HOUSE OF LORDS

Economic Affairs Committee

Uncorrected oral evidence: Preparing for an ageing society

Tuesday 14 October 2025

3.05 pm

Watch the meeting

Members present: Lord Wood of Anfield (The Chair); Lord Agnew of Oulton; Lord Blackwell; Lord Burns; Lord Davies of Brixton; Lord Lamont of Lerwick; Baroness Liddell of Coatdyke; Lord Liddle; Lord Petitgas; Lord Razzall; Lord Turnbull; Baroness Wolf of Dulwich.

Evidence Session No. 10 Heard in Public Questions 156 - 173

Witnesses

I: James Murray MP, Chief Secretary to the Treasury, HM Treasury; Laura Webster, Director of Personal Tax, Welfare and Pensions, HM Treasury; Antonia Williams, Director of Public Services, HM Treasury.

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Examination of witnesses

James Murray, Laura Webster and Antonia Williams.

Q156 **The Chair:** Welcome to the Minister and the Minister's officials to the Economic Affairs Committee's final evidence session in our inquiry into preparing for an ageing society. We are delighted to have with us James Murray MP, Chief Secretary to the Treasury; Laura Webster, director of personal tax, welfare and pensions at the Treasury; and Antonia Williams, director of public services at the Treasury. This is being broadcast on parliamentlive.tv and a full transcript will be taken, which we will make available shortly after the meeting for you to make any corrections that you feel are necessary.

Thank you for coming, Chief Secretary. Can I start with a general question? What is your and the Treasury's perspective on the risks and opportunities of an ageing population in the UK?

James Murray: Thank you very much, Lord Wood, for inviting me to join the committee today, and for your opening question. It is worth starting by saying that the fact that people are living longer lives is a good thing. It has been one of our objectives as a society for many years to extend longevity and to make sure that people have a higher quality of life into older years. It is a good thing, and we should celebrate the fact that life expectancy is increasing or has increased in recent years.

It brings with it a different set of demographic pressures than we have been used to. In the way I think about it, there are three different categories. The first category is of people who are already in or approaching retirement age, so those who are in their mid to late 50s and older. How do we make sure that their pension savings serve them well; that they are well looked after in older life; and that they have the dignity and opportunities that they have earned and built up for over the course of their lives?

Secondly, there is a question about the younger generations and how we prepare them now for being older people several decades down the line. What do we need to do now to set them up in the right way? How do we make sure that they are beginning to save in the right way and making the right choices early in life to set them up for later?

The third lens through which I think about this is the interrelation between those two groups. That is a slightly crude way of thinking about it; I know it is not binary, because of the transition, but it helps me to order my thoughts about it. How do we make sure that today's older people are well looked after? How do we prepare younger people? What is the intergenerational relationship between those two groups?

If you start with questions around people who are older now, who are accessing or getting towards accessing their pensions, the triple lock is well known as an important part of government policy, but there are a lot of other different questions being asked across government around that as well.

The pensions investment review that we undertook was about, yes, making sure that pension funds work better for the UK economy, but it was also about increasing the pension pots for savers and pensioners. The Casey review on social care is looking into how we address the demographic pressure that we are all well aware of in terms of the care needs of older people. Of course, the independent review into the state pension age is happening at the moment. The Pensions Commission, which is now under way, is also looking at some of those questions for the future.

There are a lot of different strands of work going on in different parts of government around the pensioners of today, preparing the pension system for the 2050s and beyond, and working out how we ensure that both groups are well catered for by the systems that we have.

The final point there is about—this is the third category that I mentioned earlier—the interrelation between younger people and older people. How do we make sure that that works cohesively and coherently, given the set-up that we have in society? We have to recognise that younger people going into the world of work and the housing market are going to face a different trajectory than previous generations might have.

If a younger person now who is renting privately, for instance, faces a harder prospect of home ownership than someone might have in the past, that presents a different challenge for them further down the line when they come to retirement. There are some questions to be asked there.

I see this as a change in society that will have some really positive outcomes, such as people living longer. It is a first-order objective to have people living longer, healthier lives. At the same time, it creates new pressures by shifting the demographic pressures around. As an example of that, if people are healthier in older life, which is a good thing for lots of reasons, that means they live longer and there is more fiscal pressure on the pension system. Overall, it is a good thing that people are healthier and living longer, and it is a lower cost to pay for pensions than people's healthcare needs, but it is important to see the interrelation between these pressures.

The Chair: Thank you very much for that scene-setting answer. Before we go on to specific policy areas, can I ask you a machinery of government question about this? One way that a country expresses the prioritisation of an issue is to have a serious chunk of government focused on that issue, such as climate change, defence or whatever it might be. There does not seem to be a Minister in Whitehall who is charge of ageing in this Government; nor was there in previous Governments.

Is there a location that takes a lead on these admittedly interdisciplinary and interdepartmental policy challenges? Is there a team of civil servants focused on the connections between these issues—given what is, after all, a very predictable challenge that faces us in the next few decades—or is this something that is distributed across departments and drawn together in a more indirect way?

James Murray: That is a really good question about how you focus on priorities generally in government. Do you do it by having a specific centre of expertise or a nominated Minister, or do you have a network of different Ministers in different departments working towards a common goal? There are pros and cons to both.

Given that the impact of the demographic change and the ageing population is so widespread, it feels like the right approach to have different policy areas led by different teams that talk to each other and do that in a connected way. The impacts on the health service are quite profound. The impact on social care is particularly profound. Pensions are critical. What we do about housing supply is also relevant.

These are all quite chunky questions and the individual departments would not want—and it would not be right to ask them—to relinquish control over those elements of policy. For me, this is one where it is better to ensure that the different departments and different teams within departments are aware of this question, thinking about it, communicating with each other and ensuring that policy is coherent. The Treasury has a role to play in that alongside No. 10. That feels like the best way to prioritise this across the whole of government.

Q157 **Lord Blackwell:** Before we move on, could I ask about the Treasury's thinking on the longer-term fiscal implications? The OBR has pointed out that, projected out 20 or 30 years, the worsening dependency ratio, alongside projections of increasing health expenditure on the elderly and welfare costs, potentially make the Government's fiscal position unsustainable. Is that something that the Treasury is grappling with? The OBR talks about a "window of opportunity" to address this.

James Murray: Particularly in terms of the health service, which is a large part of the Budget anyway, the Government are very aware of the pressures that are increasing on both the health side and the social care side. Along with other advanced economies around the world, we are facing that and trying to work out the best way of dealing with it.

A lot of the questions around healthcare come down to the broader changes that we are making to the NHS. We are shifting towards prevention and trying to make sure that people are healthier and lead healthier lives. We are shifting interventions from cure to prevention and doing it that way round. There is also a focus in Baroness Casey's review on looking at the long-term future of the social care system.

These are big questions that we should not rush at. We need to make sure that our answers are well thought through, that we have a long-term plan and that there is as much consensus around it as possible.

A lot of the changes that we are making right now, particularly in terms of the health service, go with the grain of what we need to be doing for an older population. We are moving towards more prevention and care at home or in the community rather than in acute settings such as hospitals. We are trying to make the health service more efficient and to get greater productivity in the health services, which has been a problem particularly in recent years. All of that points the health service in the direction that we need to go in generally to make sure that the NHS is in a good position and particularly to address the health needs of an ageing population.

Q158 **Lord Turnbull:** There was a particular phrase that struck me. You talked about ensuring that older people are well looked after. It sounds rather passive. The state has to look after them. There is an alternative way of looking at this. Older people should be encouraged and enabled to look after themselves.

There is a very striking chart in the papers, which shows that up to about the age of 55 75% to 80% of people are working. By the time you get to pension age, that has fallen to 30%. Getting more people to have a late working career seems to be a very productive area for getting people to work longer. That does not mean they have to stay in the same job. It is quite difficult, because a lot of the time they can work longer, but not in the job that they were doing, which may have folded or be physically too demanding. We should not lose sight of the fact that making it easier for older working people to stay in work is one of the best things that we could do.

James Murray: I completely agree with your point. For me, there are two sides to this. First, what I was driving at in saying that we should make sure that people are well looked after in older age was the need for adequate pension provision, whether that is state or private pension, but also for financial education, to make sure that people are saving early in life, and money advice for people in their 40s, 50s and 60s, to enable them to make the right choices about when to access their pension, so that, when they get to the stage that they are no longer working or able to work, they have a good life and the right income to support themselves.

That is not to cut across the point that you were making, which I completely agree with. We should make sure that people, into older age, are able to work and have the option to continue working into later life.

It strikes me as being really relevant that health barriers are the single main driver of inactivity among older workers. To the point earlier around the focus on the National Health Service, tackling those health barriers is really crucial to giving people more opportunities to work later in life, along with some of the other changes that we are making in government. The Employment Rights Bill, for instance, will benefit older people in how they interact with the labour market. That health focus is really crucial to enabling people to work longer, if that is what they want to do.

Q159 **Lord Lamont of Lerwick:** I want to follow up what Lord Blackwell said. That was a purely financial question about the debt profile going forward several decades as outlined by the OBR. It has presented a rather frightening, if I can use that word, picture of the long-term trajectory of debt to GDP. The OBR particularly emphasised, as Lord Blackwell referred to, that there is a decade of opportunity when the population at school is lower than it subsequently will be, where economies can be made. You did not really comment on it. It is a purely financial question. You said a lot of admirable things about what the Government are attempting to do, but there is still this question that Lord Blackwell highlighted.

James Murray: You mean in terms of what actions need to be taken in the coming years to prevent that building up.

Lord Lamont of Lerwick: Yes. Do you agree with the implication of the OBR and Lord Blackwell?

James Murray: Across the piece, we know that pressures are building up. Everyone is very aware of that. We spoke about health, but there are pressures building up in social care as well. That is why phase 2 of the review being led by Baroness Casey is looking at the long-term system for social care provision in our country.

It is important to recognise where these different pressures come from over time. We have an opportunity now to set the country on a different path for the years ahead. There are some things that we can do in the immediate term, over this Parliament and the next Parliament. The questions that we are grappling with today are much longer-term ones, which need to be addressed not only by this Government, but through a process of building consensus around them as well.

Q160 **Lord Burns:** Good afternoon, Chief Secretary. I would like to follow up, somewhat along the same lines as discussed by Lord Turnbull, by thinking of the impact on the supply potential of the economy if people continue to retire at the pace that they have been retiring. If there are no changes, more of the population is going to be in the position of not working. We also know that a lower proportion of people are likely to be joining the labour market than has been the case. This all says to me that, unless there are some changes to working practices, the supply potential of the economy is, at some point over the next 20 years, going to begin to contract. That is where this issue comes in about whether we can extend the working lives of people, incentivise them or persuade them that it is a good thing.

Have you looked at any work about what the productivity of different age groups looks like and what it might be? What is the potential for attracting people into the labour market for longer than has been the case? Will changes in things such as AI possibly help in that process? Some jobs have become available that might have been more difficult to do previously.

To what extent are you worried about this? To what extent have you been looking at it? To what extent is there research going on about what is going to happen to the potential of the economy, if we continue to retire at the pace that we have been retiring?

James Murray: It is a really good question. One of the slight frustrations in the statistics is that productivity statistics are not available by age group. It would be very interesting if they were, but that breakdown is not available.

This connects a bit to what I was saying earlier. What are the right interventions or policy decisions that the Government can make to enable people, as they get toward older life, as they get into their 50s, 60s and beyond, to keep working? What are the barriers to work?

I have addressed health in some of the comments I have made already. We should not lose sight of the fact that that is one of the biggest barriers driving inactivity among older workers. All roads lead to improving the health service when we are talking about that. That is not to say that other programmes or interventions do not have a role to play as well.

The Government are rolling out a programme called Connect to Work, for instance. That will help people of different ages, including older people, who are economically inactive due to ill health or for other reasons to access the job market. One of the interventions in Connect to Work, which strikes me as a really good idea, is getting work coaches into GP surgeries. If people are there to talk to their doctor about a health condition that they feel prevents them from work, but they actually just need a bit of support to get the right sort of work, you can make that connection quite directly in a health setting. Rather than seeing the visit to the GP as one thing and work as something entirely separate, we are trying to make that joined up.

There is also a focus on making sure that people throughout their lives can have the right skills. If people who are older want to continue working, it may well increasingly be the case that new skills are required, given the changes that are happening within the economy. That is where programmes such as the adult skills fund are important in making sure that people can get the new skills that they need. We are also launching the lifelong learning entitlement, which is focused on making sure that people can work throughout their lives.

It strikes me that this is the right way to think about it. What do we do about people who are older now and who might have barriers to accessing the job market? Then, to fit this within the framework that I set out to Lord Wood earlier on, what do we do over the longer term about younger people now who are going to become older in due course? Then we can set things up in the right way.

Lord Burns: Have you looked at whether there are any tax or welfare disincentives for people to continue working in the later stages of their life? I cannot recall what they might be, but is this an area where there are any incentives or where incentives could be created in order to persuade people to work for longer?

James Murray: I am reaching into my memory here about something that happened a few years ago. I know there was a conversation—I might check with my colleague Laura—about the lifetime allowance and the annual allowance, and whether that discouraged people from working longer.

Laura Webster: The obvious lever is the state pension age. That is a very blunt lever. We should remember that we made changes quite recently. We had a very long time with no changes. We then equalised men and women. Shortly after that, we raised to 66 and we are due to raise to 67 from next year.

There is some really interesting evaluation evidence. The Department for Work and Pensions, the IFS and others have looked at the extent to which that increases employment at that age. It is also interesting to see the extent to which it acts as signalling for people who are preparing for later life. It is not just whether it affects your employment rate at 66 or 67, but is it factoring into your thinking from 50, 55 and 60? It is still early days for those changes, but we need to monitor that closely.

In terms of the broader incentives, the age at which you can access your private pension is often discussed in these sorts of debates. It has been 55 for a long time. That is due to raise to 57 in 2028. There is an interesting debate about the right bridging period between accessing private pensions and the state pension. I can see the arguments for having some access pre state pension, particularly given that the state pension in this country is very fixed and there is no early access mechanism.

As we shift from largely defined benefit provision cohorts into more defined contribution provision, what is very important is the role of information, advice and guidance for people making decisions about accessing their private pensions. There has been quite a lot of work on what the default accumulation pathway is for individuals. The early introduction of automatic enrolment uses defaults very heavily in accumulation but less has been done so far—there is quite a lot of interesting stuff happening now—on the default decumulation pathway and how we help people make what are really big decisions. The risk has shifted on to the individual. In that debate there is quite a lot of conversation about how the tax system might act as an incentive, with things such as tax-free lump sums and the ability to access the pension.

There is an interesting difference. We have used behavioural science to design our accumulation phase, but a bit less has been done on the behavioural signals in the system around having a normal minimum pension age per se and a state pension age in and of itself. I have spoken a lot so I will pause.

Q161 **Lord Liddle:** A lot of people have said in evidence to us that the problem of people not working in their late 50s is a very serious issue that we have to address. I am very keen on active labour market policies that address that and I am interested in Connect to Work. My sense, having looked at this in the past, is that in the countries that have done this very well, such as the Nordic countries, it is quite expensive. What level of resource are the Government committing to this? Are they thinking of these programmes in the mindset of spend to save? You have to put money up front, but later on you will get a payback in terms of income tax receipts and less spending on health.

James Murray: The approach through Connect to Work, which you just mentioned, is part of the Government's wider investment in making sure that anyone who can work has the opportunity to work and that people, particularly those at a young age, are not written off for life by being put on benefits and no longer given an opportunity to get into the job market. It also helps older people to take up those opportunities.

The Government are putting around £1 billion over the next five years into employment support programmes to get people into work where they can work. I think £167 million—I will double-check the numbers and write to you if I have got the number wrong—is the Connect to Work part of that overall package of work.

It is also worth saying that this is not just something that government should do on its own. There is a review being undertaken at the moment by Sir Charlie Mayfield called Keep Britain Working, which is due to report at the end of this month. That is looking at what the role of employers is in terms of keeping people in work. It is likely to recommend a bigger role for employers in terms of intervening earlier to support employees and stop them falling out of the workplace.

That kind of intervention is probably quite relevant for older workers or people who are getting towards older age. If employers can make the necessary interventions to support them staying in work, that feels like a really good role for them to play.

Q162 **Lord Petitgas:** I just want to go back to Lord Blackwell and Lord Turnbull's point about the OBR. Everything is around this dependency ratio, and the number is widening. We talk about an ageing society, but we are really talking about the fact that one-quarter of the active population is not in work. It is not just older people; it is also younger people.

Having researched it, my sense is that it is not very clear. I am not sure you have the data. Maybe digital ID will help. It seems to me that a lot of programmes are not really fine enough. Are they going layer by layer? A 24 year-old may not want a job even though they could get a job; a 55 year-old may have decided not to work or been fired. These people are very different. This is not just about the ageing society; it is also about the zeitgeist. Unless we focus on this, the country cannot be successful. One-quarter of the population is not in work, not paying tax and receiving benefits. That is part of the ageing society, but ultimately it is part of the OBR’s points around widening the deficit.

What can be done? I know it is an impossible question, but it seems to me that the data is insufficient for you to make enough of these decisions. This may be for the employers, but it would be interesting to have, first, a little further reaction and, secondly, an idea of any action plan that you might have.

James Murray: Thanks for that question. In a way, that links slightly to the point that I began making in response to Lord Liddle’s question. The question of economic inactivity is broader than any one age group. In recent years, people have too often gone on benefits and then been left on benefits indefinitely, rather than being helped back into work where they are able to. We know that the best route out of poverty is work. There should be a safety net for those who can never work, who have serious disabilities or other reasons that prevent them from working, but anyone who can work should be given the opportunity to work and should work, wherever possible. That is quite fundamental. It is not even just this Government. We would probably all agree on that.

I referred to the wider programme of employment support—the £1 billion—to get people into work. It fundamentally puts us in a better position, as a country, if more people are in work and not on benefits. That is a better position to be in. Within that, there will be help for older age groups, but, exactly as you said, this is a wider question about making sure that we tackle economic inactivity in this country.

Q163 **Lord Davies of Brixton:** My question really relates to a point made by Lord Wood in the introduction about the locus of policy-making. In June, we published an industrial strategy that did not make any reference to the significance of an ageing population. That is in contrast to the previous Government’s industrial strategy, which suggested that the fact of an ageing population is one of the challenges that we face. For my own account I would always rather think of it as a challenge and an opportunity, but it is still there.

Are we missing something there? The impact of the ageing population is going to be so substantial that it really needs to be front and central in all areas of policy, not least our industrial strategy.

James Murray: I would agree that the demographic shift of an ageing population should be something that we are preparing for across government. There are going to be, exactly as you said, challenges and opportunities that arise from it. We should be thinking through that as we are making policy decisions.

To zoom out for one second, you mentioned the industrial strategy. So much of what we want to do as a government and as a country comes down to boosting economic growth. That is the way to make sure that we can sustainably fund public services, that people are better off and that people of all different age groups and demographics have better lives.

The industrial strategy is part of the Government's agenda to boost growth across the country. That is where the industrial strategy is located in our overall policy approach.

You have new jobs that are being created in industrial strategy sectors. They are being created in other sectors too, but, for the purposes of this conversation, I am referring to those industrial strategy sectors. You then want to make sure that people in different regions and nations of the UK, and of different age groups and backgrounds, can access those jobs and benefit from them. That comes back to the points that we were making earlier around the adult skills fund, Connect to Work, the lifelong learning entitlement and making sure that people can access those jobs.

One thing that strikes me—this is probably a wider question than what we are talking about today—is that, when we talk about economic growth and creating jobs in every part of the country, we need to make sure that people in every part of the country can access those jobs. It sounds like an obvious point to make, but we have to think about the people in those areas where the jobs are being created and making sure that they have the right skills to access them.

That will involve making sure that when young people leave school, college or university they have the right skills, but it is also about older people who are retraining and reskilling later in life so they can access those jobs. I see the industrial strategy as being one of the centrepieces of economic growth. That will put the public finances in a stronger position and make people across the country better off. There is then the question around how we make sure that people of all different walks of life can access the jobs that are created, which is relevant to the wider question of economic inactivity that we have been talking about today.

Q164 **Baroness Liddell of Coatdyke:** There is an irony that has been going through my mind. We are talking about this in the House of Lords, where a very high proportion of Members are, shall we say, not in the full flush of youth. There is a story behind that as well, in that people with experience and learning can bring something to the table.

I lived in Australia for a little while. You would see adverts in papers for retirees. It would be perhaps in do-it-yourself places, which were looking to bring guys who had previously been carpenters or plumbers into that kind of employment. I have never seen anything like that in this country.

What role should employers play in trying to encourage an ageing workforce into work? What can the Government do to encourage that? I liked what you were saying about lifelong learning. You have the University of the Third Age and the Open University. There are lots of opportunities for people to maybe fulfil an ambition to learn more. Nobody seems to be getting a grip on it and getting the message across to people that, when you reach the age of 66 or 67, you are not finished in most cases. There are opportunities to do other things. I know it is all a bit romantic, but there has to be an agenda there.

James Murray: Yes, I very much agree. I am not sure I would say it is romantic. It is hard-nosed, is it not? It is about saying that everyone should have job opportunities and you should not exclude people from the job market. If there are barriers, you should try to get the barriers out of the way so that the people who can work do work. That feels like quite a strong feeling that we all share.

The lifelong learning entitlement, for instance, is about transforming the post-18 student finance system to create a single funding system. The idea is that people can learn, reskill, upskill or retrain across their working lives. It is the idea that people do not just train once for one job and that is it. They have the opportunity to retrain.

Getting that culture embedded within society, so that people do not think, "I have trained for one job. If that job is no longer available in my area or at all, there is no opportunity for me", probably becomes even more important with the changes we are seeing in terms of what work involves and technological developments such as AI. I cannot remember if someone said this to me or I heard it on the radio. It is one of those little memories in the back of my head that I cannot quite place. They said that AI does not necessarily get rid of jobs overall, but it means that people who can operate AI get jobs. That is an example of a technological shift where the skill set is changing. We need to enable people to keep up with that.

I mentioned it earlier, but it seems relevant to your question around what employers can do. Sir Charlie Mayfield is leading the Keep Britain Working review. Yes, government has a role, but I am always keen to point out that all of society has a role in this as well. Employers have a role to play. Individuals, when they are making hiring decisions and thinking about who to employ, have a role to play in keeping their minds open about this and offering people retraining opportunities. I would emphasise the role of employers alongside government as part of the solution.

Laura Webster: I was going to make a comment about the international comparisons. It is true to say that in Britain we are less of an unretiring population. There is the kind of policy that helps people stay in work and not leave the labour market at all, but where we do less well compared to some other countries is the phenomenon of unretiring. This is well known. Part of the challenge is that some of this group will not be in the welfare system, so they are not having work coach interactions. Because of their circumstances, they are not eligible for welfare. Again, there is a question about information, advice and guidance, mid-life MOTs and what can be done to help people understand the opportunities that exist. To the Minister's point about having work coaches in GP surgeries, where are people? How can we contact people so they are not lost once they leave the labour market?

Employers will see the phenomenon of the ageing society in their own workforces. It is upon us. We regularly keep in touch to understand what is happening out there and what appears to be working well on job carving and more flexibility, particularly thinking about caring and how the role of carers is changing over time and through generations. There is quite a lot of interesting work to be done. We are really interested in any examples of good practice out there. Generally, employers are seeing this problem play out and are keen to get ahead of it.

Q165 **Baroness Wolf of Dulwich:** I am delighted to hear you referencing the lifelong learning entitlement several times because, as I am sure you know, it was the No. 1 recommendation of the Augar review, of which I was a member. The reason I wanted to come back to it now is in relation to Baroness Liddell's point. This is possibly something not for the Department for Education but for Treasury and the Department for Business and Trade to take into account.

If it is going to work in a way that really encourages upskilling and reskilling, not just by 66 year-olds but by 46 year-olds, it is really important that the infrastructure is there to incentivise and enable institutions to respond to those particular needs and requirements. That does not happen automatically. It is not necessarily the way that the education people will think about it when making bids to you guys for how much money should go into which bit of the market. It comes back to our general point. One of the challenges of this is that it is so multifaceted. Clearly, one of the key necessities is that we make the productive workforce as productive and large as it can be for as long as possible.

In thinking about the economic challenges, have you drilled down to these apparently quite technical but critical issues about whether the health infrastructure and the education infrastructure are being incentivised to respond to those demands?

James Murray: It is a really important point. If you zoom out for a second, it is also about making sure that you work out what skills are needed in the economy and how those are being provided for. To give you an example, one of my responsibilities as Chief Secretary is to oversee NISTA, which oversees infrastructure investment in the country and the 10-year infrastructure strategy. Part of the work to develop a pipeline of infrastructure projects is to work out what skills are going to be needed and send a message to businesses, developers and investors, working with government, about what skills are needed. That is just about infrastructure, which is one part of what happens in this country.

More broadly, working out what skills are needed and making sure that people are aware of it so they can invest in those skills is crucial to unlocking at least part of the question that you were asking. Someone has to have the information, the overview or the incentives to make sure that skills are provided in the right place.

This probably is more a DfE/DWP area. For me, it is a question of having local infrastructure and national infrastructure. Locally, you need to make sure that local skills providers are working with local businesses to understand what the skills requirement is in an area. Nationally, you need

Skills England or whoever it is saying, "These are the skills that are needed right across the country". That kind of separation or two-tiered approach seems to be a good way of doing it because you are seeing the national picture and the local picture. If you had a purely national picture, you might have people in an area where there are jobs available not getting the skills they need, so you need the local area. If you have only the local area, you might miss some of the bigger picture about where we need to be investing.

For me, a lot of the question that you ask is addressed by building up a picture of what skills are needed. Some of the work will be for government and local authorities. A lot of the work will be for private businesses and employers to train their staff. It is about understanding what skills people need.

Baroness Wolf of Dulwich: I think that is right. I do not want to dominate this conversation, but, picking up on what Lord Liddle said, that will not be provided automatically. This is an area where, in terms of the broader picture, it is about spending to gain more back later.

Antonia Williams: I was just going to add that, as the Chancellor is the lead Minister on the overall growth mission, the Treasury is very involved in this in an activist way, working closely with other departments. Labour market inactivity is a key strand of that. It is something that keeps us all up at night and a real priority.

We are very involved in, for example, the design of the new childcare offer and how we make sure that it is rolled out as effectively as possible and reaches as many people as possible. As the Chief Secretary said, we are involved in the design of the industrial strategy and the target sectors, the skills needs, the employment support and the health interventions. As you say, you can get the theory and the principles right, but the execution and how you design those is crucial.

We are also working with local areas, particularly the mayoral combined authorities in bigger city regions, which have a better understanding of the local economic context and employment needs. How do we make sure that that design is working locally? That partnership is really important.

Q166 **Lord Razzall:** We might be about to vote, but I will ask my question in any event. We know that for the last 20-odd years net immigration has been increasing every year. Anecdotally, we are told that up until Brexit the immigration contained a lot more younger people with fewer dependants who worked and often went home to their European countries after they finished their job. Since Brexit, anecdotally, we have had a lot of older dependants coming in, not necessarily but often from the Indian subcontinent, who do not work and increase the dependency on our services. First of all, do the Government accept that those anecdotes are correct? Secondly, if they are, have they done any sort of fiscal analysis of the effect?

James Murray: On your first point around the profile of immigrants pre and post Brexit, my understanding of the statistics is that, following Brexit, while the stay rates have increased, the ONS stats on this show that recent migrants are mostly in the 16-to-34 age group. That is what the stats currently show. At this stage, it is probably too early to show conclusions about whether this group is more likely than those immigrants who came here before Brexit to stay into retirement because that will obviously play out over time. We have some initial statistics from the ONS. It is probably quite early to draw long-term conclusions.

On your second point, though, it is the case that the number of dependants has increased a lot in recent years. That is one of the reasons why the Government have been making policy changes to address that issue. We had the recent immigration White Paper and the measures implemented last year around study and care visas. The number of dependants being high in recent years is something that we are very aware of and we have taken action on.

In terms of the demographics of post-Brexit immigrants, the change is less clear. As I said, the ONS stats show that the majority are between 16 and 34, so still relatively young. We do not know exactly what happens to them over time because there has been quite a lot of change in recent years.

There are two other changes that we are very keen, as a government, to make sure happen. First, we have begun work toward bringing net migration down; secondly, within the population of migrants, we want to tilt the focus toward higher-skilled migrants who are also higher-paid in most cases. Those higher-skilled and higher-paid migrants will contribute more overall per person to tax revenue because of their higher earning potential. There is a change in terms of both the number of net migrants and the mix and the demographics within that group.

Lord Razzall: I take your point. It may be too early to look at the long-term trends. On the other hand, bearing in mind the anecdotes about a lot of immigration being from the Indian subcontinent, I was interested to see that Downing Street made a point after the Prime Minister’s last visit there that there would be no change to immigration from India. I assume that was significant because at least some people in Downing Street believe the anecdotes.

James Murray: It was a question that the media asked. Having done various interviews myself, it is a question that comes up. We can be completely clear on that. The free trade deal has no impact on immigration.

Lord Razzall: It was always rumoured that that was what the Indians would ask for. They did not get it.

Q167 **Lord Lamont of Lerwick:** Could you comment on the discrepancy between life expectancy and healthy life expectancy? Is the situation getting worse? Can we really distinguish between the short-term trends in the immediate post-Covid period and the longer-term trends? Is it of importance that period life expectancy, according to the ONS—the expectation of life once you reach the average age for a particular period—has improved very little? Is that significant? What can the Government do about any of all this? The Government's policy is to try to have a healthy population, but that does not exactly move the dial of these ratios.

James Murray: Lord Lamont, you are right to point to the difference between life expectancy and healthy years of living or people living with good health. In a way, it links back to the conversation that we had right at the start of this session around the importance of transforming the health service for everyone in the country who uses the NHS. For the purposes of this session, there is a particular focus on older people and making sure that people not only live longer but have more years in good health, more years when they can live healthy lives, working where appropriate, if they want and are able to.

That is how I think about this. What do we need to do to make the whole population healthier? What impact does that have on older people in particular? What impact does that have on the fiscal pressures that the Government face? Right at the start of the session, I mentioned that it is an interconnected system. If people are healthier and live longer, people draw pensions for longer. That interacts with the pension age, but it is a good thing if people are living longer. If people are drawing down their pensions for longer because they are living longer as a result of being healthier, that is what we want. We want people to live longer, healthier lives.

It comes back to the centrality of health. We keep coming back to this, whether it is around the quality of people's lives, their ability to work or the fiscal pressures. Improving people's long-term health, by shifting to the prevention of ill health and making sure that people can get more care in their homes and in the community, is a really crucial part of the shift that needs to happen, alongside the demographic shift that we are talking about today.

The Chair: Given that we have a vote, we will have a break for 10 minutes.

Sitting suspended.

The Chair: Welcome to the resumption of our evidence session with the Chief Secretary to the Treasury. Apologies again for that interruption.

Q168 **Lord Petitgas:** What is the government thinking in terms of policy measures to help younger people realise their lives better, but also realise that they have a longer life and think about what they should do? Without giving you too many hints, this may include skills, pensions, housing, et cetera. It is not that the Government should provide for everything, by the way. I am one of those who believe that the economy also works quite well with the invisible hand, bottom up rather than top down. None the less, there is a big change.

As we discussed, from the industrial strategy downwards, it is not clear to me that it is yet a completely acknowledged fact among the population that we have high dependency ratios coming, an ageing society and falling birth rates. I do not know whether younger people are really thinking about longer lives, but it is clearly there and they probably need to be helped to think it through. Skills is probably the No. 1 issue.

James Murray: Skills is definitely a central issue. I very much agree with you that the solution to this is not to do everything for young people, but to enable young people across the country to take well-informed decisions themselves. In England, financial education is a compulsory part of the national curriculum within maths and citizenship. Having that financial education at an early age is a really crucial part of empowering people to make those decisions.

You are absolutely right that you would not want and could not have a system where the Government take lots of decisions for lots of people all the time. You want to empower people to take their own decisions, and set the right frameworks and structures so that people can take their own decisions within that. That financial education and understanding of the consequences of decisions is critical for young people to set them up on a good path in life.

It is relevant for people of all ages. The Government have the MoneyHelper website, set up by the Money and Pensions Service. This is about offering people of all ages the financial advice and support to enable them to take decisions. Broadly, people having that financial education is really important. Laura and I were talking earlier today about how to enable people who are thinking about when to retire and when to draw down on their defined contribution pension to understand the impacts of different choices in different parts of their life.

Laura Webster: The success of automatic enrolment as a policy intervention is still relatively new, but that is creating a new generation of people for whom the default is to have a workplace pension. The pensions industry and the big providers that are main players in the AE market are doing some interesting things about where the teachable moments are. In the beginning, you are just defaulted into this pension. We almost do not want them to think about it, but where is the point at which they see a statement and realise that there is quite a lot of money in there? How do we engage them to think about what that will mean for the future? There is quite a lot of thinking there. It is still new, given that pensions is such a long-term game, but it is a new generation of savers.

Similarly, people are looking at the HMRC app, which I hope everybody has downloaded. That is a really clever tool for showing people how many years' national insurance contributions they have and how many years they will need for their state pension. There are lots of things happening that will help connect people. It is a problem of how you get young people to think about ageing, which they generally do not want to do.

When you get to that point of being able to access your pension, using the Money and Pensions Service, we are making sure that the right provision is in place to help give people the appropriate tools. The default decumulation pathway is an interesting and important development in the UK pension system. The Pensions Commission, which we might talk about later, is definitely looking at the 2050s pension system and what will be needed to support future generations of retirees to have an adequate retirement income.

Lord Petitgas: I have one quick follow-up question on simplification, not just for young people, but in general. Living longer lives in a different world, perhaps in different technological environments, will mean different stages in life, not just one job and one pension, et cetera. There will be a lot of different pots and maybe moments where we do not work, et cetera. Right now, it is not clear to me that any of this is easy to navigate. It is pretty much a maze. I know that this is diverting from younger people, but it is important for them to understand how compounding works and how they can get a better map of where they are going.

James Murray: In a way, that is one outcome of auto-enrolment, which is a good thing and has lots of benefits. It means that people accumulate pensions in every job that they are in. Even if they are in a job for only quite a short period, they might accumulate a little pension there. How they keep track of that throughout their lives is an important question as people might change jobs more frequently and are auto-enrolled in every job that they do. They could get to retirement and have accumulated quite a few different pots. You can merge and transfer them, and all that kind of thing, but do people know how to do that and how that works? It is an important question.

Q169 **Lord Turnbull:** There is a danger in a report that talks about an ageing society. People think that it is about older people. I very much support Lord Petitgas's emphasis on looking at the young end of this as well as the older end. There is a concept that we do not seem to use as much now as we used to, which is NEETs. What we wanted to do was set a target of zero for NEETs. Something like one in eight people in this age group are NEETs, and it seems to me that we have lost control of this thing and that it has gone backwards. Is there anything specifically directed to try to get the NEETs figure down to where it should be?

James Murray: It is an absolutely crucial issue for the economy and for society, but also almost a moral issue for politicians, to make sure that we do not write off generations of young people. If people are not engaging in training, earning or working, we need to do everything possible to get them to work wherever they can.

It is a really important issue for the Chancellor. At the recent party conference, she set out some of what we are doing in that space. The youth guarantee is one of the important programmes in this space that we are setting out, where young people will get a guaranteed offer of an apprenticeship or training, or help to find a job. If, after 18 months of being on universal credit, they have not got into a job or training, there will then be a backstop, with them being offered a work placement. The details will be set out in the Budget, but in most cases they would be expected to take what they are offered at the end of the 18 months. We need to make sure that we do not let a whole generation of young people sit outside the workforce indefinitely on benefits, just written off.

To your point, the ageing population is about young people as well as older people; it is about how people age. If you start off at a young age being able to but not working, you are on a much more difficult path for the rest of your life.

Q170 **Baroness Wolf of Dulwich:** I am going to come back to social care, which Lord Blackwell has already alluded to. One of the ongoing concerns when thinking about an ageing workforce is what happens to social care. We have had a number of reviews, and I hope that Baroness Casey's will finally nail some things.

What I wanted to come to in that context is the issue of projections. I know that you have asked her to look at the long term, but it is very much about the shape of provision. Something that has surprised us in the course of this inquiry is how hard it is to get hard numbers of what will happen under different assumptions. Maybe you guys have them hidden in the bowels of the Treasury, but it is surprisingly hard. I looked back at the Foresight review, which had various predictions. I thought that I would spend a happy evening seeing whether those predictions came true, and I could not.

My question is a very specific one. Are you carrying out—and it is just that I could not find it—or considering carrying out more in-depth work on what is likely to happen under different scenarios? The OBR has picked something, but it has clearly not done any really deep work. One thing that has happened is that the birth rate has fallen somewhat unexpectedly. How much difference does that make? Do we know, for example, how many people in care homes have no close living relatives? There are likely to be more and more people who are entering old age without living issue. It does seem to me that these are likely to be quite large numbers under different scenarios. Is this something that is being, or could be, built into longer-term Treasury thinking?

James Murray: I will set out, just in case it is helpful, the context around the Casey review, which is quite a crucial part of how Baroness Casey will develop policy and make recommendations to the Government. There are two phases to her review. The first one is very much on how we make the most of existing resources over the medium term. The second phase will be about longer-term recommendations for the transformation of adult social care, which will address demographic change and look at it in the round. Particularly on the point around Treasury data, I might let Antonia come in on that one.

Antonia Williams: You are absolutely right to ask about it. It is a challenge in the social care sector, particularly when you compare it with the NHS, just because of the nature of the sector, how fragmented it is and how many providers there are. We do not have the same level and granularity of data. We work very closely with MHCLG and DHSC in developing plans around scenarios for each of the spending reviews. We work very closely with Baroness Casey and her team to do as much modelling as is possible and to build on the data. We have better data post-Covid. The Government took a more interventionist approach, given the need to track what was going on in care homes, with vaccination dates and those kinds of things. There is data that I hope we can do more with, looking forward.

I would also point to the local government reforms, where we are looking to move to a multiyear settlement, to give more freedom and flexibility to local authorities, and to strengthen accountability with the new local government outcomes framework. There is lots of work going on about exactly how that will be defined. When you look at the NHS, we have very clear targets and waiting list data that everybody knows and understands. Do we need to bring in new metrics for social care? We will be looking at that as well.

Baroness Wolf of Dulwich: I am glad that it was not just that there is an absolutely wonderful dataset that none of us is finding, because it does seem to me very important. It also relates to Lord Lamont's point. If healthy life gets longer, that is one scenario. If what you get is long but unhealthy life, that is another scenario. It is good to know that the data are at least improving.

Antonia Williams: It is definitely something that we are looking at. To the point about healthy life expectancy, these issues are very place-based and we see very different trends across the country, driven by levels of deprivation. We are seeing a higher proportion of older people moving to coastal areas, for example, and there are quite stark differences in healthy life expectancy. That is an important component of our analysis as well.

Q171 **Lord Davies of Brixton:** On social care, I get a bit queasy about the often-suggested idea that we get people from abroad to come in and look after elderly people. I am sure that that has a role, but what are the Government doing about getting the people we will need to provide social care? Of course, we have the new employment council on social care work, but there does not seem to be any coherent policy about ensuring that it is seen as a worthwhile profession.

James Murray: To be fair, there is a focus on making sure that social care has funding and that there is progression for people working within the social care sector. That is an important part of making sure not only that we have the workforce, but that people feel motivated and feel that there is that room for progression and for staying within the sector. That has been quite an important focus for what the Government are doing. I might turn to Antonia to help me with the name of it, but there is a particular programme around progression within social care.

Antonia Williams: Yes, the care workforce pathway.

Lord Davies of Brixton: The length of time that people stay in the job is extremely short.

Antonia Williams: This is trying to provide the first ever national careers structure so that people can complete more formal courses and qualifications, or get a level 2 certificate. It will help people see progression and an opportunity to build their career in social care.

Lord Davies of Brixton: This is part of the Casey review anyway.

Antonia Williams: That has already been announced and funded by the Government.

Lord Davies of Brixton: So she can take a view as to whether that is sufficient.

Antonia Williams: Yes, whether she thinks that is enough or we should be doing more. The care visa has changed with the immigration White Paper. That has now been removed for new people arriving. We have had high numbers coming with high numbers of dependants from overseas, but that is now slowing significantly. There is even more priority placed on supporting the domestic workforce to meet the needs for the long term. You referred to the fair pay agreement. The Government have announced £500 million for the first pay, terms and conditions body to support the negotiation of those focused on recruiting and retaining the social care workforce.

Q172 **Lord Blackwell:** Chief Secretary, I would like to come back to where we started and the longer-term implications of the increasing dependency ratio, which has fiscal as well as bigger economic implications. To put it simply, if we end up, as is forecast, with more and more people not working, wanting to consume to maintain their living standards, and dependent on a shrinking number of people—by comparison and in proportion—working and generating GDP, whatever we do to support the incomes of the retired population, the GDP that they have to consume is limited by the output. The GDP output is, by definition, the size of the workforce and its productivity.

There is a simple bit of arithmetic that would say that there has to be a significant increase in productivity in order to increase output enough that this population, many of whom are not working, can maintain their living standards. Otherwise, living standards will fall. Is this something that the Treasury recognises? Have you done the calculation on what increase in productivity would be required for us not to have falling living standards in this country over 20 or 30 years?

James Murray: The focus on productivity is absolutely central to what we are doing in the Treasury. When we talk about growth in every part of the country, we know that that means a focus on productivity across the UK as well. One important way to improve productivity is to increase the level of investment in infrastructure, and in training and skills, but also in all of the productive assets of the country, to make sure that we are making that investment.

One of the centrepieces of the Chancellor's strategy, as set out in the Budget last year within her fiscal rules, is to increase investment in infrastructure. We are very conscious that the public sector has a role to play in investment, but the prize really is getting the private sector to increase investment as well. That is why some of the investment that we are using strategically helps to leverage in private investment.

More broadly, we are doing what we can at every turn to derisk investments by the private sector, to reduce regulatory uncertainty, and to give a stable landscape for private-sector investment to take place, because we know that that investment is such a crucial part to increasing productivity. This is core to the growth mission as a whole, and it is relevant to your question about the ageing population.

Lord Blackwell: Of course, every Government want to improve productivity, but have you in mind the scale of the challenge consequent upon an increasing dependency ratio?

James Murray: It interrelates with a lot of other moving parts as well around people's pension provisions, what age people retire at, and people's health. I know that we keep coming back to health, but it really is central to productivity as well. If we can focus on improving people's health and if we have healthier ageing, that is good for individuals, but it is also good for productivity, for the economy and in keeping people working for longer.

Productivity is central, but it is part of a wider set of interrelated choices, decisions and trends that people make. This conversation ends up being quite wide-ranging, because you pull one part of it and it connects to all the others.

Lord Blackwell: If I can bring this specifically round to a discussion on pensions, the triple lock implies that, over time, pensioners will have an increasing share of GDP relative to those working, because pensions will go up more than wages. That implies an even faster growth in productivity if living standards for those working are to fall. Have the Government given any serious consideration to the financial consequences of the triple lock and whether this is affordable?

James Murray: The Government are committed to maintaining the triple lock for this Parliament. It is an important part of giving pensioners the dignity and security that they deserve. In terms of raising living standards across the piece, that comes back to productivity and growth, which we were just talking about. When it comes down to what is fundamentally driving us in government, we want to put more money in people's pockets so that people are better off, have better lives and more choice in life, and can look after themselves and their families better.

For people in retirement who get the state pension, the triple lock is a commitment that we have made and are honouring for people younger in life. That is where economic growth and creating more better-paid jobs is so important.

Lord Blackwell: Do you accept that increasing the income of those in retirement will not help raise living standards unless there is a growth in productivity to support that?

James Murray: As I have said, the different questions that you are asking are all connected. We need to honour our commitment to the triple lock, but, at the same time, focus on raising living standards for people of all ages and in different regions and nations of the UK. That is where productivity and growth in every part of the UK is so important. As a Government, we are not coming at this and saying that we just want the national growth figures to be in a good place, irrespective of where. If all of that growth is concentrated in one region, that is not lifting living standards across the country, and means missing out on opportunities for greater improvements in productivity and growth. That is why our approach is for every region and nation of the UK.

Lord Blackwell: We started off with this OBR projection of the increasing dependency ratio, and then the projections that the older population in particular will require more spending per head as they live longer but less healthily. Then there is this question of people dropping out of the workforce in their 50s rather than continuing, which adds to the dependency ratio, and the projection that all of this creates an unsustainable fiscal position unless there is something done to change the direction.

This may be slightly unfair, Chief Secretary, because you are bound to be focused on the near-term spending and fiscal issues. You have talked about many individual initiatives to tackle parts of this—getting people into employment, and controlling health and welfare spending—but what I am not hearing is an understanding and an analysis of the total problem that all these things add up to solving. In other words, what size of workforce times what productivity is needed in order both to grow the economy and to deliver fiscal stability? Is that fair, or can you convince us otherwise?

James Murray: I will pass this one to Laura.

Laura Webster: I just want to make two points. One is that the Treasury takes the OBR's fiscal sustainability report really seriously. We work closely with the OBR and make sure that we understand the modelling that goes into it. Although it was a pretty gloomy report on the outlook, there are reasons to be cheerful about this situation. It is not a fiscal risk such as a trade war, or a war, that could suddenly come and surprise us. We have foresight to this problem and there is time.

We started the committee asking, "Is this a golden window of opportunity to do something about it?" Actually, there are a number of levers. The

Government have launched a number of reviews, particularly the Pensions Commission and the Casey commission, that will, in this time, absorb that information and make recommendations to government.

Secondly, the Pensions Commission in particular has been set up because the projection for someone retiring in the 2050s is that their income will be 8% lower than somebody retiring today. That is the lens through which the Pensions Commission will look at the whole framework for pensions. It was launched as finishing the job of Turner, which is acknowledged as a really valuable piece of work and a good contribution to pensions policy and wider, but that was 20 years ago. It is a good time to review it, not least because of the time that has passed since Turner, but also given the fiscal position, as you rightly note.

The Chair: Lord Agnew had a quick follow-up. We may have another vote in a minute or two. If we do, we should bring the meeting to an end when the bell rings. Lord Agnew, if you could be brief we can beat the bell.

Q173 **Lord Agnew of Oulton:** I am intrigued by your comments on the triple lock. To Lord Petitgas's and Lord Turnbull's earlier comments about self-sufficiency, does the triple lock not encourage a lack of that, given that it has now got to such a generous proportion that the incentive for particularly younger people to do the right thing and start taking responsibility for their own lives has been diminished?

James Murray: The triple lock operates alongside auto-enrolment.

Lord Agnew of Oulton: You were saved by the bell.

The Chair: That is the final follow-up. We may continue the discussion informally, but, for the formal part of the proceedings, Chief Secretary, thank you very much. We are really grateful to you and your team for coming. With that, the meeting is now ended.