Acting now for an ageing society – Caroline Waters in conversation with Lord Stewart Wood

Caroline Waters

First, I should introduce our guest: Lord Stewart Wood of Anfield, Chair of the House of Lords Economic Affairs Committee, which has just produced an excellent report that we will explore a little today.

His experience extends well beyond that role. He advised both the Gordon Brown government and Ed Miliband, and he also teaches at the Blavatnik School of Government at the University of Oxford. So a very accomplished and well-rounded individual.

Stewart, your committee's second report, *Preparing for an Ageing Society*, comes to the stark conclusion that the UK is strikingly unprepared for an ageing society. We only have a relatively short time to explore that today. I'll ask Stewart a few questions for about 20 minutes, then we will open the discussion to the audience.

We will start by looking at the report, then delve into older workers – something we have already heard about this morning – and finally turn to questions from you.

ILC sees longer lives as an economic opportunity, while also recognising the challenges – many of which we have heard about already today – such as poorer health and increasing public spending pressures.

Where do you and the committee stand on this issue? Is ageing ultimately more of an economic opportunity, or more of a challenge?

Lord Stewart Wood

Thank you. It is lovely to be here and lovely to see you all.

The short answer is that it is more of a challenge – though there are opportunities that risk being missed.

Our focus as a committee was twofold: first, we are an economic committee, and second, we were looking specifically at the government's response. What struck us very quickly was not only how unprepared government is for the challenges and opportunities of ageing, but how unprepared it was even for us to conduct a report on the issue.

In fact – and this is true – we could not find a minister to give evidence. Every Lords committee normally has a minister appear as part of the process. Our invitation letter was passed between three or four departments and no one picked it up. That in itself tells you something.

We face huge challenges as a country: defence pressures in a changing geopolitical environment, worklessness, climate change. For all these issues there are departments geared up to respond. You might disagree with their policies, but there are substantial resources and strategies dedicated to addressing them.

Ageing is actually a far more predictable challenge – and opportunity – than many of these issues. Yet there is no clear locus in government and no cross-departmental strategy for dealing with it. That is very striking.

At the individual level, ageing is an extraordinary success of the modern world. It is the result of advances in science, public health, education, technology, the changing nature of work, the welfare state and urban design. All these things together have produced a revolution in life expectancy and quality of life.

But from a governmental perspective, we felt the state has not fully reckoned with the knock-on consequences of this transformation. In particular, longer lives can mean longer periods outside economic activity and greater dependency.

One of the things that struck us most was the declining ratio between healthy life expectancy and life expectancy. Government tends to focus on life expectancy rather than healthy life expectancy, yet healthy life expectancy is now lower than the state pension age, which is quite extraordinary.

There is also a mismatch between how people perceive their life course and the reality of it, and a mismatch between public policy and the lives people are likely to lead.

Our public policy framework still assumes a linear life cycle: education, then work, then retirement, then health needs. But many people's lives will not follow that structure. Education and work will need to occur throughout life.

So from a government perspective ageing presents more of a challenge than an opportunity. From an individual perspective, however, it is something we should celebrate.

Caroline Waters

You will forgive me for saying this, but as an observer it often seems that the default policy responses are limited to tinkering with the state pension age or trying to increase birth rates – neither of which has been particularly successful.

Your report was very clear that raising fertility, increasing migration to fill skill gaps, or raising the state pension age are not realistic solutions on their own.

So what actions should government prioritise to maximise the opportunities of longer lives? And why is relying on productivity growth alone such a risky strategy?

Lord Stewart Wood

You are right. We looked closely at fertility policy, immigration and the state pension age, and we were fairly critical of relying on all three.

Raising the state pension age may have some justification, but as a solution to the economic effects of ageing it is something of a red herring, mainly because of patterns of labour market behaviour from age 50 onwards.

On fertility policy, the debate is returning across many countries. Yet there is little evidence that government policies can sustainably raise fertility rates. Some policies may bring forward decisions to have children, but over the medium term they rarely change overall fertility levels.

So we were sceptical about those approaches.

Instead, one of the most important changes would be to rethink the life cycle of work and education. When we spoke to officials about ageing, their instinctive response was to assume we meant pensions policy. But ageing affects the entire life course.

Younger generations will live very different lives as a result of demographic change. For me, a key issue is that education and work need to be intertwined throughout life, particularly from age 50 onwards. That simply does not happen enough at the moment.

Governments will also need to consider financial and other incentives to encourage people to remain in work after 50 and beyond the state pension age. That will be controversial because of moral hazard concerns – for example, whether incentives reward those who leave work rather than those who remain.

On productivity, the risk of relying on it is clear if you look at the past two decades. Since the financial crisis we have had around 17 or 18 years of extremely weak productivity growth. It has improved slightly recently, but the overall trend has been flat.

If productivity can stagnate for long periods after economic shocks, you cannot rely on it as the solution.

We heard a lot about artificial intelligence during our inquiry. It may increase productivity, but at the moment that remains uncertain. So relying on productivity growth alone is essentially a gamble.

Caroline Waters

Given the scale of the issue, why do you think ageing has remained such a low political priority?

Lord Stewart Wood

I am not sure ageing is a low political priority in every sense. Older voters – people from their late fifties onwards – have considerable political influence.

The median age of voters in the last election was around 57. Politicians respond to the incentives created by voters.

For example, since 2010 the state pension has risen by around 81%. Unemployment benefits have risen by about half that amount and working-age benefits by even less. Inflation has been around 55%.

That pattern is not accidental. Older people have considerable political weight.

However, ageing tends to be framed as an issue about people who are already older, rather than as a question about how society should be designed for longer lives. That broader perspective is often missing.

Partly that is because the policy challenges are extremely complex. They involve difficult decisions about taxation, incentives to work longer, housing and community design.

Some countries are experimenting with interesting policies. In the Netherlands there are dementia villages designed to replicate normal living environments. Australia has explored financial incentives to encourage people living alone in large homes to downsize.

These are imaginative ideas but they are politically challenging.

Another problem is that ageing does not sit neatly within any single government department. Officials often see it as someone else's responsibility.

Caroline Waters

Let's turn to older workers. Your report found that many people leave the labour market in their fifties and sixties. We do not always know whether this is voluntary or whether work has simply become too difficult.

What do you think are the main factors pushing people out of the labour market at that stage of life?

Lord Stewart Wood

There are many factors.

When we began the report, people assumed we would focus mainly on the state pension age. But what struck us was how many people stop working full-time well before reaching it.

Often this is due to a combination of factors. Caring responsibilities are a major one. Many people in their fifties are part of the so-called sandwich generation, supporting both children and ageing parents.

Lifestyle preferences also change. Some people discovered during COVID that they could live on less income and preferred a different work-life balance.

Others are made redundant and struggle to find new employment. People in physically demanding jobs may simply not be able to continue working into their sixties.

There are also issues around job quality. Work may feel less satisfying or more demanding than it did earlier in people's careers.

Another important factor is social care. The absence of a clear financial settlement creates enormous uncertainty. People who have some savings often hoard money in case they face very high care costs later in life.

This uncertainty leads to inefficient decisions about savings and work patterns.

Caroline Waters

From an employer's perspective, one policy that really helps is flexible working.

Lord Stewart Wood

Yes, absolutely.

Flexible working is one of the most powerful incentives for people aged over 50 to remain in the labour market. As a country we may need a more nuanced discussion about when and how flexible working is used.

Caroline Waters

Another major issue is health. Good health is a critical factor in retaining workers. When people feel well, they are more likely to remain active and engaged.

What should the Treasury do to recognise the economic value of preventative health?

Lord Stewart Wood

One possibility is the idea of a preventative spending allocation across departments. It would encourage departments to invest in interventions that reduce long-term costs.

The Treasury does understand the economic logic of prevention. The difficulty is that during periods of fiscal pressure it is politically difficult to divert money from immediate services to long-term prevention.

Nevertheless, the NHS ten-year plan does contain some preventative elements, and there are interesting opportunities to use tools such as the NHS app more effectively. Around 35 million people in the UK have downloaded it, which is extraordinary.

But ultimately the Treasury must design funding structures that encourage departments to prioritise prevention.

Caroline Waters

There is also a common assumption that older workers are less productive. Your report challenges that.

Lord Stewart Wood

Yes, we found very little evidence that older workers are less capable, particularly in a service-based economy.

In fact, the key issue appears to be retraining. If people are given opportunities to update their skills, their productivity is comparable to that of younger workers.

Our education system still tends to treat learning as something that ends once people leave school or university. That approach will have to change.

We also looked at perceptions of age discrimination. Interestingly, surveys suggest men are more likely than women to believe older workers are less capable. So the stereotypes may be stronger among men.

Caroline Waters

Thank you. I think we have time for just a couple of questions from the audience.

Audience Q&A

Questioner 1

Hello, I'm Coleman. I'm an ambassador for the Stanford Center on Longevity, in a voluntary capacity.

I'm really interested in the demand side of this. Yes, there are people leaving the workplace, but there are also many people in their fifties and sixties who want to return to work and are finding it very challenging. So there is supply, but not enough demand from employers.

I wonder whether we should be encouraging companies to recognise that retirement bias in training and development creates a real material risk. Should we also be encouraging companies to be much more transparent about the age profiles in their organisations?

It can be done. HSBC and BUPA, for example, report every year on their age profiles – 20 to 30, 30 to 40 and so on – by division and by country, as well as what they are doing on succession planning, learning and development, and so forth. But most FTSE 100 companies do not do that.

So should government be asking employers to report those age profiles?

Lord Stewart Wood

Yes, we found that issue as well and were very interested in it.

From what we saw, there seems to be a distinction between reporting aggregate workforce data and reporting individual-level data. Companies cannot do the latter, but they can do the former. That distinction sometimes gets blurred, and some employers use it to suggest they cannot report age data at all, when in fact they can.

So I do think there is a case for greater transparency and perhaps more publicity around what is already possible.

It is an interesting proposal. You may well be right that more reporting could help. It would also be interesting to look more closely at examples such as HSBC to understand what effect that kind of reporting has had.

Questioner 1

Yes – HSBC. I asked them why they do it, and they said: how can we make informed decisions about retirement risk, training and development, and the opportunities facing the business unless we have the data?

Caroline Waters

Yes, I think it is possible. But what we must not do is simply ask employers to complete yet another separate reporting requirement. We need to consolidate what already exists so that it becomes more meaningful.

Questioner 2

Hello. One thing I was wondering is whether part of the issue is the way we frame ageing.

This is not just an issue for older people. Ageing happens across the whole life course. There has been some discussion about the idea of a commissioner for older people, but perhaps what we really need is a commissioner for ageing – someone looking at different life stages, health span and the whole life course.

Do you think that could be a way of getting government more engaged?

Lord Stewart Wood

Yes, I completely agree with that.

As I said earlier, I think we do need to reframe the way we think about ageing. It is not simply about people who are already older.

Personally, I have always thought there was something interesting in ideas like baby bonds – which Gordon Brown introduced. My younger son actually benefited from them, though that was not a conflict of interest. It was a small sum, but the principle was important.

The idea that an 18-year-old might begin adult life with a small stock of investable assets – and that this could be linked to thinking about pensions, saving, housing and later life – could be genuinely transformative.

If young people grow up thinking earlier about what longer lives will mean for them, and how their lives might differ from those of their parents, that could help shift the whole debate.

So yes, I think reframing ageing as a life-course issue rather than simply an issue about older people is exactly the right approach.

Caroline Waters

I'm really sorry, but we are completely out of time. I'm getting signals from both sides that we need to wrap up.

So thank you very much.

Lord Stewart Wood

Not at all. Thank you very much.