



What should the upcoming State Pension Age Review consider?

**Wednesday 17th September
10:30 - 11:30**

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IFS Retirement Saving Consortium





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Context and background on the state pension age

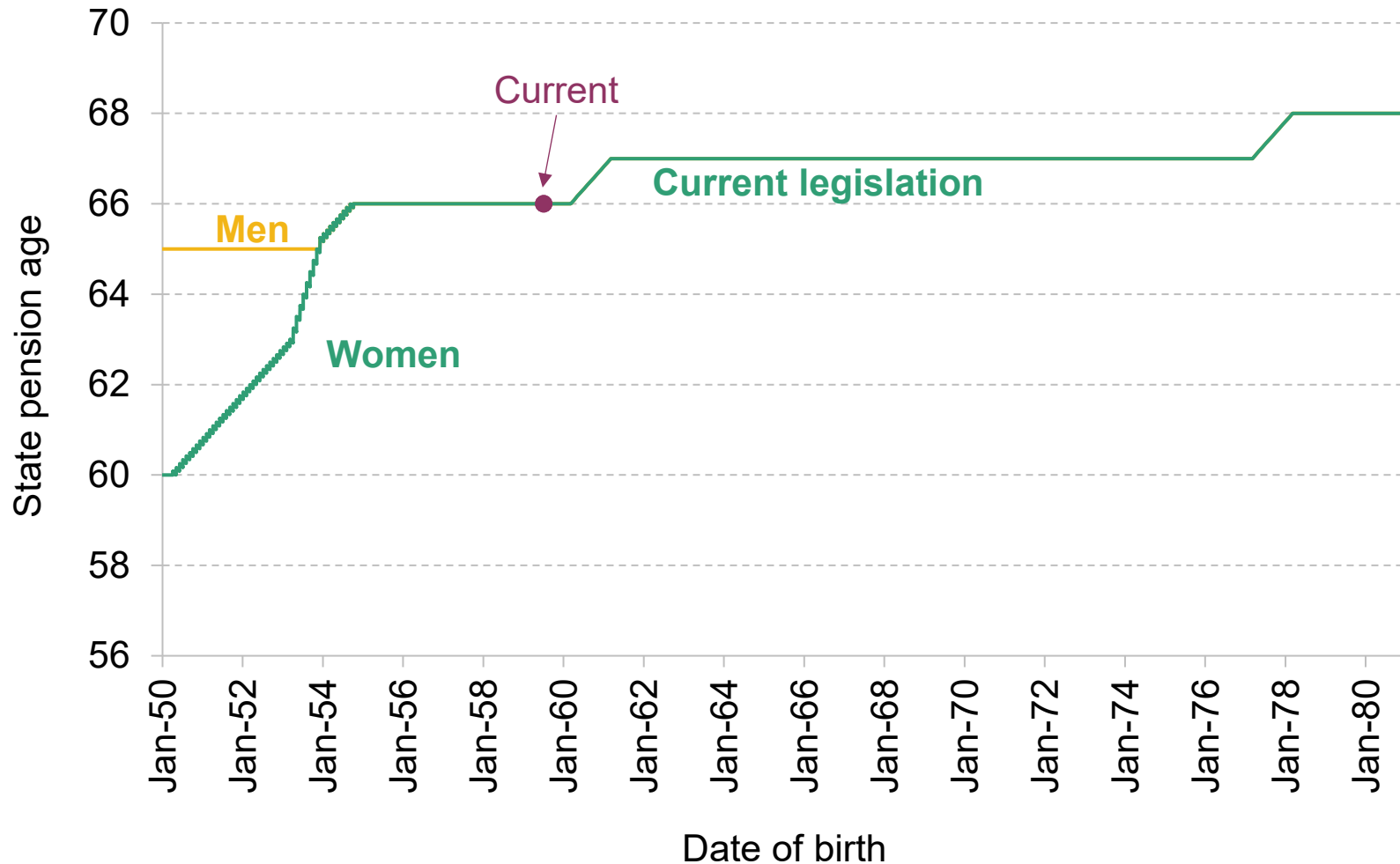
Why are we talking about the state pension age?

- Ageing population add pressures on public finances
 - Increasing SPA has been adopted across the world to help with rising costs of public pensions
- The case for further increases depend in part on their economic and social effects
 - Differences in responses means increasing SPA risks having a disproportionate effect on more vulnerable groups
- The government announced in July the third Independent Review of the state pension age

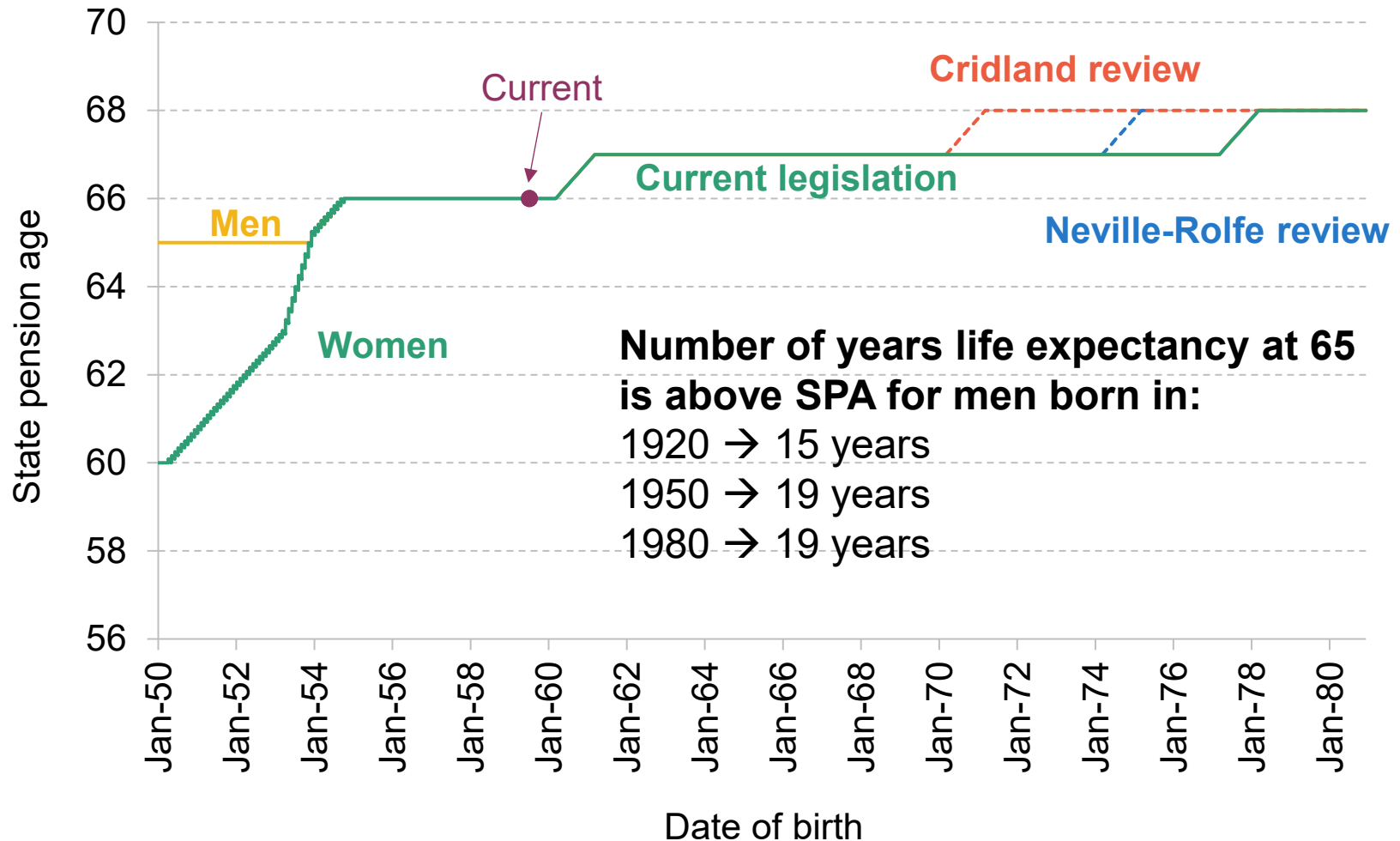
Roadmap

- State pension age as legislated
- Life expectancy projections
- Public finance projections
- Patterns of health, employment and state support in the run up to the state pension age

Past and future SPA as legislated

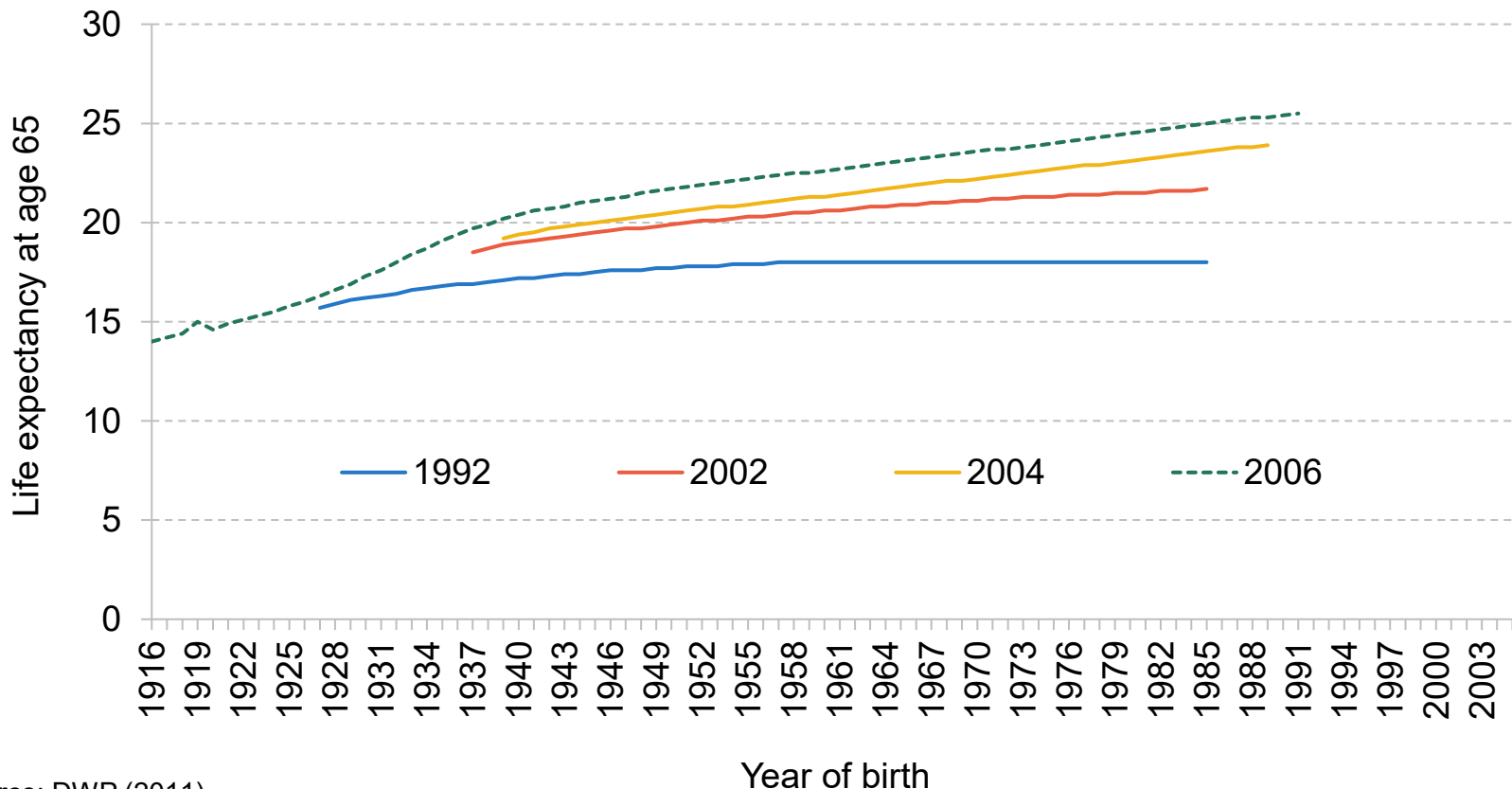


Past and future SPA as legislated



In the early 2000s life expectancy projections were increasing rapidly

Cohort life expectancy at age 65, based on 1992, 2002, 2004 and 2006 life tables, men

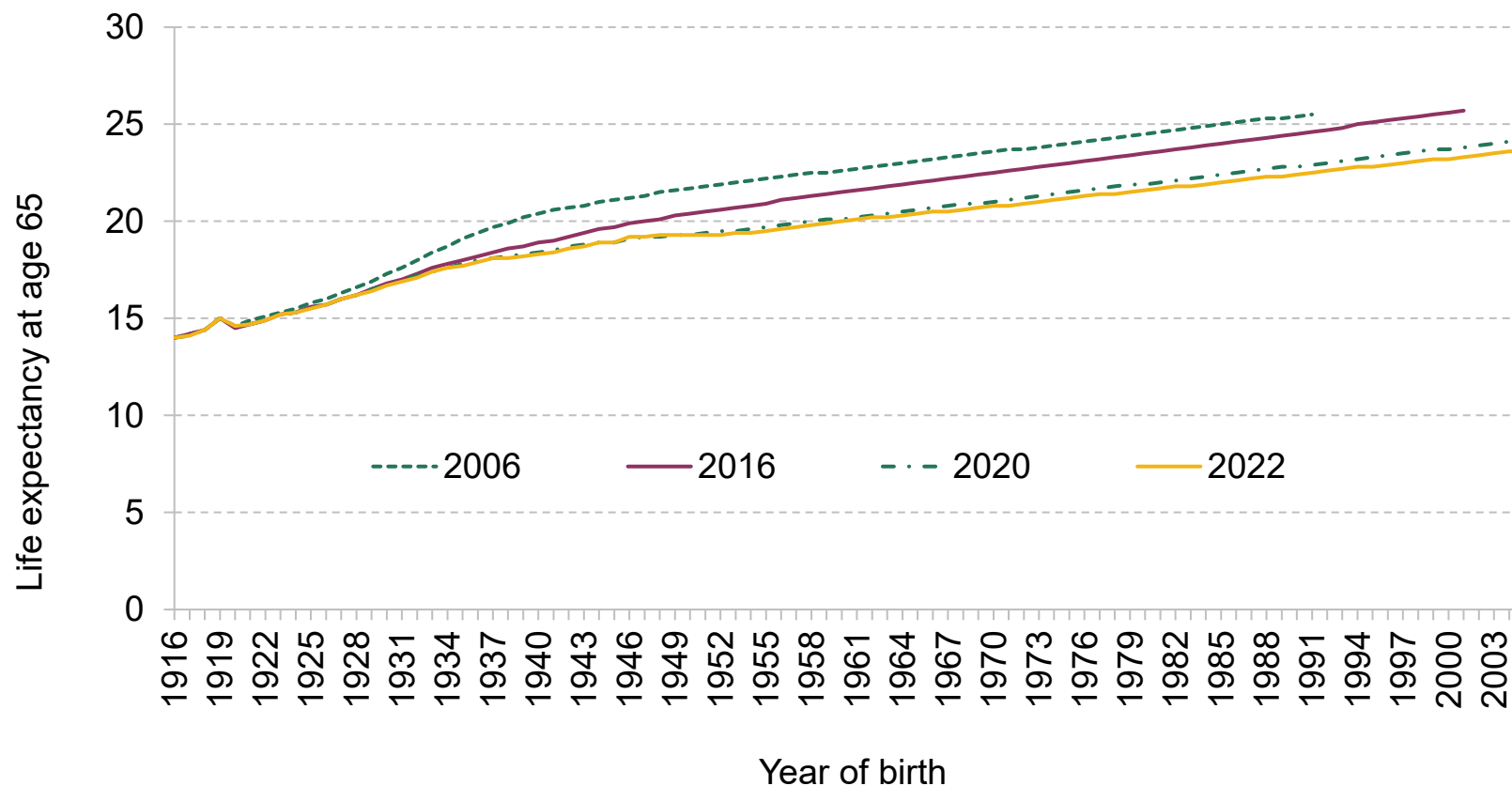


Source: DWP (2011).

https://assets.publishing.service.gov.uk/media/5a7c4c0840f0b6321db383d5/life_expectancy.pdf

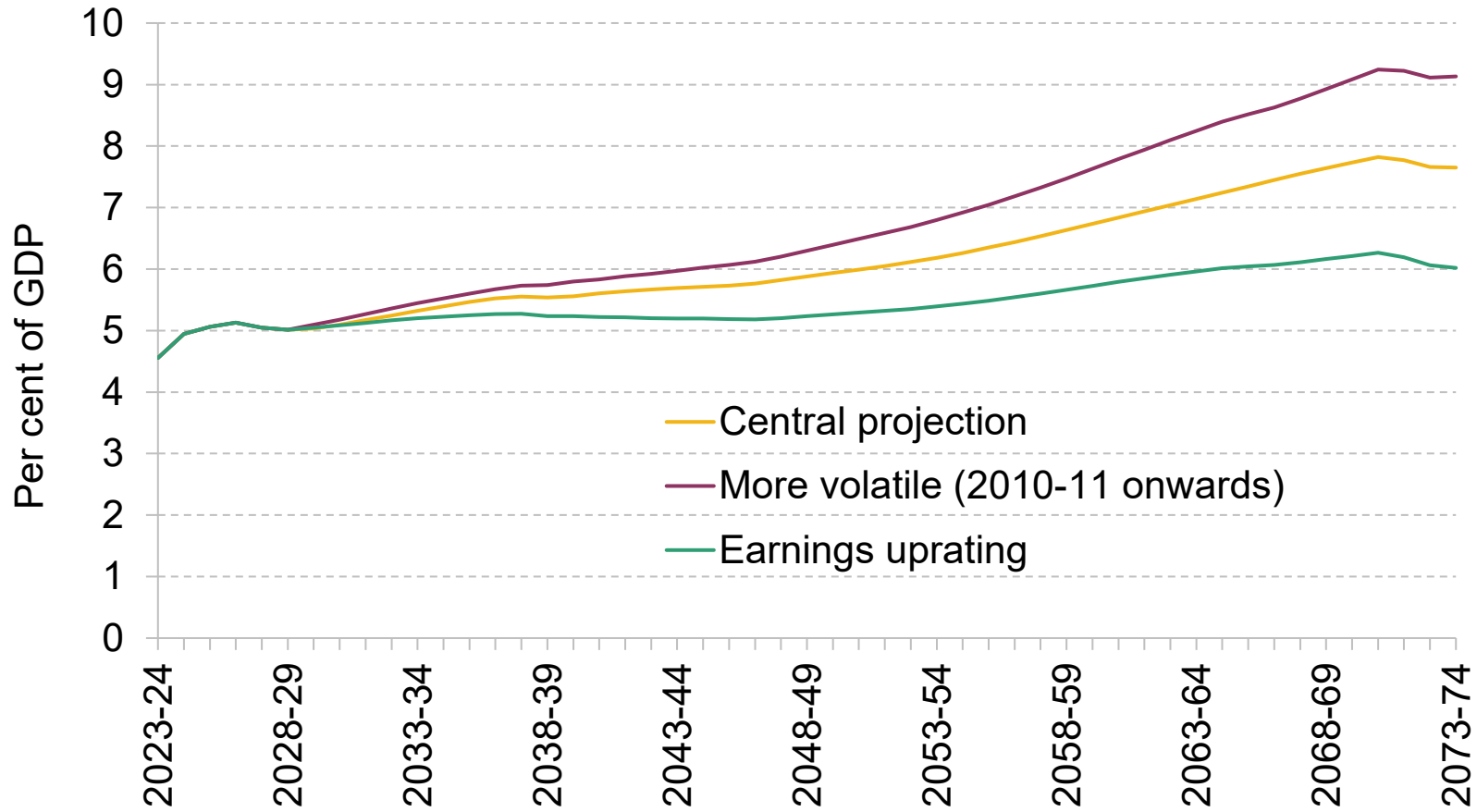
Since then, the increases have slowed down

Cohort life expectancy at age 65, based on 2006, 2016, 2020 and 2022 life tables, men



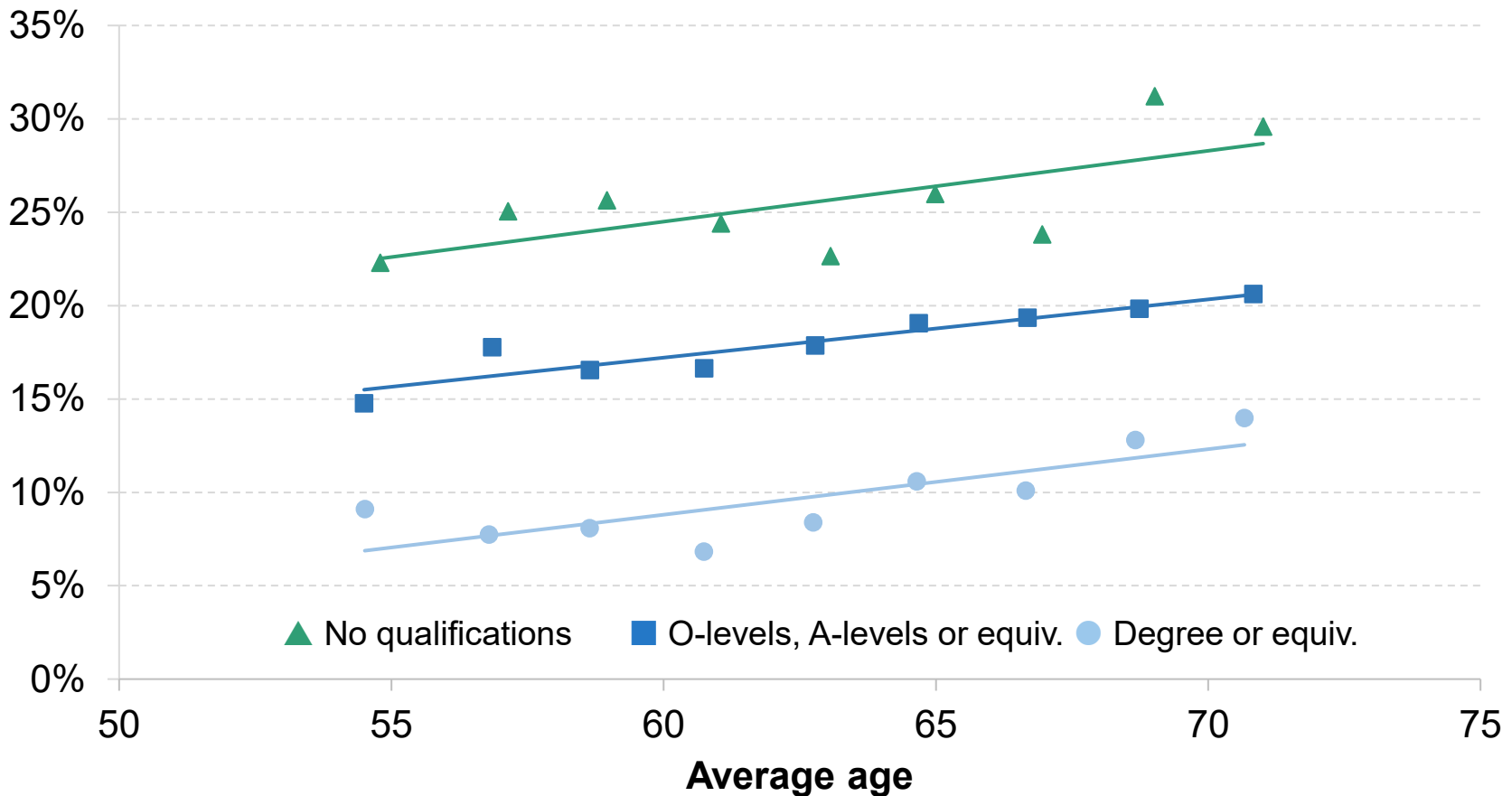
Costs projected to rise, with triple lock adding further uncertainty

OBR projections for spending on the state pension, % of GDP



Poor health increases by age, large inequalities throughout

Proportion with any ADL or IADL limitations, by education



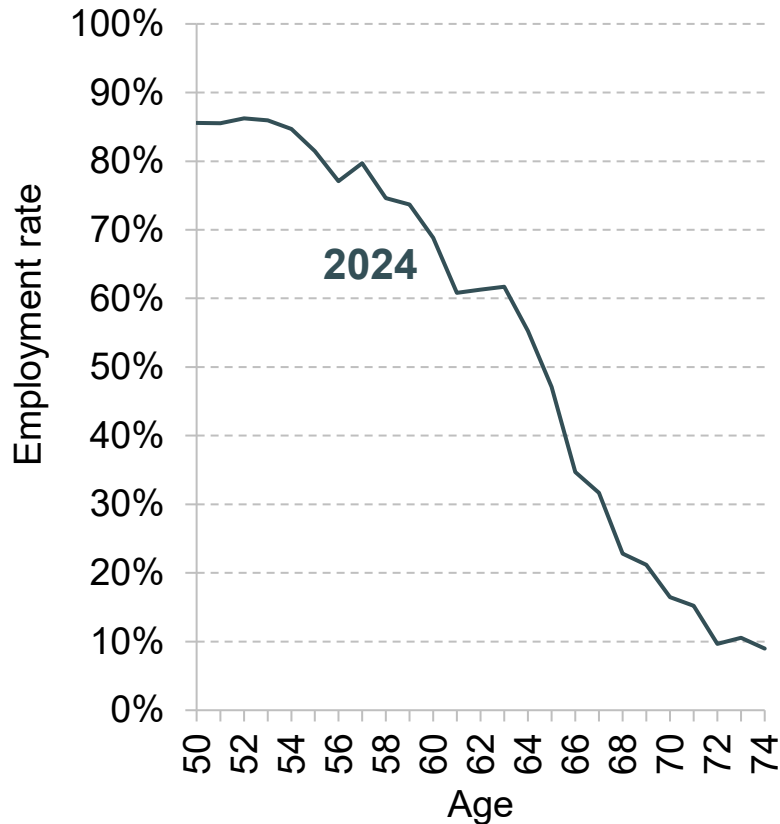
Notes: ADL refers to activities of daily living such as bathing and feeding oneself, IADL to instrumental activities of daily living such as cooking or taking medications. Cohort born 1943–52. Balanced panel.

Source: Banks et al. 2024, using ELSA data.

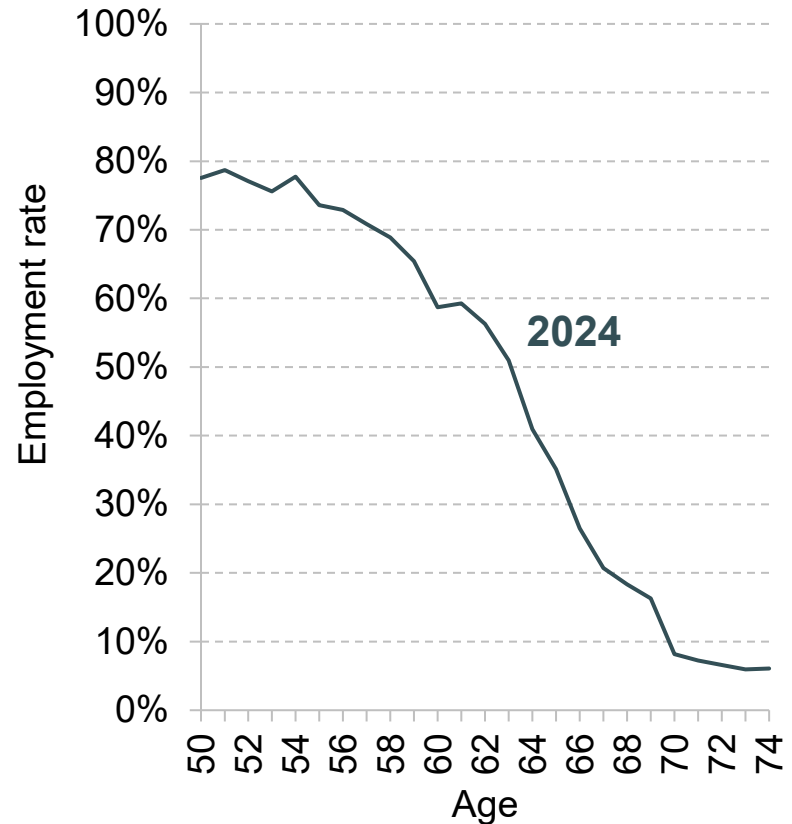
Employment rates at older ages increasing, but for men still not at 1970s levels



Men



Women

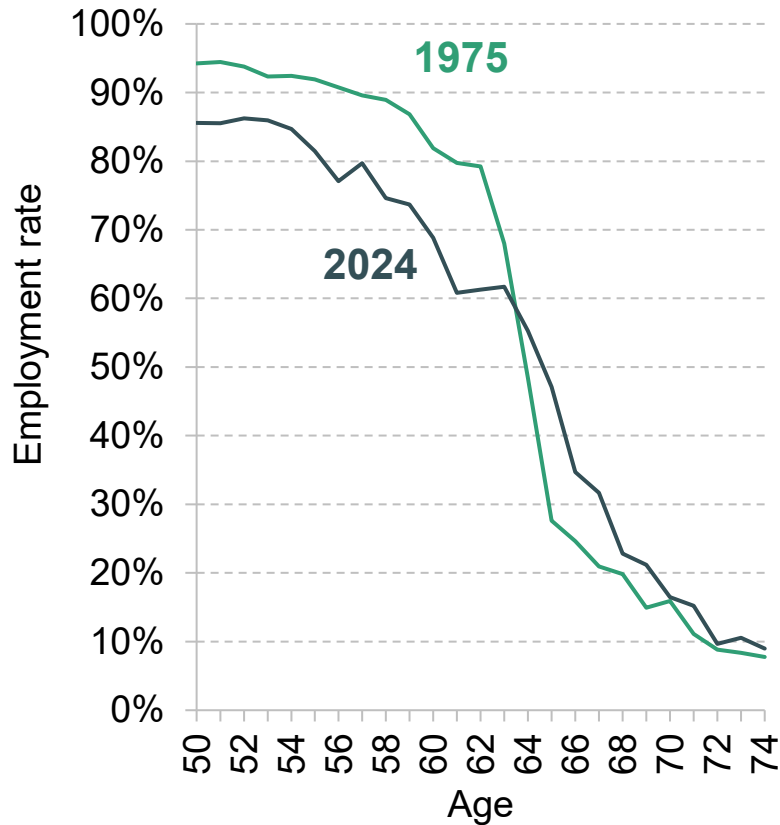


Source: Authors' calculations using the Labour Force Survey 1975 and 2024.

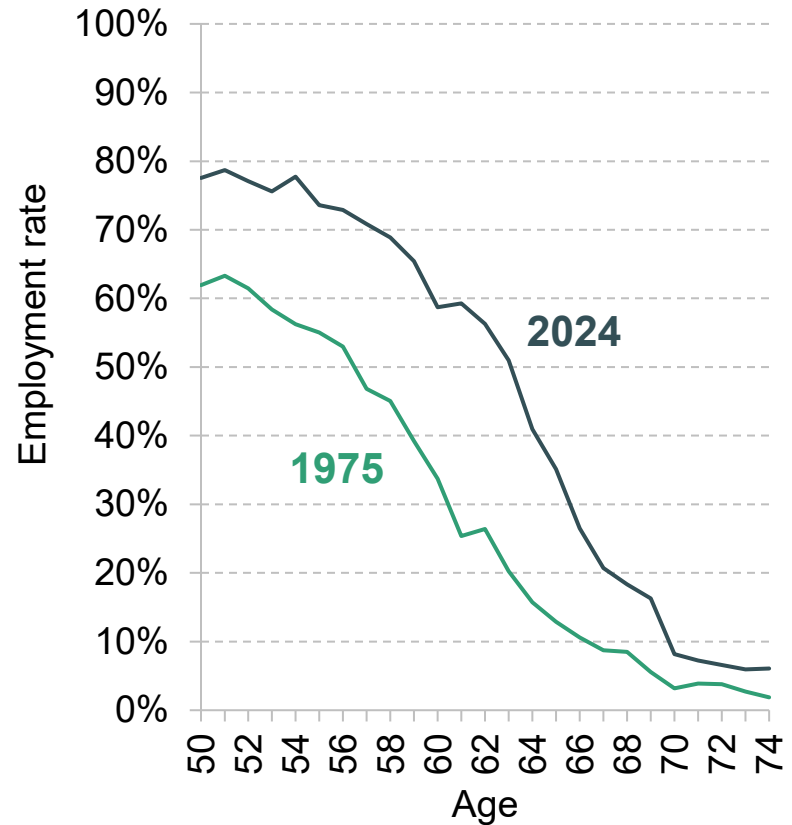
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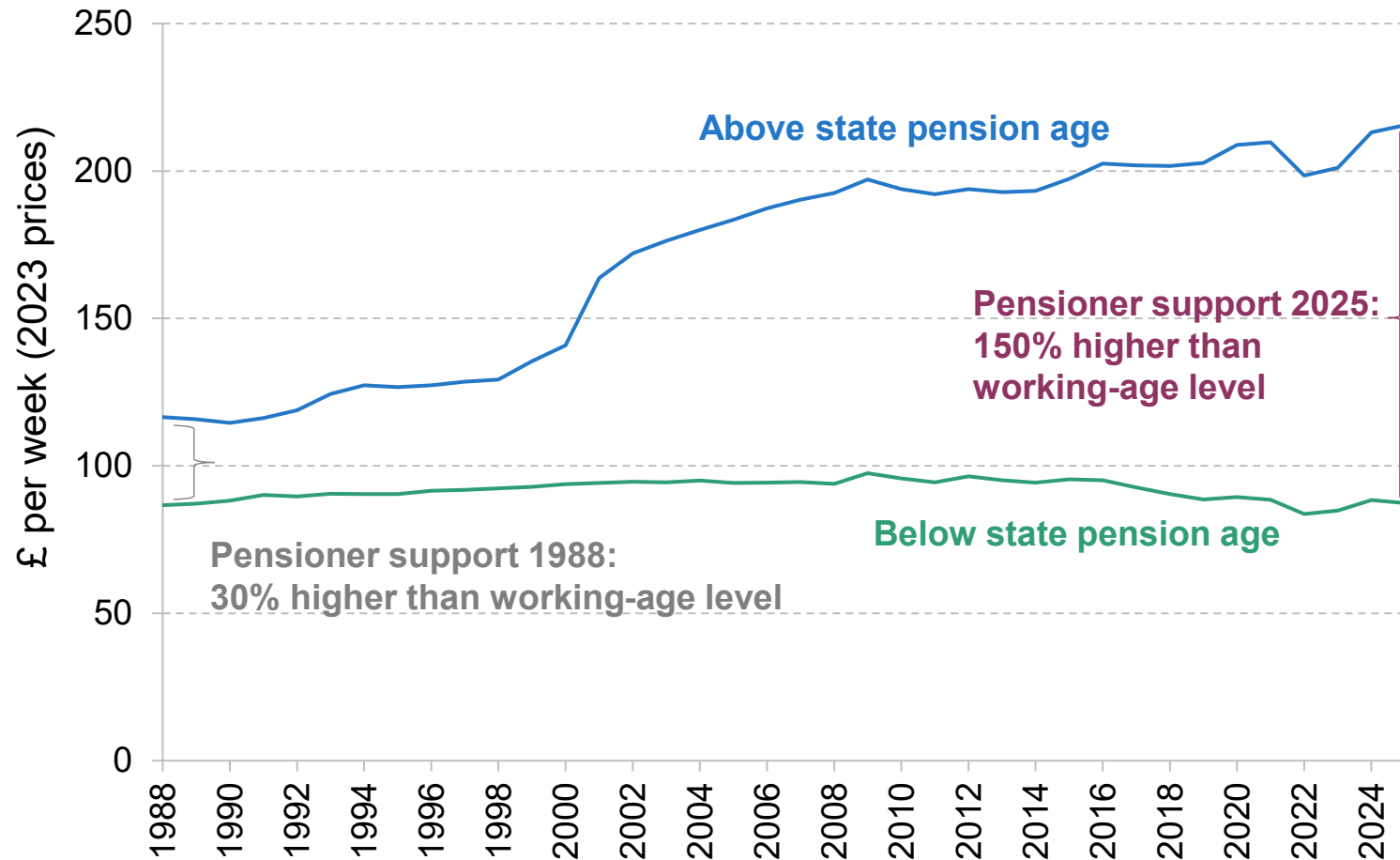
Women



Source: Authors' calculations using the Labour Force Survey 1975 and 2024.

Pensioner basic support much higher than for working-age people

Real levels of basic financial support through Pension Credit and Jobseeker's Allowance / Universal Credit



Source: Cribb, Emmerson and Karjalainen (2024), Figure 1.1. Notes: Support above state pension age: Pension Credit. Support below state pension age: Jobseeker's allowance (now same level as Universal Credit, excluding the £20pw pandemic uplift). © Institute for Fiscal Studies



Jonathan Cribb

What have the effects been of raising the state pension age?

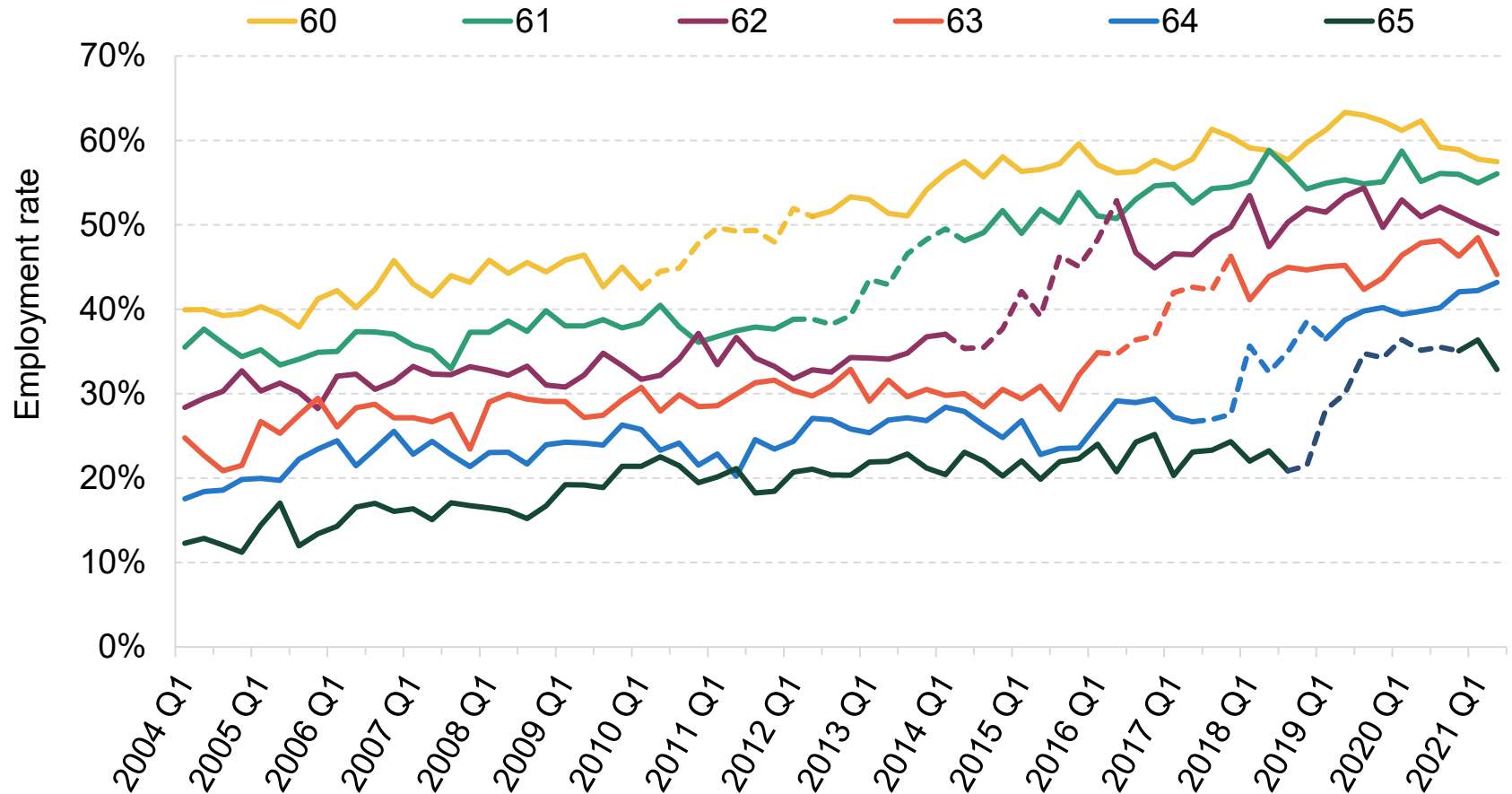
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Employment rises when state pension age rises

Employment rate of women by single year of age, 2004 to 2021

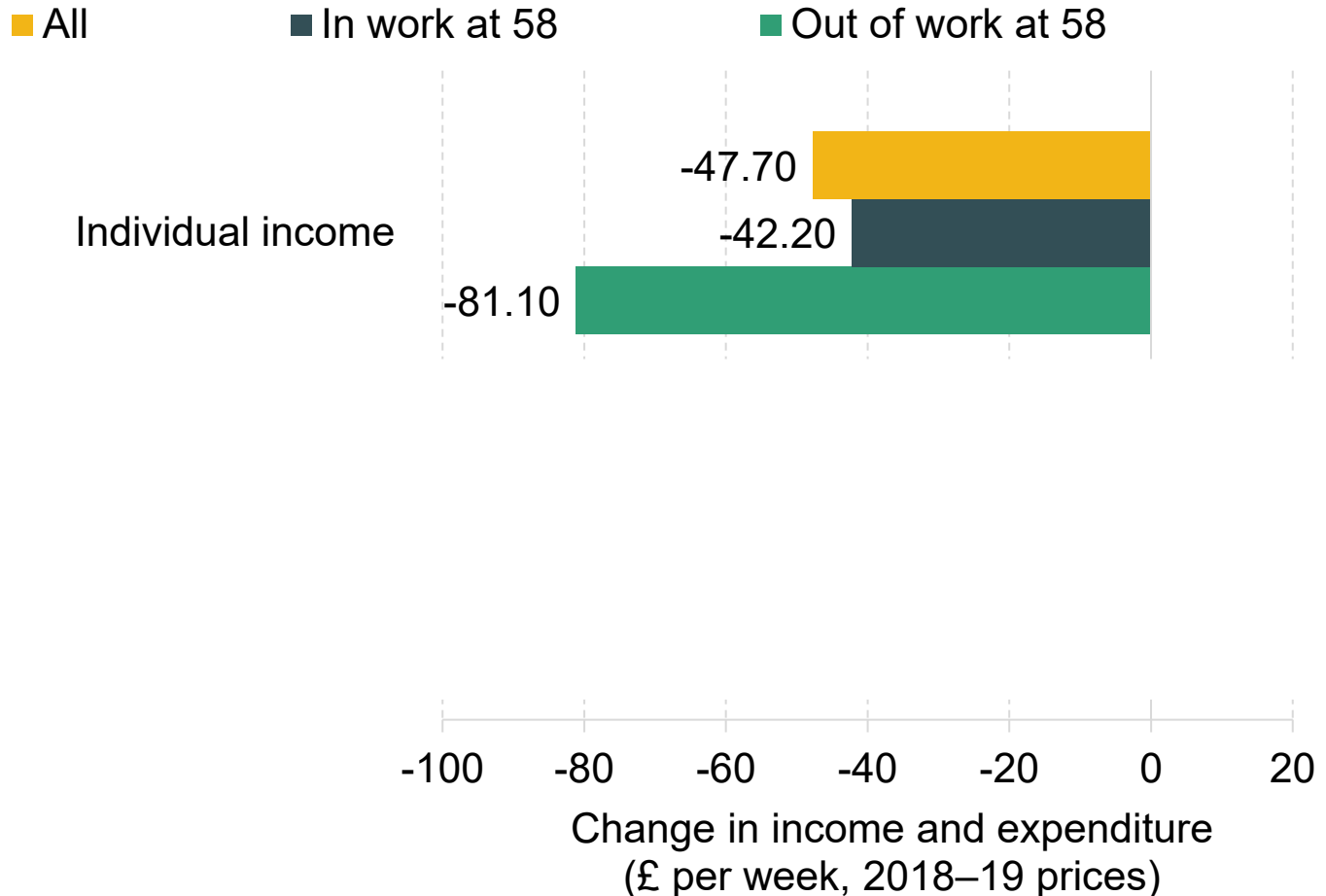


Employment effects

- Increases in employment come from people **remaining in their jobs for longer**, not finding new jobs or re-entering workforce
- Increasing SPA boosts employment by around 11 percentage points
 - +16 ppt employment rate for people **in paid work in their late 50s**
 - No change in employment rate for people **out of work in late 50s**
- Rises in employment due to higher SPA **can be good for you**
 - Good evidence for **lower rates of physical disability** and **higher levels of cognition** for women in their early 60s on average (Banks et al 2025)

Effects incomes and expenditure

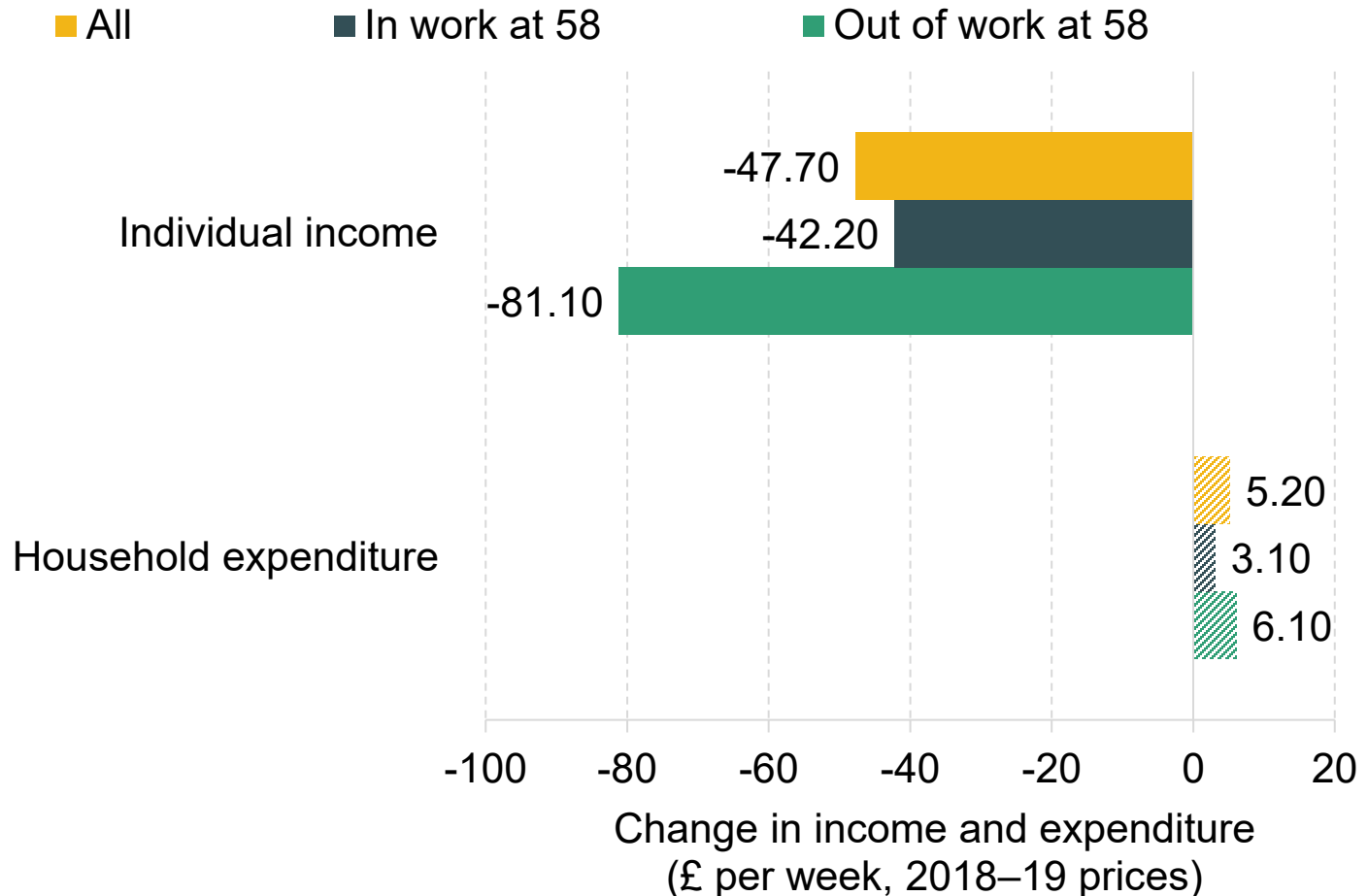
Effect of increasing state pension age on the weekly individual income and expenditure of 60- to 64-year-old women



Note: shaded bars indicated not statistically significant at the 5% level.

Effects incomes and expenditure

Effect of increasing state pension age on the weekly individual income and expenditure of 60- to 64-year-old women



Note: Household expenditure captured is a basket of goods weighted towards essentials, making up 40% of average budget share. Shaded bars indicated not statistically significant at the 5% level.

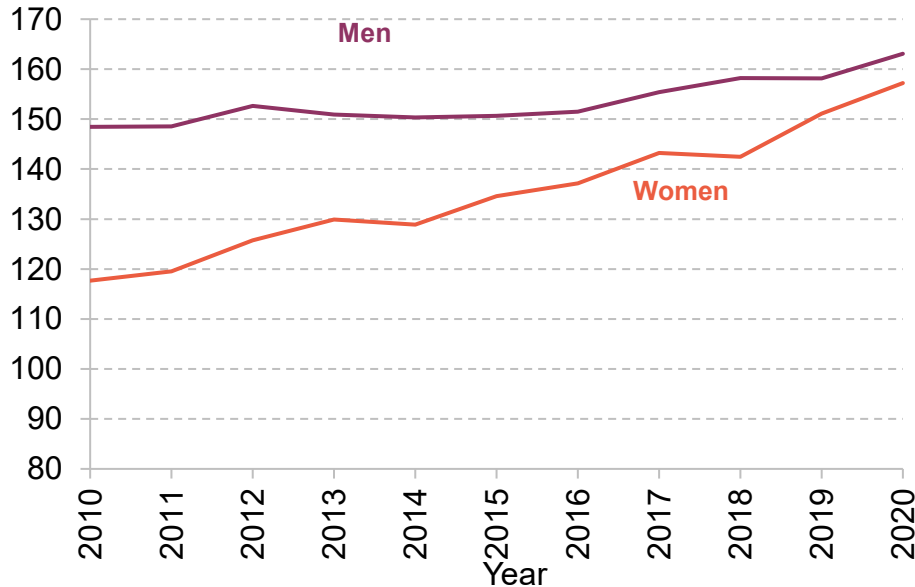
Effects on household incomes

- Effects on household incomes are pre-dominantly caused by the **reduction in state pension income**
 - Falls in household incomes are similar in £ terms across the income distribution
 - Feed through to **higher income poverty** rates below SPA
- Falls in state support and rises in employment **boost the Exchequer**: OBR estimates gain of £10bn pa from rise 66->67 by 2029/30

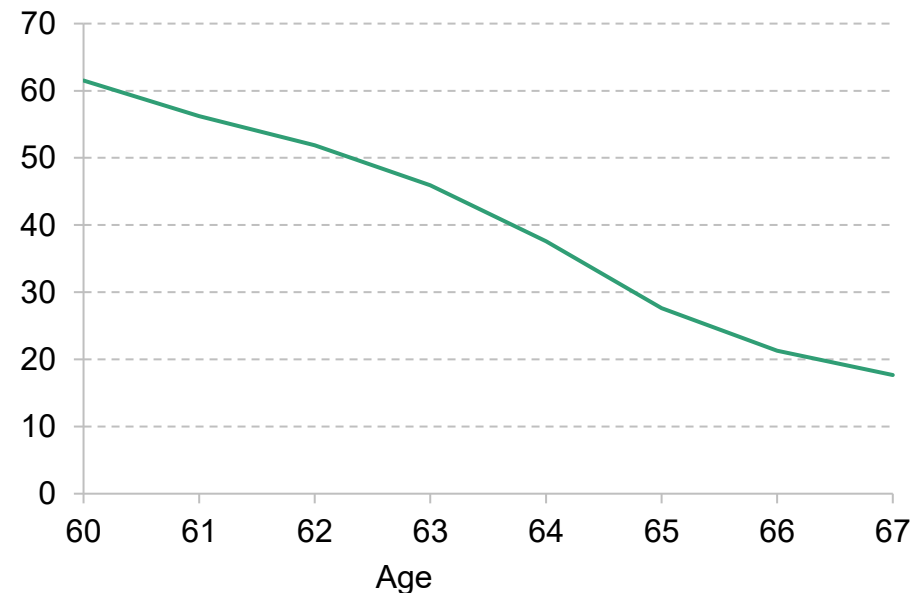
Rises in income poverty

- Increase in state pension age from 65 to 66 has **larger impact on income poverty** than increases from 60 to 62
 - **+14 ppts** for 65 year olds vs **+6 ppts** for 60-62 year olds

Mean state pension income (£ per week)

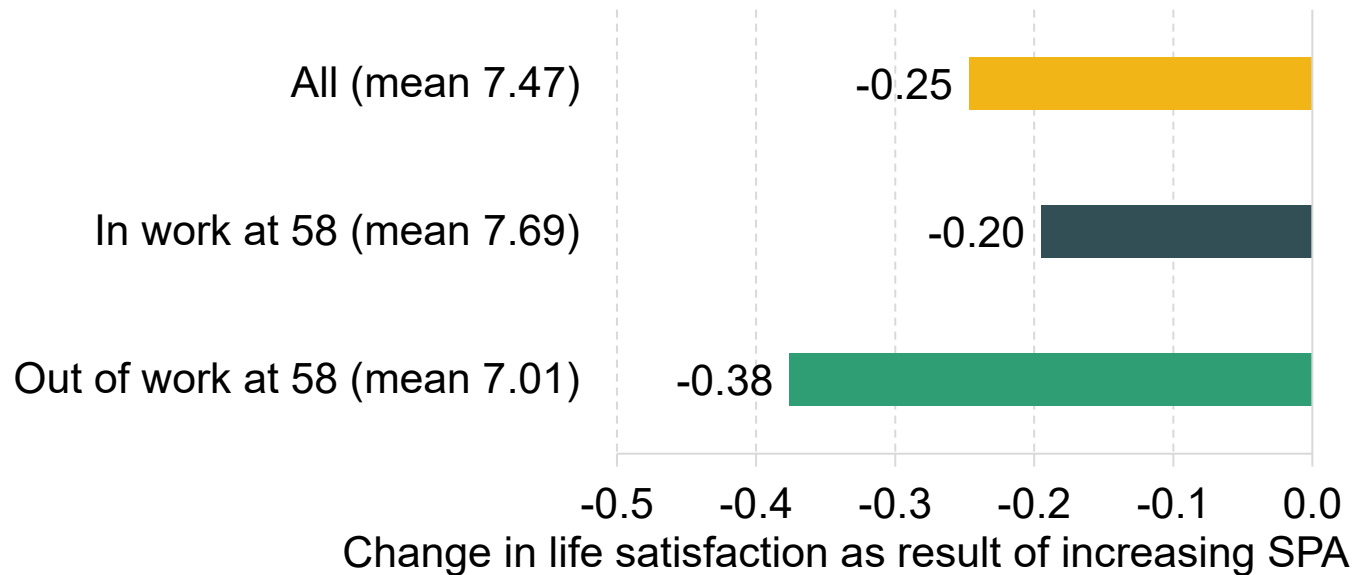


% of individuals in paid work



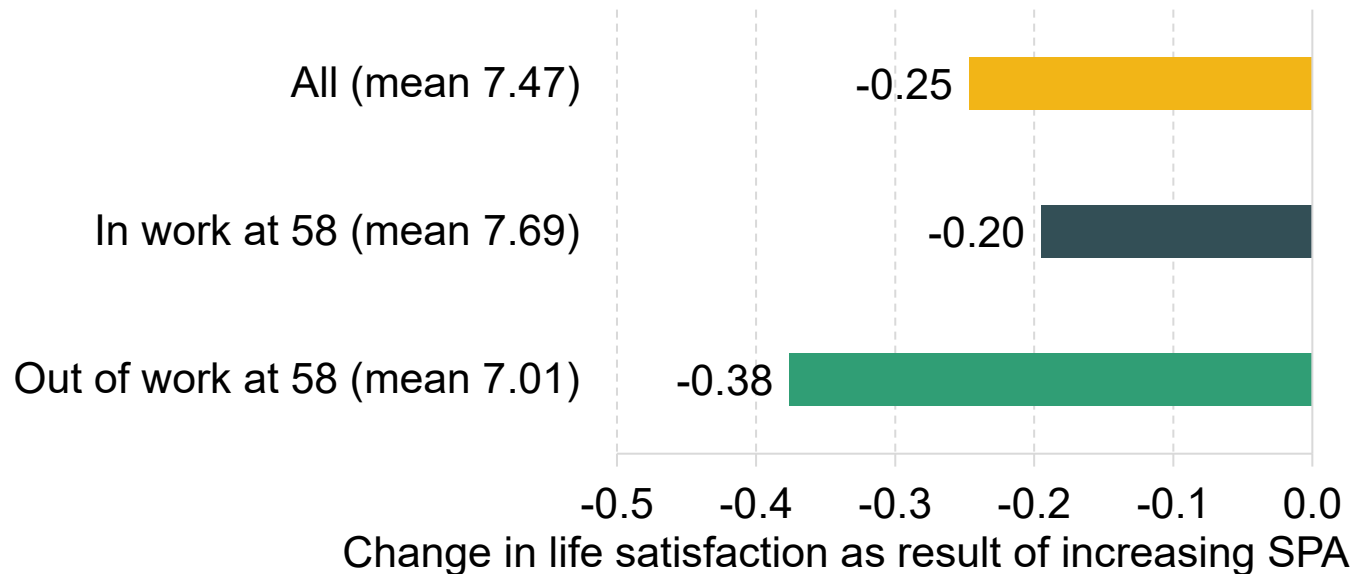
Wellbeing

- **Wellbeing declines** following increases in state pension age (life satisfaction on 10 point scale)



Wellbeing

- **Wellbeing declines** following increases in state pension age (life satisfaction on 10 point scale)



- Given Exchequer benefits, studies at LSE show the falls in wellbeing are modest
 - Compared to the potential beneficial effects on wellbeing from other ways of allocating public spending including on mental health; transport; apprenticeships

Additional support?

- IFS Pensions Review proposes **additional support through Universal Credit** for those within a year of their state pension age
 1. targeted to everyone with low incomes and assets, or;
 2. targeted to those with low incomes and assets who are also receiving disability benefits

- Good case for **effective policies to help people remain in paid work** in their late 50s and early 60s
 - Or help people re-enter workforce following spell of unemployment

Summary

- Increasing state pension age is an **appropriate way to manage the costs of an ageing population**
 - Open question as to when future state pension age rises should happen
- Effects of increasing the state pension age **are not felt equally**
 - Case for additional financial support for low-income people in the run up to state pension age
- Our new research identifies **key group of concern**: people who left the labour market well before state pension age
 - Effective policies to help labour market attachment for 50+ year olds?