Press Release

Women in their late 60s will be as likely as men to be in paid work in 2020

Life at older ages will look very different for women in the early 2020s than it does today. They are likely to be healthier, their husbands will live longer, and they will be much more likely to be in paid work.

These are among the main findings of The Changing Face of Retirement, a new report published today by the Institute for Fiscal Studies (IFS) and funded by the Joseph Rowntree Foundation and the IFS Retirement Saving Consortium, with support from the Economic and Social Research Council. The study projects the demographic and financial circumstances of those aged 65 and over in England up to 2022–23.

Over the decade from 2012 to 2022 the population aged 65 and over is projected to increase by 22% (from 17% to 20% of the overall population). Tomorrow’s older population will also not look like today’s:

- Increasing life expectancy, plus the fact that mortality rates are lower for those in couples, means that far fewer pensioners will be living alone in the future. We project that 38% of people aged 85 and over will live in couples in 2022–23, up from 25% in 2010–11. This would accelerate a trend which has already seen the proportion of those aged 85 and over living in couples increase by about 10 percentage points between 1990 and 2010.

- The health of older women is improving. Within each age group the proportion of women with no substantial health problems is projected to rise by more than 5 percentage points: for example among those aged 65 to 74 it is projected to increase from 39% to 47%.

- Employment rates for women in their late 60s, already at their highest level for forty years, are set to increase faster and approach or even overtake men’s in the early 2020s. We project that 37% of women aged 65 to 69 will be in paid work in 2020–21, compared to 16% in 2010–11 and just 8% in 2000. Meanwhile, male employment rates for this age group rise from 29% to 33%.

- The projected increase in employment rates of older women is driven by improvements in health and, in particular, the rise in the female state pension age from 60 in 2010 to 66 in 2020. The additional female workers are drawn predominantly from women in good health.

Over the 2000s, the incomes of those aged 65 and over rose by 2.8% per year on average (faster than for younger individuals), as state pensions and benefits and private pensions grew rapidly. We project that the incomes of this group will grow slowly between 2010–11 and 2014–15, before recovering to grow by 2.0% per year over the period from 2014–15 to 2022–23. This growth will be driven more by increased earnings and private pensions than by state pensions and benefits.

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- The net incomes of 65 to 74 year olds will grow by 3% per year on average between 2014–15 and 2022–23, boosted by higher gross earnings. Net income among those aged 75 and over will only grow half as fast, at 1.6% per year.

- Between 2010–11 and 2022–23, gross earnings are projected to grow by an average of 8% per year among those aged 65 to 74. Gross private pension income for this group is projected to grow at 5% per year — faster than projected growth for older age groups (a reversal of trends seen in the previous decade).

- Incomes for the poorest pensioners will grow by about 1% per year in real terms, assuming their state pensions and benefits rise as currently planned. As both earnings and private pensions are forecast to grow faster than this, income inequality among those aged 65 and over is projected to grow.

- ‘Absolute’ income poverty for those aged 65 and over, using a benchmark uprated in line with the CPI, will fall from 20.1% in 2014–15 to 12.7% in 2022–23, around a third of its 2000–01 level. This is driven by real income growth of 2.0% per year over that period. As income poverty among those in couples is projected to fall faster, poverty among the over 65s will become increasingly concentrated among single women.

Katy Heald, a senior researcher at the IFS and an author of the report, said “Employment rates for women in their late 60s will increase further and faster over the next few years, approaching or even overtaking those among men of the same age. This reflects improving health, as well as being a response to the rising state pension age. Of course while increasing earnings will boost the incomes of these women, longer working lives will not necessarily leave them better off in a broader sense”.

Andrew Hood, a research economist at the IFS and also an author of the report, said "The next decade or so will see a big fall in the proportion of older pensioners living alone. This is good news as people in couples are healthier, less lonely, and have higher incomes. Incomes of those aged 65 and over in general will also continue to rise, partly reflecting higher employment rates. As a result, levels of poverty among this group will keep falling, particularly for couples, and income poverty will become increasingly concentrated among older single women."

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Notes to Editors:

1. For embargoed copies of the report or other queries, contact: Kylie Groves at IFS: 020 7291 4800, kylie_g@ifs.org.uk;

2. The research was funded by the Joseph Rowntree Foundation (project reference 1112004A), the IFS Retirement Saving Consortium, and the Economic and Social Research Council (ESRC) through a Knowledge Exchange grant. This work would also not have been possible without support from the ESRC-funded Centre for the Microeconomic Analysis of Public Policy at IFS (grant reference RES-544-28-5001). The IFS Retirement Saving Consortium comprises Age UK, Department for Work and Pensions, Financial Conduct Authority, HM Treasury, Institute and Faculty of Actuaries, Investment Management Association, Just Retirement and Money Advice Service.
3. The Centre for the Microeconomic Analysis of Public Policy (CPP) at IFS is funded by the Economic and Social Research Council (ESRC). ESRC funds research into the big social and economic questions facing us today. It also develops and trains the UK’s future social scientists. Its research informs public policies and helps make businesses, voluntary bodies and other organisations more effective. Most importantly, it makes a real difference to all our lives. The ESRC is an independent organisation, established by Royal Charter in 1965, and funded mainly by the Government. http://www.esrc.ac.uk/