

Response to 2017 Independent State Pension Age Review's Interim Report and Consultation

Submission by Prospect

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www.prospect.org.uk

Introduction

1. This is the submission from Prospect in response to the 2017 Independent Review of State Pension Age's Interim Report of October 2016.
2. Prospect is an independent trade union representing over 130,000 members in the public and private sectors. Our members work in a range of jobs in both the public and private sectors in a variety of different areas including in aviation, agriculture, defence, education, energy, entertainment, environment, heritage, industry, media scientific research, and telecommunications.

Prospect's position in respect of the consultation

3. As a trade union representing working people, Prospect takes a very keen interest in the rules around state pensions and when these are available. Although this is not a work related matter, we will always work to ensure that union members can get the best state pension possible as this makes up a significant proportion of retirement income.
4. Generally speaking we are not in favour of increases to State Pension age as this tends to reflect a reduction in provision for our members; coupled with a requirement to work at ever increased ages. It also places unmitigated pressures on the labour markets as older people feel compelled to work on, thereby placing increased pressure on younger generations.
5. However Prospect members are pragmatic and realistic and recognise that increased average life expectancies place an extra burden on the public purse for pension provision. Many also see the value of a systematic approach to reviewing and planning on state pension age changes so that knee-jerk changes are not required.
6. As with all aspects of pension policy, we have long called for a consistent consensual political approach to allow workers a chance to plan for their retirement with some hope that the goalposts will not be continually moved. However such an approach continues to elude us, and looks set to as political interests continue to dominate long term needs. We would advocate the establishment of a standing pensions commission, with trade union involvement, which can provide consistency and advice to governments without any one vested interest dominating the debate.

Prospect Member Survey on State Pension Issues

7. Prospect conducted a survey of members on state pension uses. 500 members responded and of this 206 were under the age of 55, and therefore more likely to be impacted by this review. In respect of this cohort, the following responses were given

Importance, Engagement and Equality – members aged under 55

- i. 93% said that state pension age was an important issue for them

- ii. Only 2% were unsure of their current state pension age
- iii. 82% believe that men's and women's state pension ages should be equalised, although one-fifth believe that the time table for achieving this should be extended.
- iv. Members were asked what they believed would be an appropriate state pension age for them. 56% said age 65, whereas 34% felt that a lower age was appropriate, with only 10% identifying with a higher age.

Working at Older ages – members aged under 55

- v. 23% believe that they could carry on in their current role up to their current state pension age, and only 15% believe that they could carry on in their current role beyond their current state pensions age
- vi. 62% believe that that they could work in another role up to their current state pension age, reducing to 35% who believe that they could work in another role beyond their current state pension age
- vii. 58% of respondents do not want to work up to their current state pension age. Of those that do want to work, the majority would envisage working either fewer hours or in a less demanding role
- viii. 82% do not want to work beyond their current state pension age. Again of those that do, the majority would wish to work fewer hours or in a less demanding role.
- ix. Where members were asked to identify barriers to working to and beyond their current state pension age, the most popular responses were:
 - 1) Decline in cognitive abilities (66%)
 - 2) Would rather be doing something else (56%)
 - 3) Too emotionally stressful (49%)
 - 4) Too physically stressful (31%)
 - 5) Caring responsibilities for a family member (28%)
 - 6) Struggling to cope with change (27%)
 - 7) Lack of flexible working options (25%)
 - 8) Lack of flexible retirement options (25%)

Only 14% of respondents believed there to be no barriers to working at these older ages.

Working at Older ages – members aged 55 and over

- x. It is useful to compare the above attitudes to older working with those held by members aged 55 and over, although it is noted that this latter group will have an earlier state pension age. 36% believe that they could carry on in their current role up to their current state pension age, and only 25% believe that they could carry on in their current role beyond their current state pensions age

- xi. 57% believe that that they could work in another role up to their current state pension age, reducing to 33% who believe that they could work in another role beyond their current state pension age
- xii. 55% of respondents do not want to work up to their current state pension age. Of those that do want to work, the majority would envisage working either fewer hours or in a less demanding role
- xiii. 81% do not want to work beyond their current state pension age. Again of those that do, the majority would wish to work fewer hours or in a less demanding role.
- xiv. Where members were asked to identify barriers to working to and beyond their current state pension age, the most popular responses were:
 - 1) Decline in cognitive abilities (51%)
 - 2) Too emotionally stressful (45%)
 - 3) Would rather be doing something else (42%)
 - 4) Too physically stressful (29%)
 - 5) Caring responsibilities for a family member (25%)
 - 6) Struggling to cope with change (25%)
 - 7) Lack of flexible working options (22%)
 - 8) Lack of flexible retirement options (22%)

18% of these respondents believed there to be no barriers to working at these older ages.

It is marked that there is very little variation between these differing age groups as to attitudes to working at older ages.

Flexibility

- xv. 90% of respondents believe that early access to state pensions should be allowed. One third believes that early pensions should be reduced, and 58% believe that no reduction should be applied if certain criteria are met. Of those identifying with this option they said that the criteria would be:
 - 1) Long record of National Insurance contributions (87%)
 - 2) Too ill to work (82%)
 - 3) Having caring responsibilities (74%)
- xvi. Members were asked if they would be happy to pay higher tax or national insurance to limit rises to the state pension age. 69% of respondents responded to say that they would be happy to do so.

8. Members were also given an opportunity to comment generally. A selection of representative comments is appended to this response.
9. We hope this feedback from working people is useful to the Reviewers in their considerations. We would be happy to discuss the results of this survey in more depth.

Response to Selected Questions Asked In Consultation

1. Is our interpretation of the policy intent for the State Pension correct?

The State Pension exists to ensure that UK citizens can have dignity and security in old age when the ability to work, and the availability of work, are diminished.

2. How successful are other international policies? Are there any other policies that we could consider? How should the UK policy on State Pension age take these examples into account?

We do not have any detailed knowledge of international policy arenas, but rather the present position in respect of these countries. Whilst it is difficult to present state pension policies in isolation (aside from spending on health, social care and private pension provision) it is noteworthy the UK is far ahead in respect of increasing pension age, but lamentably tends to lag behind fellow states in terms of how much is spent on old age pensions.

3. Considering the main drivers of State Pension expenditure, which ones are more important to the policy intent, if they were presented as a trade-off? Maintaining early access, a generous increase annually or making the full State Pension amount accessible to most people? Which of these delivers fairer outcomes?

On the basis of comments received to our survey it would appear that maintaining early access is a high priority for Prospect members.

4. Is the Pensions Commission's assessment of the proportion of GDP expenditure on pensioner benefits, over time, still valid, when considering State Pension age affordability post-2028? Is State Pension age the best tool to maintain a steady GDP proportion for pensioner benefits?

State Pension Age is a tool for controlling expenditure on state pensions. However it is not necessarily accepted that a steady GDP proportion is desirable – expenditure on benefits should involve a political decision based on the needs of the country.

5. Are there any other issues around opportunity to achieve adequacy for future generations that we need to consider? How can we best take into account wider economic impacts, for example, the likelihood of low interest rates in pension outcomes or the changes in housing costs and overall wealth distribution?

Whilst generations do not form discrete, differentiable groups it is accepted that differing age groups have different experiences in social, political and labour terms. Given the fluidity of these experiences; both as people age and in respect of the overall socio-economic picture; it intuitively feels impossible to model a typical ageing progression. However it is recognised that individuals have differing levels of pension provision in both workplace and private terms. It is important that the needs of all people are taken into account with particular focus on the impact on groups at lower ends of the distribution of the wealth and life expectancy spectrum.

8. What evidence is there to suggest “burnout” is a feature of certain professions and what are the alternatives for workers in those roles? How can FWL strategy support best the transition required, if that is the case?

It is clear from members’ survey responses that there is a great deal of concern about abilities to continue in work up to the current state pension ages. If higher State Pension Ages are to feature, it is imperative that the state finds a means to ensure training, re-skilling and dedicated support for adult education into later life.

9. To what extent can a delay in State Pension age act as a direct mechanism to enable Fuller Working Lives? What factors would increase the likelihood that people remain in gainful employment during any such delay?

See previous answer.

11. Do you think that regional factors have an impact on Life Expectancy and how? How should the Government factor in the combination of regional and socio-economic factors?

These inevitably have an impact. However it is exceptionally difficult to see how Government could factor these in, in a credible and consistent way. It may be more pertinent for resources to be spent on understanding the reasons behind these stark variations and devising policies that would reduce the variations.

13. The Pensions Commission suggested that lower Life Expectancy should be tackled through improvements to health and occupational health. Do you agree? How should we take into account the Life Expectancy and Healthy Life Expectancy information when considering State Pension age?

National Statistics need to be examined to explore the reliance on the state pension for different deciles across the socio-economic range. It would seem fair to weight life expectancies, and hence decisions around state pension age by this reliance; meaning that those that rely on the benefit are given the most significant consideration.

14. How can we best take into account the impact of caring responsibilities in later life and specifically within the decade prior to State Pension age?

It seems appropriate to allow the continuation of National Insurance Credits for such people, and to allow some flexibility in access of pension.

15. How can we best take into account the impact of poor health and disability in later life and specifically within the decade prior to State Pension age?

It is important that government policies are focussed on workers in this respect from affording strong protections in work, meaningful levels of benefit provision for those who cannot work and adequate access to adult education and retraining programmes.

16. How would any State Pension age changes affect the self-employed in the future? How can we take into account the very diverse profiles in this group?

It is difficult to envisage a rationale for affording self-employed people special treatment in respect of State Pension age.

17. Does ethnicity affect pension outcomes? Are educational outcomes improving for ethnic minority groups and how is this likely to translate into improved employment rates, earnings, and ultimately retirement income? Are there any other data or consideration that you can contribute that might be significant in our consideration of ethnic minority impacts from a change in State Pension age?

We are not aware of any differential ethnicity or race related outcomes that would be pertinent to this review.

18. What is the best way to take into account the lower pension outcomes for women in our recommendations?

Given the clear directive that pension benefits (including age) must be equalised, and that this review is focussing on state pension age; it is difficult to see what leeway could be allowed, unless a means tested system was introduced.

However, it must be noted that the speeding up of pension ages for women as brought about by the Pensions Act 2011, even with a concessionary dilution of its initial proposals in Parliament, failed to give sufficient notice of changes to state pension age. It is important that this failure is not replicated, and that affected individuals are able to achieve some further opportunity to offset the losses they experienced as a result of the unfair impacts of this Act.

19. For older workers in particular, the adequacy of income in retirement may be best considered at a household level. However, when planning future changes to the pension system, how reliable is this assessment now and how reliable will it be for future generations?

Given that recent state pension reforms have moved the system towards focussing on the individual rather than a couple or household, it seems perverse to reverse this and begin to make changes that would move us back in the opposite direction.

20. Is it appropriate for this Review to include in its considerations the entry point for all the welfare policies that are linked to State Pension age? Which ones should be excluded and why?

If further increases to State Pension age were to be proposed, it would seem fair to ensure the retention of the Pension Credit for older people who have not yet reached SPa, and who have limited sources of income, so that they can have an enhanced income.

21. How far should this Review take into account impacts on occupational scheme rules? What are the most significant challenges for those pension schemes if State Pension age is changed?

The review is correct to identify the potential impact on occupational pensions, particularly where rules specify a benefit that is based on State Pension age, notably in respect of bridging pensions. Where a change in State Pension Age results in a material change in benefit, each pension scheme must be mandated to conduct a review of the impact in conjunction with members and recognised trade unions

22. What are the alternatives to a universal State Pension age? How can they be designed and implemented so that both the principles of Affordability and Fairness are retained?

It is difficult to envisage anything other than a universal State Pension age, although it is possible to build flexibilities into the framework to allow different people to access the system in different ways.

23. What other factors and trends are increasingly relevant and will be prevalent in the future when considering an appropriate retirement age for individuals? [following section on work, caring etc]

The pitiful lack of a decent standard of national social care remains a concern for both pensioners and those of working age who face having to take on caring responsibilities.

26. How can the Government and others communicate any future changes on State Pension age? How important is stakeholder involvement in ensuring that the right messages reach the right people in good time?

For too long Government has relied on other parties to deliver messages on state pensions, with the result that many people are misinformed about state pensions. It is imperative that

DWP takes responsibility for communicating this, if needs be in conjunction with private pension schemes (through a central pensions dashboard), or with other Government Agencies such as HMRC. Messages must be direct, personalised and regular.

It is also an important principle that any changes to something as significant as State Pension age are made with suitable notice to affected parties. As well as notifying affected people, it is also imperative that any changes are made with at least 10 years of notice.

APPENDIX – Selection of Member Responses to Prospect Survey, on...

Dreams for Retirement

I would like to retire while I am still healthy enough to enjoy it.

Unfairness of income tax being charged on NI contributions and state pensions
We shouldn't be taxed on the pension that is withdrawn. It's a double edged sword paying tax all your working years, then having to pay tax again on a pension that you've paid into for many years.

Protections needed for older workers

Legislation also needs to be actively enforced to ensure employers are not discriminating against the older workforce.

There needs to be more education at all ages

State Pensions only being available to actual retirees

State Pension Age should be sixty for everyone, subject only to an individual either retiring or reducing their hours such that their income drops by the amount of it.

The value to Society of state pensions

I would like to volunteer, and not need to earn an income.

The impact of longer working on the labour market

I cannot understand why the pensionable age was increased as this delays youth from taking over, many of which are currently unemployed and a financial 'burden' on the state. Better to pay 65 year old pensioners and replace them with able bodied young people who will then no longer be a 'burden' on the state, giving youth a feeling of belonging.

Retirement also provides promotion and development opportunities for younger workers,

The impact of longer working on the state

business may see older workers as a block to promotion and recruitment. Some, but not all, prefer a certain turn over of staff to bring in fresh ideas and new methods. My biggest fear is employers engineering older staff out of the business. The money government saved on pensions, could end up going being spent on social payments as older workers find themselves unemployed or in poorly paid jobs, stuck in an interim period having been forced out of a good job, but still too young to be eligible to collect their pensions.

The struggle of working at older ages

I am a web developer, and at 35 my skills are only just keeping up with the ever changing technology/trends. I have no idea how I'll be able to cope at 68 as my memory is failing already!