



Smart Growth Analytics
economic research and intelligence consultancy

Changes to the State Pensionable Age set to boost economic growth over the next 20 years, but extent of boost will vary across the Country, and will depend on local successes in creating additional jobs

Key evidence from Smart Growth Analytics suggests that the UK Government's proposed changes to the State Pensionable Age (SPA) will have hugely significant implications for economic growth across the Country¹. The evidence also suggests that the extent of this impact will vary tremendously from one local area to another.

The Smart Growth SPA impact estimates show that, by 2033, there will be an additional 2.5 million people in England of working age following the implementation of the changes (Table 1). This represents a rise in the Country's labour supply of just over 7% as a direct result of SPA changes over the next 20 years or so.

Many of these additional people of working age will obviously require work, with most staying on in their existing employment. The effect of more people staying on in work will be to reduce the volume of vacant employment opportunities as people retire, reducing the current level of 'churn' in the jobs market. In turn, and without further successful efforts to create additional jobs and self-employment opportunities to meet the additional supply of labour, it will be harder for people to find work, particularly at the 'entry level' into the employment market for younger people. However, those local areas which successfully create additional job opportunities will see a hugely significant boost to their employment levels, and, in turn, a hugely significant boost to their economic growth.

To gauge the extent of this potential for employment growth, and the need to create additional employment opportunities, requires some understanding of the likely 'employment rate' for the additional cohort of older people of working age. In the Smart Growth analysis, we have applied a range of employment rates, based around current employment rates for older workers (aged 50 to 64)². Nationally, the application of these employment rates suggests that the SPA changes will boost potential additional workers

¹ At the time of writing, the final planned changes to the SPA over the next four decades have yet to be established. All figures in this press release are based on the simple assumption that, by 2033, the state pension age will have changed from the current arrangement of 65 years for men and 60 years for women, to 66 years for both sexes. Since the coalition Government looks set to raise the SPA to 67 for both sexes in 2026, all figures in this press release should be viewed as low estimates of impact. However, the relative impact comparisons between areas set out here, will remain almost entirely valid.

² Our lower employment rate estimate is based on an employment rate some 30% below the 2012 employment rate, whilst our higher rate estimate is based on an employment rate some 10% above the 2012 employment rate.

by somewhere between 0.9 million, as a lowest estimate, to as many as 1.9 million, as a highest estimate.

As well as the overall impact across England as a whole, the Smart Growth analysis also gives valuable insight into the sub-national impact of changes to the SPA. Perhaps the most important finding is that it shows that the impact of the UK Government's suggested changes to the SPA will vary tremendously across the Country (as will the need for policies aimed at job creation and entrepreneurship). For example, whilst the South West of England will see an increase in its working age population of almost 9% over the next 20 years, this falls to around 5% in London (Table 1). However, in terms of volumes of additional people of working age by 2033, it is the South East and London which head the list, with the South East having around 430,000 additional people of working age, and London having around 325,000 additional people of working age.

Below regional level, the variations in impact become even more startling. For example, in West Dorset, there will be a surge in the working age population of almost 16%, whilst in Tower Hamlets in London there will be a rise of just fewer than 3% (Table 2 and Table 3).

The potential implications of the SPA changes in most local areas across the Country are likely to be hugely significant with respect to economic growth. For example, on the one hand, the SPA changes will increase the local supply of labour above the current expected supply growth through natural population change. This labour supply boost will help many local areas to achieve their targets for economic growth through the use of existing people, rather than putting pressure on the need for in-migration. On the other hand, the SPA changes will put considerable pressure on local economies to ensure they are successful in creating the jobs to accommodate the rise in the local labour supply. Without these additional jobs, it is likely that there will be insufficient additional employment opportunities, particularly for younger people who are trying to enter the jobs market for the first time. Such trends may well increase the risk of higher local levels of unemployment and youth unemployment, or the exodus of younger people from the local area as they go in search of employment opportunities elsewhere. In areas where the latter occurs, the workforce age profile will age faster as a direct result, and the local economy will increasingly face the longer-term economic challenges associated with a reliance on above-average proportions of older workers.

All in all, great care needs to be taken at the local level, through job creation and support for enterprise and investment, focused on young people, to ensure that the SPA changes do not seek to cause structural problems which ultimately widen the poverty gap and/or exacerbate the ageing workforce profile which exists in most local areas. Local Authorities and Local Enterprise Partnerships (LEPs) should plan early to avoid problems as a result of the SPA changes, and invest to proactively take advantage of the associated employment boost and associated economic boost. In turn, as well as a jobs boost and growth boost, local authorities up and down the Country, that are successful in their job creation efforts, will benefit from increased Council Tax revenues and a decline in their expenditure on support benefits.

As well as further policies for the development of employment opportunities for younger people, higher levels of support for self-employment and business start-up amongst younger people should also take higher priority. Further local policy implications also exist in terms of the need for additional workspace capacity, increased capacity with

respect to the under-pinning transport and communications infrastructure, and support for remote working (such as home working).

Jim Plunkett-Cole, Principal Analyst at Smart Growth Analytics, said:

“The findings from this analysis suggest that the impact of the proposed changes to the State Pensionable Age will see a hugely significant rise in additional labour supply across the Country as a result. All local and regional economies should plan to raise their labour demand levels accordingly, through policies aimed at job creation, self-employment and entrepreneurship, and particularly for younger people. Additional consideration should also be given to increasing the capacity of the underpinning infrastructures of workspace and transport and communications. For Councils up and down the Country, and their associated Local Enterprise Partnerships, the rewards from investing in job creation, inward investment and entrepreneurship are potentially tremendous, but so too are the risks of under-investment”

Further data and information on the impact of the changes to the State Pensionable Age can be found on the pages below (in the three supporting tables which accompany this press release). Further tables with data for all local authorities across England can be found on our website at www.smartgrowthanalytics.co.uk. For a more detailed impact assessment for your local area please contact Smart Growth directly.

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Table 1: Regional Summary of Estimated Impact of SPA Changes in England, 2033

	Additional people of working age as a result of suggested SPA changes by 2033	Additional labour supply estimates (additional people in need of employment as a result of suggested changes by 2033)		Percentage increase in additional people of working age / percentage increase in labour supply (as a result of SPA changes)
Region / Area	Volumes (000s)	Lowest estimate volumes (000s)	Highest estimate volumes (000s)	% change from current SPA 2033 'situation' to Planned SPA 'situation'
England	2,509.6	890.9	1,894.7	7.2
North East	118.0	33.6	80.8	7.7
North West	322.5	104.0	233.0	7.3
Yorkshire & the Humber	242.9	80.2	177.3	7.2
East Midlands	234.4	83.4	177.2	7.7
West Midlands	257.5	87.6	190.6	7.2
East	304.5	117.2	239.0	7.9
London	324.6	113.3	243.1	4.9
South East	430.9	169.2	341.6	8.1
South West	274.5	105.5	215.3	8.8

Source: Smart Growth Analytics Ltd estimates based on analysis of data from the Office for National Statistics

Note: Lower estimate is based on an employment rate 30% below the 2012 employment rate, whilst the higher rate estimate is based on an employment rate 10% above the 2012 employment rate.

Table 2: Local Authority Top 10 Highest Percentage Increase (ranked in terms of % change from current SPA 2033 'situation' to Planned SPA 'situation', highest first)

	Additional people of working age as a result of suggested SPA changes by 2033	Additional labour supply estimates (additional people in need of employment as a result of suggested changes by 2033)		Percentage increase in additional people of working age / percentage increase in labour supply (as a result of SPA changes)
Region / Area	Volumes (000s)	Lowest estimate volumes (000s)	Highest estimate volumes (000s)	% change from current SPA 2033 'situation' to Planned SPA 'situation'
West Dorset	6.5	2.6	5.2	15.5
Rother	6.4	2.3	4.9	14.3
West Somerset	2.3	0.8	1.8	14.1
North Norfolk	6.9	2.5	5.3	13.4
North Dorset	3.7	1.6	3.1	13.2
East Dorset	5.5	2.4	4.6	13.2
East Devon	8.7	2.9	6.4	13.0
Dorset	24.5	9.9	19.7	12.9
Christchurch	3.1	1.1	2.4	12.6
Craven	3.3	1.1	2.4	12.4

Source: Smart Growth Analytics Ltd estimates based on analysis of data from the Office for National Statistics

Note: Lower estimate is based on an employment rate 30% below the 2012 employment rate, whilst the higher rate estimate is based on an employment rate 10% above the 2012 employment rate

Table 3: Local Authority Top 10 Lowest Percentage Increase (ranked in terms of % change from current SPA 2033 'situation' to Planned SPA 'situation', lowest first)

	Additional people of working age as a result of suggested SPA changes by 2033	Additional labour supply estimates (additional people in need of employment as a result of suggested changes by 2033)		Percentage increase in additional people of working age / percentage increase in labour supply (as a result of SPA changes)
Region / Area	Volumes (000s)	Lowest estimate volumes (000s)	Highest estimate volumes (000s)	% change from current SPA 2033 'situation' to Planned SPA 'situation'
Tower Hamlets	7.3	0.8	3.7	2.8
Islington	6.5	1.8	4.4	3.4
Lambeth	8.9	2.7	6.3	3.5
Newham	8.5	1.2	4.6	3.5
Manchester	14.4	4.3	10.1	3.6
Southwark	10.2	3.5	7.6	3.7
Wandsworth	9.5	3.3	7.1	3.7
Hackney	7.6	2.3	5.4	4.0
Nottingham UA	10.3	3.2	7.3	4.1
Camden	8.5	3.3	6.7	4.1

Source: Smart Growth Analytics Ltd estimates based on analysis of data from the Office for National Statistics

Note: Lower estimate is based on an employment rate 30% below the 2012 employment rate, whilst the higher rate estimate is based on an employment rate 10% above the 2012 employment rate

Notes for editors:

This press release, including further data and tables, is available on the Smart Growth Analytics website at www.smartgrowthanalytics.co.uk/media.html.

Smart Growth Analytics is a Somerset-based economic research and intelligence consultancy that specialises in the provision of local area information concerning enterprise and entrepreneurship. As well as bespoke local area projects for both Public Sector and Private Sector organisations, Smart Growth Analytics currently acts as strategic economic advisor to a range of organisations, including Local Authorities and Local Enterprise Partnerships.

The data analysis shown here has been extracted from the **State Pensionable Age Impact Dataset**, created by Jim Plunkett-Cole of Smart Growth Analytics Ltd. The Dataset is an extract from the Smart Growth Analytics Knowledge-Base of local area data and analysis covering enterprise and entrepreneurship in the UK.

All data shown are estimates derived through analysis and modelling of national statistical information (from the Office for National Statistics).

Please note that the data, analysis and other information shown in this press release are estimates and should not be taken as a statement of fact. They have been prepared with informed professionalism in the subject area, drawing upon the best available information, and are provided in good faith. Smart Growth Analytics Ltd reserves the right to alter the underpinning methodology for this data and analysis, or to edit or withdraw the work entirely as it sees fit. Any personal or commercial use of this information is entirely the risk, and solely the responsibility of, the person or persons using the information.

Further regional extraction and analysis of the State Pensionable Age from Smart Growth Analytics will be the subject of future press releases.

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