

Labour Weighs Pension Age Increase Despite Poverty Risk

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Labour is reportedly reviewing plans to raise the state pension age, a measure that could yield around £6 billion annually for the Treasury but risks pushing more pensioners into poverty. Current legislation sets the pension age at 66, with planned increases to 67 between 2026 and 2028, and to 68 between 2044 and 2046. Experts from the London School of Economics (LSE) argue that increasing the age to 68 sooner

could ease fiscal pressure, while the Institute for Fiscal Studies (IFS) warns of serious hardship, particularly for private renters, the limited—savings self-employed, and those in poor health.

Under current forecasts, pension costs are expected to rise from approximately 4.8 per cent to 8.1 per cent of GDP by 2071, placing a significant strain on public finances. A one—year increase in the pension age could save an estimated £6.1 billion, but critics argue the resulting cut in wellbeing for older workers, estimated at £1,830 per person, would disproportionately affect those unable to continue working.

Charity Age UK cautions that many older individuals face ill health or caring responsibilities and would be unable to remain in employment. The organisation believes any accelerated rise should include exemptions for vulnerable groups. Similarly, retirement expert Ros Altmann warns that those in poor health or low-income jobs would be hardest hit, calling such a change “deeply unfair”.

In response, analysts recommend targeted interventions. The IFS suggests two key support measures: a £600million annual supplement for those one year below pension age on Universal Credit, and a £200million package aimed at individuals receiving health-related benefits, a move that could prevent poverty in approximately 33,000 households.

In tandem, Chancellor Rachel Reeves has launched a new Pensions Commission to explore long-term savings reforms. Led by Baroness Jeannie Drake with expert input from the IFS, the Commission will report by 2027 without addressing the pension age, triple lock or tax relief. Work and Pensions Secretary Liz Kendall has warned of a looming “tsunami of

pensioner poverty” unless serious savings action is taken, especially among younger workers, ethnic minorities, and the self-employed, many of whom are not saving for retirement.

The Commission will focus on expanding auto—enrolment, potentially raising contribution rates to 12 per cent of earnings, and considering personalised savings solutions. While political sensitivities around raising the pension age remain, the combination of demographic pressures, increasing costs, and inadequate retirement savings may force decisive reforms shortly.