Unite response to the Second State Pension age review:
independent report call for evidence – 25th April 2022

This response is submitted by Unite the Union, the UK and Ireland's largest trade union representing over 1 million members across all sectors of the economy including transport, manufacturing, financial services, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our Union.

Unite has not and does not support increases in the state pension age or normal minimum pension age. We do support longer working lives, and labour market policies to promote opportunities for older workers, but believe that the State Pension should be there to support those whose circumstances do not allow them to continue working.

Previous Government Reviews have interpreted the Terms of Reference as being to consider what changes in state pension age and normal minimum age would be appropriate after the state pension age has risen to age 67 in 2028.

Application of the 'one third' policy

The Government has based the application of the 'one third' policy on the principle that on average a person reaching state pension age should not be expected to receive their state pension for more than a third of their adult life. The calculation of this has been based on the arithmetic mean average. Life expectancy does not vary randomly. There is a wealth of statistics indicating how it varies by occupational classification, region and social class.

Broadly speaking the ONS data suggests the difference in life expectancy (LE) at birth between the least and most deprived areas in England, as measured by the Slope Index of Inequality (SII), was 9.4 years for males and 7.6 years for females.

The SII in healthy life expectancy (HLE) at birth was 19.0 years for males and 19.3 years for females, amounting to almost two decades less of life in good general health among those living in the most deprived areas of England compared with the least.

Please also note health state life expectancy data currently goes up to 2019, which means coronavirus (COVID-19) deaths are not included. The inclusion of COVID-19 on these statistics was meant to be available by March 2022 but at the time of writing this still wasn't available. We will have to wait for the latest picture but there is every chance that the SII would have deteriorated further.

In general, variations in life expectancy mean that this 'one third' policy has a regressive effect as those in advantaged social groups will be very likely to have more than a third of their adult life in receipt of their state pension while those in disadvantaged social groups will be very likely to have less than a third of their adult life in receipt of their state pension.

As the Pensions Policy Institute has previously pointed out, the arithmetic median life expectancy is significantly below the arithmetic mean life expectancy. What this means is that there are more people whose life expectancy is below the Government's mean average than there are people above it.

The PPI calculated that if the median average had been used, the point where 50% of people are above and 50% below the figure, then state pension age on the 'one-third' formula would have suggested that 2034 was the date when state pension age should rise to 67, and not 2028 as legislated for.

Another fundamental problem with the current policy is that life expectancy is uncertain and projections are subject to change. This suggests that the policy, if applied, should leave a significant margin for error.

Life expectancy gap shows need for state pension 'rethink'

The Office for National Statistics (ONS) has showed a 19-year healthy life expectancy gap between the UK's most and least deprived areas.

Raising the state pension age would push people nearing retirement into poverty, with ONS figures showing that people in the most disadvantaged areas had an average healthy life expectancy of 52.3 years.

This falls short of the current state pension age, with the problems presented by this being emphasised by the TUC, which added that its research had found that 534,876 workers aged 60 to 65 have had to leave the workplace due to medical reasons.

Everybody should be able to look forward to a decent retirement. But the gap in healthy life expectancy between rich and poorer areas remains huge, and in the case of women is widening.

The Government must rethink its plans to raise the state pension age and minimum pension age. This risks making inequalities worse and is pushing more people into poverty. It makes no sense to make people who are forced out of the labour market due to ill health to wait longer for their pension.

As well as the sizeable gap in healthy life expectancy, the ONS figures showed that the difference in overall life expectancy at birth between the least and most deprived areas of England was 9.4 years for men and 7.6 years for women.

AJ Bell analysis noted that the data pointed to "a widening life expectancy gap between rich and poor" as people living in the least deprived areas of the country had seen a significant increase in life expectancy since 2014, while no significant changes were observed in the most deprived areas.

AJ Bell senior analyst, Tom Selby, said: "Perhaps the most striking example of this inequality can be found on the steps of parliament. There is a near 10-year chasm between the average life expectancy of a male born in Westminster, one of the wealthiest parts of the country, and Blackpool, one of the most deprived regions in the North West of England."

He said the social policy challenges presented by the figures "should be front-and-centre" of political debate.

Selby continued: "The current flat-rate state pension system and universal retirement age has the benefit of simplicity, but it also means those with the lowest life expectancies – who tend to live in the poorest areas – will, on average, receive the least.

Plans to raise the state pension age further should be shelved because we are not living as long as previously expected

Current plans would see the age at which people are eligible for the state pension go up to 67 by 2028, and then eventually to 68.

Consultant LCP says life expectancy has stalled and no changes should be made for 30 years. Men and women are now entitled to claim the state pension from 66 - an age which had increased steadily until October last year.

Under government plans state pension age would rise to 67 this decade, and 68 as early as 2039.

This is based on calculations that ensure no-one spends more than one third of their adult life in retirement. However, since those plans were drawn up, official estimates of longevity have been scaled back, even before the effect of the Covid pandemic.

As a result, LCP argues that the move to 67 should not come until 2051, and the rise to 68 not before the mid-2060s. Such an initial move would benefit 20 million people born in the 1960s, 1970s or early 1980s, but cost the Treasury an estimated £200bn.

Steve Webb, partner at LCP and a former pensions minister, said: "The government's plans for rapid increases in state pension age have been blown out of the water by this new analysis. Even before the pandemic hit, the improvements in life expectancy which we had seen over the last century had almost ground to a halt, but the schedule for state pension age increases has not caught up with this new world."

He said the government's plans should be revisited as "a matter of urgency" and there was "no case" for another state pension age increase so soon.

Pensions experts have called for a rethink in the way state pension ages are calculated. Baroness Ros Altmann, also a former pensions minister, said the current system helped the healthy and wealthy, but not those likely to die early.

"At the moment, the state pension only has flexibility for those who are healthy and wealthy enough to wait longer. If they start their pension later they can receive a higher amount. But those in poor health with no private provision, cannot get any money sooner, even at a reduced rate," she said.

Becky O'Connor, head of pensions and savings at Interactive Investor, said: "The idea of a long, enjoyable retirement seems set to be consigned to the history books. Many will have spent much of their working life expecting to retire at 65. They have been disappointed before and look set to be disappointed again. It is no wonder today's younger workers have little faith in the state pension being there for them at all when they stop work, with many thinking they will end up working forever."

The need for flexibility

Research indicates that over a half of those people age 60-64 who are currently not working are not in that position through choice and a third of them are long-term sick and disabled. We have many members in a range of occupations whose capability to continue working into their 60s in those occupations is severely compromised.

It is often blithely suggested that people could do other jobs but this takes little account of the evident difficulty, given their age and fitness, to obtain employment and the impact on their sense of self-value of being forced to make such a transition.

Survey data reports that as many as one third of people aged 60-64 report a disability and almost a sixth have caring responsibilities. Clearly the difficulties experienced by all these people will be intensified if the retirement age continues to be pushed up.

As the state pension age is being increased, the stronger is the case for greater flexibility to be introduced to mitigate the effect on disadvantaged groups.

However, it needs to be recognised that trying to deal with particular groups will always be a flawed approach as within any group identified, whether advantaged or disadvantaged, the circumstances of people within the group will vary. There is no average person. The best policy is to limit the increase in the state pension age and normal minimum pension age rather than using flexibility as an excuse for accelerating the increase.

A number of different flexibilities around the state pension age and minimum pension age have been suggested. We would urge that further work be done to develop some of these with a view to their being implemented as soon as is practicable.

Flexibilities which should be progressed include:

- Allowing payment of an unreduced state pension where a person has 45 years of NI contributions.
- Allowing early access on a means-tested basis, perhaps by de-linking Pension Credit qualifying age from state pension age.
- Allowing early access to people with disabilities and with caring responsibilities.

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