



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Wood of Anfield
Chairman, Economic Affairs Committee
House of Lords
London
SW1A OPW

18 February 2026

Dear Lord Wood,

I am grateful to the Committee for its report and continued engagement on the implications of an ageing society. These are challenges faced not only in the UK, but across advanced economies, that present significant policy considerations for this and future governments.

The fact people are living longer is something to be welcomed. It has long been a societal objective to ensure people are able not only to live longer but also enjoy good quality of life into older age. At the same time, these demographic changes inevitably bring new pressures, particularly for public services and the public finances, which governments must plan for responsibly.

In responding to these pressures, the government is focussing on three related areas: supporting those approaching, or that are of, State Pension age; preparing younger generations for retirement in the decades ahead; and ensuring that the overall system remains fair and sustainable between generations.

For those currently, or approaching, State Pension age, the government is committed to ensuring that older people live with dignity and security. As part of this the government is maintaining one of the most generous State Pension uprating mechanisms in the world – the Triple Lock – for the duration of this Parliament.

To grip the significant long-term fiscal and social challenge that adult social care presents the government has launched the independent Casey Commission into adult social care, which forms part of our critical first steps towards delivering a National Care Service.



Looking to younger generations, the government recognises the need to ensure that working people today are able to achieve good retirement outcomes in the decades ahead. That is why the government has launched the Pensions Commission to consider longer-term questions of adequacy, fairness, and sustainability, shaping reforms that ensure people can continue to retire with security and dignity as society and the labour market evolve.

Economic growth is the central mission of this government, because stronger growth underpins rising living standards and the ability to fund high-quality public services as the population ages. The government is therefore prioritising measures to support long-term growth, including through reforms to the National Planning Policy Framework, the Planning and Infrastructure Bill, supporting growth in the Oxford to Cambridge corridor, and backing Heathrow expansion.

The government also recognises the importance of intergenerational fairness, including how today's policy choices shape future outcomes for both younger and older people. The State Pension Age Review, led by the independent reviewer Dr Suzy Morrissey, will inform future decisions about how long people spend in work and in retirement as life expectancy continues to rise.

The annex to this letter responds to the Committee's recommendations. Each recommendation is set out in bold, followed by the government's response.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'James Murray'.

RT HON JAMES MURRAY MP
CHIEF SECRETARY TO THE TREASURY



Annex A

The government should set out its longer-term assessment of the potential policy responses it thinks should be considered in those scenarios where productivity grows at the rate it has since the financial crisis. This work should build on its response to the OBR's Fiscal Risks and Sustainability Report. This assessment should explicitly consider the role that increasing workforce participation can play in improving the old-age dependency ratio. (Paragraph 52)

As set out in the government's response to the 2025 FRS, which was published alongside the Autumn Budget, long-term productivity and economic growth is a critical element of any fiscal sustainability strategy. Faster growth will significantly improve debt dynamics and alleviate pressures on the public finances. Previous periods of sustained debt reduction have been supported by favourable macroeconomic trends, including strong economic growth. The government's macroeconomic-fiscal strategy prioritises economic growth, whilst aiming to get borrowing and debt down in the medium term. The IMF has highlighted that reforms to boost growth and medium-term fiscal consolidation measures are necessary across Europe to "keep the fiscal situation under control". The government is taking action to drive long-term growth. Decisions taken across this Parliament, including planning reform, planned increases in public investment, and trade deals struck with other countries will raise output in the medium and longer term (see chart below). The Office for Budget Responsibility (OBR) estimates that the combined supply-side effects of policy announced across the Parliament will raise the level of GDP by over 0.6% after 10 years.

The OBR's Fiscal Risks and Sustainability Report (FRS) is an important part of the government's effective fiscal risk management framework. The report fulfils the OBR's obligation in the Charter for Budget Responsibility to examine and report on the sustainability of, and risks to, the public finances. The government committed to respond to the FRS, increasing the transparency of the decisions taken to manage risks to the public finances, improving accountability to Parliament and to the public.



The government agrees that higher workforce participation, particularly at older ages, can play an important role in supporting growth and improving the old age dependency ratio. It is in everyone's interests that employment at older ages is seen as a normal and valued choice and there is strong evidence that good work supports people's health and wellbeing.

Health barriers are the main driver of inactivity among older workers. The Get Britain Working White Paper, alongside record NHS investment, shows that reducing ill-health is a priority for this government, and that the government will provide work, health and skills support for disabled people and those with health conditions through our Pathways to Work Guarantee. The government, in partnership with businesses, also launched 'Keep Britain Working,' an independent review into the role of employers in promoting healthy and inclusive workplaces, which published its findings in November.

The government also offers bespoke employment support to help unemployed older workers into work through Jobcentres, alongside free Skills Bootcamps and the Lifelong Learning Entitlement. These offers support adult learners to upskill and retrain across their working lives. Older workers are also able to access wider employment support programmes such as Restart and Connect to Work.

The government should set out the policies it has in place to encourage those in their mid-50s to mid-60s to return to or remain in work, including the expected impact of these policies on the rate of economic inactivity and the fiscal impact, in particular on the old-age dependency ratio. As part of this, the government should look at tax and other incentives—including eliminating any cliff edges in public service pensions. (Paragraph 78)

The government is determined to unlock the potential of people of all ages across the UK, with an ambition of an 80 percent employment rate. That is why the government is increasing funding for employment support to more than £3.75 billion per year by 2028-29. This funding will help people access the skills they need and support more people to get better jobs. This includes providing personalised employment and health support for



anyone on out-of-work benefits with a work-limiting health condition or disability, as set out in the Pathways to Work green paper.

The government offers bespoke employment support to help unemployed older workers into work through Jobcentres, including additional support from work coaches, and the Midlife MOT, which allows older workers to review their finances, skills and health. Older workers are also able to access wider employment support programmes such as Restart and Connect to Work.

The government is also delivering Sector Based Skills Academy Programmes (SWAPs), bringing together pre-employment training, work experience, and a guaranteed job interview. SWAPs had 56,000 starts by people aged 50+ from April 2021 to June 2025.

To support adult learners to upskill and retrain in priority sectors with skills shortages, free Skills Bootcamps are available across the country. Eligible learners are guaranteed a job interview on completion.

The government is also launching the Lifelong Learning Entitlement (LLE). This will enable individuals to learn, upskill and retrain across their working lives. It will create opportunities for both young people and adults to develop the skills needed to succeed in life, contributing to growth across the entire country and supporting our industrial strategy.

The government should consider a campaign to educate younger people on this issue [the financial cost of retirement]; and it should also consider whether our financial industry is suitably organised to provide for the population as it ages. (Paragraph 79)

The government recognises the importance of equipping young people with the financial skills they need to make informed decisions about their future – including understanding the amounts they may need to fund their retirement. Work is already underway to support this objective. In England, pensions are already covered within the secondary school curriculum as part of existing financial education provision. However, the government is placing greater emphasis than ever on building strong financial literacy and preparing young people for life's key financial decisions. In November 2025, as part of the Financial



Inclusion Strategy, the government announced that financial education will become compulsory in primary schools in England through a new statutory requirement to teach citizenship. There will also be a renewed emphasis on financial education in secondary schools, with reforms to ensure that key foundational concepts – such as calculating interest – are first introduced in maths, and that citizenship then provides opportunities to apply these concepts in relevant, real-world contexts. Young people will learn about tax, scams, bank accounts, savings and pensions. Through these reforms, the government is building a generation better equipped to plan for and navigate significant financial decisions, such as those relating to retirement.

The government wants to make it easier for people to understand their pensions information and prepare for financial security in later life. This is important as people moving around the labour market throughout their working lives can generate difficulties in keeping track of pension savings. Low pensions engagement also remains an issue, with people not saving enough for retirement, and many not equipped to make informed decisions about their pensions. Pensions dashboards will be an online service that will enable people to find and view information about their pensions, helping support people to keep track of, and engage with, their pension savings. It is too early to confirm a launch date for the government-backed MoneyHelper Pensions Dashboard as progress will need to be monitored across a range of areas to ensure the government is confident the service is safe. However, three quarters of pensions records in scope of the Pensions Dashboards Regulations 2022 are now connected. Over 700 of the largest pension providers and schemes are connected with over 60 million records integrated into dashboards, as well as State Pension data also being accessible. The Pensions Dashboards Programme recently published their biannual Progress Update Report in December 2025 and provided an update on the latest developments in dashboard delivery.

The government also notes the Committee's recommendation to consider whether the financial industry is suitably organised to provide for the population as it ages. The Committee may wish to note that the government, together with the Financial Conduct Authority, has developed a new targeted support regime which will go live later this year.



Targeted support will enable authorised firms, for the first time, to suggest appropriate products or courses of action to consumers based on their broad financial situation. This could include, for example, a pension provider suggesting that an individual changes their contribution rates or withdrawal rate to help ensure they maintain adequate retirement savings and sustainable income throughout later life. Targeted support is intended to address directly the issue highlighted by the Committee of inadequate pension provision, representing the biggest reform of the financial advice and guidance landscape in more than a decade, and delivering a step change in the support people receive with their pensions.

In parallel, the government is committed to promoting confidence in pension saving and ensuring that future generations of pensioners have security in retirement. This is why the government announced a landmark two-phased review of the pensions system days after coming into office. The first phase, the Pensions Investment Review, focused on reforming the pensions landscape to boost savers' pension pots. These reforms will be delivered through the Pension Schemes Bill. The Pensions Commission will build on these foundations and make recommendations to the government on the broader questions of adequacy, fairness, and sustainability to guide the long-term future of our pensions system. The Pensions Commission is being led by Baroness Jeannie Drake, Sir Ian Cheshire and Professor Nick Pearce.

The government also recognises that structural changes in the pensions market – notably the shift from Defined Benefit to Defined Contribution schemes and the introduction of pension freedoms – mean that many people now retire with savings pots rather than pension income for life. This makes it all the more important that these savings are managed to last for the duration of retirement and deliver good outcomes. To address this changing pension landscape, the Guided Retirement reforms in the Pensions Schemes Bill will require workplace pension schemes to provide members with well-designed default pension plans for retirement, which will normally provide a regular income for life. The intention is that, if they don't want to, individuals need not make any decisions about how they should take their pension benefits, except to confirm they want to start



receiving payment. Individuals will retain their pension freedoms and will be able to opt out of any default arrangement and take their pension benefits another way if they choose. Together, Targeted Support, Guided Retirement and the Pensions Commission form a coherent programme designed to ensure individuals are better placed to achieve secure and sustainable incomes throughout retirement.

The government should set out its projections for pensioner poverty under a range of scenarios of increasing life expectancy. It should also set out those policies it considers sufficient to address any associated increases in pensioner poverty. (Paragraph 80)

The government is committed to ensuring that older people are able to live with the dignity and respect they deserve, and the State Pension is the foundation of state support for older people. The government has committed to the Triple Lock for the duration of this parliament. The basic State Pension, new State Pension and Pension Credit Standard Minimum Guarantee all increased in line with earnings growth of 4.1 per cent in 2025-26 and will be increasing by 4.8 per cent in April 2026.

For pensioners with low incomes the government provides Pension Credit, an income-related benefit which targets help at the poorest pensioners who, for whatever reason, have been unable to save for their retirement. The government is committed to ensuring it is claimed by eligible pensioners, providing those on the lowest incomes with the help they need. The government welcomes the record numbers of claims which the Department has seen – a 44% increase over the year to the end of July 2025 and nearly 60,000 extra awards compared to the equivalent period the previous year.

The Pensions Commission's terms of reference specifically include considerations of pensioner adequacy and how to improve future retirement outcomes, especially for those likely to be on the lowest incomes and at the greatest risk of poverty in retirement. The Commission has begun its work and will consider all of the evidence as part of its workplan, which will also include engagement with a broad range of stakeholders before preparing their recommendations for the Government to consider. The Commission is expected to submit its final report to the government in 2027.



Successive governments have failed to focus on the issues raised by an ageing society. Given the scale and potentially transformative implications of an ageing society, the Government should establish a Cabinet sub-committee focused on ageing, analogous to the National Science and Technology Council. This should be chaired by the Prime Minister. (Paragraph 88)

The government is committed to ensuring the right structures are in place for coordinating its response to the challenges posed by an ageing society. Boosting economic growth is central to this response and the Prime Minister has recently announced a number of changes to the Cabinet committee structures, including the establishment of a Growth and Living Standards Committee which has a terms of reference to consider matters relating to economic growth and the improvement of living standards.

The government should commit to publishing an overarching strategy statement that sets out how it plans to address the challenges of an ageing society in a cohesive way. The government should also set out explicitly how it will ensure that the necessary policy co-ordination will take place. (Paragraph 89)

The government already takes a strategic and cross-cutting approach to issues relating to an ageing society. Policies affecting older people and longer working lives are embedded across a range of government strategies, including those relating to health and social care reform, labour market participation, pensions, housing, and skills. The government considers this integrated approach preferable to a single standalone strategy, given the breadth and complexity of the issues involved.

For example, DWP considers demographic trends in the State Pension age Review. The Review will include an independent report, led by Dr Suzy Morrissey. This report will make recommendations on a framework that the government can use to consider the future of the State Pension age, looking at factors such as intergenerational fairness and the long-term sustainability of the State Pension.



The Department of Health and Social Care (DHSC) consider these trends when devising their strategies, such as the 10 year Health Plan, which sets out a long-term vision to reform the NHS and make it fit for the future.

Coordination across departments is supported through established committees, official-level cross-government groups, and oversight by HM Treasury, including through the Spending Review and Budget processes. These mechanisms ensure that policies are aligned, fiscally sustainable, and mutually reinforcing.

The government will continue to keep its approach under review and welcomes the Committee's contribution.

The government should set out which of the recommendations of the Foresight Review are being acted upon within the current Government's policy agenda. (Paragraph 90)

The government recognises the Foresight 'Future of an Ageing Population' review's analysis that an ageing society requires coordinated action across employment, health, and other policy areas, and that these issues are closely interlinked. These priorities are already reflected across the government's policy agenda.

The government is supporting longer working lives by helping people to remain in, and return to, work later in life. As set out in the Pathways to Work green paper, the government are providing more personalised employment and health support for people on out-of-work benefits with a work-limiting health condition or disability, recognising that poor health is a major barrier to sustained participation in the labour market at older ages. The government also offers bespoke employment support to help unemployed workers into work through Jobcentres, including additional support from Work Coaches and the Midlife MOT, which allows older workers to review their finances, skills and health. Older workers can also access wider employment support programmes such as Restart and Connect to Work. To support adaptation to changing labour market demands, the government is delivering Sector Based Work Academy Programmes (SWAPs), which bring together pre-employment training, work experience, a guaranteed job interview, with 56,000 starts by people aged 50+ between April 2021 and June 2025.



Free Skills Bootcamps are also available to help adults upskill and retrain in priority sectors with skills shortages, and the Lifelong Learning Entitlement will enable individuals to learn, upskill and retrain across their working lives.

The ability to work for longer is closely linked to health and the government recognises that improving healthy life expectancy and reducing health inequalities are central to supporting secure and dignified retirements. The government recognises that delivering these improvements requires a shift towards prevention and care closer to home, particularly for people with complex and long-term conditions. To help address this, NHS funding will be distributed more equitably at local level so that resources are better aligned with population health need, alongside reforms set out in the 10 Year Health Plan to strengthen neighbourhood services and reduce avoidable demands on hospitals. The government is also addressing the wider determinants of health as part of a shift from sickness to prevention, recognising the links between health, employment, and housing. This includes action to reduce economic inactivity through the Keep Britain Working Review and tackling homelessness through the long-term homelessness strategy, supporting better health outcomes and reducing future pressures on health and care services.

The government recognises that physical, social and technological connectivity are increasingly shapes access to work, services and support in later life. enabling older people. As employment, healthcare and public services become more digitised, the risks associated with digital exclusion become more acute for older people. The Digital Inclusion Action Plan sets out a coordinated cross-governmental approach to improve access, skills and support, working with local authorities, the voluntary sector and industry, and supporting locally designed interventions that reflect community needs

The government should set out the policies it has in place to narrow this gap [between life expectancy and healthy life expectancy], and the specific impacts it expects those policies to have. (Paragraph 97)

The UK faces significant health inequalities, with life expectancy and healthy life expectancy varying widely across and between communities.



It is not right that people who live in different parts of the country have different chances of living well. A girl born in Barnsley can expect to live 53 years in good health whereas a girl born in Wokingham can expect to live 71 years in good health, a gap of 18 years.

The government remains committed to halving the gap in healthy life expectancy between the richest and poorest, an ambitious commitment that shows this government is serious about tackling health inequalities and addressing the social determinants of health.

DHSC recognises that delivering these improvements will require a system change by embedding health equality in all DHSC does. For example, the current model of care works least well for those who already experience disadvantage and are far more likely to have complex needs.

The 10 Year Health Plan has set out a long-term vision to reform the NHS and make it fit for the future. Addressing healthcare inequity is a core focus of the 10 Year Health Plan, to ensure the NHS is there for anyone who needs it whenever they need it.

The social determinants of health, sometimes called the wider determinants of health, are the 'building blocks' of health. They heavily influence our health and are a significant contributor to health inequalities. The government is addressing these social determinants as a key part of our shift from sickness to prevention, for example, helping to address economic inactivity through the Keep Britain Working Review and the long-term homelessness strategy.

The government should set out what work the Department for Work and Pensions is doing to increase the provision and take-up of occupational health services and when it plans to next set out policy on this issue. (Paragraph 99)

The government recognises the important role that occupational health services can play in supporting people to stay in work, preventing avoidable sickness absence, and reducing health related economic inactivity, when used appropriately. Occupational health helps boost productivity and is crucial for assessing work fitness and managing returns to work.



Improving workplace health is also a key part of the DWP's wider Work and Health agenda.

On 29 December 2025, DWP announced short term funding of up to £800,000 to deliver Institution of Occupational Safety and Health training for small to medium sized businesses. This training will help equip 5,000 managers with the skills and confidence to identify emerging health-related issues, use occupational health provision effectively and make appropriate adjustments at work. By strengthening management capability, this programme will help improve referrals to occupational health services and support earlier intervention, particularly in organisations without established inhouse provision.

DWP, together with Department for Business and Trade (DBT) and DHSC, is taking forward activity in response to the recommendations of the Keep Britain Working Review by Sir Charlie Mayfield, which set out to address the issue of economic inactivity driven by ill-health and disability. The review highlighted inconsistent access to occupational health and the need for more preventative and joined up approaches to work and health, and recommended government encourage employers to embrace a Healthy Employment Lifecycle, develop a better workplace provision and test more joined up approaches between employment support, health services and workplace adjustments.

The government formally responded to the Review on the 5 November 2025 and announced the launch of a vanguard phase with over 60 employers to pilot responses to the Review's recommendations across different sized organisations and sectors. To support the Vanguard Phase, the government will also establish a Workplace Health Intelligence Unit to collate data and build evidence on the return on investment for business.

Alongside this, DWP continues to work with DHSC to test new approaches to integrating work and health support through programmes such as WorkWell, including improving signposting to appropriate occupational health input and reducing barriers to access for individuals at risk of falling out of work.



The government should respond swiftly on publication of the final report from the commission [into adult social care being carried out by Baroness Casey of Blackstock]. (Paragraph 106)

Adult social care presents a significant long-term fiscal and social challenge across the Western world due to factors including demographic changes and medical advances. Without action, real social care costs are expected to nearly double by 2038 (compared to 2018).

To grip this challenge, the government has launched the independent Casey Commission into adult social care, which forms part of our critical first steps towards delivering a National Care Service. Phase 1, reporting in 2026, will focus on how to make the most of existing resources to improve people's lives over the medium term.

Phase 2, reporting by 2028, will make longer-term recommendations for the transformation of adult social care, addressing demographic change, how services should be organised to deliver this and how to best create a fair and affordable adult social care system.

The government will respond to both the Phase 1 and Phase 2 reports to ensure timely and effective actions can be taken to improve social care outcomes.

In the meantime, the government is already putting the core foundations of a National Care Service in place, aligned with the government's three objectives for adult social care: improving the quality of care by valuing and supporting our vital care workforce, legislating for a Fair Pay Agreement backed by £500 million of funding. The government is strengthening join-up between health and social care services by developing neighbourhood health services and reforming the Better Care Fund. And it is enabling people to have more choice and control over their care, for instance by promoting greater use of direct payments.

The government should set out what trials it has run of support for smaller employers to offer flexible forms of work, the results of those trials and what plans it has to run further trials or to implement policy based on the results achieved to date. (Paragraph 110)



The government recognises that flexible working can lead to improved employee wellbeing, staff retention, and productivity, which could enable older individuals to remain in the workforce. The Employment Rights Act makes it more likely that flexible working requests will be accepted, prompting employers and employees to think creatively about the types of flexible working that might be feasible and suitable in their circumstances.

The government is consulting on these reforms after having engaged with both smaller and large employers and will gather insights on what guidance and support employers, including smaller businesses, would find most effective. This evidence will inform the resources developed to support businesses to build familiarity with these changes before they take effect in 2027.

To further support smaller employers, the government is also launching a new Business Growth Service (BGS) which makes it easier and quicker for businesses across the UK to get the advice and support they need to grow and thrive, including on issues like how to offer more flexible forms of work which can benefit many groups, including older workers.

The government should share any analysis it has carried out of the prevalence of age discrimination in the workforce and the effectiveness of existing legislation in combatting it. The government should also set out whether it has considered whether updates to that legislation might be required as the workforce increasingly comprises older workers. (Paragraph 126)

The government is clear that older people are central to our society and recognises the challenges they face. It is committed to ensuring that support systems are in place. There are a variety of cross-government support services available ranging from employment support through Jobcentres to health and social care, with each service overseen by the appropriate Department. For example, to support older people into meaningful employment, tailored, intensive one-to-one support is available for eligible over 50s on Universal Credit.



The Equality Act 2010 contains strong protections for older people against age discrimination in a variety of settings, including work and the provision of services. The Act prohibits both discrimination because of age, subject to objective justification in limited circumstances, and harassment related to age. While the Act prohibits unfair treatment, it allows for a balanced approach where age-based policies may be objectively justified if they are a proportionate means of achieving a legitimate aim, such as health and safety or generational fairness. It also protects older people from discrimination and harassment that they may experience in relation to their other protected characteristics, such as disability, where the legal conditions are met, a protected characteristic older people are more likely to hold compared to the general population. For example, if an older person's age-related/associated health conditions meet the legal definition of disability, they will also be protected by the Act from disability discrimination. The government considers that this balanced framework remains fit for purpose in protecting the rights of an ageing workforce and will continue to monitor its application to ensure it keeps pace with changing labour market demographics.

The Office for Equality and Opportunity (OEO) are supporting critical cross-government work to address the range of challenges faced by older people in this country by looking at data and analysing intersections between different characteristics, including age. This data-driven approach is essential to continue to identify and address the challenges faced by older people in our society.

[Those who need to retrain in later lives are likely to be retraining at Levels 1–3.] The government should therefore extend the lifelong learning entitlement to Levels 1–3. (Paragraph 136)

The Lifelong Learning Entitlement (LLE) was first conceptualised in the Post-18 Review of Education and Funding: Independent Panel report (the Augar Report), where flexibility was a core tenet. One of the aims of the LLE is to enable people to train, retrain, and upskill to meet the needs of the economy and advance their careers. The skills gap identified by the Augar Review was at levels 4 and 5.



Therefore, as announced in the government response to the LLE consultation in March 2023, the LLE will be the student finance system for all L4-6 loan-funded courses that start in January 2027 onwards. This includes courses currently funded by HE Student Finance (e.g. degrees, integrated master's and HTQs), and those by Advanced Learner Loans with clear learner demand and employer endorsement. Also, PGCEs, integrated master's programmes, and courses containing Foundation Years will be in scope.

As set out in the Post-16 white paper, the government recognises that adults will continue to need different skills training to meet the needs of the economy and to progress into, and within, work at both level 2 and level 3. The government has already introduced new qualifications for adults and there is a wide range of qualifications available.

The government will continue to work with colleagues across government, strategic authorities, awarding organisations and providers to ensure the qualifications landscape meets the needs of adult learners. The Post-16 level 3 and below pathways consultation focuses on 16 to 19-year-olds. The government will consider the next steps for adult qualifications (19+) in future.