

 Phoenix

Insights

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

July 2022

Contents

01 Introduction	3
02 Context	5
03 Our findings	9
– Attitudes to work, retirement, and the state pension	10
– What do people think the state pension is for?	12
– Who do people think the state pension is for?	14
– Who pays? Attitudes to funding the state pension	16
– Age divide in levels of engagement with the state pension	19
– Conclusions and implications for the state pension age review	21

Phoenix Insights

With the state pension age currently being reviewed, Phoenix Insights has commissioned independent polling to understand **what people believe the purpose of the state pension is, who it is for, and how it should be funded.**

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)



[thephoenixgroup.com/
views-insights/phoenix-insights](https://thephoenixgroup.com/views-insights/phoenix-insights)

01

Introduction

Public attitudes to the state pension



The state pension is a national institution and a central part of our intergenerational social contract as a country. Most people contribute towards it through national insurance payments during their working life, but it is an unfunded, pay-as-you go scheme. The money you take out in retirement isn't the money you paid in, even though to many people it feels like it is. Instead, at any one time, the current working age population is funding the state pensions of the current pensioner population (currently 12.5 million people and growing). We spend £110 billion a year on it, the largest single item of the UK's £250 billion of welfare spending.¹ 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).² And it is overwhelmingly popular – our polling shows that 84% of us believe it is an essential role for government to provide. It is one of the few areas of public spending where Conservative voters are more likely than Labour voters to support increases in taxation to fund it.

In many ways, the state pension is unlike any other part of the social security system. It is near universal and not means-tested. With the necessary years of national insurance contributions, eligibility is determined by reaching a particular age, no matter your health, wealth or needs. Unlike the NHS, education or any other major form of public spending, almost all the costs to the individual are felt earlier in life and all the benefits accrued later on. Once you receive it, you receive it for the rest of your life, and you receive a higher rate if you defer taking it. Those who are wealthier and in better health, stand to live and receive it for longer, and so receive more overall than those in poorer health, who die younger.

There is an important balancing act between ensuring the policy goals, of reducing poverty in later life and maintaining fiscal sustainability, are delivered within a system that is fair, and feels fair, to people of all ages. Recent history of the equalisation of female state pension age from 60 to 65, highlights that changes can be controversial, and for the need for simple, trusted, and timely communication on the subject.

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 answer questions such as: what people believe the purpose of the state pension is; who it is for; and how it should be funded; as well as their attitudes to work, retirement and preparing for the future.³ This report outlines the findings from this polling as well as our recommendations to inform the review of state pension currently underway. Phoenix Insights will be using this work later in 2022 to inform a set of in-depth public deliberative events to work with the public to devise their policy recommendations for the future of this critical part of our welfare system.

1. OBR March 2022 forecast.
2. Pensions Policy Institute Briefing Note Number 125 – Longevity Inequality.
3. 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+).

02

Context

Why this matters now

The independent review of state pension age

The government is required by the Pensions Act 2014 to conduct a periodic review of state pension age. The second such independent review is currently underway in 2022, led by Baroness Neville-Rolfe. This independent review, coupled with the Department for Work and Pensions' subsequent review, will inform a political decision on the future of the state pension. This provides a timely opportunity to consider not just the actuarial, demographic and economic factors impacting the state pension, but also what people themselves think about it.

Over recent decades the trends in state pension age have been going in one direction – up. The pace and communication of those changes (from 60 to 65 for women, and then 65 to 66 for all) have left some groups feeling disconnected from the decision-making process. Future increases to age 67 and then 68 are predicated on the assumptions that 1) **people are living longer**, 2) **costs are increasing** to fund a growing number of people claiming the state pension, and 3) **that people will be able to work for longer** to support themselves financially until they are eligible for the state pension. We consider whether all these assumptions continue to be likely to be the case now and into the future.

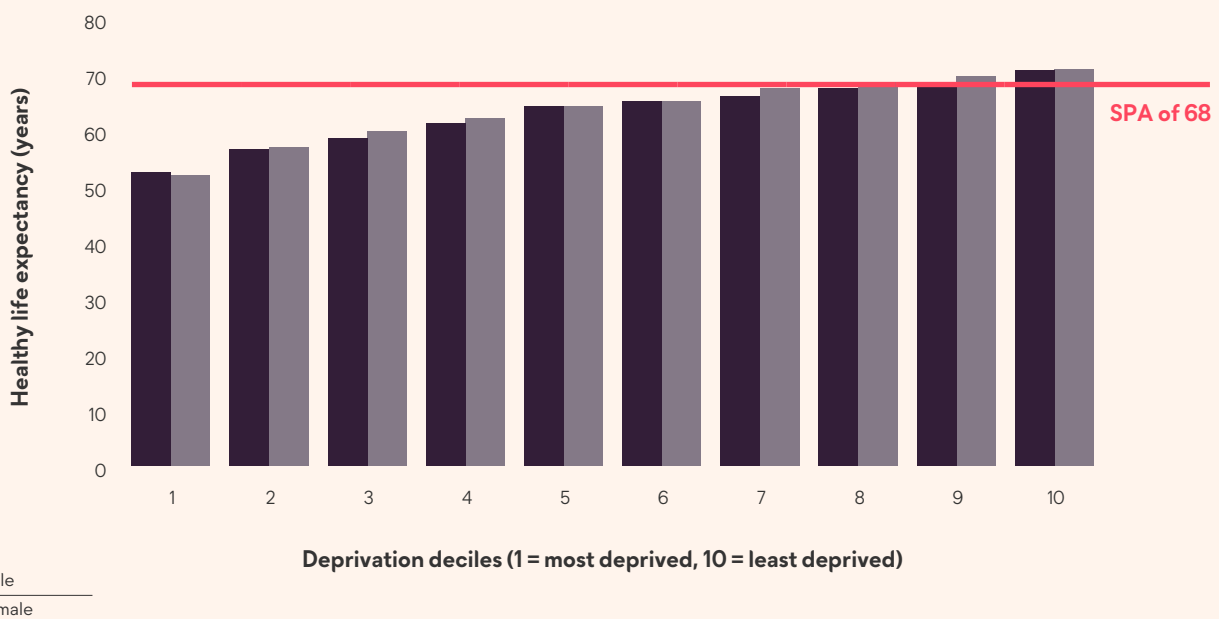
Who is living longer?

While many of us are living longer, not everyone experiences this in the same way. Most people do not reach state pension age in good health. Only women in the top 30% and men in the top 20% least deprived parts of England would currently reach a state pension age of 68 in good health.

Government policymaking has previously used an assumption that on average people should spend up to one-third of their adult life in retirement. While the median woman's life expectancy in the UK would provide approximately one-third (32.4%) of their life above state pension age, the same is not true for lower earners, with the bottom 10% of women only expected to spend 29.3% of their lives over state pension age. The median man would only expect to spend 29.7% of their life above state pension age, with even the highest 10% of male earners falling just short of the one-third rule (32.8%).⁴

Figure 1

Likelihood of reaching age of 68 in good health, at birth.



Source: Office for National Statistics – Annual Population Survey, 2011 Census.

4. PPI Briefing Note Number 125 – Longevity Inequality.

Why this matters now continued

Are people working for longer?

Between 2008 and 2019 over 50s drove the majority of employment growth in the UK. Since the Covid pandemic and subsequent impact on the job market, we have seen a stark change in the participation rates of older workers. 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.⁵ For some this will be a conscious or positive choice, with expectations and circumstances changing post-pandemic, but for others struggling to continue to save for their later life, the inability to remain in work is an increasing problem. While this may be a short-term trend, we may not be able to take for granted that older workers will continue to work for longer to match increasing state pension ages.

While a higher state pension age does encourage some people to delay retirement and continue to work for longer, most people do not work for longer as a result. Recent IFS analysis for the Centre for Ageing Better shows that the increase in state pension age from 65 to 66 caused 55,000 more 65-year-olds to be in work in 2021. However, not being able to claim their state pension, also resulted in 5,000 more 65-year-olds who were unemployed, and 27,000 who were out of work because they were long-term sick or disabled.⁶ This creates a wider cliff edge between less generous working-age benefits and the state pension.

Which groups are most impacted when the state pension age changes?

While the state pension matters to everyone, it matters to some more than others, at least in terms of the direct impact it has on their financial wellbeing. Currently half of pensioners derive nearly two-thirds (64%) of their income from the state (from the state pension and other benefits).⁷

Changes to the state pension age disproportionately affect those on lowest incomes. Raising the state pension age from 65 to 66 caused absolute income poverty amongst 65-year-olds to more than double, rising by 13 percentage points. This was mostly among people not in paid work but did also impact people in work. The increases in poverty at age 65 have been larger for groups that are generally closer to the poverty line: single people, people with fewer educational qualifications, and renters.⁸

State pension age is currently 66 having risen from 60 for women and from 65 for men over recent years. Two further increases are currently set out in legislation: a gradual rise to 67 for those born on or after April 1960; and a gradual rise to 68 between 2044 and 2046 for those born on or after April 1977. The first review of state pension age was undertaken in 2017 and concluded that the next review (now underway) should consider whether the increase to age 68 should be brought forward to 2037–39 before tabling any changes to legislation.⁹

This means that cohorts born in the early to mid-1970s may be particularly impacted by changes being considered in the current review as they face a potential state pension age of 68, instead of 67 which they may have originally expected. Younger age groups than this are also potentially impacted as they may face further changes to the state pension age in the future.

Those currently in their 40s to mid-50s may particularly be impacted by these changes. ILC-UK research supported by Phoenix Group found that over a third (39%) in this age group who are yet to retire expect to rely on either the property they live in, e.g. via downsizing, or an inheritance. However, these incomes may not be reliable or may be needed for other reasons. One in ten hope to use their home to support their retirement, and 11% who expect this to be their main income source in retirement, either don't currently own a home or don't expect to pay off their mortgage by the time they retire.¹⁰ This age group may also be at risk, being too young to have received widespread defined benefit pension schemes, but too old to have spent the bulk of their careers in the auto-enrolment era.

5. Recent and future patterns of work around state pension age (IFS, 2022).
6. How did increasing the state pension age from 65 to 66 affect household incomes? (IFS, 2022).
7. PPI Briefing Note Number 125 – Longevity Inequality.
8. How did increasing the state pension age from 65 to 66 affect household incomes? (IFS, 2022).
9. [Government launch of the second state pension age review.](#)
10. 'Slipping between the cracks? Retirement income prospects for Generation X' (ILC-UK, 2021).

Why this matters now continued

Which groups are most impacted when the state pension age changes? continued

Timetabled rise to state pension age of 68	
Original timetable	Potential timetable under review
Phased increase to a state pension age of 68 between 2044 and 2046	Phased increase to a state pension age of 68 between 2037 and 2039
This will first impact those born 1977 or 1978 (those aged 44–45 in 2022) and then all younger age groups.	This will first impact those born 1970 or 1971 (those aged 50–51 in 2022) and then all younger age groups.

Key findings

- While many are living longer, not everyone experiences this in the same way. Only women in the top 30% and men in the top 20% least deprived parts of England would expect to reach a state pension age of 68 in good health.
- 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.

03

Our findings

Attitudes to work, retirement, and the state pension

How long someone works and when they retire is influenced by a wide range of individual, workplace, and financial factors. It depends on their ability to remain in work or get a job, employers' attitudes and behaviours in employing them, and a range of push and pull factors making work more or less attractive or possible.

Our survey shows that people see the link between continuing to work for longer and financial wellbeing in later life when this is framed as a personal opportunity for them. Two-thirds of people (65%) agree with the statement "When I reach state pension age I'd do some paid work if it meant a better standard of living", with 23% neither agreeing nor disagreeing, and 11% disagreeing.

However, when this is framed as a more general societal expectation there are more divided opinions. Fewer than one-third of people (29%) agree with the statement "With people now living longer on average, it's right that people should have to work longer before retiring", with the same proportion neither agreeing nor disagreeing (29%) and a larger proportion disagreeing (42%).

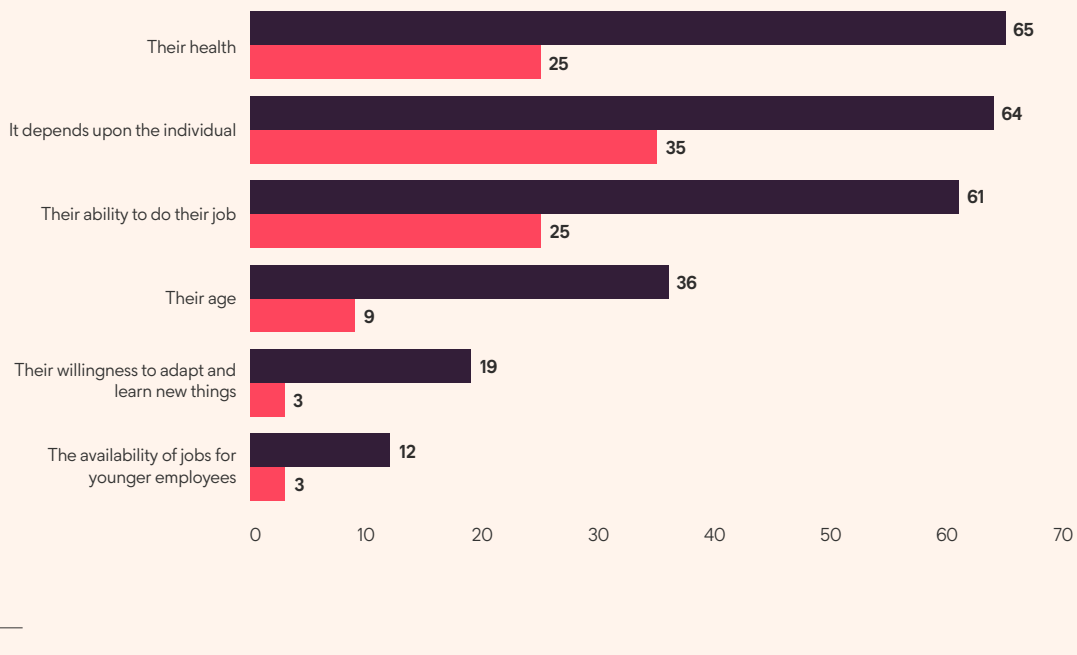
We find that the public are much more likely to say that an individual's own circumstances should determine when someone retires much

more than their age. When asked what factors should determine when a person stops working, the public most often say that health (65%), it depends upon the individual (64%) or their ability to do their job (61%). When asked for the main reason, people most often say that it depends on the individual (35%). Age is a less commonly cited reason for when someone should stop working, given by just 36% of people as a factor and fewer than one in ten (9%) as the main factor.

“Fewer than one in ten (9%) of people believe that age should be the main factor determining when someone stops working”

Figure 2

Public attitudes to what factors should determine when a person stops working.



Source: YouGov/Phoenix Insights polling April 2022.

Attitudes to work, retirement, and the state pension continued

When people consider their own situations, we see similar patterns:

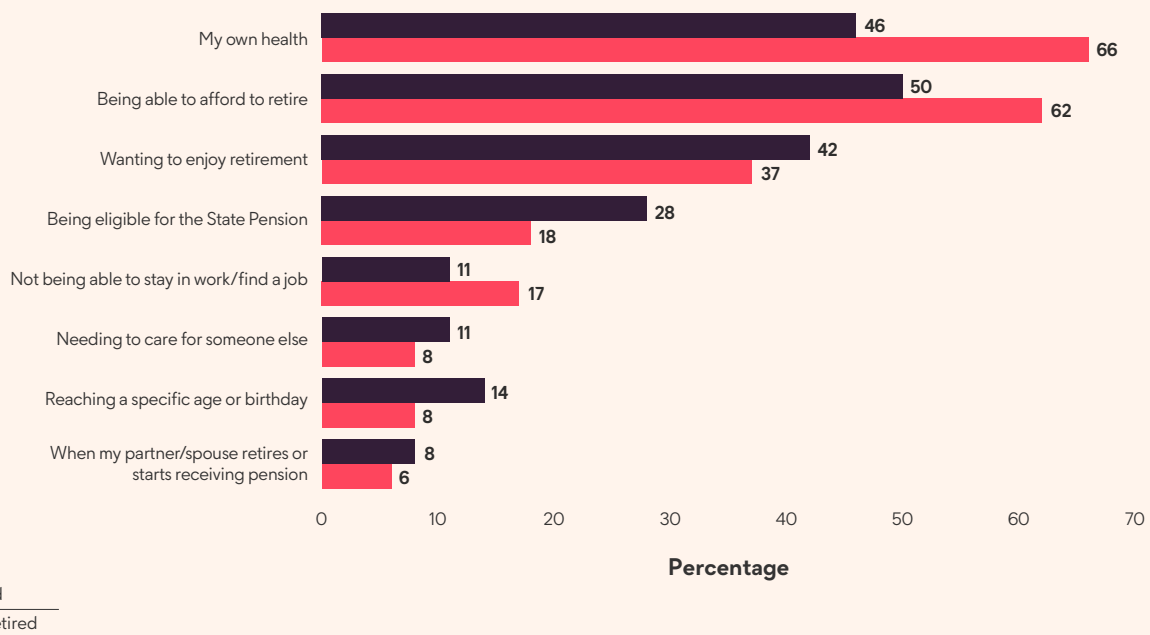
- For people who had not yet retired, health (66%) and affordability (62%) are the top factors for determining when they expect to retire. Only 18% of people say being eligible for the state pension is important in determining when they will retire. Women (21%) are more likely than men (15%) to say that state pension eligibility is important for determining the age that they think they will retire.
- Of those who have already retired, affordability (50%), health (46%) and wanting to enjoy retirement (42%) were the most important factors determining the age at which they retired. This gives us an indication of the views of people who have been through the

transition to retirement, but it is worth considering that this would have taken place in a very different context for older age groups in terms of the state pension age (particularly for women pre-equalisation), higher rates of defined benefit pension schemes, and different occupational histories.

Being eligible for the state pension was given as a more important factor in determining age of retirement for those who have already retired (28%), than those who have yet to retire (18%). Reaching a specific age or birthday was similarly a more important factor for people who had retired (14%) than those who had yet to retire (8%).

Figure 3

Public attitudes to what factors determine own retirement decision.



Source: YouGov/Phoenix Insights polling April 2022.

Key findings

- Although the public believe that the state pension is for older people unable to work, they do not believe that someone's age should determine when they should retire.
- 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.
- Among people who have not yet retired, women (21%) are more likely than men (15%) to say that state pension eligibility is important for determining the age that they think they will retire.

What do people think the state pension is for?

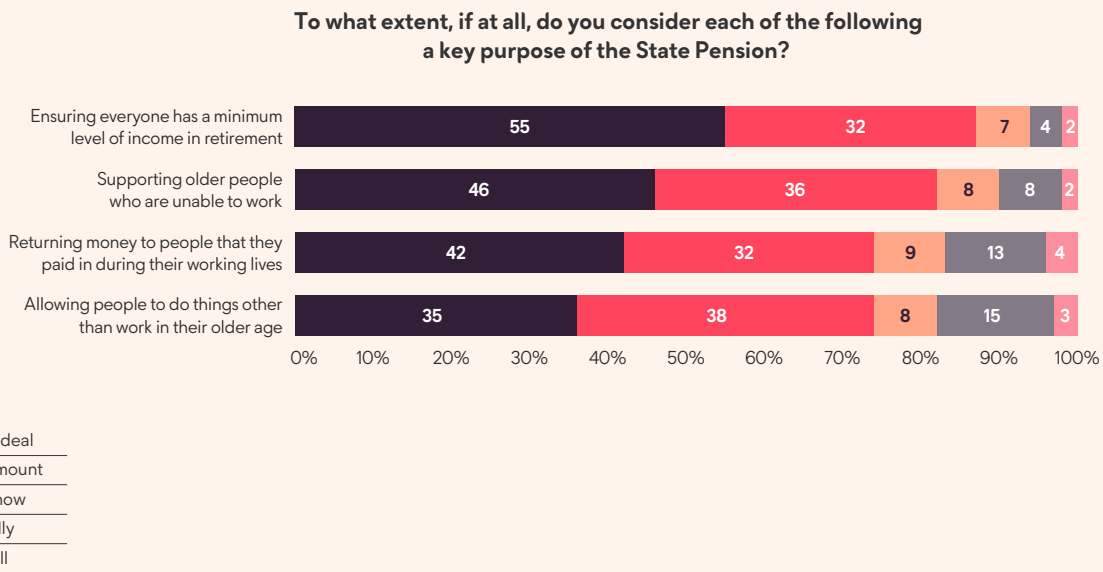
The state pension has evolved over the past century, from the means and ‘character’ tested Old Age Pension Act of 1908, to the more inclusive state pension of the post-war settlement funded on a pay-as-you go scheme through national insurance contributions, and finally to the streamlined, triple-locked new state pension of 2016.

Public attitudes to what the state pension is for have also evolved over that time. In our survey, we offered four options of a potential purpose for the state pension, all of which had high levels of agreement:

- Ensuring everyone has a minimum level of income in retirement (87%).
- Supporting older people who are unable to work (82%).
- Returning money to people that they paid in during their working lives (74%).
- Allowing people to do things other than work in their older age (73%).

Figure 4

Public attitudes on purpose of the state pension.



Source: YouGov/Phoenix Insights polling April 2022.

What do people think the state pension is for? *continued*

In general, individuals are more supportive of all of these reasons with age. This was particularly the case for the state pension ensuring a minimum level of retirement income with 94% agreement from those aged over 65, and 90% agreement from those aged 50 to 64.

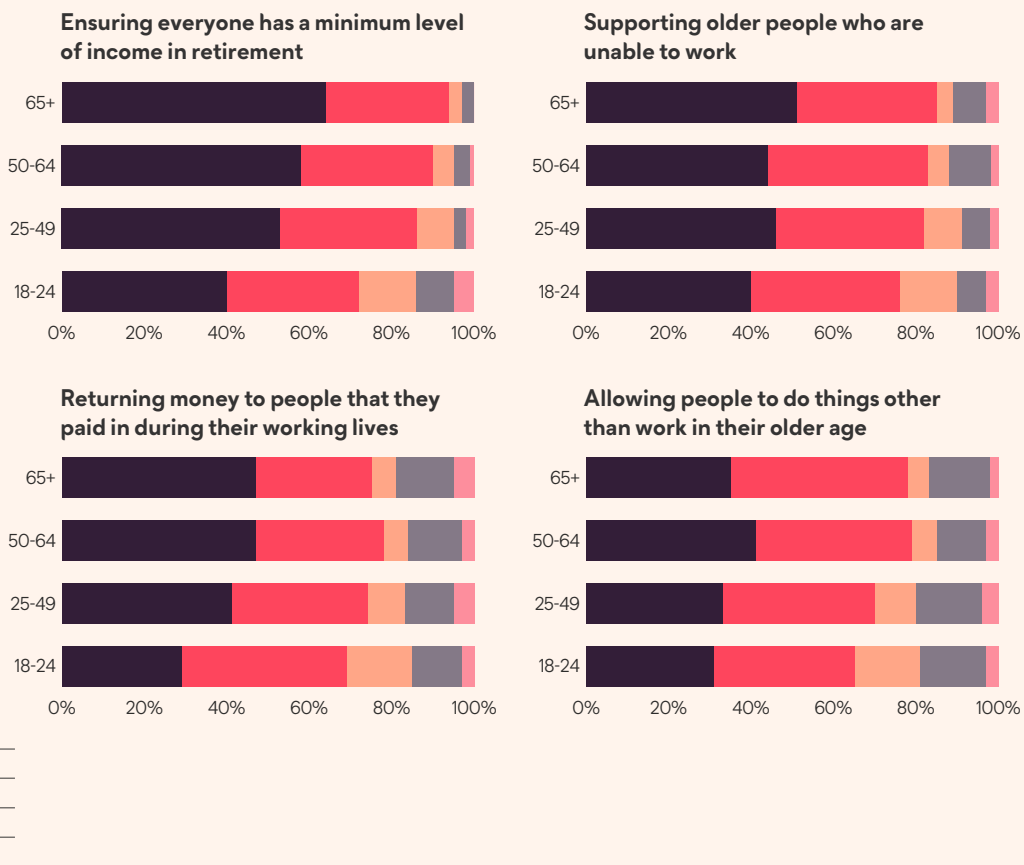
82% of people believe that the state pension is there to support older people who are unable to work. This however raises further questions, if this is the case for older people, why not do this through the working age benefit system? We know that age is not necessarily the best proxy for whether someone is able to work, and this mindset could increase ageist narratives in the minds of employers.

While a large majority (74%) of over 65s believe that the state pension in part is for returning money to people that they paid in during their working lives, a sizeable minority (19%) disagreed with this statement, more than among other age groups.

50 to 64-year-olds were the age group most likely to agree with the state pension enabling people to do things other than work in their old age (79%), perhaps suggesting many are looking forward to the next stage of retired life and a desire to do things other than work.

Figure 5

Public attitudes on purpose of the state pension by age.



Source: YouGov/Phoenix Insights polling April 2022.

Key findings

- 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?

Should certain groups be able to access the state pension early?

As we have outlined, there are wide variations in terms of life expectancy and healthy life expectancy, who is able to work for longer and who is most reliant on the state pension. This makes a single state pension age a blunt instrument for determining who needs support and when.

Recent analysis from the IFS has shown that the groups most adversely affected by the latest increase in state pension age (from 65 to 66) were those less likely to be in work at age 65 anyway and who have less private income to rely on. That means that the less well educated, those in rented accommodation and single people were hardest hit.¹¹

Not everywhere takes the same one-size-fits-all approach as the UK. Countries such as Italy have provision for early retirement and access to public pension provision. Workers can choose to retire up to three years early at a lower rate (provided they have at least 20 years of contributions). Early retirement options are also possible from the age of 63 with 30 years' contributions for unemployed people,

disabled people and carers. Exemptions are also allowed for workers in companies undergoing restructuring, or people working in arduous occupations.¹²

Our survey explored some of these issues by asking if different groups should be eligible for early access to the state pension:

“The state pension age is currently 66 for both men and women and is set to increase to 67 and then 68 in future years. Looking at the following groups of people, do you think they should or should not be able to receive the state pension early?”

- People who are unable to continue to work (e.g. for health reasons) with three-quarters (76%) agreeing.
- People in physically demanding jobs, with 58% agreeing.
- People who started work earlier in life (e.g. before the age of 18) with 39% agreeing [shown on next page].

Figure 6

Public support for early access to the state pension for different reasons.

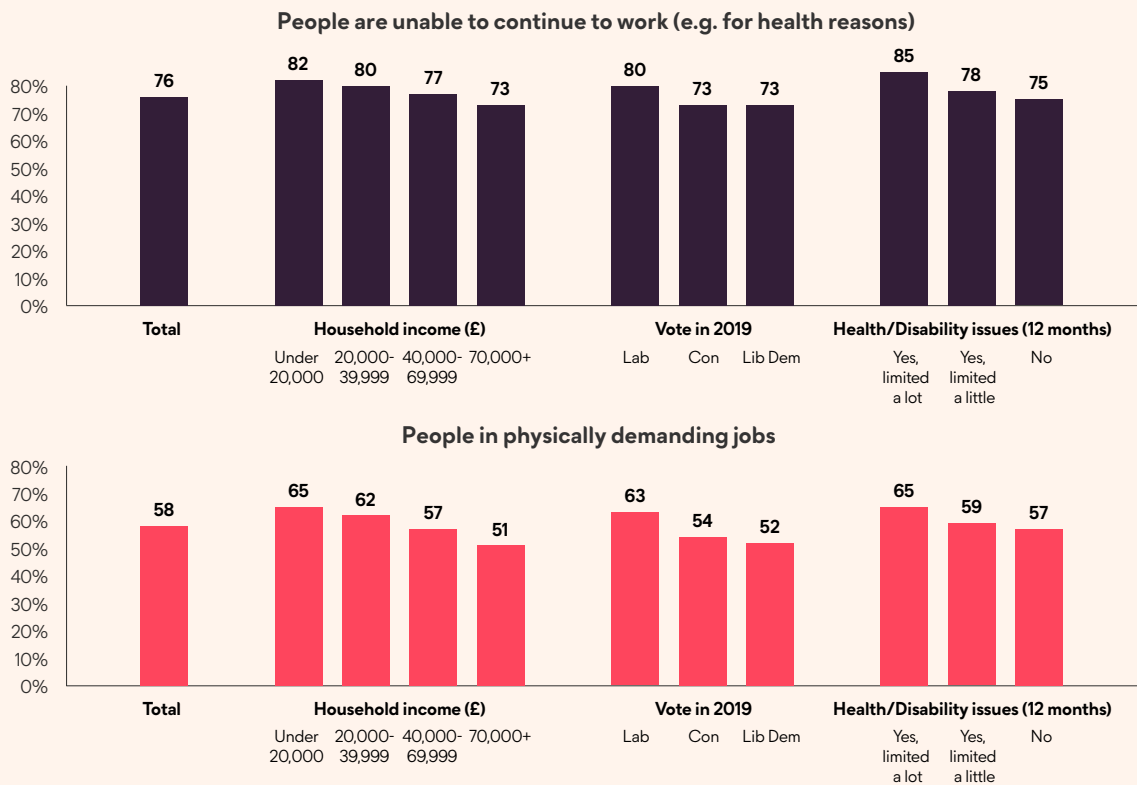


Figure 6 continued on next page

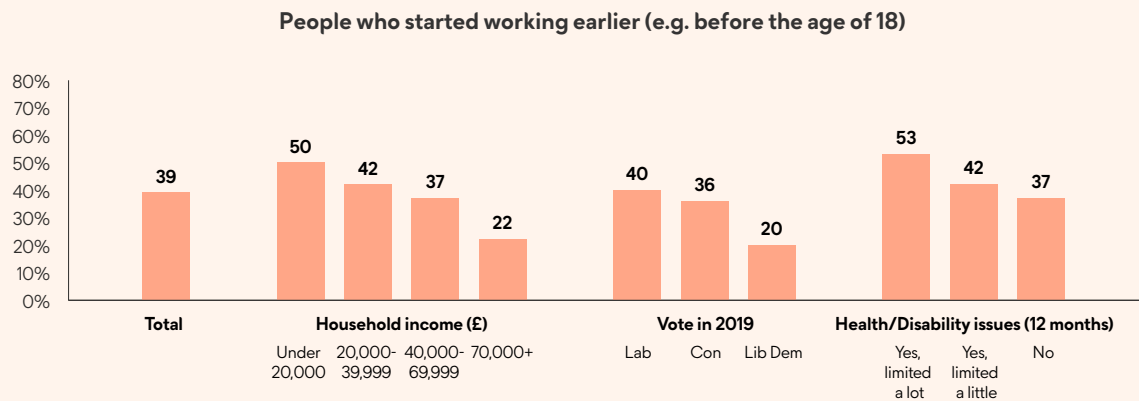
11. How did increasing the state pension age from 65 to 66 affect household incomes? (IFS, 2022).
 12. OECD Pensions at a Glance 2021 – country profile: Italy.

Who do people think the state pension is for? continued

Should certain groups be able to access the state pension early? continued

Figure 6

Public support for early access to the state pension for different reasons.



Source: YouGov/Phoenix Insights polling April 2022.

This suggests that there is support particularly for people who are unable to work (e.g. for health reasons). But this raises the question as to whether this policy outcome would be best achieved through focusing on supporting people unable to work through the working age benefit system or if there is something different and more tailored required for when this is combined with age.

Support for all of these suggestions was higher for lower earners, among Labour supporters at the last general election and among people with a health condition or disability.

While early access to the state pension would provide a more tailored provision to individuals it may lose out in terms of simplicity, and consistency if rolled out nationally. It also raises questions as to how these groups should be defined, shown by the challenges for instance of eligibility to disability benefits through health assessments. If early access were combined with being given a lower rate of state pension, this would result in lower income over the long term. There are also practical issues of targeting, incentives and costs of administering a targeted early access system.

Key findings

- 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 this should be an option for people in physically demanding jobs, and just over a third (39%) believe this should be an option for people who started work earlier in life.
- Support for all of these suggestions was higher for lower earners, among Labour supporters at the last general election and among people with a health condition or disability.
- There are practical barriers to providing early access to certain groups, and it also undermines the universalism of the current system.

Who pays? Attitudes to funding the state pension

People believe that individuals and government have a role in providing adequate retirement incomes

A decade after the removal of the default retirement age, the introduction of pension freedoms and declining levels of defined benefit pension schemes, we are in a position where individuals' own knowledge and understanding of pension issues are more important than ever. While the highly effective implementation of auto-enrolment means that more people have access to some form of occupational pension, this hasn't benefited everyone.

People have more choice than ever in deciding how they want to navigate their pension pathways, but with this comes the greater responsibility and risk of making complex long-term decisions affecting their financial future.

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. Interestingly, only 6% of people believe it is employers who should play the main role. However, we see some difference depending on income, with those with a household income of under £20,000 more likely to say that it is government's responsibility (47%) rather than an individual (34%), compared to those with a household income of over £70,000 who are more likely to say responsibility lies

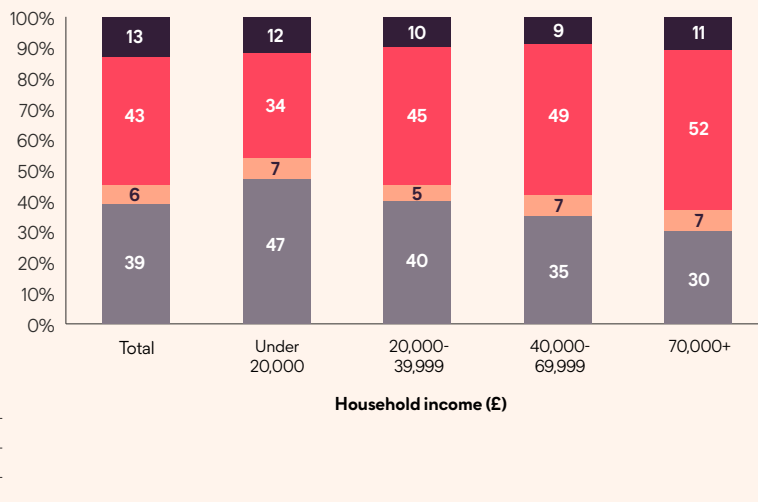
with the individual (52%) than government (30%). There is also a difference with retirement status, with non-retired people more likely to say it is the role of government (41%) than individuals (38%).

“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.”

Figure 7

Public attitudes on responsibility for finances in retirement.

Who do you think should mainly be responsible for ensuring that people have enough money to live on in retirement?



Source: YouGov/ Phoenix Insights polling April 2022.

Who pays? Attitudes to funding the state pension continued

“We found that 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.’”

Focusing more specifically on the state pension itself, we can see that expenditure has been increasing in cash terms for several decades. Spending on the state pension was broadly flat from the 1990s until 2007–08 at between 3.3 and 3.7% of GDP. The costs from increasing numbers of pensioners were broadly offset by slower growth in the average state pension award than GDP per adult.¹³ Since then, relatively slow growth of GDP, coupled with a continued rise in the number of pensioners and more generous uprating of pensions through the policy of the ‘triple lock’ has further increased the costs of state pensions as a proportion of GDP.

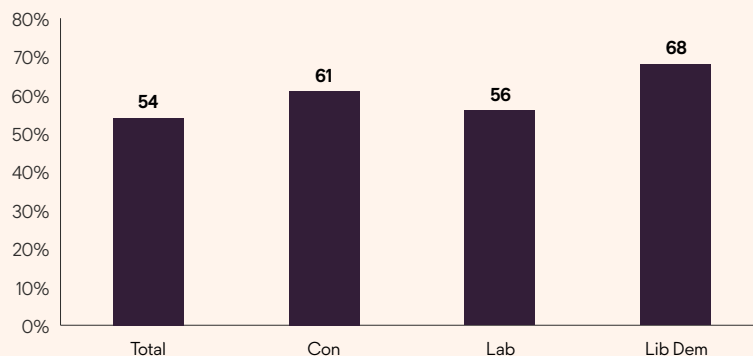
With this in mind, there are real decisions concerning how this additional expenditure should be funded (through increased taxation, borrowing, or reduction in other forms of public spending) or how the state pension could be changed or targeted in terms of its generosity or eligibility.

We found that 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”. Interestingly we saw more support for this position from voters of all main political parties with most voters for Lib Dems (68%), Conservative (61%) and Labour (56%) supporting this view. This is balanced out by lower support among non-voters. The higher support particularly among Conservative voters may partly be explained by the relatively older age of supporters of that party, but it is nevertheless striking that this is an area of public funding that Conservative voters are explicitly in favour of increasing taxes to support.

Figure 8

Public support for higher taxes to fund state pension, by vote at 2019 General Election.

Agreement with statement: “With people living longer, we have to be prepared to pay more in taxes in order to have a properly-funded State Pension”



Source: YouGov/ Phoenix Insights polling April 2022.

13. [Welfare spending: state pension – Office for Budget Responsibility \(obr.uk\)](https://obr.uk/welfare-spending-state-pension/).

Who pays? Attitudes to funding the state pension continued

When asked a theoretical question on how to pay for the rising costs of the state pension there was some variation in how receptive respondents were:

- The most popular answer selected by nearly half (48%) of respondents was to raise taxes so that the value of the state pension does not fall. This was more popular with those approaching or above state pension age with 59% of 50 to 64-year-olds, and 58% of those over 65 supporting it.
- One in five people (20%) supported keeping things as they are now while accepting this would mean the value of the state pension would fall over time. This was the most popular option among younger respondents with 36% of 18 to 24-year-olds supporting it.
- Less popular options were raising the age at which pensioners receive the state pension and maintaining its value (17%) and both raising taxes and the state pension age (16%), neither of which had a marked difference in terms of ages.

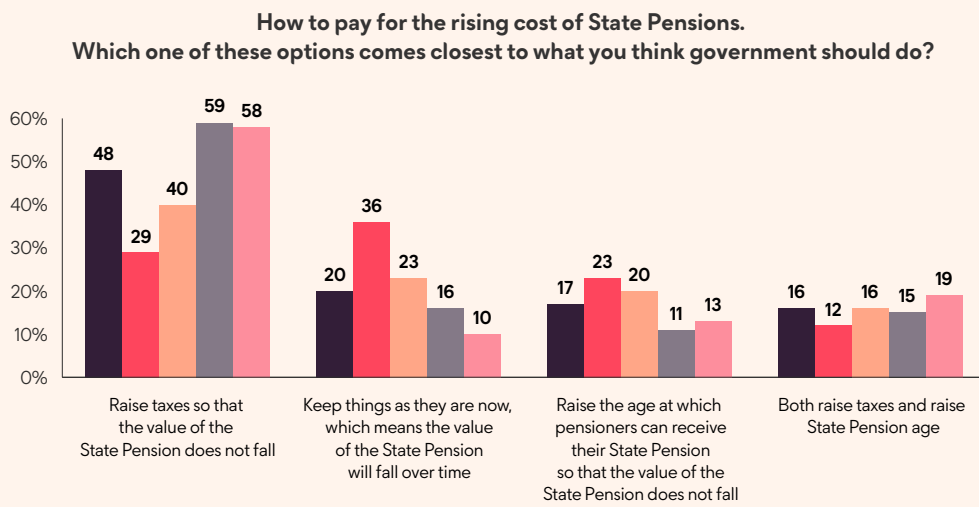
raising taxes and the state pension age (16%), neither of which had a marked difference in terms of ages.

People are generally opposed to means-testing the state pension with half of people (51%) opposed to the idea of income and wealth being considered when calculating how much state pension is received. One in three (34%) support means-testing, and 14% answered “don’t know”.

We found widespread support for the idea that the government should ‘top up’ the incomes of low-income pensioners, to make sure that they have a reasonable standard of living, with 69% of respondents agreeing with this idea, 23% neither agreeing nor disagreeing and only 8% disagreeing. This support is consistent across all age groups. This suggests the framing of these policies matters, as restricting eligibility for higher earners (means-testing), and topping up incomes of lower earners (through e.g. pension credit) provide similar outcomes.

Figure 9

Public attitudes to funding options for the state pension, by age.



Source: YouGov/ Phoenix Insights polling April 2022.

Key findings

- 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 it is employers who 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.
- Nearly half (48%) of respondents were supportive of raising taxes so that the value of the state pension does not fall.
- There is widespread support for the idea that the government should ‘top up’ the incomes of low-income pensioners, to make sure that they have a reasonable standard of living, 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 levels of engagement with the state pension

Half of people under the age of 50 believe that “there probably won’t be a state pension by the time they retire.”

While the state pension is for everyone, potentially now or in the future, there is an age divide in levels of engagement and understanding about the state pension and other aspects of preparing for the future. 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”.

In many ways this is understandable, with younger age groups facing challenges and priorities in their day-to-day lives, particularly at a time of rising inflation. Worryingly there is a low level of expectation about how the state pension will support younger age groups at all in the future:

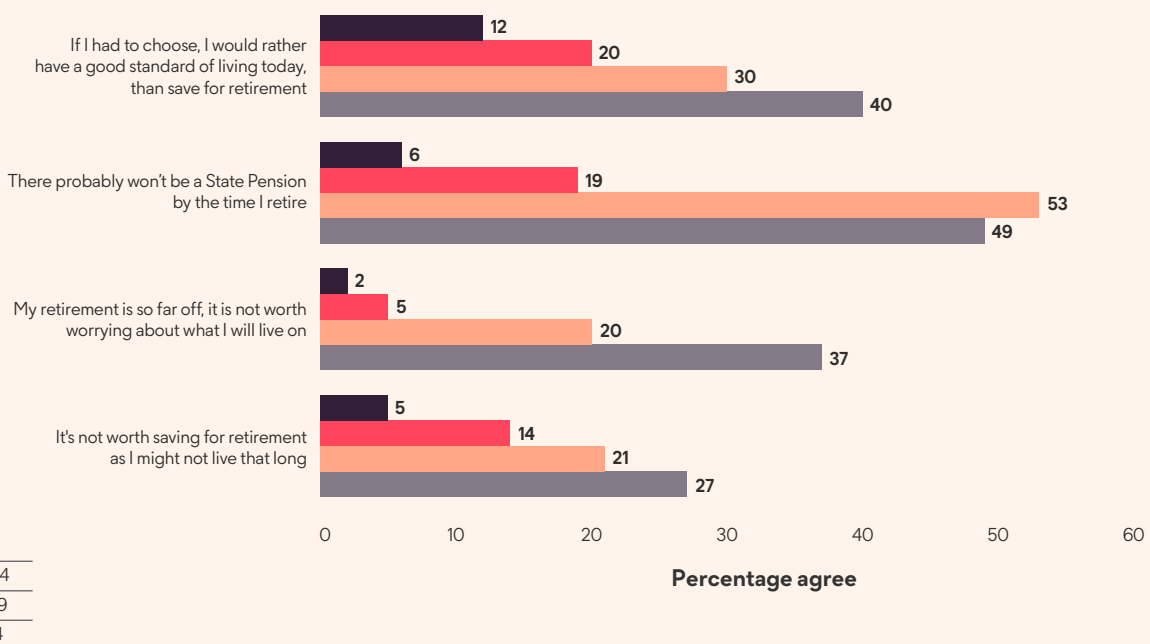
- Half of people under the age of 50 believe that “there probably won’t be a state pension by the time they retire”. Also of concern is the fact that one in five (19%) of people aged 50 to 64 also agree with this statement, at a time when many may be wanting to make more concrete financial plans for their later lives.

Levels of knowledge and agency towards pensions are also low:

- Half (50%) of men and two-thirds (66%) of women agree that “Sometimes pensions seem so complicated that I cannot really understand the best thing to do”.

Figure 10

Perceptions of retirement and state pension by age.



Source: YouGov/ Phoenix Insights polling April 2022.

Age divide in levels of engagement with the state pension continued

The social contract and intergenerational fairness

This paints a picture of younger age groups less engaged and aware of pension issues, which is hardly unexpected. However, the very nature of the pay-as-you-go system for UK state pension means that all adults have a very material stake in the state pension policy throughout their adult lives. Younger age groups pay into the system during their working lives, so that they can receive the state pension in the future, which in turn will be funded from future tax revenue.

The independent review of state pension is considering questions of intergenerational fairness. This notion of fairness and reciprocity could appear to be at risk when we look at respondents' attitudes to who the state pension is seen to benefit. Our survey asked people whether they believed that older or younger generations benefited the most from the state pension, or if all generations benefit equally.

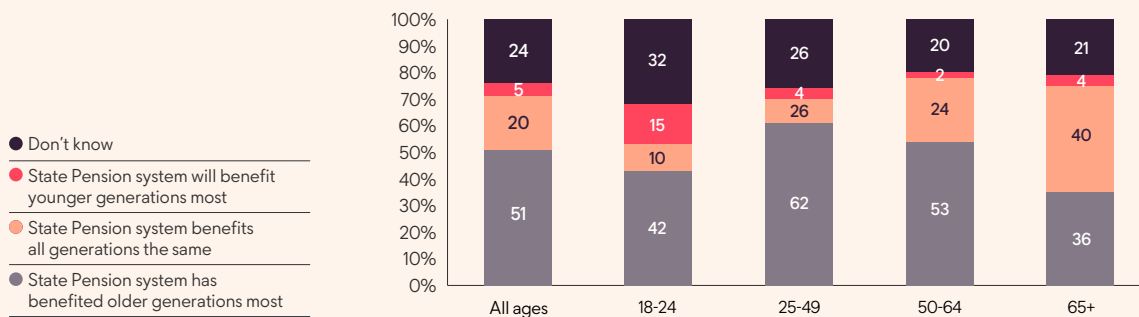
Respondents were ten times as likely to say that the state pension system has benefited older generations, as to say it will benefit younger generations. Half of adults (51%) think that the state pension system has benefited older generations the most, compared to just one in twenty (5%) who believe it will benefit younger generations the most. All age groups were more likely to say that older generations were likely to benefit more than younger generations when it comes to the state pension.

Those over the age of 65 were most likely to say that the state pension benefits "all generations equally" (40%), but even among this age group 36% believe that older generations benefit the most compared to just 4% who believe younger generations will benefit more. 25 to 49-year-olds, who will potentially face future rises to their state pension age, are the age group most likely to believe that older generations have benefited the most from the state pension system, with 62% believing this is the case.

Figure 11

Perception of how different generations benefit from the state pension.

Thinking about how the State Pension system benefits different generations, which of the following statements comes closest to your view?



Source: YouGov/ Phoenix Insights polling April 2022.

Key findings

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 (50%) of men and two-thirds (66%) of women agree that "Sometimes pensions seem so complicated that I cannot really understand the best thing to do".

- 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 generations.

Conclusions and implications for the state pension age review

The state pension matters and changes to it have real impacts

The state pension is something that most people will contribute to, and benefit from, through national insurance over their lifetime. 84% of us believe it is an essential role for government to provide.

Changes to the state pension age have real impacts:

- **For individuals:** Raising the state pension age from 65 to 66 resulted in more people being in poverty. Particularly those with lower levels of qualifications, those in rented accommodation and single people. Most of the increase in income poverty for

65-year-olds due to the reform has been among people not in paid work, although it has also impacted those in work. With the state pension age set to rise to 68 potentially before 2040, people in their late 40s and early 50s will be impacted most imminently and then younger age groups in the future.

- **For public spending:** At the time of the last state pension age increase (from 65 to 66), the Exchequer saved £4.9 billion largely from a reduction in pension incomes of 65-year-olds.

“Most people do not reach the current state pension age in good health, and raising the state pension age affects those in poorer health who are less likely on average to be able to work for longer.”

Raising the state pension age without mitigations will widen inequalities

87% of people believe that the state pension is there to ensure everyone has a minimum level of income in retirement. Government has previously used an assumption that on average people should spend one-third of their adult lives above state pension age. The average woman does currently do this but not the average man. Most people do not reach the current state pension age in good health, and raising the state pension age affects those in poorer health who are less likely on average to be able to work for longer.

Raising the state pension age encourages some but not all to continue to work for longer – most do not. It leaves a wider income gap between those of working age and those in the state pension system. People firmly believe that the state pension is there to support older people who are unable to work (82% agreeing), and also support the idea that those unable to work (e.g. due to a health condition) could be eligible for some form of early access (76%), in terms of assessing eligibility, disincentives to work and losing the universalism inherent in the current system.

Therefore, when considering any increase to the current state pension age, it is important to understand what mechanisms can be used to ensure people have access to support when they need it most. This needs to be targeted in a way that avoids inadvertently increasing levels of ageism experienced by older workers, and it must avoid assumptions about someone's ability to work being linked to age alone. A lot has changed in the century since the state pension was first introduced; more people in society are living to older ages, and the types of work people do have also changed. Our polling shows that fewer than one in ten people say that age should be the main factor determining when a person stops working. Individual circumstances, health, and an ability to do a job are seen as more important. In the 21st century it is worth asking whether age alone is the best proxy for how long someone should work and when they should be eligible for state support.

Conclusions and implications for the state pension age review continued

“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.”

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.

While a higher state pension age does encourage some people to delay retirement and continue to work for longer, most people do not work for longer as a result. The rise in state pension age from 65 to 66 resulted in increases in the numbers of 65-year-olds unemployed or out of work for health reasons.

Although mandatory retirement is now largely illegal in the UK, many parts of the labour market have not caught up with this fact, with too many people dropping out of work earlier than they would like. We need to reconceptualise sustainable work for all ages and take action to make it a reality.

Initiatives such as the midlife MOT, where individuals can make a holistic plan for their wealth, wellbeing and work will be important, as is greater investment and promotion of lifelong learning opportunities allowing people to upskill throughout working life. We need better investment and uptake of preventative workplace health, to improve health outcomes as well as prevent people leaving work earlier than they would like to.

Employers have a key role to play, through better opportunities for flexible work, returnship and programmes to support people in midlife to return or transition into new job roles. Employers and recruiters have a responsibility (and business opportunity) to implement age-inclusive recruitment practices and unlock the talents of all age groups at work.

14. "Not if but when: The demographic and fiscal case for increases to State Pension Age" ILC-UK, 2022.

Conclusions and implications for the state pension age review continued

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

At different stages between the mid-1990s and mid-2010s, Conservative, Labour and Coalition governments have all legislated for increases in the state pension age, which the IFS described as “a coherent response to increases in life expectancy at older ages”. It may be that the question of raising the state pension age to 68 (or above) may be one of ‘when?’ not ‘if?’, as the International Longevity Centre UK has put it.¹⁴ However, there are active approaches that the government can take to ensure that fiscal savings made by raising the state pension age are targeted to help those at greatest risk of being adversely affected by the rise. This must be taken in the context of rising costs of funding the state pension more broadly as a result of rising numbers of people claiming the state pension and increases resulting from the ‘triple lock’. Therefore there is a balance to be struck between pressures on public spending and the experience of individuals impacted by a rising state pension age.

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

Decisions made today have the potential to impact all ages, but this topic doesn’t feel salient to younger age groups. An 18-year-old today will certainly feel the impact of decisions now being made regarding the state pension, but likely not for half a century or more.

There is a real age gap in terms of engagement on this topic. Younger people are more likely to say that the future is not worth saving for. Half of men and two-thirds of women say pensions sometimes seem too complicated to know what to do. This is concerning, as the current pension system relies on people being engaged and understanding their options to make choices. Without improved engagement on the topic, many will potentially lose out.

There is a worrying lack of trust and belief in the system as a whole. Half of under 50s do not think there will be a state pension by the time

they retire. People overwhelmingly believe that the state pension system will benefit older generations more than it will benefit younger generations. This is in the context of individuals already facing a range of uncertainties about their future lives, whether that be funding social care, housing affordability or caring for others.

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.

Conclusions and implications for the state pension age review continued

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.

The logo for Phoenix Insights, featuring a stylized icon of three vertical bars of varying heights to the left of the text. The word "Phoenix" is in a smaller, sans-serif font, and "Insights" is in a larger, bold, serif font.

Phoenix
Insights

thephoenixgroup.com/views-insights/phoenix-insights