

## **State Pension Age (SPA) threshold to rise to 68**

We perhaps ought not to be surprised by proposals to increase the age at which people become eligible for state pension in the future. Arguably it's more of a surprise that it will have shifted so little by the time it is due to be implemented between 2037 and 2039, almost a century since the publication of the Beveridge Report in 1942.

In spite of recent reports that the increase in life expectancy is beginning to stall, there is surely no doubt that there have been vast improvements in the health and well-being of retired people since the immediate post war years and that today's sixty something year olds bear little resemblance to their predecessors. It might not seem unreasonable, therefore, that there should be a delay in being labelled as an 'old age pensioner'. Shouldn't a more positive approach to ageing encompass the belief that people are 'written off' as old far too early?

There are of course questions to be asked. The motivation for the proposal is likely to be the £74 billion saving that will accrue as a result of the early implementation of the increase. The cost to the public purse of the state pension is never far away as an issue; always seen as a burden grudgingly to be borne, it provokes headlines about the 'demographic time bomb' and suggestions about the country not being able to afford supporting so many older people - forgetting of course that older people have contributed throughout their lives, and continue to do so, as taxpayers and consumers. According to the Royal Voluntary Service's *Gold Age Pensioners* report, 2011, older people make an annual net contribution of £40 billion to the UK economy (i.e., net of the costs of pension, welfare and health support) and by 2030 this is forecast to rise to an estimated £77 billion. Rather than being concerned about the so called state pension 'bill', we should perhaps be drawing more attention to the fact that the UK state pension is one of the lowest in Europe.

An increase in the SPA will of course create a financial pressure for many people to carry on working and hence there will be significant implications for the labour market. First, recruitment and retention practices will need to be fit for purpose to enable work opportunities to be available. Secondly, employers will need to adopt new approaches that maximise the value of an older workforce; this could involve creating new roles that draw on experience and expertise.

There are questions about the increased risk of ill health or lack of capacity that may prevent people from working for longer. There are also question

about extending the length of time that people will have worked throughout their lives. These questions of course can be posed whether the SPA is 68 or 65. How does the risk that faced manual workers approaching 65 in past decades compare with the risk their counterparts will face in twenty years time as they approach 68? And will the pensioners of 2037 have worked any longer when they reach SPA than many of today's pensioners who started work at age 16 or in some cases 14? Whatever the SPA there should be a clear recognition within the benefits system of the needs of those people who are unable to work but just short of the qualifying age to claim their state pension. As the NPC suggests, five years seems a reasonable period.

The main concern about the pension age announcement is the way in which it has been reported. The media again have seized on the opportunity to create inter-generational tension. The message has been that while current pensioners were able to retire at 65 (earlier for many women), today's younger people are once again being 'short changed'. Moreover, it has been reported that while pensioners have seen an increase in their income, younger people have experienced a fall in income in real terms. In general, the implication is that older people are very comfortably off at the expense of the younger generation.

The facts tell a different story. Most pensioners are on low incomes in spite of the triple lock and other benefits. Government figures for 2015/16 (Pensioner Income Series) show that their average weekly income is £296. Although the state pension has more recently seen year on year increases, two and a half percent of a low figure is still a low figure, and it bears repetition that the UK state pension is one of the lowest in Europe. It also bears repetition that older people are net contributors to the economy, not a drain on its resources. Furthermore they have contributed all their lives through taxation and national insurance contributions to the public purse from which their benefits are paid.

The narrative that the burden is being carried by the younger generation who are now going to suffer as a result of the proposed SPA increase is highly misleading and divisive. Age is an issue for us all. It is to be hoped that older people in the future will benefit from changing social attitudes and a more positive view of ageing. The 68 year olds of 2037 may wonder what all the fuss was about.