health and social care expenditure. There needs to be a comparable process to assess the long term affordability of the NHS and social care and the findings linked to this Review's findings. It is possible the demand for publicly funded social care will rise as a result of an increase in State Pension age, as people will enter later life with fewer savings having spent down their assets more quickly in pre-retirement. It is not sensible to consider one aspect of our welfare settlement such as the State Pension age in isolation.

The Review needs to take into account other factors affecting both younger and older generations, such as; housing wealth and costs; changes in pension provision from defined benefits to defined contributions; pension freedoms and auto-enrollment; the nature and availability of work; and care needs and costs. Over recent decades there has been a steady decrease in defined benefit pension schemes, reduction in pension savings and even with the early stages of auto-enrollment there is likely to be a significant shortfall for many people's income in later life. DWP forecast an estimated 12m people heading towards an insufficient retirement income.[6] People typically underestimate their life expectancy by upwards of four years.[7] With recent pension flexibilities there is an increased likelihood that individuals will spend down their pension contributions or other savings well before they die. This individual financial insecurity will ultimately become a public affordability question, as more people enter the final years of their lives without financial means to support themselves.

There are also other potential unintended consequences of raising the State Pension age, for example crowding out other activities such as informal care. Carers UK estimate that the economic value of unpaid care is £132bn per year, equivalent to the annual cost of health spending in the UK.[8] Unpaid caring is undertaken disproportionately by women over the age of 50. It will be important to consider factors such as the value of unpaid childcare for grandchildren currently being undertaken and how this may be impacted by further rises to the State Pension age if grandparents are financially required to be in paid work.

Key message

A narrow focus on reducing or capping expenditure on pensions is unlikely to address the wider affordability of an ageing population to the state, individuals and families. The wider

[6] Fuller Working Lives background evidence (DWP, 2014)
[7] 'Here Today, Gone Tomorrow' (ILC-UK, 2015)
[8] Valuing Carers 2015 – the rising value of carers' support (Carers UK, 2015)

goal should be increasing the proportion of people in later life who are financially secure. Government overall has to consider and explain the implications of a larger population of older people for our welfare settlement.

Fairness

Essential to the question of fairness with respect to the State Pension age is recognition that eligibility-based on chronological age is not a good indicator of need for financial support or ability to work. There are several dimensions to the issue of fairness that the Review needs to consider:

- Inequalities in life expectancy and healthy life expectancy
- Gender differences
- Generational and cohort differences

Inequalities in healthy life expectancy

People on lower incomes have lower life expectancy and disability free life expectancy (see annex Figure 4). Those least able to work in later life are also those likely to have the lowest life expectancy beyond State Pension age. There are questions therefore of fairness over how long someone may be eligible for a State Pension and what their net pension income will be over a lifetime. Not only will some groups with a shorter life expectancy be able to benefit from a State Pension for a shorter time span, but these same groups are disadvantaged in the labour market in the years leading up to State Pension age. Those on low income, in poor health, in precarious work are disadvantaged in their working lives and are most at risk of involuntarily leaving the labour market before State Pension age.[9]

Our research Later Life in 2015[10] shows six distinct segments of the population aged 50 and over in England. While several groups have good health, are financially secure and have good social connections, there are many others who do not have these elements that contribute to a good later life.

Scoring worst on all measures are the struggling and alone (12% of the sample). At the root of their challenges is their poor health; a third (33%) describe their health as poor with a roughly similar proportion stating it is only fair (37%). Many in this group had experienced health problems throughout their life. This had affected their ability to work, and therefore earn, thus meaning they have lower incomes, few savings and are more likely to experience financial insecurity in later life; three in ten (29%) report running out of money often or most of the time. Being out of work has also cut off an important source of social connections which have been weakened further by long periods where their ill health has

[9] 'The Missing Million' (BITC / ILC-UK, 2015)
[10] 'Later life in 2015: An analysis of the views and experiences of people aged 50 and over' (Centre for Ageing Better, 2015)

prevented them from seeing people; only 72% state that they have a friend or family member that they can rely on – some twenty percentage points lower than the average score for all those aged 50 and over.

In an ideal world we would seek to prevent people developing health conditions in the first place. Given the incidence of chronic conditions it is important that these individuals get prompt diagnosis, treatment and ongoing support for their health problems and employers do all they can to prevent early exit and support them back to work. If such individuals have an extended period out of work they will need targeted support not only to overcome health barriers, but potentially to reskill and overcome ageism from potential employers. Recognising the challenges this segment of the population faces will be vital to ensure any changes in State Pension age do not exacerbate inequalities and worsen their financial position in later life.

Community Links in conjunction with the Early Action Task Force, have suggested that the State Pension age should only increase further when health inequality falls. This would address unfairness resulting from healthy life expectancy inequalities and also act as a powerful incentive to take preventative action to address health inequalities in mid-life.[11]

Gender differences

There are important gender differences which mean that as well as equalisation of State Pension age, further rises in State Pension age are likely to impact women's financial security more than men's. We know that women disproportionately undertake unpaid caring responsibilities for family members, partners, parents and grandchildren. There remains a significant gender pay gap and women are more likely to take career breaks for childcare or other caring responsibilities and be in part time work. All these factors impact on women's ability to remain in paid work, re-enter the labour market, maintain National Insurance Contributions and save for their retirement. All of which mean that many women are more likely to be more reliant on the State Pension as a primary form of retirement income and hence be more disadvantaged by raising the age of entitlement.

Increased trends in divorce and separation and the fact that women more commonly outlive their male partners also mean that many women are at risk of poverty in later life. Other changes to demographics such as trends towards more people ageing without children mean that many will be unable to rely on family support networks in later life.

Generational and cohort differences

The group affected by this Review are those who will reach State Pension age in 2028 and beyond, i.e. those who are aged 55 and younger in 2016. The birth cohort reaching the age of 67 in 2028 will not be a homogenous group nor will younger age groups that follow them.

[11] 'Looking Forward to Later Life - Taking an early action approach to our ageing society' (Community Links / Early Action Taskforce, 2014)

As well as significant differences among those in later life there are also important differences between current cohorts and future cohorts.

Our research Later Life in 2015 found that for many people in their 50s, building up a financial buffer for later life was not always straightforward. Participants, particularly the squeezed middle aged spoke about how competing financial priorities (such as supporting children through university) left them with little to put aside for their retirement.

We know that people reaching the age of 67 in 2028 as well as younger generations will have very different attitudes and life experiences to those reaching State Pension age today. A full assessment needs to be undertaken but differences will include:

- *Work history*: e.g. flexible labour market, changing industrial sectors, zero hour contracts, self-employment, de-unionisation of private sector, multi-generational workplaces, declines in workplace hierarchies, automation, changing skills profiles, virtual working
- *Education and skills*: e.g. HE/FE rates, vocational training, rates of university attendance
- *Finances and debt*: e.g. student fees, credit availability, mortgages, pay day loans, attitudes to debt
- *Housing*: e.g. declining rates of home ownership, increase in the private rental sector, regional divergence in house prices, decline in availability of social housing
- *Pension and savings*: e.g. closure of majority of defined benefit pension schemes, increase in defined contribution pension schemes, low interest rates, auto-enrolment, new State Pension, pension flexibilities, saving and equity release products
- *Health*: e.g. prevalence of smoking, obesity and alcohol consumption, changing prevalence of health conditions, treatment options
- *Family and household structure*: e.g. smaller families or childless, single households, multigenerational households, cohabitation, divorce and separation at older ages

We anticipate these future cohorts to be more likely to:

- have debts, including mortgages which they will not have paid off at State Pension age;

- be living in private rented accommodation;
- have adult children still living with them
- have had multiple jobs and small and fragmented pension pots
- to be supporting elderly relatives financially or with informal care
- have a university education
- be divorced or separated

And less likely to
- have a defined benefits pension
- have children
- own their own house

Furthermore, attitudes towards retirement and savings are changing as well as people's expectations and aspirations. More people are spending today rather than saving for future (either through choice or necessity). There is an increasing view that individuals are responsible for their own sufficient retirement income, not government. Almost as many people think there will be a State Pension by the time they retire as those that don't.[12]

The Review needs to consider the impact that increasing State Pension age would have on different groups given inequalities in healthy life expectancy by geography as well as socio-economic status and ethnicity. It also needs to understand how changes will impact on women given life time differences in working patterns, pay and savings. Finally the Review needs to consider how future cohorts will differ from those of State Pension age today and ensure any proposed changes take account of these differences.

Key message
A universal State Pension age that rises in line with average life expectancy without other changes will exacerbate inequalities. Therefore policy action to mitigate the impacts of a rising State pension Age is essential.

Fuller working lives

We have already outlined that the question of affordability of changes to the State Pension age should not narrowly focus on State Pension spending. It is essential to consider all intended and unintended consequences to individual and public finances that could result from our longer lives and any change to SPA.

Fuller working lives and the impact on economic productivity is important as is it impacts an individuals' ability to remain financially secure, both in their working lives and in retirement.

[12] Attitudes to Pensions (DWP, 2012)

It is essential to consider both individuals' ability to work for longer in fulfilling work, as well as to address the multiple barriers that people over the age of 50 face in returning to work.

Analysis from the Resolution Foundation[13] shows that if the labour market matched a new conceptual definition of 'full employment' this could further boost the participation rate, national productivity and the opportunity for many more individuals to benefit from being in paid work. Their analysis shows that 45% of the potential increase in employment across the UK jobs market could come from 50-69 year olds. However, simply identifying a potential labour market pool does not mean that these individuals will have the ability or desire to work. A coordinated strategy involving individuals, government, support agencies and employers is essential.

To assess the potential impacts of changing the State Pension age it is important to consider, who currently works beyond State Pension age today.

Interim findings from the Work Health Retirement and the Lifecourse (WHERL)[14] project shows that the two most important characteristics which might affect the likelihood of being in paid work beyond State Pension age are education and health. For both men and women, those who had a high level of education are twice as likely to be in paid work beyond State Pension age compared to those who have low levels of education. As for health, both men and women in good health were respectively three and two times more likely to be working beyond State Pension age compared to those who reported poor or fair health. Women who were divorced, single or separated were more likely to be working beyond State Pension age than women who were married.

There is also a health selection into working beyond State Pension age. Essentially this indicates that healthier people are more likely to work beyond State Pension age, but working beyond State Pension age does not necessarily maintain or improve health.[15]

The implications of this are clear; if present trends continue those people who are most at risk of insufficient finances in later life are also those who are least likely, for health, skills or social reasons, to be in work up to State Pension age.

We should also consider why some people do work for longer and what triggers the retirement decision. Our own research Later Life in 2015 shows that:

- People over 50 in higher skilled and professional jobs are more likely to say that they are still working because they enjoy the work they do. 18% of people in managerial or professional jobs are likely to say this compared to just 8% of people in unskilled or casual jobs.

[13] 'The road to full employment' (Resolution Foundation, 2016)

[14] Patterns of work up to and beyond State Pension Age, and their relationship to earlier life course histories (WHERL, 2016) http://wherl.ac.uk/about/findings/

[15] How does health affect working beyond state pension age? (WHERL, 2016)

- There are differences in retirement decisions based on the type of occupations that people have worked in. Only 19% of people age over 50 who have worked in managerial or professional roles said that reaching State Pension age was the main reason for retiring compared to 34% of people who have worked in unskilled or casual jobs. People who had worked in lower skilled manual jobs were the most likely to say that the onset of ill health or disability (16%) was the main reason for retiring.[16]

Simply raising the State Pension age will not automatically lead to an increase in economic activity rate of people aged 50 and over or increase the average age of exit from the labour market. It is possible that it may do the opposite.

Moreover, some people currently trying to 'hang on' until State Pension age may fall out of work earlier if the 'finishing line' appears too far away. Based on evidence we have referenced in this paper we can hypothesise how various groups might be impacted by a rise in State Pension age without any other policy mitigation:

- Higher educated, higher paid individuals working partly for the financial reward but also for a personal sense of purpose and fulfilment are more likely to be in better health and be valued by employers. This group is already likely to choose to work beyond State Pension age and are less likely to see reaching State Pension age as a trigger point for retirement. They are likely to have other savings and pensions to support them in retirement. Raising the State Pension age would have little impact on this group's decision as to when to stop work.

- Some people are 'hanging on' in work until State Pension age or the age at which they are eligible for their employer pension. They may be feeling the physical demands of work and be experiencing some health challenges. Many people already fall out of work before State Pension age involuntarily. Raising the State Pension age without additional support will not allow them to work for longer irrespective of their intentions or desire to work and may increase the number of people who are involuntarily out of work.

- Some people are in precarious or low paid employment and not gaining any fulfilment or wellbeing from their work. They are vulnerable if there are sudden unexpected life changes or if their current employment or sector becomes obsolete. They may continue to work after State Pension age out of financial necessity. Raising the State Pension age will mean these people will need to go on working for longer, but some will find it difficult to remain in work.

[16] Later Life in 2015 data briefing: Work and Retirement (Centre for Ageing Better) http://www.ageing-better.org.uk/wp-content/uploads/2016/04/Later-Life-in-2015-data-briefing-on-work-and-retirement-1.pdf

- Of those who have already left work before State Pension age, there is a likelihood that they will remain on out of work or disability benefits until the raised State Pension age. The impact of a rising State Pension age will be an extension of this period and potentially a greater reliance on public services and greater poverty in their later life. Most in this group are already in perilous financial situations that will be exacerbated by raising State Pension age.

The Review needs to consider the impact of raising State Pension age on different groups in the labour market. For many people State Pension age is not the main factor that determines when they retire. Some will keep working beyond State Pension age for financial reasons, others because they do not wish to retire and enjoy work, others are unable to continue to work and are out of work before State Pension age currently. To address this issue will require a wide range of actions from many organisations including government.

Key message

Raising the economic activity rate of people aged 50 and over will have wider benefits to society and the economy as well as reducing dependence on benefits. Supporting more people aged 50 and over to access secure and fulfilling work is essential but will require action on many fronts and to have a much higher commitment across government and society.

What actions are needed?

The primary purpose of this briefing has been to shape the early thinking of the Review and to frame the issues and questions we believe it needs to consider. It is not the stage for firm solutions but we outline here some of the many actions the Review might wish to test during the process.

Government must act strategically and at the highest levels to address the social and fiscal impacts of an ageing society and on interventions to support Fuller Working Lives. This must not be viewed simply as a question for DWP, but a much wider policy question for the whole of government requiring leadership and action across many government departments. We are encouraged by recent meetings with central government that this issue is increasingly recognised as a whole of government issue not just DWP and hope the forthcoming fuller working lives strategy will reflect this.

Government should set a clear and quantifiable target for raising the economic activity rate of people aged 50 and over as a major societal goal which would bring great benefits to individuals, to economic growth, to tax payers and to businesses. Modelling from the Resolution Foundation outlines a potential increase in employment rates over the lifetime of this parliament of 6.7% for 50-64 year olds equivalent to an additional 920,000 people in work.[17] This modelling is based on a theoretical concept of full employment based on groups currently disadvantaged in the labour market moving towards the employment rate of the highest achieving groups but gives an indication of the size of the opportunity to aim for.

Current Work Programme provision is failing for people aged 50 and over, analysis from the Centre for Economic and Social Inclusion found that just 14.2% of people over the age of 50 are supported in to a long-term job.[18] That is a success rate of less than one in seven – worse than any other group regardless of age, gender, ethnicity, or disability. It is essential that successors to the Work Programme provide more targeted and tailored back to work support to reflect the wide range of barriers that people in this age group face.

The Centre for Ageing Better are developing a pilot with the Greater Manchester Combined Authority of targeted holistic support for people who are economically inactive between 50 and State Pension age but are not in touch with employment support currently.

There must be engagement by government at the highest level with employers to set out a genuine business case for supporting work in later life and to tailor this in a way that is relevant to their specific sector. There is a need to change attitudes of employers and individual workers about why it is in their interest to work for longer. Employers need to recognise the contribution and value of older workers, and adopt policies and practices that enable people in later life to continue to work.

We are working with Business in the Community and employers to make the business case for recruiting and retaining older workers and drawing together the evidence on what practices work to create age friendly workplaces.

Health is critical to people's ability to work. Mental health and musculoskeletal conditions are the leading causes of worklessness among people aged 50 and over. Policy intervention to support the management of long term conditions and supporting people with long term conditions to remain in work will be essential. There is a convincing national economic productivity case to promote healthy workplaces and action to enable people to stay in work or return quickly.

An effective Fit for Work service, more effective workplace occupational health and NHS provision all need to support this in a strategic response. *The joint work and health unit set up by the Department of Health and the Department for Work and Pensions needs to ensure these issues are addressed.*

A coordinated response is required to increase awareness of the right to request flexible work and employers supporting this for people in later life. Consideration should be given to whether further regulatory action is required to give employees right to return after break

[17] 'The road to full employment' (Resolution Foundation, 2016)
[18] Work Programme statistics: Inclusion analysis (now the Learning and Work Institute) 17 September 2015

for caring or ill health. *These factors should be recognised in the forthcoming Carers' Strategy led by the Department of Health.*

It is essential that the UK learns from evidence from other countries who have already taken steps to promote fulfilling work for all ages through legislative changes and workplace norms so that job roles are built around older workers. For example the workability index which is widely used in several European countries. *The Centre for Ageing Better is interested in what can be learned from other countries as to how they have addressed this issue successfully such as Finland, Germany and the Netherlands.*

Mid-life career reviews offer opportunities for people to reassess the remainder of their working lives and consider options for skills, financial planning and work-life balance. From our engagement with employers and individuals to date we know that there is a high level of interest in the concept but that more evidence of its effectiveness and promotion is required. *Greater promotion of mid-life career reviews is needed among employers and individuals and a funded delivery model.*

Beyond this the Department for Education, who now have responsibility for skills, need to take a lead in ensuring people in mid and later life have access to skills and training opportunities needed to remain in the labour market. There is also an opportunity with the devolution of skills budgets for local areas to take a different approach.

In order to ensure the fairness of any changes it is important to understand the differential impacts of any changes on different groups in the population. *The Centre for Ageing Better has recently commissioned a review of the scale, nature and influences of inequalities in later life.*

Conclusions

From our early assessment of the parameters of the Review we can draw three key conclusions:

1. A narrow focus on reducing or capping expenditure on pensions is unlikely to address the wider affordability of an ageing population to the state, individuals and families. The wider goal should be increasing the proportion of people in later life who are financially secure. And government overall has to consider and explain the implications of a larger population of older people for our welfare settlement.
2. A universal state pension age that rises in line with average life expectancy without other changes will exacerbate inequalities. Therefore policy action to mitigate the impacts of a rising state pension age is essential.
3. Raising the economic activity rate of people aged 50 and over will have wider benefits to society and the economy as well as reducing dependence on benefits. Supporting more people aged 50 and over to access secure and fulfilling work is essential but will

require action on many fronts and to have a much higher commitment across government and society.

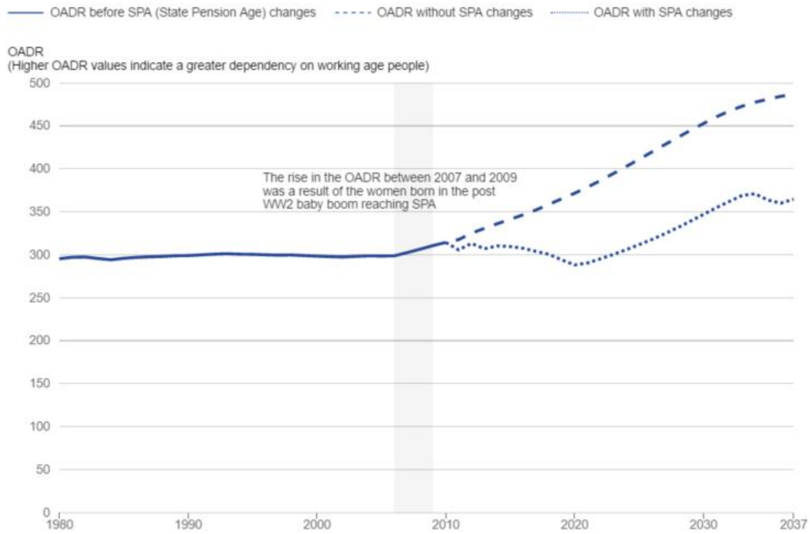
From the evidence we have assessed so far and from our understanding of potential changes in the future we suggest that recommendations from the Review must be strategically coordinated with much wider policy actions from government and behavior change from individuals, employers and service providers.

The Centre for Ageing Better will continue to draw on the wide range of work we are undertaking to contribute to the Review. We support the aim of ensuring any changes to state pension age are fair, affordable and ensure that everyone can enjoy a good later life.

CENTRE FOR AGEING BETTER

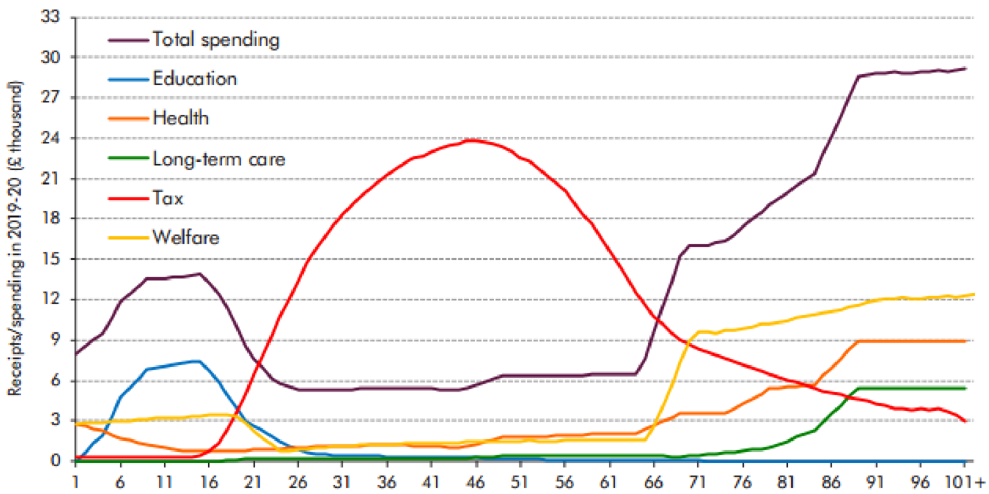
Annex: Supporting data

Figure 1: Old age dependency ratio (OADR), UK, 1980 to 2037



Source: [Pension trends: Chapter 2 Population change (2012 issue)]() and [2012-based principal population projections](), ONS
Chart: http://visual.ons.gov.uk/uk-perspectives-the-changing-population/

Figure 2: Representative profiles for tax, public services and welfare spending by age



Source: Office for Budget Responsibility Fiscal sustainability report (June 2015)

Figure 3a: Main economic activity by single year of age (Men aged 50 and over)

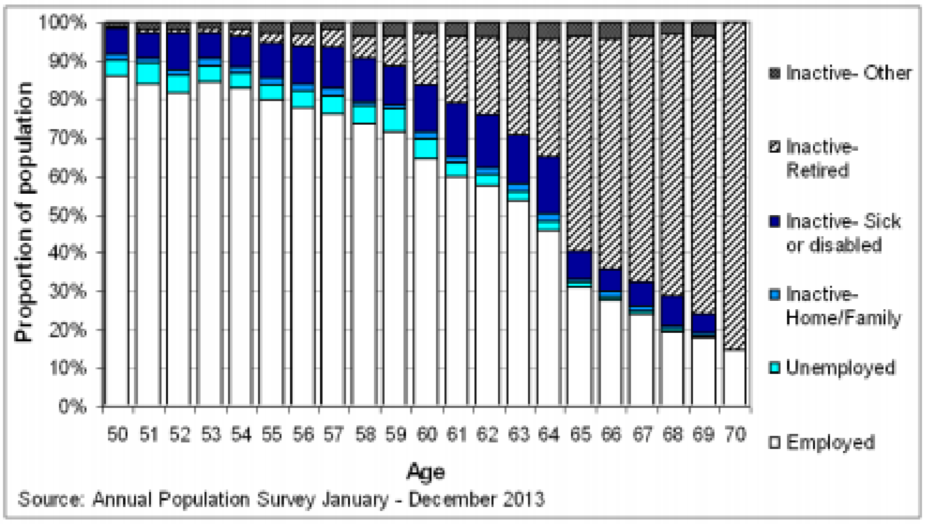


Figure 3b: Main economic activity by single year of age (Women aged 50 and over)

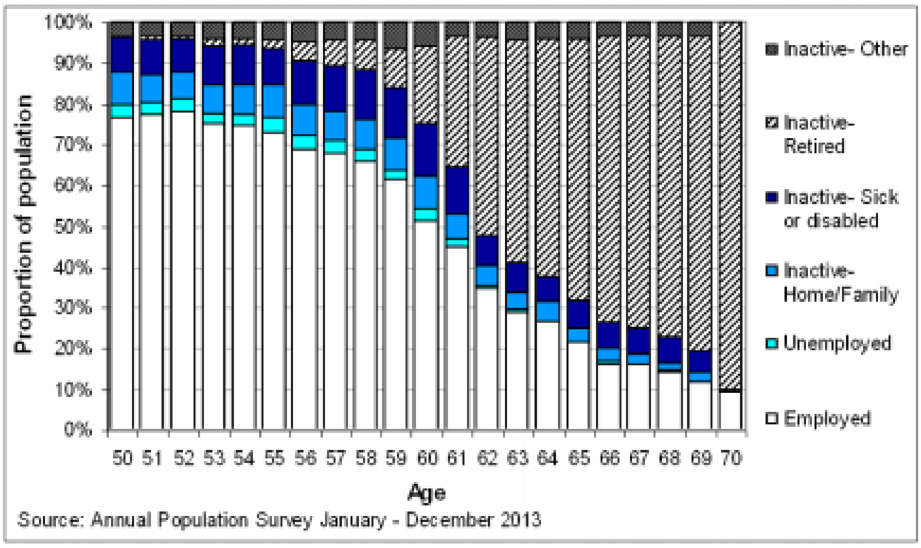


Chart source: Fuller Working Lives background evidence (DWP, 2014)

Figure 4: Life expectancy and disability-free life expectancy (DFLE) at birth, persons by neighbourhood income level, England, 1999–2003

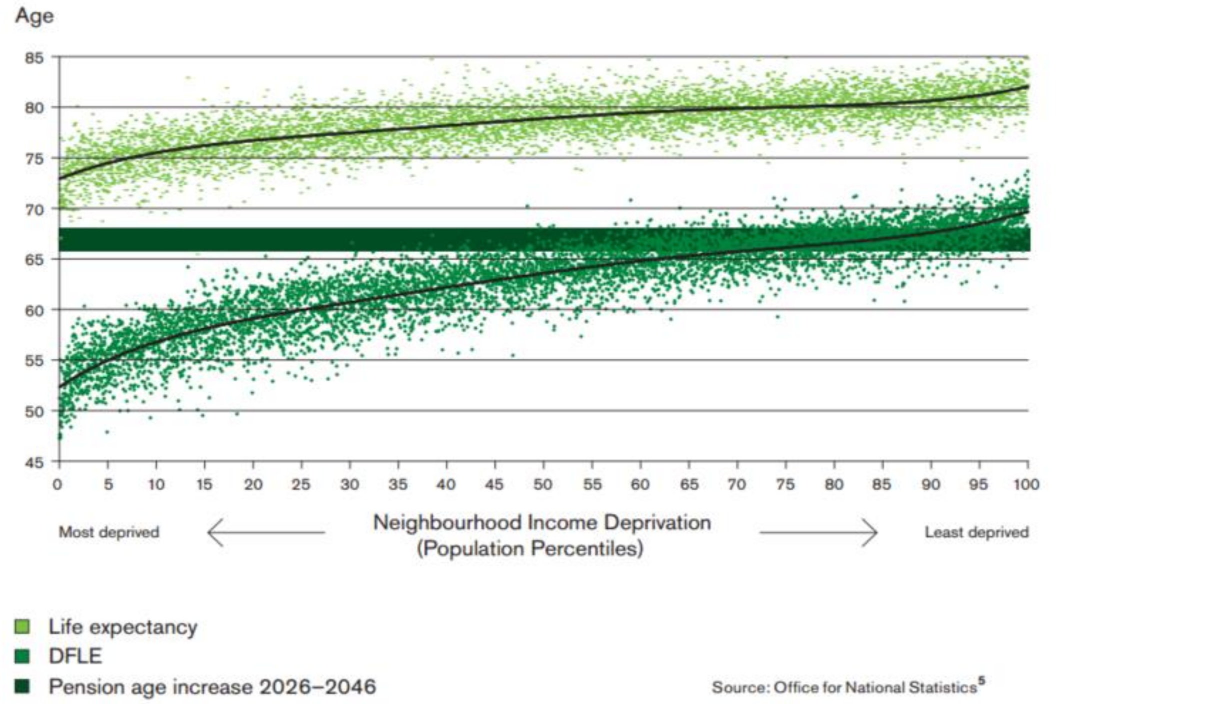


Chart source: 'Fair Society Healthy Lives' (The Marmot Review 2010)