

# Working later, waiting longer

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The impact of rising State Pension age  
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# About Age UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life. The Age UK network includes over 150 local Age UKs, reaching most of England. Each year we provide information and advice to around 5.9 million people through web-based and written materials, and individual enquires by telephone, letter, email and local face-to-face sessions. We work closely with Age Cymru, Age NI and Age Scotland.

## About this report

Age UK believes that all current and future pensioners should have enough money from state and private sources to live comfortably and participate fully in society. For many, the State Pension remains the biggest source of income in retirement so the age at which they can receive their State Pension is very important. The Government is considering whether to introduce further increases to State Pension age and as part of Age UK's contribution to the review we have been talking to people about their views on increasing State Pension age.

We are extremely grateful to the people who agreed to be interviewed for this report, to the local Age UKs and other organisations who helped us gather information, and to Camilla Williamson who carried out the interviews.

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## Foreword



**Caroline Abrahams**  
Charity Director, Age UK

After decades when women could receive their State Pension at the age of 60 and men at 65, State Pension age is rising. Many women in their early 60s are already affected by legislation agreed some time back, and from November 2018, State Pension age will start to rise beyond 65 for both women and men.

These changes have come about as a result of the very positive news that, on average, we are living longer. But not all of us will have a long and healthy retirement and policy needs to be driven by the impact on individuals as well as the figures in Office for National Statistics (ONS) tables of projected life expectancies. In recognition of this, the Government asked John Cridland to lead a review looking at the wider factors and his interim report was published on 13 October 2016. Age UK will be responding to this. However, in the meantime we have published this paper which looks at the impact of rising State Pension age from the perspective of some of the individuals who will be heavily reliant on their State Pension in retirement and who are therefore likely to be particularly adversely affected by waiting longer to receive their pension.

A handwritten signature in black ink that reads "Caroline Abrahams". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Caroline Abrahams,  
Charity Director, Age UK

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# Summary

Many people who have worked in low-paid jobs and have spent time out of the labour market due to caring responsibilities or health issues are heavily reliant on their State Pension in retirement. For example, 45 per cent of pensioner couples and 71 per cent of single pensioners receive at least half their income from State Pensions and benefits.

To explore the impact of rising State Pension age we commissioned eight in-depth interviews with people in their 50s and early 60s who were in routine jobs or whose ability to work has been affected by their caring responsibilities, health or unemployment/underemployment and who are expecting to rely on their State Pension for all or most of their retirement income. We have also drawn on the experiences of the many people who have contacted Age UK about their State Pension and State Pension age.

Some of the people we spoke to in routine jobs told us these were physically demanding and, as they were already concerned about their health, they worried about how they were going to be able to work to an increased State Pension age. The quality of someone's job also seems to be a key factor in enabling longer working lives. As well as concerns about their ability to work longer, people worried about the loss of years of retirement, when they had been looking forward to having some time to do the things they enjoyed.

Carers provide a vital role in our society supporting older and disabled people, providing billions of pounds worth of care a year and enhancing the lives of those they care for. However, being a carer may not only affect someone's ability to work and earn, it can also have a major impact on their future retirement prospects.

Some of those we spoke to who were not in work were not only missing out on opportunities to build up further savings for retirement but had also started to draw on modest private pensions in order to get by until they reach State Pension age. While there are advantages from greater flexibility in how people can use their pension assets, there is a danger that early access to pensions or using equity in a home before State Pension age will leave people with too little to live on later on in retirement.

The people we spoke to contrasted their precarious position with others who had good health, jobs they enjoyed and decent private pensions. They thought there should be more flexibility around when people receive their State Pension, taking into account people's health and the contributions they have made throughout their lives.

Age UK believes that there should be better support and more opportunities to enable people in their 50s and 60s to continue in employment. However, not everyone is able to work up until the rising State Pension age and the Government needs to consider options to protect disadvantaged groups. Our interviews also highlight the continuing need to ensure people have much better information about State Pensions and State Pension age.

# 01 Background

State Pension age is rising and further changes are on the way. However there are variations in life expectancy and Age UK wants to ensure that the views and voices of individuals inform decisions.

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# Future increases to State Pension age

State Pension age was 60 for women and 65 for men from the 1940s until 2010, when women's State Pension age began to be 'equalised' to bring it up to the same age as men's.

Under current legislation State Pension age for both men and women will be:

- 65 from November 2018,
- 66 from October 2020,
- 67 from March 2028 and
- 68 from April 2046.

However, the increase to 68 may be brought forward following a Government review which is due to report by May 2017. In 2013 the Government announced that its principle for future rises is that 'people should spend, on average, up to one third of their adult life drawing a State Pension', with adult life starting at age 20.<sup>1</sup> The Government's decision will be informed by a report from the Government Actuary's Department and an independent review led by John Cridland.

## The Cridland Review Interim Report

This consultation paper was published on the 13 October 2016.<sup>2</sup> The report looks at the three pillars of affordability, fairness and fuller working lives. It sets out a range of information, including the different factors that influence life expectancy, and also considers the impact of changing State Pension age for groups that are most reliant on their State Pension. These include carers, people with poor health or disability, the self-employed, women and ethnic minorities. The report outlines possible ways to support longer working and to protect vulnerable groups if State Pension age rises, as well as emphasising the importance of communicating changes. John Cridland will produce his final report and recommendations in 2017.

## Life expectancy and inequality

While life expectancy is increasing, not all sections of the population are benefiting to the same extent. Life expectancy and the number of years people can expect to live in good health vary by characteristics such as gender, ethnicity, social class, and where people live.<sup>3</sup> While the focus of this paper is on people rather than numbers, the box overleaf includes some examples of the way that life expectancy can vary for different groups.



**Life expectancy** and the number of years people can expect to live in good health vary by characteristics such as **gender, ethnicity, social class, and where people live.**

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Different aspects of disadvantage are often linked. As a result, lower income groups are more likely to have worse health, more physically demanding jobs and more limited opportunities to build up private pension provision. As a consequence they are more reliant on their State Pension in retirement than better-off groups, but on average have fewer years of life, and fewer in good health, after reaching State Pension age.

### Understanding the people behind the statistics

This report aims to provide insights into what the State Pension and State Pension age mean for some people, particularly those in more disadvantaged groups. To explore this we commissioned eight in-depth interviews with people in their 50s and early 60s who are in routine jobs or whose ability to work has been affected by their caring responsibilities, health or unemployment/underemployment. These interviewees are referred to by their first name in this report (some of which have been changed at their request). The report also draws on the experiences of people who have contacted Age UK about their State Pension. There is more information about the interviews in the Appendix.

## Key facts

Life expectancy varies by characteristics including socio-economic group:<sup>4</sup>

- Men aged 65, in England and Wales, in the highest socio-economic group, **could expect to live around 20.3 additional years** in 2007–11, compared to **16.4 years for men in the lowest group.**
- For women, **life expectancy at 65 was 22.5 years** for those in the highest group, and **19.4 in the lowest group.**

Healthy life expectancy also varies:<sup>5</sup>

- In 2012–14 in England, men in Dorset who had reached the age of 65 could expect **13.6 years in good health**, while for those living in the **London borough of Newham the number was just 5.4 years.**
- For women aged 65, Richmond upon Thames was the local authority with the **highest healthy life expectancy at 16 years**, while **Tower Hamlets had the lowest at six years.**

(The figures in this box are based on 'period' life expectancy which means they are based on expectations at that time and do not take into account projected changes.)



## **02 Views on the State Pension, retirement, and working longer**

We talked to people about what the State Pension means to them and how they would be affected by increases in State Pension age.

## Key facts<sup>6</sup>



**45% of pensioner couples and 71% of single pensioners** receive at least half their income from State Pensions and benefits.



Among newly retired people, **38% of couples, and 59% of single people** receive at least half their income from State Pensions and benefits.



The **poorest fifth of single pensioners** receive **86%** of their income from State Pensions and benefits while for **the richest fifth they make up 29%** of income.

### **‘Everything about the future depends on the State Pension’**

Nearly all of those we interviewed started work at the age of 15 or 16, but their opportunities to save throughout their lives have been limited, and for most the State Pension will be their main or only income. When we asked what the State Pension means to them, people told us it would enable them to stop working and ‘survive’ in retirement. As Bob said, ‘Everything about the future depends on the State Pension’ while Susan said simply ‘Freedom. That’s what it means to me’.

In addition to worries about the rising State Pension age, people we spoke to were concerned about the amount of State Pension they will receive, fearing it wouldn’t be enough to make ends meet in retirement. This left them feeling they might never be able to stop working, which, as Julie said, made her feel ‘Devastated... trapped basically. And a bit scared’.

### **‘You just can’t physically do what you’re supposed to be doing’**

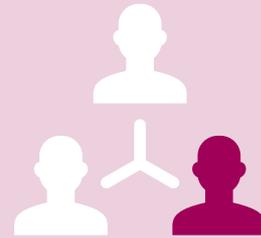
As the State Pension is so central to being able to stop working for our interviewees, the delay in receiving it will mean that they have no choice but to try to carry on working if they can. However this presents challenges. People described the physical difficulties of staying in their current role, the demands their job places on them, and concerns about how they would manage if their health gets worse.

Mike, a 55 year old self-employed carpenter, already has trouble with his back and doesn’t think he will be able to carry on with his work on the building site saying ‘the job would be too heavy for me, it’d be too much... too dangerous’ and that ‘you just can’t physically do what you’re supposed to be doing’. Julie, aged 55, was also concerned how she could manage until State Pension age as her job involves lifting and moving and being out in all kinds of weather. Sometimes she is in pain and she can feel herself tiring more. A 61 year old woman who contacted Age UK told us how difficult it was for her and her husband as they had based their plans on her receiving her pension at 60. She said ‘I am a cleaner and this is very tiring work and I wasn’t expecting to have to still be working at this age’.



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## Key facts



### **Around a third of people**

who are economically inactive in the five years before State Pension age and previously had manual occupations say **sickness or disability is their reason for not being in work.** This compares with 16 per cent of those who were previously managers and 6 per cent of people who had been in professional occupations.<sup>7</sup>

Nearly **440,000 people in the UK** who are within five years of State Pension age are **too ill or disabled to work.**<sup>7</sup>



**Over a million people aged 50+ in Great Britain receive Employment and Support Allowance (ESA),** a benefit for people who are unable to work due to illness or disability.<sup>8</sup>

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Both the ESA claimants we interviewed hoped to be able to work at some point but were concerned about whether they would be able to do so. Pete, aged 51 (see below) who has severe pain after years of working in very physically hard jobs, said he wanted to work again but it was difficult to know what he could do as sitting or standing for any time was difficult. He told us he is worried about what his health will be like at 55, let alone 67. Another example comes from a woman who contacted Age UK about the rise in women's State Pension age. She has health problems and has been unable to find work, despite studying to improve her skills and moving to an area where there are more job opportunities. For the last few years she has been living on Jobseeker's Allowance (JSA), ESA or support from family and she told us she felt physically and emotionally drained.

### **Pete 51, ESA claimant**

Pete was medically retired early from his job as a warehouse manager due to severe work-related back problems. Since this time, Pete has had a couple of non-manual jobs but with his back worsening and having had further surgery he has not been able to work at all for some time.

Pete receives a small occupational pension from the company he was working for at the time of his forced retirement. He also receives ESA, though he has recently been turned down for Personal Independence Payment (PIP). He was widowed two years ago, owns his own house and was able to pay off the mortgage with the lump sum he received from his company as compensation for having to retire.

Pete started working at 16 in manual and very physically demanding roles which were undoubtedly a major contributor to the back problems he has today. These included a job involving heavy carrying in a workplace where there was little regard to health and safety. Pete's back pain is often severe and varies from day to day meaning, at present, that it is impossible for him to hold down a steady job. However he says he doesn't want to be sitting at home, he would much prefer to be in active employment and living more comfortably.

Between the different payments Pete receives he is able to manage financially at the moment, though things are 'pretty tight' and he is very concerned about his health deteriorating in the next few years and what this might mean for him financially. He feels he may be forced to sell his house in the future to pay for care and support. When Pete receives it, the State Pension will be significant in helping him to survive and the thought of having to wait for another 16 years or more causes him anxiety and anger, as he does not know if his health will deteriorate in the future.

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### **‘The jobs they do... can’t be like ours’**

Some people recognised that aside from the immediate financial benefits of working longer, there could be positive aspects such as the social interaction and opportunities to increase retirement saving and they acknowledged that jobs can be enjoyable and fulfilling. Whilst David (see box) described the thought of working much longer in his current role as ‘soul destroying’, he told us he had previously had a job he loved. This had been in an area of work that he was trained in and which drew on his skills, with opportunities to develop – something that would usually be classed as a ‘good job’. Sadly he was made redundant from this role, but had this not happened he would not be concerned about working longer. Pete, who at 51 currently receives ESA, also felt that the type of work people are doing is important – saying that while some might agree with a rise in State Pension age they are probably in ‘jobs they love’.

Attitudes to working longer depend to a degree on how positive people feel about their work, and whether they feel health-wise they will be able to continue in their job. Linda said working longer is okay if you’re healthy, but asked ‘what if you’re not?’ She sees people in her local area who are in their late 70s and are carrying on volunteering, but says that many people have manual jobs and don’t have the physical health to carry on like this. Julie, aged 55, also noted that much depends on the type of job people did. She said ‘There are lots of people my age and they’re still working’ but that ‘the jobs they do... can’t be like ours’.

### **‘There’s still a lot of ageism out there’**

As well as not necessarily having the skills and experience, age was seen by some as a barrier to getting back into employment or moving to a job that was more suitable or less physically demanding. This view reinforces other evidence showing that age can be a disadvantage, notwithstanding age discrimination legislation.

For example, one man said ‘when you hit 50 it’s like [employers] don’t want to know you ’cos you’re too old’. Linda, who has severe depression and anxiety and currently receives ESA, hopes at some point to be well enough to work but was concerned about whether this will be possible, saying ‘a lot of people my age, they don’t take you on. There’s still a lot of ageism out there’. David, whose situation is described below, also feels age plays a big part in him not being able to find a new position.

#### **David 57, part-time sales assistant looking for alternative work**

David has been working since he was 15. He is currently employed in a part-time sales role and was, for a number of years until recently, providing care to his mother.

He continues to live in the flat that belonged to his mother. In order to help him pay the bills for the property in which he now lives alone, David decided to cash in his occupational pension as his salary from his part-time work would not cover the costs. When David receives the State Pension at 66 it will be his main source of income.

He is concerned about having to work longer as a result of State Pension age changes. While he used to have a job he loved, he finds his current one very routine with no prospects. He described his job as boring and mundane, as well as physically demanding, and this is of concern as he has serious back problems and has previously had surgery. His doctor recently told him that there was no way he could carry on doing this role for another ten years.

He has been looking for additional or alternative full-time work for a number of years now. He told us he had applied for ‘at least 1,000 jobs’ in the last few years without success and feels age is a critical factor.

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### **‘Maybe enjoy life a little bit’**

People were not concerned just about their ability to work until a higher State Pension age but about the impact on their life beyond work. People fear not having much time to do the things they want to do because of the delay in the State Pension age. As one man said, ‘It just takes away your dreams really, what you’ve worked for all these years’. They were also concerned that by the time they finally get their State Pension, their health may be so bad that this will physically affect what they can do, especially when they are already struggling in their mid-fifties. The changes made some feel that the Government just wanted people to ‘work till you drop’. One interviewee said ‘a lot of people who work in our environment, they either have strokes or heart attacks when they retire and die. They don’t even get a lot of their pension’.

There was a strong feeling that people should have an opportunity to enjoy a period of retirement which they have earned through many years of work and paying contributions. One woman felt the Government should ‘try to maximise everybody’s chances of actually having a retirement’. People talked about wanting to slow down, enjoy life, have ‘time for myself’, spend time with family and friends, help with caring for grandchildren, volunteer, pursue their interests and as Julie (see overleaf) says ‘maybe enjoy life a little bit’.



*Pete, who at 51 currently receives ESA, also felt that the type of work people are doing is important – saying that while some might agree with a rise in State Pension age they are probably in ‘jobs they love’.*



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### **Julie 55, full-time employee**

Julie started working at 16 but has had a number of breaks in her career due to caring responsibilities, both for children and relatives who've needed support. She has also experienced some years of unemployment during her career. She lives in a rented housing association flat.

Over the years, Julie has managed to save some money through pension schemes from various jobs and she also has a small private pension she started contributing to some time ago. However, she doesn't think these will bring in much and is sure that the State Pension will be her main source of income in retirement. She isn't sure exactly how much money she will be entitled to from the State Pension when she does receive it and whether she will have gaps due to her caring responsibilities.

Julie worries about her physical ability to work up to and beyond 65 in her current job as it is quite strenuous and she finds herself less able to do the things that she could do a few years ago. On the other hand, she and other colleagues are concerned that there may be redundancies, and that if this happened she may be unable to find another job. She also worries that the rise in the State Pension age will mean she won't have good enough health to enjoy any of her retirement and do the things she's always wanted to when she finally gets there.

In talking about retirement she said she wanted to slow down, have some time for herself and do the things she really wants to do. She said she would like to 'make friends again... and maybe enjoy life a little bit'. Julie also says she'd like to be able to help her daughter more by caring for her grandchildren. With these things in mind, Julie feels the State Pension age should be set so that you are 'allowed to enjoy your health'. She added, 'I don't want to live till 90 you know. But I'd like to have at least five, six or seven years where I'm, you know, just enjoying retirement 'cos it does go so quickly'.

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## Over 50 years of contributions – ‘isn’t that long enough?’

Individual responses to rises in State Pension age from those we interviewed varied from anger to fear and depression, and nearly everybody felt ‘it wasn’t right’. As well as concerns about carrying on working, and loss of years of retirement, there was a strong feeling that they had earned their pension. As Mike, (see box below) who by the time he reaches State Pension age will have worked and paid National Insurance Contributions for over 50 years, asked, ‘isn’t that long enough?’. He said ‘If you’ve paid into something for that long, obviously, you’d expect something out of it, wouldn’t you?’ Others spoke of having choice removed from them.

### Mike 55, self-employed carpenter

Mike works as a self-employed carpenter. He lives in a house which he and his wife own. Mike started work at 15, one month before his 16th birthday. He’s worked consistently ever since. When he reaches his State Pension age, which is now 67, he will have made over 50 years of National Insurance Contributions.

Despite having various different pensions from jobs he’s had in the past he says that these, along with some money he has in an ISA, will not provide enough for him to live on and that the State Pension will be his main source of income in retirement.

However, Mike doesn’t think he will be able to carry on with his current job until age 67 as he already has trouble with his back and other problems. He thinks he may have to change jobs and could end up stacking shelves or something like that, but that it might be hard to get a new job.

Mike is concerned that he, and others like him, could be forced to ask for help from the State to survive until they reach State Pension age, which he feels is wrong after contributing for so many years. Mike also feels strongly about the impact that the rise in the State Pension age will have on his future plans and worries that he won’t be well enough to enjoy his retirement. He and his wife are wondering if there is another way they can support themselves until they receive their State Pension, such as selling the house and ‘downsizing’ so they could use the money released. However, he said he would have to weigh up the risk of using resources now or waiting until later, when it might be too late to enjoy retirement.

## 03 The impact of caring

Many people approaching State Pension age have caring responsibilities and over time this may affect even more of us.

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## Key facts<sup>6</sup>



**24% of women and 17% of men** aged 50–64 provide **unpaid care** for a family member or friend.<sup>9</sup>

As little as **five hours caring per week** has a significant effect on your prospects of **staying in work**.<sup>10</sup>

In 2009–10 an estimated **315,000 unpaid carers aged 16–64** in England had **left employment** to provide care.<sup>11</sup>

**284,000** carers aged 50–64 in Great Britain receive **Carer's Allowance**.<sup>12</sup>

Carers fulfil a vital role in our society by supporting older and disabled people, providing billions of pounds worth of care a year and enhancing the lives of those for whom they care.

However, this can have a major impact on people's employment and their opportunities to build up state and private pensions. For example, people may:

- Have difficulties balancing care and work.
- Spend a number of years on low levels of carer benefits.
- Find that the time they spend caring has an impact on their own future opportunities and retirement income.

Two of our interviewees were currently caring for their mother and two others had also provided care for adult relatives in the past. Sarah's story (see overleaf) demonstrates the difficulties of trying to combine work and care. She would like to be doing more to help her mother but at the moment she is not in a financial position to stop working.

The rising State Pension age also affects people's ability to spend time with grandchildren and to assist with childcare to enable their parents to work. Susan said she would like to 'go down the school and pick them up and do all that sort of thing... so that it frees them up to work... [but] you can't do that cos you're at work'.

*One 56 year old woman told us she works four days a week in a low paid job, spent nine years caring for her parents until they died last year, looks after her teenage child, and cares for her grandchildren on her day off.*



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### **Sarah 53, part-time employee and carer**

Sarah cares for her mother who has Alzheimer's disease. She works part-time in an administrative role for a large company. She and her husband own their house but are currently living with her father-in-law, along with their two children, so that they can rent their property out to help meet the mortgage payments.

Sarah has provided unpaid care for her mother for four years and the amount of time she spends caring for her has increased a lot recently. She or her husband usually travels back and forth to her mother's house a few times a day. Luckily, Sarah's employer has been understanding about her caring responsibilities and she is able to work flexi-time which helps.

In addition to the care that Sarah provides, her mother also pays for some care but this is expensive and both Sarah and her mother would prefer Sarah to be providing the support. Sarah has a small private pension but she is thinking of cashing this in to help with other financial pressures in the near future. Her mother is likely to need increasing care in the next few years and Sarah is not sure what she'll be able to do about this as she expects the State Pension to be her main source of income in retirement, and says she will not be able to retire until she receives it. She worries that the rises in State Pension age will 'cut the options down'.

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While some men are also carers it is often women who end up juggling different responsibilities. One 56 year old woman told us she works four days a week in a low paid job, spent nine years caring for her parents until they died last year, looks after her teenage child, and cares for her grandchildren on her day off. Not surprisingly, she described herself as ‘over-tired and over-worked’ and as she will rely on her State Pension in retirement she worries how she will manage until State Pension age – ten years away.

Carers who are not employed or who have limited earnings may be entitled to claim Carer’s Allowance, but at just £62.10 a week it is lower than benefits such as Jobseeker’s Allowance and ESA. To receive the allowance people need to be providing care for at least 35 hours a week, although often in reality people spend many more hours caring. While not intended as a ‘payment’ for caring as such, it is notable that Carer’s Allowance is equivalent to less than nine hours payment at the standard rate of the minimum wage.

Caring can also affect future prospects. Bob has been a full-time carer for the last eight years. While credits for caring protect his State Pension, during this period he has lost the opportunity to work and build up further savings for retirement and instead has started to draw his small occupational pension to supplement his Carer’s Allowance, which he says is ‘not enough’. As for the future, he tries not to think about it but he does not know what his situation will be if anything happens to his mother. He is not sure if he will be able to continue to live in their two bedroomed flat and, even if he can, whether he would be able to afford the rent.

Another example of the longer term consequences of caring came from a much older woman who contacted Age UK about the impact that the rise in State Pension age from 60 to 66 will have on her daughter who ‘gave up everything to care for me with much lower income’. The daughter’s ‘hard working’ husband has had to accept a zero hours contract and, despite an injury, is too scared to take time off to see the doctor in case he loses the job. The woman said that her daughter, who also has health problems, had not planned to give up work when she did but had ‘looked forward to being able to take things a bit easier, now they live in fear of being unable to pay the rent’.

### **Bob 62, full-time carer**

Bob cares for his mother who is 87. He’s been a full-time carer for about eight years, before which he was unemployed and looking for work for a short time after having lost his job. He started work when he was 16. Bob and his mother live in a council-rented flat. Bob gets Carer’s Allowance which, together with a small occupational pension which he started receiving last year, is his main source of income. He still feels ‘it’s going to be quite a struggle’ before he gets to State Pension age. He has had limited opportunities to put money aside and save in his working life, meaning that he will be mainly reliant on the State Pension.

He feels that he would be too old to go back to work should anything happen to his mother and he is uncertain what his position will be then in terms of income and the flat. He tries not to worry about things like that, or his future health, until they happen, saying he would just have to manage ‘whatever they throw at me’.

## **04 The impact on other resources**

Rising State Pension age can also mean that people draw on resources built up and have to wait longer in order to receive other support linked to State Pension age.

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# The impact on future retirement income and assets

While most people we interviewed had built up some private provision they were not expecting it to be very much and some were already drawing their private pension, or planning to cash it in to 'tide them over' until State Pension age.

People reaching State Pension age in the future who have at least 35 years of contributions will generally receive the new State Pension of £155.65 a week. However, this on its own is only just over the standard level of means-tested Pension Credit and, to achieve the kind of retirement income to which most people aspire, they will need additional private provision.

People who are not able to work due to caring, illness or unemployment, may be entitled to 'working age' benefits. However, levels can be low (for example Carer's Allowance is just £62.10 a week) and support is often means-tested which means that those who have savings can be forced to draw on them. The longer people have to wait for their State Pension, the more they may use up modest resources that would otherwise supplement their State Pension and help cushion them against future unexpected costs.

As examples of how caring can have an impact on future income, Bob has started to draw his occupational pension as his Carer's Allowance is not enough to make ends meet, while David, who is working part-time after a number of years of being a carer, decided to cash in his occupational pension. He said this money, together with his salary, will help him survive until he receives his State Pension. The other carer we spoke to, Sarah, who currently works part-time is only 53 but is also thinking about cashing in her private pension when she is able to. She is not expecting it to be

very much but it may help her and her husband cope with the financial pressures that they will face if she works less in order to spend more time caring.

Pete, who receives ESA, was medically retired from work early due to severe work-related back problems and is very grateful that he receives an occupational pension, although he says things are 'pretty tight'. At 51 he will have to wait at least another 16 years for his State Pension. By that time his occupational pension is likely to be worth less in real terms, and someone in his situation misses out on years of being able to build up extra retirement savings.

People may also need to draw on other savings, including the capital in their home, as demonstrated by the example below.

One woman who contacted Age UK to express her anger at State Pension age rises told us that **she had given up her job because it was too demanding and her health was suffering**, but she could not find another one in the area. After 50 years of work her husband was not able to retire at 65 as they needed the money, and they had re-mortgaged the house and were using up their savings. **She described their future as 'bleak' saying she and her husband should be spending time together rather than worrying about bills.**

Letter to Age UK



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Linda and her husband (see box below) are both out of work and receiving ESA and had to sell their home as they could not manage the mortgage and bills. They now receive Housing Benefit and Council Tax Support.

### **Linda 57, claiming ESA**

Linda receives ESA as she is unable to work due to severe depression and anxiety. She has been off work now for 12 months, prior to which she was a sales clerk at a local cinema. She lives with her husband in a rented bungalow. He is 63 and also on ESA because of a heart condition. They were forced to sell the house they owned two years ago when they could no longer pay the mortgage or insurance as neither of them were able to work, but they received no money from the sale as her husband was made bankrupt. They rely on benefit income and are struggling financially, and have had to use food banks a few times recently.

Linda has worked since she was 16 in administrative jobs. She's suffered from depression for the last 20 years and has had periods of being out of work because of this throughout her career. Linda says she doesn't know if she will be able to return to work but, if she can, she is concerned about her ability to find another job.

She will be reliant on the State Pension and under the current rules will have to wait until she is 66 to receive it. She finds it hard to talk about the State Pension age changes and feels the Government just want to make you 'work till you drop'. She is also worried about how much the State Pension will pay when she does receive it and whether this will actually be enough to live on.

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Being able to access pensions and other savings before State Pension age, including through the 2015 ‘freedom and choice’ pension changes, provides people with flexibility about their retirement. However, if people in their 50s and early 60s feel forced to start drawing on their retirement savings in order to survive until a rising State Pension age then this reduces resources available for later on in retirement.

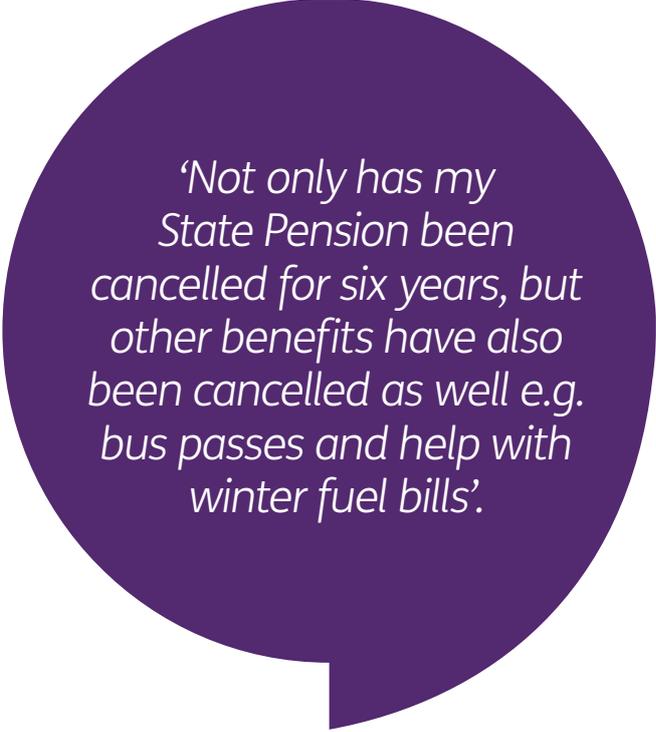
One particular area of concern is for those who, like Linda and her husband, may have to sell their home or use up equity at a relatively early age. Paying rent in retirement is likely to result in higher living costs and/or an increased reliance on means-tested benefits. And if people use equity from their home before State Pension age this limits their options later on, for example, the ability to ‘downsize’ or take out a lifetime mortgage to provide a lump sum or additional income.

### **‘Other benefits have also been cancelled’**

The rise in State Pension age also affects a range of other support and benefits, such as Pension Credit, which are currently linked to the age at which women can draw their State Pension. The focus of the debate about equalisation has understandably been on women having to wait longer for their State Pension but this also affects the age at which people can receive pensioner means-tested benefits.

Support for older people on low incomes from Pension Credit and other benefits is not lavish but it is generally higher than the level of means-tested support for younger people. And those below women’s State Pension age do not receive certain other benefits that are highly valued by many older people such as the Winter Fuel Payment. As one woman who wrote to Age UK said ‘Not only has my State Pension been cancelled for six years, but other benefits have also been cancelled as well e.g. bus passes and help with winter fuel bills’.

The rise in Pension Credit age affects unemployed men and women equally. People over this age are entitled to a higher level of financial support than those on Jobseeker’s Allowance, and they do not have to meet work-related requirements that are part of the employment-support system. So the current equalisation of State Pension ages is effectively leaving more unemployed women and men in their early 60s to engage with Jobcentre Plus, where previously this would have been unnecessary. The additional strain placed on Jobcentre Plus and the ability of Work Coaches (who have the role of helping people into work) to provide adequate support to the over 60s are both causes for concern.



*‘Not only has my State Pension been cancelled for six years, but other benefits have also been cancelled as well e.g. bus passes and help with winter fuel bills’.*

## **05 Knowledge and engagement**

Although there has recently been publicity about rising State Pension age people are not necessarily aware of their own future position.

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## ‘Leaving people in the dark’

The people we spoke to seemed to know little about State Pension age increases or about their State Pension in general. Some mentioned receiving a letter, whilst others had not received anything.

While most had heard about the changes at least in the news or from friends, one woman had not read or heard anything and a man who is not online and rarely buys newspapers knew very little. He felt the Government is ‘leaving people in the dark’ and that a simple letter through the door about the State Pension and the changes would be helpful to him. Even when people knew their State Pension age was increasing, they didn’t necessarily know their exact State Pension age and most didn’t know how much they would receive. People felt that they should receive more information.

Some of the people we interviewed will reach State Pension age before 2028 so should not be affected by the current review. However, their views and experiences are important both in terms of understanding the impact of the legislation already agreed and in considering how younger people in similar circumstances could be affected. People who will reach State Pension age after 2028 may not currently be taking a great interest in pensions especially if they are struggling to get by day to day. For example, one man we approached about a possible longer interview was aged 50 and receiving JSA and had not had a full time job for four years. His wife had major health problems and was not working either. We asked about his views on pensions and State Pension age, but while he was worried about the future this was not something he wanted to discuss. He was preoccupied with immediate concerns: trying to find work, coping with the benefits system, and his wife’s health.

Susan, 61 (see box below), will be entitled to her State Pension at age 66 and is one of the many women affected by equalisation. She was not aware of the original changes and, as she had spent most of her working life expecting to receive her pension at age 60, she feels it is wrong that she will have to work until 66, saying she has been ‘stripped of my choice’ and ‘basically lied to’.

### **Susan 61, full-time employee**

Susan works in a call centre. She has been working since she was 15. She lives in a house that she owns but says she will have to sell it when she retires as she will not be able to afford the mortgage payments. The State Pension will be her only source of income in retirement, unless she carries on doing some work part-time, as her circumstances have never allowed her to put money aside or pay into a private pension.

Susan’s State Pension age is now 66 and she feels strongly that this is too late and it was wrong that this was changed from 60. She feels the Government has taken away her choice about the future.

Susan worries particularly about her physical ability to carry on until 66 as she has arthritis and is becoming more tired. Until recently she had a job that was quite physically demanding, involving lifting and carrying heavy objects. She found this hard but tried to hide the fact she was struggling from her employer. Susan is now working in a call centre which she is pleased about as it is not physically demanding like her last job, though she still worries about how she will carry on until 66. She also worries that working until 66 will mean she cannot do the things she was planning to do in her retirement; for example, she is concerned that by the time she reaches State Pension age she may not be fit enough to help look after her grandchildren.

## **06 Policy implications**

This chapter picks out some themes and highlights implications for policy based on the views and experiences of individuals. Age UK will be looking at policy recommendations in more detail when we respond to the State Pension age review.

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# Drawing conclusions from individual experiences

We carried out only a small number of interviews and this study was not intended to be representative. Instead, our intention was to explore in more depth some of the views and feelings around the types of concerns that are expressed by people contacting Age UK about rising State Pension age.

We know there are people who, while not welcoming having to wait longer to receive their State Pension, will not be unduly troubled by it. And for many people there are positive aspects to carrying on working such as the social contact and job satisfaction. However, we also know that there are many people who, like those we interviewed, will rely heavily on their State Pension to get by in retirement and will find it difficult or impossible to keep working. While those in their 50s and 60s are sometimes considered a ‘lucky generation’ in terms of financial resources and pensions, this is by no means the case for everyone.

For example:

- Among people aged 55–64 in Great Britain over a third (37 per cent) of women and around a fifth (19 per cent) of men have no private pension savings.<sup>13</sup>
- Just under a quarter (24 per cent) of people aged 55–64 in England are tenants and nearly three in ten (28 per cent) are homeowners but still have a mortgage.<sup>14</sup>
- 24 per cent of women and 17 per cent of men aged 50–64 provide unpaid care for a family member or friend.<sup>15</sup>
- Over a million people aged 50+ in Great Britain receive ESA because they are unable to work due to illness or disability.<sup>16</sup>

From our contact with people concerned about rising State Pension age it seems likely that many people in these categories – a substantial number in total – would express similar views and concerns to the people we interviewed.



While those in their **50s and 60s** are **sometimes considered a ‘lucky generation’** in terms of financial resources and pensions, **this is by no means the case for everyone.**

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## Different life circumstances and lack of choice

Many of the stories of the people we talked to reflected a lack of choice in how they had lived their lives. People's health, the type of jobs they have, difficulties in finding or changing employment, and the need to provide care to a family member, dictated their circumstances. These factors had affected their ability to save for retirement – hence their reliance on the State Pension in the future, which made rises in State Pension age a big concern.

One theme that came up regularly was how the situation was different for 'other people'. So waiting longer for your State Pension might be alright if you are healthy, in a job you enjoy and if you have built up private retirement income but their sense was that those advocating changes did not take into account, or necessarily understand, the position of those who are not so fortunate. As David said about State Pension age increases, 'The people who are making the decisions are in a private pension. They're not making decisions for people who don't have means to access private pensions'. It is views like these that led people to conclude that there should be a more personalised approach.

## 'Not everyone's the same' – messages for the Government

The clear message from those we interviewed was that the Government should take a more flexible and individualised approach to State Pension age, taking into account health and people's ability to carry on working as well as caring responsibilities. As Mike said, 'Not everyone's the same'. He felt the process of claims should look at people individually and that it was not right to expect people with serious health problems or disabilities to wait for their State Pension until their late 60s. Similarly, David said 'I think at the end of the day you've just got to... take into account individual health'. Others emphasised the need to recognise the years of contributions already made and the idea that everyone should have some time to enjoy their retirement.



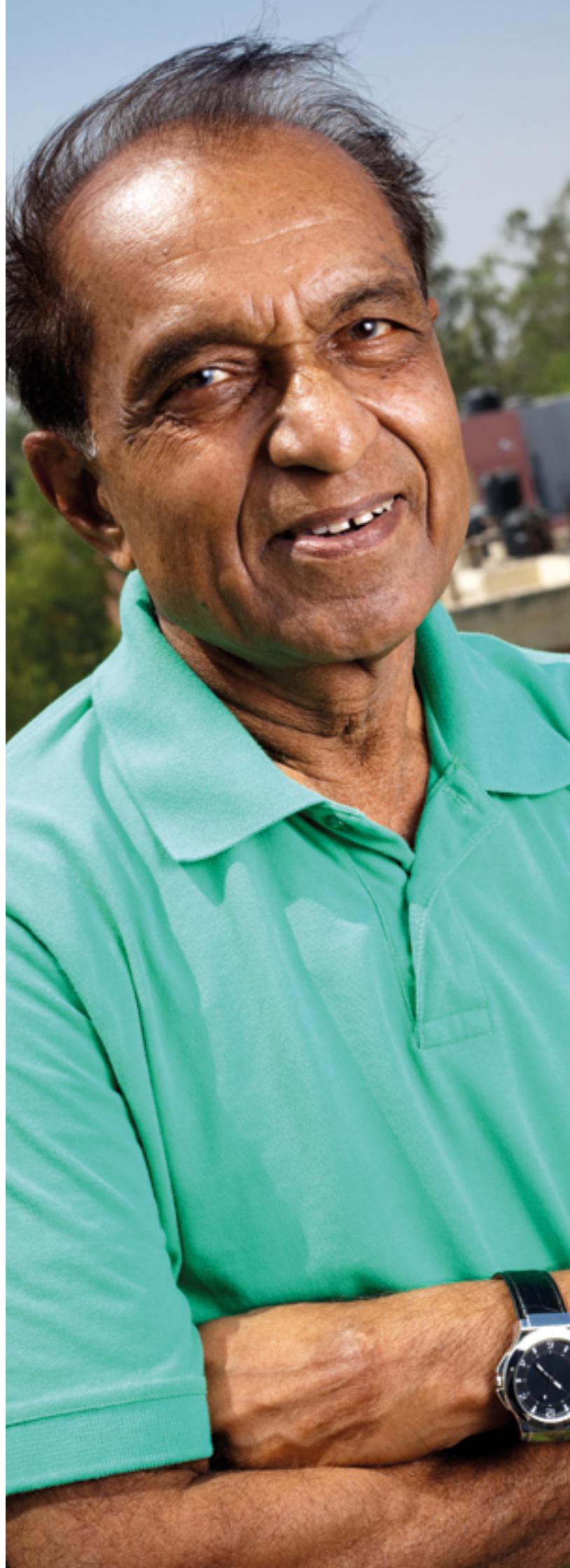
*'The people who are making the decisions are in a private pension. They're not making decisions for people who don't have means to access private pensions.'*

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While any of us may be unlucky and not enjoy a long retirement in good health, some groups are at particular risk. The implications of a one-size-fits-all policy can be seen by considering the Government's principle of spending up to a third of adult life receiving the State Pension. We could, for example, look not just at years before and after State Pension age, but time working compared to time in retirement. To illustrate this, we can use two hypothetical men reaching State Pension age now whose lives are described in the box. Alan went on to higher education, started work later, retired earlier because he has a good private income and has a longer life expectancy than Brian. He ends up working for 40 years and drawing his State Pension for 20, half that time. On the other hand Brian, who started work at a younger age, and worked for 50 years, can expect to receive his State Pension for 16.4 years, just a third of the time he has spent working.

Alan had a gap year travelling, and then studied for a degree and higher degree, starting work at age 23 and working until the age of 63, when he started to draw his good occupational pension – a total of 40 years of work. He is in the highest socio-economic group so, based on the figures for England and Wales, he can expect to live another 20.3 years at age 65.<sup>17</sup>

Brian started work at 15 (school leaving age rose to 16 in 1973). He has worked all his life, although in low-paid work, and then part-time for the last few years due to health problems. He has worked for 50 years by the time he can receive his State Pension at 65 but, as he is in the lowest socio-economic group his life expectancy is just 16.4 years, and his health is already limiting what he can do.



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## Enabling longer working, but supporting those who cannot

The purpose of this report is to look at the impact of rising State Pension age for a number of individuals in different circumstances. We have concluded that some way of mitigating the impact on individuals is essential, but this report does not focus on specific policy solutions.

However, it is already obvious that whatever happens to State Pension age, much more needs to be done to enable people with health problems to remain in employment, help unemployed people in their 50s and early 60s return to work, and support carers who want to combine work and care. There also needs to be suitable alternative job opportunities for people working in difficult or physical jobs. However, it is not realistic to expect that everyone will be able to work until an increasing State Pension age. For those who cannot work there needs to be a system of State Pension and benefits that ensures an adequate income.

To explore approaches to protecting disadvantaged groups we commissioned the Pensions Policy Institute to look at the pros and cons of a number of different policy options including, where available, the impact in terms of costs and numbers who could benefit.<sup>18</sup> The options they considered were:

- Allowing people with more than 45 years of NI contributions to receive their State Pension earlier without reduction.
- Paying Pension Credit before State Pension age.
- Allowing early access to a reduced State Pension.
- Allowing disabled people or those with caring responsibilities to receive their State Pension early without reduction.

There may be other possible reforms, or variations on the ones above, but this analysis shows that there are a number of ways in which the impact of increasing State Pension age could be lessened for those most adversely affected.



More needs to be done to **enable people with health problems to remain in employment** and help unemployed people in their 50s and early 60s return to work.

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## **Pension levels**

As highlighted by the people we interviewed, the level of support received from the State Pension is of vital importance as well as the age it is paid. The new State Pension, while overall not a more generous system than the one in place before April 2016, should provide better support for some disadvantaged groups such as low paid workers and those who have had time out for caring responsibilities. However, there will still be some people who will not be entitled to the full amount and future policy around uprating and whether the 'triple lock' is maintained will affect the level.

Retirement income also depends on private provision. Automatic enrolment is resulting in more employees building up a private pension, but around half of people in the UK aged 16 to 64 are not eligible for automatic enrolment because they are not working, or self-employed, or in employment but not eligible mainly due to low earnings.<sup>19</sup> The Pensions Policy Institute have looked at the position of groups they describe as 'under-pensioned' (women, ethnic minorities, disabled people, carers, and the self-employed) and concluded that while differences in State Pension levels are reducing, low levels of private provision are likely to continue for many within these groups.<sup>20</sup>

## **Communication, information and guidance**

Despite recent national media coverage and political debate highlighting the impact of earlier State Pension age changes, the people we interviewed had limited knowledge about their own position. There needs to be a renewed effort to look at ways of ensuring people really are aware of when they will receive their State Pension and how much it will be, along with information and guidance about other aspects of financial planning. Otherwise, there is a risk that future cohorts, like many women affected by the equalisation of men and women's pension ages, will discover too late in the day that their State Pension age is higher than they expected.

It is also worrying if people have to draw on retirement resources to tide them over until State Pension age at the expense of their resources later on. While people may feel that they have no alternative it is important that they are able to explore their options and are made aware of the far-reaching implications of accessing their pension savings early. We believe measures to increase take-up of the Pension Wise guidance service are required to help people do this.

## **Issues around earlier State Pension age changes still remain**

The May 2017 review is intended to look at changes from 2028 onwards. However, there are continuing concerns about the impact of previous legislation. These have been highlighted by the Women Against State Pension Inequality (WASPI) campaign and are echoed by some of the experiences of the people we interviewed, as well as by the feedback we continue to receive. We believe the Government needs to be cautious about further rises in State Pension age and that it should look again at ways to address issues for those affected by the increases already planned who are not in a position to work until their current State Pension age.

# Appendix

## The people featuring in the report

Age UK commissioned independent consultant Camilla Williamson to carry out eight telephone interviews with people in their 50s and early 60s who were either unemployed and looking for work, employed in a low-paid or manual job, a carer, or claiming ESA.

The interviewees, half of whom were men and half women, were aged 51 to 62. Six described themselves as British or White British, one mixed race and the other did not give their ethnicity. The eight case studies are briefly summarised in boxes in the report and comments and quotes are also included. The interviewees are referred to in the report by their first names which, in some cases, have been changed at their request. (Please note all the photographs in this report are models – not the people we interviewed).

Participants were identified through a range of contacts, including local Age UKs, other charities, trade unions and another research project. In addition to the eight interviews the report draws on some of the people who have contacted Age UK about their State Pension age to ask for information and/or to express concern at the policy because of concerns about its impact on them.

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