



### **When Should the State Pension Age Increase to 66 ?**

**This evidence is submitted by Unite, the UK's largest trade union with almost 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.**

**Our members work in many different occupations ranging from manual jobs imposing considerable physical demands and involving stressful working conditions to those non-manual jobs involving less physical demands and better working conditions, but which can still be mentally stressful. Recognition of this diversity is important in any policy issue of the sort being consulted on.**

**Unite is strongly opposed to any increase in the State Pension Age beyond 65. It opposed the rise timetabled by the previous government and it therefore opposes any acceleration in the timetable, as the new Government is considering.**

## **The Unite case for not increasing state pension age**

1. While longer life expectancy is substantially increasing the cost of state pensions, Unite does not accept that this necessarily makes the present situation untenable, that raising the state pension age is the only solution to any problems that that rising cost poses, or that an increase in State Pension Age is required to pay for the restoration of the earnings link.
2. The UK State Pension is a lot lower than in many other European countries, where the state has set out to provide a lot more than the foundation which the UK pension has only ever purported to provide. Nor is the change in the dependency ratio as great in the UK as in many other countries. So the financial challenge from an ageing population is, relatively speaking, a great deal less.
3. The UK has a Basic State Pension below the poverty level, which is very much on a par with means-tested benefits rather than offering the basis for a comfortable retirement. It can, nonetheless, facilitate a route out of employment for older workers that avoids them being caught up in means-testing. It provides a valued safety net for those who find themselves incapable of continuing in their occupation or who have lost their jobs and whose chances of re-employment or a new occupation are very limited. For these people raising the state pension age will not extend their time in the labour market as much as it will make their 'pension' means-tested.
4. The government, like its predecessor, is seeking to restrict debate about the state pension by seeking to focus all attention on the benefits paid out without consideration of the NI contributions coming in. Projections of NI income based on modest growth in real earnings, i.e. standards of living, are at present more than sufficient to cover the rising costs of benefits

5. The latest quinquennial report of the NI Fund shows that it is continuing to build up surplus funds and is expected to do so until 2050. This result is calculated after allowing for the restoration of the earnings link and with account for the rise in state pension age legislated for by the last Government (but not the CPI change which will reduce expenditures)

6. What is evident is that both this and the last government views NI as a more general tax and do not relate the state of the NI Fund to its case for making changes in state pensions or any other NI benefits. This results in the public being misled as to what is affordable and what is unaffordable and their readiness to entertain ideas of inter-generational solidarity breaks down.

7. Even if the approach remains that action is needed to offset rising state pension costs, an increase in state pension age is only one way of offsetting that rising cost; another equally valid way would be to increase National Insurance.

8. What is missing from the consultation is any clear idea of the saving from raising the state pension age both gross and net of other benefit savings or of the impact on the savings of the timing of implementation. Nor is there any indication of what increase in NI would be needed to offset the cost if those savings were not made.

9. Raising the state pension age is an inherently unpopular policy, even with those who can see it is a logical response to cost pressures from longer life expectancy. Why is there no debate or choice on the other logical choice i.e. the question as to whether a rise in NI might be a preferable solution?

10. The aspiration for a decent period of retirement in good health after a lifetime of work should be a reasonable aspiration for all sections of the workforce. An increase in that period is a natural effect of rising living standards.

11. Latest statistics on the period of retirement in good health after retirement at state pension age indicate it averages only 10-11 years, for the UK. Mortality data suggests that in the most disadvantaged areas life expectancy at 65 is three years less than the national average. If that differential is read across to the prospective period of retirement in good health then the case for their being reasonable scope for raising state pension age is highly questionable.

12. The Basic State Pension is by its nature highly redistributive in that contributions are proportional to pay up the NI ceiling but benefits are flat-rate. This sets it apart from all other types of pension and explains why it is so important for the lower paid.

13. This redistributive effect is reduced insofar as life expectancy is quite strongly related to income in retirement i.e. the less well off pay lower contributions but they are likely to draw the benefit for a shorter period. Increases in the State Pension Age intensify this effect.

14. The state pension age also affects the age at which State Second Pension (S2P) can be drawn. S2P, and its predecessor SERPS have traditionally been the second pension of those employees not fortunate enough to benefit from a defined benefit occupational scheme. It is most unfair to raise state pension age and so diminish the 'accrued rights' of its generally less well pensioned beneficiaries when such a move would be illegal for members of occupational schemes.

15. A long period of notice was given of the increase in the female state pension age so as to equalise it at 65 for both sexes and likewise the rise in state pensions age legislated for by the last Government has a long notice period. We believe that any further change should have a similarly long notice period to ease member's transition.

16. It would be wrong to over-write the increase in the female state pension age currently being phased in with a new over-riding increase, as it appears the Government has accepted. However it would also be wrong, and legally questionable, to create new inequality by widening the gap between men and women, as would result from a higher male age being implemented prior to 2020.

## Conclusion

An increase in State Pension Age to age 66 and beyond

- is unjustified on cost grounds as NI Revenues comfortably cover rising expenditure
- is unpopular with workers who see their natural retirement aspirations compromised
- and is unfair to those on lower incomes with lower life expectancy whose position will be affected most by this regressive move.

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