Strategy Directorate

Solidarity between and within generations:

Responding to the UK baby boom within the context of an ageing society

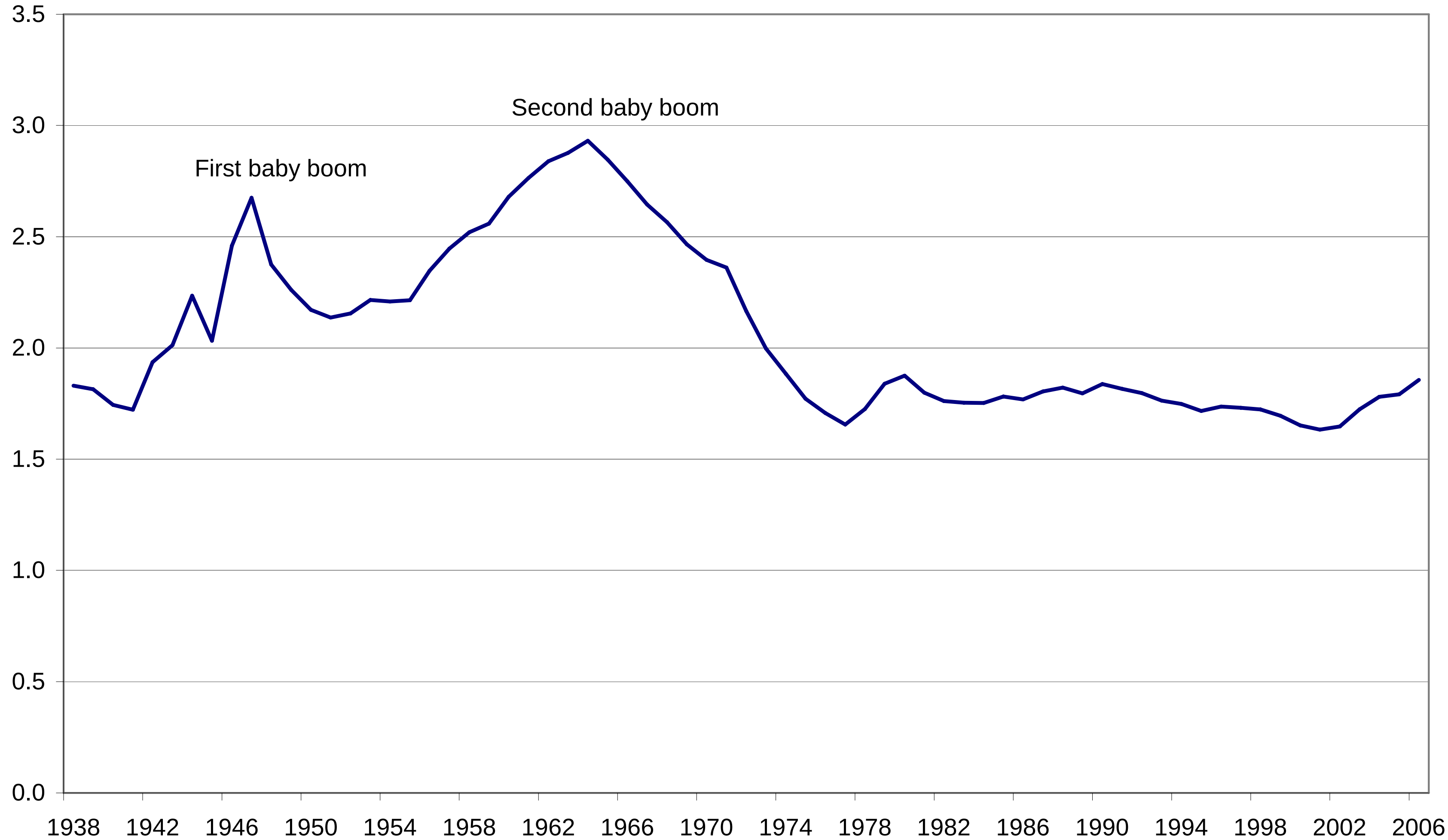
How generations and gender shape demographic change
Geneva, 14-16 May 2008

DWP Department for Work and Pensions

UK Baby Booms & An Ageing Society

- Like other advanced economies the UK population is ageing
- Imbalances between size of generations – baby booms
- Implications for state pension liabilities & taxation/debt
- Inter-generational fairness

UK Period Fertility



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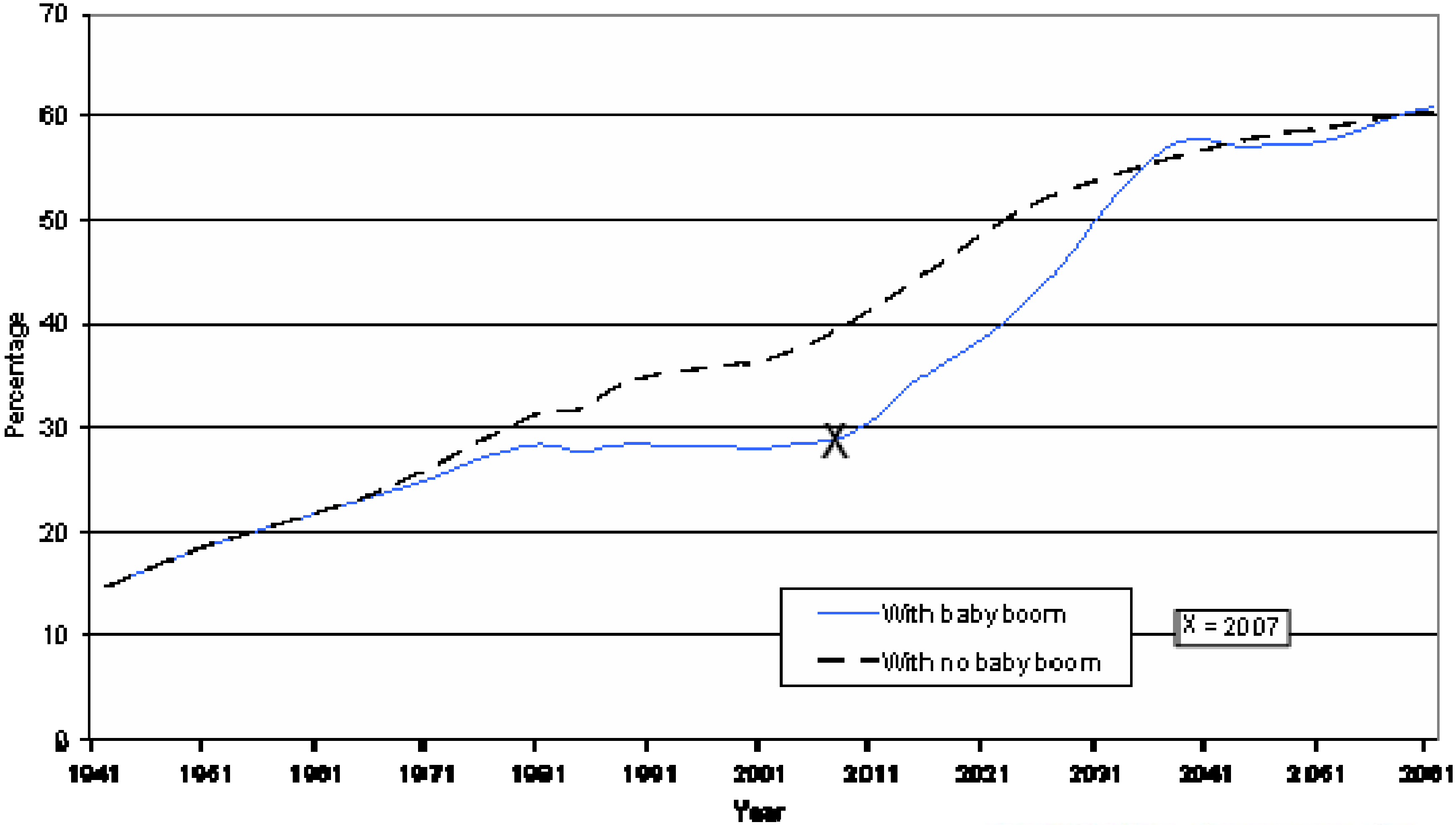
Old age dependency ratio



Potential approaches to an ageing society

- **Increase taxes on working age population**
- **Reduce generosity of state pensions**
- **Encourage greater private provision for retirement**
- **Encourage working among older population**
- **Pro-natalist policies**
- **Encourage prime age migration**

Extend working lives

- **Expands tax base & reduces means-tested state pension liability**
- **Policy levers:**
  - Deferral of state pension rights
  - The Employment Equality Regulations (age discrimination)
  - Flexible retirement
  - Abolish Default Retirement Age: committed to reviewing the Retirement Age in 2011

Raising State Pension Age

- Specific lever to increase working age population and balance tax burden across generations
- Justified on basis of improvements in life expectancy
- Pension Act 1995 allowed for equalisation in state pension age for males and females
- By 2020 males and females will both retire at age 65 - changes phased in over period 2010-2020
- The Pensions Act 2007 provide for State Pension Age for both men and women to rise to 68 in stages between 2024 and 2046

Pensioner poverty

- **Pension Credit/Minimum Income Guarantee**
- **Earnings up-rating of Basic State Pension**
- **Reducing contribution requirements for State Pension**
- **More generous treatment of those with caring responsibilities**

Encouraging saving for retirement

- New state-supported private pension scheme operating independently – ‘personal accounts’
- Reducing burden on taxpayer
- Low-cost scheme aimed at median/low income workers
- From 2012 all eligible workers will be automatically enrolled unless good alternatives exists
- Employees contribute 4 per cent, matched by 3 per cent employer contribution and 1 per cent in the form of tax relief
- Members have a choice over type of investment