



## **5 August 2010 – UNISON Response to DWP Call for Evidence on increasing the State Pension Age (SPA) to 66**

UNISON represents well in excess of a million people working across our public services throughout the UK in local government, the NHS, education, social care, housing, policing, transport, utilities, community and environmental services. They carry out many different roles in a diverse range of settings, within policy frameworks determined by their particular employer, relevant local and regional bodies, and central Government. They are also united by a common aim. It's their job, every day, to work for the public good – tackling disadvantage, extending opportunity, building stronger communities and improving everyone's quality of life.

There is no doubt that many of our members work in physically and mentally demanding jobs with relatively low salaries and despite in the main accruing pension benefits in defined benefit schemes the reality is that many will still need a decent level of state pension income to be paid when they need it most – and not far in excess of the end of their working lives.

### **Work till you Drop – Is this Fair?**

- UNISON does not support the Government's apparent work till you drop ideology and feels that it's unreasonable to expect certain categories of worker in particular to work for longer.
- Although UNISON accepts that people on the whole may be living longer this does not necessarily mean they are capable of or will be offered the opportunity/means to work longer. This is particularly so in manual and physical occupations.
- Indeed Office for National Statistics (ONS) data<sup>1</sup> shows that the average age of withdrawal from the labour market for women is 62.4 years in April to June 2009. For men, the average age of withdrawal peaked at 64.5 years in April to June 2008 and was unchanged in April to June 2009.

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<sup>1</sup> ONS Pension Trends, Labour Market and Retirement, Chapter 4

- Increasing the SPA and hence longer working lives is likely to lead to increased health costs (both physical and mental) and put more strain on health services.
- Most importantly, it's inherently unfair to place an obligation on people, particularly those in physically demanding jobs to have to work longer. Particularly when many of these people have made plans on the basis of retiring at 65 only to potentially have the goalposts changed relatively late in the day.
- Constantly changing the goal posts will undermine confidence in the state pension system – not so much work till you drop as ripped off to you drop.
- It is effectively a tax on all men born between 1951 and 1959 and women born between 1955 and 1959 of up to £5000 when for many employment plans and career choices have already been made.

### **The Disproportionate Effects of Increasing the SPA?**

- Our understanding of typical life expectancy data is that there's great variation in life expectancies between income levels and geographical residence and hence it's disproportionately unfair to introduce such changes.
- ONS data<sup>2</sup> shows that in 2002-2005 people at age 65 in the top social class group (professionals such as doctors, accountants, and engineers) could expect to live 4.2 years longer than those in the bottom social class group (unskilled manual labourers).
- Lower income earners (and it should not go unnoticed that many manual occupations are relatively low paid) will suffer more through an increase in the SPA than higher income earners, many of whom do not really need a state pension.
- For example, ship builders or labourers in Glasgow are likely to have a typically lower life expectancy than a merchant banker living in Surrey and yet an increase in the SPA will disproportionately affect the Glasgow ship builders and labourers more because they will receive, if at all, a state pension for a smaller period than your typical merchant banker and yet are most in need of the income! Surely this cannot be fair.

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<sup>2</sup> ONS Pension Trends, Life expectancy and healthy ageing, Chapter 3

- UNISON does not believe that looking to bring forward an increase in the SPA to 66 is equitable and that there are more equitable and fairer means of redistributing the income available to pay for state pensions.
- UNISON prior to any change in the SPA would welcome a Sensitivity Analysis on the following:
  - The likelihood of there being enough jobs in existence for workers to do by the time they reach age 65
  - Whether, as we suspect, low income individuals will be disproportionately affected
  - The extent to which increasing the SPA will impact upon healthcare costs
  - The impact on take up (and hence cost) of other means tested state benefits such as the Pension Credit
  - The likelihood of private sector pension schemes likewise looking to increase their Normal Pension Ages for pension purposes
  - Whether particular regions will be hit harder economically and socially owing to variable life expectancies between regions.

### **A State Pension race to the bottom**

- An OECD report published in June 2009<sup>3</sup> concluded that the UK has one of the worst state pensions in the Developed World in terms of state pension income as a proportion of pre-retirement earnings, with this ratio estimated to be approximately 31%.
- Do we really want to “compete” in terms of having one of the higher SPA’s as well?
- It should not go without notice that pension provision within the private sector has faced many challenges in recent years and seems to be having its own “race to the bottom” competition so do we really want to be worsening the terms of our state pension package at a time when more and more people are going to need to rely on

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<sup>3</sup> OECD Pensions at a Glance 2009: Retirement Income Systems in OECD Countries

this unless urgent work is done to help rejuvenate pension provision in the private sector?

- The Government other than simply looking at ways to save money needs to pay serious and urgent consideration to the quality of pension benefits members of the public can expect to receive in their old age and it's not sufficient just to say that everyone needs to work significantly longer. It should not go without notice that many people whom are voicing the opinion of tomorrow's generation having to work longer will not need to do so themselves and indeed are part of the so called "Golden Generation".

## **In Conclusion**

UNISON for the reasons mentioned above remains unconvinced that it's necessary for the Government to rush forward an increase in the SPA to 66 and would want at the very least a detailed Sensitivity Analysis to be undertaken to assess the relative equality of these proposals.

It's our view that increasing the SPA would disproportionately affect the very people that need and rely on state pension income the most and we call on the Government to better redistribute state pension expenditure on the people that it need it the most.

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