

Would a 'variable' state pension age be fairer?

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(PhysOrg.com) -- A study suggests the government should introduce a variable state pension age to acknowledge the wide variations in life expectancy across the UK. It also warns the current state pension system is unsustainable even after the state pension age is raised in line with government plans.

The paper 'Living longer and prospering?' is by the University's Oxford Institute of Ageing in collaboration with Club Vita, a company

specialising in providing longevity advice and services to occupational pension schemes. It suggests that a variable state pension age could be linked to an individual's healthy life expectancy or lifetime earnings. It argues that a 'healthy' life expectancy is more important than a 'total' life expectancy when determining the age at which people can start to draw their state pension.

OIA researchers analysed a Club Vita dataset of 1.7m pensioners and dependants spanning deaths back to the mid 1970s. This vast amount of data and records, which has been rigorously anonymised so that individuals cannot be identified, reveals 20 years of detailed insights into health, wealth, occupation and lifestyle.

The paper found a strong correlation between low wealth and shorter life expectancy in the UK and concludes that a variable state pension age based on an individual's characteristics, such as their lifetime earnings at age 55, would ensure greater fairness.

It also suggests that the government should link the state pension age to the Office for National Statistics' (ONS) 'healthy' life expectancy (HLE) measure so it recognised the impact of several years of poor health often experienced in later life. HLE indicates the length of time an individual remains healthy and hence is more closely aligned to an ability to work later into life. The paper also argues that this would better reflect the potential economic pool of labour available.

The authors explore a series of potential reform options to maintain the affordability of the state pension paper with warnings that the current state pension system will become 'unsustainable' unless older people work for longer and the state pension age is raised possibly even higher than 66, as proposed recently by the government.

Professor Sarah Harper, Director of OIA and joint author with the OIA's

Dr Kenneth Rowse, said: ‘What has made pension sustainability so crucial is that the steady increase in life expectancy is occurring in the context of population ageing. Furthermore, the regional differences are significant. Our data revealed a 13 year gap in life expectancy at 65 for men and a 16 year gap for women between those living in the top most affluent areas and those in the bottom least well off areas. Interestingly, manual work is a less important factor in life expectancy as male non-manual workers only have an extra year on manual workers in predicted life expectancy. However, a healthy lifestyle can add four or five years to both men and women’s lives after 65.’

Steven Baxter, Longevity Consultant at Club Vita and joint author, adds: ‘We should also acknowledge that a one size fits all system is no longer suitable. The degree of variation in [life expectancy](#) across the UK means we cannot hope to have a fair system based on the present one size fits all retirement age. Variable state pension ages are a potential solution to this problem.’

Provided by Oxford University

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