# WHEN I'M 64

## A STRATEGY TO TACKLE POVERTY BEFORE STATE PENSION AGE

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## About the author

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# SUMMARY

The UK is facing a hidden poverty crisis among 60 to 65-year-olds. This report looks at the roots of the problem and presents a strategy for solving it.

A quarter of people aged 60 to 65 live in poverty – almost 1.2 million. This is the highest poverty rate for any adult age group.[1] The spike in poverty at this stage of life is a recent problem. Between 2010 and 2022 the numbers in poverty between 60 and the state pension age increased by 140 per cent – or more than 800,000 people.[2]

High and rising poverty among working-age over-60s is a consequence of public policy. UK governments increased the pension age for women from 60 in 2010 to 65 in 2018, and then raised it for both men and women to 66 in 2020.

At the same time the age of eligibility for means-tested pension credit (which is much more generous than working-age benefits) also increased from 60 to 66 for both men and women.

Since 2010, no significant measures to ameliorate the impact of the rising pension age have been introduced. People usually associate the years before state pension age with affluence, not poverty. But this is the life stage where living standards are most polarised.

On the one hand, 36 per cent of 55 to 64-year-olds live in households with assets of more than £1m.[3] Thirty-one per cent of households in the 55 to 64 age bracket have a second home.[4] And 62 per cent of 60 to 65-year-olds live in an owner occupied home without a mortgage, thus greatly reducing their housing costs.[5] Many in these groups can look forward to a long and comfortable retirement.

On the other hand, 40 per cent of 60 to 65-year-olds are in households with less than £3,000 in savings, 21 per cent live in a rented home and 17 per cent have a gross household income of less than £300 per week.[6] And among people of this age living in poverty, most (55 per cent) are disabled at age 65 – double the share of those who are not in poverty (27 per cent).

## Box 1: Definitions of poverty

- We have described poverty in different ways throughout the report.
- Unless otherwise stated, 'poverty' refers to people with household incomes up to 60 per cent of the current median, after housing costs and adjusted for household size.
- Our modelling considers the impact of different policy scenarios on 'absolute poverty', defined as household income up to 60 per cent of the 2010-11 median, after housing costs and adjusted for household size. This is to control for changes in median incomes under different scenarios.
- Our survey used a qualitative definition of financial hardship – described throughout the report as 'struggling financially' – which included people who said either "I cannot afford my essential costs, and often have to go without things like food and heating" or "I can only just afford my essential costs and often struggle to make ends meet".

# Why poverty from 60 to state pension age is so high

Poverty is high in the years up to 66 because the binary divide between 'working age' and 'pension age' does not reflect the lives of people in their 60s.

**Most in poverty are without work.** Public policy often assumes that most people will work up to state pension age, but this is far from the reality. Just 50 per cent of 60 to 65-year-olds were working in 2021-22, including 66 per cent of 60-year-olds and just 40 per cent of 65-year-olds.[7] From 2010 to 2022 there was some improvement in employment among 60 to 65-year-olds as the state pension age increased. However, during the pandemic, the employment rate for this age-group fell again and it has not recovered to its pre-Covid peak.

Employment patterns among those who are 60 and older go a long way to explaining the UK's problem of economic inactivity and insufficient labour supply. Of around 9.3 million adults under the state pension age who are economically inactive, 2.1 million are aged 60 to 65. Unsurprisingly, 60 to

65-year-olds without work are more than twice as likely as those in work to be in poverty (37 per cent compared to 15 per cent). In all, 70 per cent of those in poverty aged from 60 to the state pension age are not working – totaling more than 810,000 people. And a further 16 per cent live with someone who is not working. [8]

**Low hours and earnings are linked to in-work poverty.** 460,000 60 to 65-year-olds who are in poverty (40 per cent) are in a household where someone works. Compared with most other age groups, people aged 60 to 65 have lower hourly earnings, they are more likely to work part-time or to be self-employed, and in the case of couples they are more likely to have only one adult in work.[9][10] Although alternative working patterns can help people aged 60 to 65 to stay in work in a way that suits their circumstances, the chance of being in poverty is much higher for the self-employed and for part-time workers (23 per cent in each case) than for full-time employees (7 per cent).[11]

**Working-age benefits are inadequate.** A low-income pensioner claiming the benefits to which they are entitled can usually escape poverty while a 60 to 65-year-old cannot. In 2024/25 pension credit for a single adult will be worth £218.15 per week, while working-age universal credit will be £90.57 per week. This gap has risen significantly since 2010, as a result of the state pension 'triple lock' and working-age benefits not keeping up with inflation. Fifty-eight per cent of 60 to 65 years-olds in households receiving universal credit are in poverty, compared with 28 per cent of 66 to 69-year-olds receiving pension credit.[12]

**Take-up of working-age benefits is very low.** Means-tested benefits are being claimed by fewer than half (49 per cent) of those 60 to 65-year-olds who are almost certain to be eligible.[13] By contrast take-up of the state pension is near universal, and six out of 10 pensioners who are eligible claim pension credit (although this is still worryingly low).

**Retirement savings do not make up the gap.** 470,000 people between 60 and 65 who are in poverty (40 per cent) are in a household with a private pension in payment. This rises to 47 per cent among households in poverty where no one is in work.[14] People are generally in this position because they have not saved enough for a good standard of living and have left their employment when working for longer could have improved their financial security.

More positively, around a quarter (24 per cent) of 60 to 65-year-olds without work and in poverty live in a household with savings or investments of more than £16,000. This includes pension lump-sums, redundancy payments and inheritances. People in this situation can improve their standard of living by dipping into savings, but it is important to remember that this money may be all they have to provide security in old age.

## Groups facing higher risk of poverty before state pension age

Factors associated with heightened risk of poverty before state pension age include: having no qualifications; living in rented accommodation; being from a Black, Asian or minority ethnic background; being disabled; being single; and being a carer. Many of these risks overlap. For example people from many minority ethnic backgrounds experience worse health, and are more likely to rent and live alone.[15]

Some of these factors are also more common for people in their 60s compared with younger age groups. Rates of disability are higher. People have fewer qualifications. More live as single adults rather than in couples.[16]

There is also significant regional variation, from 29 per cent in Yorkshire and Humber to 21 per cent in the East of England). This variation is associated with differences in employment, health and housing in different parts of the UK.[17]

Women aged 60 to 65 are not at higher risk of poverty than men (unlike at earlier and later stages of the lifecourse). Women have however seen a sharper increase in poverty over the last 14 years, as a result of the rapid and poorly communicated increase in their state pension age.

## We cannot assume poverty between 60 and state pension age will fall with time

Optimists will hope that the current spike in poverty between 60 and state pension age is a temporary effect , caused by the recent and rapid rise in the state pension age. However, there are strong reasons for thinking things will not turn out this way without government action: more factors indicate poverty could move upwards than downwards.

### Box 2: Why poverty from 60 to state pension age is likely to rise

**Reasons poverty from 60 to state pension age might fall**

- People continue to adjust their work expectations to the higher state pension age (and in some cases a higher occupational pension age).
- The employment impact of the pandemic fades.
- The UK has strong labour market demand.
- Future cohorts of 60 to 65-year-olds will have better skills and qualifications.

**Reasons poverty from 60 to state pension age might rise**

- The next increase in state pension age is coming in 2028. The 66-year-olds impacted will have a low employment rate and a high risk of poverty.
- Disability-free life expectancy has fallen recently so more people will face limitations on their ability to work.
- Demand for unpaid care will increase quickly, especially as the number of over-85s rises fast.
- Fewer people approaching retirement will have generous defined benefit pensions.
- More over-60s will be renting.
- Under current government policies, working-age benefits will continue to lose value relative to average incomes.
- Planned reforms to benefit eligibility and conditions could further reduce take-up and payments.

Inadequate support for people affected by state pension age increases will have significant implications for the economy and public services. Since the pandemic started, the UK has lost nearly 100,000 teaching professionals, 80,000 healthcare workers, and 70,000 construction workers aged 60 to 65.[18] Looking forward, between 2024 and 2029 the number of people aged 60 to state pension age is projected to rise by 23 per cent (while the rest of the working-age population will remain stable).[19] If the labour market status of people in this age-group holds steady, during those years the number without work will rise from 2.2 million to 3 million, and the number in part-time work from 800,000 to 1.1 million.

### Box 3: Evidence from the Fabian Society survey

In September 2023, the Fabian Society commissioned YouGov to conduct a survey of 998 50 to 65-year-olds.

**Retirement and work expectations**

- Fifty per cent of 55-65 year olds are already fully or semi-retired, or plan to fully retire before age 66.
- Just 8 per cent of 60 to 65 year olds without work say they are fairly or very likely to work again. Eighty-seven per cent say it is fairly or very unlikely they will work again (compared to 42 per cent of 50-59 year olds without work).
- More part-time workers aged 60 to 65 (33 per cent) say it is fairly or very likely they will increase their hours in future – though they are still in the minority.

**Reasons for not working more**

- Among 55 to 65-year-olds who plan to retire before age 66, 45 per cent say they have felt unhappy with their job in the past five years – nearly double the proportion of those who plan to retire at or after age 66 (27 per cent).
- Among 50 to 65-year-olds who are struggling financially and either not working or working part-time, 45 per cent say they cannot work more (suggesting a significant barrier to employment); 23 per cent say they can but don't want to (suggesting that work is not sufficiently attractive compared with the alternative); and 30 per cent say they both can and want to work more (suggesting a discrepancy between supply and demand for 60+ workers, with discrimination and skills mismatches possible factors).
- The people in the group above who said they cannot or do not want to work more gave the following reasons: physically too difficult (51 per cent); mentally too difficult (28 per cent); responsibilities outside work (18 per cent); will not make enough of a positive difference to my finances (17 per cent).
- 26 per cent of 50 to 65 year olds without work who are struggling financially say they are on an NHS waiting list which is affecting their ability to work.

**Things that could support longer working lives**

We asked people without work aged 55 to 65 whether a list of factors would make them more or less likely to return to work. The things that made the largest number say they would be more likely to return were all related to the attractiveness of jobs:

- 38%: A job was available which offered hours that suited me
- 32%: A job was available where I could work in a location that suited me
- 30%: A job was available that I didn't think would cause me too much stress
- 30%: A job was available that suited my current skill set
- 25%: A job was available in which I had enough control over my day to day at work

We also asked people aged 55 to 65 who are still working what factors would make them retire earlier or later. Financial considerations were the things most likely to make people say they would retire later but taken together a range of work-related reasons featured more commonly:

- 43%: I was unable to access my private pension at my intended retirement age
- 28%: I thought working for longer would help me meet my financial needs
- 25%: I was unable to access my state pension by age 66
- 24%: My job did not cause me too much stress
- 22%: I received the reward and recognition I deserved at work

**Access to support**

- 63 per cent of 55 to 65-year-olds struggling financially say there are rarely or never people they can turn to for help when needed, or they do not know if there are, compared with 27 per cent of the same group not struggling financially.
- 30 per cent of 60 to 65-year-olds who experienced health difficulties at work in the past five years have asked for workplace adjustments, compared with 42 per cent of 50 to 59-year-olds. Among those who did not ask, the most common reasons were not knowing about the availability of adjustments and concern about employers' reactions.
- 59 per cent of 55 to 64-year-olds who asked for reasonable adjustments said their request was not granted in full.

- 16 per cent 50 to 65-year-olds without work say they have been unable to get the support they need to find or keep a job.
- 23 per cent of 60 to 65-year-olds have participated in education or training of any sort in the past year – just under half the share of those 55 to 59 (42 per cent).

**Pensions**

- Most people draw a private pension before their state pension age – 56 per cent of 60 to 65-year-olds and 31 per cent of 55 to 59 year-olds.
- Of those 55 to 65-year-olds who have drawn a pension, 56 per cent are not working, 28 per cent are working part-time and 17 per cent are working full-time. Among those who aren't working or are working part-time, 20 per cent say they are struggling financially.
- When people were asked to explain in their own words why they started drawing a private pension before state pension age, the most common explanation was that the pension was available (31 per cent) or that they needed the money (21 per cent). 10 per cent mentioned paying off a mortgage or other debt or some other financial consideration.
- Among those who have claimed a pension while working part-time or not at all who say they CANNOT work more, 26 per cent have borrowed money using loans, credit cards or a bank overdraft – significantly higher than those who have received public support, for example through social security (8 per cent) or a local authority (5 per cent).

## Two directions

Solving poverty from 60 to state pension age will require long-term action targeting people at every stage of working life. We need better health, better jobs, lifelong learning and careers support, more pension savings, and stronger social security for everyone of working-age.

But interventions are also needed now to support people over 55 to stay in work, to return to work quickly or to achieve higher living standards if they have little prospect of working much again. Solutions need to come at the problem from two directions: (1) support longer working lives, and (2) improve financial support for those who cannot work more.

## 1. Support longer working lives

People stop working from age 55 for a mix of three interacting reasons:

**Good work and appropriate support are in limited supply**. Workers aged 60 to 65 are less likely than those in their 50s to have access to flexible working, reasonable adjustments for health and wellbeing, occupational health services, and education and training.[20] In the Fabian Society survey, factors linked to better work were identified as the most important way to support longer working lives.

**Sickness, disability and caring responsibilities constrain people's ability to work.** Among 60 to 65-year-olds in poverty, 57 per cent are sick or disabled.[21] Disability-free life expectancy for people born in 2018-2020 is below state pension age and decreasing, partly as a result of public health failures. Long NHS waiting lists are also a factor. Most people with mental health and musculoskeletal problems say work is a contributing factor to their ill-health.[22]

**A mix of private pensions, savings and paid-off mortgages reduce incentives to keep working until state pension age.** Access to retirement savings or reduced living costs gives people the option to leave work, even though this may result in a very low standard of living immediately or reduce financial security after state pension age.

Once older workers have stopped working for any length of time, they are very unlikely to work again. Of those without work aged 60 to 65, 88 per cent have not worked for more than one year and 49 per cent for more than five.[23] Successful efforts to increase employment at this age need to focus on retention in work (including job-to-job moves) and rapid return after leaving employment.

Action on 'good work' has been slow or non-existent. Unpaid carer's leave and the right to request flexible work from day one are becoming law in 2024 and new occupational health policies are being tested. But these measures do not go far enough and most of the recommendations of the 2017 Taylor review on good work have not been implemented. Existing support such as the Access to Work scheme for disabled people have little impact. Minimum sick pay is dangerously low.

Public policy has contributed to the problem. Between 2010 and 2020 spending fell dramatically on adult skills (by 36 per cent) and employment support (by 24 per cent in real terms).[24] Department for Work and Pensions (DWP) and Department for Education (DfE) programmes rarely reflect the needs of people over 55 and there is little monitoring, evaluation or learning. Participation among over-60s is also very low: most people who would benefit from help are either not receiving eligible benefits, are barely offered support, or are enrolled too late.

## 2. Better financial support for those who cannot work more

Supporting longer working lives is a medium to long-term project. But it cannot solve every problem and many who cannot raise their earnings need support today. To raise living standards for people unable to earn more through work, public policy failures need to be addressed.

**Poor pensions support leaves many with insufficient savings.** Accessing private pensions before the state pension age is a pragmatic choice for some people but most people with low lifetime earnings would benefit financially from working longer or saving more. This is not supported by current government policy which since 2014 has enabled people to take their pensions in cash if they wish (including 25 per cent tax free). The minimum pension age is 55, rising to 57 in 2028. Free pensions guidance is available but uptake is low (especially among low earners) even though people now need to opt out. Workplace pensions need to be reformed so that low and middle earners are able to build up pensions worth a higher share of their earnings. Immediately, people aged over 55 need better guidance and defaults to ensure they access what pensions they have in a way that strikes a balance between their short and long term financial needs.

This is particularly important as people accessing their pension may not be claiming benefits they are entitled to; and taking a pension income or lump-sum may reduce the state support they can claim. Thirty-five per cent of 60 to 65-year-olds in poverty and not working live in a household receiving an occupational pension but not state support.

**Benefits are not providing a route out of poverty.** In recent years, public policy has sought to encourage people into work by making benefits as unattractive as possible. This approach will not work and abandons those with little realistic prospect of working.

- <u>Action is needed to increase benefit take-up as a top priority.</u> This includes means-tested benefits and payments for disabled people and carers. Modelling for this report indicates that £1.8bn in means-tested benefits are going unclaimed by households where someone is aged between 60 and 65. The government and public bodies actively promote take-up of pension credit but similar initiatives do not exist before state pension age. Halving the number of 60 to 65-year-olds who are eligible but not claiming would lift 92,000 people out of poverty.

- <u>There should be earlier access to pension-level benefits for people facing long-term barriers to work.</u> The low level of working-age benefits means that recipients in their 60s who are unable to work for many years face a pensions 'cliff face' at state pention age, with their social security income suddenly increasing.
- <u>Work-related conditions should be scaled back.</u> Requirements to work more hours, prepare for work or look for work affect 38 per cent of universal credit claimants who are within a year of the state pension age. There is no evidence that current work-related conditions improve employment outcomes. They can be particularly harmful to over-60s facing long-term barriers to work, and they put some people off from claiming and accessing work-related support. But low benefits take-up means most are out of reach of incentives intended by the benefits system.

## Recommendations

In recent years, two official reviews of the state pension age by Sir John Cridland (2017) and Baroness Neville-Rolfe (2022) proposed limited solutions to poverty before state pension age that have not been taken forward. Now a comprehensive package of actions is needed to improve experiences of work; provide targeted training and employment support; help low and middle earners with their pensions; and improve social security access and payments after 60.

***<u>Improve everybody's experiences at work</u> by enhancing working conditions for people of all ages to reduce the risk of leaving early and make returning more viable.***

1. **Establish a national good work standard** in collaboration with trade unions and industry. Accreditation would depend on positive employment practices beyond the legal minimum, and on performance in workplace wellbeing benchmarking surveys. Require larger employers to join to access government procurement and grants. Consult on introducing public reporting and remediation requirements for all larger employers.

2. **Support working patterns suited to people's needs** by turning the existing right to request flexible working into a 'flexible by default' duty on employers when they are hiring and by mandating equal treatment for people working flexibly. Also consult on and pilot a right to request redeployment and a right to unpaid career breaks lasting up to one year (starting with larger employers).

3. **Enhance time off for workers with specific needs** including up to two weeks' paid carer's leave per year and reform of statutory sick pay and

employment and support allowance for the self-employed. Also consult on a right to paid disability leave, and a right for grandparents to take shared parental leave and unpaid parental leave, and to be included as childcare for the purpose of nursery grants.

4. **Improve the coverage and quality of occupational health interventions** by establishing a National Occupational Health Service, raising professional standards, requiring minimum provision from large employers, and offering free services to small employers and the self-employed.

5. **Improve the take-up of workplace adjustments** for sick and disabled workers by improving guidance and communications; requiring employers to respond in writing to individual requests or third-party recommendations for adjustments; and reforming the Access to Work support scheme (including lower employer contributions, faster decisions and better marketing).

6. **Tackle unequal treatment experienced by older workers** by requiring large employers to report employment and pay statistics in relation to age and disability; linking these to existing government benchmark schemes such as Disability Positive; and reviewing the provisions, guidance and enforcement of the Equality Act with respect to older and disabled people (for example by making caring a protected characteristic).

7. **Support employers to value older workers and meet their obligations to them** by asking the Business Champion for Older Workers to develop good practice and support services for employers wanting to improve; and working with ACAS on a single tool bringing together obligations, good practice and sources of support.

***<u>Provide targeted employment and skills support</u> to help people re-skill and change jobs throughout their working lives, ensuring that over-55s receive early and tailored support to return to work.***

8. **Build and apply evidence on effective employment and skills interventions for over-55s** by commissioning evaluations of current DWP and DfE programmes and improving data analysis and reporting. Then use this evidence to commission pilots, scale-up success stories and support appropriate referrals.

9. **Deliver age-appropriate employment support** by offering social security recipients aged over 55 voluntary access to a specialist age adviser and an in-depth package of support; adapting programmes for all ages to better meet the needs of over-55s; and piloting voluntary

access to all forms of employment support from the moment people over 55 stop work.

10. **Expand the availability of training designed to meet older workers' needs** by reviewing the take-up and effectiveness for this age-group of current off-the-job training programmes; and by piloting a 'work and train' offer combining part-time work and part-time training for three to 12 months and an accreditation scheme for bite-sized training and existing skills.

11. **Pilot a voluntary route into work through volunteering** modelled on the USA's Senior Community Service Employment Programme, offering a placement with a community organisation, associated training and support, and a weekly allowance (in addition to existing benefits).

12. **Improve financial incentives to return to work** by making the universal credit work allowance available to all households with someone aged over 55; and by introducing a 'back to work bonus' worth up to £150 per week for one year for people with low income and assets who find a job (over-55s would be eligible after three months without work and under-55s after 12 months).

13. **Create employer incentives for inclusive hiring practices** by waiving employers' national insurance contributions for 12 months with respect to people of all ages hired after spending a year or more without work; creating an accompanying £2,000 training grant for the employer; and guaranteeing to cover any statutory sick pay costs arising in the first year for people hired after more than six months without work.

14. **Pilot new ways to reach over-55s who are not on benefits or do not have work requirements** by funding public services and charities to provide referrals or directly deliver employment and health support; and by contacting all over-55s who have been signed off sick for at least a month or who leave work to offer voluntary support services, based on fit note reporting and real-time information from HMRC.

***<u>Support lower earners with their pensions</u> to boost saving throughout working life and steer more people to taking their private pensions at or near the state pension age.***

15. **Boost pension savings for low earners** by extending auto-enrolment to more workers, moving towards employer contributions worth at least 7 per cent of total earnings for low and middle earners, negotiating higher sector-level minimum employer contribution standards in low-paying industries such as adult social care; and introducing a minimum (discounted) employer contribution where staff are not able to

contribute the 3 per cent minimum themselves; developing solutions for automatic pension saving by the self-employed; and testing options for automatically increasing pension contributions at key moments, such as when incomes increase or at landmark birthdays, alongside options to 'opt down' rather than just opt out.

16. **Improve pensions advice and defaults for low and middle earners after 50** by revising communications to focus on working longer, saving more and accessing pensions at state pension age; tasking guidance providers to offer information about the social security implications of accessing a pension early, and to signpost to relevant public services; automatically consolidating defined contribution pension pots as people approach retirement; requiring most people to take guidance or advice before accessing a pension more than three years before state pension age.

***<u>Improve benefit access and levels</u> by promoting working-age benefit take-up, creating better tailored work-related conditions, and increasing payments for people with long-term barriers to work as they approach state pension age.***

17. **Increase benefit take-up among the over-55s,** including by creating automated messages offering to check benefit eligibility using data from HMRC, public services and financial providers; and by keeping universal credit accounts open but dormant so that claims are easily reactivated if earnings drop.

18. **Relax benefits conditionality for people over 60 facing long-term barriers to work** by reducing the minimum hours people are expected to work from the age of 60; and by ending work-related requirements for all 65 year olds, and for some 60 to 64 year-olds, depending on their personal circumstances and length of time without work. For people who were either assessed as having a work-limiting health condition or disability, or who have received a carer's benefit in the past three years, there should be no conditions from age 63 if they have been without work for at least a year, or from age 60 if they have been without work for at least three years. There should be no conditions from age 63 for anybody who has not worked for at least two years.

19. **Increase benefits for people over 60 facing long-term barriers to work** by gradually phasing universal credit payments up towards pension credit levels from 63 onwards for anyone who has been out of work for more than two years. Also increase universal credit payments to fully match pension credit in some circumstances. We propose an extra element is available within UC from age 63 for people who have been without work for at least a year and were either assessed as having a

work-limiting health condition, or received a carer's benefit in the past three years; and from age 60 where this is for over three years.

20. **Address unfair penalties on social security recipients after 60** by paying couples where one is over the state pension age an amount halfway between universal credit and pension credit; exempting people over 60 from the benefit cap, the bedroom tax, and the 'minimum income floor' rule, which cuts universal credit payments when people are self-employed with low earnings.

## Box 4: Modelling results relating to the recommendations

We commissioned Landman Economics to conduct microsimulation modelling on the impact of different policy scenarios to inform our proposals. The changes presented are illustrative and do not align directly with each recommendation. Poverty is measured using the 'absolute' or 2010 fixed-line approach, to avoid the poverty line changing as a result of the modelled policies.

- **Higher employment (recommendations 1 to 15):** If the employment rate for people at each age between 56 and 65 were to rise to the level experienced by people two years younger, this would result in 430,000 more people being in work, including 250,000 aged over 60. 130,000 people in households with someone in this 10-year age group would be lifted out of poverty, including 74,000 in households where someone is aged 60 to 65. It would raise an additional £5bn for the Exchequer.
- **Expanded work allowance (recommendation 12):** Extending the work allowance to all over-60s and doubling it for over-60s already entitled would lift 17,000 people in households with someone in this six-year age group out of poverty. This would cost £0.2bn, or £15,000 per person lifted out of poverty. This does not account for extra employment generated by the policy. We recommend applying the work allowance to over over-60s who do not receive it now, but not increasing it for those who do.
- **Delayed private pension take-up (recommendation 16):** If half of people up age of 61 who are out of work and receiving a private pension moved into work, this would raise employment by 140,000. We recommend measures that would make it more burdensome to access a pension before the age of 63.
- **Higher benefit take-up (recommendation 17 and 18):** Increasing benefit take-up to halfway between the current rate and 100 per cent take-up, would lift about 92,000 people in a household with a 60 to 65-year-old out of poverty, costing £12,000 per person lifted

out of poverty. Nearly half (43,000) of those lifted out of poverty are currently aged 65. This would cost £1bn, or £12,000 per person lifted out of poverty.

- **Smoothing benefits transition (recommendation 19):** Increasing universal credit (and equivalent legacy benefits) towards pension credit levels in stages each year between 63 and 65 would lift 64,000 people out of poverty. It would cost £1.3bn or £21,000 per person lifted out of poverty. We recommend limiting this support to people who have received benefits for two years or more.
- **Higher pension-level benefits for those long-term out of work (recommendation 19):** Raising universal credit (and equivalent level benefits) for people receiving disability benefits or carer's allowance would lift 100,00 people in a household with a 60 to 65-year-old out of poverty. This includes 92,000 people in households with someone aged 63 to 65. It would cost £1.9bn or £19,000 per person lifted out of poverty. We recommend extending this support to people who have received a carer's benefit since age 60 but limiting it to over-60s without work for at least three years, or over-63s without work for at least a year.
- **Reform the mixed-age couples penalty (recommendation 20):** For couples where just one has reached the state pension age, raising universal credit (and equivalent legacy benefits) to halfway between working-age and pension-age levels, would lift 19,000 people out of poverty. It would cost £0.2bn or £11,000 per person lifted out of poverty.

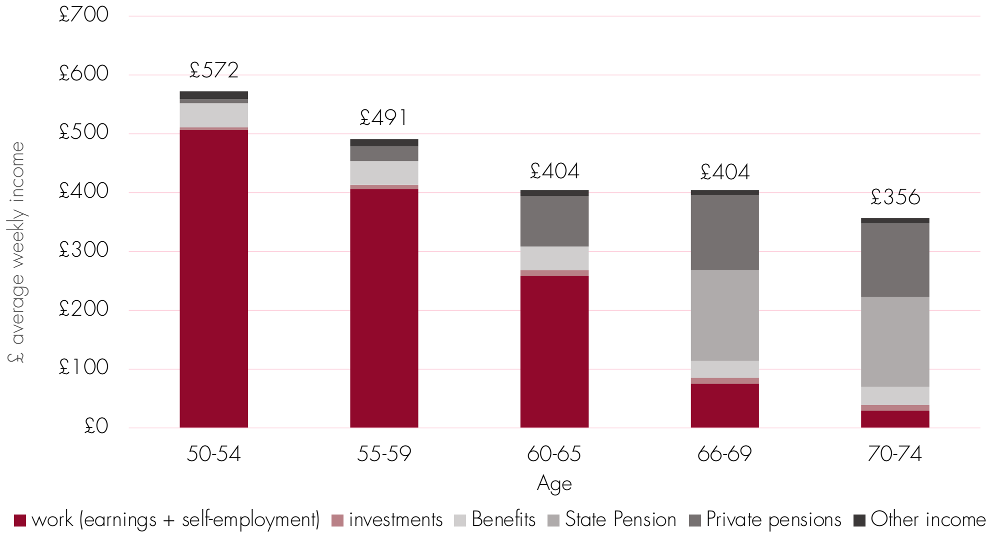
# 1. THE OVER-60 POVERTY PROBLEM

Many working-age over-60s get by on very little. This chapter discusses the scale of the problem, the role of work and social security, and how people in the UK are affected in different ways.

## A pre-state pension age income dip pushes many into poverty

While the increases in state pension age have encouraged some to work for longer, many are not receiving enough income through work or other sources, such as social security, to offset the delay of the state pension. Our modelling in Figure 1 shows that average income is 18 per cent lower for people aged 60 to 65 than for those five years younger. The Institute for Fiscal Studies found that the increase in state pension age from 65 to 66 decreased the average net income of 65-year-olds by £108 per week.[25]

### FIGURE 1: INCOMES EXPERIENCE A DIP AHEAD OF STATE PENSION AGE

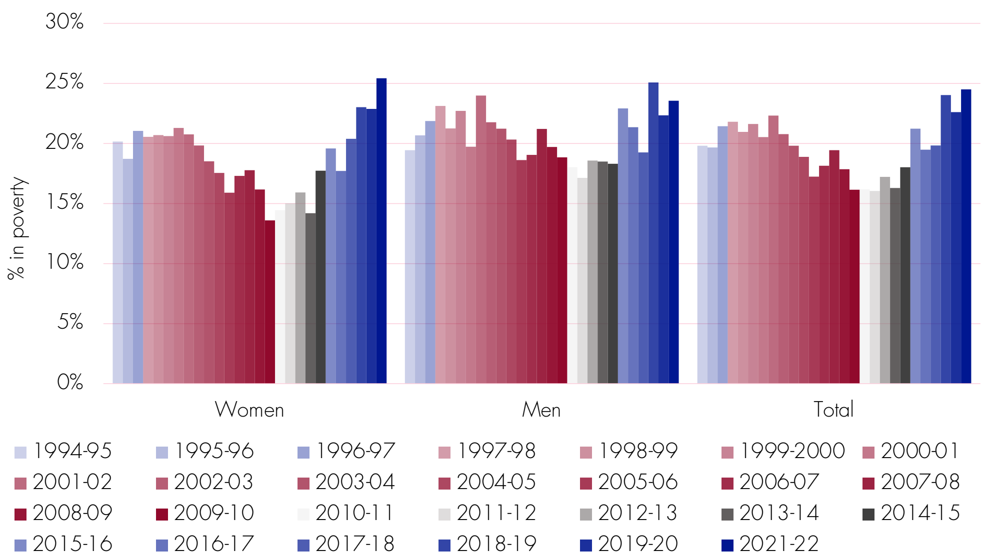



Average income from different sources and total, by age. Source: Landman Economics / Fabian Society analysis of Family Resources Survey, 2021/22.

This income dip has pushed many who were already at the margins into poverty. Of more than 4.6 million people aged 60 to 65, nearly 1.2 million live in poverty. They are more likely than any other adult age cohort to live in poverty – with 25 per cent affected.[26]

This is largely the result of public policy failure. Figure 2 below, which charts the poverty rate for 60 to 64-year-olds under Conservative (blue), Conservative / Liberal Democrat coalition (yellow) and Labour (red) governments, shows a steep increase since 2010/2011. This is when the state pension age for women began to increase, moving from 60 to 65 by 2018, before increasing for everybody to 65 by 2020. The original timelines were set in 1995 for women's equalisation and 2007 for further increases for everybody. But the Conservative-Liberal Democrat coalition government legislated in 2011 to accelerate these timelines by two and six years respectively. The age for accessing pension credit, which is more generous that other working-age benefits, also increased from 60 to 65 for men and women during this period. These increases were rushed through without appropriate public policy mitigations to support longer working lives and provide a safety net for those unable to keep working. And more is coming: the state pension will increase to 67 between 2026 and 2028, and the government is considering accelerating the increase to 68, which is currently scheduled for 2044-2046.[27]

## FIGURE 2: THE 60-64 POVERTY RATE DECREASED UNDER LABOUR AND INCREASED UNDER THE CONSERVATIVES




Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2021/22. Blue=Conservatives. Red=Labour. Yellow=Conservative / Liberal Democrat coalition.

### Box 5: Sources and age breaks used in this report

**Sources**

This report uses evidence from various primary and secondary sources. These include:

- A September 2023 Fabian Society survey of 998 50 to 65-year-olds, conducted by YouGov.
- Fabian Society commissioned microsimulation modelling of the Family Resources Survey, conducted by Landman Economics.
- Fabian Society interviews of subject matter experts and people aged 60 to 65 experiencing challenging circumstances.
- Three Fabian Society policy seminars attended by subject experts.
- Office for National Statistics (ONS) and Department for Work and Pensions (DWP) official statistics.
- Reported data from published and unpublished third-party sources.

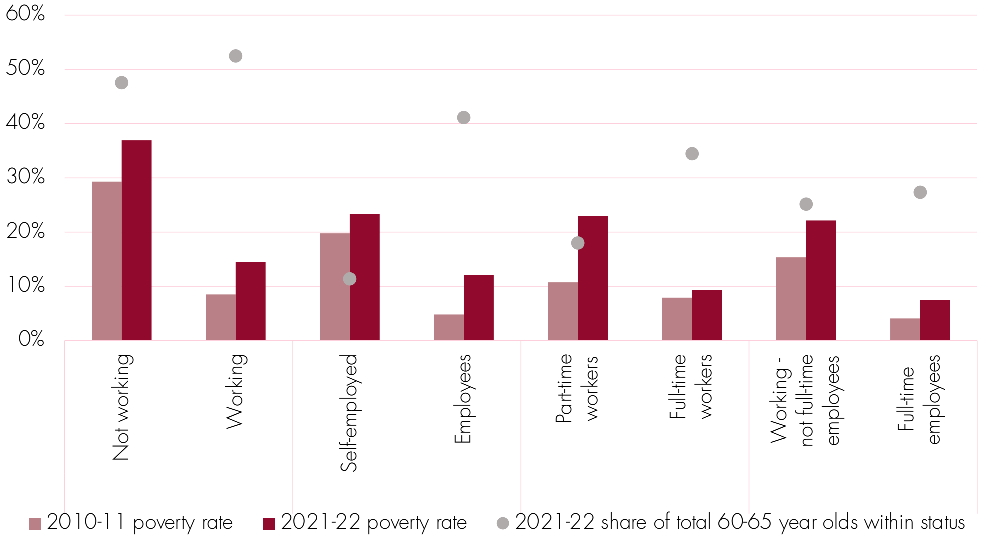
**Age breaks**

- Wherever possible, this report uses the 60 to 65 age break to describe the experience of pre-state pension age poverty.
- Different age breaks are used where this is the only robust data available.
- We look at different age groupings where this is appropriate for analysis.
- Different methodologies may result in minor discrepancies between figures reported from different sources.

## Insufficient earnings from work lies at the heart of pre-state pension age poverty for most

Most people in poverty are either not working themselves or are living with someone who is not working. There are more than 800,000 people aged 60 to 65 who are not working and living in poverty. Figure 3 below shows that people aged 60 to 65 without work are more than twice as likely to be in poverty than those in work (37 per cent vs 15 per cent).[28]

## FIGURE 3: 60-65 YEAR OLDS NOT WORKING ARE MORE THAN TWICE AS LIKELY TO BE IN POVERTY AS THOSE IN WORK




Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2021/22.
Note: Categories are not mutually exclusive.

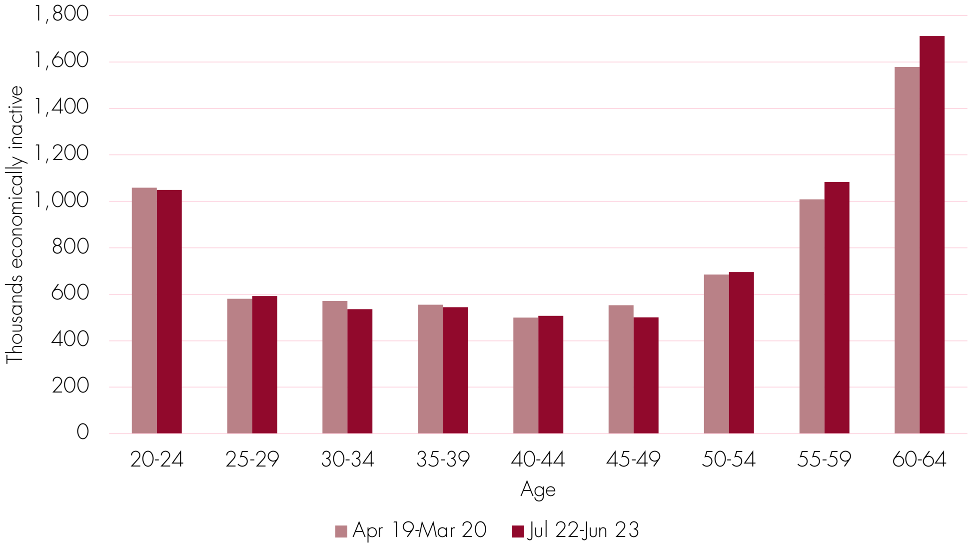
This presents a challenge because, as Figure 4 below shows, people begin to retire well before state pension age. Nearly half (48 per cent) of people aged 60 to 65 are without work, with almost all of these (97 per cent) 'economically inactive' – ie, they have not been seeking work within the last four weeks and / or are unable to start work within the next two weeks.[29] Despite government policy focus elsewhere, figure 5 below shows that the UK's economic inactivity problem is most pronounced among over-60s: economically inactive 60 to 64-year-olds account for nearly a quarter (24 per cent) of all economically inactive 20 to 64-year-olds and nearly half (49 per cent) of 50 to 64-year-olds. They also account for nearly two-thirds (61 per cent) of the post-pandemic increase for 50 to 64-year-olds.

In-work poverty among those between 60 and the state pension age is joint highest (alongside 40 to 50-year-olds) – particularly because of the types of work they do. They earn less per hour than any other over-30s for both full-time and part-time work. And part-time and self-employment – which are associated with earnings (and social security) penalties – become more common with age.[30] Currently, more than 200,000 60-65 year old part-time workers are in poverty.[31] As shown in figure 3 above, part-time and self-employed 60 to 65-year-olds are around three times more likely than full-time employees to be in poverty (each 23 per cent, vs 7 per cent). Of 60 to 65-year-olds in poverty, just 5 per cent live in a household where everybody is a full-time employee.[32] This presents a challenge because both part-time work and self-employment offer options for older workers to work longer in ways suited to their needs.

## FIGURE 4: MOST NO LONGER WORK BY AGE 65


Source: Landman Economics / Fabian Society analysis of Family Resources Survey data, 2021/22.

## FIGURE 5: ECONOMIC INACTIVITY IS MOST PRONOUNCED AMONG OVER-60S




Source: Fabian Society analysis of Nomis Labour Force Survey data, 2022/2023. Note: 65 year olds are excluded because reported data does not separate working-age and pension-age. As such, over-60 economic inactivity will be higher than shown in this figure.

The working-age 60+ population is expected to get bigger, which – without mitigation – is likely to increase the scale of the challenge. There are currently fewer people aged between 60 and the state pension age than is likely to be the case at any time in the foreseeable future, as a result of state pension age increases and demographic factors. ONS projections suggest the number will increase by 23 per cent between 2024 and 2029, while the rest of the working-age population will remain stable. Based on these projections, if labour market status for the 60 to state pension age cohort holds steady, there could be nearly 770,000 more people without work (and more than 290,000 extra part-time workers) by 2029. This would bring the total to 3 million workless in the 60 to state pension age bracket, up from 2.2 million (and 1.1 million working part-time, up from 840,000).[33] But the number could be even bigger as a result of trends such as decreasing disability-free life expectancy, given that disability exacerbates barriers to work.[34] Box 6 below details how the pandemic interacted with long-term trends.

### Box 6: The impact of Covid-19 on economic 60+ economic inactivity

The pandemic, which coincided with the latest state pension age increase (to 66), contributed to untimely retirement for some, which pushed many into poverty. 58 per cent of 60 to 65-year-olds who left work after the pandemic said they stopped working sooner than they had expected. Of the same group, 24 per cent said they did not leave work by choice (but they were less likely to say this than those in their 50s). Labour market activity levels among 60 to 64-year-olds have not yet recovered. The IFS has found that nearly half of 50-70 year-olds who left the workforce in 2020-21 ended up in poverty.

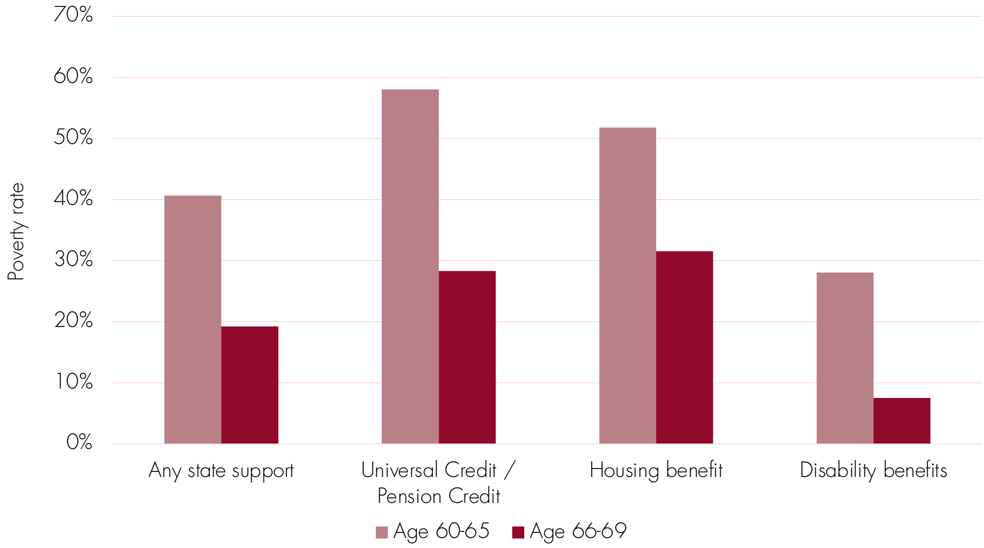
The House of Commons Work and Pensions Committee argued that a number of factors contributed to this picture:

"The pandemic afforded some the opportunity to re-evaluate their life and their priorities, and they decided that they no longer wanted to work or were ready to retire. Others were forced to leave work as caring responsibilities intensified, to support family with childcare or to look after relatives suffering with ill-health. With the immense pressures placed on the NHS by the pandemic, waiting lists grew and people were forced to leave the workplace due to ill-health. Many more who initially left the labour market for retirement in good health, have subsequently seen their health deteriorate, leaving them unable to return to work. Large groups of people in this age group were forced out of work as businesses closed and employees were made redundant. 50-to-64-year-olds made up about a third of redundancies during the pandemic."

# The benefits system offers little respite

The benefits system is unforgiving for the minority (38 per cent) of 60 to 65-year-olds in poverty who rely on it. Figure 6 below shows that the poverty rate for social security recipients aged 60 to 65 is double that of 66 to 69-year-olds (41 per cent vs 19 per cent). This reflects significant differences in working-age and pension-age benefits entitlement, discussed further in section 7.

FIGURE 6: PEOPLE RECEIVING UNIVERSAL CREDIT ARE NEARLY TWICE AS LIKELY AS THOSE RECEIVING PENSION CREDIT TO BE IN POVERTY




Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2021/22. 'Any state support' includes Disability Living Allowance (Care and/or Mobility), Personal Independence Payments (Daily Living and/or Mobility), Jobseeker's Allowance (Income-based and/or Contributory), Employment Support Allowance (Income-related and/or Contributory), Attendance Allowance, Carer's Allowance, Incapacity Benefit, Child Tax Credits including lump sums, Working Tax Credits including lump sums, Income Support, Pension Credit, Housing Benefit, Universal Credit, Income Support, Housing Benefit, Child Tax Credits including lump sums, Working Tax Credits including lump sums.

# Retirement savings are not providing sufficient cushioning

People nearing the state pension age are unique because of large variations in the types of non-earnings income available to them. This can include private/occupational pensions, lifetime savings and investments, rental income and working-age benefits. They also have on the horizon the prospect of other sources of income – including the state pension and pension-age benefits.

If built up sufficiently, these savings can provide a vital safety net for those unable to work longer. But there are pensions and savings gaps for disabled people, carers, those with no qualifications, those living alone, women, minority ethnic groups, and others with lower average lifetime earnings. Nonetheless, even small pots could reduce the financial benefit of finding work close to the state pension age or affect people's benefits entitlement, which could lower pre-state pension age earnings (as described in section 5 below).

Table 2 below shows some of the income sources for 60 to 65-year-olds without work and in poverty. Just under half – 47 per cent – live in households where someone is drawing an occupational pension – more than live in households where someone claims working-age state benefits (45 per cent). But 21 per cent live in households receiving neither a pension nor benefits, suggesting they rely only on savings or support from others to get by. These savings are often limited: in total, just 24 per cent have savings and investments of more than £16,000 while 50 per cent have savings and investments of less than £1,500 – ie a month's salary working full-time on minimum wage.

## TABLE 2: THOSE WITHOUT WORK AND IN POVERTY HAVE A MIX OF INCOME SOURCES

| Occupational Pension | Working-age state support | Savings / investments <£16,000 | Savings / investments £16,000+ | % of workless 60-65 year olds in poverty within group |
|---|---|---|---|---|
| | | | | 33% |
| | | | | 12% |
| | | | | 20% |
| | | | | 15% |
| | | | | 9% |
| | | | | 12% |

Source: Fabian Society analysis of Family Resources Survey data, 2021/22. Total adds to more than 100% due to rounding.

# 2. OVER-60S PRESENT DISTINCT CHALLENGES

Current government policies have little realistic prospect of addressing poverty of those between 60 and state pension age, because this cohort's needs are not appropriately considered. This section shows how people nearing the state pension age are at greater risk of a range of challenges. It details the different financial circumstances for people this age. Finally, it argues that – under current fiscal conditions – raising incomes through good paid work should be the priority for addressing pre-state pension age poverty – and the most fruitful way to do this is through early intervention – but social security support will be necessary for some.

## People nearing state pension age have a range of support needs

Our survey finds that 63 per cent of 55 to 65-year-olds struggling financially say there are rarely or never people they can turn to for help when needed - or they do not know if there are - compared with 27 per cent of the same group not struggling financially.

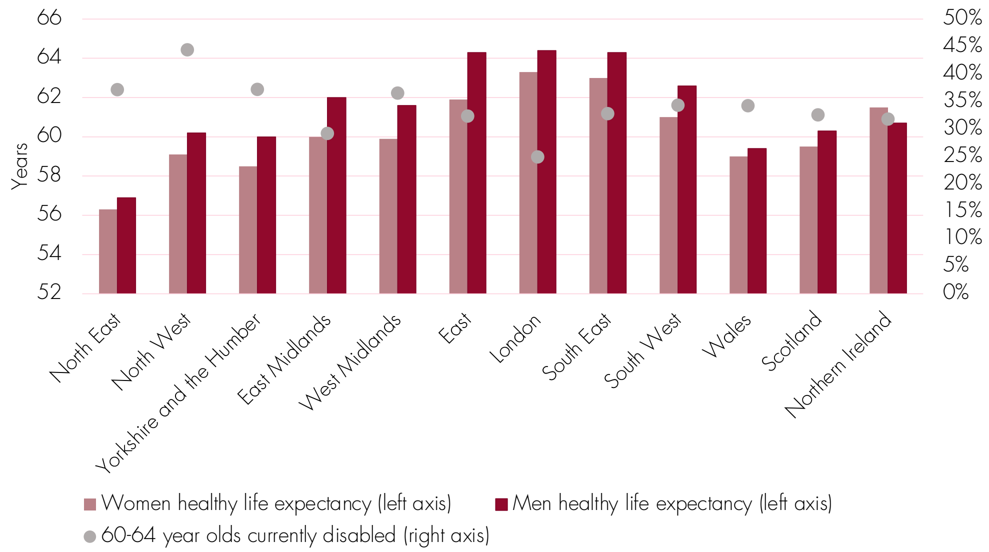
Over-60s are more exposed to a range of challenges that shape support needs. In addition to creating barriers to work (described in section 4 below), these challenges raise the cost of living and expose people to public service failure. They also expose people to problems with the benefits system (described in section 7 below). Specific challenges are as follows.

### Sickness and disability

- **Prevalence:** Figure 7 below shows that, for the foreseeable future, disability-free life expectancy will remain below the state pension age. Moreover, 45 per cent of disabled 60 to 64-year-olds are severely disabled – the highest share of any working-age group.[35] And the most deprived are often the worst affected and the least likely to recover.[36]

- **Cost of living:** On average, households with a disabled family member need at least £975 more per month to have the same standard of living as non-disabled households.[37] This is not reflected in the standard poverty measure and is not fully compensated by disability benefits such as PIP, which means the incidence of disability poverty is under-recorded.
- **Public service failure:** Our survey finds that 26 per cent of 50 to 65-year-olds without work who are struggling financially say they are on an NHS waiting list and it is affecting their ability to work.[38]

FIGURE 7: HEALTHY LIFE EXPECTANCY AT BIRTH IN 2018-2020 IS BELOW STATE PENSION AGE



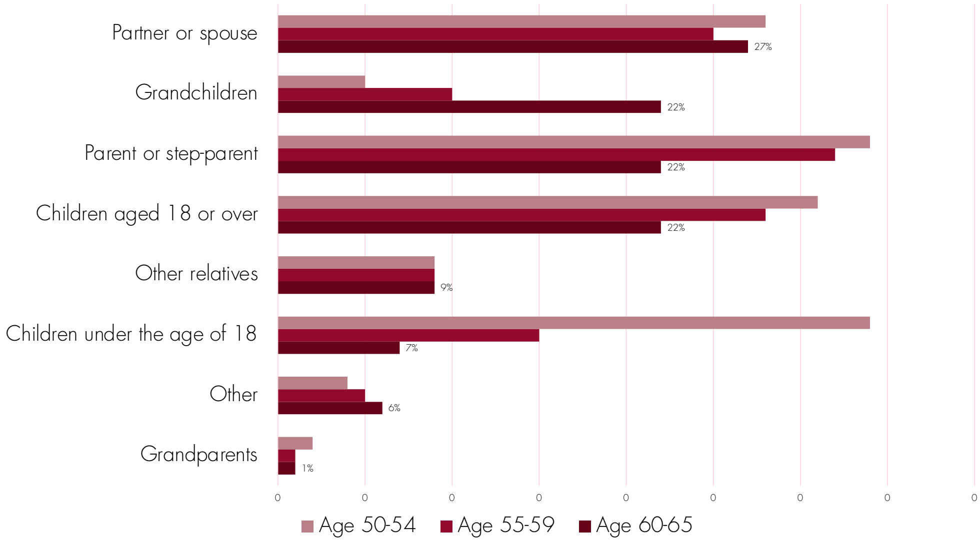

Source: Fabian Society analysis of ONS Health state life expectancies, UK: 2018-2020, and DWP Households Below Average Incomes data, 2021/2022. Note: While people born in 2020 have, on average, disability free life expectancy before lower than 66, fewer than half of 60-64 year olds are currently disabled. This reflects mortality rates before SPA, with higher life expectancies for those still alive.

## Caring responsibilities

- **Prevalence:** Caring responsibilities become more prevalent and people are more likely to provide care while being disabled themselves when approaching state pension age.[39] The most deprived also provide more informal care.[40] Figure 8 below shows that 60 to 65-year-olds most commonly care for a partner or spouse (27 per cent). They also play an important role in childcare – being more than four times as likely as those a decade younger to care for grandchildren (22 per cent vs 5 per cent). Although 22 per cent also care for a parent or step-parent, they are 10 percentage points less likely to do so than those five years younger – suggesting many have experienced a recent end to those caring responsibilities. They are also significantly less likely to care for their own children, as most have reached adulthood at this stage.[41]

- **Cost of living:** 63 per cent of carers in 2021 said they spent their own money to support the person they cared for.[42] Current or former carers may have additional housing costs – for example, due to extra space they need to store equipment or empty rooms after children or others they cared for have left.
- **Public service failure:** The number of older people receiving publicly funded social care in England decreased by 437,000 between 2009/10 and 2018/19.[43] There were also 13,000 fewer carers getting direct support from social services in 2020/21 than in 2015/16.[44]

## FIGURE 8: 60-65 YEAR OLDS MOST OFTEN CARE FOR A PARTNER, GRANDCHILDREN, PARENT AND ADULT CHILDREN



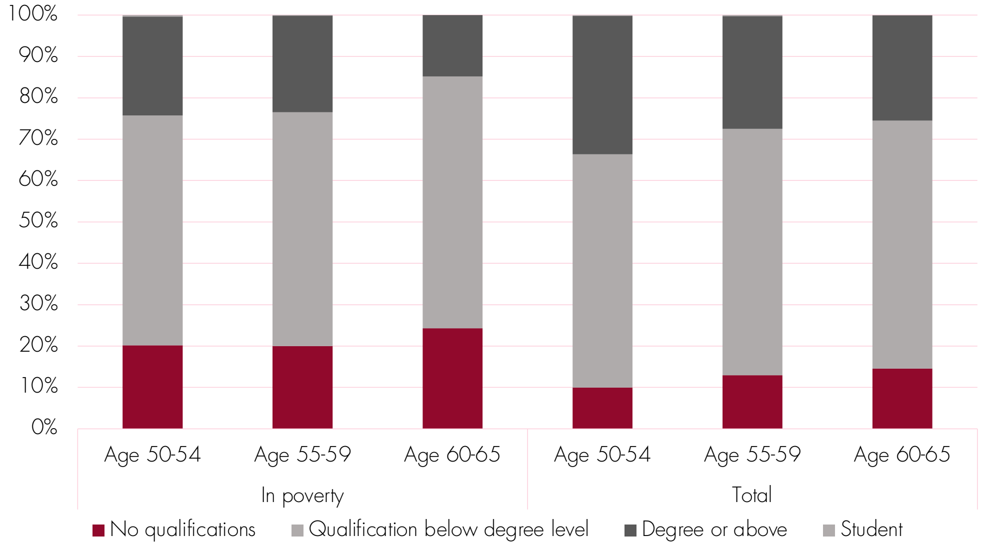

Source: ONS Over 50s Lifestyle Survey, 2022. "Which of the following people, if any, do you look after, or give any help or support to?". Base: 5,690 aged 50-54, 6,940 aged 55-59, and 10,820 aged 60-65.

## Educational attainment and progression opportunities

- **Prevalence:** Although more workers today hold formal qualifications than in the past, figure 9 below shows that 60 to 65-year-olds are the least likely to have a degree and the most likely to have no qualifications. Fewer older workers agree their job offers career progression opportunities.[45] And skills may no longer be current in cases where people left work some time ago. Digital exclusion presents further challenges: while most older workers are active online, rates of internet access and digital skills are lower.[46]
- **Cost of living:** People with lower qualifications more commonly struggle with financial capabilities.[47]

- **Public service failure:** As described below, the government is underinvesting in adult skills provision and age-appropriate support for older workers.[48]

FIGURE 9: FORMAL QUALIFICATIONS ARE RARER AMONG PEOPLE WHO ARE OLDER AND IN POVERTY




Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2021/22.

# Pre-state pension age poverty is felt differently across the UK

The pre-state pension age poverty problem is bound up with existing inequalities across society. Table 1 below details the prevalence of poverty and access to work for each group aged 60 to 65. Disabled people are the most numerous in poverty (530,000) followed by those living alone (460,000), then renters (400,000), those with no qualifications (300,000) and carers (210,000). Experiences also differ by ethnicity and gender, as described in box 7 below.

## Box 7: Pre-state pension age poverty and different demographics

Pre-state pension age poverty is intersectional, affecting different demographics – such as ethnic minorities and women – in different ways.

**Ethnic minorities**

As shown in table 1, people from black, Asian and other ethnic minority backgrounds are more likely than white people to be in pre-state pension age poverty. However, data on people's experiences is limited at this age, particularly on the heterogeneity within and between different ethnic minority groups. This presents a policy challenge, given these groups are growing.

Our analysis of available data on 60-65 year olds suggests that housing and other essential costs play a bigger role in driving pre-state pension age poverty among ethnic minority groups. While they are more likely than white people to work (61 per cent vs 52 per cent), they are also more likely to rent (37 per cent vs 20 per cent) and live alone (34 per cent vs 26 per cent). These figures are largely a function of clustering in cities: 41 per cent of Londoners this age are ethnic minorities, compared with just 5 per cent of those in the rest of the UK. Meanwhile, savings and pensions gaps limit money available from other sources.

Differences in health outcomes between ethnic groups may contribute to financial difficulties not captured in official statistics: 52 per cent of black people this age live in a household where someone is disabled, compared with 46 per cent of white people and 42 per cent of other ethnic minority groups.

**Women**

Women are about as likely as men to be in pre-state pension age poverty – but their circumstances are significantly different to that of their predecessors before the state pension age began to increase from 60 in 2010. Because they are more likely to do unpaid work in the home, such as caring and housekeeping, the amount of paid work they could take on as the state pension age increased was limited. And because many had little recent work experience, those experiencing a change in circumstance such as divorce or bereavement have limited options to return to work. Their employment record also affects National Insurance (NI) contributions needed to qualify for contributory benefits.

Campaign groups have complained to the Parliamentary Ombudsman that DWP did not properly communicate state pension age changes to women affected. They say this resulted in financial loss because they stopped working and drew down their pension savings earlier than they would have done. The Ombudsman found "maladministration" by DWP, for failing to target information to women affected by these changes in good time.

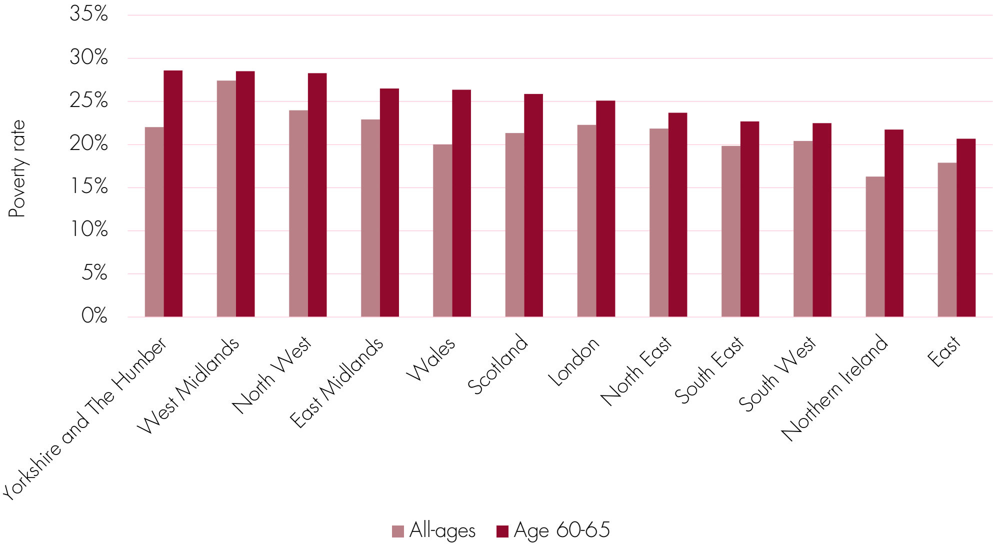
## TABLE 1: SIZE OF GROUPS AFFECTED BY POVERTY AND WORKLESSNESS

| | % in poverty | Total in poverty (thousands) | Not working (%) | Not working (thousands) | Part-time (%) | Part-time (thousands) |
|---|---|---|---|---|---|---|
| Total 60-65 | 25 | 1,200 | 48 | 2,200 | 18 | 830 |
| Personal circumstances | | | | | | |
| Disabled | 34 | 530 | 62 | 980 | 15 | 240 |
| Carers | 31 | 210 | 52 | 350 | 20 | 140 |
| No qualifications | 46 | 300 | 60 | 410 | 14 | 94 |
| Living alone | 37 | 460 | 53 | 660 | 16 | 200 |
| Renting | 41 | 400 | 53 | 530 | 14 | 140 |
| Demographics | | | | | | |
| Female | 25 | 590 | 53 | 1,240 | 23 | 530 |
| Male | 25 | 580 | 42 | 970 | 13 | 310 |
| Black, Asian and other ethnic minorities | 35 | 140 | 38 | 129 | 12 | 40 |
| White | 24 | 1,000 | 46 | 1,650 | 19 | 680 |

Source: Landman Economics and Fabian Society analysis of Family Resources Survey and DWP Households Below Average Incomes data, 2021/22.

Pre-state pension age poverty also reflects regional inequalities – including in health, jobs, housing and public services. Figure 10 below shows that pre-state pension age poverty rates in different regions span 8 percentage points – from 21 per cent in the East of England to 29 per cent in Yorkshire and the Humber. Regions with high all-age poverty typically also have higher rates of pre-state pension poverty – including in North England and Wales, where the effects of industrial decline have been acute. In the South and East of England, the gap between pre-state pension age and all-age poverty is smaller – probably reflecting higher housing costs faced by younger workers, and employment (including more full-time employees) among over-60s.

### FIGURE 10: THERE IS A COMPLEX INTERPLAY BETWEEN PRE-STATE PENSION AGE POVERTY AND REGIONAL INEQUALITIES




% of people in poverty in each region, in total and among 60-65 year olds. Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2021/22.

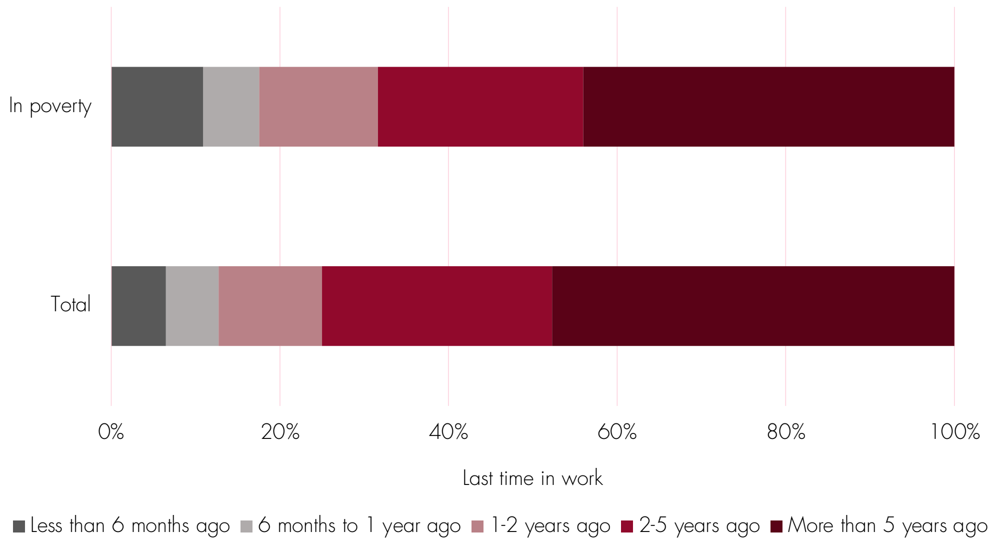
## Support for longer working lives should start early

Under current economic and fiscal conditions, raising incomes through good work is a top priority for addressing pre-state pension age poverty. Our modelling shows that raising the employment rate for each single-year age between 56 and 65 to the level experienced by people two years younger, would result in 430,000 more people being in work, including 250,000 aged 60+. This this would lift 130,000 people in a household with someone in this 10-year age group out of absolute poverty, including 74,000 in households made up of those aged 60 to 65. It would also raise an additional £5bn for the Exchequer.

The best way to achieve this uplift is to intervene early – before people drop out of work and by age 55 if they have already left. This is because older workers who have been without work for long durations are much less likely than younger workers in the same position to return – particularly where they are disabled, provide care, or have few qualifications.[49] This presents a challenge because, as shown in Figure 11 below, nearly nine in 10 (88 per cent) of 60 to 65-year-olds without work left at least a year ago and at least half were already without work by the age of 60.[50]

Our survey supports the case for early intervention. Just 8 per cent of workless 60 to 65-year-olds say they are likely to ever do paid work again, compared with 43 per cent of both 50 to 54 and 55 to 59-year-olds in the same position.[51]

## FIGURE 11: NEARLY NINE IN 10 WORKLESS 60 TO 65-YEAR-OLDS LEFT WORK MORE THAN A YEAR AGO




Duration without work, by age and poverty status. Source: Landman Economics / Fabian Society analysis of Family Resources Survey data, 2021/22.

Our survey has identified potential priority interventions to support longer working lives. As described in box 8 below, these scenarios can be grouped broadly into complementary categories which correspond with different sections of this report: addressing challenges creating barriers to work (section 3 and throughout), promoting inclusive working conditions (section 4), providing employment and skills support (section 5), and encouraging people through financial considerations (section 6).

### Box 8: Scenarios that could support longer working lives

Our survey sought to identify potential priority interventions to support longer working lives through either delayed retirement plans or return to work. We asked:

- **Working respondents:** "For each of the following scenarios, please say whether, if they applied to you, you think they would make you **more inclined to fully retire earlier, later** or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case'."
- **Respondents without work:** "For each of the following scenarios, please say whether, if they applied to you, you think they would make you **more or less likely to return to wor**k, or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case'."

The scenarios were grouped into categories that could be achieved through four different types of interventions. These are:

1. **Addressing challenges creating barriers to work:**
    - There were not too many problems for me to deal with in my life outside of work;
    - I could access paid for care for people who rely on me;
    - I was in good enough physical health;
    - My mental health was good enough.
2. **Promoting inclusive working conditions:**
    - [My job / There were a job available which] could suitably accommodate my health needs;
    - [I felt I was / A job was available where I felt I would be] treated well enough at work;
    - [My job allowed me / A job was available that would allow me] to take a temporary period away from work and return to the same role if I needed it;
    - [My job offered / A job was available which offered] hours that suited me;
    - [A job was available where] I could work in a location that suited me;
    - [A job was available in which] I had enough control over my day to day at work;

- [My job didn't / A job was available that I didn't think would] cause me too much stress;
- [My job / A job was available that] suited my current skill-set;
- I was a desirable candidate for employers;
- I received the reward / recognition I deserved at work.

3. **Providing employment and skills support:**

- I received support in developing work-related skills;
- My job suited my current skill-set;
- I got the help I needed to [change jobs / find work].

4. **Encouraging people through financial considerations:**

- I thought working for longer would help me meet my financial needs;
- I was unable to access my private pension [on my intended retirement date / by the time I retired];
- I was unable to access my state pension by the current state pension age (66).

There is no silver bullet but using a combination of interventions could work. Among 55 to 65-year-olds, most can identify at least one scenario that could extend their working life – including 78 per cent of those still working and 70 per cent of those without work.

Notwithstanding this, some interventions show greater potential. When looking at those who say they would respond to at least one intervention in each category, financial considerations understandably play an important role. However, promoting inclusive working conditions and addressing challenges creating barriers to work together offer the most sustainable solution. Combined, 63 per cent could be reached through these types of interventions. Other interventions may fail without getting these ones right, as encouraging people to stay and return to work would be unhelpful if there aren't enough good jobs or people face other insurmountable challenges. Most who say they would respond to financial considerations or employment and skills support would also respond to inclusive working conditions and support with personal challenges, while many who would respond to inclusive working conditions and support with personal challenges cannot be supported in any other way.

## Some must rely on other income sources

Those facing such significant barriers to work that they are unlikely to benefit from measures to improve access to work before the state pension age, and who can't find money elsewhere, may need social security support. These include the long-term workless, disabled people, and current and former full-time carers. And some others will not escape in-work poverty before the state pension age either. The scale of the labour market challenge means these people are likely to make up a sizeable group in the foreseeable future. Section 7 discusses this in further detail and Annex 6 summarises the size of groups who may need enhanced support while longer-term reforms are implemented.

## Box 9: Independent state pension age reviews

Periodic official reviews inform government decisions on the timeline for state pension age increases. These reviews have foreseen some of the challenges discussed in this report, and made recommendations for the government to support those most acutely affected. Recommendations that have not been implemented (fully) include:

**John Cridland Review (2017)**

- Introduce five days' paid Statutory Carer's Leave, based on the statutory sick pay model.
- Support older workers to become mentors and trainers in the government's apprenticeship programme.
- From the state pension age rise to 68, for people within one year of this age, relax benefits conditionality to allow part-time working and raise means-tested benefits to pension credit level for long-term carers and people with ill health and disabilities.
- Fund the National Careers Service to develop, test and implement a national Mid-Life MOT programme.
- Do not increase the state pension age by more than one year in any ten-year period.

**Baroness Lucy Nevill-Rolfe Review (2022)**

- Champion inclusive working conditions for older workers through piloting an age-friendly employer accreditation scheme.
- Explore an early access scheme for the state pension (at an actuarially reduced rate) – for example, for those aged 65+, with 45+ years' National Insuurance contributions, and in manual professions.

# 3. INCLUSIVE WORK IS THE TOP PRIORITY

Raising incomes through paid work is integral to addressing pre-state pension age poverty. This section discusses the most sustainable route to extending working lives – improving working conditions for everybody, with additional support for those who need it – and considers the evidence on how to do this.

## Many feel unable to keep working until state pension age

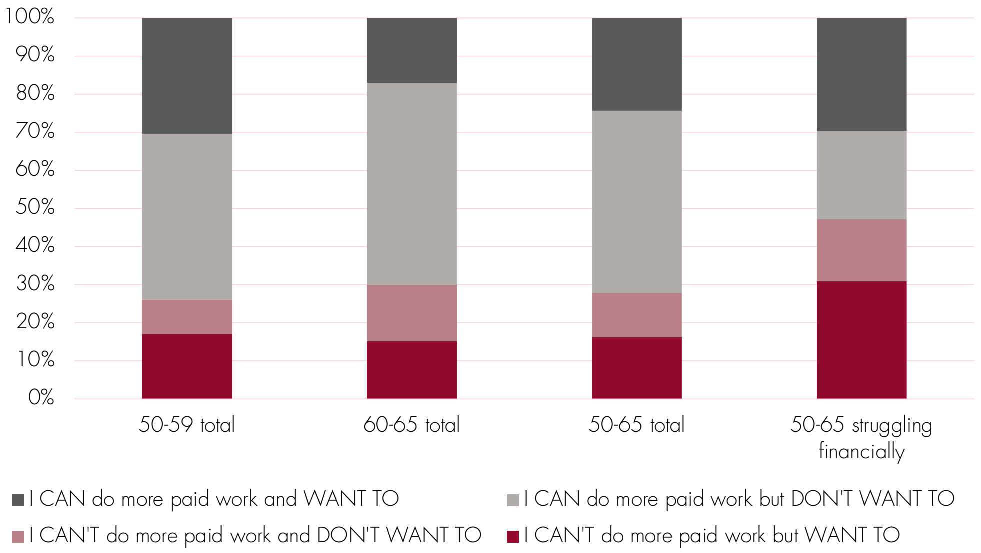
Barriers to work result from a complex interplay between the challenges – such as health problems, caring responsibilities, low educational attainment, problems outside work and poor support networks – and the features of work itself. These challenges make it difficult for people to find and stay in work, and can be exacerbated by certain working conditions. But workers of all ages and backgrounds are exposed to negative experiences at work, which can take a toll on their health and other areas of their life. The cumulative effects can diminish older workers 'ability and appetite to work, and weaken their responses to financial incentives to do so.[52]

Our survey supports the proposition that negative experiences at work curtail working lives. We asked people about their experiences in the past five years. Of those 55-65 year olds who plan to retire before the state pension age, 45 per cent say they have felt unhappy with their job – nearly double the proportion of those who plan to retire at or after the state pension age (27 per cent). We also asked people who say they have retired or semi-retired why they had done this before the state pension age. Among 50-65 year olds, work-related 'push 'factors such as stress, not liking their job or not wanting to work anymore were most common (mentioned by 26 per cent). This reflects research by Phoenix Insights, which finds that attitudes towards work in the UK are significantly more negative than comparable economies such as Germany and the US.[53]

Our survey respondents cited this reason for retiring before the state pension age more commonly than their health (20 per cent), caring responsibilities (10 per cent), job loss or lack of available work (12 per cent), and lifestyle reasons such as wanting to enjoy their time doing other things (11 per cent).[54]

Our survey also finds that many leave work early when their pension becomes available (as described in section 7 below). But around half of respondents mentioning their pension also cited another reason driving their decision.

## FIGURE 12: THOSE STRUGGLING FINANCIALLY FACE STEEPER BARRIERS TO WORK




"Please select the statement that best applies to your circumstances". Source: Fabian Society survey, conducted by YouGov. Base: People not working or working part-time – including 110 aged 50-65 who struggling financially, 224 aged 50-59, and 226 aged 60-65.

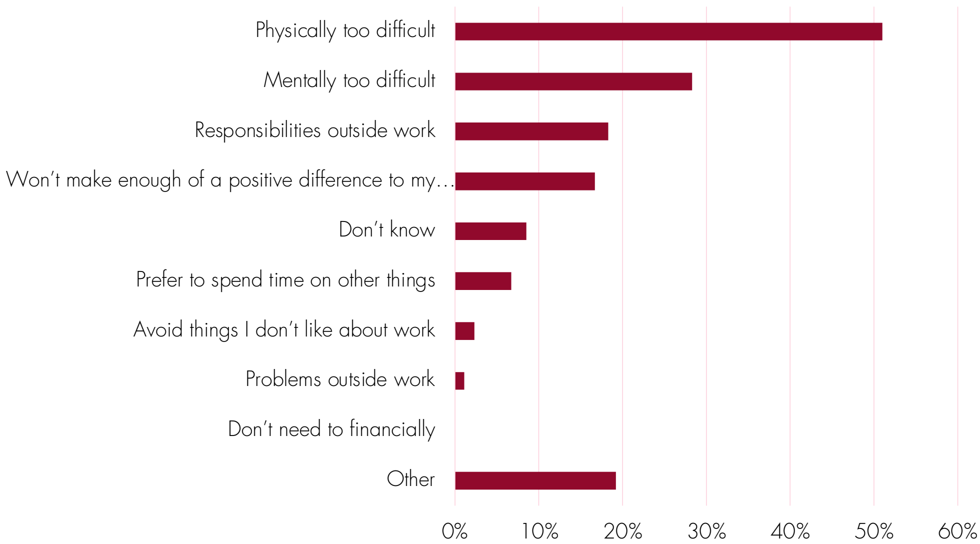
Different workers are affected in different ways, and the experiences of those struggling financially are distinct from the rest of the population. They have stronger incentives to keep earning but often face significant barriers. Notwithstanding this, significant numbers also find work itself unappealing. Figure 12 above shows that:

- Of people aged 50 to 65 who are without work or working part-time, 28 per cent say they cannot work more and 60 per cent say they do not want to. Only 24 per cent say they can and want to work more. By contrast, 48 per cent say they can but do not want to work more.
- But among those who are struggling financially within this group, a much higher number – 47 per cent – say they cannot work more and only 39 per cent say they do not want to work more. Thirty per cent say they can and want to work more – suggesting they are more susceptible to a discrepancy between supply and demands for their labour, with discrimination and skills mismatches possible factors. While fewer say they can but do not want to work more, 23 per cent still fall in this group

# Personal circumstances shape people's experiences of work

People need support with a range of challenges that create barriers to work, which cannot be separated from the features of work itself. We asked those who say they are unable or unwilling to work more (as shown in Figure 12 above) why this is. Figure 13 below shows that, among 50 to 65-year-olds struggling financially, the biggest reasons given were that it would be physically too difficult (51 per cent) and mentally too difficult (28 per cent). Significant numbers also cited personal responsibilities outside work (18 per cent) or think they would not be better off financially in work (17 per cent).

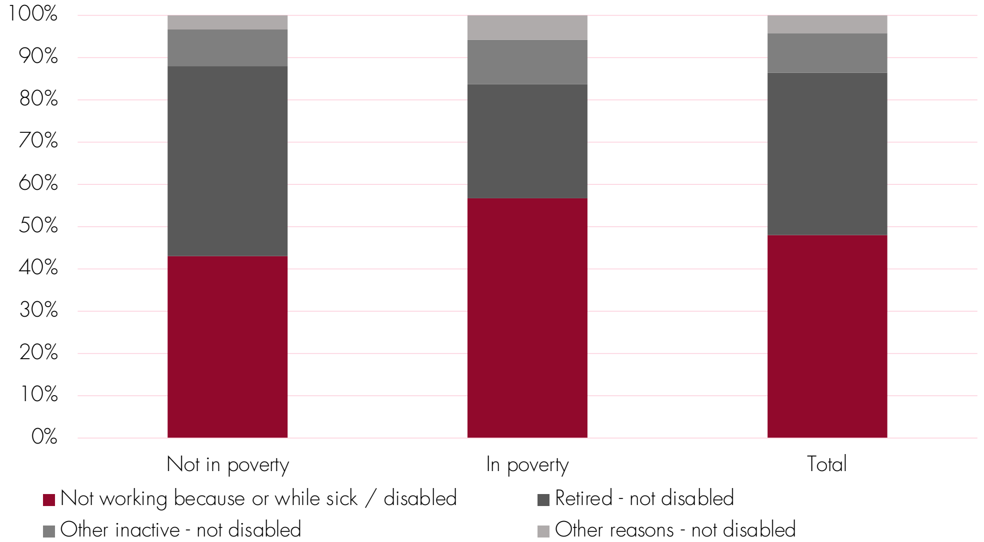
## FIGURE 13: HALF OF PEOPLE STRUGGLING FINANCIALLY SAY THEY CAN'T OR DON'T WANT TO WORK BECAUSE IT IS PHYSICALLY 'TOO DIFFICULT'




Source: Fabian Society survey, conducted by YouGov, 2023. "Which of the following reasons, if any, describes why that is? Please select all that apply." Base: 84 people aged 50-65 who are not working or working part-time and struggling financially who said "I can't do more paid work but want to", "I can't do more paid work and don't want to", or "I can do more paid work but don't want to".

These figures echo official statistics, which demonstrate that those without work while in poverty also struggle with their health. Figure 14 below shows that, among 60 to 65-year-olds in poverty, 57 per cent say they are without work either because of this or for a different reason while also being disabled.[55] By contrast, among those not in poverty, the same percentage say it is due to retirement or 'other 'reasons and are not disabled.

FIGURE 14: MORE THAN HALF OF WORKLESS 60-65 YEAR OLDS IN POVERTY ARE ARE EXPERIENCING HEALTH PROBLEMS




Source: Fabian Society analysis of DWP Households Below Average Incomes data, 2019/20-2021/22. Not working because or while sick / disabled includes all disabled respondents, and all respondents who are economically inactive because of short-term and long-term sickness or disability. Other reasons – not disabled includes 'unemployed', 'student', and looking after the family / home. All other categories are as reported in official statistics.

Work is often implicated in these illnesses. Most workers experiencing a range of mental health and musculoskeletal problems say that work is a contributing factor.[56] Moreover, most illness and disability benefits recipients aged 60 to 65 report one of these issues as their main condition – which can put them at greater risk of job strain. Among people this age receiving employment and support allowance (ESA) – a benefit for those too unwell to work – 36 per cent reported 'mental and behavioural disorders' and 19 per cent 'musculoskeletal and connective tissue diseases' as their main condition.[57] Similarly, among those receiving personal independence payment (PIP) – a non-means tested benefit that helps people cover additional costs associated with disability – 42 per cent reported a 'musculoskeletal condition' and 19 per cent a 'psychiatric condition' as their main disability.[58] Manual roles, which are more prevalent among older workers but become more difficult to perform with age, may contribute to these problems.[59]

## Many are missing out on workplace support to help them keep working

Many experiencing the challenges described above are not getting the support they need at work – and this is a particular challenge for older workers. Figure 15 below shows that 60 to 65-year-olds are less likely than people in their 50s to have access to most forms of workplace support – including flexible work, additional support from their line manager, reasonable adjustments, support for physical or mental health concerns, occupational health, supportive equipment and a workplace assistance programme.[60]

This is likely to be due to a range of factors. These include age discrimination, not acknowledging gradually acquired (age-related) conditions as disabilities, fears about asking for help, and working for smaller organisations with lower HR capability.[61] For example, our survey finds that 60 to 65-year-olds who have experienced health difficulties at work in the past five years were less likely to ask for workplace adjustments than those aged 50 to 59 (30 vs 42 per cent). But asking for adjustments is not without risk: just 41 per cent of 55 to 64-year-olds who did so say their request was granted in full. Among those who did not ask, most common reasons were knowledge about availability and worries about employer reactions.[62] And older workers are more likely to struggle on until they cannot cope anymore: in 2018, the Centre for Ageing Better found that 45 per cent of over-55s with a health condition had taken no time off in the preceding six months, compared with 32 per cent of 25 to 54-year-olds.[63]

### FIGURE 15: OLDER WORKERS ARE LESS LIKELY TO HAVE ACCESS TO WORKPLACE SUPPORT


Source: ONS Over 50s Lifestyle Survey. "Which of the following, if any, do you have access to in your current job?" Base: 4,510 people aged 50-54, 4,460 people aged 55-59, and 3,870 people aged 60-65 who say they currently have a paid job. 2022.

## A 'lost decade' of government inaction is creating barriers to work

As detailed in Annex 1, initiatives to support older and disabled (and other) workers have mostly been employer-led – with mixed results. Some employers have voluntarily updated their own HR strategies and influenced their networks to do the same. But it can be challenging for improvements to reach a critical mass – particularly among smaller employers, who are more likely to employ older workers.[64] There is limited data on HR practices and worker outcomes but we know that good intentions do not always translate into results. For example, a third of employers which have signed up to the Disability Confident scheme do not employ a disabled person.[65]

This approach has resulted in a 'lost decade', which has put the UK behind on workers 'rights. Although the government accepted 51 of the 53 recommendations in the 2017 Taylor Review on Good Work, most have not been implemented seven years on, and plans for a workers 'rights bill and single enforcement body have been shelved.[66] Where the government has started to act, progress has been slow. Rather than setting out a coherent plan for change, ministers are relying on a patchwork of private members ' bills, often proposed by opposition politicians – such as those allowing the right to request flexible work from day one and a right to unpaid carer's leave.[67]

Even where support exists, it is falling short. Some challenges with existing provision and proposals to address them are detailed below.

- **Flexible work:** From 6 April 2024, employees will have a right to request flexible work from day one of employment, updating the previous right to request this after 26 weeks. But this may not address the mismatch between supply and demand for flexible work. Many still fear the repercussions of requesting deviations from 'standard' working patterns, and may struggle to get agreement from employers which do not anticipate a change so soon after recruitment.[68]
- **Carer's leave:** From 6 April 2024, carers will get a right to five days' unpaid leave per year, taken in half or full days, after giving advance notice twice as long as the period taken off. However, the short length, lack of flexibility and loss of pay could create financial difficulties and push some who need more and unplanned time off out of work.[69]
- **Statutory sick pay (SSP):** Some people keep working through illness because statutory sick pay (SSP) covers less than a fifth of average UK earnings; is only available from the fourth day of illness; and excludes people earning less than £123 per week. The self-employed have even poorer protections: they can only rely on ESA, which offers lower and later protection, and is dependent on national insurance contributions which may exclude people who work intermittently.[70]

- **Health and safety:** Health and Safety Executive (HSE) funding is down 43 per cent in real terms from 2009-10 to 2021-22 and the number of inspectors has fallen by 41 per cent over 20 years.[71] Some groups experiencing barriers to work, who may be affected differently by workplace conditions, are poorly considered in protections.[72]
- **Occupational health:** The government is consulting on extending occupational health coverage beyond the current 51 per cent (18 per cent among smaller employers), and trialling ways to extend cost-effective support to SMEs. But fundamental issues remain unaddressed. Most countries with high occupational health coverage (above 75 per cent) have minimum legal requirements for provision.[73] Moreover, available advice is not always implemented. Of employees receiving a return to work plan under the UK's Fit for Work assessment service, which ran from 2014 to 2018, 61 per cent reported that not all their recommendations were enacted. Amended hours or duties were least likely to be implemented, and those with mental health conditions or working in smaller organisations were particularly poorly supported.[74] There are also issues with the quality of occupational health provision. International standards centre preventative approaches that aim to promote and maintain physical, mental and social well-being at work. But in the UK, the focus is on fitness for a role based on individualised medical profiles. Lack of professional standards and interprofessional connectedness means many employers pay for occupational health services and employee assistance programmes based on poor evidence.[75]
- **Access to Work:** This scheme, which provides up to £66,000 to support workplace adaptations not covered by employers' duty to make reasonable adjustments, could be transformative. But it is not reaching its full potential, and support for 60 to 64-year-olds is lower than for any age group.[76] SMEs may be put off by the requirement to fund at least 20 per cent of costs up to the first £10,000; awareness of the scheme is low; and waiting times of up to six months result in job losses and recruitment delays.[77]
- **Equality law:** Despite protections against discrimination in the Equality Act 2010, in in 2020-21 there were more than 15,000 age discrimination and 7,000 disability discrimination employment tribunal claims, which are the most common forms of discrimination claims.[78] A range of factors underly these high levels of claims, including prejudice and poor understanding of obligations.[79] Seeking redress is difficult for most – but particularly for people on low incomes or who are disabled, provide care, have low educational attainment or lack social support. A two-year wait for a hearing means many will reach state pension age before they see

justice.[80] Certain aspects of the Equality Act and its implementation may also need to be revisited – for example, to reflect a shift towards the social (rather than medical) model of disability, to ensure positive action measures such as diverse interview panels are permitted, and to ensure that existing requirements such as age-blind recruitment (unless otherwise justified) are more consistently adhered to.[81]

- **Pay gap reporting:** Existing gender pay gap reporting requirements, introduced in 2017, provide useful information on certain pay gap metrics but exclude others – such as the impact of part-time work, the performance of employers with fewer than 250 employees, and other key demographics such as disability and age. And lasting cultural change may be difficult without stronger incentives.[82]
- **Childcare:** Many grandparents play an important role in childcare – particularly for single working parents. But shared parental leave, which is currently limited to parents, does not support their contribution. The government in 2016 consulted on extending it to grandparents but the proposals were not implemented.[83] Moreover, in spite of labour shortages in the sector, government support with childcare costs covers only registered childcare providers, so grandparents who give up work to provide care are not supported.[84]

These failures are taking a toll. The Chartered Institute of Personnel and Development (CPID) Good Work Index has shown little improvement in recent years.[85] Not addressing this will hamper other efforts to support longer working lives because people cannot stay and return to work if there are not enough good jobs available.

### Box 10: Labour's New Deal for Working People

The Labour party has pledged that, if elected, it will legislate in the first 100 days to introduce new rights for workers. It has pledged to:

- Introduce a default Day One right to flexible work, with employers required to accommodate this as far as reasonable, alongside support for small and medium businesses to adapt to flexible working practices.
- Introduce paid family and carer's leave.
- Use procurement to drive up employment standards – including on pay, conditions, trade union rights, and equality policies.
- Review and bring up-to-date health and safety legislation, including allowing workers to bring civil cases for breaches and exploring the role of trade unions.

- Mandate disability pay gap publication for employers with more than 250 staff.
- Establish a single enforcement body, with powers to undertake proactive enforcement and bring civil proceedings upholding employment rights.

## Inclusive working conditions should be top of the government's agenda

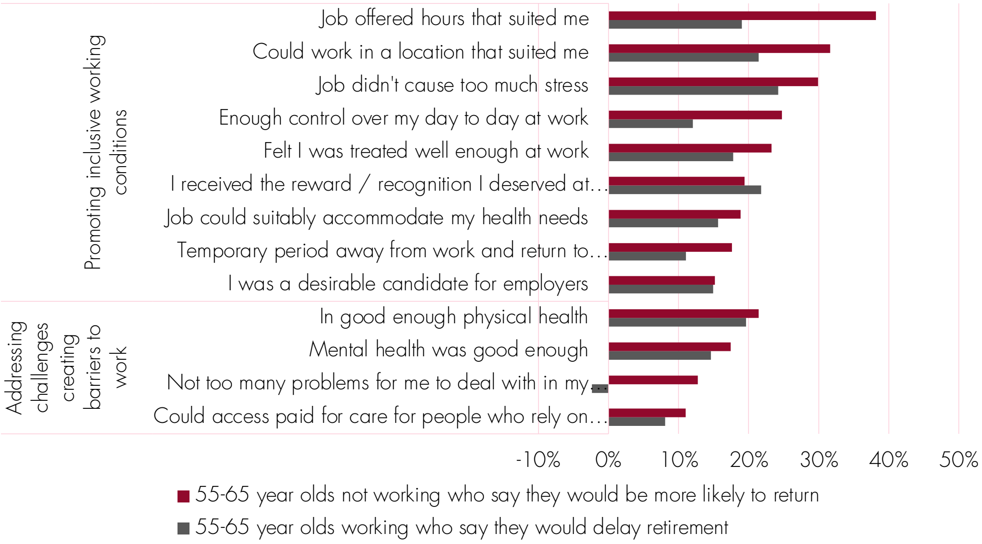
Our survey shows that promoting inclusive working conditions is key to supporting longer working lives. Improving worker wellbeing and supporting working patterns suited to people's needs both have strong potential for success. A more inclusive approach should involve raising standards across all workplaces, alongside supporting workers to move into roles suited to their needs.

- **Worker wellbeing:** Addressing stress is the top work-related measure to discourage early exits: 24 per cent say they would be inclined to retire later if they did not have too much stress at work. Additionally, 30 per cent said this would make them more likely to return. People would also respond to a range of other factors promoting workplace wellbeing – including appropriate reward and recognition (22 per cent to retire later and 19 per cent to return), being treated well (18 per cent and 23 per cent) and accommodations for health needs (16 per cent and 19 per cent).
- **Suitable working patterns:** The standout way back for those who have already left is suitable working patterns: 38 per cent say a job with suitable hours could make them more likely to return, and 32 per cent say the same about a suitable location. Many considering early retirement could also be reached in this way: 19 per cent say suitable hours could delay their retirement plans, and 24 per cent say the same about a suitable location. Having better control over the day-to-day at work could also help people work in ways suited to their needs. 25 per cent say they could return if this were the case and 12 per cent would delay retirement. And the option to take temporary period away from work also appealed to some: 18 per cent said this could help them return and 12 per cent that it could delay retirement.
- **Discrimination:** Some employers need encouragement to hire and retain older workers. Being a desirable candidate for employers

could support 15 per cent to return and 15 per cent to delay their retirement.

Inclusive working conditions could also bring work within reach of others by complementing public service reform (which is beyond the scope of this report) to help with different challenges people experience – such as health problems and caring responsibilities.

## FIGURE 16 ADDRESSING WORKPLACE STRESS AND OFFERING CONDITIONS SUITED TO PEOPLE'S NEEDS COULD KEEP 55-65 YEAR OLDS IN WORK




Source: Fabian Society survey, conducted by YouGov. "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more inclined to fully retire earlier, later or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case." % who say they would retire "much later" or "a bit later", subtracting those who say they would retire "much earlier" or "a bit earlier". "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more or less likely to return to work, or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case." % who say they are "much more likely" or "a bit more likely" to return, subtracting % who say they are "much less likely" or "a bit less likely" to return. Base: 135 people aged 55 to 65 not working and 328 people aged 55 to 65 who are still working

# 4. TAILORED GOVERNMENT PROGRAMMES COULD HELP SOME

Unfortunately, many people will end up without work before they receive support. As discussed above, moving back into work once this has happened presents a significant challenge. This section discusses the role of employment and skills support in helping people stay in and return to work, and where current programmes fall short.

## Older workers experience inequitable access to work-related support

Some older workers lack confidence in their abilities, are unsure how to develop these to meet the demands of today's job market, and may face additional barriers (as described in section 3 above).[86] Employers are not always equipped or motivated to help. And those who have already left work have even fewer options to access support.

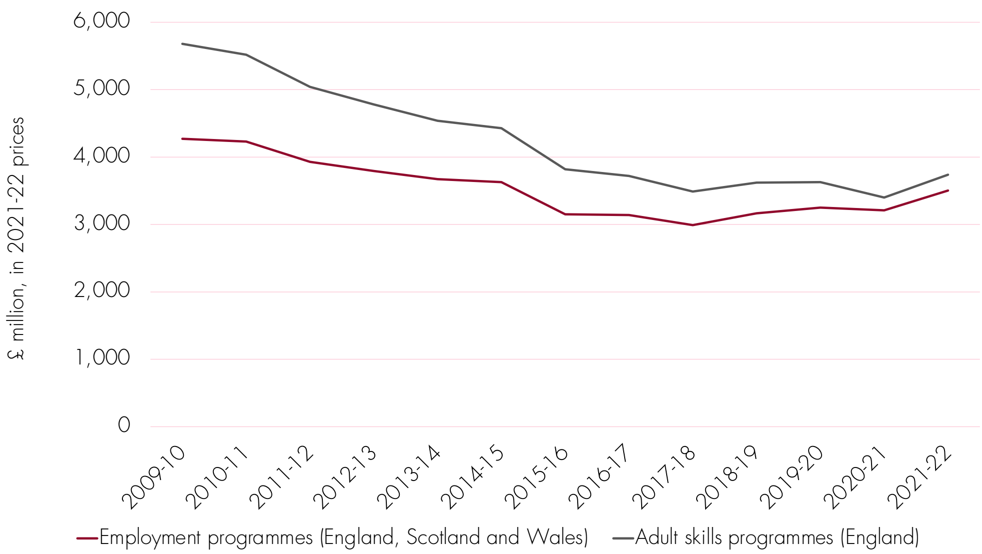
Our survey finds that just 23 per cent of 60 to 65-year-olds have participated in education or training in the past year – just under half the share of those five years younger (42 per cent). This partly reflects that almost all training undertaken by older workers is on the job or paid for by employers, and so excludes the large numbers without work, but those who have worked in the past year were also less likely to access training. Those without work also miss out in other ways. Nearly one in five 50 to 65-year-olds without work say they have been unable to get the support they need to find or keep a job. And disabled people are more than twice as likely to say this as the rest of the population.[87]

Older workers face bigger challenges to accessing support suited to their needs. They are at greater risk from automation and so more likely to need to reskill.[88] But low starting qualifications and digital exclusion can limit their options. Many older workers also have skills built throughout their careers that are not properly recognised, which creates barriers to accessing better pay and moving to more suitable roles.

## The government is not investing to address this deficit

The government has been both underinvesting and spending ineffectively on skills and employment programmes. Figure 17 below shows that government investment in employment and skills programmes decreased at a critical time. Investment peaked around 2010, when the timeline for state pension age increases was accelerated, before bottoming out ahead of 2020, when the latest state pension age increase to 66 was completed and the UK entered pandemic lockdown. This has meant that, between 2009-10 and 2019-20, spending on employment programmes in England, Scotland and Wales decreased by 24 per cent (from a £4.3bn to £3.3bn) and skills programmes in England by 36 per cent (from a £5.7bn to £3.6bn). Investment has started to increase again but remains low and skewed towards younger workers and its impact on inactivity is limited given how it is allocated (as described below).

### FIGURE 17: GOVERNMENT SPEND ON EMPLOYMENT AND SKILLS PROGRAMMES HAS BEEN DECREASING




Source: Fabian Society and IFS analysis of DWP annual report and accounts, 2021/22.[89]

## Most existing programmes do not meet older workers 'needs

Current employment and skills programmes, detailed in annex 2, tend to underperform for all age groups. Services are fragmented and transactional between work coaches and benefits recipients, rather than holistically supporting people as individuals throughout their lifetime to find, stay and progress in work.[90] They also have features that mean the distinct needs of older workers are particularly poorly served.

- **Jobcentre Plus (JCP) support is not age appropriate.** Older workers respond well to tailored support but this is rarely available.[91] Work coaches, who fall into civil service entry-level grades, use their discretion to make programme referrals based on meetings typically lasting 10 minutes every two weeks, with tight turnover targets.[92] A small number of specialist staff, including 50Plus champions and disability employment advisors (DEAs) support work coaches but their impact is limited. There are about 77 50Plus Champions and 447 DEAs serving 832 JCPs.[93]
- **Mainstream skills programmes are not tailored to older workers' needs.** The government's flagship 'Returnerships' programme – comprising Skills Bootcamps, Apprenticeships and Sector-Based Work Academy Programmes (SWAPs) – have features that make them less accessible to older workers. Programmes such as SWAPs and Skills Bootcamps are typically targeted at those already close to work – ie, they would exclude those without work long-term and with limited qualifications. Where programmes are offered at lower levels – including certain SWAPs and apprentice schemes – they typically have younger people in mind, meaning they offer unsuitable manual roles or assume limited work experience. Those who need to learn at a different pace or location – for example because of disability or caring responsibilities – may be excluded from more intensive courses like skills bootcamps. They may also be ineligible for the lifelong loan entitlement which, in addition to excluding over-60s, limits support to those living away from home and who are able to commit at least 100 hours to study.
- **Age-appropriate employment programmes are not prioritised.** There is insufficient investment in programmes meeting older workers' distinct needs. The government's Back to Work Plan, announced in 2023, has allocated nearly twice as many extra places to the lighter-touch Restart scheme – which can't support people with complex needs – than the more tailored and cost-effective individual placement and support and universal support programmes.[94] The low level of investment in Universal Support is expected to narrow the disability employment gap, currently at 29 percentage points across all ages, by just 2 percentage points.[95]
- **Support targets mainly long-term benefits claimants with work requirements.** Much available support excludes the majority of those without work, who are not receiving benefits or do not have work requirements, and misses a key window for preventing older

workers from becoming long-term unemployed. Support under the Restart programme is only available to those who have received benefits for 6+ months (down from 12 when it started) while work coaches can only refer claimants to Intensive Personalised Employment Support if they are deemed at least 12 months away from work. It is likely that universal support will also be targeted mainly at benefits recipients not eligible for other programmes.[96] Use of in-work support that could help people keep their skills up-to-date or transition to more suitable roles is also limited: most National Careers Service users are either unemployed or benefits recipients and it offers no specialist support for older workers, such as a 'midlife MOT', to help them prepare for and find suitable roles.[97]

- **Access to programmes available via non-JCP routes is challenging.** Some programmes are available to people not claiming benefits, but few access them via different routes.[98] First, most avoid JCPs unless required to attend. Second, our survey shows that referrals via public services such as health settings are underdeveloped (just 4 per cent of 55-65 year olds have discussed their employment situation with a health professional). Third, digitisation creates barriers to finding support, as fewer people come into personal contact with public services that could refer them and there is less help to access programmes.[99] The design of DWP's websites and digital services adds to the challenge, as most do not comply with public-sector regulations in digital accessibility.[100]
- **Support is not evidence-based.** JCP staff lack access to information about which programmes are available or suitable for different service users. There is also poor evidence on the efficacy of specialist JCP support and most employment and skills programmes – particularly for older workers. The only relevant schemes where data is reliably published are WHP and Access to Work; reporting on Restart was delayed until requested by Parliament; and the National Disability Strategy was declared unlawful because of consultation process issues.[101]

## Box 11: Lessons from New Labour's New Deal programmes

The New Labour government introduced a series of programmes to support benefits recipients into work – including the voluntary New Deal 50Plus (ND50+), New Deal for Disabled People (NDDP), and New Deal for the Long-term Unemployed (NDLTU) – which were delivered through a range of public, private and voluntary organisations. Schemes were decentralised, with participants benefiting from menus of local support. These programmes had some common and unique features. While research on their efficacy is limited, they can provide some lessons for employment programme design, detailed below.

- **Personalised advice.** Participants received individualised support – through New Deal Personal Advisors, Disability Employment Advisors and Job Brokers. Nonmanagerial workers responded well to a single contact who understood their lived experience.
- **Wage top-ups.** ND50+ and NDDP offered participants one year's tax-free wage topups of between £40 and £60 per week, initially paid directly into their bank account, after entering work. These measures were effective at getting and keeping people in work – particularly those on lower incomes who were already considering it – though many may have returned without this incentive. The support allowed some disabled participants to work shorter hours better suited to their condition. A payment method visible to beneficiaries helped incentivise take-up; its later absorption into tax credits resulted in a halving of job entries under NP50+. Equally, invisibility to employers helped counter the risk of discrimination.
- **Training.** ND55+ offered a grant for participants to purchase job-related training after securing work. Take-up was low, despite high levels of awareness – likely because of low appetite for participation, limited expertise on finding and purchasing training, and insufficient join-up with employer needs. Take-up among the self-employed was higher.
- **Job placement and subsidised employment.** Programme participants had access to a range of job placement and volunteering opportunities – ranging from four days to a month, depending on job readiness and supervision needed. Some, such as work trials, provided a daily allowance and travel expenses. Subsidised employment offered another way to try out work, allowing employers recruiting eligible people to claim up to £75 per week for 26 weeks. Part-time jobs were eligible for full-time subsidy where a jobseeker's hours were limited due to disability. Programmes offered a route to employment for those who may be overlooked in conventional recruitment, and helped develop self-confidence and work-related skills. Fair remuneration was critical to buy-in and countering negative stereotypes.
- **Outreach.** Reach among disability benefit recipients was low for all programmes, prompting ND50+ to conduct an outreach pilot. It used external intermediary organisations already in contact with service users to signpost them to JCP services. However, negative perceptions of JCPs and concerns about losing access to benefits hindered referrals.

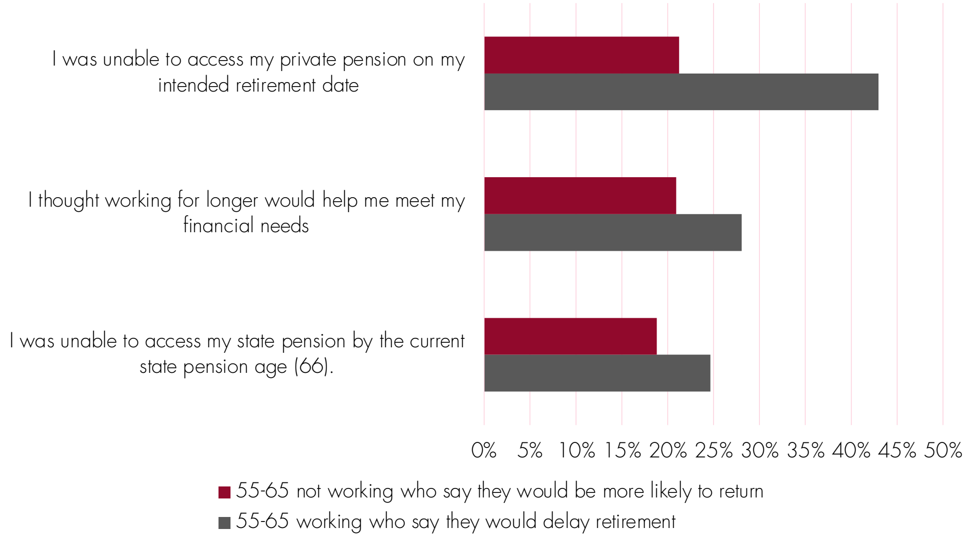
- **In-work support.** Assessments have flagged that participants would have benefited from better in-work support such as advice and training after starting a job.

## Employment and skills programmes face a tough challenge

Our survey shows that employment and skills programmes have finite potential beyond job matching, but financial incentives and early intervention could help.

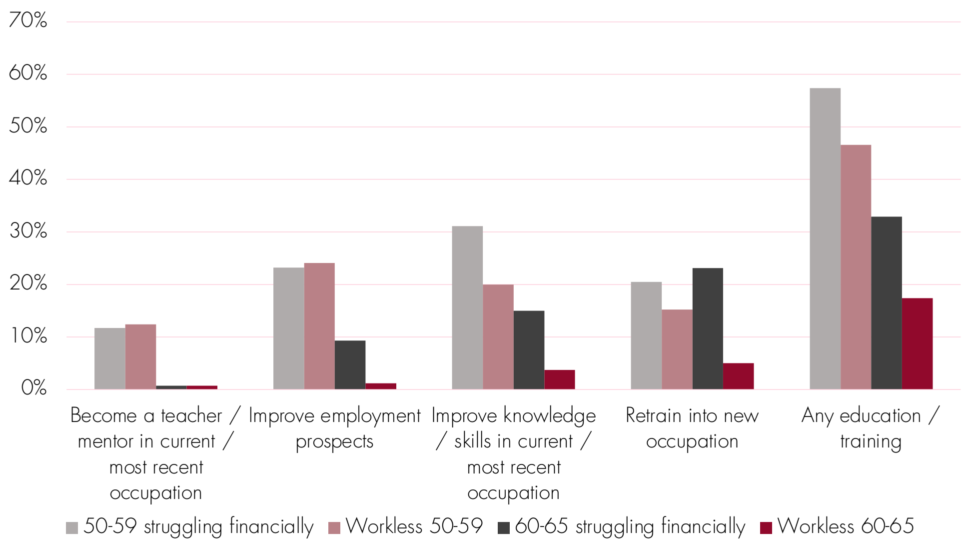
- **Job matching:** People are generally less likely to think they would respond to measures requiring active participation – such as developing skills and searching for work. Figure 18 below shows that 30 per cent said they would be more likely to return to work if a job were available that suited their current skillset. By comparison, just 16 per cent said the same about support to find work and 18 per cent about support to develop work-related skills.
- **Financial incentives and early intervention:** Although 60 to 65-year-olds generally have low interest in participating in education in training, those who are struggling financially are more likely to be interested. Figure 19 below shows that, among workless people struggling financially, 57 per cent of 50 to 59-year-olds and 33 per cent of 60 to 65-year-olds would be interested in participating in education and training.[102]

## FIGURE 18: FEW BELIEVE EMPLOYMENT SUPPORT COULD HELP THEM RETURN TO WORK UNLESS A JOB MATCHED THEIR EXISTING SKILL SET




Source: Fabian Society survey, conducted by YouGov. "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more inclined to fully retire earlier, later or have no impact.." % who say they would retire "much later" or "a bit later", subtracting those who say they would retire "much earlier" or "a bit earlier". "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more or less likely to return to work, or have no impact.." % who say they are "much more likely" or "a bit more likely" to return, subtracting % who say they are "much less likely" or "a bit less likely" to return. Base: 135 people aged 55 to 65 not working and 328 people aged 55 to 65 who are still working.

## FIGURE 19: YOUNGER WORKERS AND THOSE STRUGGLING FINANCIALLY HAVE HIGHER INTEREST TO PARTICIPATE IN EDUCATION AND TRAINING




Source: Fabian Society survey, conducted by YouGov."If you had the money and the time, for which of the following reasons, if any, would you be interested in undertaking education or training in the next year? Please select all that apply." Base: 60-65 year olds:155 and 86 struggling financially, 50-59 year olds: 112 workless and 164 struggling financially. 2023.

# 5. PENSIONS SUPPORT MUST IMPROVE

People nearing state pension age have unique financial circumstances. This chapter discusses how pensions offer an early route out of work but also a vital lifeline for those who cannot keep working. It shows that the lowest earners need better support to save and decide when to leave work.

## Private pensions offer an early route out of work

Our survey finds that most start drawing pensions before the state pension age – including 56 per cent of 60 to 65-year-olds and 31 per cent of 55 to 59-year-olds.

People access pensions both while in and out of work, but they typically offer a route to reducing hours or stopping altogether: our survey finds that, of 55 to 65-year-olds claiming a pension, 56 per cent are not working, 28 per cent are working part-time, and 17 per cent are working full-time. By contrast, among those not claiming a private pension, 23 per cent are not working, 29 per cent are working part-time, and 48 per cent are working full-time.

People are accessing pensions both because they can and out of necessity. When we asked survey respondents to explain, in their own words, why they started drawing their pension before state pension age, the most common reason was that it became available (31 per cent) followed by needing the money (21 per cent). Some also cited a financial calculation: 10 per cent said it allowed them to save money – eg by paying off a mortgage or other debt to avoid further interest – while 5 per cent said the pot was too small to justify waiting.

# Finances are not always the deciding factor for when to leave work

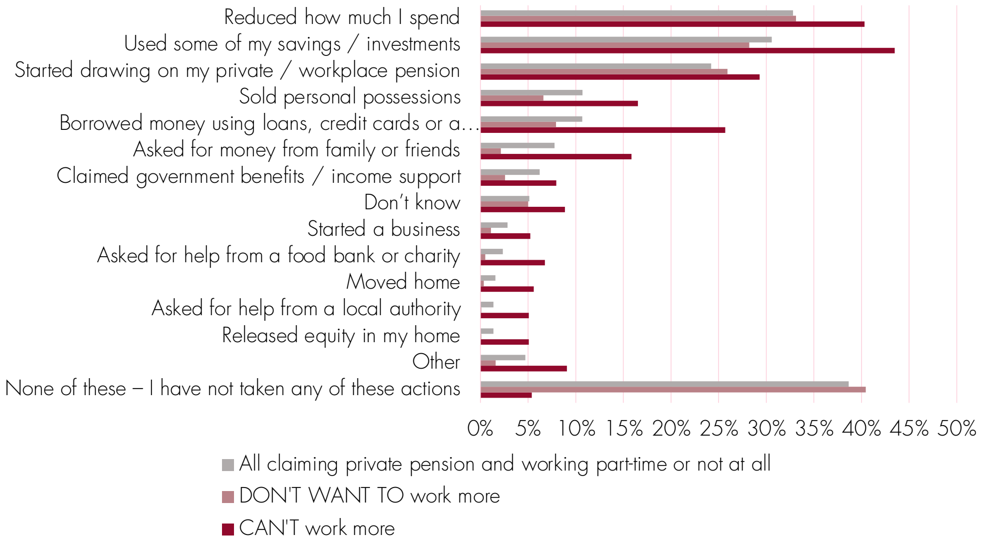
Not everybody who has accessed their retirement savings and left work is well off. Our survey finds that, of 55 to 65-year-olds claiming their private pension who are not working or are working part-time, 20 per cent are struggling financially.

Many are turning to other savings, cutting back, or even getting into debt to get by. Figure 20 below looks at those aged 55 to 65 not working or working part-time and claiming a private pension. It asks what actions they have taken to cover essential costs – looking at the whole group and within this those who say they cannot work more and do not want to work more. Among the total, 33 per cent have reduced how much they spend and 31 per cent have accessed their savings and investments.

People in this position left work for a mix of reasons. However, those who had no choice have fewer options to support themselves.

- Most who do not want to work more, including those who are still able to, have sought additional ways to cover their essentials: 60 per cent give at least one example, with reducing spending the most common (33 per cent).
- However, those who say they cannot work more are more likely to do so: 95 per cent give at least one example, with using savings and investments most common (43 per cent). They are also more at risk of serious financial difficulties: 26 per cent have borrowed money using loans, credit cards or a bank overdraft – significantly higher than those who have received public support, for example through social security (8 per cent) or a local authority (5 per cent).

## FIGURE 20: MOST CLAIMING A PRIVATE PENSION WHILE WITHOUT FULL-TIME WORK ARE SEEKING ALTERNATIVE MEANS TO COVER ESSENTIALS




Source: Fabian Society Survey Research. "In the past year, which of the following actions, if any, have you taken to help cover your essential costs, and which have you taken for other reasons? Please select all that apply. TO COVER ESSENTIAL COSTS" Base: 225 55-65 year olds who are not working or working part-time while claiming a private pension, including 172 who say they DON'T WANT TO work more and 60 who say they CAN'T. 2023.

# Contradictory pensions policies put many at risk

Current government pensions policies, detailed in Annex 3, are delivering mixed results.

- **Premature withdrawals:** Mixed incentives (and a lack of alternatives) mean many draw their private pensions well before state pension age, which may be right for some but is linked to fewer years earning and saving for others. Anybody can draw one quarter of their pension savings as a tax-free lump sum – currently from age 55 but moving to age 57 in 2028. But the government has done too little to stimulate demand for services supporting people with these decisions, as fewer than one in ten drawing a private pension use the Pension Wise advice service.[103] The 'stronger nudge' introduced in 2022, which requires people to have either received or opted out of receiving Pension Wise guidance before accessing their pension, has increased appointments attended by just 13 per cent – suggesting it does not go far enough.[104]
- **Missed benefits entitlement:** Accessing pensions or other savings before state pension age may affect the support people are entitled

to. As detailed in annex 4, working-age means-tested benefits are reduced for anybody with non-pension savings above £6,000 and cut entirely from £16,000. And both means-tested and categorical working-age benefits entitlement is reduced when people access a private pension. Some are likely to be missing out: table 2 above shows that 35 per cent of 60 to 65-year-olds without work and in poverty live in a household receiving an occupational pension but no state support. Of those, more than half – 20 per cent of the total – have household savings less than £16,000 – ie, within the benefits eligibility threshold. Accessing a pension lump sum may have pushed some from the remaining 15 per cent over the threshold.[105]

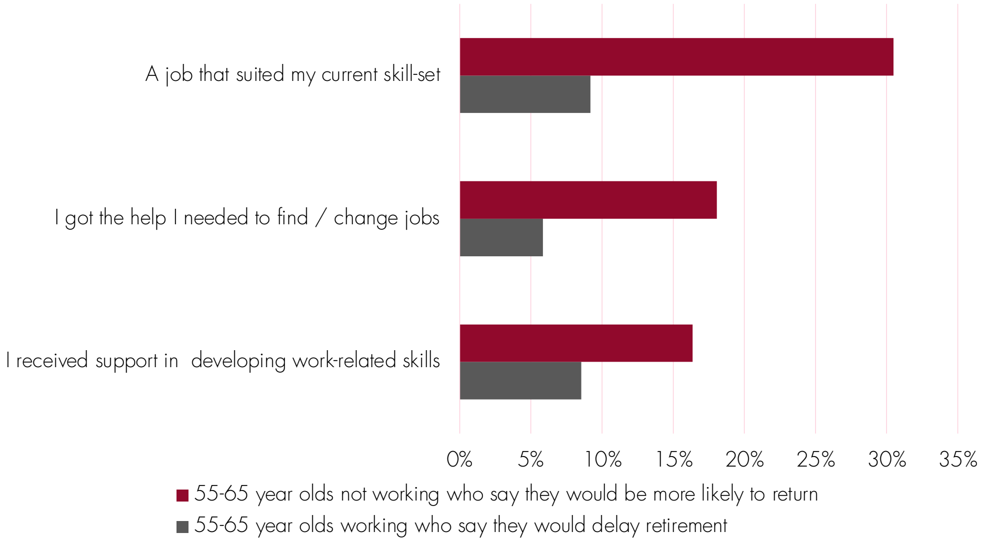
- **Insufficient savings:** Some who need their retirement savings because they cannot keep earning are in a bad position because they have not saved enough. In past decades, low earners would typically only have a pension if they worked for a large employer with a good occupational scheme. Even today, lower earners may have to opt out of auto-enrolment to because they are unable to afford the 3 per cent minimum. Automatic enrolment for pensions savings was introduced in 2012 and implemented in stages, meaning people currently approaching retirement with only automatic enrolment savings have very small pension pots. Those earning less than £10,000 per year are not automatically enrolled. Minimum employer and employee contributions are widely seen as too low to secure adequate retirement incomes for most people and, until September 2023, employers were not required to match contributions for earnings less than £6,240 per year. Meanwhile, failure to stimulate demand for financial planning tools like the midlife MOT exacerbates barriers to planning for retirement.[106]

## Support with private pensions will be key

Figure 21 below shows that financial considerations are important for retirement decisions but will are relevant to fewer who have already left.

- **Retirement decisions:** Among those still working, 43 per cent say they would be inclined to retire later if they were not able to access their private pension, 28 per cent if they were not able to access the state pension by state pension age, and 25 per cent if they thought working longer would meet their financial needs.
- **Returning:** 21 per cent of those not working say they would return if they thought it would meet their financial needs.

## FIGURE 21: NOT BEING ABLE TO ACCESS A PRIVATE PENSION COULD CONVINCE MANY TO DELAY RETIREMENT




Source: Fabian Society survey, conducted by YouGov. "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more inclined to fully retire earlier, later or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case." % who say they would retire "much later" or "a bit later", subtracting those who say they would retire "much earlier" or "a bit earlier". "For each of the following scenarios, please say whether, if they applied to you, you think they would make you more or less likely to return to work, or have no impact. If you feel any of these scenarios to be already the case - please select 'this is already the case." % who say they are "much more likely" or "a bit more likely" to return, subtracting % who say they are "much less likely" or "a bit less likely" to return. Base: 135 people aged 55 to 65 not working and 291 people aged 55 to 65 who are still working.

# 6. PEOPLE WHO CANNOT WORK MORE NEED BETTER BENEFITS

Social security provides vital support for the many who will find it challenging to raise their incomes through work. This section sets out the issues with the current social security system – including related to take-up, conditionality, levels, and some challenges that are more pronounced among over-60s. Our analysis is informed by microsimulation modelling, which considers the impact on poverty and the public finances of take-up and entitlement changes.

## 'Work first' does not work for over-60s

People aged 60 to 65 are entitled to the same benefits as all other working-age recipients, and have to meet the same conditions to qualify. This means they fall under the 'work first 'approach, based on a model termed 'ABC ' ('Any Job, Better Job, Career'). It aims to get people into any type of role, based on the assumption that this will generate some income and eventually lead to better work. It is characterised by low levels of benefits entitlement, with requirements to search or prepare for work, and punitive sanctions if people do not comply.[107]

This approach is a blunt tool that is particularly ineffective at this age.

- 'Work first' has a low success rate in sustained or high-quality job outcomes.[108]
- Most over-60 benefits recipients face barriers that 'work first' doesn't address: among 60 to 65-year-olds, 75 per cent of means-tested benefits recipients are disabled and 62 per cent of universal credit recipients have been claiming for two or more years.[109]
- The case for this approach gets even weaker as people approach state pension age – particularly from around age 63. This is because most of this age are at least a year from work or even further given employers are less likely to hire older workers, and training and

induction would make starting this close to state pension age unrealistic.
- Low benefits take-up (as described below) means most of those without work are completely unaffected.

## Increasing benefits take-up could achieve the biggest impact

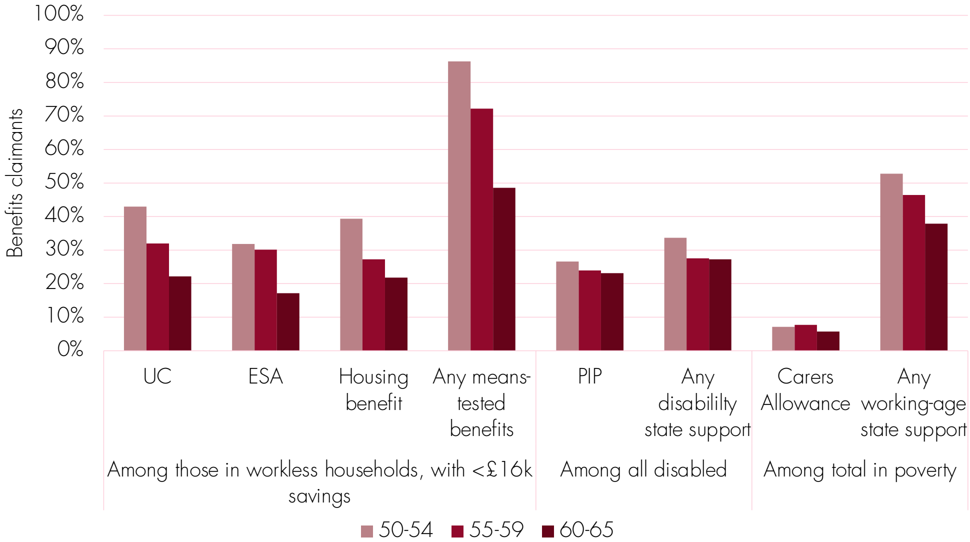
According to our modelling, there is approximately £3.4bn in total unclaimed annual means-tested benefits for 60 to 65-year-old households. Our analysis suggests that just 49 per cent of people aged 60 to 65 who we would expect to qualify for means-tested benefits (everyone in the household is workless, in poverty, with savings below £16,000) — live in a family receiving them.[110] As shown in figure 22 below, this compares with 86 per cent for those aged 50 to 54 in the same circumstances, and 72 per cent for those aged 55 to 59.

Other benefits are also going unclaimed:

- Take-up of disability benefits decreases with age. Only 27 per cent of people aged 60 to 65 who are disabled according to the Equality Act receive any form of disability benefits, compared with 34 per cent of those a decade younger.
- Our survey suggests that carer's benefits are also underutilised. Only 26 per cent of people aged 50-65 providing care 35+ hours of care per week live in a household claiming carer's benefits.[111]

The reasons for this low take-up are complex. Our survey finds that, of workless 60 to 65-year-olds who have not sought to claim benefits since leaving work, 50 per cent said that they did not think, or were not sure whether, they would qualify (compared with 34 per cent who said they didn't need the money). A smaller number (4 per cent) said they did not wish to meet work search requirements that accessing benefits access could imply. Feedback from Age UK's advice line suggests that some also find the claiming process too complicated.

## FIGURE 22: FEWER THAN HALF OF POTENTIALLY ELIGIBLE 60 TO 65-YEAR-OLDS ARE RECEIVING BENEFITS




Family take-up of benefits among those workless and in poverty. Source: Fabian Society analysis of Family Resources Survey data, 2021/22. 'ESA' includes income-related and contributory benefits. 'Any means-tested benefits' includes Universal Credit, Income-based Jobseekers Allowance (JSA), Income-based Employment and Support Allowance (ESA), Income Support, Housing Benefit, Child Tax Credits and Working Tax Credits.

We modelled the potential impact of higher benefits take-up and it proved to be among the most impactful and cost-effective measures we considered. Increasing benefits take-up, to halfway between the current rate and 100 per cent, would lift about 92,000 people in a 60 to 65-year-old household out of absolute poverty, costing £12,000 per person lifted out of poverty. Nearly half (43,000) of these people are those currently less than a year away from state pension age (aged 65). While the total cost to the Exchequer would be significant (£1 bn), this is money people are already entitled to claim. Claiming could also bring them into contact with support systems and closer to work.

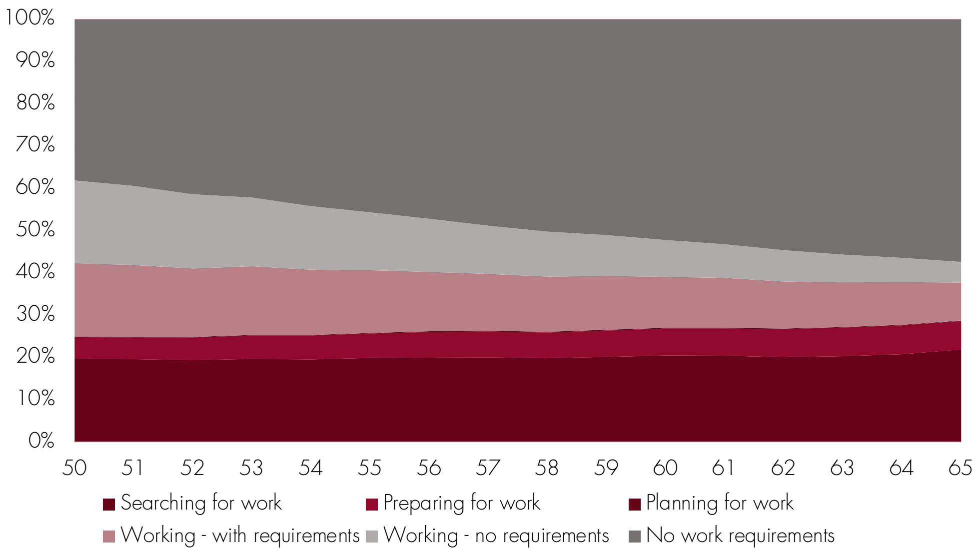
Efforts to increase take-up do work but the government has only prioritised them for pension-age – rather than working-age – claimants. In 2022, it launched a targeted advertising campaign trial to boost pension credit take-up, which brought a 75 per cent year-on-year increase in applications.[112] For those below state pension age, support has focused on claimants facing the steepest barriers to accessing benefits – through initiatives such as the enhanced support service. By contrast, the government does not estimate take-up rates of working age benefits and has no explicit policies or targets for increasing take-up.[113]

# Strict conditionality is unlikely to get people back into work

Figure 23 below shows that 38 per cent of universal credit claimants – totalling 26,000 – with less than one year until state pension age are currently required to take steps to raise their hours or move into work. This proportion is just four percentage points lower than claimants aged 50. Notwithstanding this, the share out of work with no work requirements peaks at age 65, at 57 per cent, as more people become disabled.

Increasingly stringent conditions on accessing benefits are adding further pressure. As described in annex 4, those who have been assessed fit to do so are required to prepare for work, look for work or increase their pay until they meet certain earnings thresholds.[114] The government has indicated that it will introduce stricter conditionality and other changes to work capability assessments for disabled people that could bring more into the scope of the regime and increase the conditions they have to meet to qualify for benefits. Some significant changes will coincide with the upcoming state pension age increase to 67.[115]

## FIGURE 23: UC CLAIMANTS AGED 65 ARE ALMOST AS LIKELY AS THOSE AGED 50 TO FALL UNDER THE CONDITIONALITY REGIME




Universal credit conditionality by one-year age band. Source: Fabian Society analysis of DWP data. November 2023.

While there is little evidence that this approach would reduce the benefits caseload, it is causing significant harm to some.[116] For example:

- Conditionality pushes people to search for and accept unsuitable work. This can be detrimental for them personally, but it also wastes employer time and can feed negative stereotypes about older workers' capability.[117]

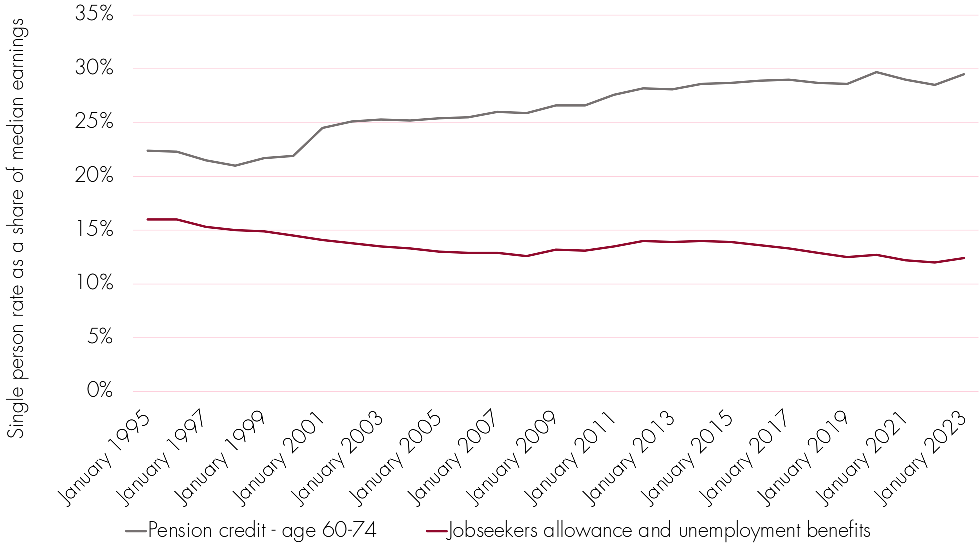
- Disabled people are hesitant to try options to return for fear they will lose benefits.[118]
- Conditionality discourages those already in work from accessing reduced hours that can help them stay close to work for longer.
- Low benefits or sanctions cause poverty, which itself is a barrier to work, including because it affects people's health and makes them vulnerable to isolation. Those in poverty may fall into a vicious cycle whereby challenges they face are exacerbated and their capacity to address them is reduced.[119]
- Just 4 per cent of UC claimants currently outside the conditionality regime – ie assessed as being sick or disabled to the extent that they have limited capability for any work or work-related activity (LCWRA) – think they could work if the right job were available, so would struggle under plans to extend work search conditions to more claimants.[120]

## Some nearing state pension age need extra social security support

People approaching retirement are at the bottom of an income cliff face. Currently, in the month before they turn 66, they are entitled to significantly less in benefits than in the month after: a single person receives £500 less and a couple £750 less per month under the universal credit standard allowance than the pension credit minimum income guarantee. Even people assessed as unable to participate in any work or work-related activity are penalised: single people get £100 less and couples who are both in this position £360 less per month after accounting for the UC LCWRA uplift.

This gap has grown significantly, and is creating financial difficulties. Figure 24 below shows that, over the past decade, working-age unemployment benefits have decreased in real terms, while pension-age benefits – including the state pension and pension credit – have increased. This results from a decade of benefits freezes and squeezes on the one hand, and on the other pension credit determined by the state pension triple-lock guarantee (that it will rise annually by the higher of inflation, earnings or 2.5 per cent). Consequently, working-age benefits each year fall further below the minimum income standard (MIS) – a measure developed to reflect the minimum socially acceptable living standard in the UK, as shown in figure 25 below.[121]

## FIGURE 24: WORKING-AGE AND PENSION-AGE BENEFITS HAVE BEEN DIVERGING OVER TIME




Source: DWP Abstract of Benefit Rate Statistics. 2023.

## FIGURE 25: WORKING-AGE SOCIAL SECURITY SUPPORT COVERS LESS THAN HALF OF THE MINIMUM INCOME STANDARD


Source: Joseph Rowntree Foundation. The Minimum Income Standard is the income that people need to reach a minimum socially acceptable standard of living in the UK today, based on what members of the public think. It is calculated by specifying baskets of goods and services required by different types of household to meet these needs and to participate in society.

Given these poor living conditions, contrasted with better support after the state pension age, there is a strong case for increasing support for those most in need whose employment situation is unlikely to change. We modelled various increases to benefits levels. First, we considered the impact of raising benefits for those approaching state pension age. We then looked at circumstances that are more acute among people in preretirement – including those that could make it challenging for people to work again – to identify (and model) how raising or introducing benefits entitlement could provide relief.

## Raising benefits for all approaching state pension age

There is a case for increasing benefits levels for all claimants – particularly from around age 63. However, such a measure would be relatively expensive. We modelled rises in universal credit (and equivalent benefits), at 25 percentage point increments of the difference from pension credit, each year between 63 and 65. We found that this would lift 64,000 living in a household with someone in this age group out of poverty – costing the exchequer £1.3bn or 21,000 per person lifted out of poverty. Considering the fiscal impact, this measure could be made more cost-effective by limiting support to people without work long term.

## Raising benefits for those experiencing circumstances felt more acutely near state pension age

The distinct challenges experienced by over-60s are often compounded by benefits design for the following groups.

- **Disabled people and (current and former) carers.** Many significantly disabled people and carers will struggle to return to work as they approach state pension age. We modelled raising universal credit (and equivalent benefits) for over-60s receiving carer and disability benefits from working-age to pension-age levels. Of the measures we modelled, this showed the biggest potential impact on over-60 poverty levels. It would lift 100,000 people aged 60 to 65 out of poverty – costing £1.5bn or £15,000 per person. This includes 92,000 people in 63+ households – costing £1bn or £11,000 per person. We did not model supporting those whose full-time caring duties have recently ended but, given the challenges of adjusting to this change, they would also benefit from a higher level of support.
- **Mixed-age couples.** Mixed-age couples, where only one is older than state pension age, can only receive working-age benefits, which provide a lower income. Of people aged 60 to 65 in a family receiving means-tested benefits, 9 per cent are in a couple with someone above state pension age, compared with 3 per cent of those aged 55 to 59.[122] We modelled reversing this penalty by raising universal credit (and equivalent benefits) to halfway between working-age and pension-age levels for people in this situation. We found it could lift 19,000 people in 60-65 households out of poverty –

costing £0.2bn or £11,000 per person. While the impact is small, this is the most cost-effective measure we modelled.

- **Part-time workers.** Part-time work can support longer working lives. However, some are excluded from the support they need, while existing benefits recipients may worry about moving into work because universal credit is typically lowered from the first pound of earnings. We modelled broadening access to the work allowance, which allows some earnings (between £379 and £631, depending on circumstances) before benefits are reduced and is currently restricted to those assessed as having limited capability for work due to illness or disability or who are responsible for a child. Extending this to everybody aged 60 to 65 and doubling the allowance for people who are already entitled could lift 17,000 people in households aged 60 to 65 out of poverty – costing £0.2bn or £15,000 per person.
- **Self-employed.** Self-employment can support longer working lives. However, the self-employed are subject to a 'minimum income floor', which after a one-year grace period generally assumes earnings commensurate with 35 hours per week work on the minimum wage for all claimants with work requirements, unless they care for children under 13. This is the case even if people earn much less. Given few this age have young children, it is possible that many have been disqualified from benefits altogether, as assumed earnings under the minimum income floor for people without children are higher than the maximum earnings that would still qualify people for support (unless they are renting). In February 2023, 175,500 people, totalling 31 per cent of those in self-employed universal credit households, had their income reduced by the minimum income floor.[123]
- **Retirement savers.** Both private pension income and retirement savings affect benefits entitlement differently to post-state pension age claimants. On private pension income: means-tested benefits decrease by £1 for every £1 and contributory benefits by 50p for every pound over £85.[124] By contrast, for earned income, benefits are reduced by 55p for every £1 of income. On savings: means-tested benefits decrease for any amount over £6,000 and stop from £16,000. By contrast, pension credit is only reduced once savings exceed £10,000, when entitlement decreases by £1 per week for every extra £500 savings. We modelled counting private pensions as earned income for the purpose of benefits eligibility and treating savings for over-60s the same as those past state pension age. These measures benefited many but had a limited impact on poverty. The former could benefit 107,000 in 60-65 year old households but only lift 6,000 out of poverty – costing £0.3bn at £48,000 per person. Similarly, the

latter would benefit 32,000 and lift 4,000 out of poverty – costing £90m at £25,000 per person.

- **Renters.** Relative housing costs are higher for over-60s still renting, as average incomes reach a low. This is exacerbated by the local housing allowance that determines the maximum housing benefit eligibility for private renters. In recent years this has been twice reset to 30 per cent of local market rates but then frozen, which has left support received well below that level over the past decade.[125] For both private and social housing tenants, the situation can be worse for those with more bedrooms than occupants – such as some disabled people, carers and 'empty nesters'. This is because private tenants generally receive benefits for the number of occupants and, before they reach state pension age, council or housing association tenants could face reduced housing benefits where bedrooms exceed occupants – by 14 per cent for one 'extra' bedroom and 25 per cent for two or more.[126][127] The likelihood for social housing tenants of being affected by the 'bedroom tax' increases with age: 27 per cent of claimants aged 65 are affected, compared with 14 per cent of those aged 50. We modelled removing this penalty from social housing tenants. It would cost £0.04bn without lifting anybody from poverty. This reflects the low level of support provided even where people receive the maximum housing benefit levels, which is the priority issue to address.

# RECOMMENDATIONS

This paper has shown that pre-state pension age poverty is an entrenched problem that needs sustainable solutions through three long-term shifts: more inclusive work, better population health, and better retirement savings.[128] But tackling all of these issues will not be achieved overnight. And those in poverty today need support.

This suggests a dual approach to addressing poverty in this cohort will be needed and it is summarised in box 12.

1. **Support longer working lives:** A long-term project to improve people's experiences of work – complemented by 'New Deal' style initiatives to help people keep working, and better support around retirement decisions.

2. **Raise incomes for those who cannot work more:** Deliver a social security package that provides appropriate support for people for who cannot realistically raise their incomes before state pension age and are disproportionately penalised under the current regime, and support people to raise their pension savings.

### Box 12: A mixed-age support approach

Our recommendations are designed to improve the living standards of people aged 60 to state pension age but some interventions will need to start earlier to achieve best impact. We have applied the following strategy when targeting interventions at different age groups.

1. **Improve everybody's experiences at work:** Support people of all ages and backgrounds, including by levelling the playing field for those who need extra support. We anticipate this will help mitigate some of the long-term inequalities compounding barriers to work as people age, reduce the attractiveness of early labour market exit, and make returning a more viable option for those who have left. An age-agnostic approach will also bypass the need for special treatment that may disincentivise employers from hiring older workers.

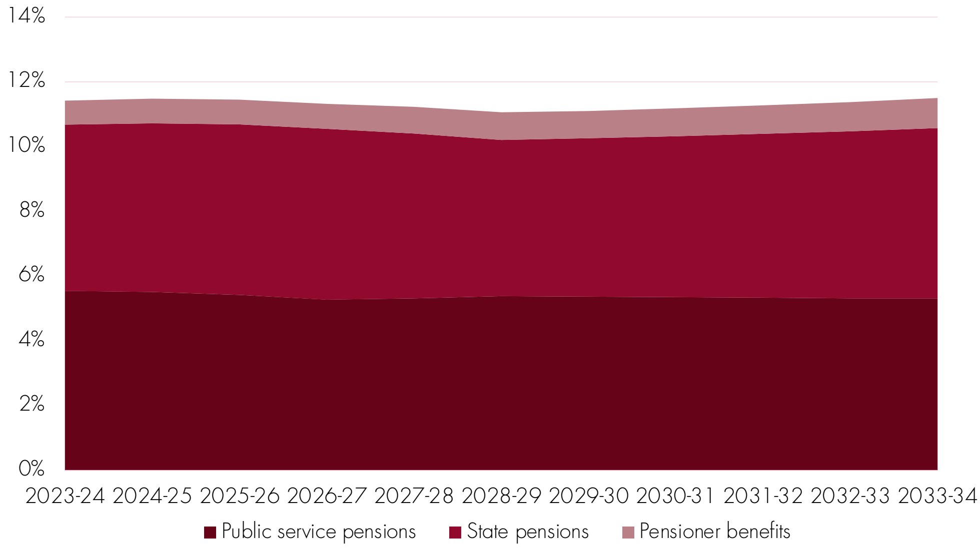
2. **Provide targeted employment and skills support:** Extend tailored, age-appropriate support to anybody who would benefit from training, changing jobs or returning to work. To promote intergenerational fairness while effectively prioritising support, most programmes could be open to people of all ages who have been without work for a long time, while improving data collection and reviewing design and investment in specific programmes to ensure older workers are properly served. Recognising age 55 as a critical turning point, these measures should be complemented by enhanced JCP, public and civil society resources that prioritise personalised early intervention for over-55s, who should have access to them as soon as possible rather than risk falling into long-term worklessness.

3. **Support the lowest earners to manage their pensions:** Take a whole-lifetime approach to help lower earners increase their pension savings, so they have enough to rely on whenever they need to leave work. Improve access to financial planning resources at least five years before their private pension becomes available, so they don't make any irreversible decisions before understanding the financial implications. And ensure the lowest earners in particular are properly supported around the point they consider drawing a pension, to make decisions in their best interest.

4. **Improve benefits access and payments for over-60s:** Given the low likelihood of moving into work one year before state pension age, align both benefits levels and conditionality with pension levels at this age. Introduce better terms for people experiencing long-term barriers to work – including disabled people, current and recent full-time carers – starting from ages 60 and 63 from state pension age depending on the length of worklessness. And ensure everybody claims the benefits they are entitled to.

There are some difficult fiscal decisions ahead as the late 'baby boom' cohort enters retirement while inflation increases the cost of the triple-lock. But state pension age increases will have a mitigating effect in the near term.[129] Figure 26 below shows that government spend on state and public sector pensions, alongside pensioner benefits, will decrease as a share of GDP from 2024/25 to 2028/29, before starting to climb again and reaching the current rate again by 2032/33. From 2024/25 to 2028/29 – ie the possible duration of the next parliament – this averages £5.4bn less annual spend than would be the case if the current share of GDP were maintained.

## FIGURE 26: GOVERNMENT PENSION-RELATED SPEND WILL DECREASE AS A SHARE OF GDP




Source: Office for Budget Responsibility. 2023.[130]

This temporary dip in relative spend presents an important window to invest in measures to support longer working lives while increasing pre-state pension age social security support for people facing disadvantage today – at least while the state pension continues to increase and reforms to labour markets and employment support take effect over the next decade. For example, Phoenix Insights has proposed an annual £300m sustainable work fund, and that future state pension age increases should be contingent on further investment.[131] Box 17 below details benefits spend policy proposals, alongside estimated costs where these have been modelled.

There are a number of fiscal benefits to alleviating poverty (as described in the chapters above) but the government has further options to raise additional funds with tax measures targeting people in the same age group as potential beneficiaries – for example, permanently freezing or lowering the maximum amount eligible for tax relief under pensions freedoms, currently £268,275. The IFS estimates that abolishing the 25 per cent tax-free lump sum could raise an average of £202 per person in annual taxes throughout retirement, with 70 per cent of the tax increase falling to the top 20 per cent of earners.[132]

# Improve everybody's experiences of work

## Recommendation 1: Implement a good work standard

- Establish a forum for employers, trade unions and government to develop and monitor a national good work standard. This standard should (1) provide a baseline for good practice on matters such as pay, leave, training and HR policies; (2) measure work-related stress and wellbeing indicators – such as work-life balance, implementation of reasonable adjustments, experiences of discrimination, support received, job autonomy, and the physical work environment; and (3) consider differences in these outcomes with respect to protected characteristics such as disability, age, sex and race.
- Employers meeting a minimum standard would be able to display a good work employer badge on all communications materials and receive recognition against voluntary schemes such as Disability Confident.
- Consult on mandating employers with 50+ employees to report and work with employee representatives to develop an action plan on this standard. Employers could submit reports every other year through a government portal while employees could receive a link each year to complete a confidential survey administered via a government portal. Collated results could be published online in a prominent location.
- Update government procurement rules to reward employers of all sizes who meet a minimum standard.
- Following a monitoring and evaluation period, consult on introducing further incentives to improve conditions – including support with training budgets for top performers, a requirement to work with trade unions on action plans, and naming and shaming persistent underperformers.

## Recommendation 2: Support working patterns suited to people's needs

- Legislate to introduce a 'flexible by default' requirement from day one of employment. Employers should be required to specify flexible work options available for the role in job adverts and provide justification in exceptional circumstances where specific options are not possible. Employment contracts should reflect these options and staff should be invited in writing, after a job offer has been confirmed and before employment commences, to specify which options they wish to take up. Employees would also be free to request flexible work options not specified in their contracts, with no limit to the number of requests made.

- Consult on introducing a 'right to return' unpaid career break, so those navigating temporary changes in circumstance such as illness or caring responsibilities can keep their job. Initially, this option should be available for up to a year, with optional 'keeping-in-touch days' and a return to normal duties after this period (on the same terms as maternity leave). This scheme could be rolled out in phases – for example, at first applying to people with specific circumstances such as caring, bereavement, illness or training. It could start with larger organisations with 250+ staff before expending to smaller organisations following a monitoring and evaluation period.
- Consult on and pilot a new right to request redeployment within the same organisation, so people whose roles are no longer appropriate to their needs have options to stay in work. The suitability of a role would be based on a range of factors, including the employee's existing skills and experience, and aspects of job design such as how demanding it is. A role would be deemed a suitable alternative if the cost of training for the existing employee would be less than the cost of recruiting and onboarding a new employee. This right would be open to anybody who has been working for an organisation for at least four years. This might initially apply to larger employers, of say 250+ people, to test the case for wider rollout.
- Legislate to strengthen protections for those working flexibly so they are not unfairly penalised. Protections could be based on principles in the International Labour Organization Home Work Convention 1996 but apply more widely to a range of working patterns. Specifically, they should enshrine equal treatment – including in anti-discrimination, health and safety protections, remuneration, and access to training.[133]

## Recommendation 3: Enhance time off for workers with specific needs

- Reform statutory sick pay by making it available from the first day of illness, extending it to low earners, and increasing it to match maternity allowance. Reform employment and support allowance to provide the same level of support for the self-employed.[134] This should form part of a longer-term shift towards earnings-related sick pay.[135]
- Introduce up to two weeks per year paid carer's leave, to be taken on a flexible basis. Initially this should be paid at the same flat-rate as maternity allowance, but should later be linked to earnings. It could either be funded by the government or by employers as a normal business expense.

- Consult on introducing the right to paid disability leave, on similar terms to carer's leave described above. This would support disabled people with the additional time needed to manage their disability while staying in work, in a similar way to how the personal independence payment supports them with additional financial costs. This would be in addition to current entitlements to request reasonable adjustments, which are employer-dependent.
- Consult on options to allow grandparents to take a part of shared parental leave to support parents returning to work, be included as 'approved childcare' for the purpose of nursery grants, and to take unpaid parental leave on the same basis as parents.

## Recommendation 4: Improve workplace occupational health and safety

- Secure universal access to high-quality occupational health support through establishing a National Occupational Health Service.
- Review standards and work with employers and trade unions on an action plan to bring these in line with International Labour Organisation benchmarking – establishing a systematic approach that promotes a preventive culture.[136]
- Legislate to require all employers to arrange accredited occupational health services that meet minimum standards, and extend free occupational health support to all SMEs and sole traders.

## Recommendation 5: Support take-up of workplace adjustments

- Ask the Equality and Human Rights Commission to update its statutory code of practice on employment, to include a more comprehensive set of examples of the types of reasonable adjustments employers could provide for disabled people in different circumstances.
- Ensure reasonable adjustments are appropriately considered and implemented in good time, by legislating to introduce an employer duty to provide within a set timeframe a written explanation how and why they will or will not act on occupational health recommendations or worker requests for reasonable adjustments.
- Reform Access to Work to make it more accessible. First, review employer contributions to Access to Work support for SMEs. We propose waiving contributions for employers with up to 50 staff and reducing it to 15 per cent of costs up to £10,000 for those employing 51 to 250 people. Second, launch a campaign to raise awareness of the scheme among jobseekers, employees, employers and the self-employed. As part of the campaign, introduce as standard for

benefits claimants the offer of a consultation to discuss options for support through the scheme; work with the appropriate bodies to update occupational health standards on informing employers and employees about the scheme; and promote the scheme in communications and media throughout healthcare settings. Third, accelerate the timeline for receiving support by setting a target of four weeks for a claim decision, supported by automation and funding for additional staff where necessary.

## Recommendation 6: Tackle inequitable treatment experienced by older workers

- Introduce transparency requirements to improve accountability on hiring and paying older and disabled workers. First, legislate to introduce mandatory reporting of age and disability employment statistics, on similar terms to gender pay gap reporting. After a monitoring and evaluation period, broaden reporting requirements to smaller employers with 50+ employees and include the experience of part-time workers. Second, incentivise top performers by using statistics in benchmarks such as Disability Positive and the good work standard described above. Third, review these incentives after five years to assess their efficacy. If improvement is slow, consult on introducing hiring quotas for disabled people, with proportionate fines for organisations employing 250+ people.
- Review the Equality Act to ensure it appropriately reflects the needs of an ageing population. First, introduce caring as a protected characteristic. Second, consult on ways to move away from the medical model of disability and towards a social model.[137] Third, revisit existing guidance on positive action to assess whether there is a need to update the law or reinterpret and improve guidance on its application.
- Ask the Equality and Human Rights Commission to review the practical application of the Equality Act to ensure older workers are appropriately supported. The review should include adherence to legal requirements. Actions could include using AI to monitor age bias in the wording of job adverts and writing to employers not meeting requirements.

## Recommendation 7: Encourage employers to value older workers and meet their obligations

- Work with the Business Champion for Older Workers to develop an ecosystem of business support services for employers seeking to become more age-inclusive, including through a targeted pot funding initiatives to improve recruitment and retention of older workers through implementation of initiatives such as the Centre for Ageing Better age friendly employer pledge.[138]

- Work with ACAS to build on its existing online tools to consolidate guidance on employer obligations in one place. The tool might include, for example, templates for health and safety risk assessments and occupational health policies; guidance on using and acting on occupational health services; and signposting to available government support.

## Provide targeted employment and skills support

### Recommendation 8: Gather and apply evidence on effective employment and skills support

- Develop the evidence base on the impact of employment and skills support on different demographics. First, commission full evaluations of all existing DWP and DfE programmes to establish reach and outcomes across age-groups. Second  mandate programme providers to routinely report data on all employment and skills programmes – including granular age breakdowns, alongside other indicators such disability, sex and race. Third, regularly publish labour market data with granular age breakdowns in the years around the current and future state pension age.
- Based on this evidence, increase investment in existing programmes proven effective for older workers and develop a digital tool to support referrals. Develop new programmes by establishing pilots with well-designed evaluations.

### Recommendation 9: Deliver age-appropriate employment support

- Expand on the 50+ Champions initiative to offer social security recipients aged 55+ personalised contact with a dedicated age advisors with in-depth knowledge of the challenges older workers face. Under this scheme, each claimant would be invited to request support separate from standard work coach appointments. Participation would be voluntary, without impact on benefits entitlement. The initial phase would be a period of intensive support, followed by regular check-ins. Support could include a mix of one-to-one and group sessions – including coaching and referrals, for example to employment and skills programmes as well as public services and social prescribing.

- Review whether existing employment programmes are underperforming for older workers – for example, because of supplier practices or design features – and consider the case for updating these to be more inclusive of older workers' needs.
- Pilot expanding eligibility for all employment programmes to over-55s, regardless of length of time without work (even where programme eligibility criteria is restricted to long-term benefits recipients), to prevent older people becoming long-term workless.
- Fund the National Careers Service to coordinate a holistic personalised midlife MOT service by providing tailored careers advice to over-50s, in coordination with finance and health service providers, to help older workers assess whether their retirement savings are on track and whether their current employment is sustainable or they need to reskill or find a different job.

### Recommendation 10: Expand the availability of training designed for older workers 'needs

- Review the ecosystem of off-the-job training entitlements and provision to assess whether they meet the needs of older workers. The review should consider the types of occupations and sectors supported, the skills and level of training on offer, the structure and timing of courses, and take-up among different age groups. It should identify gaps and options to address these through both private sector and government offerings, including apprenticeships, skills bootcamps and FE learning entitlements.
- Pilot a 'work and train' scheme whereby anybody can receive free tuition and a bursary to pursue part-time training alongside part-time work, for a period between three months and a year. Training could include skills needed to meet the demands of the modern economy, and part-time versions of the current skills bootcamp offering. Bursaries could supplement weekly incomes up to the national living wage for a full-time job.
- Pilot a micro-accreditation scheme for both off- and on-the-job training so workers without formal qualifications receive appropriate recognition for their skills when seeking promotion or applying for new jobs.

## Recommendation 11: Pilot a supported route into work through community service

- Pilot a voluntary volunteer-to-work scheme providing subsidised volunteering opportunities to those without work for at least a year, or over-55s who have been without work for any period, to build work experience, skills and networks. This pilot could be modelled on the US Senior Community Service Employment Programme, with participation criteria including having a low income and low non-pension assets. Participants would receive an allowance, which would not affect social security payments. To encourage moves into unsubsidised employment, support under the scheme should be time-limited for one year.
- Skills training to improve job-readiness should be integrated into the programme. To participate, partners must commit to conducting a skills review at the start of the appointment and every three months thereafter. Where specific job-related skills gaps are identified, partners could refer workers to part-time government-funded training.

## Recommendation 12: Improve financial incentives to return to work

- Improve incentives for benefits recipients to move into and stay in work (and help raise incomes for part-time workers) by extending universal credit work allowances to all households with someone aged 55+.
- Introduce a time-limited 'back to work bonus' scheme to encourage people struggling financially to return to work. Under this scheme, people working full-time (35+ hours per week) would receive £150 per week and those working part-time (20+ hours per week) £85 per week for a year after entering employment. The money would be tax-free and disregarded for the purpose of benefits calculations. The incentive would be available to anybody with more than 15 years of national insurance contributions or credits, who has been without work for at least a year and has a low income and assets. For over-55s, the payment would be available after three months without work. Eligibility could be limited to people earning less than the upper earnings limit, which is currently £967 per week, and they would only be entitled to the payment once. It would also be available to those entering self-employment to start a business. The scheme should be promoted through jobcentres and a media campaign. It could last for two years initially, to encourage a surge in job entries and allow for evaluation.

## Recommendation 13: Create financial incentives for inclusive hiring practices

- Introduce a 'sick pay guarantee', whereby the government agrees to cover statutory sick pay for the first year of employment of people of any age who have been without work for at least six months.
- Run a time-limited incentive scheme to encourage a surge of employer hiring activity for people without work long-term. Give employers who hire people without work for at least 12 months a 100 per cent discount on their employer national insurance contributions over the first year of employment. This scheme should not be limited to benefits recipients, given low benefits take-up among older workers and discrimination associated with benefits claimants (though people returning from outside the UK or from full-time higher education would not be eligible). Eligibility could be limited to people earning less than the upper earnings limit. It could last for two years initially, to encourage a surge in job entries and allow for evaluation.
- To ensure employers make the most of new hires under the incentive schemes, and employees are appropriately skilled, offer the hiring employer up to £2,000 training budget, to be used within the first year of employment on accredited training.

## Recommendation 14: Pilot ways to reach over-55s beyond Jobcentre Plus settings

- Pilot methods to improve outreach to over-55s who cannot be reached through Jobcentre Plus settings – for example, because they are long-term sick, in the process of leaving a job, or are not receiving benefits.
- One option is funding public services and civil society organisations who are already in regular contact with people in their late 50s and early 60s and have existing infrastructure to fulfil a role similar to 55+ Age Advisors described above. They should prioritise making referrals to Jobcentre Plus but, where service users do not wish to interact the service or do not qualify, these organisations could directly provide support and programme referrals. Eligibility should be based on income and savings levels rather than whether the service user is currently a benefits recipient.
- Bring over 55s into contact with employment programmes as soon as possible by using the fit note system and pay-as-you-earn real-time information to contact people as soon as they have been off sick for a month or earnings drop to zero, to make them aware of services available in their area, which could be accessed on a voluntary basis.

### Box 13 Devolving employment and skills support

Poorly targeted employment support programmes can be particularly harmful to older workers, who typically benefit from more tailored and intensive support.

The Fabian Society in its report *A Good Life in All Regions: Uniting our Country to End Poverty* found that employment support programmes in the UK are overly centralised and siloed, making them unresponsive to local labour markets and cut off from complementary local services, while taking a transactional approach to getting people into any work rather than a partnership that supports people into sustainable work that is suited to their needs.

The report proposes a plan for devolving all Jobcentre Plus and employment support to councils and mayoral combined authorities by 2035. The plan includes:

- Co-commissioning employment support programmes;
- Integrating Jobcentre support with local services;
- Establishing a new employment support regulator;
- Giving job coaches discretion to refer people to appropriate programmes, even if they don't technically meet the criteria;
- Making jobcentres an 'open house' supportive environment for the community, including those who are still in work or not claiming benefits;
- Devolving a single pot for local welfare schemes; and
- Establishing Employment Support Performance Office, to regulate performance of both Jobcentres Plus and devolved programmes, with a remit equivalent to the CQC.

# Support the lowest earners to manage their pensions

## Recommendation 15: Boost pension savings for lower earners

- Legislate to increase auto-enrolment coverage and levels. First, examine the case for broadening its scope, including by reducing the earnings threshold. Second, gradually increase employer contributions to 7 per cent of earnings for low and middle earners, negotiate higher sector-level minimum employer contribution standards in low-paying industries such as adult social care, and introduce a minimum (discounted) employer contribution where staff are not able to contribute the 3 per cent minimum themselves.
- Trial options for automatically increasing employee pension contributions at key moments, with the option to 'opt down'. This could be achieved by increasing auto-enrolment deductions at key moments such as when pay increases or at 'landmark' birthdays such as 45, 50 and 55
- Create new auto-enrolment self-employment pensions. HMRC would automatically collect pension contributions every time a tax payment was made, at a rate in line with employee auto-enrolment contributions, with people able to opt-out of each transaction. Incentivise these savings by offering additional tax relief to the self-employed that broadly replicates what would be available if they were employees receiving a minimum pension contribution from their employer. Permit hybrid saving schemes with an element that can be accessed quickly where income drops.

## Recommendation 16: Improve pensions advice and defaults for low and middle earners

- Require guidance providers to signpost to social security and public services for those in need. Providers should support customers to complete a screening questionnaire that establishes whether they are at risk of financial hardship, may be eligible for benefits, or would benefit from public services such as employment or health-related support offered through Jobcentre Plus, the NHS, or Councils. Where claiming benefits may be an option, providers should signpost to the applications process and any personalised support available, and make customers aware of how accessing their pension could affect their benefits entitlements. Where customers may benefit from public service support, providers should signpost the customer to the services and offer support with making an appointment.

- Legislate to prevent pension providers from releasing funds more than three years before the state pension age where customers have not received appropriate financial guidance or advice. To access funds, customers must have completed a consultation with Pension Wise or a financial adviser. An exception could be introduced for very small pots (even after consolidation), and for people with very high pension savings.
- Revise pension communication requirements for people in their 50s, to focus on saving more than the automatic enrolment default and working longer. Communications should make little reference to the minimum age for accessing pensions (mainly to alert people to scam risks and to highlight it as an option for people unable to work) and focus people on accessing their pension at their planned retirement age.
- Shift pensions strategy for low and middle earners away from supporting people to make active decisions when they reach the minimum pension age, towards seeking to establish as a default that most people will retire at state pension age, by requiring auto enrolment pension providers to set planned pension ages at the saver's expected state pension age. People would be required to approach their provider to request a change to their planned pension age if they wished to deviate. Communications from pension providers should be updated accordingly.
- Require the consolidation of all but the largest defined contribution pension pots as people approach retirement, unless customers actively decline. This plan builds on current initiatives to consolidate (very) small pots and create pension dashboards. This would mean most people have a single defined contribution pension fund as they approach retirement.

## Box 14: Options for fairer working-age benefits for all

Recommendations on social security support for people nearing the state pension age should be part of wider action to bring working-age social security entitlements in the UK closer to international standards. Key issues to address are below.

**Conditionality**

The IFS argues that "the jury is… still out on whether… conditionality is achieving enough to be worth it." It has negative wellbeing impacts, pushes people into part-time and low-paid work with few progression opportunities, and incentivises moves onto incapacity benefits which have neither work search requirements nor support for people who want to work. But is also brings "barely any fiscal savings".

Citizens Advice has proposed a 'yellow card' system to mitigate the harm of sanctions.

**Payment levels**

Anti-poverty charities led by the Joseph Rowntree foundation are campaigning for an 'Essentials Guarantee' floor for benefits. The current minimum level is estimated at £120 per week for a single person and £200 for a couple. The campaign proposes:

- an independent process to regularly determine the appropriate level for the guarantee, based on the cost of essentials such as food and utilities,
- the Universal Credit standard allowance never drops below this level, and
- deductions can never pull support below this level.

Additionally, there is a case for higher, time-limited payments designed to partially replace people's previous income. The Fabian Society in 2023 proposed an employment insurance system that guaranteed a share of people's income for up to a year after they have left work under a range of circumstances. Proposals include:

- unemployment benefits at 50 per cent of previous earnings for six months,
- a furlough scheme paying 80 per cent of earnings to the workers of employers in financial distress whose hours are reduced,
- sick pay worth 80 per cent of earnings from day one to week 28 of illness, and sickness insurance covering 50 per cent where there is no access to sick pay, and
- carer's insurance covering up a year at 50 per cent of previous earnings.

# Improve benefits access and levels

## Recommendation 17: Increase benefits take-up targeting the over-55s

- Notify people who may be eligible for means-tested benefits by using a combination of data from HMRC, public services and the financial services industry accessed with people's consent. Live HMRC tax reporting could trigger messages if earnings stop to offer an instant check of likely eligibility followed by referral to the universal credit digital portal or helpline.
- Keep all universal credit accounts open but dormant once a claimant has moved off benefits, so their profile is more readily available for future notifications and easier applications should people need benefits support again. This scheme could be rolled out to all ages, but could be trialled on people aged 60 to 65.

## Recommendation 18: Relax conditionality for over-60s facing long-term barriers to work

- Reduce the hours over-60 benefits claimants are expected to work, by making work search requirements appropriate to the barriers people face to work. The conditional earnings threshold, which specifies how much people have to earn without being required to look for further work (currently 35 hours per week at the national living wage in most cases) should be lowered to 20 hours per week. The administrative earnings threshold, which specifies the minimum income claimants have to meet before intensive work search requirements no longer apply (currently 18 hours per week at national living wage for a single person and 29 hours for a couple) should be lowered to nine hours per week.
- Remove work-related related requirements at the following ages, with employment support still offered on a voluntary basis:
    - From 65 – all benefits recipients;
    - From 63 – all benefits recipients who have not worked for at least one year and either are assessed as having a work-limiting health condition or disability or have received a carer's benefit at any point in the past three years.
    - From 63 – all benefits recipients who have not worked for at least two years; and

  - From 60 – all benefits recipients who have not worked for at least three years and either are assessed as having a work-limiting health condition or disabilityor have received a carer's benefit in the past three years.

## Recommendation 19: Increase benefits for over-60s facing long-term barriers to work

- From 63 – incrementally increase benefits levels for people without work and receiving benefits for at least two years, so they gradually transition from universal credit to pension credit payment levels.
- Apply pension-level benefits to claimants experiencing the most significant challenges, by raising payments in universal credit (and equivalent legacy benefits) to pension credit levels (to be achieved by introducing an additional universal credit element for eligible beneficiaries). In effect, this creates a means-tested early retirement pension in strictly defined circumstances. We propose consultation on who this covers but it could be for example:
  - From 63 – all benefits recipients without work for at least one year who are either assessed as having a work-limiting health condition or disability, or have received a carer's benefit at any point in the past three years.
  - From 60 – all benefits recipients without work for at least three years, who are either assessed as having a limiting health condition or disability or have received a carer's benefit in the past three years.

## Recommendation 20: Address unfair penalties on over-60s claimants

- Remove the penalty for couples where one has reached state pension age and the other has not (so-called 'mixed aged couples'). For these couples, raise payments in universal credit (and equivalent legacy benefits) to half the difference between the current level, which assumes both are of working age, and pension credit level, which assumes both are retired. This can be achieved by a new universal credit element for mixed-age couples.
- Equalise over-60s self-employment support with that received by employees. Remove the universal credit minimum income floor for the self employed. This can be achieved by replacing the automatic income deduction with the introduction of a claimant commitment to increase earnings, which are used with low earning employees currently. This would mean that access to benefits would only be restricted if claimant commitments were not met. Ideally, this

measure should be applied across all ages but would particularly benefit older workers. The scheme could be rolled out in stages starting with those aged 60+.
- Support people still renting in later life to cover housing costs. Lower the cutoff age for the 'bedroom tax' from state pension age to age 60 and abolish all benefits caps for this age group.

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# ANNEX 1: CURRENT LABOUR MARKET PRACTICES

## Voluntary initiatives

### Business champion for older workers

- First appointed in 2014, this champion leads work to support employers to hire and retain older workers.[1]

### Disability confident

- Voluntary scheme allowing employers to signal their disability credentials through accreditation levels – committed (level 1), employer (level 2), and leader (level 3) – based on self-assessment and evidence on commitment to action. Introduced in 2013 alongside Age Positive, which was withdrawn in 2016.[2]

### Gender pay gap reporting

- From 2018, employers with 250+ employees are required to report annually on the gender pay gap within their organisation both on their own website, and via a dedicated governmental reporting portal. Reporting requirements include differences in mean and median pay, mean and median bonuses, bonus proportions and quartile pay bands for full-pay employees.[3]

# Workers' rights

## Flexible work

- Under the Employment Relations (Flexible Working) Act 2023, everybody has the right to request flexible working from day one of employment, up to twice a year. This updated 2014 legislation that extended this right to all workers only after six months in post, after this right was extended to carers for children and adults between 2003 and 2007. A government call for evidence is exploring the role of informal flexible work arrangements.

## Carer's leave (since 2023)

- The Carers Leave Act 2023 introduced the right to one week's annual unpaid leave for carers.

## Sick pay

- Employees get £109.40 per week statutory sick pay from the fourth day of illness.
- Self-employed workers can claim ESA after a week without earnings, if they have sufficient national insurance contributions.

## Equality law

- The Equality Act 2010 consolidated, updated, and supplemented anti-discrimination legislation – including the Disability Discrimination Act 1995 and Age Regulations 2006.
- People are protected at work against discrimination, harassment and victimisation based on protected characteristics – including age and disability.
- Disabled people are also entitled to reasonable adjustments, to help overcome the barriers they face, and can be treated more favourably than non-disabled people. Factors such as the cost and practicability of making an adjustment, and the resources available, help determine what is reasonable.
- Positive action – ie additional help for groups sharing a protected characteristic – is also permitted under certain circumstances. These include removing disadvantage, meeting specific needs or addressing disproportionately low participation of specific groups. Organisations may participation targets, prioritise specific groups for training and mentoring, or favour candidates with specific characteristics in a competitive process where

more than one has equal merit. They may not favour candidates with lesser merit because they hold specific characteristics – for example through recruitment or promotion quotas, or reserved places on interview panels.[4] Sometimes an employer may recruit for a specific protected characteristic because it is a requirement of the job – for example, to serve a specific community.

### Digital information services

- An advice hub, launched in 2021 by ACAS, helps disabled people understand their rights.[5]
- A self-service portal, launched in 2022 and currently in beta mode, signposts SMEs on managing employee health and disability.[6]

## Health and safety

### Access to work

- Running since 1994, the Access to Work scheme provides up to £66,000 per year towards workplace adaptation for disabled workers, beyond reasonable adjustments.
- It is currently digitising, trialling an adjustment passport to remove the need for reapplying when moving into work or between employers, and trialling a 'plus' offering for people who need additional support.
- Employer contributions depend on size: all pay 80 per cent up to the first £10,000, with those employing 20 to 249 people also covering the first £500 and those employing 250+ the first £1,000.
- The Access to Work Mental Health Support Service since 2020 offers up to nine months' support to disabled workers and employers on coping strategies and adjustments.

### Employee health tax relief

- Employers are eligible for tax relief for some capital expenditure on occupational health provision, such as accessibility equipment, in addition to almost all revenue expenditure on employee occupational health services. Under the benefit in kind exemption, tax relief is available for certain medical benefits – including payments towards medical support up to £500 to support return to work after 28 consecutive days off sick; one health screening per employee per year; welfare counselling; and eye tests and glasses or contact lenses.[7]

## Occupational health support

- The spring 2023 budget announced the expansion of a pilot subsidising SMEs to purchase occupational health services.
- In May 2023, an occupational health innovation fund launched to provide up to £100,000 to organisations developing new solutions to improve access to occupational health for SMEs and the self-employed.
- The government has been consulting on options for increasing employer occupational health provision. These include sharing best practice; a new voluntary accreditation for a national health at work standard including baseline for occupational health support; a legal requirement to provide minimum support; financial support for smaller employers; creating a new regulatory body; and boosting the occupational health workforce.

## Health and safety standards

- Under the Management of Health and Safety at Work Regulations 1999, employers of 5+ workers must undertake a health and safety risk assessment and record any groups particularly at risk.
- In 2022, the Health and Safety Executive (HSE) published guidance and templates on supporting people with health conditions.[8]

Note: Employment law is reserved in Great Britain. Health and social services – including occupational health policy – are devolved.

# ANNEX 2: CURRENT EMPLOYMENT AND SKILLS PROGRAMMES

| **Support and delivery mechanism** | **Eligibility, access process, and participation requirements** |
|---|---|
| Restart (since 2021, recently extended from 2024 to 2026 end date)<br>• Launched in response to pandemic-related labour market challenges, this scheme offers tailored support with skills training, job applications and interview preparation.<br>• Contracts are hybrid 'payment by results', with providers receiving a fixed fee alongside additional money based on the number of long-term moved into sustained work. | • Benefits claimants in the intensive work search category who have been receiving Universal Credit for 6+ months (lowered from 9 and 12 months).<br>• Job coaches make all referrals.<br>• Participation mandatory. |
| Work and health programme (WHP; since 2017)<br>• Tailored support to find work that matches skills, make contact with employers, access training to improve employability, and manage health problems to reduce impact on work.<br>• Delivered across six regions by external contractors, who may subcontract work. London and Greater Manchester select their own providers. Providers receive a service fee and payments based on work outcomes. | • Available to disabled people and others with vulnerabilities, regardless of whether claiming benefits.<br>• Referral through self, JCP or partner organisations.<br>• Voluntary ((previously mandatory for benefits 2+ years benefits claimants). |
| Universal Support (US; since 2023)<br>• Up to 12 months' 'place and train' support, facilitated by a key worker.<br>• Participants will be matched with vacancies, then receive wraparound in-person and online in-work support – including to participate in training, manage their health condition and issues outside work, and support employers to make accommodations. | • People who are disabled, have a health condition and are not eligible for other programmes.<br>• Predominantly those in receipt of out-of-work benefits but not eligible for or participating in other programmes.<br>• Referred by work coaches and WHP providers.<br>• Voluntary. |

| | |
|---|---|
| Individual placement and support (IPS; since 2004; 2023 Autumn Statement committed extra £100,000 places)<br><br>• Provides with intensive support to find and stay in work, including through working directly with employers to place service uses. It typically lasts up to three or four months and is provided in health settings.<br>• Individual Placement and Support in Primary Care (IPSPC): Integrates employment support and advice for people with mild to moderate mental and physical health conditions who are workless or need support to stay in work. | • Anybody with severe mental or physical illness<br>• People gain access through health settings where they have expressed an interest to move into work.<br>• Voluntary. |
| Intensive Personalised Employment Support (IPES; since 2019)<br><br>• Supports participants with a dedicated key worker for 15 months to identify potential areas for finding work, arrange training, build a support network and manage their disability.<br>• Those who find work get a further six months of on-the-job support. | • Disabled people and those with other complex problems such as homelessness and substance abuse, considered to be more than 12 months away from the labour market, who want to work and are not participating in any other employment programmes.<br>• Only work coaches can make referrals.<br>• Voluntary. |
| Employment advisors in health settings (since 2008)<br><br>• Employment advisors embedded in mental health services (since 2008) and musculoskeletal pathways (since 2023). | |
| Workwell (pilot announced in Spring 2023 budget)<br><br>• Funds leadership positions to drive an integrated approach between local work and health services including Integrated Care Boards, local authorities and JCP.<br>• Running a competition for 15 areas to become vanguard integrated work and health support providers – through 'return to / thrive in work plans' and a single gateway into local services, supported centrally to share learnings. | • Anybody with a health conditions or disability, including non-benefits recipients. |
| National Careers Service (NCS; since 2012)<br><br>• Provides online, telephone and face-to-face personalised advice on aspects of careers development such as education, career choice and job search. Support can include understanding the job market, identifying strengths and career options, searching and applying for jobs including CV writing and interview techniques, finding and funding training, and volunteer opportunities.<br>• NCS also offers skills toolkits, which are free bite-sized self-guided courses including general skills that apply to all sectors and more specialised skills. | • Universal access.<br>• While some are referred through Jobcentres, most reach the service through their own channels.<br>• Voluntary. |
| 'Returnerships' | |
| Skills bootcamps (since 2020)<br><br>• Free courses co-designed with employers, with a job interview at the end. | • Anybody aged 19+.<br>• They primarily deliver training for medium- to higher-level technical skills equivalent to A levels up to foundation degree (levels 3-5). Some GCSE-equivalent (level 2) are available, typically in manual professions.<br>• Up 16 weeks. |

| | |
|---|---|
| Apprenticeships (extended to all ages in 2004)<br><br>• Allows participants to undertake paid employment with on-the job training, alongside free study towards a professional qualification. | • Anybody aged 16+.<br>• From GCSE to degree-level equivalent (levels 2-6).<br>• Work and study must total between 30 and 40 hours per week for at least a year. It is possible to agree with employers part-time options from 16 hours per week, which would take longer than a year. |
| Sector-based work academy programmes (SWAPS; since 2011)<br><br>• Pre-employment training and work experience followed by a job interview. | • Available anybody aged 19+ who is claiming unemployment.<br>• Targeted at those who are "close to the labour market and have most of the necessary skills to be able to work".<br>• Up to six weeks. |
| Financial support | |
| Train and Progress (current allowance since 2023)<br><br>• Benefits claimants can participate in full-time training without penalty for 16 weeks. | • Benefits claimants.<br>• Curses that can be completed in allocated time – for example, skills bootcamps. |
| Lifelong Loan Entitlement (LLE; from 2025)<br><br>• Loans up to £37,000 for full courses or modular learning.<br>• Repaid at 9 per cent of £25,000+ earnings, with debts will be forgiven after 40 years.<br>• Supersedes Advanced Learner Loans (ALL), which have been available since 2013. | • Tuition loans will only be available up to age 60 but maintenance loans could be available 60+ learners.<br>• Maintenance not available for non-distance learning.<br>• From post-A level equivalent (Level 4+).<br>• Minimum of 30 credits – ie, 100 hours of learning. |

# ANNEX 3: CURRENT PENSIONS POLICIES

## State pension age

### State pension age increases

- The Pensions Act 2011 accelerated the completion of the increase in women's state pension age from 60 to 65 to by November 2018, and the increase from 65 to 66 for both men and women to October 2020.
- Legislation in 2014 introduced periodic state pension age reviews.

### Supporting retirement beyond state pension age

- Legislation in 2011 removed the default retirement age, which enabled an employer to retire an employee at age 65.
- To incentivise people to delay retirement, the state pension increases by 1 per cent for every nine weeks a person defers claiming.

## Private pensions

### Access to private / occupational pensions

- The earliest someone can claim their private / occupational pension increased from 50 to 55 in April 2010. It will increase to 57 in 2028, to coincide with the state pension age increase to 67. The government's stated intention is to link the national minimum pension age to 10 years below the state pension age but it has not yet legislated on this.
- Under the Public Service Pensions Act 2013, public servants the earliest public servants can claim their maximum occupational pension is the same as the state pension age, except for firefighters, police and armed forces where this is age 60.

- Pensions freedoms, introduced in 2015, allow those aged 55+ to draw 25 per cent, up to a maximum of £268,275, of private / occupational pensions tax-free. Any share of a pension can be taken as a lump sum.

## Encouraging pensions savings

- Since 2012, employers have been required gradually to enrol eligible workers in a workplace pension. Employers have to contribute a minimum proportion of wages, currently 3 per cent, with staff contributing at least 5 per cent.
- In September 2023, the lower earnings limit triggering employer contributions was abolished but a £10,000 minimum earnings trigger for automatic enrolment remains.

## Pensions and retirement advice

- Launched alongside pensions freedoms in 2015, Pension Wise provides guidance on options for accessing defined contribution pension pots appropriate to individual circumstances.
- The 'stronger nudge', introduced in 2022, requires that members wishing to access their defined contribution or cash balance benefits have either received or opted out of receiving Pension Wise guidance before proceeding.
- Introduced in 2019 and enhanced in 2023, midlife MOTs include an online tool, face-to-face sessions for benefits claimants, and face-to-face employer session trials to help workers in their 40s and 50s plan for retirement.

## Pensions integration

- The Pension Schemes Act 2021 provides the legal framework for pensions dashboards – a network of digital tools that will allow people to see information about different pension pots in one place, to more easily understand their retirement finances. In-scope pension schemes have to connect to the network by 2026.
- Government has been consulting on consolidating small pension pots held in different funds, to help people engage with their pensions and raise incomes through administration savings.[9]

Note: Financial service and pensions regulations are reserved. Northern Ireland (NI) maintains parity with Great Britain (GB) social security systems.

# ANNEX 4: CURRENT SOCIAL SECURITY POLICIES

Working-age and pension-age benefits fall into three categories and come with different eligibility criteria, levels and conditions for access, as set out below. Incapacity benefits, which fall in each of the three categories, are the most common among those aged 60+.

- **Means-tested**: based on income and savings – such as, universal credit, income-based employment and support allowance and jobseeker's allowance, housing benefits, and pension credit.
- **Contributory**: based on national insurance payment record – such as new style employment and support Allowance and jobseeker's allowance, as well as the state pension.
- **Categorical**: non-contributory, non-income related providing support for specific categories of people with vulnerabilities such as disability and caring responsibilities – such as carer's allowance and personal independence payment.

| Benefit | Eligibility / conditionality | Level | Prevalence (among 60-64 families claiming benefits) |
|---|---|---|---|
| Means-tested | | | |
| UC | • Work search conditions apply.<br>• For capital above £6,000, benefits entitlement is reduced; above £16,000, there is no eligibility.<br>• Unless disability affects work capability or living with a child, UC is reduced by 55p for every £1 earned.<br>• If disability affects work or responsible for a young person, work allowance before benefits is reduced is £379 for HB recipients and £631 for others; single people and couples get the same allowance.<br>• Eligibility for the UC LCRWA element must be proven through a GP fit note.<br>• If someone receives a private pension income, the money is offset pound for pound.<br>• For HB, only renters are eligible and one or two spare bedrooms carry a 14% and 25% reduction, respectively. | Monthly £368.74 if single<br><br>£578.82 if a couple. Additional £390.06 per month for LCWRA group, and £185.86 for those providing care 35+ hours per week. | 22% |
| Income-based ESA | | Weekly £129.50 for people in 'support group' – ie, not fit for any work-related activity – and £84.80 for everybody else – including during work capability assessment phase and those not fit of all work-related activity | 21% |
| HB | | Based on rent, local housing costs, and spare rooms | 22% |
| Pension Credit | • No work search conditions.<br>• Not available unless everyone in household above SPA.<br>• For savings >£10,000, every £500 counts as £2 per week in earnings. | Tops of weekly income to £201.05 if single<br><br>and £306.85 if in a couple. Additional funding by circumstance - £76.30 for those claiming severe disability benefits, £42.75 for those eligible for Carers Allowance, and additional support for dependent children and housing costs | n/a |
| Contributory | | | |

| | | | |
|---|---|---|---|
| New style ESA | • Work search conditions apply.<br>• Not dependent on capital or earned income.<br>• For private pension income >£85 a week, benefits are reduced by 50p for every pound over this level.<br>• Must meet minimum NI contributions or credits in past 2-3 years. | Weekly £129.50 for people in 'support group' – ie, not fit for any work-related activity – and £84.80 for everybody else – including during work capability assessment phase and those not fit of all work-related activity. Counted as income when means-tested benefits are calculated. | 10% |
| Categorical | | | |
| PIP | Must have a physical or mental health condition expected to last at least a year, which causes difficulty doing certain everyday tasks or getting around. | Between £26.90 and £172.75, depending on daily living and mobility needs. Not counted as income when means-tested benefits are calculated. | 50% |
| Carers Allowance (CA) | • Must care for someone 35+ hours per week.<br>• Paid work can't be more than £139 per week (13 hours at National Living Wage – bringing total hours including caring time to 48 – ie, the statutory maximum work week).<br>• Study hours cannot exceed 20 per week.<br>• CA discontinued up to eight weeks after caring responsibilities have ended. | £76.75 per week. Counted as income when means-tested benefits are calculated. | 20% |

Work search requirements apply to both means-tested and contributory benefits, unless a claimant has been placed in the UC LCWRA or ESA support groups. Failure to meet these requirements can result in sanctions, including complete loss of benefits.
The group claimants fall within, which determines the type of conditionality that applies as well as benefits levels (as described above), is determined by a work capability assessment process which was introduced in 2008. This assessment also determines whether claimants meet LCW criteria to qualify for a work allowance, whereby they can earn a certain amount before their benefits are reduced. Access to PIP, including the level of support received, is currently determined by a separate assessment.

With the exception of the UC LCWRA and ESA support groups – ie those not fit to do any work-related activity – means-tested and contributory benefits claimants are divided into three regimes:

- **Intensive work search:** Required to accept a claimant commitment agreeing to work search requirements and work availability requirements, alongside work preparation and work-focused interview requirements
- **Light touch:** In September 2022, rules were updated to require people in this group to participate in an in-work-progression programme – including attending regular work-focused interviews and undertaking work preparation activities.
- **Working enough:** No conditions attached to receiving benefits – engagement with work coaches on a voluntary basis.

Which one of these groups claimants fall within depends mainly on the on the earnings of the claimant and any partner, and whether they fall within LCW or WRAG groups – ie assessed not fit to work but able to prepare for work. The following earnings thresholds determine work search requirements for those assessed fit to work.

- **Administrative earnings threshold:** People who earn less than this lower earnings threshold fall in the intensive work search regime, which could require them to attend daily work coach appointments. The threshold increased in September 2023 to 18 hours at the national living wage for a single person and 29 hours for a couple. Since 2022, this has doubled the number of hours people have to work to avoid the intensive work search regime, bringing around a quarter of a million universal credit claimants into this group.

- **Conditional earnings threshold:** People who earn less than this higher threshold fall into the 'light-touch' regime. People who earn more than it are in the 'working enough' regime. This is a flexible threshold based on people's personal circumstances – typically at 35 hours per week at the national living wage – though it can be adjusted to account for health conditions and caring responsibilities.

A range of further benefits have been announced for the coming years.

- **Stronger conditions on long-term claimants:** In the 2023 autumn statement, the government announced a range of penalties affecting the long-term workless. Under these changes, the government will close a benefits claim and withdraw all related support, such as free prescriptions and help with energy bills, if claimants are sanctioned and fail to meet work search requirements for another six months. This measure will not apply to those receiving disability benefits but could affect those currently assessed as UC LCW or ESA WRAG. Moreover, the UC LCWRA and ESA support groups could be defined more narrowly in future as the government also intends to review the system whereby GPs submit 'fit notes' on claimant's ability to work. The government will introduce more intensive work search requirements for those who have completed the year-long Restart programme without moving into work – including a pilot mandating participation in work placements or other intensive work search activities. Claimants will be monitored with a new digital tool to ensure they are complying with work search requirements. The government is yet to announce the outcome of a trial requiring benefits claimants to visit a Jobcentre Plus every day for two weeks from week 13 of claiming benefits.
- **Reforming WCA:** The government has been consulting on ways to reduce the number of people in the UC LCWRA and ESA support groups by hundreds of thousands through reforming the WCA process. Proposals under consideration include asking work capability assessors to take account of work-from-home, asking job coaches to work with people experiencing mental illness to explore different options for work, and narrowing the definition of people who pose a 'substantial risk' to themselves and others if asked to participate in work-related activity.[10]

- **Abolishing WCA:** The 2023 Health and Disability White Paper proposes to replace the UC LCWRA element with a new 'health element' that automatically applies to all PIP claimants. Work coaches would have discretion to assign work search requirements based on the claimant's circumstances. Around half a million claimants with LCWRA do not qualify for PIP, which is designed to meet the additional costs faced by those who need support with daily activities and mobility, so face losing out on more than £300 per month. The government has indicated it intends to legislate in the next Parliament to introduce the change for new claimants in the three years from 2026, and for existing claimants from 2029. It has not specified how changes will affect WAs and eligibility for new style ESA, which relies on WCAs.[11]
- **Benefits migration:** Migration from legacy benefits to the new system is expected to be completed by 2025. However, contributory ESA claimants, who comprise around one in ten claimants aged from 60 to 65, will be migrated in 2028.

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