

Revisiting the State Pension age

Resolution Foundation submission to the 2025 State Pension age review

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Fiscal pressures from State Pension spending have intensified

The [previous Government proposed](#) that the State Pension age should rise such that people spend “up to one-third” of adult life in receipt of the State Pension. Subsequent consideration of setting the State Pension age has been heavily influenced by this focus on life expectancy. However, there are many other factors to be considered in setting the State Pension age. It is very welcome that the terms of reference for the review include a range of other factors. One key consideration in this, as with all major policy decisions, is budgetary constraints.

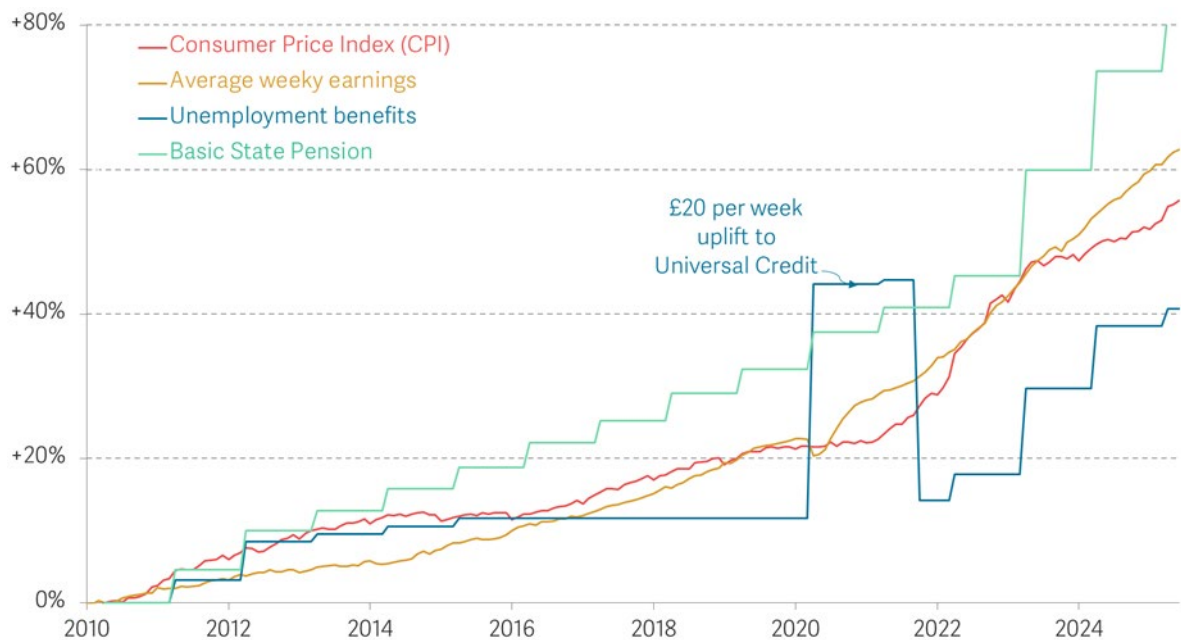
Fiscal issues arising from pensions are very acute. In 2024-25, UK State Pension spending stood at [5 per cent as a share of the economy](#) (£138 billion), roughly 15 per cent above where it was in 2010-11, and 35 per cent higher than 50 years ago. This means that today the Government spends more on the State Pension than it does on the day-to-day running of the education and defence departments combined. Over the next 50 years, State Pension spending is [forecast](#) to rise by 50 per cent.

There are also important considerations of fairness between different cohorts. As there are constraints on the overall social security benefit, it is legitimate to consider the balance of priorities.

Overall, [incomes for pensioners](#) have grown much more strongly than for the rest of the population over the past two decades. This has been heavily driven by the triple lock, the government policy which increases the State Pension by the highest of inflation, average wage growth, or 2.5 per cent – this has ensured bumper rises for pension-age benefits in recent years. Since 2010 the value of the basic State Pension has risen by 81 per cent, while the basic rate of working-age unemployment benefits has increased by 41 per cent – with the CPI inflation index up by 56 per cent. And as the chart below highlights, there has not been a stable approach to uprating working-age benefits – they increased by just one per cent annually between 2013-14 and 2015-16 with no increase at all between 2016-17 and 2019-20.

Increases in benefits (including the State Pension) have boosted pensioner incomes by £900 above inflation between 2010-11 and 2024-25. By contrast, cuts to benefits for non-pensioners have, on average, decreased incomes by £1,400 a year.

Figure 1 **Growth in the value of the basic State Pension has outpaced that of working-age unemployment benefits**
Change in the value of unemployment benefits, the Consumer Price Index, the Basic State Pension, and average weekly earnings since 2010: UK



Notes: Unemployment benefits show Jobseeker's Allowance or Universal Credit for a single adult over 25.
Source: RF analysis of ONS, Average Weekly Earnings; DWP, Abstract of Benefit Statistics.

There are also trade-offs between the value of the pension and the length of time for which one receives it. When the previous Government introduced the triple lock, it also announced it would be speeding up the increase in the female pension age to help offset the costs. Since then, the triple lock has proved to be far more expensive than expected – this is primarily because the period since 2012 has seen much more volatility in earnings and inflation than the two decades before the introduction of the triple lock.

The triple lock has meant State Pension spending is set to be £15.5 billion a year more by 2029-30 than if it had risen in line with earnings growth alone – this is three times what was initially expected. In its March 2025 forecast the Office for Budget Responsibility (OBR) [estimated](#) that increasing the pension age from 66 to 67 would save around £10 billion a year by 2029-30. Putting these two facts together, the additional cost of the triple lock compared to simple earnings uprating is roughly equivalent to the savings made by increasing the State Pension by one and a half years. The rising cost of the triple lock, much greater than forecast, is another reason for increasing the pension age further.

As the State Pension age rises, there are important issues to be addressed for older people

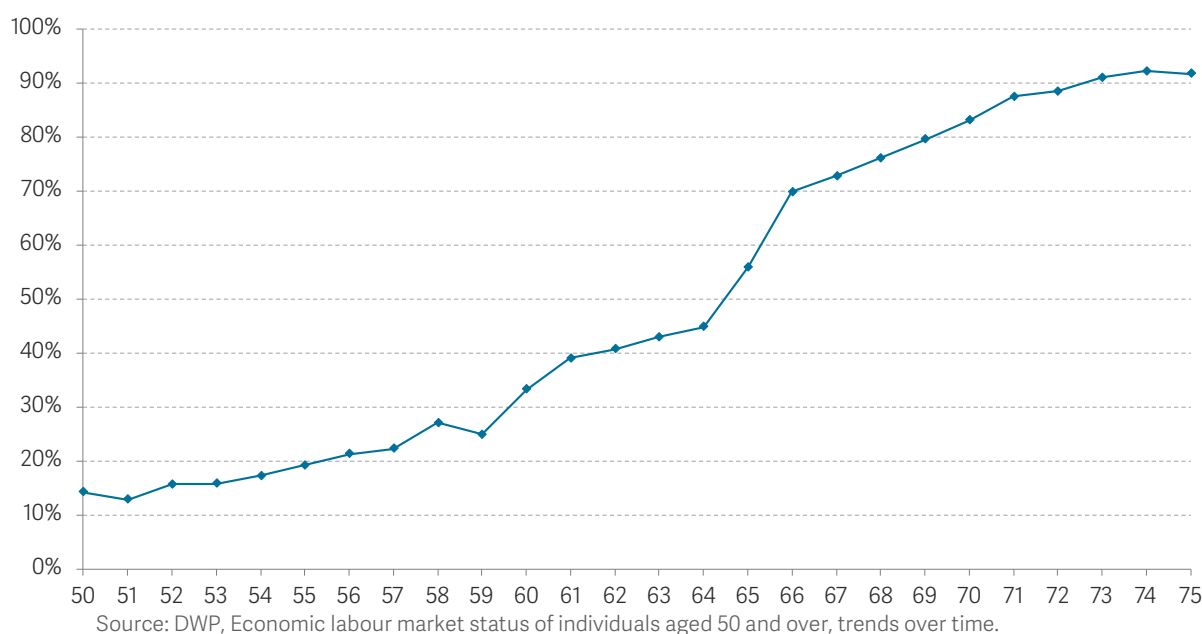
The [previous review](#) of the pension age led the then Government to propose that the State Pension age should be increased from 67 to 68 from 2037-2039 (this was announced in July 2017 after the Cridland review). That decision should be maintained and implemented. Implementing it anytime sooner would give less time for adjustment than would be desirable. However, that approach was proposed in an independent review and announced to Parliament.

However, such a policy would only be justified if two key wider challenges were addressed.

First, economic inactivity. The State Pension age is not a retirement age – indeed the last features of a retirement age went with the removal of a specified age above which there was no protection from unfair dismissal. Withdrawal from the labour market now happens over a long period stretching from the mid-fifties to the early seventies. As Figure 2 shows, inactivity rates rise steadily with age from around one-fifth of people in their mid-50s, to two-fifths for those in their early 60s before rising to almost three-fifths for those aged 65.

Figure 2 **Most withdrawal rates from the labour market happen between people's mid-fifties and their early 70s**

Economic inactivity rate by single year of age: UK, 2025



The UK has some factors promoting withdrawal from the labour market among older workers, such as access to tax relief on pension savings from the age of 55, set to rise to 57 by 2028. There are also some factors which may encourage people to stay in the labour market – continued accumulation of defined contribution pensions until the point of

retirement are a strong incentive compared with some defined benefit pensions (where working longer does not always translate into greater pension income).

There is no spike in withdrawal from the labour market at pension age. So instead of focussing on that, there is a case for stronger policies to promote continued engagement with the labour market as people age. As the State Pension age rises there is a danger that more and more people affected will already be out of the labour market. This makes it important to have a more active labour market for older workers, especially one that supports flexibility. Indeed, survey [evidence](#) shows that around a third of those who have left work as they approach State Pension age say that flexible working hours would be the most important reason they'd consider returning to work.

Universal Credit could offer greater support for part-time work and for those above a certain age. For example, DWP could make it clear to claimants that 'in work conditionality' – where people are expected to move from part-time to full-time work, including by taking on a second job, is not applied to people approaching State Pension age. It could also make changes to better incentivise part-time work among second earners in a couple (often women), who have little financial incentive to do so at present, since any earnings are immediately tapered away from the household Universal Credit award. One option would be to introduce a [second-earner Work Allowance](#), so that the first few hours of work are not taken into account during the Universal Credit calculation. The fear in Government has been that encouraging part-time work would lead to people trading *down* to work fewer hours. But when participation is already low these risks are less severe: at present, just 15 per cent of people on Universal Credit who are aged 60 and over are in employment, compared to 27 per cent of those in their 50s.

With a rising State Pension age, it will become even more important to consider the potential hit to people's living standards who must wait even longer to receive their State Pension. Previous [research](#) has shown that when the pension age rises it pushes more people into income poverty, primarily because they lose out on an extra year of State Pension income. And many of the people approaching pensionable age are living with health conditions that makes an income hit more difficult to manage: for example, [one-in-ten people](#) in their early 60s claim an incapacity benefit (such as UC-health). This may necessitate more spending on employment support to encourage these groups to either enter or remain in the jobs market.

Employment support should be tailored to older people. Lessons from history tell us that off-the-shelf schemes tend to be less effective for them. Under the Work Programme, a payment-by-results employment support scheme that ran from 2011 through to 2017, participants in their 60s were [a third as likely](#) as the youngest participants to experience a successful job outcome. One option could be to pilot a version of the [Youth Guarantee](#) (paid work offered to young people neither earning nor learning) to test what works for older people – potentially run through Jobcentres, libraries or GP surgeries. These pilots could

explore whether eligibility should be available to all or just those claiming Universal Credit, as with the Youth Guarantee.

The second concern is the regressive effect of increasing the State Pension age as some older people, notably those who are less affluent, tend to die earlier and so receive the State Pension for less time than their more affluent peers. This has always been a feature of the State Pension, but the effect becomes proportionately greater if the State Pension age rises faster than life expectancy (which we know has seen stalling progress in recent years).

Previous reviews of the State Pension age have shown that this problem cannot be resolved by complex systems of different pension ages for different groups. A better way forward is to use some of the savings from increasing the State Pension age to help older people with low living standards. There is already substantial means-tested assistance available to them. Pension Credit is important. A big factor is housing costs and older people are already a substantial proportion of the group who receive housing support through Housing Benefit or Universal Credit. Council Tax Benefit also provides increasing support for older people. However, there is a case for looking further at this means-tested support for people in their sixties.

Conclusion

The previous Cridland review of the Pension Age led to the then Government announcing it would increase to 68 in 2037-39. Since then, overall fiscal pressures have intensified, and the triple lock has already proved to be significantly more expensive than forecast. It is therefore necessary to increase the pension age to 68 in 2037-39. However, this needs to be accompanied with more ambitious measures to tackle economic inactivity amongst people in their sixties, notably promoting part-time work. And there is a case for enhanced means tested support for older people as they approach pension age.