

 Phoenix

Insights

‘Reaching a certain age’: Public attitudes to the state pension Executive summary

July 2022

Introduction

The state pension is a national institution and a central part of our intergenerational social contract as a country. It is currently received by 12.5 million people, costing £110 billion a year – the largest single item of the UK’s £250 billion of welfare spending. It is a critical part of retirement income for a great many of us. Currently half of pensioners derive nearly two-thirds (64%) of their income from the state (from the state pension and other benefits).

The state pension means different things to different people, at different stages of their lives. With the state pension age currently undergoing an independent review, now is a crucial time to understand what people think about this important intergenerational topic.

In April 2022 Phoenix Insights commissioned YouGov to undertake a representative survey of the Great British adult population to explore public perceptions of the state pension age – what it is for, who it is for and who pays.¹

Key findings

The state pension matters and changes to it have real impacts



- While older workers have seen a dramatic increase in employment rates over recent decades, this has stalled since the pandemic, with 43% of the overall rise in economic inactivity in the UK population since the pandemic began has been driven by changes among 50 to 69-year-olds.
- Raising the state pension age leads to some people working for longer, but not all. It also leads to an increase in unemployment and those not working due to sickness and disability.
- People currently in their mid-40s to early 50s, and younger age groups are potentially most likely to be impacted by any changes to the current state pension age timetable.

What do people think the state pension is for?



- Fewer than one in ten people (9%) say that age should be the main factor determining when a person stops working, with their individual circumstances (35%), their health (25%), and their ability to do the job (25%) seen as more important.
- People of all ages believe that the state pension is there to ensure everyone has a minimum level of income in retirement (87%) and to support older people who are unable to work (82%).
- A majority also believe it is there to return money paid in during working lives (74%) and to allow people to do things other than work in their older age (72%).

Who do people think the state pension is for?



- There is strong support for early access to the state pension for people who are unable to continue to work, (e.g. for health reasons) with three-quarters (76%) agreeing.
- A majority (58%) also believe early access should be an option for people in physically demanding jobs, and almost two-fifths (39%) believe this should be an option for people who started work earlier in life.
- However, there are practical barriers to providing early access to certain groups, and it also undermines the universalism of the current system.

1. YouGov polling commissioned by Phoenix Insights. Total sample size was 2,003 adults. Fieldwork undertaken online 21 and 22 April 2022. The figures have been weighted and are representative of GB adults (aged 18+).

Key findings continued

Attitudes to funding the state pension



- Slightly more people believe that it is individuals themselves (43%), as opposed to the government (39%), who should be mainly responsible for ensuring that people have enough to live on in retirement. Only 6% of people believe employers should play the main role.
- More than half (54%) of people agreed with the statement “With people living longer, we have to be prepared to pay more in taxes in order to have a properly funded state pension”. This also saw high support (61%) among Conservative voters.
- There is widespread support for the idea that the Government should ‘top up’ the incomes of low-income pensioners, with 69% of respondents agreeing with this idea.
- However people are generally opposed to means-testing the state pension with half (51%) opposing the idea and one in three (34%) supporting it.

Age divide in engagement with the state pension



- Younger age groups are less engaged with pensions and planning for what feels like a distant later life:
 - 40% of 18 to 24-year-olds and 30% of 25 to 49-year-olds agree they would “rather have a good standard of living today, than save for retirement”, compared to 20% of 50 to 64-year-olds and 12% of over 65s.
 - 37% of 18 to 24-year-olds and 20% of 25 to 49-year-olds say that their “retirement is so far off, it is not worth worrying about what I will live on”.
 - Half of people under the age of 50 believe that “there probably won’t be a state pension by the time they retire”. Also of concern is the fact that one in five (19%) of people aged 50 to 64 also agree with this statement.
- Half of adults (51%) think that the state pension system has benefited older generations the most, compared to just one in twenty (5%) who believe it will benefit younger generations the most. All age groups believe that older generations will benefit more than younger.

Implications

Raising the state pension age does not automatically lead to people working for longer

Over recent decades over-50s have driven the majority of employment growth in the UK, through greater numbers of workers in this age group, and people leaving the labour market later on average. But many of these trends have stalled and reversed since the pandemic. Without support, we can’t take for granted people continuing to work into later ages.

Savings on public spending from raising the state pension age can be targeted to cushion the impact on individuals, as well as boosting opportunities for better and longer working lives for all

Our polling shows that people believe that the responsibility for ensuring adequate retirement incomes falls between individuals and government. Government should consider how best to use any savings made from future rises to state pension age to cushion the impact on individuals most affected, as well as creating a more sustainable model to benefit workers, employers and the economy in the 21st century.

The state pension age increasing from 65 to 66 resulted in a £4.9 billion saving on public spending. If 10–20% of these savings were used to cushion the impact on individuals most negatively impacted and boost opportunities for people in the second half of their working lives, we would still see a net gain for the Exchequer of 80–90%.

Discussions around the state pension belong to everyone whether they are receiving it now, or will do in the future

The state pension matters to everyone, and is an essential part of the intergenerational social contract. The public feel the benefit of other forms of public spending either early in life (e.g. education) or throughout their life (e.g. health). The state pension is different, as almost all the costs to the individual are felt earlier in life and all the benefits accrued later in life. This creates particular challenges in generating feelings of fairness between generations.

Recommendations

1 Communications and engagement campaign

In the years leading up to any national rise in state pension age we need an effective, timely and targeted communications and engagement campaign for the age cohorts who will be affected first. This is to allow people to prepare and make any necessary changes to work or savings patterns as early as possible.

2 Mitigating impacts to those directly affected

We need to mitigate the impacts on those age cohorts most directly affected by the transition to a higher state pension age. In particular those at risk of falling out of work or into in-work poverty. This is to help smooth the sharp cliff edge between working age and pensioner benefit system.

3 Support those facing the greatest barriers to work

We need to support those facing the greatest barriers to work in the five years leading up to their state pension age, whether that is for health reasons, redundancy, caring responsibilities, or ageism in the workplace. This includes greater investment in preventative workplace health, tailored job support programmes and support for working carers.

4 Support longer and better working lives

We need to support longer and better working lives for all through a programme of support from midlife on, including midlife MOTs, age-inclusive campaigns, investments in preventative health at work, lifelong learning and career switching opportunities.

5 Use fiscal savings made by raising the state pension age

We need a balanced approach to funding these changes. A minimum of 10–20% of any fiscal savings made by raising the state pension age should be targeted through direct support or public spending to:

- Support opportunities for better, longer and healthier working lives for all ages.
- Mitigate impacts on those most imminently impacted by the transition to a higher state pension age.
- Support those facing the greatest barriers to work in the five years leading up to state pension age, whether that is for health reasons, redundancy or caring responsibilities.

If this mirrored the savings made the last time that the state pension age was raised (from 65 to 66) this would equate to £0.5 billion to £1 billion available for investment, and still provide 80–90% savings to the Exchequer. These activities (particularly the support for workers in midlife on) would potentially provide further fiscal net benefit through higher tax income and lower benefit payments associated with better and more sustainable work in people's 50s and 60s.

6 Widespread engagement and consensus

We need widespread engagement and consensus on the role of the state pension as part of the social contract – across generations, over the life course and between people in society. Phoenix Insights will be running public deliberative events to engage the public in this important conversation later in 2022.

Acknowledgements

This report was authored by Patrick Thomson, Head of research analysis and policy at Phoenix Insights. We would like to thank Rowena Crawford and Kalina Kasprzyk of Frontier Economics, Suzanne Hall (Policy Institute, King's College London), and David Sinclair (ILC-UK) for their feedback.

Citation

Please cite this report as: Phoenix Insights (2022)

'Reaching a certain age': Public attitudes to the state pension
(London: The Phoenix Group)



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