

Briefing on Women and the State Pension Age

From Rachel Reeves MP, Shadow Minister for Pensions

Background

The State Pension Age needs to rise in order to pay for a more generous basic state pension, linked to earnings. That was a principle Labour established in 2007 and it's one we continue to back as people live longer over the coming decades measures like this need to be taken to ensure people don't just have longer retirements on lower incomes.

Since the Turner Commission, new official data on life expectancy has been published which increases estimates of the average life expectancy at state pension age (by 6.5 per cent for men and 5.5 per cent for women).

Labour's Pension Act 2007 continued with the 1995 Pensions Act plan of equalising men and women's state pension age by 2020 and legislated to increase both to 66 by 2026, 67 by 2036 and 68 by 2046.

Current Government Plans

The Coalition Agreement¹ published May 2010 stated that "The parties agree to...hold a review to set the date at which the state pension age starts to rise to 66, although it will not be sooner than 2016 for men and 2020 for women." Yet despite this reassurance, the new government last week published draft legislation to accelerate the equalisation for women by 2018, and then increase both men and women's state pension ages to 66 by 2020. This is a 'u-turn' on their commitment to women and **hits women aged around 56 and 57** particularly hard, with very little time to prepare or amend existing plans.

Specifically, the State Pension age for women born between 6 December 1953 and 5 October 1954 (who are currently aged 56 or 57) **will increase by more than 18 months**, and the Government's impact assessment estimates that this will affect around **300,000 women**. In the most extreme case, 33,000 women born between 6 March and 5 April 1954 would have an increase of two years. These women expect to be reaching state pension age in March 2018, and therefore have only around 7 years to prepare and plan for an extra 2 years before being able to draw a state pension².

The plans mean that a woman born in **April 1953 will be able to get her pension at age 62 years 11 months, but a woman born in April 1954 will have to wait until she is 66**. Saga estimate that this will be a loss of over £10,000 of pension income that women would have been relying on and they have very little time to make that up now.

¹http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_187876.pdf

² Calculations of SPA under the existing timetable, and comparisons with SPA under the new proposals, can be made at http://www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919

Many of these women are **already well underway in their plans for the hitting state pension age under the existing timetable**, and we have heard from many of them who have, for example, already reduced hours, given up work, or are now undertaking caring duties of both elderly parents or of young grandchildren

Women are already at a significant disadvantage relative to men when it comes to pensions. This particular generation of women has tended to earn far less during their working careers, were often prohibited from joining a private pension scheme when they started working (part-time workers were only allowed to join pension schemes relatively recently) and have had **interrupted careers** which gave them less chance to build up a pension outside the state pension system. By making these women wait to get their state pension, they will not have enough money to live on and do not earn enough to be able to save the thousands of pounds they will need to replace the lost state pension.

Age UK have said “This Pensions Bill seeks to cut short the retirements of almost five million people by speeding up the planned rise in women’s state pension age to 65 and bringing forward the increase to 66, six years earlier than planned by the previous government. Women will be hard hit by this change of policy, seeing their state pension age rise by six years between 2010 and 2020 compared to just one year for men. By pushing ahead with these plans, the government is breaking the promise it made in the coalition agreement not to start increasing state pension age to 66 for women before 2020”.

Ros Altmann at Saga has said “Unfortunately, the Government has not given women enough time to change their plans. These women have already accepted an increase in their state pension age, but they were given time to adjust. Suddenly, these same women are being targeted again, but this time they are not being given enough notice as the changes start in just five years time. I believe the Government's decision is unfair and disproportionately hits women who are now around 56 years old.”

Our Position

Since the Turner Commission on Pensions, new figures have been published that show life expectancy increasing at a faster rate than previously thought, so there is a case for moving faster to increase the State Pension Age to 66.

But we do not think it is fair to speed up the equalisation timetable, and **we oppose making any changes before 2020**. This simply does not give women the necessary time to prepare.

We do, however, propose an acceleration of the timetable for both men and women from **65 to 66 between 2020 and 2022**. This would affect 1.2 million fewer people than under the current new plans, and affects about an equal number of men and women, while currently 300,000 more women than men are affected. **This would still deliver £20bn (2/3 of what is planned) of savings for the government, but no one would have an increase in state pension age of more than a year.**