ARTICLE

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Implications of the change in female state pension age for labour market statistics

SUMMARY

Between 2010 and 2020, the state pension age for women will gradually increase, by one month every two months, from 60 to 65. At present, the headline employment and inactivity rates from the Labour Force Survey (LFS) are described as working age. They are based on upper age limits of 59 for women and 64 for men to reflect the current state pension ages in the UK. This article describes how these changes will be implemented and impact on key labour market statistics.

Introduction

Currently the headline employment and inactivity rates (and the inactivity level) from the Labour Force Survey (LFS), are based on upper age limits of 59 for women and 64 for men to reflect the current state pension ages in the UK. These headline rates, published in the monthly UK and regional labour market statistical bulletins, are described as working age employment and inactivity rates.

Between 2010 and 2020, the state pension age for women will gradually increase from 60 to 65 resulting in a need for the Office for National Statistics (ONS) to reconsider the current headline rates. Over this ten-year period, the state pension age for women will increase by one month every two months. It is recognised that the state pension age for both men and women is due to rise from 65 in the longer term. However this is a separate issue to be reviewed in the future.

The headline unemployment rate is based on the population aged 16 and over. Therefore, the change to the female state pension age has no implications for the unemployment rate.

Implications for headline employment and inactivity rates

Following a public consultation and extensive discussions with key stakeholders within government, ONS has decided that:

- from August 2010, the current working age employment and inactivity rates in the UK and Regional labour market

statistical bulletins will be replaced with headline rates based on those aged from 16 to 64 for both men and women. These will include consistent employment and inactivity rates back to and including 1992 and national rates re-scaled back to 1971

- the existing rates, based on women aged from 16 to 59 and men aged from 16 to 64, will continue to be published every month for a limited period
- ONS will also publish, every quarter, a rate that follows the incremental increases in the female state pension age

The alternative rates referred to in the second and third bullet points, will be published on the ONS website but not in the labour market statistical bulletins. Therefore it will be clear to users that the headline employment and inactivity rates will be for those aged from 16 to 64.

Implications for other Labour Market Statistics

At the same time as the new headline employment and inactivity rates are introduced, based on those aged from 16 to 64, similar changes will be implemented for other estimates in the statistical bulletin, for example the benefit proportions which currently use working age population figures as denominators. This will affect the key out of work benefit proportions published in Table 25 of the UK labour market statistical bulletin, sub-regional claimant count proportions and job density

Table 1**Employment and inactivity rate using the current working age definition and for individuals aged 16 to 64, and the difference between both series for April–June 2009**

	Per cent, not seasonally adjusted		
	Current working age (16–59/64)	New definition (16–64)	Difference, percentage points
Employment rate	72.4	70.6	–1.8
Inactivity rate	21.3	23.4	2.1

Source: Labour Force Survey

estimates in Tables 12–15 of the regional labour market statistical bulletins, and other proportions currently based on working age populations. This will not affect the headline claimant count rates at UK and regional level which use a different denominator and are not dependent on working age definitions.

Impact of the change on labour market statistics

Moving from publishing statistics for those of working age to cover those aged 16 to 64 will impact on both person level and household level statistics. The analysis presented below shows the difference between the current working age definition (men aged 16 to 64 and women aged 16 to 59) and the new definition (everyone aged 16 to 64) for the headline employment and inactivity rates. The impact on person level labour market indicators such as country of birth, nationality and region are also shown. Household indicators presented annually in the work and worklessness statistical bulletin are also affected and these differences are given.

Impact on person level indicators

In order to show the differences between the two age definitions it is necessary to use the LFS microdata. Estimates from the microdata are based on the mid-2007 population estimates. Non-seasonally adjusted estimates available on the ONS website are interim reweighted to the latest population estimates and will therefore differ slightly from the estimates published in this article.

Table 1 shows the employment and inactivity rate using the current working age definition, for individuals aged 16 to 64, and the difference between both series for the three months to June 2009. The employment rate represents the percentage of individuals who are in employment. In the three months to June 2009, the employment rate of working age people was 72.4 per cent, with 27.5 million people of working age in employment.

When including women aged 60 to 64, the employment level rises by 642,000 to 28.1 million, with the rate falling to 70.6 per cent. The fall in rate is because the employment rate of women aged 60 to 64 is much smaller than that of the current working age population. For this group the rate in the three months to June 2009, was 34.1 per cent, showing that around one in three of this group was in employment. The difference in the two definitions, which was 1.8 percentage points in the three months to June 2009, is fairly consistent over the period (see **Figure 1**). Between the three months to June 1992 and the same period in 2009, the difference in the two series range from 1.8 percentage points to 2.0 percentage points.

The inactivity rate represents the percentage of individuals who are inactive, that is people who are neither employed nor unemployed. Table 1 also shows the inactivity rate of working age people was 21.3 per cent in the three months to June 2009. In the same period, the inactivity rate of women aged 60 to 64 was 65.1 per cent, showing that around two-thirds of this group were inactive, much higher than that of the current working age population. Therefore, when moving to the new definition to include all those aged 16 to 64, the rate increased to 23.4 per cent, a 2.1 percentage point increase. Over the period, from the three months to June 1992 and the same period in 2009, the differences in the two series fluctuate between 1.9 percentage points and 2.3 percentage points (see **Figure 2**).

Figure 3 shows a comparison of the impact of the changes on the employment rate and inactivity rate for women for the three months to June 1992 to the same period in 2009. In the three months to June 2009, the employment rate of women aged 16 to 59 was 68.9 per cent. When including women aged 60 to 64 the employment rate falls to 65.6 per cent, a difference of 3.3 percentage points. Over the period, the difference in the employment rate of women fluctuates

between 3.1 percentage points and 3.5 percentage points.

In the three months to June 2009, the inactivity rate of women aged 16 to 59 was 26.1 per cent. When women aged 60 to 64 are included the rate increases to 29.8 per cent. Over the period, the difference in the inactivity rates of the two series ranges from 3.4 percentage points to 3.8 percentage points.

Employment by country of birth and nationality

Employment rates by country of birth and nationality are published in the UK statistical bulletin. **Figure 4** shows the impact of the changes on the employment rate by country of birth and nationality for the UK and non-UK groups. Around nine out of ten of those employed are UK born or UK nationals, therefore the impact of the changes on these groups are similar to those for the total employment rate shown in **Figure 1**.

In the three months to June 2009, the employment rate of UK born working age people was 73.4 per cent. When moving to the new definition to include those females aged 60 to 64, the rate decreases to 71.4 per cent. Between the three months to March 1997 and the three months to June 2009, the difference in the two series range from 1.8 percentage points to 2.1 percentage points. For the three months to June 2009, the employment rate of non-UK born working age people was 66.9 per cent decreasing to 66.0 per cent when including all those aged 16 to 64. Over the period the difference in the two measures for the non-UK born employment rate range from 0.9 to 1.7 percentage points.

Figure 4 shows that the difference in the two measures of the employment rates for UK nationals are similar to those for UK born. In the three months to June 2009, the employment rate of non-UK nationals of working age was 66.8 per cent falling to 66.1 per cent when including all non-UK nationals aged 16 to 64. Over the period the difference in the two series range from 0.3 percentage points to 1.2 percentage points.

In the three months to June 2009, females aged 60 to 64 accounted for around 2 per cent of non-UK nationals but around 3 per cent of non-UK born. As a result, the change in definition has slightly more impact on the non-UK born series.

Regional analysis

Government office region labour market indicators are published in Table 18(1) of the UK statistical bulletin and table

Figure 1

Employment rate for current working age definition and individuals aged 16 to 64 and the difference between the two series: April–June 1992 to April–June 2009

Source: Labour Force Survey

Figure 2

Inactivity rate for current working age definition and individuals aged 16 to 64 and the difference between the two series: April–June 1992 to April–June 2009

Source: Labour Force Survey

Figure 3

Impact of changes on women's employment and inactivity rate: April–June 1992 to April–June 2009

Source: Labour Force Survey

Figure 4**Impact of the changes on the employment rate: by country of birth and nationality for the UK and Non-UK groups, January–March 1997 to April–June 2009**

Percentage point difference, not seasonally adjusted

Source: Labour Force Survey

1 for each regional statistical bulletin.

Table 2 shows the impact of the changes on the employment and inactivity rate by Government office region.

The changes to the employment and inactivity rates have less impact in the London region, where only 3 per cent of the population are women aged 60 to 64, the smallest percentage across the regions. In the period between the three months to March 1993 and the three months to June 2009, the difference in the employment rates in London range from falls of 0.8 to 1.4 percentage points, while the inactivity rates range from rises of 1.0 to 1.8 percentage points.

Impact on household labour market statistics

In August each year, ONS produce a statistical bulletin titled 'Work and worklessness among households'. In this, many of the estimates are restricted to working age households, that is households that include at least one person of working age. The key household labour market indicators describe the adults and children living in working age households by the combined economic status of the household.

In the three months to June 2009 there were 19.5 million working age households. With a change in the definition, to include all households with at least one individual aged 16 to 64, there are an additional 862,000 households. Of these households, around 43.8 per cent are one-person households and an additional 55.6 per cent are those without dependent children, the remainder are those that include dependent children. There are very small numbers of children living in these additional

households, therefore the percentage of children in workless households remain unchanged with the change in the definition of working age.

Table 3 shows the percentage of working, mixed and workless households using the current working age definition and the new definition which includes households with at least one person aged 16 to 64. For the three months to June 2009, the percentage of mixed households falls by 0.6 percentage points from 28.4 per cent to 27.8 per cent, while the percentage of working households falls by 1.5 percentage points from 54.7 per cent to 53.2 per cent. The percentage of workless households increases by 2.1 percentage points when applying the new definition from 16.9 per cent to 19.0 per cent. Over the period the difference in the two workless household series fluctuates between 2.1 percentage points to 2.2 percentage points.

The statistical bulletin also presents employment rates of people by parental status. Analysis shows that the employment rates of women aged 16 to 64 with dependent children are very similar to those for women aged 16 to 59 with dependent children, as there are only a small number of women aged 60 to 64 with dependent children. However, the employment rates of men and women without dependent children decrease by 2.7 to 3.0 percentage points using the new definition. This is because women aged 60 to 64 are less likely to be employed than their younger counterparts.

Summary of impact

The tables in the UK statistical bulletin which currently publish estimates on a working age basis are Tables 1, 2, 8(1), 9, 12, 13, 18(1) and 25. The regional summaries in the statistical bulletins for Government office

Table 2**Impact of changes on employment and inactivity rate, by Government office region, January–March 1993 to April–June 2009**

	Percentage point difference, not seasonally adjusted			
	Difference in Employment Rate		Difference in Inactivity Rate	
	Min	Max	Min	Max
North East	-2.3	-1.8	2.0	2.7
North West	-2.1	-1.7	1.9	2.3
Yorkshire & the Humber	-2.4	-1.8	1.9	2.5
East Midlands	-2.4	-1.8	2.0	2.6
West Midlands	-2.1	-1.6	1.8	2.3
East	-2.2	-1.7	1.8	2.4
London	-1.4	-0.8	1.0	1.8
South East	-2.1	-1.7	1.8	2.3
South West	-2.5	-1.8	2.0	2.6
Wales	-2.3	-1.7	1.9	2.5
Scotland	-2.4	-1.9	2.1	2.6
Northern Ireland	-2.0	-1.4	1.6	2.1

Source: Labour Force Survey

Table 3

Households by combined economic activity status of household 1997 to 2009

	Per cent, not seasonally adjusted								
	Working Households			Mixed Households			Workless Households		
	16 to 59/64	16 to 64	Percentage point difference	16 to 59/64	16 to 64	Percentage point difference	16 to 59/64	16 to 64	Percentage point difference
April–June 1997	54.5	52.9	–1.6	27.5	26.9	–0.6	18.0	20.1	2.2
April–June 1998	55.1	53.5	–1.6	27.2	26.6	–0.6	17.7	19.9	2.2
April–June 1999	55.8	54.2	–1.6	27.1	26.5	–0.6	17.1	19.3	2.2
April–June 2000	57.2	55.5	–1.7	26.3	25.7	–0.5	16.6	18.8	2.2
April–June 2001	57.3	55.7	–1.6	26.2	25.6	–0.6	16.6	18.8	2.2
April–June 2002	57.3	55.7	–1.6	26.1	25.6	–0.5	16.6	18.7	2.1
April–June 2003	57.4	55.8	–1.7	26.6	26.0	–0.6	16.0	18.2	2.2
April–June 2004	57.4	55.8	–1.6	26.6	26.1	–0.5	16.0	18.1	2.1
April–June 2005	57.5	55.8	–1.6	26.4	25.9	–0.5	16.2	18.3	2.1
April–June 2006	57.3	55.7	–1.6	27.1	26.6	–0.5	15.6	17.7	2.1
April–June 2007	58.1	56.5	–1.6	25.9	25.4	–0.5	16.0	18.1	2.1
April–June 2008	57.2	55.6	–1.6	27.0	26.5	–0.5	15.8	17.9	2.1
April–June 2009	54.7	53.2	–1.5	28.4	27.8	–0.6	16.9	19.0	2.1

Source: Labour Force Survey household datasets

regions are also affected, and tables in the regional statistical bulletins. The changes also affect all tables in the work and worklessness among households statistical bulletin.

The change from publishing headline statistics for those of working age to those aged 16 to 64 will impact on both person level and household level statistics. The main changes are:

- a decrease of 1.8 to 2.0 percentage points in the employment rate back to 1971
- an increase of 1.9 to 2.3 percentage points in the inactivity rate back to 1971
- A decrease of 3.1 to 3.5 percentage points in the employment rate for women back to 1971
- an increase of 3.4 to 3.8 percentage points in the inactivity rate for women back to 1971
- an increase of 2.1 to 2.2 percentage

points in the percentage of households in which no one works, back to 1997

Production of consistent backdata

From August 2010, National and Government office region employment and inactivity rates will be available back to and including 1992 to ensure consistency with the April–June 2010 estimates and onwards (1992 is as far back as consistently reweighted LFS time series are available).

Labour market time series from 1971 to 1991 are derived from model-based estimates extrapolated from the annual LFS at the national level only. Employment and inactivity rates for this period will be re-scaled using the differentials listed under ‘Summary of impact’ for the national level only. The series affected are all series shown in Table 1 of the UK statistical bulletin, and total hours worked for people, men and women shown in Table 7.

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- Public Consultation on the change to female state pension age and the implications for Labour Market Statistics
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