

# When the State Pension age will increase to 66

Equality impact assessment

January 2011

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# 1. Introduction

- 1.1. On 3 November 2011, the Government published its proposals for bringing forward the increase in the State Pension age to 66, in “*A sustainable State Pension: When the State Pension age will increase to 66*” (the White Paper).<sup>1</sup>
- 1.2. The Government proposes to increase the State Pension age to 66 for both men and women by April 2020, bringing forward the date from which it was due to reach 66 under legislation passed in 2007 by six years. At present, women’s State Pension age, which is gradually being increased to bring it into line with men’s, is not due to reach 65 until April 2020. To make the proposed change without increasing the gap in State Pension age between men and women, women’s State Pension age will first be increased to 65 more quickly between April 2016 (when it will be 63) and November 2018.<sup>2</sup> The increase to 66 will then be phased in between December 2018 and April 2020.
- 1.3. As a result of these changes, women born from 6 April 1953 to 5 April 1960 and men born from 6 December 1953 to 5 April 1960 will have a higher State Pension age than if no change to the current timetable was made.
- 1.4. These proposals are included in the Pensions Bill which was introduced into Parliament on 12 January 2011. The progress of the Bill can be followed on the Parliamentary website.<sup>3</sup> The Bill and supporting documents, including impact assessments of the main measures in the Bill, were published on 13 January and can be viewed on the DWP website<sup>4</sup>.
- 1.5. This assessment reproduces the Equality Impact Assessment published on 13 January as part of the overall impact assessment of the costs and benefits of the proposed change. The only changes that have been made are those needed to enable it to be read independently of the main impact assessment.

## Why bring the increase to 66 forward?

- 1.6. The current timetable for increasing the State Pension age from 65 to 68 between 2024 and 2046 was designed to reflect projected increases in average life expectancy. The decision to raise the State Pension age, taken by the previous Government, followed broad acceptance within and outside Parliament of the reality that rising longevity can no longer be ignored if the State Pension is to be both affordable in the long-term, and provide a decent foundation income in retirement.

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<sup>1</sup> Cm 7956. The White Paper can be found at [www.dwp.gov.uk/spa-66-review](http://www.dwp.gov.uk/spa-66-review)

<sup>2</sup> European Union Directive 79/7 requires Member States to implement equal treatment between men and women in social security matters. The current timetable for equalising the state pension age was set by the Pensions Act 1995. Any change to that timetable that either increased the existing gap between men and women or delayed the point at which the pension ages became equal is likely to breach the terms of the Directive.

<sup>3</sup> <http://services.parliament.uk/bills/2010-11/pensionshl.html>

<sup>4</sup> <http://www.dwp.gov.uk/policy/pensions-reform/> .

- 1.7. Since that timetable was set in 2007, the projections it was based on have been revised, adding a year and a half to the time people can, on average, expect to spend drawing their State Pension. Without corrective action, this will result in increased spending on the State Pension. While restoring stability in the public finances both in the immediate and longer term is a clear priority, this Government is also committed to reversing the historical decline in the value of the basic State Pension. Accordingly, the Government has guaranteed that it will be increased by the highest of the increase in average earnings or prices or 2.5 per cent, from April 2011.
- 1.8. Bringing forward the timing of the increase to 66 is a necessary adjustment to the current timetable to ensure we continue to share the extra cost of rising longevity fairly between those contributing to and those receiving the State Pension.
- 1.9. A more detailed account of the background and context for the proposed change is at Chapter One of the White Paper.

## **Scope of this assessment**

- 1.10. The Equality Act 2010 simplifies and strengthens the existing framework of anti-discrimination legislation. Under the Act, from April 2011 a new public sector equality duty will take effect, replacing the three current public sector duties covering race, disability and gender equality with a new duty providing protection against discrimination on the grounds of race, disability, gender, age, gender reassignment, sexual orientation, pregnancy and maternity, and religion and belief (the protected characteristics).
- 1.11. This assessment looks at the available evidence to determine the extent to which the effect of the proposed change differs between persons sharing a protected characteristic and persons who do not. In particular, it looks at:
  - the impact on the time a person may receive their State Pension;
  - the effect on a person's income in retirement; and
  - the likelihood of a person being able to adjust to the new State Pension age (for example, by working longer).
- 1.12. As a matter of good practice, the Department for Work and Pensions (DWP) aims to assess the impacts of its policy changes against the extended duties ahead of the legislative requirement coming into force, as far as this is possible. The assessment does not however look at sexual orientation or religion and belief, as we have insufficient evidence on which to base conclusions. Nor does it look at pregnancy and maternity as the proposed change is unlikely to affect anyone in that protected group.<sup>5</sup>

## **Evidence base**

- 1.13. This assessment is largely based on Office for National Statistics (ONS) data on life expectancy, evidence drawn from survey data, and DWP modelling.

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<sup>5</sup> Protection under the Equality Act applies to women who are pregnant or on maternity leave; or, if not in employment, for the period of six months after the birth.

1.14. As part of the Call for Evidence published on 24 June 2010,<sup>6</sup> we asked:

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

1.15. This question was included to help ensure we considered as wide a range of evidence as possible in the Equality Impact Assessment. Many of the responses drew attention to evidence of differences in life expectancy and healthy life expectancy between different socio-economic groups. This issue is addressed in Chapter 2 of the White Paper.

1.16. Specific issues raised in relation to equality impacts included:

- the potential risk of treating men less favourably than women, if men's state pension age was increased to 66 earlier than women's;
- different patterns of labour market attachment at older ages between men and women;
- the potential for differential impacts on disabled people and people from certain ethnic minorities, who may be less likely to be able to work up to a higher State Pension age.

1.17. However, as acknowledged by the Equalities and Human Rights Commission, there is a lack of data available in some of the protected areas. This restricts the extent to which we are able to predict the impact of the proposed rise in State Pension age. This is particularly the case in relation to data on life expectancy – clearly important in analysing the impact of the proposed change – where the only protected characteristic for which projections are published is gender.

## 2. Gender impact

### Impact on time in receipt of the state pension

2.1. As explained in the opening paragraph, under the current timetable, before April 2020 women can start receiving their State Pension at a younger age than men. The proposed change brings forward the point at which men's and women's State Pension ages are due to be equalised at 65, from April 2020 to December 2018. This means that all men and women born on or after 6 December 1953 will have the same State Pension age.

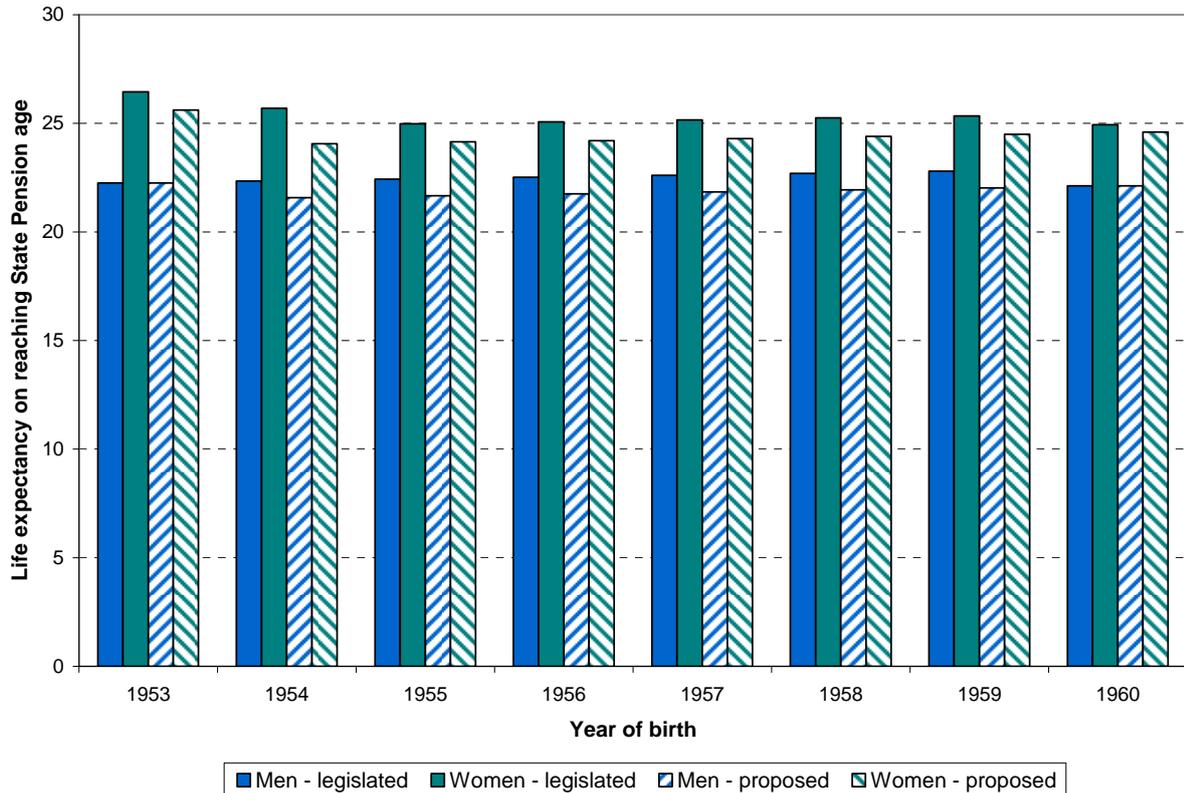
2.2. Bringing forward the timetable for equalisation, followed by the further rise to 66 between December 2018 and April 2020, means that while the increase in State Pension age would never exceed a year for men, some women would have their State Pension age increased by more than a year compared to the legislated

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<sup>6</sup> The call for evidence ran from 24 June to 6 August: the published document can be found at [www.dwp.gov.uk/spa-66-review](http://www.dwp.gov.uk/spa-66-review)

timetable. We estimate that around 300,000 women in Great Britain born between 6 December 1953 and 5 October 1954 will have their State Pension age increased by 18 months or longer: in the most extreme case, women born between 6 March and 5 April 1954 would have an increase of two years. However, because women tend to live longer than men, the proposed change will still mean women will be able to draw their State Pension for longer than men, on average.

**Figure 1:** Average life expectancy at legislated and proposed State Pension age



Source: ONS 2008-based principal projections; UK average mean cohort measure  
See Appendix for data table.

## Impact on lifetime pension income

2.3. This difference in life expectancy means that the proposed increase in State Pension age has a slightly different impact on total lifetime pension income for men and women, depending on their income level and whether they work up to their new State Pension age. To help understand this, we have modelled the impact using hypothetical examples of single individual male and female high, median and low earners. The summary results are shown in the Appendix (Table 2). For the purposes of the model, we have assumed that:

- the high and median earners have worked and saved into a private Defined Contribution scheme<sup>7</sup> from age 25;
- if they work on to their new State Pension age, they continue to add to their private pension pot and annuitise it on reaching that age;

<sup>7</sup> The modelling assumes a full career and saving 8 per cent of earnings in a non-contracted out DC scheme throughout. Under a DC scheme, the pension is determined by the contributions made and any return earned on the accumulated contributions, and by the expected length of retirement.

- the low earners have no private saving, and build up insufficient State Pension to exceed the threshold for Pension Credit;<sup>8</sup>
- all income groups will experience the projected average life expectancy for men and women at their respective State Pension ages.

- 2.4. Note that this analysis focuses on illustrating the impact on income in retirement. So, while as explained below, it indicates a reduction in post-retirement income, it does not take account of gains in working-life income through earnings (or working-age benefits) received in the period up to the new State Pension age that will either wholly or partially replace the income a person would have received from their private and / or state pensions.
- 2.5. Based on this model, men born between 1955 and 1959 would generally lose a slightly higher proportion of their lifetime pension income as a result of the increase in State Pension age than women in the same age group, because the increase of a year comprises a slightly higher proportion of a man's post-State Pension age lifetime than a woman's, on average. In most cases, this equates to a reduction of around 5 per cent in State Pension income compared to 4 per cent for women. When private pension saving is taken into account, the relative loss would still be marginally higher for men than women, but for both, the overall reduction (state plus private pension) would be between 3 per cent and 4 per cent.
- 2.6. For high and median earners, working on to the higher State Pension age of 66 would, based on this model, reduce the loss to around 2 per cent of lifetime pension income for both men and women. Men are able to close the gap with women mainly because they tend to earn more than their female equivalents and are therefore able to boost their retirement income by more through higher contribution rates to their private pension "pot". (And, having worked on and added to their pension pot, from the point at which they retire, both men and women would have a slightly higher annual income in retirement compared to retiring at 65.) For both men and women without private saving and dependent on Pension Credit, working on may not result in any improvement to post-retirement income. This is because any resultant gain in State Pension accruals (either by adding qualifying years if they had had fewer than the 30 required for a full basic State Pension, or by increasing their State Second Pension) would be offset by reduced Pension Credit entitlement.
- 2.7. If we compare men and women born in 1954, the relative loss in lifetime pension income is greater for women than men in the high and median income groups because they will experience a bigger increase in State Pension age than their male counterparts. However, working on would limit the overall reduction to around 4 per cent (again assuming continuing contributions to a private pension pot). However, the effect of an additional two years' saving would be to generate an extra 5 per cent total lifetime pension income for the period from age 66 onwards for a woman on median earnings. An equivalent man on median earnings would see an increase

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<sup>8</sup> Pension Credit is an income-related benefit. The standard minimum guarantee credit can be claimed by both men and women at women's State Pension age and provides an income (in combination with any other income from other sources) of £132.60 per week for a single person and £202.40 for a couple (rates from April 2010). The state pension can consist of a flat-rate basic pension and/ or additional State Pension (now known as State Second Pension) related to the level of a person's actual or credited earnings between set thresholds.

of 3 per cent extra total lifetime pension income from age 66 onwards (the result of working and saving for an additional year).

- 2.8. Of those born in 1954, men and women on low incomes – i.e. characterised by this model as those reliant on Pension Credit, with no private pension saving – would be most affected. As Pension Credit qualifying age rises in line with women’s State Pension age, entitlement to Pension Credit for both men and women would start up to two years later than under current plans. As a consequence, women in this situation would lose up to around 8 per cent of the total lifetime pension income they would otherwise have received had their State Pension age been unchanged, while men would lose up to 9 per cent. If we also adjust to take account of the fact that people in the lowest income groups are likely to have lower than average life expectancy, this could equate to a loss of up to 10 per cent. It is difficult to estimate how many this could affect due to limitations on forecasting Pension Credit receipt. But a very indicative estimate, based on current patterns of receipt, suggests that around 11 per cent of women and 15 per cent of men reaching 64 in 2018 may be affected to some extent by an increase in Pension Credit qualifying age of more than a year (including men and women who are members of a couple) although the maximum possible increase of two years will only affect a small proportion of these.
- 2.9. This potential reduction needs however to be set in context. Life expectancy for all social groups, including those in the bottom socio-economic group, has improved significantly over the last decades. As an illustration, data from the ONS longitudinal study of life expectancy by socio-economic classes indicates that between 1992-96 and 2002-05, life expectancy at 65 for former male manual workers rose by 13.6 per cent<sup>9</sup>. Similarly, the generosity of state pensions for those on low incomes has also increased: Pension Credit for a single individual amounts to 22.1 per cent of average earnings (33.8 per cent for a couple). This compares to 18.8 per cent (29.2 per cent for a couple) of average earnings provided in 1992 by Income Support for a person aged 60-74.<sup>10</sup>
- 2.10. Because women tend to live longer than men, women would receive more State Pension income over their lifetime than a man with a comparable National Insurance (NI) contribution record. This also applies for those women whose pension age will be increased by two years compared to a man with a one-year increase.
- 2.11. Women historically have weaker NI contribution records than men and consequently lower State Pension outcomes. However, women reaching State Pension age from April 2010 onwards are expected to have higher State Pension entitlements as a result of number of changes made to the State Pension over the last 30 years, including those introduced by the Pensions Act 2007.<sup>11</sup> As a result of these changes, by late 2018 – when State Pension ages will be equalised at 65 under this

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<sup>9</sup> Period life expectancy data by socio-economic class. Manual worker groups are defined as socio-economic groups IIIIM (skilled manual), IV (partly skilled) and V (unskilled). Non-manual worker groups are defined as socio-economic groups: I (professional), II (managerial & technical), IIIN (skilled non-manual).

<sup>10</sup> Source: DWP Annual Abstract of Statistics, 2009 edition, p. 37 table 2.9  
<http://research.dwp.gov.uk/asd/asd1/abstract/abstract2009.pdf>

<sup>11</sup> As well as legislating to increase the State Pension age to 68, the Pensions Act 2007 included measures to improve coverage by reducing the number of contribution years needed for a full basic State Pension to 30 and extending the existing arrangements for recognising caring responsibilities.

proposal, 16 months earlier than planned – around the same proportion of women as men (around 90 per cent) are expected to reach State Pension age with entitlement to a full basic State Pension.

- 2.12. Women also lag behind men in building up additional (i.e. earnings-related) State Pension. While changes made in 2002 to boost the accrual rate for low earners and enable carers to built up rights for the first time plus further reforms under the 2007 Act are also expected to boost women’s additional State Pension accruals, they are not projected to catch up with men’s until at least 2040. Equality in the amount of total State Pension received would, even under the existing timetable, therefore not be achieved until at least two decades after State Pension age equalisation.
- 2.13. However, even though women with similar levels of State Pension entitlement to men receive more State Pension income in retirement over their lifetimes, men in the high and median income groups would still have higher overall total lifetime retirement incomes than their female equivalents, because men tend to have higher rates of private pension provision.
- 2.14. Working longer, combined with the introduction of auto-enrolment, should enable more women to save for longer in a private pension scheme. Assuming that equalising the State Pension age will result in more women working to older ages (see paragraph 2.21, below) this should go some way towards addressing the current imbalance in retirement incomes between men and women.

## Likelihood of adjusting to the new State Pension age

- 2.15. In this section we look at differences between men’s and women’s employment rates at older ages, and the reasons for being out of the labour market. While the proportion of people aged 50 to State Pension age who are actively engaged in the labour market has increased in the last decade, it is still below that of the working-age population as a whole. As the table below shows, the employment rate differs between men and women: while men are more likely to be in employment than women in each age band, the proportion of men in employment drops off more steeply in the five years before pension age, whereas women are more likely than men to be in work in the five years immediately before and after State Pension age.

**Table 1:** Labour market activity as a percentage of population

|            | Age 50-54<br>% | Age 55-59<br>% | Age 60-64<br>% | Age 65-69<br>% | Age 70+<br>% |
|------------|----------------|----------------|----------------|----------------|--------------|
| <b>All</b> |                |                |                |                |              |
| Employed   | 78.4           | 71.3           | 44.2           | 19.3           | 3.3          |
| Unemployed | 4.2            | 3.8            | 2.0            | 0.7            | *            |
| Inactive   | 17.4           | 24.9           | 53.8           | 80.0           | 96.6         |
| All        | 100.0          | 100.0          | 100.0          | 100.0          | 100.0        |
| <b>Men</b> |                |                |                |                |              |
| Employed   | 81.4           | 76.7           | 54.9           | 23.8           | 4.8          |
| Unemployed | 5.8            | 5.3            | 3.2            | 1.2            | *            |
| Inactive   | 12.8           | 18.1           | 41.9           | 75.1           | 95.1         |
| All        | 100.0          | 100.0          | 100.0          | 100.0          | 100.0        |

|              |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
|              |       |       |       |       |       |
| <b>Women</b> |       |       |       |       |       |
| Employed     | 75.4  | 66.1  | 34.1  | 15.1  | 2.2   |
| Unemployed   | 2.7   | 2.3   | 0.8   | *     | *     |
| Inactive     | 21.9  | 31.5  | 65.1  | 84.5  | 97.7  |
| All          | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: The unemployed rate is a proportion of the population not the International Labour Organisation unemployment rate

\* Not significant due to small sample size

Source: Labour Force Survey, Q1 2010

- 2.16. As Table 2 shows, up to age 60, ill-health or disability is the main reason given for being “inactive” – that is, neither working nor looking for work – for both men and women, with men more likely to be inactive for this reason than women. In the five years immediately before current State Pension age, however, retirement becomes the single biggest reason for inactivity among men; more than double that of women.
- 2.17. While the next-biggest reason for inactivity after ill health among men is retirement, a significantly higher proportion of women than men are inactive because of looking after family and home: 31.5 per cent of those aged 50 – 54, and 24.2 per cent of those aged 55 – 59, compared to, respectively, 13.4 per cent and 7 per cent of men.

**Table 2: Reason for inactivity, as a proportion of total inactive**

|                                  | Age 50-54<br>% | Age 55-59<br>% | Age 60-64<br>% | Age 65-69<br>% |
|----------------------------------|----------------|----------------|----------------|----------------|
| <b>All</b>                       |                |                |                |                |
| sick, injured or disabled        | 54.2           | 47.9           | 22.8           | 8.4            |
| looking after family and home    | 24.9           | 18.1           | 6.2            | 2.4            |
| retired and would like work      | *              | *              | 2.2            | 2.8            |
| retired and does not want work   | 5.6            | 20.1           | 62.3           | 83.3           |
| Does not need or want employment | 5.2            | 6.2            | 2.5            | 1.4            |
| others                           | 9.7            | 6.9            | 4.0            | 1.8            |
| <b>Total</b>                     | <b>100.0</b>   | <b>100.0</b>   | <b>100.0</b>   | <b>100.0</b>   |
| <b>Men</b>                       |                |                |                |                |
| sick, injured or disabled        | 65.6           | 55.8           | 38.8           | 10.3           |
| looking after family and home    | 13.4           | 7.0            | 4.5            | 1.5            |
| retired and would like work      | *              | *              | 2.8            | 3.4            |
| retired and does not want work   | 5.9            | 22.8           | 44.5           | 81.3           |
| Does not need or want employment | 2.9            | 5.2            | 2.9            | 1.6            |
| others                           | 11.2           | 7.6            | 6.5            | 2.0            |
| <b>Total</b>                     | <b>100.0</b>   | <b>100.0</b>   | <b>100.0</b>   | <b>100.0</b>   |
| <b>Women</b>                     |                |                |                |                |
| sick, injured or disabled        | 47.7           | 43.5           | 13.1           | 6.7            |
| looking after family and home    | 31.5           | 24.2           | 7.2            | 3.2            |
| retired and would like work      | *              | *              | 1.9            | 2.3            |

|                                  |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|
| retired and does not want work   | 5.5          | 18.5         | 73.2         | 84.9         |
| Does not need or want employment | 6.6          | 6.8          | 2.2          | 1.3          |
| others                           | 8.8          | 6.6          | 2.5          | 1.6          |
| <b>Total</b>                     | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

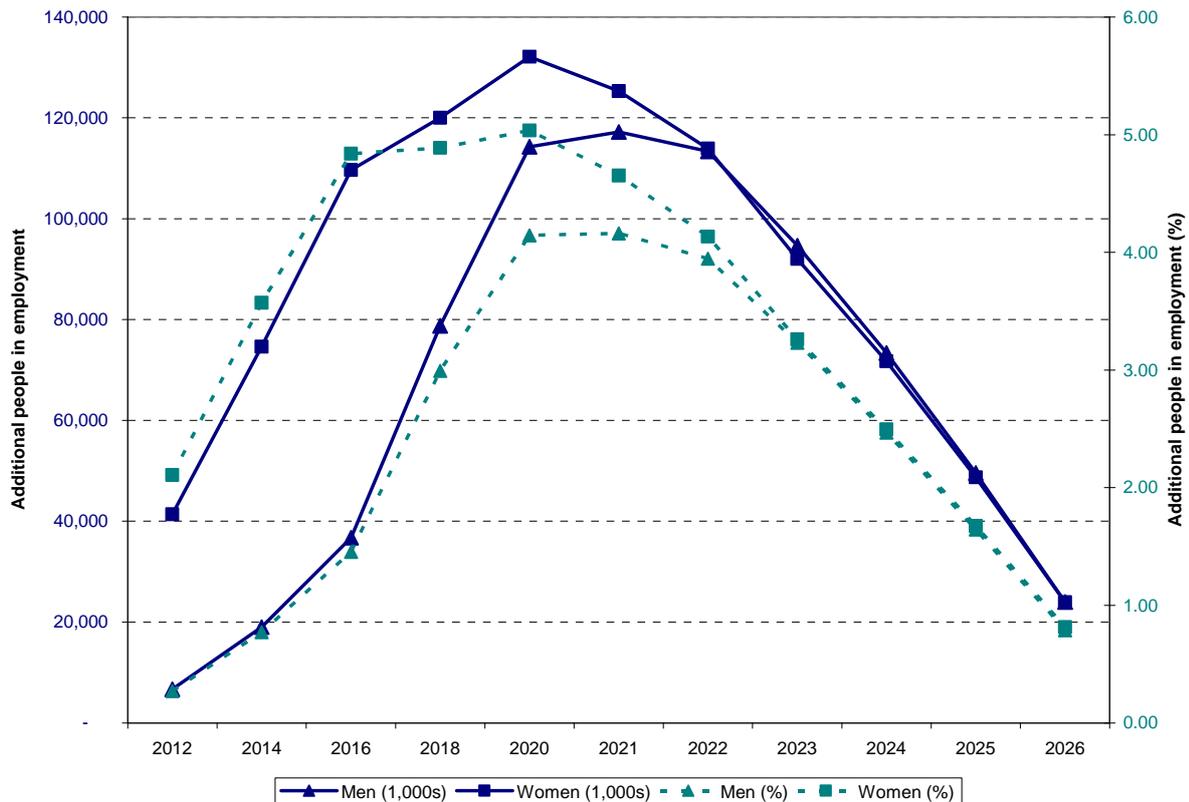
- 2.18. In recent years, there has been some reduction in the proportion of people in the group aged 50 to State Pension age who are out of the labour market due to ill-health, although among men, the trend is more marked, with a decrease from 16.6 per cent in 1998 to 11.5 per cent in 2010<sup>12</sup>. The corresponding improvement for women is less strong, with a decrease of just over three percentage points, from 15.1 per cent to 12.0 per cent. And, as explained in Chapter 2 of the White Paper, both healthy and disability-free life expectancy at older ages is increasing, albeit more slowly than absolute life expectancy.
- 2.19. There has also been a steady downward trend in the proportion of women who cite caring for family or home as the reason they are not economically active, with a fall from 11.0 per cent in the first quarter of 1998 to 7.2 per cent in the first quarter of 2010. The Government is committed to extending flexible working arrangements to older workers, which should enable more people to combine paid work with managing their health needs and caring responsibilities, and further accentuate this downward trend.
- 2.20. Although the proportion of women aged 55 to 65 who are out of the labour market is currently 17.9 percentage points higher than the corresponding proportion of men (51.2 per cent compared to 33.3 per cent), by 2020 that gap is projected to have narrowed by ten percentage points as women's State Pension age gradually increases to 65. While speeding up the State Pension age equalisation timetable is not projected to increase dramatically the rate at which the gap shrinks, it is still expected to have a positive effect, narrowing the gap from 10.9 per cent to 9.2 per cent in 2016 and from 7.9 per cent to 7.7 per cent in 2020.<sup>13</sup>
- 2.21. While the average age for women to leave the labour market is currently 62.4 – i.e. around two years after State Pension age - this is still two years earlier than men (64.5).<sup>14</sup> Equalising the State Pension ages earlier, and bringing forward the planned increase to 66 is expected to result in an increase in the number of both men and women working at older ages, compared to the legislated increase (see Figure 2).

<sup>12</sup> Source: Labour Force Survey, Q1 data for each year

<sup>13</sup> Source: HMT cohort employment model, based on Labour Force Survey data.

<sup>14</sup> ONS Pension Trends Chapter 4, December 2009 based on Labour Force Survey data April-June 2009.

**Figure 2:** Estimated additional increase in employment rates compared to legislated timetable: men and women aged 55 to 65



Source: HMT cohort employment model  
See Appendix for data table.

2.22. The analysis in this section demonstrates that, although there are some positive trends, for a variety of reasons, older people are less likely to be in work than younger age groups, and older women are less likely to be employed outside the home than men. While these differences are in part explained by early retirement, for people not in work and without access to a private pension the proposed change is likely to mean they will need to rely on working-age benefits or a partner’s income. However, this risk, which is likely to be stronger for women than men, already exists under the legislated timetable for increasing women’s State Pension age to 65 and subsequently increasing it to 66 for men and women.

2.23. The Government is committed to removing barriers to employment for older people through measures such as extending flexible working and phasing out the Default Retirement Age. Those unable to work to the higher State Pension age will, as now, be able to receive working-age benefits.

### Summary – gender impact

2.24. This proposal will close the current gender gap in State Pension age more quickly and thereby reduce the advantage currently enjoyed by women over men as a result of a lower pension age and higher life expectancy. Women will, however, on average still receive their State Pension for longer than men. By late 2018 (when the State Pension ages will be equal under these proposals) over 90 per cent of both

women and men reaching State Pension age are likely to have built up a full basic State Pension.

- 2.25. The picture in relation to the impact on lifetime pension income is more complex, in part due to the effect of earlier equalisation. All other things being equal, in general men would lose a slightly higher proportion of their lifetime pension income than women as a result of increasing the State Pension age, because of lower average life expectancy. However, because of higher average earnings, men may be in a better position than women to offset part of this loss through higher additional contributions to a private (Defined Contribution) pension scheme. In contrast, the proportionate loss of lifetime pension income for women affected by the maximum increase of two years would generally be greater than for their male contemporaries, other than those men whose entitlement to Pension Credit would also be delayed by two years.
- 2.26. Overall, we conclude that while some aspects of the change will impact women more strongly than men, the impact is not disproportionate and is a consequence of closing the gender gap in State Pension age earlier than under current plans.

### 3. Gender reassignment impact

- 3.1. Legal recognition of a transsexual person's acquired gender can have implications for their State Pension entitlement. Currently, a transsexual woman born before 6 April 1955 will have a lower State Pension age in her acquired gender than in her birth gender; the opposite is the case for a transsexual man.
- 3.2. Under the proposed change, men and women born on or after 6 December 1953 will have the same State Pension age as a person of the opposite sex born on the same day. The proposed change will therefore bring forward the point from which the anomalies linked to unequal State Pension ages that affect transsexual people are removed.
- 3.3. More generally, we have no evidence to suggest that the proposed change would have a measurably differential impact on trans people compared to non-trans people.

### 4. Race impact

#### Impact on time in receipt of State Pension

- 4.1. Robust projections of life expectancy data by ethnicity are not available. This is principally because a person's ethnicity is not recorded on the death certificate. A number of attempts have been made to estimate life expectancy by ethnicity, for example by using self-reported limiting long-term illness as a predictor for mortality rates and / or data on small area geographical mortality rates combined with data on ethnic population distributions.<sup>15</sup> While these methods have limitations, they provide

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<sup>15</sup> For example, Rees, P. and Wohland, P. (2008) *Estimates of Ethnic Mortality in the UK* Working Paper, The School of Geography, The University of Leeds.

some evidence that life expectancy may vary according to a person's ethnic background.<sup>16</sup>

- 4.2. ONS analysis of the 2001 Census data for England and Wales shows distinct variations between different ethnic groups in self-reported rates of long-term illness or disability which restricted daily activities. After taking account of the different age structures of the groups, Pakistani and Bangladeshi men and women had the highest rates of disability. Rates were around 1.5 times higher than people of White British background. In contrast, Chinese men and women had the lowest rates.<sup>17</sup>
- 4.3. Analysis undertaken in 2007 of Labour Force Survey data 2002-5 of responses to the questions "Do you have any health problems or disabilities that you expect will last for more than a year?" and "Do these health problems or disabilities, when taken singly or together, substantially limit your ability to carry out your normal day to day activities?" demonstrates similar findings in respect of the relative prevalence of disability among people aged 40 and over of Pakistani, Bangladeshi, Black African and White British ethnic background.<sup>18</sup>
- 4.4. While there are variations between ethnic groups in the prevalence of certain health conditions, there is no clear evidence that ethnicity itself plays a strong part in differences in life expectancy.<sup>19</sup> There is stronger evidence that variations are likely to be primarily associated with socio-economic status. There is evidence to suggest that people of Pakistani and Bangladeshi origin have lower levels of employment and income than other ethnic groups and are consequently more likely to be in manual and unskilled social classes.<sup>20 21</sup> By contrast, there is also evidence to suggest that some ethnic groups are more likely than the White British population to be in social classes with higher life expectancies so it is important to recognise that the picture is not uniform.
- 4.5. While we do not have robust life expectancy data based on ethnicity, we do know that life expectancy for all social classes and all local authority areas has increased in recent decades. We have therefore considered the evidence in relation to life expectancy by social class, as a means of looking at the potential impact of the proposed change on different ethnic groups.
- 4.6. In particular, DWP analysis of data extracted from the ONS Longitudinal Study on life expectancy by social classes in England and Wales suggest that had State Pension age increased to 66 in the period 2002-05 (the most recent date for which this data is available) men in the lower socio-economic groups would still on

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<sup>16</sup> *Ibid.* The estimates suggest that individuals from Pakistani and Bangladeshi ethnic backgrounds may have lower life expectancy on average than individuals from White British backgrounds whilst those from Chinese and Black African backgrounds may have higher life expectancy.

<sup>17</sup> ONS 2004: Focus on ethnicity and identity <http://www.statistics.gov.uk/focuson/ethnicity/>

<sup>18</sup> Salway, S., *et al.* (2007) Cited: Allmark, P. *et al* (2010) *Ethnic Minority customers of the Pension, Disability and Carers Service: an evidence synthesis* DWP Research Report 684, p.11

<sup>19</sup> Parliamentary Office of Science and Technology: Postnote *Ethnicity and Health* January 2007 No. 276.

<sup>20</sup> Estimates derived from 2001 census data show that in England and Wales around 40 per cent of people of White British origin are in manual social classes (classes III, IV & V) compared to 47 per cent of Pakistani and 51 per cent of Bangladeshi. However these are not national statistics and should be treated with extreme caution.

<sup>21</sup> Berthoud, R. (1998) *The Incomes of Ethnic Minorities*. York, Joseph Rowntree Foundation

average have spent no less time in receipt of State Pension than men in the same social classes reaching State Pension age at 65 in 1997-2001 (see Appendix, Table 3). If we make the same comparison over a ten-year period, the data suggest that men in all social classes retiring at 66 in 2002-05 would spend longer in receipt of State Pension than those retiring at age 65 in 1992-96.

- 4.7. If these trends continue, this suggests that the proposal to increase the State Pension age to 66 by 2020 may not reduce time spent in receipt of State Pension for men for any social group compared to those reaching State Pension age today. By extension, this may suggest that the proposed change would not have a disproportionate impact between ethnic groups in terms of time spent receiving the State Pension for men – assuming that socio-economic status is a reasonable substitute for ethnicity-based life expectancy estimates.
- 4.8. Similarly, the data suggest that if the State Pension age for women had been increased from 60 (actual State Pension age) in 1997-2001 to 61 in 2002-05, women from the manual classes who reached that age would spend, on average, no less time in receipt of State Pension had they retired in the later period than if they had retired in the earlier one.
- 4.9. A State Pension age increase of two years for women, on the other hand, would have reduced time spent in receipt for all social groups compared to those reaching State Pension age five years earlier. This reduction would however have been no greater for those in the least advantaged socio-economic group relative to those in the skilled manual and skilled non-manual groups. The same applies when the comparison is made over a ten-year period. This suggests that while there would be a negative impact on women in all social classes from the proposed increase in State Pension age to 66 by April 2020 (which, for some women would entail an increase of between 18 months and two years), it should not disproportionately affect women from any one ethnic group as compared to another in terms of reducing relative length of time in retirement – again, on the assumption that socio-economic status is a reasonable substitute for life expectancy differences between ethnic groups.

## **Impact on lifetime pension income**

- 4.10. Based on our modelling of how the proposed change will affect lifetime pension incomes of hypothetical single individuals (see paragraphs 2.3 to 2.8 and Appendix, Table 2), although this approach clearly has limitations, it is indicative of the relative impact of the change. In particular, it shows that people who rely mainly on the State Pension and Pension Credit in retirement will lose proportionately more than higher earners who carry on contributing to their private pension income.
- 4.11. Relating this to differences between ethnic groups, of current pensioners, people of Black or Black British origin have the lowest levels of non-State Pension and investment income (£46 per week), compared to White (£155), Asian/Asian British (£133) or Chinese/ Other (£120) and a higher proportion of those from that ethnic minority group are receiving income-related benefits (53 per cent compared to 31

per cent from White ethnic origin).<sup>22</sup> This is reflected to some extent in income distribution data: 40 per cent of pensioners of Pakistani and Bangladeshi origin and 29 per cent of Black and Black British are in the bottom fifth income group, compared to 14 per cent White.<sup>23</sup> (Note, however, that these data relate to all current pensioners and may not correspond to younger pensioners.)

- 4.12. For those who will experience a delay of a year in receipt of State Pension income, the difference between the low and higher income groups is between a proportionate loss of around 4 per cent of lifetime pension income compared to 2 per cent. We would not expect the impact of the increase to 66 under the legislated timetable to be significantly different. However, there is potentially a more marked difference in outcomes for those affected by an increase of more than a year.
- 4.13. At the extreme end, a person who would qualify for Pension Credit two years later than under the legislated timetable could see a reduction in lifetime pension income of up to 10 per cent. (Note, however, that only those born in a single month will experience this maximum delay; those born between 6 December 1953 and 5 October 1954 would qualify between 18 months and two years later than under current plans). Evidence on benefit receipt is inconclusive, due to lack of robust data which does not allow us to distinguish between different ethnic groups beyond very broad categories. But the available evidence relating to employment levels and health indicates that people from Bangladeshi and Pakistani origin in particular may be more likely to be dependent on Pension Credit; this suggests that there may be a stronger impact on these ethnic groups than on others.
- 4.14. Again, however, this impact needs to be seen within the overall picture of improvements in both the generosity of State Pensions (both means-tested and contributory) and the length of time people are likely to be receiving state pensions for, as a result of increased life expectancy.

## **Likelihood of adjusting to the new State Pension age**

- 4.15. The relative socio-economic status of people from different ethnic groups is reflected in the data on rates of labour market participation and receipt of certain benefits. Unfortunately, particularly when looking at the older age group who will be affected by the proposed change we are not able to make detailed comparisons, due to lack of data.
- 4.16. However, from the data that are available, it is clear that currently a person from a non-white ethnic group:
- is more likely than a person from a white ethnic group to be in receipt of one of the main working-age benefits (Jobseeker's Allowance, Employment and Support Allowance, Incapacity Benefit or Income Support) prior to the point at which Pension Credit becomes available (17 per cent compared to 13 per cent);

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<sup>22</sup> Pensioner Income Series, 2008-09: data based on the average of three years of Family Resources Survey results from 2006/07, 2007/08 and 2008/09 uprated to 2008/09 prices.

<sup>23</sup> ONS Pension Trends Chapter 13, September 2010 from Households Below Average Incomes (DWP): estimate based on 3-year average 2006/07 – 2008/09.

- is twice as likely to be entitled to Pension Credit at the minimum age at which that benefit is payable.<sup>24</sup>

- 4.17. Looking at labour market activity rates, in the age group 50 to State Pension age:
- people from a non-white ethnic group are less likely to be in employment;
  - people from an Asian ethnic background are significantly more likely to be out of the labour market due to sickness or disability or family responsibilities than people from any other ethnic background;
  - people from a Black ethnic background are more likely to be unemployed than people from any other ethnic group.

**Table 3:** Breakdown of labour market status by ethnic group

|   | Age 50 to State Pension age |              |              |              |
|---|-----------------------------|--------------|--------------|--------------|
|   | White %                     | Asian %      | Black %      | Other %      |
| Employed  | 71.6                        | 59.0         | 68.2         | 68.2         |
| Unemployed                                      | 3.6                         | 6.2          | 11.7         | *            |
| Inactive  | 24.8                        | 34.8         | 20.0         | 28.0         |
| <i>inactive - sick or disabled</i>              | 11.5                        | 18.6         | 11.3         | 10.7         |
| <i>inactive - looking after family and home</i> | 3.7                         | 11.4         | *            | 7.9          |
| <i>inactive - retired</i>                       | 6.1                         | *            | *            | *            |
| <i>inactive - others</i>                        | 3.4                         | *            | *            | *            |
| <b>All</b>                                      | <b>100.0</b>                | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: Labour Force Survey, Q1 2010

\* Not significant due to small sample size

- 4.18. There is some evidence that the gap in labour market participation may be narrowing. Data from the Labour Force Survey indicates that between the first quarter of 2002 and the first quarter of 2010 the employment rate for people of non-white ethnic origin increased by almost three times that of the white ethnic group (an increase of nearly 10 percentage points compared to 3.5), while the level of inactivity due to disability or ill-health fell by nearly 7 percentage points compared to 3.4 for the white ethnic group. These broad-brush data are of course only indicative of a positive trend, and mask significant differences in and between ethnic groups.
- 4.19. Overall, the evidence suggests that delaying the point at which the State Pension and Pension Credit become payable is likely to have a greater adverse impact on certain ethnic groups compared to others, as they are less likely to be working up to the new State Pension age. This impact is likely to be stronger for those affected by a delay in Pension Credit income of more than a year than for other groups.
- 4.20. However, this impact reflects the effect of existing labour market disadvantage, rather than the cause. The Government is committed to tackling the employment gap between ethnic minority groups and the overall working-age population. For example, the independent Ethnic Minority Advisory Group (EMAG) has been invited to look at four priority areas – covering the role of public sector procurement, encouraging entrepreneurship, female employment and education and skills – and produce recommendations. EMAG has established four task groups to take this work forward.

<sup>24</sup> Family Resources Survey and DWP modelling

4.21. The Government has also committed to introducing new arrangements for supporting people on out-of-work benefits, and aims to have the new Work Programme in place nationally by the summer of 2011. The Work Programme will be designed to provide tailored support to a wide range of customers facing obstacles to returning to work, from the long-term unemployed to those who may previously have been receiving incapacity benefits for many years, and should assist more people, including those from ethnic minorities, to gain employment.

## **Summary – race impact**

4.22. There is some evidence to suggest that the proposal may have a greater impact on certain ethnic minority groups due to underlying socio-economic factors. However, this evidence is not conclusive and needs to be treated with caution. Improvements in, for example, narrowing the employment gap between certain ethnic minorities and the general population will mitigate the impact.

## **5. Disability impact**

### **Impact on time spent receiving the State Pension**

5.1. Shorter life expectancy is linked to a number of health conditions that may cause disability, such as chronic heart disease, as evidenced by the availability of impaired life annuities which are calculated on the assumption that the person will draw it for a shorter time due to a pre-existing health condition. However, we are not aware of any data specifically relating to life expectancy trends based on disability status. We cannot therefore say what impact the proposed change would have on time spent in receipt of state pensions for a disabled person compared to a disabled person reaching State Pension age today, or whether this is greater, or the same, as the impact on a non-disabled person.

### **Impact on lifetime pension income**

5.2. The impact of the proposed increase in State Pension age on the lifetime pension incomes of disabled people is more complex to assess. Although disabled people may qualify for additional benefits such as Disability Living Allowance or Attendance Allowance which significantly increase their income, after adjusting to take account of the additional costs which a disabled person may have, the net income may be less than that of a non-disabled person.<sup>25</sup> Furthermore, not all disabled people are eligible for these benefits.<sup>26</sup> On average, as discussed above, disabled people have lower levels of private pension provision and are less likely to be in work in the period immediately preceding State Pension age.

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<sup>25</sup> Pensions Policy Institute (2008) *The underpensioned: disabled people and people from ethnic minorities*, p. 25

<sup>26</sup> Disability Living Allowance is payable where the ill-health or disability began before age 65. Attendance Allowance, which does not include extra help with mobility needs, is available where the condition began after age 65. Under the Pensions Act 2007, the age threshold was set to increase in line with state pension age from April 2024; under these proposals that will now be brought forward to December 2018 i.e. the point at which State Pension age will be higher than 65.

- 5.3. Taking this into account, it is likely that a higher proportion of disabled people than non-disabled people would fall into the lowest income group. Disabled people are more likely than non-disabled people to be dependent on working-age benefits in the period prior to State Pension age and in receipt of Pension Credit from the earliest point that benefit is available: while 30 per cent of disabled people aged 60 to 64 are estimated to be eligible for Pension Credit, only 13 per cent of non-disabled people are.<sup>27</sup>
- 5.4. As discussed at paragraphs 4.12 and 4.13, while an increase of a year is likely to reduce overall lifetime pension income by around 4 per cent for a person reliant on Pension Credit, this impact could be doubled for those who will experience a delay in Pension Credit eligibility of up to two years. For a disabled person whose disability is related to a condition that is likely to reduce life expectancy, the relative impact would be stronger still (although this needs to be seen in context: a person with a life-limiting health condition would spend less time in receipt of State Pension than a person without such a condition, irrespective of when the State Pension age was set).

### Likelihood of adjusting to the new State Pension age

- 5.5. Compared to the non-disabled population, disabled people are more likely to be in low-paid employment and have interrupted work records; they are also more likely to leave the labour market early.
- 5.6. There are about 2.3 million people aged between 50 and State Pension age who have a work-limiting illness or disability of whom only around 40 per cent are economically active (that is, employed or actively seeking work). Those without a work-limiting disability are more than twice as likely to be in work.

**Table 4:** Labour market activity for persons aged 50 to State Pension age (SPa) for those with and without a work limiting disability

| 1.                             | 2. Labour market activity for persons aged 50 to SPa with a work-limiting disability<br>3. % | 4. Labour market activity for persons without a work-limiting disability<br>5. % | 6. Labour market activity for population aged 50 to SPa<br>7. % |
|--------------------------------|--|--|---|
| 8. Employed                    | 9. 36.7  | 10. 82.5   | 11. 71.1  |
| 12. Unemployed                 | 13. 3.8  | 14. 3.9  | 15. 3.8   |
| 16. Inactive: sick or disabled | 17. 45.5   | 18. 0.6  | 19. 11.7  |
| 20. Inactive: Family and home  | 21. 4.8  | 22. 3.6  | 23. 3.9   |
| 24. Inactive: Retired          | 25. 6.0  | 26. 5.9  | 27. 6.0   |
| 28. Inactive: Other            | 29. 3.3  | 30. 3.5  | 31. 3.4   |
| 32.                            | 33.  | 34.  | 35.   |

<sup>27</sup> Source: Family Resources Survey 2008/09; DWP modelling of entitlement to Pension Credit

|            |         |         |         |
|------------|---------|---------|---------|
| 36. Total: | 37. 100 | 38. 100 | 39. 100 |
|------------|---------|---------|---------|

Source: Labour Force Survey Q1 2010

- 5.7. The likelihood of being in work also varies significantly depending on the type of disability: for example, in 2007 only 21 per cent of people with mental health problems or learning disabilities were in employment compared to 65 per cent of people with diabetes.<sup>28</sup>
- 5.8. Although the prevalence of disability increases with age, the difference between those aged 60 to 64 and 65 to 69 is slight (37 per cent rising to 38 per cent)<sup>29</sup> so we do not consider that the proposed increase in State Pension age of a year for the majority of those affected is likely to significantly increase the proportion of disabled people who are not in work prior to pension age, even if there is no improvement in the rates of employment for disabled people.
- 5.9. While ill-health or disability is given as the reason for being out of the labour market for the majority of people aged 50 to State Pension age who are inactive, the trend in recent years has been positive with a decline from a high point of 16 per cent overall in the first quarter of 1998 to 11.7 per cent in the first quarter of 2010. However, the gap in employment rates between disabled and non-disabled people (as shown in Table 4) remains significant.
- 5.10. Measures to address this include the launch of a new programme to provide support for severely disabled people. The new programme, Work Choice, was introduced in October. It replaces WORKSTEP and Work Preparation and sits alongside the new Work Programme (see paragraph 4.21). Work Choice will help into work disabled people who face the most complex and long term barriers to employment and who may require high intensity support in the workplace.

## Summary – disability impact

- 5.11. The evidence indicates that this proposal is likely to have a stronger impact on some disabled people than non-disabled people in terms of the probability of adjusting to a higher State Pension age, due to relative labour market disadvantage. As a consequence, disabled people are more likely than non-disabled people to spend the additional period up to State Pension age on working-age benefits, although we have no evidence to indicate that the change will result in a higher proportion of disabled people claiming those benefits than are already claiming them prior to current State Pension age. Measures to support disabled people into work may mitigate this impact.
- 5.12. As disabled people are also more likely to be reliant on Pension Credit at minimum qualifying age than non-disabled people, there will be a proportionately greater impact for those born in 1954 whose entitlement will be delayed by more than a year, compared to the impact of a single year's increase. However, we consider this is justifiable in the wider context of the need to ensure that the state pensions

<sup>28</sup> Pensions Policy Institute (2008) *The underpensioned: disabled people and people from ethnic minorities*, p.15

<sup>29</sup> *Ibid*, p.12

system (including Pension Credit) is to be both affordable in the long-term, and provide a decent income in retirement.

## 6. Age equality impact

- 6.1. By definition, State Pension age gives rise to different treatment according to age, because people below that age are not eligible for a State Pension. Under the current legislation, people already have different State Pension ages, depending on when they were born: for example between 2010 and 2020, all women will have a State Pension age of a year higher than a woman born a year earlier. The effect of speeding up the rate at which women's State Pension age is to be equalised with men's and then increasing to 66 by 2020, is that for women born 6 April 1953 to 5 March 1955, the difference between their State Pension age and that of a woman a year younger will be between 1.25 years and – for those born 6th March to 5th April 1954 – three years.
- 6.2. Although the Government recognises that for those most affected, this is a significant increase, it also considers that raising the State Pension age to 66 by 2020 is justified, to prevent too great a gap building between the projected increases in life expectancy and the current State Pension age timetable. This in turn would result in an unfair cost being passed to younger generations.

## 7. Monitoring

- 7.1. A decision about when to implement an increase in the State Pension age must, in order to provide adequate notice, be taken several years in advance. This means that the original assessment of the probable impact will be formed on the basis of data that will almost certainly be revised before the change is implemented, but the need to give notice limits the extent to which new evidence can reasonably modify that decision. This is particularly the case in relation to projections of life expectancy which, since they are projections, are inherently uncertain; all we can say with confidence is that to date, every new set of projections indicates an increase in longevity compared to the previous set. Therefore, while regular review of the projections will inform decisions about future changes in the State Pension age, it is unlikely to affect this proposal.
- 7.2. This assessment also makes a number of assumptions about the potential impact of the proposed change based on current labour market data. We intend to keep this under review to enable a more refined assessment of the probable impact to be made nearer the time. Regular monitoring of outcomes under the new Work Programme will also be undertaken, which will provide further evidence relating to its effectiveness in assisting people – in this context, particularly people from ethnic minorities and disabled people – into work.

## 8. Conclusion

- 8.1. The proposed change will bring forward the date from which the State Pension age is 66 for men and women by six years to 6 April 2020; that is, the date from which under current legislation, the State Pension age would be equalised at 65.
- 8.2. This timetable has been chosen because the Government considers the available evidence on life expectancy demonstrates that the current timetable is too slow in reacting to increased longevity, and, in the light of the urgent need to stabilise the public finances both in the immediate and longer-term, it would be wrong to delay implementing the change to 66 until 2020.
- 8.3. Overall, we conclude that based on the available evidence, the proposed change to the current timetable will not have a disproportionate impact on any group compared to another. (We note, however, that due to lack of data we have been unable to form a view in relation to those sharing the protected characteristics of religion or belief or sexual orientation and have provided only a very limited assessment of the impact in relation to gender reassignment).
- 8.4. We recognise however that bringing forward the increase to 66 to 2020 will entail an increase in State Pension age of more than a year (at the most extreme case for women born between 6 March and 5 April 1954, two years) because they would otherwise have had a lower State Pension age than men under the current timetable for equalising the State Pension ages. This will also affect men in the same age group who would have qualified for Pension Credit, because the minimum qualifying age is aligned to women's State Pension age. As a consequence of this increase in Pension Credit qualifying age, the proposed change will have a stronger impact than the legislated timetable on certain ethnic groups and disabled people who are more likely than those who do not share those characteristics to be unemployed prior to State Pension age and reliant on Pension Credit at the earliest point it becomes available.
- 8.5. Taken in the wider context of improvements in longevity and State Pension provision, however, we do not consider this impact, although adverse, to be disproportionate.
- 8.6. The proposal, however, contributes to gender equality, by phasing out inequality in the State Pension age more quickly than planned. While women's State Pension entitlements have historically been below men's, as a result of a number of changes over time, including those introduced from April this year, that gap is narrowing. By November 2018, when the State Pension age will be equalised under this proposal, the proportion of women and men reaching State Pension age with a full basic State Pension will be around 90 per cent.

## 9. Contact details

If you have any questions about this equality impact assessment, please contact

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# Appendix - Tables

**Table 1: Data for Figure 1**

Life expectancy at legislated and proposed State Pension age, by year of birth

|                    | 1953  | 1954  | 1955  | 1956  | 1957  | 1958  | 1959  | 1960  |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Men – legislated   | 22.25 | 22.34 | 22.43 | 22.52 | 22.61 | 22.7  | 22.8  | 22.12 |
| Women - legislated | 26.45 | 25.7  | 24.98 | 25.07 | 25.16 | 25.25 | 25.34 | 24.93 |
| Men – proposed     | 22.25 | 21.58 | 21.67 | 21.76 | 21.85 | 21.94 | 22.03 | 22.12 |
| Women - proposed   | 25.62 | 24.06 | 24.15 | 24.2  | 24.3  | 24.4  | 24.5  | 24.6  |

Source: ONS 2008-based principal projections, mean cohort measure (UK)

**Table 2: Impact of proposed increase in State Pension age on lifetime pension income**

a) Full career, average earnings

| Born in:                        | 1953<br>% | 1954<br>% | 1955<br>% | 1956<br>% | 1957<br>% | 1958<br>% | 1959<br>% |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Men</b>                      |           |           |           |           |           |           |           |
| Retire at old State Pension age | -         | -4        | -4        | -3        | -3        | -3        | -3        |
| Retire at new State Pension age | -         | -2        | -2        | -2        | -2        | -2        | -2        |
| <b>Women</b>                    |           |           |           |           |           |           |           |
| Retire at old State Pension age | -3        | -7        | -3        | -3        | -3        | -3        | -3        |
| Retire at new State Pension age | -2        | -4        | -2        | -2        | -2        | -2        | -2        |

b) Full career, high earnings

| Born in:                        | 1953<br>% | 1954<br>% | 1955<br>% | 1956<br>% | 1957<br>% | 1958<br>% | 1959<br>% |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Men</b>                      |           |           |           |           |           |           |           |
| Retire at old State Pension age | -         | -4        | -4        | -3        | -3        | -3        | -3        |
| Retire at new State Pension age | -         | -2        | -2        | -2        | -2        | -2        | -2        |
| <b>Women</b>                    |           |           |           |           |           |           |           |
| Retire at old State Pension age | -4        | -7        | -3        | -3        | -3        | -3        | -3        |
| Retire at new State Pension age | -2        | -3        | -2        | -2        | -2        | -2        | -2        |

c) Person dependent on Pension Credit throughout retirement

| Born in:                        | 1953<br>% | 1954<br>% | 1955<br>% | 1956<br>% | 1957<br>% | 1958<br>% | 1959<br>% |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Men</b>                      |           |           |           |           |           |           |           |
| Retire at old State Pension age | -4        | -9        | -5        | -4        | -4        | -4        | -4        |
| Retire at new State Pension age | -4        | -9        | -5        | -4        | -4        | -4        | -4        |
| <b>Women</b>                    |           |           |           |           |           |           |           |
| Retire at old State Pension age | -4        | -8        | -4        | -4        | -4        | -4        | -4        |
| Retire at new State Pension age | -4        | -8        | -4        | -4        | -4        | -4        | -4        |

The illustrative outcomes shown in tables a), b) and c) above are based on DWP modelling of the total state and private pension income received over the course of retirement by hypothetical single individuals born in each year between 1953 and 1959 who have average life expectancy when they reach State Pension age. The three income groups this model looks at are:

- A: Full career, average earnings: assumes person is in continuous employment since age 25 on average earnings for a man or woman and saving 8 per cent of earnings into a private Defined Contribution (DC) scheme throughout;
- B: Full career, high earnings: assumes person in continuous employment since age 25 on double average earnings and saving 8 per cent of earnings into a private DC scheme throughout;
- C: Interrupted working record; no private pension and dependent throughout retirement on the standard minimum Pension Credit guarantee.

The modelled individuals lose one year's worth of pension entitlement, except women born in 1954 and men dependent on Pension Credit born in 1954, who are modelled to lose two years under these proposals.

Individuals are modelled to react in two ways to the State Pension age rise – in the first they retire at the previous State Pension age and start drawing their private pension; while in the second, they work (and for the high and average earnings cases, continue to save) to the new State Pension age.

These stylised cases are designed to illustrate the maximum impact. In reality, most of those affected will not have the maximum delay in State Pension or Pension Credit age illustrated (for example, only those born 6 March to 5 April 1954 will in fact experience the maximum two-year delay).

The amount of State Pension income that individuals could actually lose as a result of a change in State Pension age varies significantly, depending on the delay they face as a result of the new timetable and on their individual entitlement. The latter would, in turn, depend on the amount of qualifying years of National Insurance they build up before reaching State Pension age, and also on their level of income. Similarly, the amount of Pension Credit income that individuals could actually lose as a result of a change in Pension Credit qualifying age also varies significantly, depending on the delay they face as a result of the new timetable and on their individual entitlement. The latter mainly depends on the gap between their weekly income from other sources and the Guarantee Credit minimum income threshold.

The estimated percentage loss in lifetime pension income depends crucially on assumed life expectancy. Any upward revision in life expectancy would reduce these losses.

**Table 3: Life expectancy (years) by social class – changes in recent years**

|               | Life expectancy at age | I    | II   | IIIN | IIIM | IV   | V    |  | Non-manual | Manual |  | All  |
|---------------|------------------------|------|------|------|------|------|------|--|------------|--------|--|------|
| <b>Male</b>   |                        |      |      |      |      |      |      |  |            |        |  |      |
| 1992-1996     | 65                     | 17.1 | 15.7 | 15.4 | 14.3 | 14.0 | 12.6 |  | 15.8       | 14.0   |  | 14.6 |
| 1997-2001     | 65                     | 18.3 | 17.1 | 16.7 | 15.2 | 14.1 | 13.3 |  | 17.1       | 14.7   |  | 15.6 |
| 2002-2005     | 66                     | 17.4 | 17.3 | 16.6 | 15.5 | 15.0 | 13.3 |  | 17.1       | 15.2   |  | 15.9 |
| <b>Female</b> |                        |      |      |      |      |      |      |  |            |        |  |      |
| 1992-1996     | 60                     | 25.6 | 23.9 | 23.4 | 22.1 | 21.4 | 20.6 |  | 23.7       | 21.5   |  | 22.2 |
| 1997-2001     | 60                     | 24.8 | 24.3 | 24.1 | 22.3 | 21.9 | 21.0 |  | 24.2       | 21.9   |  | 22.8 |
| 2002-2005     | 61                     | 25.5 | 24.5 | 23.3 | 22.0 | 22.1 | 20.8 |  | 24.0       | 21.9   |  | 22.7 |
| 2002-2005     | 62                     | 24.5 | 23.7 | 22.5 | 21.1 | 21.3 | 19.9 |  | 23.1       | 21.0   |  | 21.8 |

Note: These are period life expectancy data drawn from ONS' Longitudinal Study of life expectancy by social class in England and Wales. Period life expectancy data may underestimate actual lifespans as they do not take account of projected improvements in age-specific mortality.

**Table 4: Data for Figure 4**

Additional impact on numbers in employment, compared to baseline (legislated timetable); men and women aged 55 to 65

|      | Men             |                     | Women           |                     |
|------|-----------------|---------------------|-----------------|---------------------|
|      | Number increase | Percentage increase | Number increase | Percentage increase |
| 2012 | 6,693           | 0.27                | 41,400          | 2.11                |
| 2014 | 19,023          | 0.77                | 74,624          | 3.57                |
| 2016 | 36,743          | 1.45                | 109,648         | 4.84                |
| 2018 | 78,742          | 2.99                | 120,013         | 4.89                |
| 2020 | 114,246         | 4.14                | 132,115         | 5.04                |
| 2021 | 117,217         | 4.16                | 125,305         | 4.65                |
| 2022 | 113,384         | 3.94                | 113,936         | 4.13                |
| 2023 | 94,657          | 3.23                | 91,992          | 3.26                |
| 2024 | 73,404          | 2.47                | 71,736          | 2.50                |
| 2025 | 49,556          | 1.64                | 48,713          | 1.67                |
| 2026 | 24,007          | 0.79                | 23,932          | 0.81                |

Source: HMT employment model