

Public Service Pensioners' Council

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State Pension Age Review Team
State Pensions Division
Department for Work and Pensions
Floor 5, Section B
Caxton House
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Dear Minister,

Date 06/08/2010

PSPC RESPONSE TO CALL FOR EVIDENCE FOR STATE PENSION AGE INCREASE TO 66

About the PSPC

The Public Service Pensioners' Council (PSPC) was established almost fifty years ago with the aim of protecting the interests of retired public servants. It brings together the various organisations of retired public servants and the retired members' sections of public sector unions in order to provide a united voice to Government and the main political parties on issues of concern to public service pensioners.

This includes matters such as the state pension age, both insofar as it affects any of our members yet to reach that age and as it affects future pensioners, on whose needs we can comment with objectivity from the vantage point of retirement.

The PSPC opposes the existing programme to increase the state pension age to 66 and very much opposes the concept of accelerating that increase. We detail our reasons below in response to the questions set out in the consultation document.

Q1. What evidence concerning changes in life expectancy and the changed economic context should be taken into account when bringing forward the increase in state pension age to 66?

While life expectancy overall has increased, the gap in life expectancy between rich and poor is getting wider.

The PSPC accepts that life expectancy has increased. We believe that this fact should be celebrated. People should not have to work until they drop; they should be entitled to enjoy an honourable retirement.

The ONS figures for life expectancy in the United Kingdom show the gaps in life expectancy. Life expectancy at birth for those born in 2006-08 is highest in the South. Life expectancy for men in the Calton area of Glasgow is currently a mere 54 years. This rises to the mid seventies

General Secretary: ANDREW MORRIS

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for the rest of the city, but in some parts of London men can expect to live at least 10 years longer than this.

There are complications surrounding the increase in the state pension age to 66. In theory, people will stay in work a year longer and continue to contribute in tax and national insurance. An increase in state pension age to 66 is therefore offered as a solution to an aging population. The true position is more complex and does not necessarily represent an answer to the 'problem'. Already, 53 per cent of 64 year old men are out of the labour market. Increasing the state pension age will not automatically mean people will stay in work. It could just simply turn a generation of 65 year olds from pensioners into the unemployed. That would not solve any problem.

Employers' organisations have commented widely on the more recent proposal to phase out the default retirement age. The CBI, IoD and EEF have all argued that it will not be possible for everyone to work beyond 65 and that the removal of the default retirement age could make workforce planning more difficult for employers and reduce flexibility. Their comments add weight to the argument that many employers may continue to be reluctant to continue to employ older workers. It is, therefore, necessary to ask who the 65-year olds in work will be. The PSPC believes they are likely to be the less affluent, with inadequate private pension provision if any. It is logical that people who stay in work tend to do so for financial reasons. It is the less well off who will be hit by a change in retirement age.

Q2. What evidence should the Government consider in deciding the notice period for individuals affected by a change to the timing of the state pension age increase to 66?

The PSPC is opposed to the existing programme to increase the state pension age from 65. It should be noted, however, that the Pensions Act 1995 provided for equalisation at age 65 between men and women by 2020. This meant a 25-year run in time. The state pension age will then rise incrementally until it eventually reaches 68 in 2046 under the Pensions Act 2007.

The increase in the pension age from 65 to 66 for both men and women was due to start in 2024. Bringing this date forward will clearly affect people in their mid 50s, many of whom will have made well-advanced plans for retirement. Considerably more notice should be given than is currently planned for this further increase.

Q3. What evidence should the Government consider to ensure no group is disproportionately impacted by the level of state pension age and any change to the timing of the state pension age increase to 66?

The PSPC believes that raising the state pension age will have disproportionate consequences on some groups. The life expectancy figures show that women live longer than men. The coalition document says the state pension age will not rise to 66 sooner than 2016 for men and 2020 for women. If the male state pension age goes up first, as has been suggested, it will indeed represent a disproportionate effect on men.

Manual workers tend to die younger than white collar groups. As men are more likely to be manual workers, it would signify that a change in state pension age will unfairly affect men because they will work for a greater proportion of their lives. Manual workers are also more likely to be unemployed or looking for work, possibly resulting in a higher proportion of men spending the last year of their working life claiming Job Seekers Allowance. The more affluent, with pension provision to allow them to retire earlier, are less likely to be affected.

PSPC Recommendations

As legislation has already been passed to facilitate the increase from 65 to 66 from 2024 the PSPC recommends that that time scale for implementation is honoured.

Pensions Minister Steve Webb MP, in his call for evidence forwarding comments, states that “bringing the state pension up to a decent level needs to be paid for”. It is likely the poorest will be the ones paying for it. More of a negative effect will be felt by individuals who have to reorganise their retirement plans, than a positive outcome that ensures the fiscal implications of increased longevity are more sustainable. Steve Webb has also stated that “we need a simpler and fairer state pension” and one that is “worth getting” when reaching retirement age. The PSPC agrees that better state pension provision is essential but affordable and until such improvements are made, an increase in the state pension age to 66 should not be considered.

Changing the state retirement age to 66 from 2016 for men, as was suggested in the Conservative manifesto, only gives six years notice. The call for evidence document states that the timetable to equalise the state pension age at 65 for men and women, with 15 years notice, was not based on any empirical evidence. People do make their retirement plans years in advance, therefore the PSPC believes it is imperative to give those approaching retirement at least 15 years notice of any change.

A reduction in the timescale proposed does not allow for proper consideration of the issue of older people working longer. Evidence would suggest that older workers can still make a valuable contribution, however not enough examination of the type of suitable jobs or working hours for older people has been done. Increasing the state retirement age is part of a wider issue relating to the rate of unemployment, the availability of work and the knock on effect to state benefits. It is fair to ask if the rights of younger people to find work will be affected by older people staying in the labour market longer. If older people are to spend longer in the labour market, the PSPC suggest that some research into the type of jobs designed to attract older workers is carried out and the question of the wider employment issue is addressed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Morris', with a stylized flourish at the end.

ANDREW MORRIS
General Secretary