

HOUSE OF LORDS

Economic Affairs Committee

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2nd Report of Session 2024–26

# Preparing for an ageing society

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Q in footnotes refers to a question in oral evidence.

## SUMMARY

The UK is an ageing society, driven by both declining fertility and rising life expectancy. No government has successfully reversed the former and the latter is something to be celebrated. However, these trends combined will give rise to significant economic and fiscal challenges; absent substantial improvements in productivity growth—to levels not seen in the UK since before the financial crisis—or in workforce participation there will be significant downward pressure on government finances and on living standards, driven by a significant rise in the old-age dependency ratio. The Government will need to spend more using a shrinking tax base, with the risk that the long-term debt burden becomes unsustainable.

Despite many thinking that raising the State Pension Age (SPA) is a solution, this is not the case. Our evidence revealed that by the time the SPA is reached, many have already exited the workforce. Many likewise maintain that immigration is a solution to these demographic trends. But even considerably higher levels of immigration—assuming they were socially acceptable—would not be sufficient to address the issues the UK faces. And experience from abroad indicates that attempts to boost the fertility rate have met with little success.

The greatest improvement in fiscal outlook will instead come from encouraging and incentivising those in their mid-50s to mid-60s to remain in or return to work. As well as improving the fiscal position of the Government, this will help prevent increases in pensioner poverty which, without any postponement of the age at which people stop working, can only be expected to increase as people live longer. Addressing this issue, alongside measures to encourage more young people to enter the workforce, must be a priority.

Several factors play a role in determining people's workforce participation. One is caring responsibilities. With people having fewer children, this problem can only get worse given that much care is provided informally by younger family members. The lack of a meaningful solution to the adult social care crisis—which has been recognised for many years—remains a scandal and we urge the Government to address this urgently. However, the reality is an ageing population is likely to require more care workers, which inevitably means fewer workers available for other productive sectors of the economy.

Age discrimination may also play a role in reducing workforce participation among the over 50s, though we heard mixed evidence in this regard. It could be that the most damaging form of age discrimination is in fact self-directed, with older workers operating under a mistaken impression of its extent and therefore limiting their own choices. Strikingly, our witnesses were consistent in telling us that there was no evidence of systematic differences between older and younger workers as far as productivity is concerned in the majority of types of work.

Too often, discussions of an ageing society focus simply on issues concerning the currently old. But addressing the challenges is also about the currently young. People born today stand to live much longer lives than previous generations, requiring a rethinking of their approach to life-course planning. They will need greater financial savings and increased financial literacy if they are to have sufficient resources in their older age. They will also need to have the option of

acquiring new skills at various points in their lives and we are concerned that skills retraining is currently poorly provided for.

An ageing society is something that will play out over the longer term but the Government needs to begin addressing it now. We are not convinced it is a priority or being taken at all seriously, as shown by the lack of any published strategy or forum where the topic can be discussed. The Government should act now to ensure that longer-term decisions in the best interests of everyone of every age group are taken so that we can all live better and longer lives.



# Preparing for an ageing society

## CHAPTER 1: INTRODUCTION

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1. The UK is an ageing society. Children born today can expect to live longer lives whilst the population is at the same time having fewer children than ever before. The number of older individuals is therefore rising as a share of the population.<sup>1</sup> These trends are well established and if sustained over the long term will be transformational for the UK, bringing with them a number of complex public policy challenges.
2. We previously carried out an inquiry into the UK's debt sustainability.<sup>2</sup> The fiscal challenges posed by an ageing society stand to add meaningfully to the UK's national debt. As for the impact of age-related pressures on the Government's balance sheet, the Office for Budget Responsibility (OBR) forecasts, in its latest *Fiscal Risks and Sustainability Report*, that "on current policy settings", these spending pressures would push borrowing above 20% and debt above 270% of GDP by the early 2070s.<sup>3</sup>
3. In this inquiry, we aimed to explore more fully longer-term issues raised by the phenomenon of an ageing society. In part, this was through a conviction that much public discussion of the issue has focused exclusively and narrowly on the question of how to raise fertility rates and issues related to the State Pension (primarily, at what age people should be entitled to claim it and what the mechanism for uprating it should be). These are important topics, but an ageing society raises a host of further matters that are relatively underexplored; this inquiry is intended, in part, to play a role in broadening the public discourse surrounding the topic.
4. Chapter 2 sets out the demographic trends underlying the ageing of the UK, viz. rising life expectancy and falling fertility. This includes a discussion of the macroeconomic consequences of these trends and the real prospect of downward pressure on living standards unless productivity growth is substantially improved. Chapter 3 considers the funding implications of an older society, including the fiscal cost of the State Pension, the adequacy of financial resources of those who have retired and the impact of boosting retirement incomes in an economy where overall GDP is constrained by a smaller proportion of people in employment. Chapter 4 considers a range of issues that must be considered in preparing for longer lives, including health, caring responsibilities, flexible working, age discrimination and the relationship between age and productivity.
5. We began our inquiry in March 2025, issuing our Call for Evidence on 24 March. We are grateful to all those who provided their views in oral or written evidence over the course of the inquiry; a full list of those who contributed is contained in Appendix 2.

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1 House of Commons Library, [The UK's changing population](#), 16 July 2024

2 Economic Affairs Committee, [National debt: it's time for tough decisions](#) (1st Report, Session 2024–25, HL Paper 5)

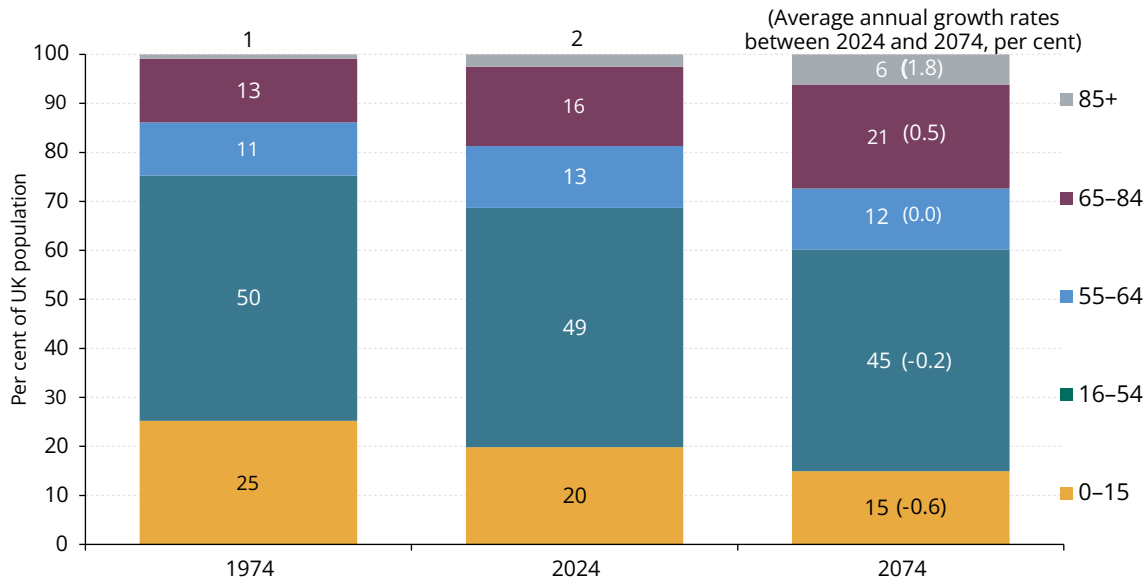
3 Office for Budget Responsibility, *Fiscal risks and sustainability*, July 2025, [CP 1343](#), p 5

## CHAPTER 2: THE ECONOMIC IMPACT OF AN AGEING SOCIETY

### The ageing population

6. The UK is home to an ageing society: as of mid-year 2023, those aged 65+ comprised 18.9% of the total population up from 16.5% in 2011 and 13% in 1972.<sup>4</sup> Over the next 50 years, the population is expected to continue ageing—the share of over-65s is predicted to rise to 27% of the population by 2074, with particularly strong growth expected in the oldest groups (see Figure 1).<sup>5</sup>

**Figure 1: Population age structure in 1974, 2024 and 2074**

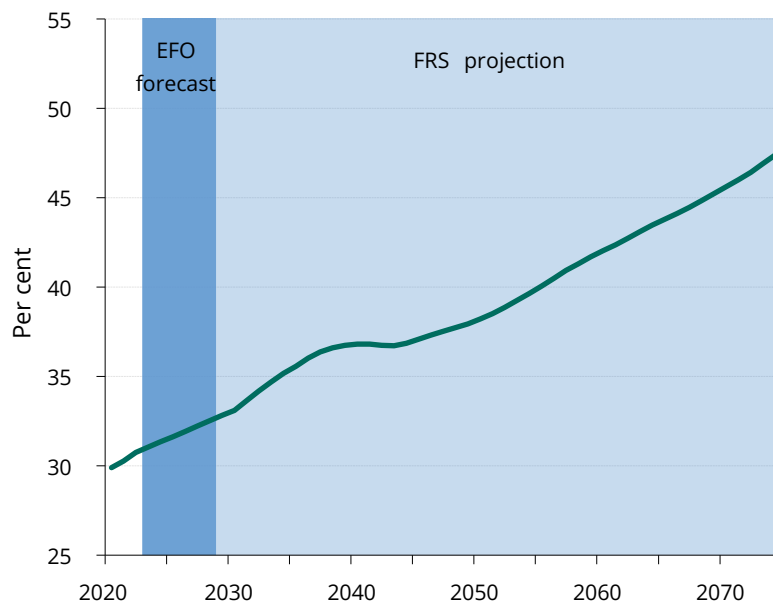


Note: 2024 and 2074 from the FRS 2024 population projection. Average annual growth rate is for the share of the population.

Source: Office for Budget Responsibility, *Fiscal risks and sustainability*, September 2024, [CP 1143](#), p 14

4 House of Commons Library, *The UK's changing population*, 16 July 2024

5 Office for Budget Responsibility, *Fiscal risks and sustainability*, July 2025, [CP 1343](#), p 14

**Figure 2: Old-age dependency ratio**

Source: Office for Budget Responsibility, *Fiscal risks and sustainability*, September 2024, [CP 1143](#), p 14

This will mean the old-age dependency ratio—the number of people aged at or above the State Pension Age relative to the number of working people aged between 16 and the SPA—will rise from approximately 31% in 2023 to approximately 38% in 2050 and 47% in 2074 (see Figure 2).

7. Professor Andrew J. Scott of the London Business School told the Committee that “an ageing society is one of the greatest achievements of the 20th century. When I was born in 1965, the most common age of death was children less than one. Today, it is people in their late 80s.”<sup>6</sup>
8. The UK is not alone in undergoing such a pronounced demographic shift. According to forecasts from the World Health Organization (WHO), by 2030 the number of people across the globe aged 60+ will comprise one in every six people, with their numbers expected to rise to 1.4 billion from 1 billion as of 2020.<sup>7</sup> The WHO expects the number of people aged 60+ to have doubled to 2 billion by 2050, and the number of people aged 80+ to have tripled to 426 million.
9. While increased longevity is welcome, the increasing dependency ratio creates significant economic issues in funding the resultant increase in government spending on health and pensions with a smaller proportion of the population in work. Richard Hughes, then Chair of the OBR, told the Committee that relative to other countries, “Demographically, the UK is in the middle of the pack. It is remarkably average when you compare it to the rest of the OECD.”<sup>8</sup> However, his colleague on the OBR’s Budget Responsibility Committee, Professor David Miles warned that “if lots of countries are going to be trying to sell more debt and are going to have struggles bringing deficits and the debt-to-GDP ratio down, one does not want to be in the same boat. Being in the same boat when the boat is in trouble is not a good boat to be in.”<sup>9</sup>

6 [Q 36](#) (Prof Andrew J. Scott)

7 World Health Organization, *Ageing and health*, 1 October 2025

8 [Q 133](#) (Richard Hughes)

9 [Q 133](#) (Prof David Miles)

10. That the UK population is ageing is down to both declining fertility rates and increased life expectancy.

### *Births*

11. Across Britain, the past century has been marked by a number of distinct trends in the fertility rate—the average number of children born per woman of childbearing age—with notable gyrations observed in the aftermath of the First and Second World Wars. In England and Wales, the post-WWII cohort of young people (the so-called “baby boomers”) were more likely to have children, and earlier in life, than any other cohort since 1920 and by the early 1960s the number of births was rising.<sup>10</sup> However, as fewer babies were born in the 1930s, there were also fewer women of childbearing age as the 1960s progressed and, with more babies born to a smaller group of women across a wider age range, the total fertility rate rose to a peak of 2.93 children per woman in 1964.<sup>11</sup>
12. By 1977, just over a decade later, the fertility rate had collapsed to a record low of 1.66 in England and Wales and to 1.7 in Scotland<sup>12</sup> and hence well below the 2.08 children required (on average) to ensure the long-term “natural” replacement of the population.<sup>13</sup> Indeed, in Britain, fertility rates fell below the replacement rate in the early 1970s and have remained there ever since. According to the Office for National Statistics (ONS), one of the main drivers behind this trend was “the introduction of the Abortion Act 1967 and [the] increasing availability of oral contraception [which] gave women greater access to birth control.” The ONS points out that these developments, along with “greater participation in the workforce”, gave women “more options”.<sup>14</sup> The fertility rate in England and Wales, as of 2023, had fallen to a new record low of 1.44 and 1.25 in Scotland. In 2023, the number of live births in England and Wales had also fallen to their lowest level since 1978, whilst in Scotland, live births posted the smallest number since records began in 1855.<sup>15</sup>

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10 Office for National Statistics, *How is the fertility rate changing in England and Wales?*, 28 October 2024

11 *Ibid.*

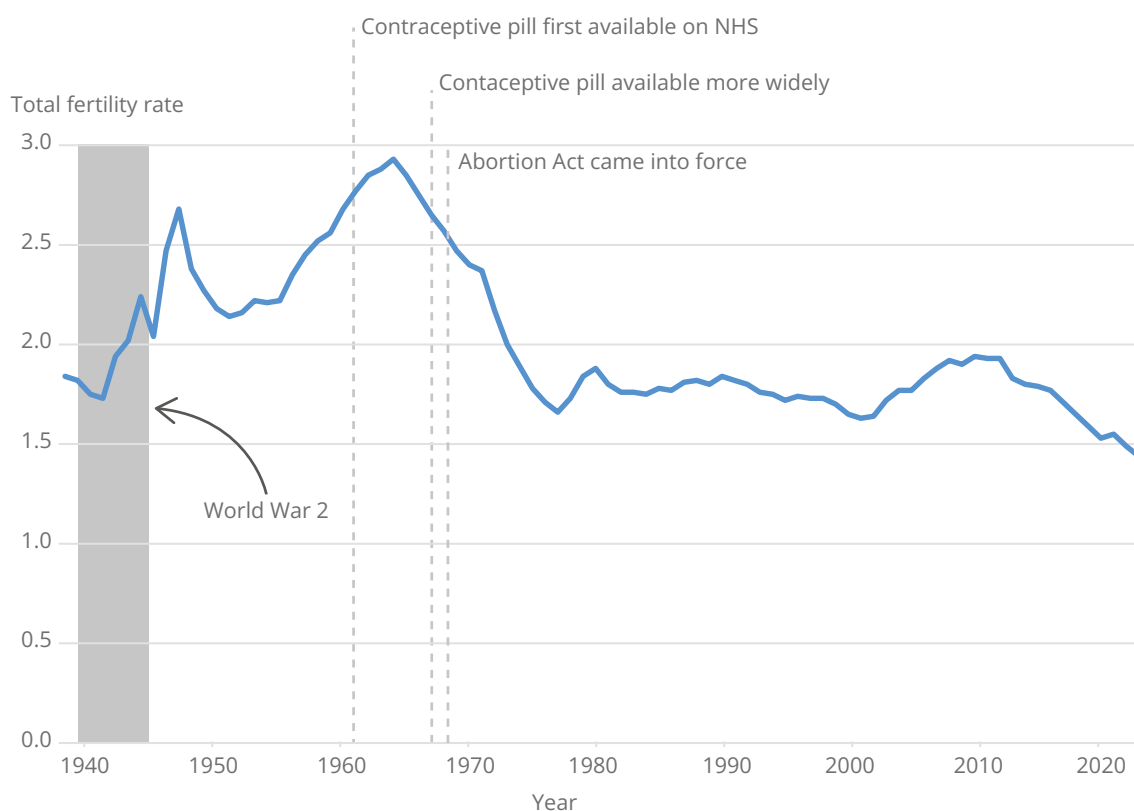
12 National Records of Scotland, *Vital Events Reference Tables 2024*, 26 August 2025

13 Rates in excess of 2 (with 2.1 most commonly cited) are required to compensate for mortality and prevailing sex ratios, with 107 boys currently born for every 100 girls (hence 100 women need to bear 207 children, on average, in order to produce the 100 girls needed to replace them).

14 Office for National Statistics, *How is the fertility rate changing in England and Wales?*, 28 October 2024

15 Office for National Statistics, *How is the fertility rate changing in England and Wales?*, 28 October 2024 and National Records of Scotland, *Vital Events Reference Tables 2024*, 26 August 2025)

**Figure 3: Total fertility rate, England and Wales, 1938–2023**



Source: Office for National Statistics, *Births in England and Wales: 2023*, 28 October 2024

13. These trends are not unique to the UK, with fertility rates across the globe having more than halved since 1963.<sup>16</sup> Professor Sarah Harper, Director of the Oxford Institute of Population Ageing, told the Committee that: “With the exception of sub-Saharan Africa, this is a 21st-century trend, which started 250 years ago here in Europe but took off globally in the 20th century.”<sup>17</sup>
14. According to the United Nations Population Fund (UNFPA), although the global fertility rate currently stands at 2.2, this masks large variations, with 1.5 the aggregate rate for ‘more developed countries’ and 2.4 the rate for ‘less developed regions’. The UNFPA stated in its 2025 report *The Real Fertility Crisis* that “The human population is projected to reach its crest within the century and then to fall ... One in four people currently live in a country where the population size is estimated to have already peaked”.<sup>18</sup>
15. Although Prof Miles told us that “the UK fertility rate is actually above the average” among rich countries, witnesses were doubtful about the prospect of raising the fertility rate or even tempering its fall.<sup>19</sup> While Prof Scott felt it right for the focus to be on the nation having more children rather than having “too many old people” he suggested that a firm understanding of low fertility is required, adding: “I do not think it is a good policy to try to get people to do something they do not want to do. The question is: how can you create an environment where people do want to have children?”<sup>20</sup>

16 Office for National Statistics, *How is the fertility rate changing in England and Wales?*, 28 October 2024

17 [Q 1](#) (Prof Sarah Harper)

18 United Nations Population Fund, *The Real Fertility Crisis*, June 2025

19 [Q 149](#) (Prof David Miles)

20 [Q 42](#) (Prof Andrew J. Scott)

16. The Committee were told that efforts to raise fertility rates had been made elsewhere but had largely failed. Prof Harper said, “We can look to increase childbearing, but almost every country that has tried that has not had a huge success ... We have to accept that we are going to be in low-fertility societies.”<sup>21</sup> Prof Harper pointed out that “In Sweden, Denmark and Norway ... gender equality and good-quality childcare ... seem to have been responsible for keeping their birth rate higher than, for example, in the southern European countries.”<sup>22</sup> Thus, these Scandinavian countries had managed to maintain a total fertility rate “between 1.5 and 2”, but “beyond that”, Prof Harper said, “things such as cash bonuses for babies and different tax incentives, all the evidence is that that does not have a long-term payout.”<sup>23</sup>
17. Prof Harper expressed particular alarm at the rates at which fertility has been falling in certain parts of the world, observing that “in single generations, you are seeing women who may have several siblings, and they are having one or no children.”<sup>24</sup>

**Table 1: Principal projected short-term and long-term total fertility rates**

	2022	Mid-2027 (projected)	Mid-2047 (projected)
<b>England</b>	1.49	1.42	1.46
<b>Wales</b>	1.46	1.37	1.40
<b>Scotland</b>	1.33	1.27	1.29
<b>Northern Ireland</b>	1.71	1.63	1.65
<b>United Kingdom</b>	1.48	1.41	1.45

Source: National population projections, fertility assumptions from the Office for National Statistics

18. Solutions to the problem of ageing societies, according to Prof Harper, are more likely to be found in “the redistribution of skills internationally, or maybe within regions, [which] seems to me to be the way to stop national depopulation, because I do not think that we are going to do it by increasing birth rate.”<sup>25</sup>

### Longevity

19. In 1841, newborn boys and girls in the UK could expect to live to the ages of 40.2 and 42.2 respectively, but 170 years later, these rates had posted huge increases to 79.0 and 82.8.<sup>26</sup> Low life expectancy throughout the 19th century was largely a matter of high infant mortality rates: survival past the first year of life was historically a predominant factor in life expectancy and once a child had reached five years of age, they were much more likely to reach a ‘greater’ age.<sup>27</sup> Whereas a newborn boy was expected to live to age 40.2 in 1841, a one-year-old boy in that same year had a life expectancy of 46.7 years—6.6 years higher than a newborn.<sup>28</sup>

21 [Q 2](#) (Prof Sarah Harper)

22 [Q 9](#) (Prof Sarah Harper)

23 [Q 5](#) (Prof Sarah Harper)

24 [Q 6](#) (Prof Sarah Harper)

25 [Q 2](#) (Prof Sarah Harper)

26 Office for National Statistics [How has life expectancy changed over time?](#), 9 September 2015; these figures are based on period life expectancy tables—see Methodology box

27 Office for National Statistics [How has life expectancy changed over time?](#), 9 September 2015

28 *Ibid.*

## Box 1: Methodology

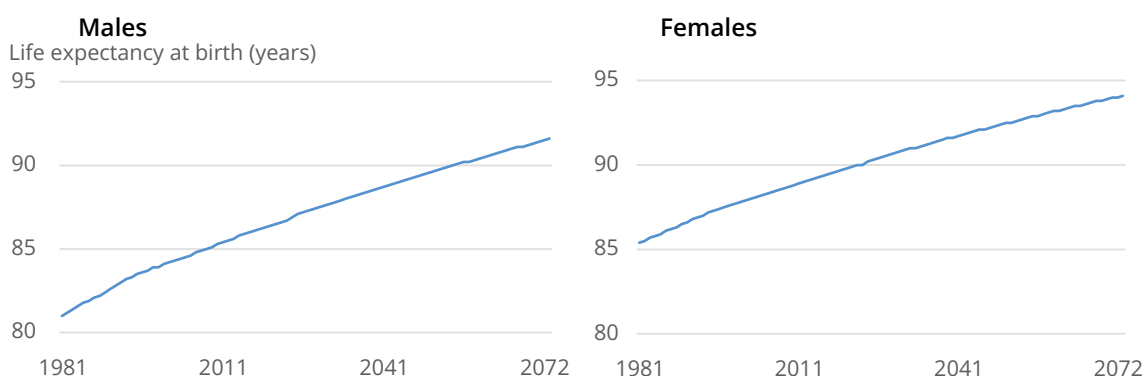
### Methodology

The ONS employs two methods to estimate life expectancy: one method based on ‘cohort’ tables (showing the probability of a person from a given cohort dying at each age over the course of their lifetime); another method is based on period tables (which use mortality rates from a single year or group of years and assume that those rates apply throughout the remainder of a person’s life).<sup>29</sup> While period life expectancy is simpler,<sup>30</sup> cohort life expectancy is more helpful when assessing the impact of health policies and improving life expectancy. The OBR uses the ONS’s cohort estimates in its long-term projections.<sup>31</sup>

Source: Office for National Statistics, *Period and cohort life expectancy explained*, 19 January 2023

20. The early 20th century marked the beginning of dramatic improvements in life expectancy resulting from public health measures, such as childhood immunisations, the introduction of universal health care, medical advances in treating adult diseases such as heart disease and cancer, and lifestyle changes (including a decline in smoking). Hence, while around 15% of babies died before their first birthday in the 1840s, by 2011 this figure had fallen to 0.4%.<sup>32</sup>

**Figure 4: Cohort life expectancy at birth, males and females, selected projection periods, UK, 1981–2072, Principal projections**



Source: Office for National Statistics, *Past and projected period and cohort life tables: 2022-based, UK, 1981 to 2072*, 14 February 2025

21. According to the ONS’s latest projections (based on its cohort life tables), girls born in 2023 can expect to live 90 years on average, while boys have a projected lifespan of 86.7 years. People aged 65 in 2023 are projected to live a further 22.5 years for women and 19.8 years for men. By 2047, these figures are expected to have increased to 24.4 years for women and 21.8 years for men; and for children born in 2047, life expectancy is expected to rise to 92.2 years for girls and 89.3 years for boys.<sup>33</sup>

29 Office for National Statistics, *Period and cohort life expectancy explained*, 19 January 2023

30 Period estimates may underestimate life expectancy due to static mortality rates and are considered most suitable for comparing trends in mortality over time and between different areas or countries. Cohort estimates are useful for understanding the mortality experience of a specific group of individuals born during the same time period throughout their lives.

31 Office for Budget Responsibility, *Period and cohort measures of fertility and mortality*, July 2018

32 Office for National Statistics *How has life expectancy changed over time?*, 9 September 2015

33 Office for National Statistics, *Past and projected period and cohort life tables: 2022-based, UK, 1981 to 2072*, 14 February 2025

22. From the perspective of public policy formulation, it is important to distinguish between life expectancy and *healthy* life expectancy—the average time an individual is expected to live in “very good” or “good” general health, based on how individuals perceive their general health.<sup>34</sup> According to (period based) data for 2021 to 2023, males and females in England can expect to spend 61.5 and 61.9 years of their lives, respectively, in good health. For males and females aged 65 years, expected remaining years of good health are 10.1 and 11.2 years respectively. For Wales, the healthy life expectancy figures are 60.4 and 59.6 respectively and for Scotland 59.6 and 60.<sup>35</sup>
23. As Prof Harper told us: “To put it very generally, until the 1980s, we had a large percentage of men in their 50s and 60s, in particular, who were dying from smoking-related diseases, cancers, strokes and cardiovascular diseases. They now tend to be living on.”<sup>36</sup> This entails that absent an increase in healthy life expectancy, people will live more lives in ill health, with the associated increases in health and care costs.
24. The ONS also highlights a large difference in healthy life expectancy between the economically highest and lowest ranked areas in England. For males, this gap is 17.9 years, which constitutes an increase of 22.0% since 2011 to 2013. For females this gap stands at 18.2 years, having increased by 17.1% over the same period. Among the regions of England, the highest male healthy life expectancy at birth was observed in London (63.9 years), some 7.0 years higher than in the North East (56.9 years). For females, the highest healthy life expectancy at birth was observed in the South East (64.4 years)—6.9 years more than in the North East (57.5 years).<sup>37</sup>
25. In December 2024, the Government Actuary’s Department published a research piece on healthy life expectancy, though it does not set out in any detail specific Government policies designed to narrow the gap between life expectancy and healthy life expectancy.<sup>38</sup> James Murray MP, Chief Secretary to the Treasury, recognised this issue, telling us that “improving people’s long-term health, by shifting to the prevention of ill health and making sure that people can get more care in their homes and in the community, is a really crucial part of the shift that needs to happen”.<sup>39</sup>
26. Differential healthy life expectancy reduces the usefulness of traditional measures of the population age structure, such as the old age dependency ratio. So, as the ONS has pointed out, does any growing tendency for people to work beyond State Pension Age. Alternative measures such as the Active Dependency Ratio, which includes economic activity, would provide a more meaningful picture of economic dependency, and associated challenges. However, such measures are currently difficult to assess accurately, let alone project into the future.<sup>40</sup>

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34 Office for National Statistics, *Healthy life expectancy in England and Wales: between 2011 to 2013 and 2021 to 2023*, Updated 14 February 2025

35 Public Health Scotland, *Healthy life expectancy in Scotland falls to near ten-year low*, 30 July 2025

36 [Q 11](#) (Prof Sarah Harper)

37 Office for National Statistics, *Healthy life expectancy in England and Wales: between 2011 to 2013 and 2021 to 2021*, 12 December 2024

38 Government Actuary’s Department, *Healthy life expectancy – Mortality Insights* 20 December 2024

39 [Q 167](#) (James Murray MP)

40 Office for National Statistics, *Living longer and old-age dependency – what does the future hold?*, 24 June 2019

## Immigration

27. Immigration has made a substantial contribution to UK population growth since the early millennium and is expected to continue to do so. It is often suggested that it is a solution to the fiscal challenges posed by an ageing society. Professor Charles Goodhart, Emeritus Professor of Banking and Finance at the London School of Economics, told us: “Without immigration, the number of people working in this country would go down and do so increasingly relatively sharply”.<sup>41</sup> 65% of the increase in the population between 2004 and 2023 was due to the direct contribution of net migration, and since 2020, almost all of the growth in the population has been down to migrants.<sup>42</sup>
28. In terms of the origins of recent migrants, there has been a pronounced shift in the past five years. According to the Migration Observatory, “in the years before Brexit, there were more employee jobs held by EU than non-EU adult migrants”. However, it points out that “since the introduction of the post-Brexit immigration system in January 2021 ... non-EU citizens have been the major source of growth in the migrant workforce. This growth was driven primarily by high levels of recruitment into health and care roles, particularly care work.”<sup>43</sup>
29. According to the latest population projections from the ONS, immigration is expected to be the main contributor to population growth in the years ahead; the population is expected to rise by 4.9 million (from mid-2022) to mid-2032 driven entirely by immigration (an expected 6.8 million births are expected to match 6.8 million deaths.)<sup>44</sup>
30. The ONS bases its forecasts on the assumption that the UK will receive 340,000 migrants per year from mid-2028 onwards but it concedes that such an assumption may ultimately be wide of the mark, in part due to resistance to such trends. Prof Goodhart told the Committee: “On economic grounds, there will be lots of cases for companies to encourage immigration, but that has political and social problems.”<sup>45</sup> If immigration plays out in line with the ONS’s forecasts, many of our witnesses suggested that this in itself would not necessarily constitute a remedy for the UK’s longer-term problems with ageing.
31. Prof Harper told the Committee that migration can be “useful but there are caveats” and referred to evidence which suggests that “shorter-term, regional migration is probably more effective than longer-term, long-stay migration in balancing our population.”<sup>46</sup> The ONS has described how migration patterns have changed in this manner. Before the pandemic, migration was relatively stable, but “we’re [now] seeing more students arrive [and] they’re staying for longer” often by “transitioning onto work visas, such as the new graduate visa.”<sup>47</sup> Although the net impact of such trends is complicated by the fact migration tends to lead to an increase in the total fertility rate,<sup>48</sup> as

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41 [Q 40](#) (Prof Charles Goodhart)

42 Migration Observatory, *The Impact of Migration on UK Population Growth*, 14 August 2025

43 The Migration Observatory, *Migrants in the UK labour market: an overview*, 16 June 2025

44 Office for National Statistics, *National population projections: 2022-based*, 28 January 2025

45 [Q 39](#) (Prof Charles Goodhart)

46 [Q 10](#) (Prof Sarah Harper)

47 Office for National Statistics, *Behaviour shifts and the implications for migration statistics*, 23 November 2023

48 [Q 7](#) (Prof Sarah Harper)

Prof Harper observed, it could be that “we are likely to see those migrants, understandably, settle in this country and therefore, in theory, age and, in a way, compound the ageing of our population.”<sup>49</sup>

32. Prof Scott told us that “immigration may buy you time [to smooth out the age structure], but it does not solve that adjustment ... if you are trying to fill out the gaps, the level of immigration required in many countries is too large for the society or population to adapt to, for reasons good or bad.” He added: “I also do not think it addresses the fundamental challenge, which is not that we have too many old people but that we have not set up our institutions to invest in order to ensure that life is not just longer but healthier and productive for longer. That is the key issue that we must focus on.”<sup>50</sup>
33. Nevertheless, Prof Scott held a more optimistic view on the UK’s population dynamics than other witnesses. He pointed out that over the past 100 years, the UK’s old age dependency ratio has tripled and despite this he could not point to “any economic analysis that says that has been a major factor to its long-run growth.” Prof Scott added that an expected 50% increase in the dependency ratio over the next 50 years would not be without its challenges but “in the past, we have adapted ... There are things to do. We know that demography is not destiny, so there still are ways to improve things.”<sup>51</sup>
34. Asked about the demographic characteristics of immigration, the Minister said that “recent migrants are mostly in the 16-to-34 age group” but that it is “too early to show conclusions about whether this group is more likely than those immigrants who came here before Brexit to stay into retirement”.
35. Mr Murray accepted, though, that “recent migrants” had a greater number of dependents, telling us that “the Government have been making policy changes to address that issue ... The number of dependants being high in recent years is something that we are very aware of and we have taken action on.” The Government’s aim is to bring net migration down and, “within the population of migrants, we want to tilt the focus toward higher-skilled migrants who are also higher-paid in most cases. Those higher-skilled and higher-paid migrants will contribute more overall per person to tax revenue because of their higher earning potential.”<sup>52</sup>

### **Economic implications of ageing**

36. The Institute for Fiscal Studies (IFS) has argued that “an ageing population will significantly affect the UK’s labour market as the elderly are much less likely to work than other adults”.<sup>53</sup> The economic inactivity rate generally increases progressively beyond the age of 50: in 2024, for those aged 50, the inactivity rate was 17.4% but this rate increased to 58.1% for those aged 65 and yet further to 69.3% for those aged 66.<sup>54</sup> As Prof Miles told us: “it is not so clear ... what the propensity to spend or consume in old age is, relative to people of working age.”<sup>55</sup>

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49 [Q 3](#) (Prof Sarah Harper)

50 [Q 40](#) (Prof Andrew J. Scott)

51 [Q 39](#) (Prof Andrew J. Scott)

52 [Q 166](#) (James Murray MP)

53 Institute for Fiscal Studies, *The economic consequences of the UK’s ageing population*, 7 March 2022

54 Department for Work and Pensions, *Economic labour market status of individuals aged 50 and over, trends over time September 2024*, 26 September 2024

55 [Q 128](#) (Prof David Miles)

37. The IFS added: “Since it is typically those in the labour force who contribute to economic output (at least as measured by GDP), this means that output per capita, and therefore the overall size of the economy, will be lower when less of the population is in work.”<sup>56</sup>
38. With government spending generally “highest for the elderly”, a shrinking workforce—and hence a reduction in tax revenue in aggregate—will mean that, all things being equal, pressure on public finances on account of ageing can be expected to grow significantly.<sup>57</sup> As Prof Scott put it: “if you have lots more old people, and we do not change how we age, you have fewer workers, you have a bigger pension payment and you have a health problem. If things are unchanged, the public finance implications are bad.”<sup>58</sup>
39. The OBR’s September 2024 report on fiscal risks and sustainability forecast that, without policy changes, these increased age-related spending pressures would increase Government expenditure by 10% of GDP by 2074, which together with increased debt interest could result in total Government expenditure rising from 44.5% of GDP in 2023/24 to over 60% of GDP by 2073/74. These projections assumed a baseline productivity growth of 1.5% per annum, which the OBR has since downgraded, further worsening the projected outcome. The OBR concluded that if the increase in expenditure was funded through debt, the increase in public debt risked being unsustainable.
40. The OBR’s Richard Hughes outlined what he described as the “lifecycle of earnings” from the perspective of the Treasury:
- “You are expensive up until your 20s, because you are being educated, usually at public expense. You receive some welfare support. Once you get to your early 20s, you start to make a modest net fiscal contribution, because you are earning relatively less. You reach your peak fiscal attractiveness to the Treasury by the time you get to your late 40s. After that, you start to think about things like taking early retirement or winding down your hours. By the time you get to your mid to late 60s, you are no longer of interest to the Treasury and more of a pressure on the public finances. As you get further and further into older age, you become a significant net pressure on the public finances.”<sup>59</sup>
41. In terms of the specific areas where spending pressures are expected to arise on account of ageing, the OBR forecasts that outlays on state pensions will rise substantially over the next 50 years, from around 5% of GDP in 2024/25 to 7.7% by 2073/74.<sup>60</sup> We will cover this area in more detail in the next chapter.
42. As for spending on healthcare—the largest single item of public spending in the UK—the OBR conducted a detailed analysis on the longer-term outlook for this sector in its *Fiscal Risks and Sustainability Report* for 2024. It pointed out that: “Over the past 30 years, total health expenditure in the UK has risen from below 6% to over 11% of GDP” and it forecast that, coupled with (inter-related) increased demand and costs for healthcare, an ageing population will see real public health spending grow from 7.9% of GDP in

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56 Institute for Fiscal Studies, *The economic consequences of the UK’s ageing population*, 7 March 2022

57 Institute for Fiscal Studies, *The economic consequences of the UK’s ageing population*, 7 March 2022 and Office for Budget Responsibility, *Fiscal risks and sustainability*, July 2025, [CP 1343](#), p 5

58 [Q 40](#) (Prof Andrew J. Scott)

59 [Q 130](#) (Richard Hughes)

60 Office for Budget Responsibility, *Fiscal risks and sustainability*, July 2025, [CP 1343](#), p 32

2023/24 to 14.5% of GDP by 2073/74.<sup>61</sup> As the OBR points out, however, its forecasts are baseline projections with accompanying “better” and “worse” health scenarios, both of which might yield markedly different outcomes.

43. The OBR said that “changes in population health have wider fiscal effects beyond just their direct impact on health spending” including the fact that “healthier people are more likely to be employed, often earn more, and tend to live longer; and the converse is also true for those in ill health.”<sup>62</sup> As such, it is clear that “the health of the population ... also has implications for government tax revenues, welfare spending, pensions, and other age-related spending.” In its forecasts for health spending under a better health scenario, the OBR sees spending fall by 1.0% of GDP, while conversely, a worse health scenario sees it rise by 1.2%.
44. The OBR does not foresee any migration scenario that would produce a marked improvement in the country’s debt dynamics. In its ‘shorter length of stay’ migration scenario—in which half of migrants leave after three years and so generate savings in areas such as welfare and state pensions—debt ends up about 23% of GDP lower by 2073/74. In its higher earnings scenario—in which migrants generate extra tax revenue relative to their consumption of government services and benefits—debt as a share of GDP ends up about 40% of GDP lower.<sup>63</sup>
45. However, the OBR stated that “in both cases, debt is still projected to be on an unsustainable upward trajectory in the long run. So these scenarios show that, while important in determining the level of debt in any given year, altering migrants’ average earnings or varying their length of stay does not fundamentally change the long-run debt dynamics.”<sup>64</sup>
46. Another phenomenon associated with an ageing population with implications that are difficult to quantify relates to the care sector. According to the Family Resources Survey covering 2022/23, around 8% of the UK population (5.2 million people) provide informal care (with 10% of this number caring for more than one person).<sup>65</sup> Five in every 100 people are in receipt of care every week, with 41% of these receiving care continuously. Across age groups, people aged between 55 and 64 were most likely to be informal carers (16%).
47. Professor Jonathan Skinner, Director of the Program on the Economics of Aging at the National Bureau of Economic Research and Research Professor of Economics at Dartmouth College, also highlighted problems associated with financing of this sector: “The lowest incomes are covered and the highest incomes can afford it; the problem is the middle, where long-term care—the informal care—can be costly and it causes people to stay at home away from their own jobs to look after their mother or father.”<sup>66</sup>
48. The Joseph Rowntree Foundation’s 2024 *Poverty Report* noted that an estimated 28% of carers in the UK were living in relative poverty after housing costs in 2021/22.<sup>67</sup> It added that “informal carers face a financial

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61 Office for Budget Responsibility, *Fiscal risks and sustainability*, September 2024, [CP 1142](#), p 10

62 *Ibid.*, p 11

63 *Ibid.*, p 17

64 *Ibid.*

65 Department for Work and Pensions, *Family Resources Survey: financial year 2022 to 2023*, Updated 27 March 2025

66 [Q 105](#) (Prof Jonathan Skinner)

67 Joseph Rowntree Foundation, *UK Poverty 2024*, 23 January 2024

penalty, because of their limited ability to work, with unpaid social-care givers experiencing an average pay penalty of nearly £5,000 a year.”<sup>68</sup>

49. Asked about the Government’s thinking regarding the old-age dependency ratio, the Minister said that “the focus on productivity is absolutely central”. He suggested that infrastructure investment is central to this:
- “more broadly, we are doing what we can at every turn to derisk investments by the private sector, to reduce regulatory uncertainty, and to give a stable landscape for private-sector investment to take place, because we know that that investment is such a crucial part to increasing productivity. This is core to the growth mission as a whole, and it is relevant to your question about the ageing population.”<sup>69</sup>
50. **While raising the fertility rate would undoubtedly mitigate the longer term problems associated with an ageing society, there is little evidence from initiatives attempted elsewhere in the world to suggest that any policy prescription would prove to be effective in the UK. While immigration has proven effective in mitigating a falling natural replacement rate and may continue to do so in the future, few witnesses, including the OBR, felt that it provided long-term solutions to the fiscal problems associated with an ageing population.**
51. **The UK’s dependency ratio is forecast by the OBR to increase from 31% to 47% of the population over the next 50 years without major changes. It can be readily inferred from this and the statistics above that, all things being equal, an ageing population will pose profound challenges for the UK; indeed, it is difficult to think of any area of life that will not be affected. This raises the challenge of funding state pensions, healthcare and the welfare costs of the older population from taxation raised on a reduced proportion of the population in employment.**
52. **The Government response to the rise in the old-age dependency ratio seems primarily focused on improving productivity. Whilst we agree with the Government that improving productivity should form the central plank of attempts to address the challenges of an ageing society, the difficulties successive governments have had in raising productivity, as well as the scale of the fiscal challenge of an ageing society, mean that this cannot be the sole policy focus. *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.***

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68 This can have an impact on differences in resources between men and women given that in each year since 2009/10, 60 per cent of informal carers were women. Cf. House of Commons Library Research Briefing, *Who provides informal care?*, [CBP 10017](#), 22 May 2025

69 [Q 172](#) (James Murray MP)

## CHAPTER 3: FINANCING OLD AGE

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### Pensions

53. The UK State Pension was introduced on 1 January 1909 by the Old-Age Pension Act 1908 under Prime Minister David Lloyd George’s Liberal Government.<sup>70</sup> Over the next few decades there was a steep increase in both the number of pension schemes and the proportion of the population participating in company pension schemes. By the late twentieth century many workers had transferred from public sector pension schemes into private company schemes, and changes to tax legislation in 1988 saw many employees move over to personal pension schemes from their employer’s pension scheme.<sup>71</sup>
54. In terms of the UK pension system (state and private pension collectively) and its standing in the world, Yvonne Sonsino, Partner and Lead on Total Well-being and Longevity at Mercer, referred to the Mercer CFA Institute Global Pension Index, which measures adequacy, reliability/sustainability and integrity: this index places the UK 11th out of 48 countries.<sup>72</sup> Dr Jonathan Cribb, Head of Retirement, Savings, and Ageing at the IFS, pointed out that unlike many of its peers—which have pension systems which do not pay out if people continue to work—the UK state system “does not disincentivise work very much”. This, Dr Cribb said, “means that we have quite gradual declines in retirement throughout the late 50s and into the 60s, rather than all happening at state pension age.”<sup>73</sup>
55. In terms of its cost to the nation, the state pension system in the UK is also more affordable than most due to its mix of state, workplace and private pensions.<sup>74</sup> Catherine Foot, then Director at Phoenix Insights (now the Standard Life Centre for the Future of Retirement), told us that although we do rather “less well on adequacy [of pension provision]”, in terms of “fiscal sustainability” she pointed out that “our replacement rate from automatic enrolment and the state pension is well below the EU 27 and OECD average.”<sup>75</sup>
56. Nevertheless, despite this relative affordability, spending on the UK state pension has not only risen steadily over the past eight decades, “from around 2% of GDP in the mid-20th century to around 5% of GDP (£138 billion) today”, but is expected to increase substantially in the years ahead.<sup>76</sup> As the OBR pointed out in its July 2025 *Fiscal Risks and Sustainability Report*, spending is estimated to rise to 7.7% of GDP by the early 2070s. This increase is expected to be driven by three factors, with the first, demographics, accounting “for 1.6 percentage points of the projected 2.7 percentage point rise in state pension spending as a share of GDP over the next 50 years”.
57. The second factor is the triple lock uprating mechanism (which raises the state pension each year by the highest of average earnings, CPI inflation, or 2.5%). Pensions therefore rise by more than any of the three measures considered

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70 House of Commons Library, *Old Age Pensions Act 1908*, 12 August 2008

71 Pensions Archive, *The History of Pensions in the UK*

72 [Q 121](#) (Yvonne Sonsino)

73 [Q 54](#) (Dr Jonathan Cribb)

74 [Q 104](#) (David Sinclair)

75 [Q 65](#) (Catherine Foot); the ‘replacement rate’ is the percentage of a worker’s pre-retirement income that is paid out by a pension program after the worker retires.

76 Office for Budget Responsibility, *Fiscal risks and sustainability*, July 2025, [CP 1343](#), para 1.10

independently. As a consequence the OBR estimates that recurrent inflation and earnings volatility mean that by 2029/30, the triple lock (at a projected £15.5 billion per annum) is expected to have cost around three times more than initial expectations;<sup>77</sup> the fact that this is driven by trends other than ageing led to it being mentioned only in passing by witnesses.

58. The third factor, changes to the State Pension Age (SPA), is however seen as a particularly important variable when considering the economic costs of ageing. While spending on state pensions is exceeded by spending on healthcare,<sup>78</sup> the significance of the SPA lies in its perceived role as a more flexible policy lever (than, say, adjustments to health care spending). As Dr Cribb told us:

“the UK and other developed nations have quite a lot of experience now at controlling the cost of an ageing population through pension reforms ... Although we have a triple lock, the new state pension is not a giveaway for everybody. There are policy levers that policymakers here and in other countries have pulled to limit that cost.”<sup>79</sup>

59. The SPA rose to 66 for both men and women between 2018 and 2020, and the OBR has factored in three further increases over its 50-year projections—to 67 by March 2028, 68 in the late 2030s and 69 in the early 2070s. The OBR points out that increasing the SPA affects the public finances via three main channels.<sup>80</sup> The largest of these is the direct reduction in the number of people eligible for the state pension, which is partly offset by the second channel, a rise in the number of people who remain eligible for working-age benefits as a result. The third channel is via the creation of incentives for individuals to join or remain in the labour market.
60. The OBR forecasts that raising the SPA to 67 will achieve £10.4 billion savings by 2029/30 of which £10.2 billion will come directly from reducing pension eligibility. However, while also being made aware of the potential for resistance to an ever-higher State Pension Age,<sup>81</sup> we were told that it would be “pretty ineffective” in promoting longer working lives (despite undoubtedly saving money).<sup>82</sup> As Prof Scott explained: “At age 50, around 80% of people are in work in the UK. At age 65, which is two years before the State Pension Age, it is down to around 25% or 30%. If you have only that many people working at 65, increasing the state pension age does very little.”<sup>83</sup> This was echoed by Laura Webster, Director of Personal Tax, Welfare and Pensions at HMT, who told us that raising the SPA was a “blunt lever.”<sup>84</sup>
61. The prospect of incentivising a return to work is further complicated by a seemingly counter-intuitive trend—namely that “the people who have worked for the longest [in recent times] are wealthier and healthier”.<sup>85</sup> As Prof Scott insisted, therefore, “from a macro public finance point of view, everything has to be focused on how to keep people working from 50 onwards.”

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77 *Ibid.*, p 7

78 *Ibid.*, para 1.7

79 [Q 53](#) (Dr Jonathan Cribb)

80 Office for Budget Responsibility, *The fiscal impact of increases in the state pension age*, March 2025

81 [Q 92](#) (Prof Philip Taylor)

82 [Q 40](#) (Prof Andrew J. Scott)

83 *Ibid.*

84 [Q 160](#) (Laura Webster)

85 [Q 68](#) (Dr Emily Andrews)

62. While raising the SPA may do little to promote higher rates of employment among the ‘pre-retirement’ cohort, it also penalises those inactive within this group by lengthening the period they must fill, financially, before drawing their state pension. As Dr Emily Andrews, then Deputy Director for Work at the Centre for Ageing Better, told us: “when the state pension age went up from 65 to 66, the rate of absolute poverty among 65-year-olds doubled ... If someone is still working before state pension age, they just do another year, but most people are not working at that age.”<sup>86</sup> Prof Scott agreed: “If people leave the labour force at 50-plus, it is very hard to get back in again”—a fact which, according to Ms Foot, is behind “pre-retirement poverty ... a new and growing phenomenon.”<sup>87</sup>
63. The Government views the State Pension Age as “a very blunt lever” and Ms Webster told us that the changes to the SPA were made “quite recently”.<sup>88</sup> Asked about the triple lock, the Minister said that “the Government are committed to maintaining the triple lock for this Parliament. It is an important part of giving pensioners the dignity and security that they deserve.”<sup>89</sup>

### Non-SPA reforms

64. Witnesses highlighted a few areas—ranging from education through to housing—in which reforms could help to promote greater financial security for the UK’s ageing population.
65. Some witnesses noted ‘cliff edge’ issues in some public service pension schemes and their potential to disincentivise those looking to work longer, they favoured an extension of phased and flexible retirement programmes for public and private schemes generally. Ms Sonsino deemed this “crucial to our future workplace” and she pointed out that these types of systems have already been adopted elsewhere, citing Germany and Austria as two examples.<sup>90</sup> Prof Skinner also told us that in the United States, while the ‘normal’ retirement age had been gradually extended from 65 to 66 to 67, the early retirement age has been left at 62. This has meant that while any individual retiring early now receives fewer benefits, conversely; they receive more if they opt to retire at a later date.<sup>91</sup>
66. Prof Skinner deemed this type of system “actuarially fair”, as there is “no burden” on the Government in either scenario; and it also allows individuals in poor health to “get something in return from the money that they have paid in” without having to wait to 67 or 68. However, Catherine Foot was troubled by the “inequalities implications” of ‘gearing’ the state pension in this way, noting: “the people with the capacity to respond to that incentive to stay and work longer are likely to be the healthier people who will continue to draw that higher income for longer.”<sup>92</sup>
67. There are also longer-term issues to consider. As Dr Cribb pointed out, “if you allow people to take their state pension three, four or five years earlier, the actuarial reduction is quite significant”; and he wondered whether it is “credible, for particularly poorer people in their 90s, say, or late 80s, that we

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86 [Q 69](#) (Dr Emily Andrews)

87 [Q 43](#) (Prof Andrew J. Scott) and [Q 62](#) (Catherine Foot)

88 [Q 160](#) (Laura Webster)

89 [Q 172](#) (James Murray MP)

90 [Q 125](#) (Yvonne Sonsino)

91 [Q 104](#) (Prof Jonathan Skinner)

92 [Q 64](#) (Catherine Foot)

are still going to be paying them lower state pensions as a result of claiming it before state pension age?”<sup>93</sup>

68. While witnesses agreed on the need for reform in this area, we were told that state pensions generally should be regarded as a “good foundation layer” and that the priority for government should be placed on “generating good income in retirement [via] the private pension system.”<sup>94</sup> Alongside the use of “significant tax incentives”, Dr Cribb argued that “The state should be helping people with a middle income or a bit higher save more for retirement through automatic enrolment, rather than the quite low levels of contributions at the moment.”<sup>95</sup>
69. Yet it is also clear that automatic enrolment is a candidate for reform despite, as Ms Foot put it, being this “fantastic success story for getting more people overall to be saving at all into a private pension”. The main problem, as she saw it, is that over the last 10 years or so, it has created “an awful lot of very small pension pots that are hard to find, hard to keep track of and do not add up to enough.”<sup>96</sup>
70. Inadequate pension provision appears to be widespread—nationally and internationally. Ms Sonsino told us that she had conducted research which established a “living wage” in a number of countries (including the UK) and compared it with the outcomes of occupational or private pension schemes. What she found “is that many pension plans—even those deemed upper quartile or really good quality—fall short of the living pension.” Indeed, we were told that “in the UK, people outlive their pension savings by about 8 and half years, so their money runs out 8 and a half years before they die”;<sup>97</sup> “more distressing” is that women face an even bigger gender pension gap. Ms Sonsino said that women “live longer than men, typically have longer periods of absence, and their salary may already be affected by a gender pay gap.”<sup>98</sup>
71. Laura Webster told us that inadequate provision was part of the context for the Pensions Commission, “set up because the projection for someone retiring in the 2050s is that their income will be 8% lower than somebody retiring today.”<sup>99</sup>
72. Some witnesses felt that the prevalence of pension inadequacy is in part down to a limited understanding of what retirement entails, financially speaking, on the part of the population. Professor Lynda Gratton, Professor of Management Practice at the London Business School, has found it “absolutely astonishing, really, how few people understood that there was a possibility that they would be living on the state pension”—a payment that Prof Gratton deemed only sufficient “to stop people starving”.<sup>100</sup>
73. Ms Sonsino felt that “being able to access financial education can really help support employees to understand how long they need to work, how much

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93 [Q 64](#) (Dr Jonathan Cribb)

94 [Q 56](#) (Dr Jonathan Cribb)

95 *Ibid.*

96 [Q 56](#) (Catherine Foot)

97 [Q 118](#) (Yvonne Sonsino)

98 [Q 122](#) (Yvonne Sonsino)

99 [Q 172](#) (Laura Webster); for the 8 per cent figure, see Department for Work and Pensions, *Analysis of Future Pension Incomes 2025*, 21 July 2025. This refers to private pension income.

100 [Q 90](#) (Prof Lynda Gratton)

they need to save, and how they can supplement that pension income in this flexible retirement period. Those are some things that we see as successful, as far as employees are concerned.”<sup>101</sup>

74. There was no suggestion, however, that greater education alone will be sufficient to bridge the gap between adequacy and inadequacy of pension savings—government action, particularly with regard to pension performance, is also needed. Prof Sarah Harper spoke to us at about her work on age-related issues at a governmental level in Australia—a country which “has, for a long time—30 years or so—been looking at the ageing of its population”. She suggested that their experiences with pension reform may be worth examining, noting: “You can look at, for example, what it did with its pension system and what it calls its ‘Super’, as well as how it encouraged, maybe even legislated, that people had to invest in the Australian stock market.” As a consequence, she said, “it has a population that is far more financially savvy with their pensions. Across their life-course, they are aware of what their pension is doing.”<sup>102</sup>
75. Housing was also identified as an area where reform might not only help mitigate some of the inherent pressures in the UK market but also help to bolster retirement income. Prof Skinner told us that “in Australia there is a system called the downsizer super contribution whereby, if you sell your house, you can take the capital gains and drop them into your pension. For people who are fairly far along in age, the revenue cost of putting something into a pension is not that much more than if you just tax it regularly, but it more easily allows them to put it into safe assets like bonds where the tax will not eat it up.” Prof Skinner conceded, however that “It has not been the magic wand to cure all the problems”, noting: “It is difficult for somebody who has lived in a house for 50 years and feels a real bond to it when the kids or the grandchildren say, ‘You have to move, it is too big.’ It is tough.”<sup>103</sup>
76. Asked about encouraging older workers to remain in or return to work, the Minister did not mention any policies specifically targeted at this demographic, highlighting instead the Government’s plans to spend £1 billion over the next five years on “employment support programmes to get people into work where they can work”. He also mentioned Sir Charlie Mayfield’s Keep Britain Working review, which is focused on the link between ill health and economic inactivity. The Minister said that “that kind of intervention is probably quite relevant for older workers or people who are getting towards older age. If employers can make the necessary interventions to support them staying in work, that feels like a really good role for them to play.”<sup>104</sup>
77. **We are concerned that raising the State Pension Age is unlikely to promote a return to work among the ‘pre-retirement’ cohort and may increase financial hardship within elements of this group. Government policy should instead prioritise encouraging and supporting those aged 50+ to remain in work until retirement as their chances of re-entering the labour market once they have left are troublingly low. This would help promote fiscal sustainability as well as increase the financial resources of people when they do retire.**

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101 [Q 118](#) (Yvonne Sonsino)

102 [Q 15](#) (Prof Sarah Harper)

103 [Q 112](#) (Prof Jonathan Skinner)

104 [Q 161](#) (James Murray MP)

78. *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.*
79. **We are concerned that there is widespread ignorance of the financial costs of retirement. *The Government should consider a campaign to educate younger people on this issue; and it should also consider whether our financial industry is suitably organised to provide for the population as it ages.***
80. **It is difficult to see how people will have enough retirement provision in the future under existing arrangements, given the already existing shortfall between resources and expected lifespan. As life expectancy increases, this problem will only grow worse. *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.***

## CHAPTER 4: LIVING LONGER LIVES

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81. Discussions of an ageing society are often framed in terms of an increase in the number or proportion of older individuals. However, the issues raised in this report affect individuals at all stages of life, not least because the currently young are the future old. This chapter covers a number of these issues that were explored during the course of our inquiry.

### The life course

82. As Catherine Foot told us, the fact of increased life expectancy may require fundamental rethinking of how each of us conceives of our life course: “the implications of longer life [are] not all just needing to be the extension of the final phase, or the retirement phase, of life and how we react to that. We have reinvented all sorts of life stages in the past. We have invented teenagers and retirement.”<sup>105</sup> Prof Harper told us that “Maybe we will work the same number of hours, but we will stretch them across the life-course.”<sup>106</sup> Prof Scott made a similar point about changing patterns of activity:

“The notion of retirement as a hard stop is beginning to dwindle. People are beginning to work much more part time. The way I see it is that, in the 20th century, we took a lot of leisure after retirement, but, in the 21st century, we will see a bit more leisure being taken this side of retirement—whether that is younger people starting careers earlier or older people working part time in their last role.”<sup>107</sup>

83. Given this potential reconfiguring of our working lives, Ms Foot said that the age range that should be the focus of public policy is therefore 50–55 to 70–75: “Before that, almost everybody of working age is pretty much guaranteed to be a worker; after that, pretty much everybody is guaranteed to be fully retired. In the middle of that 20 to 25-year period is a huge diversity of experience and economic status.”<sup>108</sup>

### The Foresight Review on Ageing Populations

84. In 2014, the previous government recognised the range of issues that needed to be addressed given the fact of an ageing society and launched the Foresight Review on Ageing Populations, chaired by Prof Harper. Its report was published July 2016.<sup>109</sup>
85. Issues covered in the report’s key findings included the projected ageing of the working-age population and how this cohort should be supported; measures required to bolster and support later-life learning; measures required to ensure housing meets the needs of older people; ideas to promote a central role for families in an increasingly diverse backdrop; the requisite support for the UK’s health and care systems; the role of technology to ensure older people’s connectivity; and how these elements could be combined to produce a coherent response.
86. Following this report, the then government in November 2017 included an ageing society as one of its so-called ‘grand challenges’ (alongside AI and

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105 Q 52 (Catherine Foot)

106 Q 12 (Prof Sarah Harper)

107 Q 41 (Prof Andrew J. Scott)

108 Q 52 (Catherine Foot)

109 Government Office for Science, *Future of an Ageing Population*, July 2016

the data economy, clean growth and the future of mobility).<sup>110</sup> However, no mention of ageing is made in the current Government's industrial strategy, published in June of this year. When asked about this, the Minister maintained that ageing was covered implicitly insofar as the Government's priority was "boosting economic growth. That is the way to make sure that we can sustainably fund public services, that people are better off and that people of all different age groups and demographics have better lives. The industrial strategy is part of the Government's agenda to boost growth across the country."<sup>111</sup>

87. When pressed on the proposal that there should be a Minister for Ageing with specific responsibility for policy relating to an ageing society, the Minister responded that: "Given that the impact of the demographic change and the ageing population is so widespread, it feels like the right approach to have different policy areas led by different teams that talk to each other and do that in a connected way."<sup>112</sup>
88. *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.*
89. **An ageing society raises a whole host of issues for public policy, some of which are discussed in this report but which include a panoply of other challenging considerations. We are therefore disappointed that there does not appear to be a single statement of the Government's position on the topic. 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.**
90. **The previous government initiated the Foresight Review on Ageing Populations; however, we did not hear any evidence indicating that work is ongoing to carry forward the recommendations of that review. The Government should set out which of the recommendations of the Foresight Review are being acted upon within the current Government's policy agenda.**

### Older people in the workforce

91. As we concluded in the previous chapter when considering the fiscal impact of the State Pension Age, policy should focus on supporting those in their mid-50s to mid-60s to remain in or return to work. There is a number of elements to consider. Employers are already beginning to experience the effects of a shrinking workforce and as Prof Scott noted, "the labour market has adapted well to the number of older people. If you look across the OECD countries, on average about 75% of employment growth—and it varies from

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110 HM Government, *Industrial Strategy: Building a Britain fit for the future*, November 2017

111 [Q 163](#) (James Murray MP)

112 [Q 156](#) (James Murray MP)

country to country—over the last 10 years has come from workers aged over 50.”<sup>113</sup>

92. However, we heard evidence on a number of topics relating to the age of the workforce, including:
- health;
  - caring responsibilities;
  - flexible working;
  - age discrimination; and
  - the relationship between age and productivity.

### *Health*

93. One reason offered for why workers exit the workforce is health, both of the workers themselves and of those individuals that they may choose to care for. Naomi Clayton, Chief Executive of the Institute for Employment Studies, told us that “ill health is the most common reason for people in their 50s and 60s being out of work.”<sup>114</sup> Ms Clayton said that “in many countries, people with limiting health conditions—particularly older people with limiting health conditions—have better employment chances and, over time, we have seen their employment outcomes improving. The data from the UK suggests that that has not happened in the UK in the same way.”<sup>115</sup> Professor Wendy Loretto, Professor of Organisational Behaviour at the University of Edinburgh Business School, told us that “of the people over 50 who leave work before they want to or should, 24% do so because of unsupported health needs.”<sup>116</sup>
94. In contrast, Dr Jonathan Cribb told us that the effect of health on employment trends should not be overestimated: “A maximum of about 10% of the decline in employment [between the ages of 50 and 70] can be explained by the decline in population health over that period.”<sup>117</sup> Dr Andrews echoed this, telling us that

“there seems to be an underlying argument that ... if health is the main reason why people are out [of work] at this age, then, if we make work more accessible, have better return-to-work policies, do more job carving and have more part-time jobs, that will in itself increase the 50-plus employment rate.”

She went on to say, however, that “when you look at the number of people reporting whether their conditions are work-limiting, there is not much of an increase over 50, which suggests to me that there is an age effect that is layering over that health effect.”<sup>118</sup> This suggests that something about age itself could be driving the employment gap, not the health condition as such.

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113 [Q 43](#) (Prof Andrew J. Scott)

114 [Q 67](#) (Naomi Clayton)

115 [Q 66](#) (Naomi Clayton)

116 [Q 86](#) (Prof Wendy Loretto)

117 [Q 54](#) (Dr Jonathan Cribb)

118 [Q 67](#) (Dr Emily Andrews)

95. However, there is some difficulty in determining the reasons for people leaving the workforce. As Dr Andrews suggested, the reason given can vary by financial situation: “If you can afford to leave the labour market and your health is failing, you describe yourself as retired. If you cannot afford it, you say, ‘I am out of work for health reasons’.”<sup>119</sup>
96. Yvonne Sonsino said that as regards to health, “we need to do much more work around prevention.”<sup>120</sup> This was echoed by the OBR, who told us that over the medium to longer term, health has a significant impact on the fiscal picture. Some of that is by way of improving the productivity of the health sector itself, but Tom Josephs, Member of the OBR’s Budget Responsibility Committee, also said that “If you can find a way ... to improve people’s health over their lifetime, with more preventative approaches, for example, that can also make a big difference, but that is not easy to deliver.”<sup>121</sup>
97. **Addressing ill health is a valuable end in and of itself. We are particularly concerned about the growing gap between life expectancy and healthy life expectancy. The Government should set out the policies it has in place to narrow this gap, and the specific impacts it expects those policies to have.**
98. In addition to preventative public health policies, both Ms Sonsino and Carl Quilliam, Public Affairs Manager at the Chartered Institute of Personnel Development (CIPD), highlighted the importance of occupational health offerings. Mr Quilliam told us of “the 50Plus Choices Employer Taskforce, which was run by the Department for Work and Pensions. It had a really good report”,<sup>122</sup> but that work stream “has now dissolved and been parked. We know that the Department for Work and Pensions is still looking at occupational health, for example, but the group which was set up to look at that last year ran into the election and did not continue its work.”<sup>123</sup>
99. **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.**

### *Caring responsibilities*

100. In addition to the health of workers themselves, one factor determining their propensity to remain in or seek employment is the health of loved ones (often partners, parents and children, whether dependent or adult). Mr Quilliam told us that “from the latest census data there are around 5.8 million people who are providing unpaid care in the UK. Of those, nearly 3 million were recorded as balancing caring responsibilities with work”; and “while the majority of working carers said their employer was aware of their caring responsibilities, this was mainly in an informal capacity”.<sup>124</sup>
101. Prof Skinner highlighted how in England 70% of care is informal home care, compared to 14% nursing home care and 9% formal home care; “generally in other countries there is much less of the burden of informal care of children

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119 [Q 70](#) (Dr Emily Andrews)

120 [Q 126](#) (Yvonne Sonsino)

121 [Q 154](#) (Tom Josephs)

122 Department for Work and Pensions, *Occupational Health: Working Better*, [CP 880](#), July 2023

123 [Q 117](#) (Carl Quilliam)

124 [Q 119](#) (Carl Quilliam)

taking care of parents.”<sup>125</sup> And as David Sinclair, Chief Executive of the International Longevity Centre, told us, there is a gendered component to this provision; “women provide most care, but women are also more likely to be working part-time, so women tend to provide care throughout their entire lives and continue to work while they are doing so.”<sup>126</sup> Policies designed to support carers will likely have a greater impact on women (and as mentioned in Chapter 2, women are likely to benefit more from remaining in work with respect to ensuring a higher level of pension in retirement).

102. At present, workers are entitled to one week of unpaid carer’s leave every 12 months. Ms Sonsino said that “there are significant benefits in offering more formalised carer’s leave, because it is often required at a point in time. You are not permanently on carer’s leave; it happens for a finite period of time.”<sup>127</sup> Dr Andrews said that “we need to move towards paid carers’ leave.” This could perhaps be “modelled on maternity leave”, with “a right to return after a period of care”.<sup>128</sup> Mr Quilliam agreed, telling us that “there is certainly a case for paid carer’s leave”, though he recognised the cost to employers of doing so, stating that this was perhaps something “worth exploring” in the longer term.
103. The Minister in his evidence acknowledged the importance of addressing shortcomings in the current provision of adult social care. Ms Webster said that the Government keeps in regular contact with employers:
- “to understand what is happening out there and what appears to be working well ..., particularly thinking about caring and how the role of carers is changing over time and through generations. There is quite a lot of interesting work to be done. We are really interested in any examples of good practice out there.”<sup>129</sup>
104. Mr Murray referred to Baroness Casey of Blackstock’s independent commission into adult social care, noting that “the second phase will be about longer-term recommendations for the transformation of adult social care, which will address demographic change”.<sup>130</sup> In the nearer term, he mentioned policies designed to make the social care sector more appealing to potential workers.
105. **A lack of care options affects individuals’ propensity to remain in or seek employment in two key ways: those with ill health are unable to remain in work to the extent that they may wish to but also those who step in to offer care often do so at the expense of working as much as they may wish to. As well as being a pressing issue at present, resolving the adult social care crisis will be crucial for ensuring we are prepared for an ageing society. Doing so would enable those in their mid-50s to mid-60s to remain in the workforce, with potentially significant fiscal benefits, as well as allowing pensioners to use their financial resources within the broader economy rather than feel compelled to save those resources to mitigate shortfalls in the provision of care.**

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125 [Q 106](#) (Prof Jonathan Skinner)

126 [Q 106](#) (David Sinclair)

127 [Q 119](#) (Yvonne Sonsino)

128 [Q 75](#) (Dr Emily Andrews)

129 [Q 164](#) (Laura Webster)

130 [Q 170](#) (James Murray MP)

106. **We recognise the ongoing work of the independent commission into adult social care being carried out by Baroness Casey of Blackstock. That said, adult social care has been an acknowledged challenge for some time—this committee published its conclusions and recommendations on the issue in 2019—and several reports have been produced by select committees from both Houses. The Minister did not offer more than acknowledgement of the importance of these issues. *The Government should respond swiftly on publication of the final report from the commission.***

*Flexible working*

107. Many witnesses highlighted the importance of flexible working for older individuals;<sup>131</sup> Prof Scott said: “older workers prefer work that is more flexible, gives them more autonomy and is less physical.” Employers are to some extent already responding to such preferences: “Labour market trends have been quite supportive of those age-friendly jobs. Some of that is simply the way in which the market has gone anyway with technology and some of it is that firms are increasingly thinking about how to adapt the workforce”.<sup>132</sup>
108. Flexible work helps both those with health complications and those caring for those in ill health. Ms Clayton said that “flexible work is a big factor in whether somebody can choose to stay in work or return to work. Access to flexible working is hugely valuable for many people, especially those over the age of 50”,<sup>133</sup> though she noted that there are disparities between sectors and that those “who are in greatest need of working longer for financial reasons are often the least able to access flexible work. People who are working in caring, leisure and other service occupations are the least able to access flexible forms of work.”<sup>134</sup> Dr Emily Andrews told us that “more support for small employers to understand how to implement flexible jobs would make all the difference. There was a pilot on that; it was cut short recently. It would be really helpful if pilots could be allowed to run so that we could learn things from them.”<sup>135</sup>
109. We discuss the evidence we heard on the productivity of older workers below, but witnesses consistently told us that one way to improve the productivity of older workers is to offer flexible working.
110. **Flexible working opportunities play an important role in enabling and supporting older individuals to remain in the workforce and employers should be encouraged to offer such arrangements where practicable. *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.***

*Age discrimination*

111. Our witnesses were divided on the extent of age discrimination in the labour market. Prof Loretto told us that in a recent study “57 seemed to be the age when employers do not want to take people on. They perceive them as

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131 [Q 11](#) (Sarah Harper) and [Q 42](#) (Andrew J. Scott)

132 [Q 43](#) (Andrew J. Scott)

133 [Q 67](#) (Naomi Clayton)

134 [Q 68](#) (Naomi Clayton)

135 [Q 77](#) (Emily Andrews)

being too old. Unfortunately, that is gendered, in that women are seen to get older earlier than men are.”<sup>136</sup> Catherine Foot told us that she found it “extraordinary that we have not seen any class action lawsuits about age discrimination in the workplace in this country yet. ... It is in the Equality Act. Age discrimination is illegal, but you do not really see it being taken to court.”<sup>137</sup>

112. We also heard that “cases to do with age have less chance of succeeding at an employment tribunal.”<sup>138</sup> Dr Emily Andrews agreed that “we definitely need to look at enforcement”, saying that “we know that not many people go to a tribunal because of an age discrimination case and that is not because there is not much age discrimination in the labour market”.<sup>139</sup>
113. Ms Foot identified a number of ways that age discrimination is manifested. “There are false assumptions that the older you get, the less interested you are in learning something new.” Further, individuals “are much less likely to get a job if you have breaks in your career and, particularly for women, you are much more likely to accrue more of those breaks over the course of a longer working life.”<sup>140</sup>
114. Prof Loretto also highlighted the importance of self-directed ageism: “An older worker does not necessarily put themselves forward, because they feel, ‘I’m not worthy of this because I’m older and they won’t want to train me’.” This is despite the fact that this line of reasoning applies with even greater force to younger workers employed in their first graduate job; as Prof Loretto put it: “the average tenure for a first graduate job is 18 months and yet you would not have an employer saying, ‘We wouldn’t invest in our graduate workforce’.”<sup>141</sup> Internalised ageism can also occur when considering looking for another job; “because of the [Equality Act], they are not worried about losing their current job because of age, but they are very reluctant to look for other jobs because they think, ‘Nobody would want me’.”<sup>142</sup>
115. In contrast to the views expressed by these witnesses, Professor Philip Taylor, of the Warwick Institute for Employment Research, said that age discrimination may in fact be less prevalent than typically assumed. In a study he carried out in Australia he “found that older workers’ reported experiences of discrimination were relatively low and relatively modest.” On the gap between beliefs about the extent of ageism and its actual occurrence, Prof Taylor said that:

“older people are often told that the barrier to them finding a job is ageism. They internalise that ... and that leads them to withdraw from the labour market because they are told there is no point in looking for a job anymore.”

Prof Taylor concluded that “we need to be very careful about describing ageism as being endemic in our society, and I am not convinced the evidence

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136 [Q 96](#) (Prof Wendy Loretto)

137 [Q 56](#) (Catherine Foot)

138 [Q 96](#) (Prof Wendy Loretto)

139 [Q 77](#) (Dr Emily Andrews)

140 [Q 61](#) (Catherine Foot)

141 [Q 93](#) (Prof Wendy Loretto)

142 [Q 96](#) (Prof Wendy Loretto)

for that assertion is very strong anyway, but it can be hugely damaging for people’s sense of selfworth”.<sup>143</sup>

116. Evidence from Mr Quilliam was in line with this claim. He discussed employers’ revealed preferences: although the CIPD’s 2024 Labour Market Outlook found that “only 43% of employers are planning or likely to hire people aged 56 and above for the next three years”, in fact 59% have hired people aged 50–64, a 16 percentage point difference.<sup>144</sup>
117. Dr Jonathan Cribb told us that some of the difference in opportunities between age groups are not the result of discrimination on the basis of age, highlighting geography as one example of another explanatory factor. Younger workers gravitate towards cities, which have deeper labour markets; they therefore “have other opportunities open to them” in the event that they want to change employer. In contrast, “rural areas, places where people have perfectly reasonably chosen to set down roots and spend their life, do not necessarily have those deep labour markets open to them.”<sup>145</sup>
118. Although the focus in our inquiry was on discrimination against older workers, Prof Taylor did note that in the attempt to advocate on behalf of the value and productivity of older workers, there is a risk of falling prey to discrimination against the young: “For instance, we are told that older people are more reliable and committed than younger ones. This draws directly from age stereotypes. We see this in business arguments for employing older workers. ‘You should employ older workers because they’re more reliable than younger ones.’” In his view “the evidence is that [age] does not matter for most jobs. There are some jobs it does matter for, such as fighter pilots, but most of us do not do jobs where age matters much.”<sup>146</sup>

### *Age and productivity*

119. We heard a range of evidence on the productivity of older workers. Prof Harper told us that “productivity, particularly in our service and knowledge economy, has been shown to increase up to the age of 65.” She said that “there have been quite a few ... systematic reviews, looking at all the literature on this. They are basically saying that ... older adults have higher performance.”<sup>147</sup> Dr Jonathan Cribb mentioned “studies that show that, in roles where not making mistakes is important, older workers generally make fewer serious mistakes that can be damaging to the business. That is a form of productivity for them.”<sup>148</sup>
120. The studies Prof Harper referred to combine productivity with factors such as absenteeism (where a worker is absent but still being paid) and presenteeism (where a worker is ill but is present at work with lower productivity). “If we look at pure productivity measured by effectiveness and efficiency, there seems to be very little difference by age.”<sup>149</sup> Prof Harper’s summary of the academic literature was that:

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143 [Q 96](#) (Prof Philip Taylor)

144 [Q 120](#) (Carl Quilliam)

145 [Q 61](#) (Dr Jonathan Cribb)

146 [Q 103](#) (Prof Philip Taylor)

147 [Q 12](#) (Prof Sarah Harper)

148 [Q 61](#) (Dr Jonathan Cribb)

149 [Q 12](#) (Prof Sarah Harper)

“there are a lot of preconceptions that productivity goes down as we get older. We know that that is the case in hard physical labour—obviously, we still have jobs in that area—but, in the modern knowledge economy and the service economy, the overarching evidence is that there seems to be little difference. Some studies actually suggest that older workers may be more productive. Mixed-age teams are very productive, and we have known that for decades.”<sup>150</sup>

121. This was echoed by Yvonne Sonsino, who described “a meta-analysis across 24 different organisations in different sectors” that explored the relationship between age and productivity. It found that “bottom line output and productivity were unaffected by age at all ... it does not matter what age you have in your working demographic as it does not influence productivity or profitability.” She also stated that what did have an effect was tenure and experience; “one would correlate those with older age, though not necessarily.”<sup>151</sup>
122. Prof Harper did, however, note one reason for caution in interpreting these types of studies, viz. cohort effects: some of these studies are based on populations over the previous 20 years, but “the current cohort of people in their 50s and 60s is very different” from previous cohorts in that age range and the findings may therefore not generalise.<sup>152</sup>
123. Improvements to the productivity of the workforce may also be masked by a focus on total output. As Prof Goodhart told us: “With a declining working population, growth is likely to remain very low, if not decline. What you can improve is productivity per worker and getting more of the old to work”. As an example, he cited Japan: “its working population is going down by 1% per annum and its output is going up by 1% per annum, which means that its productivity per worker is going up at 2% per annum. This is far better than almost any other western advanced economy.”<sup>153</sup>
124. **There is a prevalent belief that older workers are less productive than their younger colleagues. The evidence we received suggested that older workers are either as productive or productive in complementary ways.**
125. **With respect to age discrimination, there is cause for optimism that the labour market is evolving and that attitudes are changing as a consequence of a shrinking labour force. In this sphere, practice may in fact be running ahead of attitudes. Indeed, the form of age discrimination that is perhaps the most disconcerting is self-imposed age discrimination, potentially based on a mistaken belief regarding its prevalence.**
126. **However, optimism regarding the decline of age discrimination does not mean there is no work for the Government to do. *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***

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150 [Q 12](#) (Prof Sarah Harper); and [Q 61](#) (Catherine Foot)

151 [Q 123](#) (Yvonne Sonsino)

152 [Q 13](#) (Prof Sarah Harper); and [Q 108](#) (David Sinclair)

153 [Q 41](#) (Prof Charles Goodhart)

*whether it has considered whether updates to that legislation might be required as the workforce increasingly comprises older workers.*

### Skills and lifelong learning

127. Many witnesses discussed the importance of lifelong skills learning in addressing the challenges and opportunities of an ageing society.<sup>154</sup>
128. Catherine Foot told us that “rates of training and lifelong learning for people over 50 have been in consistent decline for the last 10 to 15 years. Our offer for this group, in terms of skills and lifelong learning, seems to be woefully inadequate.”<sup>155</sup> Some of these skills are fundamental to employment opportunities; Ms Clayton said that “a significant number of older people—it is estimated at 6 million—have difficulties with numeracy and literacy, which can impact their employment outcomes.”<sup>156</sup> We also heard that both digital skills and interpersonal skills were increasingly important.<sup>157</sup>
129. Despite the importance of skills training, Ms Clayton noted that “there have been quite significant drops in employers investing in training and quite significant inequalities in access to training, with older workers less likely to receive job-related training”,<sup>158</sup> as well as “falling public investment in adult education and skills”.<sup>159</sup>
130. Ms Clayton also emphasised that skills training was important for younger people. They must “have good problem-solving, critical thinking and team working—all of the skills that people need in work, which are increasingly important and which will give young people flexibility and resilience as the world of work continues to change over time.”<sup>160</sup>
131. Dr Andrews agreed with both the importance of skills training for all age groups and that there has been a decline in investment in skills training, telling us that “all 25-plus skills policy is a total nightmare. All adult education over 25 is a really troubling picture in terms of the levels of investment that have gone down”.
132. Despite the importance of skills, the CIPD’s research indicates that “less than half of employers engage in strategic workforce planning that would, for example, involve them analysing their workforce skills, capabilities and make-up to understand future skills gaps.” Indeed, “just 18% of employers are planning over two years into the future.” Mr Quilliam told us that there was “a real opportunity for a workforce strategy, led by a workforce commission”, to bring together the skills issue alongside a number of other issues relevant to preparing people for an ageing society that could dovetail with the Government’s industrial strategy.<sup>161</sup>
133. The Minister recognised the importance of skills, telling us that “it may well increasingly be the case that new skills are required, given the changes that are happening within the economy.” He said that “programmes such as the adult skills fund are important in making sure that people can get the new

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154 [Q 4](#) (Prof Sarah Harper); [Q 93](#) (Prof Wendy Loretto and Prof Lynda Gratton)

155 [Q 54](#) (Catherine Foot)

156 [Q 70](#) (Naomi Clayton)

157 [Q 93](#) (Prof Wendy Loretto)

158 [Q 73](#) (Naomi Clayton)

159 [Q 74](#) (Naomi Clayton)

160 [Q 77](#) (Naomi Clayton)

161 [Q 117](#) (Carl Quilliam)

skills that they need. We are also launching the lifelong learning entitlement, which is focused on making sure that people can work throughout their lives.”<sup>162</sup> The lifelong learning entitlement “is about transforming the post-18 student finance system to create a single funding system. The idea is that people can learn, reskill, upskill or retrain across their working lives. It is the idea that people do not just train once for one job and that is it. They have the opportunity to retrain.”<sup>163</sup>

134. Mr Murray maintained that a “two-tiered approach”, in which local skill providers assess which skills are required in their area and Skills England considers the broader picture nationally. “Some of the work [of assessing which skills are needed] will be for government and local authorities. A lot of the work will be for private businesses and employers to train their staff. It is about understanding what skills people need.”<sup>164</sup>
135. **Effective lifelong learning will be crucial to supporting the workforce to adapt to an ageing population. Older workers need to be able to retrain as the nature of work evolves; this will help keep them in the workforce and also open up greater opportunities to switch careers, something workers may come to value more if their working lives stand to go on for longer. Younger workers need to acquire the habit of skills training early in life as this will stand them in good stead as they face possibly the longest working lives of any generation.**
136. **Despite the Government’s mention of the lifelong learning entitlement, this is currently targeted at Levels 4–6. We are concerned that many of those who most need to retrain in the light of longer lives are those who will be retraining at Levels 1–3. *The Government should therefore extend the lifelong learning entitlement to Levels 1–3.***

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162 [Q 160](#) (James Murray MP)

163 [Q 164](#) (James Murray MP)

164 [Q 165](#) (James Murray MP)

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

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### The economic impact of an ageing society

1. While raising the fertility rate would undoubtedly mitigate the longer term problems associated with an ageing society, there is little evidence from initiatives attempted elsewhere in the world to suggest that any policy prescription would prove to be effective in the UK. While immigration has proven effective in mitigating a falling natural replacement rate and may continue to do so in the future, few witnesses, including the OBR, felt that it provided long-term solutions to the fiscal problems associated with an ageing population. (Paragraph 50)
2. The UK's dependency ratio is forecast by the OBR to increase from 31% to 47% of the population over the next 50 years without major changes. It can be readily inferred from this and the statistics above that, all things being equal, an ageing population will pose profound challenges for the UK; indeed, it is difficult to think of any area of life that will not be affected. This raises the challenge of funding state pensions, healthcare and the welfare costs of the older population from taxation raised on a reduced proportion of the population in employment. (Paragraph 51)
3. The Government response to the rise in the old-age dependency ratio seems primarily focused on improving productivity. Whilst we agree with the Government that improving productivity should form the central plank of attempts to address the challenges of an ageing society, the difficulties successive governments have had in raising productivity, as well as the scale of the fiscal challenge of an ageing society, mean that this cannot be the sole policy focus. (Paragraph 52)
4. *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)

### Financing old age

5. We are concerned that raising the State Pension Age is unlikely to promote a return to work among the 'pre-retirement' cohort and may increase financial hardship within elements of this group. Government policy should instead prioritise encouraging and supporting those aged 50+ to remain in work until retirement as their chances of re-entering the labour market once they have left are troublingly low. This would help promote fiscal sustainability as well as increase the financial resources of people when they do retire. (Paragraph 77)
6. *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)

7. We are concerned that there is widespread ignorance of the financial costs of retirement. (Paragraph 79)
8. *The Government should consider a campaign to educate younger people on this issue; and it should also consider whether our financial industry is suitably organised to provide for the population as it ages.* (Paragraph 79)
9. It is difficult to see how people will have enough retirement provision in the future under existing arrangements, given the already existing shortfall between resources and expected lifespan. As life expectancy increases, this problem will only grow worse. (Paragraph 80)
10. *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)

### Living longer lives

11. *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)
12. An ageing society raises a whole host of issues for public policy, some of which are discussed in this report but which include a panoply of other challenging considerations. We are therefore disappointed that there does not appear to be a single statement of the Government's position on the topic. (Paragraph 89)
13. *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)
14. The previous government initiated the Foresight Review on Ageing Populations; however, we did not hear any evidence indicating that work is ongoing to carry forward the recommendations of that review. (Paragraph 90)
15. *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)
16. Addressing ill health is a valuable end in and of itself. We are particularly concerned about the growing gap between life expectancy and healthy life expectancy. (Paragraph 97)
17. *The Government should set out the policies it has in place to narrow this gap, and the specific impacts it expects those policies to have.* (Paragraph 97)
18. *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)
19. A lack of care options affects individuals' propensity to remain in or seek employment in two key ways: those with ill health are unable to remain in work to the extent that they may wish to but also those who step in to offer care often do so at the expense of working as much as they may wish to. As

well as being a pressing issue at present, resolving the adult social care crisis will be crucial for ensuring we are prepared for an ageing society. Doing so would enable those in their mid-50s to mid-60s to remain in the workforce, with potentially significant fiscal benefits, as well as allowing pensioners to use their financial resources within the broader economy rather than feel compelled to save those resources to mitigate shortfalls in the provision of care. (Paragraph 105)

20. We recognise the ongoing work of the independent commission into adult social care being carried out by Baroness Casey of Blackstock. That said, adult social care has been an acknowledged challenge for some time—this committee published its conclusions and recommendations on the issue in 2019—and several reports have been produced by select committees from both Houses. The Minister did not offer more than acknowledgement of the importance of these issues. (Paragraph 106)
21. *The Government should respond swiftly on publication of the final report from the commission.* (Paragraph 106)
22. Flexible working opportunities play an important role in enabling and supporting older individuals to remain in the workforce and employers should be encouraged to offer such arrangements where practicable. (Paragraph 110)
23. *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)
24. There is a prevalent belief that older workers are less productive than their younger colleagues. The evidence we received suggested that older workers are either as productive or productive in complementary ways. (Paragraph 124)
25. With respect to age discrimination, there is cause for optimism that the labour market is evolving and that attitudes are changing as a consequence of a shrinking labour force. In this sphere, practice may in fact be running ahead of attitudes. Indeed, the form of age discrimination that is perhaps the most disconcerting is self-imposed age discrimination, potentially based on a mistaken belief regarding its prevalence. (Paragraph 125)
26. However, optimism regarding the decline of age discrimination does not mean there is no work for the Government to do. (Paragraph 126)
27. *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)
28. Effective lifelong learning will be crucial to supporting the workforce to adapt to an ageing population. Older workers need to be able to retrain as the nature of work evolves; this will help keep them in the workforce and also open up greater opportunities to switch careers, something workers may come to value more if their working lives stand to go on for longer. Younger workers need to acquire the habit of skills training early in life as this will stand them in good stead as they face possibly the longest working lives of any generation. (Paragraph 135)

29. Despite the Government's mention of the lifelong learning entitlement, this is currently targeted at Levels 4–6. We are concerned that many of those who most need to retrain in the light of longer lives are those who will be retraining at Levels 1–3. (Paragraph 136)
30. *The Government should therefore extend the lifelong learning entitlement to Levels 1–3.* (Paragraph 136)

## APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

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### Members

Lord Agnew of Oulton  
 Lord Blackwell  
 Lord Burns  
 Lord Davies of Brixton  
 Lord Lamont of Lerwick  
 Baroness Liddell of Coatdyke  
 Lord Liddle  
 Lord Londesborough  
 Lord Petitgas  
 Lord Razzall  
 Lord Turnbull  
 Lord Verjee  
 Baroness Wolf of Dulwich  
 Lord Wood of Anfield

### Declarations of interest

Lord Agnew of Oulton  
*No relevant interests to declare*

Lord Blackwell  
*No relevant interests to declare*

Lord Burns  
*No relevant interests to declare*

Lord Davies of Brixton  
*No relevant interests to declare*

Lord Lamont of Lerwick  
*No relevant interests to declare*

Baroness Liddell of Coatdyke  
*No relevant interests to declare*

Lord Liddle  
*No relevant interests to declare*

Lord Londesborough  
*No relevant interests to declare*

Lord Petitgas  
*No relevant interests to declare*

Lord Razzall  
*No relevant interests to declare*

Lord Turnbull  
*No relevant interests to declare*

Lord Verjee  
*No relevant interests to declare*

Baroness Wolf of Dulwich  
*No relevant interests to declare*

Lord Wood of Anfield  
*Member of Advisory Board at CERA Home Care*

A full list of Members' interests can be found in the Register of Lords' interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>.

## APPENDIX 2: LIST OF EVIDENCE AND COMMITTEE ACTIVITY

Evidence is published online at <https://committees.parliament.uk/work/9015/preparing-for-an-ageing-society/publications/>

### Evidence in alphabetical order

ACS (The Association of Convenience Stores)	<a href="#">PAS0056</a>	
Age Irrelevance	<a href="#">PAS0040</a>	
Age UK	<a href="#">PAS0057</a>	
Ageing Without Children	<a href="#">PAS0051</a>	
Alzheimer's Society	<a href="#">PAS0026</a>	
AMS,55/Redefined	<a href="#">PAS0019</a>	
Dr Emily Andrews, Deputy Director for Work, Centre for Ageing Better		<a href="#">QQ 66–85</a>
Dr Alessio Antonini, Research Fellow at Knowledge Media Institute, The Open University	<a href="#">PAS0035</a>	
Dr Elaine Argyle, Mental Health Professional and Postdoctoral Researcher	<a href="#">PAS0039</a>	
Dr Emily Barker, Research Fellow, The University of Southampton	<a href="#">PAS0066</a>	
Professor Jakub Bijak, Professor of Statistical Demography, The University of Southampton	<a href="#">PAS0066</a>	
Dr Claudia Blandon, Postdoctoral Research Fellow, University of Plymouth	<a href="#">PAS0018</a>	
Dr Lesley Boyd, Independent Researcher affiliated with The Open University	<a href="#">PAS0052</a>	
BRF Ministries	<a href="#">PAS0009</a>	

Dr Ben Brindle, Researcher, The Migration Observatory		<a href="#"><u>QQ 20–35</u></a>
British Standards Institution	<a href="#"><u>PAS0042</u></a>	
Professor Katie Brittain, Professor of Applied Health Research and Ageing, University of Newcastle	<a href="#"><u>PAS0035</u></a>	
Dr Juliet Brook, Associate Professor in Property Law, University of Reading	<a href="#"><u>PAS0023</u></a>	
Camascope	<a href="#"><u>PAS0012</u></a>	
Centre for Ageing Better	<a href="#"><u>PAS0029</u></a>	
Centre of Excellence on Ageing, University of Surrey	<a href="#"><u>PAS0037</u></a>	
Naomi Clayton, Chief Executive, Institute for Employment Studies		<a href="#"><u>QQ 66–85</u></a>
Dr Susanna Cohen, Bar-Ilan University	<a href="#"><u>PAS0047</u></a>	
Professor Peter Coleman, Emeritus Professor of Psycho- Gerontology, University of Southampton	<a href="#"><u>PAS0006</u></a>	
Mr Nigel D Cook, Retired P3M Expert	<a href="#"><u>PAS0045</u></a>	
Professor Bernard Corfe, Professor of Human Nutrition and Health at Human Nutrition and Exercise Research Centre, Centre for Healthier Lives, Population Health Sciences Institute, Newcastle University	<a href="#"><u>PAS0025</u></a>	
Dr Johnathan Cribb, Associate Director and Head of Retirement, Savings, and Ageing sector, Institute for Fiscal Studies	<a href="#"><u>PAS0050</u></a>	<a href="#"><u>QQ 52–65</u></a>

Carl Emmerson, Deputy Director, Institute for Fiscal Studies	<a href="#">PAS0050</a>	
Equity Release Council	<a href="#">PAS0067</a>	
ESRC Centre for Population Change, Connecting Generations Research Partnership	<a href="#">PAS0059</a>	
Dr James Fletcher, Assistant Professor of Digital Futures, University of Bath	<a href="#">PAS0004</a>	
Catherine Foot, Director, Phoenix Insights		<a href="#">QQ 52–65</a>
Professor Jane Ginsborg, Associate Director of Research, Royal Northern College of Music	<a href="#">PAS0047</a>	
Professor Charles Goodhart, Emeritus Professor of Banking and Finance, London School of Economics		<a href="#">QQ 36–51</a>
Professor Lynda Gratton, Professor of Management Practice, London Business School		<a href="#">QQ 86–103</a>
Dr Laura Gray, Senior Research Fellow, University of Sheffield	<a href="#">PAS0003</a>	
Greater Manchester Ageing Hub	<a href="#">PAS0041</a>	
Mary Gregory, Director of Population Statistics, Office for National Statistics		<a href="#">QQ 20–35</a>
Dr Dermot Grenham FIA, Actuary and Member of the Council of the Institute and Faculty of Actuaries	<a href="#">PAS0043</a>	
Dr Robin A Hadley, Manchester Metropolitan University	<a href="#">PAS0046</a>	

Tianne Haggart, Research Associate, King's College London	<a href="#"><u>PAS0015</u></a>	
Hallmark Foundation	<a href="#"><u>PAS0022</u></a>	
Professor Sarah Harper, Director, Oxford Institute of Population Ageing		<a href="#"><u>QQ 1–19</u></a>
Dr Hilde Heim, Senior Lecturer, Manchester Metropolitan University	<a href="#"><u>PAS0008</u></a>	
Richard Hughes, Chair, Office for Budget Responsibility		<a href="#"><u>QQ 127–155</u></a>
Institute and Faculty of Actuaries	<a href="#"><u>PAS0064</u></a>	
International Longevity Centre UK	<a href="#"><u>PAS0031</u></a>	
Dr Jakov Jandric, Nick Oliver Lecturer in Organisational Behaviour, University of Edinburgh Business School	<a href="#"><u>PAS0016</u></a>	
Tom Josephs, Member of the Budget Responsibility Committee, Office for Budget Responsibility		<a href="#"><u>QQ 127–155</u></a>
Dr Ricky Kanabar, Senior Lecturer, University of Bath	<a href="#"><u>PAS0021</u></a>	
Heidi Karjalainen, Senior Research Economist, Institute for Fiscal Studies	<a href="#"><u>PAS0050</u></a>	
Lane Clark and Peacock LLP	<a href="#"><u>PAS0048</u></a>	
Dr Matthew Lariviere, Associate Professor of Gerontology, Northumbria University	<a href="#"><u>PAS0049</u></a>	
Miranda Leslau, Freelance Consultant, Miranda Leslau Marcomms	<a href="#"><u>PAS0002</u></a>	

LinkGeivity Limited	<a href="#">PAS0005</a>	
Dr Julie Longson, Retired Mental Health Nurse and Lecturer	<a href="#">PAS0038</a>	
Professor Wendy Loretto, Professor of Organisational Behaviour, University of Edinburgh Business School	<a href="#">PAS0016</a>	<a href="#">QQ 86–103</a>
Make UK	<a href="#">PAS0028</a>	
Dr Hannah R. Marston, Senior Research Fellow at School of Health, Wellbeing and Social Care, The Open University	<a href="#">PAS0035</a>	
Allan Martin, Director, ACMCA Limited	<a href="#">PAS0001</a>	
Professor David Miles CBE, Member of the Budget Responsibility Committee, Office for Budget Responsibility		<a href="#">QQ 127–155</a>
James Murray MP, Chief Secretary to the Treasury, HM Treasury		<a href="#">QQ 156–173</a>
National Care Forum	<a href="#">PAS0058</a>	
National Housing Federation	<a href="#">PAS0032</a>	
NIHR Policy Research Unit in Healthy Ageing	<a href="#">PAS0027</a>	
Northern Health Science Alliance, Northern Healthy Ageing Network	<a href="#">PAS0030</a>	
Dr Philip Oamen, Lecturer in Law, Birmingham City University	<a href="#">PAS0054</a>	
Office of Health Economics	<a href="#">PAS0063</a>	
Pensions and Lifetime Savings Association	<a href="#">PAS0034</a>	
Phoenix Insights	<a href="#">PAS0044</a>	

Carl Quilliam, Public Affairs Manager, Chartered Institute of Personnel and Development (CIPD)	<a href="#">QQ 117–126</a>
Professor Jocey Quinn, Professor of Education, University of Plymouth	<a href="#">PAS0018</a>
Retirement Housing Group	<a href="#">PAS0062</a>
Professor Andrew J. Scott, Professor of Economics, London Business School	<a href="#">QQ 36–51</a>
Dr Oliver Shannon, Lecturer in Nutrition and Ageing at Human Nutrition and Exercise Research Centre, Centre for Healthier Lives, Population Health Sciences Institute, Newcastle University	<a href="#">PAS0025</a>
David Sinclair, Chief Executive, International Longevity Centre	<a href="#">QQ 104–116</a>
Skills for Care	<a href="#">PAS0024</a>
Professor Johnathan Skinner, Director of the Program on the Economics of Aging, US National Bureau of Economic Research	<a href="#">QQ 104–116</a>
Society 5.0	<a href="#">PAS0011</a>
Yvonne Sonsino, Partner and Lead on Total Wellbeing and Longevity, Mercer	<a href="#">QQ 117–126</a>
Dr Belinda Steffan, Chancellor’s Fellow, University of Edinburgh Business School	<a href="#">PAS0016</a>
STEP	<a href="#">PAS0033</a>
Wendy Sutherland, Post-Graduate Student, Henley Business School	<a href="#">PAS0007</a>

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Professor Philip Taylor, Professor, Warwick Institute for Employment Research	<a href="#"><u>QQ 86–103</u></a>
The Corporate Finance Network	<a href="#"><u>PAS0060</u></a>
The Health Foundation	<a href="#"><u>PAS0017</u></a>
The Intergenerational Foundation	<a href="#"><u>PAS0055</u></a>
Christos Theocharidis, Team Leader, Anchor	<a href="#"><u>PAS0014</u></a>
The Open University	<a href="#"><u>PAS0020</u></a>
The Other Half	<a href="#"><u>PAS0068</u></a>
Third Age Trust (u3a)	<a href="#"><u>PAS0013</u></a>
Dr Dialehti Tsimpida, Lecturer at Department of Gerontology, University of Southampton	<a href="#"><u>PAS0061</u></a>
Warwick Institute for Employment Research	<a href="#"><u>PAS0065</u></a>
Laura Webster, Director of Personal Tax, Welfare and Pensions, HM Treasury	<a href="#"><u>QQ 156–173</u></a>
Antonia Williams, Director of Public Services, HM Treasury	<a href="#"><u>QQ 156–173</u></a>
Dr Martina Zimmerman, Reader in Health Humanities and Health Sciences, King's College London	<a href="#"><u>PAS0015</u></a>

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### APPENDIX 3: CALL FOR EVIDENCE

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The UK is an ageing society. In 2023 the total fertility rate for England and Wales stood at 1.44 children per woman, the lowest rate on record and below the level required to maintain a stable population.<sup>165</sup> The population has continued to rise only as a result of immigration. With life expectancy increasing, the UK can expect 27% of its population to be over 65 by 2072, compared to around 19% in 2022;<sup>166</sup> the percentage of the population over 85 (around 2.5% in 2022) is set to nearly double and reach approximately 3.3 million by 2047.<sup>167</sup> Attempts to raise the birth rate have been unsuccessful in a number of countries; the UK can therefore expect its population to increasingly comprise older individuals.

The resultant increase in the proportion of those relying on the provision of health and social care and a corresponding reduction in workers to finance and provide such care means that the UK will face growing economic challenges. These will be more than just the fiscal difficulties relating to the funding of health and social care. Demographic shifts can be expected to have wide-ranging implications for the economy and society, requiring policy responses in a number of areas.

The Economic Affairs Committee is launching an inquiry to investigate the impact of ageing on the UK economy, the opportunities and challenges the Government needs to consider given the demographic trends, the policies necessary to adapt to this future and the broader behavioural changes that may be required.

The Committee seeks evidence on the following questions. Respondents are not obliged to address all of them.

1. What factors might affect the currently projected demographic trends? Are there critical inflexion points for the birth rate, with qualitatively different effects should the rate fall below a certain level? If so, what policies might protect against falling below that level?
2. What role does immigration play in developing trends? Do different types of immigration entail different trends? Are any changes to the Government's immigration regime needed to reflect the UK's future demographic characteristics?
3. What changes to the workforce are needed to support an ageing population? How does the productivity of older workers compare to those who are younger? How might the productivity of older workers be improved?
4. What incentives regarding workforce participation by older individuals are created by the various existing tax and pension arrangements? What policies should the Government pursue to encourage and support people to remain in the workforce later in life? How can the recruitment and retention of older people be supported? What effects would greater workplace participation amongst the older population have on economic growth?
5. What policies aimed at younger people are necessary given the broader ageing of the UK? How might the course of working lives have to change as the UK transitions to an older population?

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165 <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/conceptionandfertilityrates/articles/howisthefertilityratechanginginenglandandwales/2024-10-28>

166 <https://commonslibrary.parliament.uk/the-uks-changing-population/>

167 <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2022based>

6. Will AI and other technologies deliver a sufficient rise in productivity to offset the impact of an ageing and shrinking workforce on the economy?
7. Which countries can the UK learn from in facing the demographic transition to an older population?
8. Are there any issues relating to intergenerational fairness raised by a shift towards an older population? Are there policies which might improve the efficiency of the transfer of assets between generations?