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**Department of Work and Pensions Independent Review of State Pension Age (SPA)**

**UNISON Response September 2016**

**About UNISON**

UNISON is the UK's largest public service trade union with 1.25 million members, 1 million of them women. Our members are people working in the public services and for private contractors providing public services including in the essential utilities. They include frontline staff and managers working full or part time in local authorities, the NHS, the police service, colleges and schools, the electricity, gas and water industries, transport, non-departmental public bodies and the voluntary sector. Whilst we have members at all pay levels across the sectors, many of our members are part time and low paid, working in traditionally low paid sectors like care, catering, security and cleaning.

State Pension Age (SPA) is an emotive subject. Few of us have enough personal wealth not to worry about our future quality of life and, as we get older, we all understand that we just don’t have the energy and mobility we had in our youth. Everything gets harder, including earning a wage. Being able to plan, and look forward to, retirement while we still have some quality of life and health to enjoy it, makes the days weeks, months, years and decades of working easier to manage. Worrying about when and if we will ever be able to stop makes it much harder.

Many people are choosing to work longer, either through choice or necessity as private pension provision has fallen and the cost of living and supporting family has increased. However, UNISON’s concern is about those people who feel they have to work beyond their capability and who may end up, after giving years of service in work, retiring due to incapacity and unable to enjoy their retirement in good health.

Over the past decade we have seen unprecedented changes and reductions to the pension promise. This has led to widespread anxiety about what people are planning for and how they can manage both their own and their employers’ expectations in the longer term, when the goal posts seem to change so often.

UNISON recognises that the government has a responsibility to manage the costs of pension benefits and we recognise that costs are increasing as the sheer number of retirees outstrips previous decades.

**Current Projections**

In March 2016 the Secretary of State for Work and Pensions was asked a question on the cost of State Pension as a proportion of GDP over the last 30 years and projecting forward 30 years. The official answer given was clear: that the proportion of GDP anticipated to be spent on the State Pension looks set to increase by around 2% by 2045/6. However the amount of GDP spent on each recipient is actually set to go down by that time. So current plans, without changes to the current SPA, acknowledge that pensions are already getting smaller as a % of GDP per head than in 1991. Therefore, fears about the future cost envelope are not linked to improved benefits for retirees but to increasing numbers of recipients and current longevity projections.

But in terms of simple numbers of retirees this is not an exponential situation. The baby boomers of the 1960’s will be replaced by smaller numbers of retirees in later years. After that, it follows that costs will then fall in absolute terms. This potentially makes this a “blip” rather than an ongoing trend – albeit a “blip” with financial consequences.

UNISON therefore welcomes the commitment to regular review of this issue.

**Accuracy of longevity projections**

UNISON remains concerned at previous reliance on longevity projections as an immutable and dominant factor in considering potential changes to retirement ages.

Whilst we fundamentally do not accept that broad longevity projections should be the dominant factor in setting a SPA, we are nevertheless in a time of huge change and uncertainty in this field.

A great deal of change has already been implemented based on the reliability of longevity projections, but there are many factors that have, or might yet, contribute to longevity trends changing over time. They could stabilise or even possibly decline, depending on investment in lifestyle change and preventative medicine.

**The Continuous Mortality Investigation (CMI)** 2015 Mortality Projections Model Sept 2015, surprisingly found that increases in life expectancy between 2011 and 2015 were much lower than in the past and that life expectancy at age 75 has shown no improvement at all between 2011 and 2015.

Assumptions on future costs of the state pension could be dramatically affected by a recalibration downwards of previous expectations.

Hugh Nolan, Chief Actuary at JLT Employee Benefits, commented:  
 “This reduces the liabilities of UK private sector pension schemes by some £15bn”

We can assume that this would also impact favourably on projections for future SPA costs.

**Working Lives – Capability or Longevity?**

The fact that we are generally living longer than previous generations is to be celebrated. However, what is clear from even preliminary analysis is that there is a very strong link to where you are on the socio economic ladder and your longevity and health outcomes.

Furthermore the TUC have found that;

* There remains an enormous drop in participation in the labour market from well before State Pension age. Barely half of 60-64 year olds are economically active.
* There are nearly half a million people within five years of State Pension age who are too ill or disabled to work, this is one in eight.
* Up to a third of older people from manual occupations who are economically inactive ahead of retirement cite sickness or disability as the reason. This is twice the rate of those in some white collar categories.

For the purposes of reviewing fair and sustainable pension age arrangements it is vital that we look at capability rather than simple longevity. Even if we ignore the huge socioeconomic disparity in pure longevity terms (which UNISON does not intend to do), the basic health and capability of people to work longer must be a primary factor in determining future policy. Unhealthy lives mean an earlier death and a quicker decline in strength, mobility, memory and mental capacity and those illnesses which develop at a progressively faster rate the lower down the socio-economic scale you are.

It has been suggested by some (Banks, Emerson and Tetlow, May 2016) that capacity to work can be simply correlated to past and present employment rates, linked to longevity expectations. However, this completely bypasses two significant factors. Firstly, the primary assumption that longevity and healthy productive years have risen in parallel when, in reality, it may well be the case that end of life care has improved at a much greater pace than more general health improvement indicators. Secondly, little consideration is given to the impact of the devastating decline in private pension provision which sees many more people relying on a state pension than in previous years – a state pension that is currently considered to be below a “living pension”. This makes it very likely that more people are feeling pressured into staying in employment due to financial necessity, whilst ignoring their own capacity issues. This becomes an additional pressure on both the employer and the employee as the employer becomes obliged to monitor and manage capability issues that would not otherwise have presented.

Whilst the extensive work of Professor Michael Marmot and his team shows beyond doubt that a man living in the poorest part of Westminster or Glasgow can expect to live 20 years less than someone living in the richest parts, his work also shows that the “average” person in the UK can expect ***eight fewer years of healthy life*** than those at the top. These differences are not simply down to regional difference, but primarily to socio-economic life chances.

The Working Longer Group - a partnership group of the recognised NHS trade unions, NHS employers and health department representatives was established to review the implications for the NHS workforce of working to a later, raised retirement age. The Group has spent some time grappling with these issues in specific occupational groups and initial research has found that people are retiring younger than ever. There are no current conclusions about why this might be: Is it as a result of increased redundancies in the public sector, preference or ill health / capability? Some further research into this issue would be useful.

This is why UNISON believes it is vital that robust statistics are gathered on how long people live into retirement, but also how long they are considered to be in relatively good health. This data analysis must be by gender, ethnicity, occupational group and socio-economic standing. We fundamentally believe that this - and any future review - would need to consider these findings before changes to policy are made.

Furthermore, the Marmot Review findings would also indicate that the additional burden of forcing people to work beyond their own personal capacity ***would also accelerate the rate of health decline*** in many people, to a point of requiring their own care and dependency on the public purse prematurely.

Relying on the NHS to pick up the cost of premature health needs or on Emplyment Support Allowance for incapacity rather than a pension for those who don’t make it to the SPA are simply examples of robbing Peter to pay Paul. UNISON hopes that all these issues are thoroughly investigated within this review.

At a minimum, UNISON would argue that safeguards would need to be in place to ensure people are not being forced to work beyond reasonable capability.

Such safeguards and assessments will almost certainly come with their own administrative cost burdens either for the government as benefits gatekeeper or on employers in assessing complex levels of capability linked to old-age.

In principle we believe that a universal approach is vital and works best to protect the needs of the majority, but that any system must be sufficiently flexible to take account of individual and demographic differences in life and health expectancies. The closer we get to potentially forcing people into working beyond capacity, the more cautious we need to be in ensuring we have the necessary safeguards and flexibilities to avoid doing harm.

In the end, UNISON believes that such safeguards may prove costly and negate much of the potential saving envisioned by pushing up the SPA.

**Impact of the SPA on particular occupation groups**

UNISON is particularly interested in the health impacts of different occupational groups and the subsequent effect on retirement age and health.

Our most recent work on this can be seen in our detailed submission to the Working Longer Group, referenced above, and research UNISON commissioned from Income Data Services (IDS) this year into working conditions in the Local Government workforce. As part of the NHS working longer submission we found many reasons to conclude that the impact of some occupations on an individual’s health should be taken into consideration when considering retirement age. In our submission we referenced not only external research but also gave examples from research amongst our own membership.

Whilst the Working Longer Group is only looking within the NHS, it is clear that similar issues arise in many other occupational groups.

In the NHS, we found that musculoskeletal problems are the most common cause of early retirement due to ill health for staff in Scotland, being responsible for 38 per cent of ill health retirements. In England and Wales they are responsible for 49 per cent of ill-health retirements among all NHS staff, including 68 per cent of ambulance staff retirements and 50 per cent of nurses and midwives.

Other studies have indicated that musculoskeletal disorders are amongst the most frequently reported occupational illnesses in older workers and older people take steadily longer to recover from musculoskeletal injuries after muscular performance peaks at around 33 years of age.

More worryingly, within the NHS, deaths in service of male and female manual workers, as a percentage, compared with expected deaths, have been shown to be the highest compared with males and females, respectively, from eight other occupational valuation groups. This will be replicated among care staff in local government and other occupational groups such as refuse collection, street sweeping and building cleaning.

It is not controversial to suggest that a nurse or care worker expected to lift, turn and administer to patients for many years is more likely to see more health impacts than less physical occupation. Ageing and being expected to work longer does not help this situation.

Studies show that the functional capability of older adults is less than that of younger people. One researcher found that the physical work capability of a 65-year-old is around half of the capability of the 25 year old.

Studies have also shown that older workers are more likely to work closer to their individual maximum capacity than younger workers, as typically the physical demands of a role do not decline over time. This may help to explain why musculoskeletal disorders have been found to increase in both prevalence and incidence with age, and indicates that older workers are attempting to work to the same physical demands as their younger colleagues. Aerobic capacity has been found to decline at a rate of about 10% for each decade of life.

It is also evidently true that, as the workforce begins to age, there is likely to be an increase in diseases in which age is a risk factor. Conditions such as latent autoimmune diabetes, where an important risk factor is an age greater than 60, or Type 2 diabetes, which is more common in people over 40, are likely to become more common. Indeed, by 2025 it is estimated that five million people will have diabetes

During our research for our submission, UNISON heard from members whose employers offered rapid access to physiotherapy and occupational health services to help staff to remain in work without time off for injury or to return to work more quickly after an injury.

However, we also received responses from staff who had been injured at work, but felt they “had to really fight” to get their injury taken seriously and others who felt “let down” that they were not given adequate time off to recover from injury or to attend hospital appointments.

Staying healthy is just harder in some jobs than others. A paramedic that we spoke to told us: “It’s really difficult to eat healthily when you don’t have a chance to take a meal break at a station”, but instead have to carry snacks or meals in the ambulance. Meanwhile, nursing staff we surveyed told us that it was impossible to take a break if they were the sole registered person on duty for a night shift and that there was limited access to out-of-hours catering services, often meaning that staff had to rely on vending machines or a microwave for their meals - neither of which are particularly conducive to healthier eating.

The Marmot Review recognises the impact of work related stress on health outcomes and longevity. Some key findings from the IDS survey of local government workers showed that with drastic cuts to budgets and jobs, the remaining workers are suffering unprecedented levels of stress.

• three-quarters of respondents feel that workload and pressure have increased in the last 12 months

• Almost three-quarters of respondents report rising stress levels. An increase from two thirds in 2008. In some cases, this may be related to rising expectations of employers and service users, as well as increases in stress levels - In early years 78% said their workload had increased, 79% said stress levels had increased and 76% said employers expectations had increased

• Almost half of respondents (46%) feel they have too much work to do and as a result similar proportions feel that stress at work has affected both their job performance (54%) and personal life (52%)

• Staffing shortages are a major issue, with just below three-fifths of respondents reporting frequent staff shortages

The results also showed an increase in incidents of abuse within this sector.

• Incidences of abuse at work have increased since 2008 with 60% of respondents having been subjected to at least one form of abuse, either bullying/harassment, or verbal or physical threats as well as actual violence

* 60% of social care workers reported receiving verbal threats from service users, and 47% witnessed this occurring to a colleague; just over a fifth were in receipt of physical threats from service users, while this rose to a quarter in the case of those witnessing this happening to colleagues; 27% reported seeing a colleague bullied or harassed by their employer, while 15% experienced this directly themselves
* 51% of adult care workers reported receiving verbal threats from service users, and 32% received physical threats; 26% said they were victims of violence
* Over half (52%) of social workers reported receiving verbal threats with over a fifth reporting receiving physical threats

These are undeniable examples of stressful occupations and they will not be the only ones.

Variable shifts have also been shown to cause more stress than regular shifts and, given the cumulative effect of stress on health, this may cause an increase in problems and health issues for older workers. A paramedic working in a rural part of Scotland provided an outline of a two-week stretch from the on-call shift rota, which highlights the extreme demands on the physical and mental health of staff (please see detailed rota, attached as part of our full submission to Working Longer Group).

There is clear evidence to suggest that the cumulative effect of a number of years spent working shifts will have a detrimental impact on health.

Older people may be more sensitive to the influence of the circadian system, time of day, or sleep disruption during a 12 hour shift rotation than are younger people and may find it difficult to adjust to afternoon and night shifts. This will have an impact on older people’s ability to continue working in roles that require them to work rotating night shifts. This is reinforced by research which suggests that there is a significant difference between the performance of older and younger people working 12-hour rotational shifts.

Please note that, within the NHS, overall rates of ill-health retirement are down but this is due to new eligibility criteria rather than any decrease in ill-health.

We have attached our fully referenced submission to the Working Longer Group to this submission in the hope it will be useful to this review.

**Value of unpaid caring**

The terms of reference for this review are clear that one of the key issues to consider is sustainability and affordability.

UNISON is concerned that this review should fully consider the interlocking economic issues which inevitably occur around the end of working lives. Unpaid caring is just one of the reasons why a simple rise in SPA could never deliver straightforward savings to the public purse.

When consideration is given to the huge economic benefit of older people taking on essential caring responsibilities for their own families that would otherwise fall on the public purse, the economic augments become complex.

The Care UK report, “[Valuing Carers 2015 – the rising value of carers’](http://www.carersuk.org/for-professionals/policy/policy-library/valuing-carers-2015) showed a staggering increase in **the value of carers’ support to the UK economy since 2001, almost doubling from £68 billion to £132 billion.**  Researchers attributed this rise to a dramatic increase in the number of hours people are caring for, combined with an increase in the cost of replacement care.

This is a particular issue for women. The Commission on Older Women interim report in 2013 reported that women made up six in every ten carers and a quarter of women over 45 were caring.

By the time a woman reaches the age of 59, there was a fifty-fifty chance that she will have had at least one period of substantial caring responsibilities. The care she provides could be for her partner, older relatives or grandchildren. Older women often find themselves ‘sandwich carers’, looking after both older and younger generations at the same time, including older relatives living some way away.

As increasing numbers of mothers return to work, grandmothers become a vital part of family care arrangements. They are the most common childcare providers after formal childcare, providing anything from ad hoc baby-sitting and filling in during school holidays to primary childcare and kinship care. Today in the UK, grandparents provide childcare to over forty per cent of families with an estimated value of **£7.3 billion.**

Carers UK’s Chief Executive Heléna Herklots has warned:

***“If even a small percentage of people were unable to continue caring, the economic impact would be catastrophic. Worryingly, we are edging towards this possibility, as the pressure on families to provide more care with less support is intensifying.”***

**Volunteering**

Recent research by Royal Voluntary Service (RVS) found that there were more than 2.25 million other older volunteers who have multiple roles. 11% hold three roles while 6% hold four or more. Older people are the mainstay of a large part of the volunteering that takes place across the UK.

Putting an economic value on volunteering is complex and contentious as it involves estimates and notional figures, but other organisations have put a figure on the value of volunteering to the UK economy.

* The **Office for National Statistics** recently estimated the annual value of regular formal volunteering to be **£23.9 billion**.
* Earlier work by **Volunteering England** put the annual output figure for all formal and informal volunteers at **£45.1 billion**.

Volunteer support is not just for big charities like Oxfam but is also found in many areas that people might assume are paid by the public purse including health and social care, libraries, lifeboats, magistrates and victim support.

**Dementia risk / management / identification**

Employers and employees are already struggling to manage the complex issue of dementia in the work-place. Research undertaken in 2014 by the Alzheimer’s Society website says that if current trends continue and no action is taken, the number of people with dementia in the UK is forecast to increase to 1,142,677 by 2025 and 2,092,945 by 2051, an increase of 40% over the next 12 years and of 156% over the next 38 years.

UNISON is concerned that if the pension age increases in line with simple longevity, employers will be unprepared, and unwilling, to begin a cycle of intricate capability proceedings as, inevitably, the balance tips towards more staff developing dementia whilst in work. Managers will have to establish methods to identify potential suffers and employees will have the indignity of arguing for or against their own mental capacity to work. Early signs of dementia are often missed by sufferers as well as those around them. UNISON is concerned that the additional burden of managing increasing numbers of employees suffering from dementia would become onerous and unmanageable over time.

UNISON would ask the review body to consider what safeguards or guidance would be in place to support both employers and employees concerned about managing this issue in the work-place?

**Impact on younger generation**

The most obvious impact on the younger generation of ever extending working lives is that jobs will not become available to them. New drives for efficiency and innovation mean that fewer staff are required. Add this to a drop in retirement numbers and the jobs market becomes an ever decreasing pool for the younger generation to jump into.

But there is also an issue of trust in the end product. The ever- changing end-point to saving for retirement is likely to seem arbitrary and insecure to young people considering saving for their future. Many will reconsider the point of thinking about their retirement altogether: why bother if the boundaries are ever changing and hope declines about ever getting there? Auto-enrolment has been an excellent beginning to supporting more people into saving for their own retirement but a lack of faith in ever reaching retirement will act as a disincentive for many.

Without incentivising people to save for their future rather than simply fire-fighting financial insecurity in the “now”. people will not save and this will lead to a deepening dependency on the state in later life. Any incentives need to come with some guarantee that what people pay in pension contributions now will guarantee at least a “living pension” later in life, with the hope of at least a few relatively healthy years to enjoy it.

Generation rent for young people is a relatively new phenomena but likely to be a persistent one. The current rate of pension assumes adequacy calculations based on nil housing costs. Clearly, as this becomes a false assumption for younger generations nearing retirement, this will inevitably lead to calls to recognise that the assumptions need to change if there is to be any hope of ensuring a “living pension” for all.

**Adequacy of the state pension and current government pension saving incentives**

UNISON would suggest that the findings of the review into SPA should feed into a wider review of the adequacy of the State Pension, auto-enrolment and the tax system as it relates to pensions.

UNISON believes that, like a “Living Wage”, ensuring that the State Pension is also a “Living Pension” is vital to ensure that no-one falls below poverty levels whilst in retirement.

However, this is not enough, society and the economy are best served when people receive more than a minimum income level. This is why successive governments have incentivised employees to save towards enhancing their State Pension above that basic entitlement.

Earlier this year, the government put on hold plans to revise and equalise the tax incentives for people contributing to a pension scheme. As part of our consultation response on this matter, UNISON was clear that a single rate of tax relief set at around 30% would represent a fairer incentive for workers to save towards their own retirement. We are still of this view.

In addition, auto - enrolment contribution levels are currently judged inadequate by the government’s own Pensions Commission, which notes that a rise in statutory levels of contribution to 12% would be an improvement.

**Managing the change to longer working.**

Even if the pension age did not rise any further, the changes already implemented -combined with the changing demographics of carers and the forecast rise in dementia diagnoses - warrant some further consideration of managing the process of retirement.

Many employers now recognise the benefits of adopting a flexible retirement policy whereby staff can ask to go part time or even step down to a less stressful job at a lower level prior to retiring. This avoids the binary choice of stopping work altogether or continuing at the same pace they managed in their youth.

As part of this review UNISON thinks it is the right time to recognise the government’s role in facilitating and promoting this “flexible retirement” approach in a similar way to the very successful work done in facilitating Flexible Working.

We would recommend;

* An Equality Impact Assessment of raising or reducing SPA
* A full assessment on the economic impact of raising SPA taking into account the loss to the economy of unpaid carers and volunteers, likely increase in incapacity payments and additional burden on the health services from accelerated ill-health conditions in some.
* Additional research into differing health and retirement trends by occupational group to be considered alongside the compelling socio-economic findings and recommendations made by the Marmot Review.
* The review body should consider the government’s potential role in facilitating and promoting a “flexible retirement” approach for employers, similar to the work done on Flexible Working.
* Access to an unreduced state pension should be available earlier to particular individuals - for example, those with disabilities and/or caring responsibilities.
* Access to a reduced state pension within 5 years of the normal pension age to help support a change in circumstances or a “step down” from work.
* The review body to consider what safeguards or guidance would be in place to support both employers and employees concerned about managing dementia in the work-place
* Developing mid-life career reviews so that they become effective vehicles for ensuring older workers receive the support to continue their careers
* The review body should also consider how to ensure staff in an ageing workforce feel supported when they are injured and how employers can help them to return to work as soon as possible, through rapid access to services such as physiotherapy or occupational therapy, without making staff feel as though they need to ‘work through’ injuries and illnesses for fear of losing their jobs.
* That the review body recognises the importance of a “Living Pension” as part of this review.
* That any future increase in state pension age is phased in over a long enough period for workers to change their retirement plans and no change for those within 10 years of their State Pension Age.

Note: A separate submission will be made from the UNISON Pension Unit which will explore the potential impact of SPA on occupational pension schemes.

Encl: UNISON Submission to the Working Longer Review group

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