



9th July 2025

Family Finance
Surveys User
Conference 2025

@TheIFS

When I'm Sixty Six? How has raising the state pension age affected British households

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Economic
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Research Council

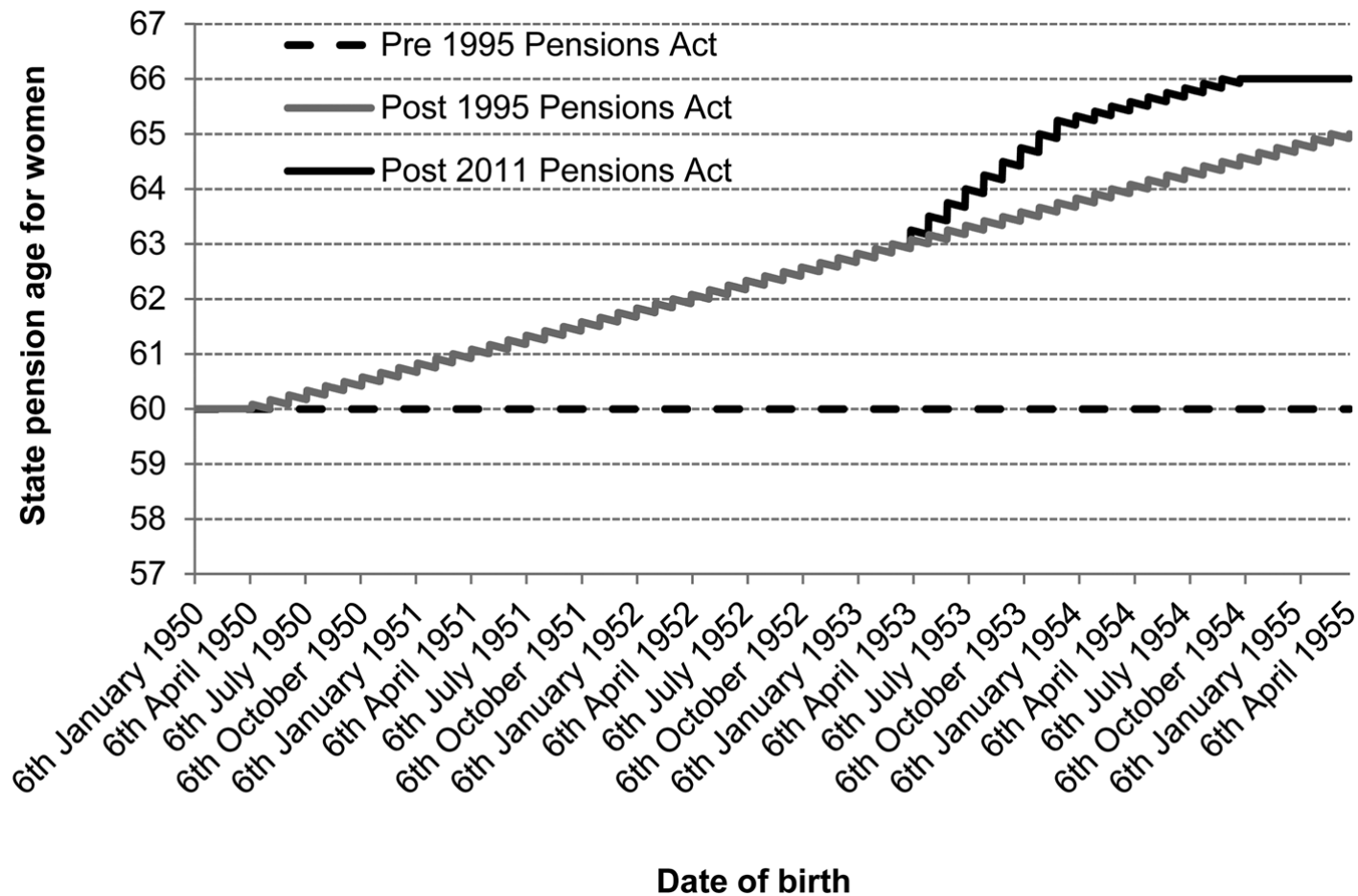
- Increases in the **state pension age** are an important policy lever for governments controlling the cost of an ageing population
- Taken up by **many governments internationally** including the UK
 - Pre 2010: 60/65. Now 66 & rising to 67 by 2028 and 68 by 2046
- The case for further increases (or policies to accompany them) depend in part **on their economic and social effects**:
 - Increases in **employment** (and spillover effects of higher work)
 - Changes in **household income** and poverty
 - Changes in **other important outcomes** e.g. health and wellbeing
- **Heterogeneities in responses** are important for evaluating the consequences of increases in SPA

- Important given this is Family Finance Surveys User Conference (!)
- Our work relies on a **wide range of family finance surveys**
 - Labour Force Survey/ Annual Population Survey
 - Family Resources Survey
 - English Longitudinal Study of Ageing
 - + other researchers using Understanding Society
- Allows us to understand the **range of economic responses** to key policy changes in a way that administrative data do not allow

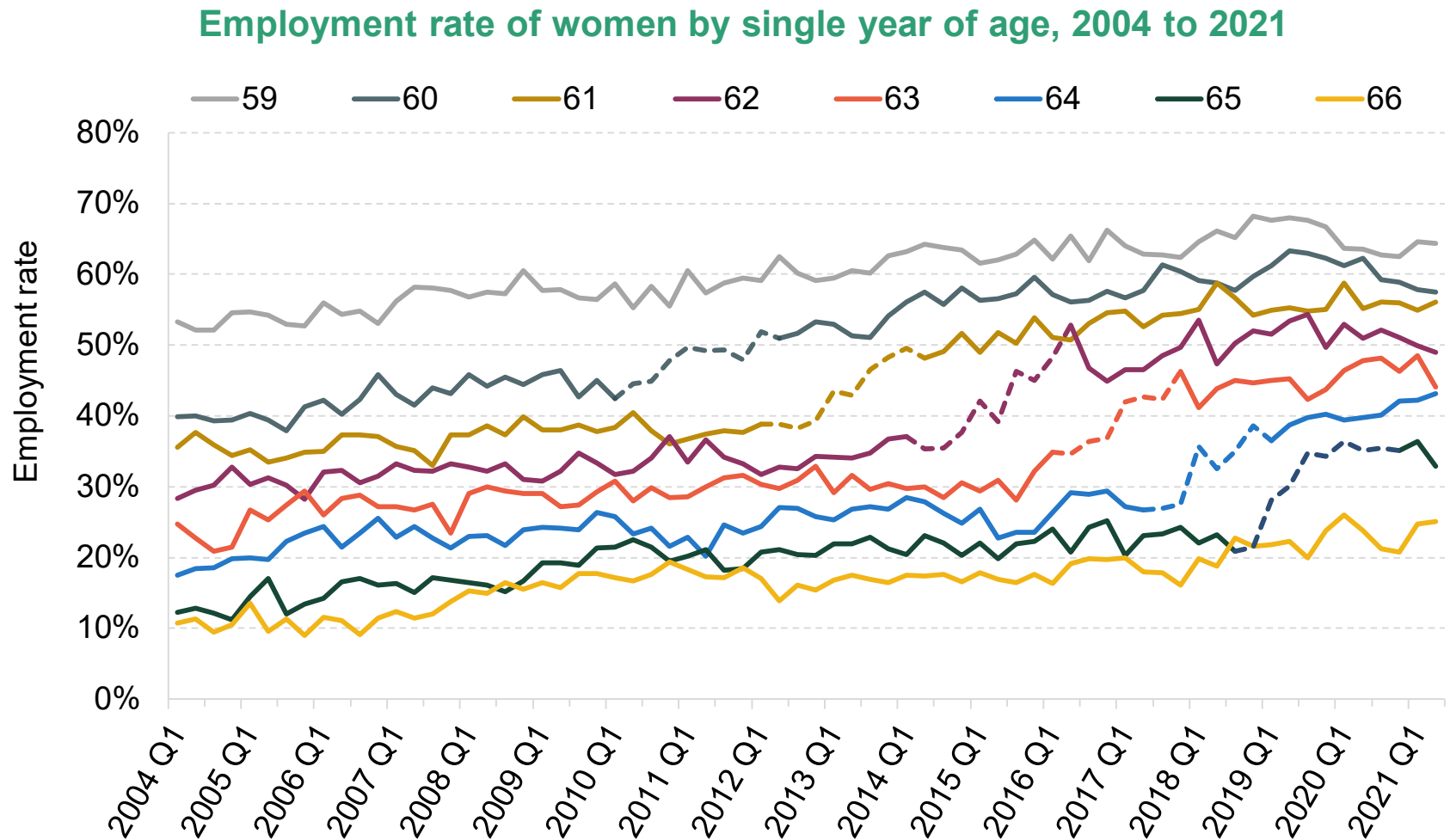
Why study increases in the UK when so many countries have increased state pension ages?

1. **Different pension systems** are structured in different ways (making it harder to draw parallels across countries)
2. Wide **range of mechanisms** (including behavioural factors) that underlie responses -> makes ex-ante analysis hard
3. UK system has **few incentives to retire** at SPA -> understand other important factors for retirement behaviour
4. UK has **many data sources** + large reforms (for women) allowing us to estimate wide range of responses and heterogeneity

Methodology: staggered difference in differences



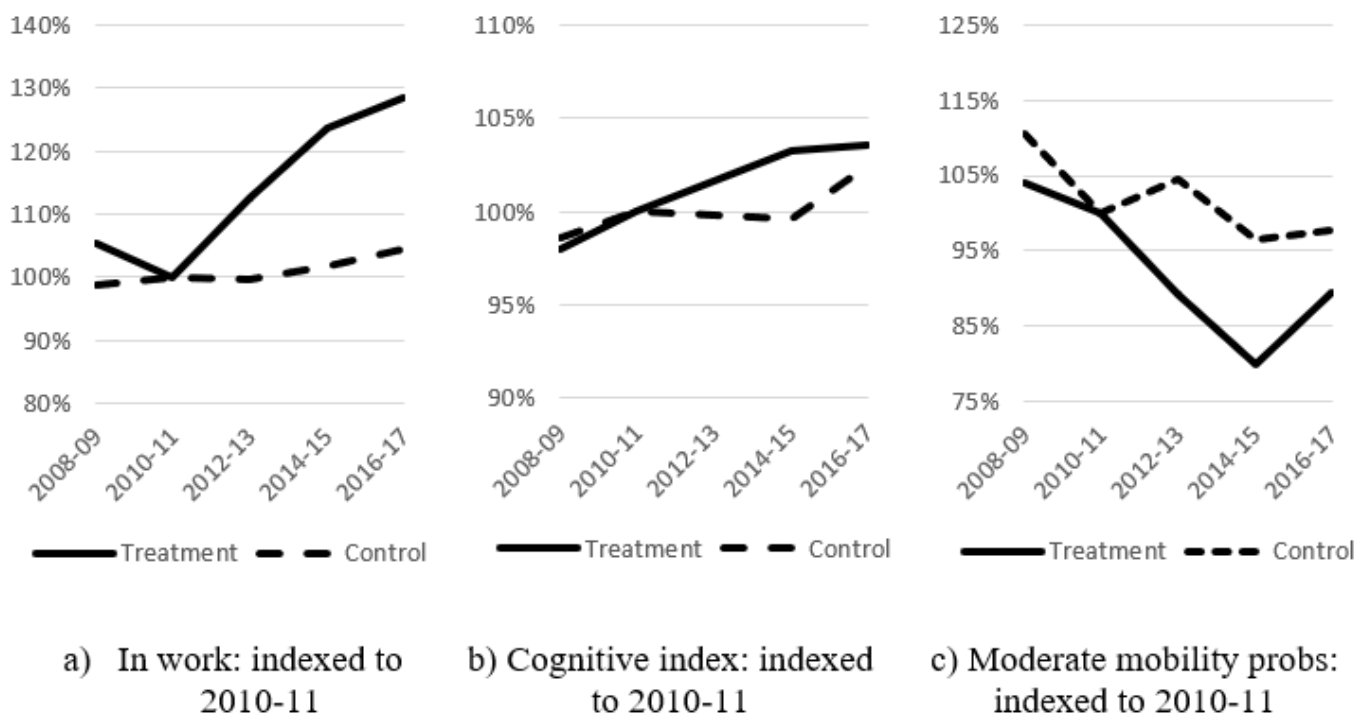
1) Employment



Employment effects

- Increases in employment when SPA rises **concentrated entirely amongst people in paid work in their late 50s**
 - +16 percentage points employment rate if in work at 58
 - No change in employment rate if out of work at age 58
 - See Cribb et al (2025); Coile et al (2025); Staubli and Zweimuller (2013)
- Effects are much **higher for those who are credit constrained**: 13 percentage point larger than for wealthy groups (Coile et al 2025)
- No evidence responses driven by lower wealth or employers
- But some people with significant liquid wealth still delay retirement in response to higher SPA: **potential for behavioural effects**

More work can be good for you

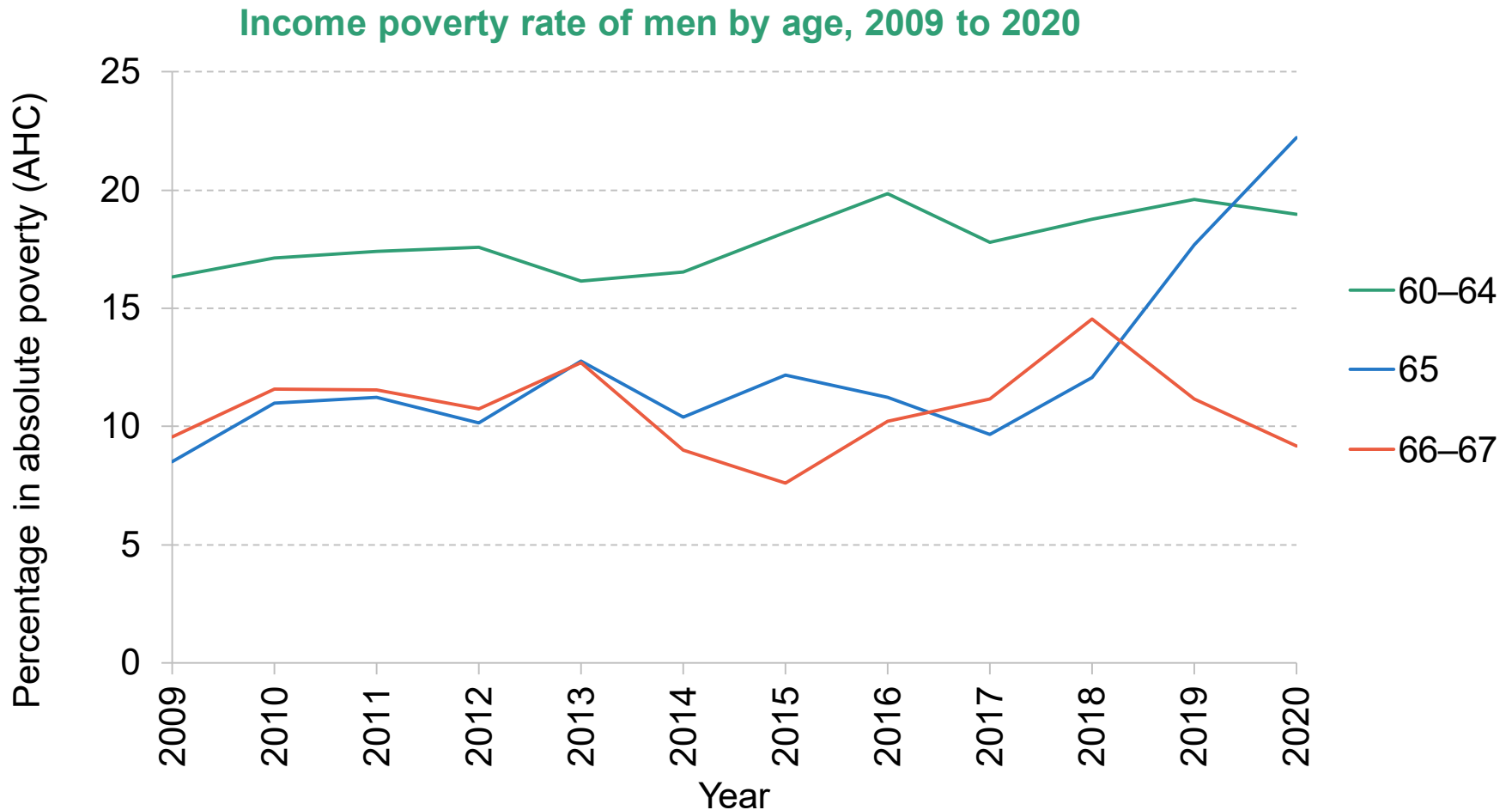


- Increases in work for women aged 60-63 **increases cognition and improves physical disability** (Figure 1, Banks et al 2025, based on ELSA data)
- Cognition improves** in particular for single women
- Despite average increase in **walking speed**, it **falls for women who are in sedentary occupations** due to lower levels of exercise

2) Household income and poverty

- Increases in the state pension age have **effects on household incomes** (Cribb and Emmerson 2019, based on FRS data)
 - Large falls in state pension income
 - Small falls in private pension income
 - Moderate rises in employment incomes
 - Small rises in other benefits
- Taken together: increases in SPA from 65 to 66 **reduced net income** by £108 per week (Cribb and O'Brien 2022, using FRS data)
 - Bigger falls in income for people out of work for people in their late 50s (Cribb, Henry and Karjalainen 2025, using ELSA data)
 - Similar amounts across the distribution -> more important for poorer people & **rises in income poverty**

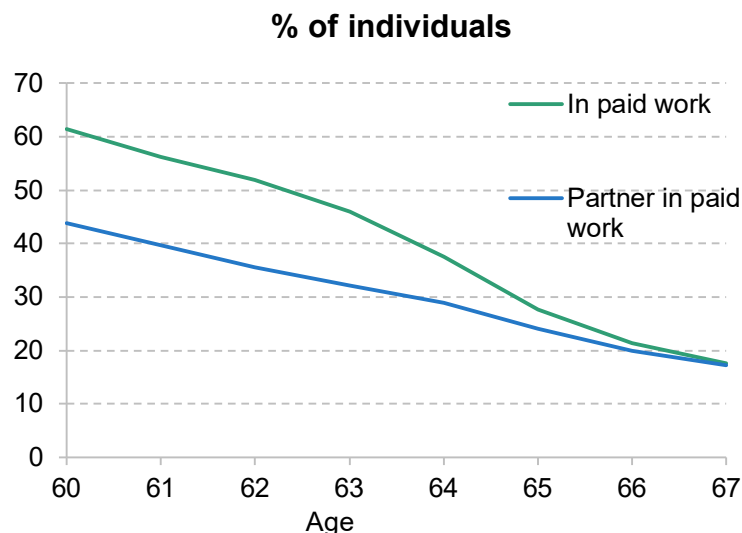
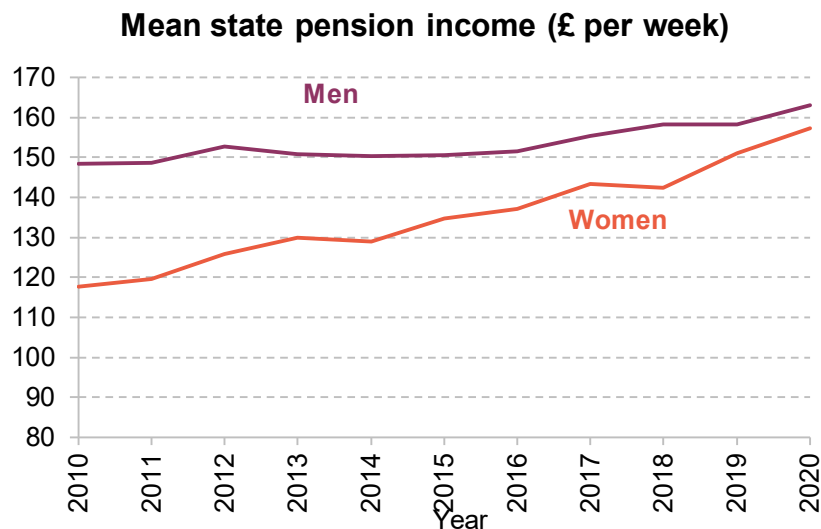
Rises in income poverty



Source: Figure 4.2 Cribb and O'Brien (2022), based on FRS data

Rises in income poverty

- Increase in state pension age from 65 to 66 has **larger impact on income poverty** than increases from 60 to 62
 - **+14 ppts** for 65 year olds vs **+6 ppts** for 60-62 year olds
 - Cribb and O'Brien (2022) vs Cribb and Emmerson (2019)
- **Why?**



3) Health and wellbeing

- Some evidence of **declines in mental health** (summary from Cribb, Emmerson, Johnson and Karjalainen 2023)

Outcome	Effect of increasing SPA	Study	Increase in SPA studied
Health: self-reported	–0.01 points On a five-point scale	Amin-Smith and Crawford, 2018	Women: 60 to 63
Health: any moderate mobility problems	–6.6 ppt (i.e. an improvement)	Amin-Smith and Crawford, 2018	Women: 60 to 63
Mental health	–2 points (i.e. a worsening) On scale between 0 and 100	Carrino, Glaser and Avedano, 2020	Women: 60 to 63
	–0.5 points On scale between 0 and 36	Della Giusta and Longhi, 2021	Women: 60 to 63
Mental health: indicator of depression	–0.1 ppt	Amin-Smith and Crawford, 2018	Women: 60 to 63

- **Declines in wellbeing** following increases in state pension age (life satisfaction on 10 point scale)
 - Concentrated on those not in paid work in late 50s (Cribb, Henry and Karjalainen 2025)

Effect of being under SPA on wellbeing

	Effect of being under SPA	Standard error	Mean at age 59	N
All: ELSA	−0.320*	(0.165)	7.249	3,869
All: APS	−0.247***	(0.046)	7.470	48,830
Not in work at age 58: APS	−0.376***	(0.107)	7.010	15,424
In work at age 58: APS	−0.195***	(0.046)	7.690	33,112

Conclusion

- Increases in state pension age are **important drivers of increases in employment** for people in their 60s
 - Combination of credit constraints and (likely) behavioural factors.
- In some ways, more paid work **can be beneficial**
 - But households also see experience falling incomes, rising poverty, falls in wellbeing, rises in mental health issues
- These impacts should be **balanced against substantial Exchequer gain** (£6 billion per year from one-year increase in SPA)
- Increasing SPA much more regressive than limiting indexation of the state pension (Cribb, Emmerson and Karjalainen, 2025)
 - Limit indexation rather than just rely on SPA increases
 - Boost means-tested benefits beneath SPA as SPA rises
 - Recommended by IFS Pensions Review (Cribb et al 2025)

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