

## Stung by pension reforms: the effect of the increase in the UK state pension age on wellbeing of women born in the 1950s

By Marina Della Giusta ([m.dellagiusta@reading.ac.uk](mailto:m.dellagiusta@reading.ac.uk))

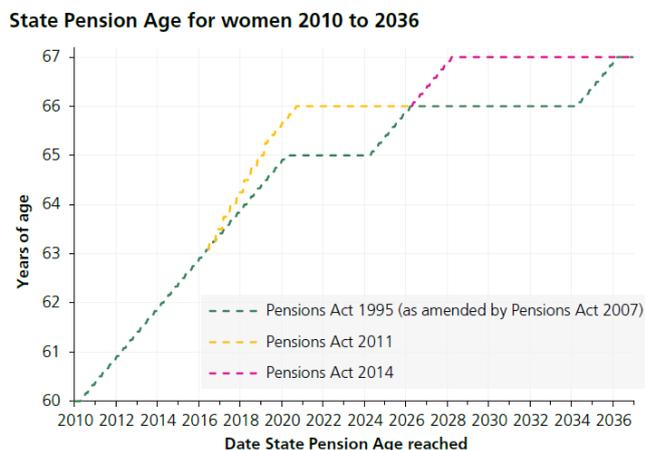
and Simonetta Longhi ([s.longhi@reading.ac.uk](mailto:s.longhi@reading.ac.uk))

University of Reading

Between 1995 and 2014 several reforms have been enacted to increase the state pension age (SPA) in the United Kingdom and equalise it between women and men. As a result, more than 3.5 million women born in the 1950s have seen their SPA increase by as much as 6 year (Thurley and Keen, 2018), and it is controversial whether the reforms were adequately communicated to those affected.

Figure 1 below from Thurley and Keen (2018) illustrates the effect of the reforms on women's SPA. The green line shows the timetable in the Pensions Act 1995 and Pensions Act 2007, which set a sharp increase in women's SPA to equalise it to 65 (the same as men's SPA) by April 2020. The Coalition Government, however, legislated a new Pensions Act in 2011 to accelerate the latter part of the increase and to reach equalisation already by November 2018. The equalised SPA will then rise to 66 for both men and women by October 2020. The equalised SPA will then rise to 66 for both men and women by October 2020.

Provision to increase the equalised SPA from 66 to 68 in stages over the period 2024 to 2046 was already included in the Pensions Act 2007, while the Pension Act 2014 brought forward the increase in SPA to 67 to the period 2026-2028.



Source: Thurley and Keen (2018), page 5

A large campaign formed to protest against the reforms by the group of women who have been most affected. WASPI (Women Against State Pension Inequality <https://www.waspi.co.uk/>) was formed in 2015 to argue for the government to provide transitional payments to women born in the 1950s receiving their pension after the age of 60 and for women who now receive a state pension but had to wait longer. This campaign, and associated ones, have been growing in strength with a petition with more than 100,000 signatories to Parliament resulting in a Parliamentary debate and legal action to challenge the decisions made and their communication to the women affected by the reforms. Several parliamentary discussions on the issue have since occurred, the Labour Party leader Jeremy Corbyn raised it in a session of Prime Minister's Questions in 2017 and most recently in the context of the General Election 2019. On 23rd November 2019 a pledge of £58 billion was made by John McDonnell, the then shadow chancellor, to compensate all women born in the 1950s whose pension age was increased.

After speaking with members of the WASPI campaign, who kindly allowed us to take part in one of their meetings, we decided to conduct some research to measure the effect of the reforms on women born in the 1950s. There is only sparse research on this issue, and this focusses primarily on labour market participation. In our research we wanted to focus on the neglected issue of the impact of the reform on wellbeing.

We used a large sample representative of the UK population: the UK Longitudinal Household Study (UKHLS) from 2009-10 (wave 1) to 2016-17 (wave 8) to measure the causal direct and indirect effects of the reforms on women born in the different years of the 1950s. We found, similar to work so far, that indeed the increase in the SPA increased women's probability of being in the labour market (by 11.6 percentage points), and their probability of having a job (by about 9.3 percentage points). However, we also find various negative effects: compared to those who already reached SPA, those of a similar age who have not yet reached SPA are more likely to say that they are finding difficult to manage on their income, they are slightly more likely to be behind with bills and, as a consequence, are less satisfied with their household income. We do not find a decrease in the probability of providing care (most likely as this is likely driven by demand for care), suggesting that this is done regardless of continued participation in paid work. As a consequence, women experience a correspondingly lower level of satisfaction with their amount of leisure time.

Importantly, we find that women who have not yet reached SPA experience worse mental health and lower levels of life satisfaction; this effect is stronger for those who have to wait for longer, and in particular for those who must wait two or more additional years to reach SPA.

Life satisfaction is worse for all women who must wait more than six months, thus providing evidence of the damage caused by unanticipated changes in women's expectations, as well as the direct effect of leisure displacement and financial impacts. This is an important aspect of the effects of the reforms that has not been formally considered at all.

The presence of a partner helps to mitigate some of these effects as we find that women without a partner are particularly negatively affected by the reforms. In addition, we find that the increase in women's SPA also affects their male partners, who are now slightly more likely to be active in the labour market and to have a job. As one would expect, the magnitude of the effect, however, is smaller than for women.

The positive fiscal impact of the increase in the SPA should therefore be weighed against the negative effect on wellbeing and the consequent increase in inequality between those who can and those who cannot afford to retire at their preferred age.

#### References:

Thurley, D. and Keen, R. (2018) State Pension Age Increases for Women Born in the 1950s, Briefing Paper Number CBP-7405.

Details of this work can be found in:

Della Giusta M. and Longhi S. (2019) "Stung by pension reforms: mental health and life satisfaction of women affected by a change in state pension age"; Department of Economics, University of Reading.

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