



House of Commons
Work and Pensions Committee

**Tackling Pensioner
Poverty: Government
Response to the Fifth
Report from the
Committee, Session
2008–09**

**Fourth Special Report of Session
2008–09**

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The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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Fourth Special Report

The Work and Pensions Committee agreed its Fifth Report of Session 2008-09, Tackling Pensioner Poverty, on 15 July 2009. The Report was published on 30 July 2009 as House of Commons Paper No. 411. We have now received the Government's Response to this report in the form of a memorandum from the Secretary of State, the Rt. Hon. Yvette Cooper MP. This memorandum is printed as an Appendix to this Special Report.

Appendix: Government response

Introduction

1. The Government welcomes the Fifth Report of the Work and Pensions Select Committee on Tackling Pensioner Poverty. Significant progress has been made in tackling poverty and improving financial security among older people over the last 12 years. Targeted support such as Pension Credit has helped to lift around 900,000 pensioners out of relative poverty since 1998, breaking the link between age and poverty. Today pensioners are less likely to be living in poverty than the population as a whole. An EC report on Social Inclusion and Protection published in 2009 found that the income of elderly people in the UK has risen from 15 per cent below the EU average in 1997 to 9 per cent above it in 2007.

2. But the Government recognises there is more to do. A key priority is to ensure pensioners get the support they are entitled to. The Department has already simplified the claims process and is taking forward Pension Credit pilots to build the evidence base on how we can use the data available to us in order to further increase take-up.

3. For the pensioners of the future the Government has taken forward a radical package of reforms which will deliver a fairer and more generous state pension and dramatically increase the number of people saving in workplace pensions. But as we live longer, healthier lives it is also vital that we adapt to the broader challenges and opportunities presented by demographic change. In 'Building a Society for All Ages' the Government set out a comprehensive programme of action to support the changes necessary to adapt and make the most of the opportunities presented by an ageing society.

Conclusions and recommendations

Introduction

1. We welcome the substantial progress that has been made since 1997 in reducing levels of pensioner poverty, but note that rates of pensioner poverty have remained stubbornly at or around their current level since 2004-05. We note, however, that there are still 2 million pensioners living in poverty, of whom 1.1 million live on incomes below 50% of median household income. (Paragraph 20)

2. A large number of pensioners who live in poverty live on incomes just below the poverty line. Whilst this does indicate that relatively small sums of money should be able to lift substantial numbers out of poverty, it is essential that there is no loss of focus on those in severe poverty. (Paragraph 21)

4. The Government welcomes the Committee's recognition that substantial progress has been made in reducing levels of pensioner poverty and recognises that there is more to do. The Government's strategy will continue to target help on the poorest pensioners whilst providing a solid foundation of support for all.

5. This year the Government will be spending over £13 billion more on pensioners than if 1997 policies had continued, around half of which will be going to the poorest third of pensioners. In total the Government has spent around £100bn more on pensioners since 1997 than if previous policies had continued. From April of this year pensioners received the largest increase in the basic State Pension since 2001 and the Pension Credit standard minimum guarantee increased by the largest amount since it was introduced.

6. To protect the incomes of the poorest pensioners the Government has legislated to continue to increase the value of the safety net provided by the Pension Credit standard minimum guarantee at least in line with average earnings over the long term. Independent analysis from the Institute of Fiscal Studies suggests that without this the level of pensioner poverty by 2017 could be around 5 percentage points (or around 500,000) higher than it would otherwise be.

7. In addition, the Government is continuing to look at ways of improving take up to ensure that support gets to those who are entitled to it.

3. We note that the income needs of a pensioner vary significantly during the course of retirement. Some of these additional needs will be covered by additional benefits payable to older pensioners, such as a higher rate of Winter Fuel Payment for those over 75 and Attendance Allowance for those eligible for help with their care needs. However, these additional payments may not cover all of the additional costs incurred by older pensioners. (Paragraph 27)

4. Changing demands on income throughout retirement represent a challenge both to pensioners, who must make plans accordingly, and to the social care system which must ensure that pensioners are able to cope with changing circumstances. (Paragraph 28)

8. The Government agrees that people's needs may vary over the course of their retirement and recognises that older pensioners in particular are often likely to need additional support.

9. The Government provides a range of additional support to help older pensioners including higher Winter Fuel Payments for those aged 80 and over (currently worth £300 for households with someone aged 80 and over, £200 for those aged 60-79 with an additional payment in winter 2009-10 of £100 for households with someone aged 80 and over, or £50 if aged 60 and over), a higher age related tax allowance and free TV licences for the over 75s, free insulation for the over 70s and a higher income guarantee in Pension Credit for those with severe disabilities. The vast majority of people benefiting from this are over 75.

10. The Government recognises the importance of ensuring that people get the care and support they need as they get older. In the recently published Green Paper, *Shaping the Future of Care Together*, the Government set out a vision to build the first National Care Service.

11. The Green paper includes proposals to simplify the funding system for care and support, so people know what is expected of them, what they will get in return and how quickly they can get help, allowing them to make plans for the future.

12. To help people plan financially, including for the care and support they need, the Government intends to launch a national Money Guidance service in 2010, subject to evaluation of the pilot currently underway in the North East and North West of England. The service, which aims to raise individuals' financial capability, provides information and personalised guidance on a wide range of financial issues.

5. We note that the pensioners most at risk of poverty include many from those groups most likely to have had broken work histories or low working incomes who have had a reduced opportunity to build up pension contributions in the state and private systems. (Paragraph 41)

13. As part of the most significant pension reform in a generation, Government is reforming the basic state pension so that from 2010, it will be fairer, more generous and more widely available. In addition, changes to the private pension system, due to come into effect from 2012, will extend the opportunity of workplace pension saving along with an employer and Government contribution to millions, many for the first time. These reforms will improve state and private pension outcomes for millions of people, including many who previously would have not had the opportunity to save.

14. Alongside these reforms the safety net provided by Pension Credit will continue to protect the most vulnerable, ensuring that no pensioner need live on less than £130 per week, with many qualifying for additional support through Housing or Council Tax Benefit.

6. We welcome the Pension Policy Institute's cautious projections that long-term pensioner incomes should be in line with, or exceed, average earnings; this holds out a very welcome prospect of future progress in combating pensioner poverty. We note that these encouraging projections are based on both an increase in private saving and more generous and more universal state provision, two of the key elements of the Pensions Commission's prescription for reform. We are concerned that recent trends for employers to close down defined benefit occupational pension schemes and set up defined contribution schemes with reduced contributions together with a lack of confidence amongst employees in defined contribution schemes could jeopardise this progress. (Paragraph 51)

15. The Government agrees that long term growth in pensioners' incomes in line with, or exceeding, average earnings would contribute to reducing long term pensioner poverty, and therefore introduced reforms to deliver earnings uprating of the basic state pension. In addition, through the planned introduction of automatic enrolment, we are taking forward reforms that will extend the opportunity of workplace pension saving with mandatory

employer contributions and support from the State to millions of workers, which should help improve the income of the poorest pensioners.

16. However, the Government does not agree that a shift from defined benefit occupational pension schemes to defined contribution schemes might jeopardise progress in tackling pensioner poverty. Per se outcomes for individuals will depend on a number of factors including the size of any employer contribution and investment returns.

17. The most important thing is that people save for later life. That is why the Government is continuing to work towards increasing private pension coverage and maintaining good quality occupational pension provision, be it defined benefit or defined contribution.

7. We welcome the changes to the pension system which will start in 2010 which will make state pension provision more generous and benefit many disadvantaged groups. However there are still groups who will miss out, particularly on the State Second Pension; most notably many disabled people, many people from ethnic minorities and the self-employed. (Paragraph 79)

18. The Government welcomes the Committee's support for the changes being made to the state pension. The reforms will deliver a state pension that is fairer and more generous and will significantly improve State Second Pension coverage. From April 2010 an additional one million people (90% of them women) will start to accrue State Second Pension, primarily those with children and those looking after disabled people.

19. However it is difficult to design a crediting system which captures all the events in people's lives when they are absent from the labour market. Nevertheless, even when people have significant absences from the labour market the majority can still expect to retire onto a pension that will keep them out of poverty. For instance, someone with 35 qualifying years of earnings or credits will retire onto a basic State Pension and State Second Pension that should be above the level of the standard minimum guarantee in Pension Credit for the rest of their lives.

20. There are targeting and technical challenges in bringing the self employed into State Second Pension on a voluntary basis and the reasons they are not covered are described in paragraphs 3.53-3.58 of the 2006 White Paper *Security in Retirement: towards a new pensions system*. However, the median length of time that people are in self employment is around 8 years so many workers with spells of employment and self employment will still be able to build a state pension above the level of the Guarantee Credit.

21. The Government wants to ensure that as many people of working age as possible retire onto a contributory benefit above the poverty line and will continue to keep the crediting regime under review.

8. In addition, the changes are not retrospective, leaving a cliff edge, with those who retire before April 2010 having their pension decided on the basis of the older, stricter rules. This will delay the impact of the reforms on pensioner poverty. We welcome the scheme to allow people to pay six extra years of voluntary (Class 3) National Insurance contributions. But it is inadequate, and those retiring before April 2010, or who have already retired are at a disadvantage. The Department must monitor the situation

closely, and ensure that Pension Credit continues to be available for those who miss out through no fault of their own. (Paragraph 80)

22. The Government accepts that those reaching pension age before April 2010 will benefit less from the reforms but for the pension reforms to be practical and affordable a line has to be drawn between old and new arrangements. Applying the reforms to both current and future pensioners would also introduce further complexity into the system.

23. As noted by the Committee the Government did introduce new rules to allow certain people who reach pension age between 6 April 2008 and 5 April 2015 to buy an additional six years of National Insurance Contributions, in addition to those years people can buy under the normal rules. This recognised the fact that there were a number of people who faced a potential disadvantage because of gaps in their National Insurance record from earlier years in their working lives.

24. Pension Credit will continue to provide a safety net for those who have been unable to build up adequate provision. The Government has already simplified the claims process to make it easier for pensioners to claim Pension Credit and will continue to monitor take up as part of its strategy to target support on those who need it most.

9. Even in the current economic climate, it is vital that the link between the Basic State Pension and earnings is restored in 2012 as planned. A failure to meet the deadline would undermine Government efforts to reduce the spread of means testing and increase incentives to save. We reaffirm our previous recommendations that a strong Basic State Pension is an essential building block in people's retirement income. (Paragraph 85)

25. The Government agrees with the Committee that a strong basic State Pension is an essential part of people's retirement income. Uprating the basic State Pension in line with average earnings is a fundamental part of the Government's pension reforms. In addition, the Government is broadening the availability of the basic State Pension by reducing the number of years needed to build a full entitlement to 30 years for everyone from 2010. Furthermore, the Government is introducing a new crediting system to make it easier for carers, parents and other people with children to build up entitlement to the State Pension.

26. The Government has made a statutory commitment to restore the link between the basic State Pension and growth in average earnings before the end of the next Parliament, and we reaffirmed this commitment in this year's Budget.

27. Restoring the link in 2012 remains the objective subject to affordability and the fiscal position.

10. We welcome the Government's announcement in the Budget that the Winter Fuel Payment for 2009/10 will be maintained at the same level as last year. (Paragraph 91)

28. The Government welcomes the Committee's support of Winter Fuel Payments and the additional payment alongside them in winter 2009-10 which will provide older people with reassurance that extra money will be available to help pay for winter fuel bills. The additional payment is part of a wider package of measures to deliver additional support to older people in the current downturn.

11. It is important that the benefits system recognises that pensioners want to retain cash savings for unforeseen emergencies. Disregarding a certain amount of savings is also essential to ensuring that it pays to save. However, means-tested benefits must remain focused on the poorest pensioners and it is not unreasonable to expect pensioners to make use of savings above a certain threshold before they become eligible for means-tested benefits. (Paragraph 97)

12. We welcome the raising of the Capital Disregard on Pension Credit from £6,000 to £10,000. We also welcome the assurances of the then Minister that all those who receive Pension Credit, but may now be entitled to more, will have their claims reassessed in November. We urge the Department to publicise the fact that those previously deemed ineligible could now be eligible, because of the rule change, and should re-apply. While we accept that wealthier pensioners need to contribute towards their living costs, pensioners want their savings to last until the end of their lives. We recommend that the Government continues to keep the capital disregards and tariff rate under review, to ensure that they take account of changes in life expectancy. (Paragraph 101)

50. We note that many pensioners have seen a decline in their income as interest rates have fallen. We recognise the hardship that this can cause, and that some pensioners have lost a significant amount of income. We welcome the increase in the Pension Credit capital disregard as a good way to help pensioners with small amounts of savings. (Paragraph 249)

29. The Government welcomes the Committee's support for the increase in the Capital disregard and agrees that it is right that pensioners use savings over a certain level to contribute towards their own living costs to ensure support remains focused on those who need it most.

30. The change will enable pensioners to keep more of their savings before it affects entitlement to income related benefits and will mean around 88% of Pension Credit customers will have all of their capital disregarded.

31. The Government is taking forward a range of measures to ensure people are aware of this change. For example the Pension Disability and Carers Service have issued guidance to staff to inform Pension Credit applicants who are unsuccessful on capital grounds that the rules are changing in November. The Department has worked with key stakeholders so that they understand the changes. Information will be incorporated in relevant leaflets and the on-line tool, 'The Pension Credit calculator'. The Government is also working to maximise opportunities to raise awareness through media coverage and are considering the scope to target people who may benefit from the threshold increase in the current take-up campaign.

32. The Government will continue to keep the level of capital disregard and tariff income rate under review.

13. We welcome the fact that the package of benefits for single pensioners lifts them above the poverty line. The fact that the package for couple pensioners does not lift them above the poverty line makes it harder for the Government to tackle pensioner poverty. (Paragraph 106)

33. As part of PSA 17, the Department uses a range of measures related to low income for pensioners. The Department will be exploring further the issue of living standards among single and couple pensioners using new data on material deprivation.

34. Nevertheless the Government believes that the ratio of support provided to single and couple pensioners of 1.5 by Guarantee Credit is appropriate. There is limited evidence available, but external research by the Joseph Rowntree Foundation on budget standards is broadly supportive.

35. The Government will continue to keep levels of benefits under review as part of annual uprating.

14. We welcome the then Minister's assurance that the Department has the same commitment to tackling pensioner poverty as it does to tackling child poverty. However we believe the commitment should be made explicit and we call on the Government to commit to eradicating pensioner poverty. (Paragraph 108)

36. Tackling pensioner poverty remains a key Government priority. The Government's strategy since 1997 has been to target support at those most in need which has delivered significant progress lifting 900,000 pensioners out of relative poverty (after housing costs) since 1998.

37. The Government has made a statutory commitment to continue to uprate the Pension Credit standard minimum guarantee at least in line with average earnings growth over the long term to protect the income of the poorest pensioners. Without this it is likely that the level of pensioner poverty would increase significantly.

38. The Government has also put in place a framework for the future through its pension reforms which will ensure that State Pension provides people with a solid foundation on which to save for their retirement and increase the numbers of people saving in workplace pensions. These measures will help tackle poverty among future pensioners and reduce reliance on means testing over the long term.

39. The Government believes the current commitment to 'Tackle poverty and promote greater independence and wellbeing in later life' enshrined as part of Public Service Agreement 17 is the right framework for tackling pensioner poverty and will continue to report progress against this indicator.

15. Pension, Disability and Carers Service (PDCS) have put a huge amount of work into encouraging people to claim Pension Credit, and have contacted a large number of people, often many times. However it is experiencing diminishing returns for its efforts and, despite all its work, further progress in improving take-up has been limited. (Paragraph 121)

40. The Government believes it's important that we continue to do all we can to ensure support gets to those who are entitled to it. Building on lessons learned the Department is exploring a new approach to take-up activity that involves third sector led initiatives and which focuses on areas we believe to have high levels of people entitled to Pension Credit but not claiming and where we have operational capacity to generate new claims.

41. The Government is also taking forward a pilot programme where Pension Credit awards will be made for a limited period to a sample group of pensioners, based on the information the Department already has without the need for a claim. The pilot will help to inform the debate on how the Department might use information we hold to further increase take up in the shorter term as well as how we might develop the future shape of benefit delivery.

16. We welcome the fact that the Department is looking into innovative ways to encourage take-up, such as regional take-up campaigns. The Department must evaluate which approaches work best for different client groups and publish this information so that lessons can be learned. (Paragraph 122)

21. We welcome the regional take-up work the Department is undertaking and the innovative ways that are being used to inform pensioners about Pension Credit both directly and through friends and family. PDCS needs to evaluate the results of regional take-up work so that the most effective methods can be pursued. (Paragraph 136)

42. The Department welcomes the Committee's support for the latest programme of take up activity being rolled out in 20 areas across the country and agrees that it is important that we evaluate the results of the campaigns to assess performance and outcomes to enable us to establish the effectiveness and efficiency of the different channels used.

43. The Pension Disability and Carers Service in conjunction with DWP Communications are undertaking ongoing evaluation from the regional take-up activity. This evaluation will be shared with our national partners and those in the third sector involved in the campaigns so that together we can review the outcomes, identify lessons to be learned and build on this to ensure we continue to develop the most appropriate way forward for the remaining programme and any future take-up activity.

17. The Department should work more closely with third sector organisations, to see if, for example, letters from Age Concern (or another third party) trigger more claims for benefits than letters from DWP. We agree with Age Concern and Help the Aged that the Department should trial giving resources to the third sector to see if they are more successful at encouraging people to claim Pension Credit. They should trial both outsourcing work to the third sector, and allowing the third sector to try out their own ideas. (Paragraph 123).

44. The Department believes that the third sector has an important role to play in encouraging people to claim the benefits they are entitled to and agrees that it is important to utilise their expertise and knowledge of the customer base in new and innovative ways.

45. The Department is currently testing out funding the third sector to try out their own ideas. As part of the regional take up activity the Department invited national partners to develop their own ideas of activities they could undertake to encourage take-up and agreed to fund them to test out their ideas.

46. For example, as part of North East regional take up campaign, Age Concern and Help the Aged are running events and sending out letters. The evaluation of the campaign will enable us to consider the scope for building on these initiatives and making greater use of the third sector in core take-up activity in the future.

47. In addition the Department is currently looking more strategically at the delivery of services at a local level and the scope for providing face to face contact points for claims activity. We will be considering the contributions partners could make and this may include the possibility of outsourcing.

18. It is unacceptable that 49% of Pakistani and Bangladeshi pensioners live in poverty. Third Sector organisations may be able to connect with pensioners in some BME communities in a way that PDCS has so far failed to do. (Paragraph 129)

48. The Department recognises the benefits of working with the third sector to provide advice and encourage take-up among BME groups. An example of our local partner engagement approach in Sheffield is an upcoming pilot with a BME representative group called 'Black Card' which will involve intergenerational work to promote elders' understanding and take up of benefits. If this initiative works well we will consider the scope to build on this on a wider scale.

49. In addition, BME customers have been identified as one of the key priority groups for specific targeting this year, and our plans include active engagement with national and local BME representative groups as part of the programme of activity we will take forward to improve take-up of benefits and services to BME customers.

19. We are disappointed that the published data on Pension Credit take-up by ethnicity is of limited use. The shortcomings in the data make it impossible to confirm whether higher BME poverty rates are due to low take-up of Pension Credit. However the extremely high levels of poverty suggest that this must be a factor. The Department needs to undertake further research in this area and identify what PDCS can do to improve the situation. (Paragraph 130)

50. The Department has published analysis of Pension Credit take-up by ethnicity for the first time in 2009. Despite restrictive sample sizes, careful analysis of three years' survey data has allowed the Department to analyse the ethnicity profile of those who are entitled to, but not receiving, Pension Credit, and to conclude that take-up may have been relatively lower among the White ethnic group and relatively higher among the Black and Asian ethnic groups.

51. More detailed analysis of take-up by ethnicity is methodologically difficult for several reasons, however, the Department recognises the need to understand the issues for this group. The Pension Disability and Carers Service have conducted research, due to be published in October 2009, to investigate why BME customers report lower levels of customer satisfaction in satisfaction surveys. This information will be used to develop service improvements to this customer group and identify where there may be requirements for further customer insight.

52. The Pension Disability and Carers Service will be using the information obtained via the engagement we will be pursuing with BME representative groups, previous published research findings and the current research referred above to determine how to achieve greater take-up within BME communities. If evidence gaps are identified we will look to commission further research.

20. Inner London has a much higher rate of poverty than the rest of the UK. However the Department appears to have a very limited understanding of why this might be the case. The Department needs to carry out much more detailed research into the problem if it is to be able to tackle it. (Paragraph 133)

53. The Department acknowledges the higher percentage of pensioners in relative low income in Inner London and is keen to understand the causes. In winter 2009, the Department will be assessing the evidence available to understand key issues around pensioner poverty in Inner London and to identify further research that may be required to provide better evidence. The Department will also be working with third parties to further understand the higher pensioner poverty rate in Inner London.

54. The Department will continue to monitor regional rates of poverty published annually in the Household Below Average Income, and continue to work with the Pension Disability and Carers Service to ensure help is targeted to those in most need.

22. While home-owning pensioners are less likely to live in poverty than homeowners, many of those who are entitled do not take-up means-tested benefits. The Department needs to identify the scale of this problem and understand the reasons for it before they can tackle it effectively. (Paragraph 139)

55. Take-up estimates for 2007/08 indicate that around 81% of Pension Credit entitled non-recipients own their own home suggesting that home owners are less likely to claim their entitlement. Research has also shown that home ownership can be a perceived barrier to the take-up of Pension Credit.

56. The Department has taken steps to improve take up among homeowners through Pension Credit take-up campaigns, media coverage and the main Pension Credit leaflet which makes it clear that people who own their home can still be entitled to Pension Credit. We believe that home owners are responding to this message as we estimate that 62% of the applications generated from the 2008/09 campaign were from home owners.

57. The Department believe it is right that we continue to focus activity on the poorest pensioners but will continue to use every opportunity to tackle the misconception that exists about home ownership.

23. We welcome the commitment of the then Minister to look at providing an “adviser hot-line” for the Pension Service to help third sector advisers in complex cases. We note that such a service is already available to third sector bodies dealing with claims for Attendance Allowance and Disability Living Allowance and we see no reason for it not to be extended. Any costs are likely to be far outweighed by the potential benefits. The Department should introduce this simple measure without the need for extensive consultation or analysis. (Paragraph 143)

58. The Department agrees that is important to provide a support service to third sector advisers for complex cases. The Department considered providing a central hotline but decided that this would not provide an appropriate level of service for partners and that Pension Centres provided the best level of expertise to handle complex claims enquiries.

59. The Department has therefore set up a dedicated Pension Centre Liaison Officer in each Pension Centre with a separate dedicated phone number and advised our key partners that this service is available. The Department believes this offers a better service as it involves direct contact with the office that will be processing the complex case.

60. This service is in the process of bedding in and we will be evaluating the operation of a single dedicated person in conjunction with our partners to ensure that this offers an appropriate and effective support to them. If feedback suggests that this is not an effective service the Department will consider how this could be improved or whether there are alternative approaches the Department could use.

24. We welcome the “automaticity pilots”. We understand the serious difficulties that need to be overcome and recognize that they are not in a form which could be rolled out nationally. We welcome the Department taking a long term approach and seeking to find innovative ways to improve take-up. We believe that “automaticity”, if handled sensitively, could be popular with pensioners. (Paragraph 151)

25. Automaticity has the potential to dramatically increase take-up, benefiting a large number of the most vulnerable in society. The Department should examine all options in order to implement it, including changing the legislative and accounting framework, and simplifying the eligibility criteria for Pension Credit. (Paragraph 152)

61. The Government welcomes the Committee’s support for the planned Pension Credit pilot. The pilot, alongside a programme of research and analytical work, provides an important opportunity to build the evidence base on how we can use the data that is available to us in order to further increase take-up.

62. In particular, the pilot programme will provide us with initial evidence which will help us to understand the barriers (such as data quality and benefit complexity) that would need to be overcome in order to increase take up whilst minimising fraud and error and ensuring that public money is properly targeted on those in the greatest need.

63. Research conducted by the Department shows that in principle, customers are broadly in favour of the concept of using information already held to make automatic payments. The pilot will, for the first time, test how this works in practice.

64. Although there is clearly much work to do before any rollout could be contemplated, the pilot offers an exciting opportunity to build the evidence base which will be part of the foundation for future policy thinking, and will also provide important evidence on how we might use the information we hold to increase take-up in the shorter term. It will also provide evidence to feed into longer-term thinking about how we deliver income-related support for pensioners in the future.

26. We welcome the Motherwell pilot. We call on the Department to conduct a prompt evaluation so that successful elements of the programme can be rolled out nationally. (Paragraph 155)

65. The Department is committed to re-using information we hold to help us transform services to customers whose needs cross over traditional product and service boundaries.

We have trialled being more proactive in handling pensioner benefit claims from existing DWP customers and have identified significant scope to improve our services.

66. We are exploring the potential for amending legislation to make these transitions as Automatic as possible. We are also committed to testing some of the principles proven in this context, to other groups of customers - in the first instance for those who move from being unwell to being well enough to work.

27. We agree with the NAO that a focus on improving the take-up of Housing and Council Tax Benefit could have a significant impact on the number of pensioners living in poverty. (Paragraph 163)

29. Local Authorities and the Department need to do more to increase take-up of Housing and Council Tax Benefit. This will lift people out of poverty in itself, and bring people into contact with the benefits system, making it more likely that they will claim Pension Credit. (Paragraph 174)

67. The Department agrees with the Committee that improving the take-up of Housing Benefit and Council Tax Benefit could remove significant numbers of pensioners from poverty. That is why the Department is exploring new approaches to take-up activity, seeking to re-enforce the existing partnerships with Local Authorities (LA).

68. For example we are evaluating a research exercise undertaken in early 2009, where the Pension Disability and Carers Service provided insight and information to four LAs highlighting customers who were assessed as potentially entitled to Council Tax Benefit, and the LAs then attempted to contact those customers who were identified as liable for Council Tax.

69. The Department is also currently reviewing how it works with LAs to understand why some of the existing partnerships with LAs are more effective than others.

70. Alongside this, the Department is taking forward regional campaign activity to increase the take up of benefits among pensioners as described in response to recommendations 16 and 21.

28. We welcome the announcement that the Department are looking into renaming Council Tax Benefit a rebate. This is a small change but we believe that it will make many pensioners more receptive to claiming as many appear to object to the term "benefit". We call on the Department to find a way to implement this without delay. (Paragraph 168)

71. The Government notes the Select Committee's support for renaming Council Tax Benefit as a rebate and is currently considering the case for making this change.

72. In the meantime the Department continues to work with groups such as the Royal British Legion to explore what can be done in the short term in partnership with local authorities to help them re-market council tax benefit as part of their work to promote benefit take-up.

30. The Department needs to incentivise Local Authorities to improve Housing and Council Tax Benefit take-up. The Department should set targets for either the take-up of these benefits, or the number of new applications generated. (Paragraph 175)

73. National indicators for local government have already been set for the current spending review period. These include two Housing Benefit and Council Tax Benefit indicators concerned with paying the right benefit at the right time. It is not possible to add new targets at this stage. However, DWP will look at the scope for including take-up indicators in the performance framework for 2011, in consultation with local authority associations and the Department for Communities and Local Government.

74. While the Department does not monitor take-up activity taken by individual local authorities, in England, the performance of local authorities is scrutinised by the Audit Commission which reports publicly on the local authority benefit services it inspects, including on take up. Arrangements in Scotland and Wales are a little different, but the respective audit bodies can also consider take up when they assess and report on Local Authorities' Housing Benefit and Council Tax Benefit services.

31. The Department has put a lot of attention on encouraging pensioners to claim Pension Credit, then directing them towards other benefits. Changing the focus to encouraging people to claim Housing Benefit and Council Tax Benefit (especially if that was re-named a rebate), and then initiating a Pension Credit claim for those who may now be eligible, may now be more effective. (Paragraph 176)

32. Local Authorities need to work much more closely with PDCS, to ensure that information on people who may be eligible for Pension Credit, Housing Benefit and Council Tax Benefit are (with permission) exchanged in both directions. This is not done at present and we recommend that this be trialled in some Local authorities, and if successful rolled out nationally. (Paragraph 177)

75. Customers may already claim Housing Benefit (HB) or Council Tax Benefit (CTB) with a Local Authority (LA) and then be referred on to the Pension Disability and Carers Service (PDCS) to make a Pension Credit claim. These referrals may be in the form of signposting i.e. where the LA direct the customer to contact PDCS offering the telephone number and / or website; or alternatively, where the LA may pass on details of a vulnerable customer to Local Service representatives in PDCS. Partnerships are established with all primary tier LAs, and through these LAs are encouraged to make direct referrals to PDCS, either by phone or face to face.

76. However, the majority of HB/CTB claims are "passported" by entitlement to State Pension Credit (guarantee element) and thus the Department believes it makes strategic sense to encourage the "primary" claim to be made to PDCS.

77. The Department is already taking forward a range of measures to facilitate the efficient exchange of information between LAs and PDCS. For example we are working closely with Local Authorities to encourage them to sign up to Government Connect (a secure platform for data transfer). PDCS has introduced an electronic Local Authority Claim Input Document to enable electronic transfer of HB/CTB claim information (provided at the point of Pension Credit claim by the customer) from DWP to LAs.

78. We are looking at other aspects of data sharing to identify the legislative barriers to making more effective the current arrangements for LAs and PDCS to data match and interrogate relevant database material. There are some legislative issues that we need to explore before committing to trials of the kind envisaged by the Committee.

33. There should be a single phone line for all three benefits. Despite the new joined up working PDCS is still sending out letters advising Pension Credit claimants to contact their local council about Housing and Council Tax Benefit, where they will be asked to give all their information again. It should not be necessary for them to do this, and doubtless many claimants are lost along the way. (Paragraph 178)

79. Since November 2008 claims for Housing Benefit and Council Tax Benefit can be made over the phone with Pension Credit, and forwarded to the LA without the need for a signature. This is a significant simplification to the claim process which will benefit thousands of pensioners.

80. The Department will continue to look at further possible improvements to the services on offer to pensioners, including signposting to the most appropriate contact point to pursue a claim to benefit. It will sometimes be more efficient for both the pensioner and the decision-maker to direct the pensioner to the local authority rather than a PDCS phone line.

34. On our visit to Canada we were impressed with the work of Service Canada. Having offices based in busy shopping centres allows it to offer easy, unstigmatised, access. Having one source of information for all federal benefits, with clear signposting to other services, makes it much easier for people to find out about all their entitlements. In addition, the joined up approach allows them to reach far more people, and family members can learn about the full range of benefits which they and their relatives may be entitled to. (Paragraph 182)

81. The Pension, Disability and Carers Service (PDCS) has built a delivery model based on customer research about their preferred method of contact.

82. For the vast majority of our customers their preferred route in is by phone. However, in addition to the telephone based service offered through the Pension Centres, PDCS provides a multi channel approach so that people have a choice about how they access services and information. Alongside this, the Pension Service Local Service also provides visits to vulnerable customers or those unable to use the telephone.

83. PDCS has Joint Working Partnerships with all 203 primary tier Local Authorities in England, Scotland and Wales. These partnerships enable the Pension Disability and Carers Service, Local Authorities and the voluntary sector to provide a single point of access to social care and benefit entitlement and increase the effectiveness of contact and support for the most vulnerable members of society.

84. PDCS Local Service also works with Local Authorities and voluntary organisations, to improve customer service delivery within local communities, through the creation of designated Alternative Offices. These offices allow Local Authorities and voluntary organisations to accept claims from people aged 60 or over for Social Security benefits sent

or delivered to an Alternative Office, or a person under age 60 for disability and carers benefits. We currently provide support to 509 Alternative Offices.

85. Other steps have been taken to improve the joined up delivery approach and pensioners can now claim Pension Credit, Housing Benefit and Council Tax Benefit in one easy free phone call, without the need to sign and return any claim forms.

86. We continue to monitor customer satisfaction with the service we provide and consider scope to improve and adapt the services we provide to meet the needs of our customer base.

35. In our Valuing and Supporting Carers report we recommended a national network of carers centres, as we had seen the value of a single source of information, support, and advice, for carers and their families. We believe that there are important lessons to be learned from this model of service provision that would benefit a number of groups, particularly poorer pensioners and carers who tend not to self identify and would be more likely to use a universal, non-stigmatised service. (Paragraph 183)

87. The Government recognises that Carers Centres can have a very positive impact in some areas and, for those carers who want to be supported in this way, there is evidence to show that these can be helpful in providing support for those who don't self-identify. The Government can confirm that special grants have been awarded to carers' organisations, including those who run carers' centres to enable them to develop their capacity.

88. However, this model of service provision is not the answer for everyone. The Government believes it is right that local areas make the decisions about the best way of delivering services to meet local needs including whether a 'centre model' is the best approach. Local authorities have a key role to play and have a responsibility to undertake strategic needs assessment in conjunction with partners, to decide what is best for their area. The Government remains committed to meeting needs of local people through a partnership approach between local authorities, the third sector and people who use local services.

36. The Committee appreciates that applying Disability Living Allowance (DLA) to those over 65 would cost "billions of pounds". However we do not accept the Government's argument that DLA is to help those who are limited in their opportunities to save during their working lives. For DLA to do this it would have to more than cover the additional costs disabled people face, which it does not. The Department have told us in the past that it is only intended as a "broad-brush contribution" towards them. In addition DLA is linked solely to care and mobility needs, rather than ability to work, as would be expected if it was linked to income. (Paragraph 193)

37. The fact that Attendance Allowance (AA) has a care component but no mobility component seems arbitrary and is not consistent with the Department's explanation. Maintaining mobility is essential to enable pensioners to maintain social contacts and to participate fully in society. This is fundamental to achieving well-being in later life. (Paragraph 194)

39. We are concerned that the differences of treatment on the grounds of age contravene the clear intentions of the Equality Bill. We do not believe that the difference in the benefits payable to those who become disabled before and after the age of 65 can be objectively and reasonably justified. (Paragraph 196)

89. Disability Living Allowance (DLA) and Attendance Allowance (AA) are not intended to replace earnings, lost income or savings. They provide a financial contribution towards the generality of extra costs faced by severely disabled people in or out of work in addition to the many other sources of financial and practical assistance available.

90. The more generous provisions in DLA reflect the emphasis on providing focused additional financial assistance on those who experience severe disability during their working life. AA provides more limited help with extra costs to people for whom the onset of disability comes with old age, when it is less financially disruptive as they have had opportunities to work, earn and save. Successive Governments have taken the view that this is the correct approach to targeting limited financial resources.

91. This should be seen in the context of the wide range of help this Government makes available to those over retirement age.

92. Whilst AA does not have a specific mobility component, recipients of AA are free to use their benefit – which can amount to over £3,650 tax free a year – in whatever way best suits their needs and priorities, including helping to meet any mobility costs.

93. It is the Government's view that the difference in age based entitlement for DLA and AA is reasonable. Further, such provisions do not contravene the Equality Bill by virtue of the "statutory authority" exception.

94. The Green Paper, *Shaping the Future of Care Together*, sets out a vision to build the first National Care Service for every adult needing care and support in England. In developing a new system, the Government believes there may be a case for bringing some disability benefits and the new social care system together into a single system, as a better way of providing support.

38. Pensioners do receive additional mobility assistance through provision for free bus travel and other provisions that vary across local authorities. However, these measures are only of benefit to pensioners when services they want to use are available at times when they want to travel and are of limited use to those living far from bus stops. The inaccessibility of much public transport is also a barrier to many pensioners with reduced mobility. Although there have been improvements in the accessibility of much public transport in urban and rural areas, many services available are still not appropriate for some pensioners. (Paragraph 195)

95. The Government is committed to ensuring the public transport system enables older people the same opportunities to travel as other members of society. A great deal has already been achieved in making public transport vehicles and infrastructure more physically accessible, and further improvements are being made. For example, over a third of all rail vehicles and over half the bus fleet are already accessible; and all new trains, buses and coaches have to be accessible to disabled people, including wheelchair users.

96. Statutory guidance to support local authorities in producing Local Transport Plans from 2011 onwards is placing a strong emphasis on better connecting transport and local services through Local Strategic Partnerships and Local Area Agreements. Local authorities are best placed to know about local needs and circumstances and they, therefore, decide what priority they give to supporting local transport services (including community transport and taxi-buses) in their area, and what particular services should be supported.

97. Local authorities have the flexibility to offer local concessions in addition to or as an alternative to the statutory minimum, based on their judgement of local circumstances and their overall financial priorities. Half of local authorities offer free travel on additional modes (primarily on-demand services such as dial-a-ride), while 39 per cent offer an alternative to the free bus concessionary scheme (often in the form of taxi tokens). This is most useful to those in areas not served by a regular bus service, or to those with severe mobility problems that make it difficult to use a bus.

98. In addition, as part of the Government's ageing strategy, *Building a Society for All Ages*, the Government has committed to continuing to work with local authorities to explore options to enable people to continue to travel and remain part of their community when they no longer have access to a car or have impaired mobility, including increasing the transport options available in communities, and improving the accessibility of the public transport network.

40. We heard from pensioners that living in a rural area can be problematic, with high transport costs and an increased risk of becoming isolated. For pensioners facing high transport costs, the differences between Disability Living Allowance, which includes a mobility component, and Attendance Allowance, which does not, become even more significant. (Paragraph 199)

99. The differences between Disability Living Allowance (DLA) and Attendance Allowance (AA) reflect the fact that these benefits are targeted at different sectors of society. AA recipients can use their benefit in whatever way best suits their needs and priorities, including helping to meet any mobility costs.

100. However, the Government is aware of the need to do more for older people who are socially excluded. The Recent Social Exclusion Task Force report, *Working Together for Older People in Rural Areas*, acknowledges this issue and will feed into future Government policies. In addition, a new cross-government Ministerial initiative will also be aiming to explore a range of rural issues, including those affecting older people in rural/isolated places.

101. Rural transport services are supported through the Rural Bus Subsidy Grant to English local authorities, the Rural Bus Challenge, and by local authorities' Revenue Support Grant funding. Operators of commercial bus services in rural areas are also eligible to receive Bus Service Operators Grant (BSOG) which allows them to run a wider network of services than would otherwise be the case.

102. The Local Transport Act 2008 increased the flexibility of arrangements for providing community transport services and expanded the provisions around taxi-buses, both of which can help to fill the gaps where commercial transport services are not viable.

41. Carers do not have the chance to “retire”, and many carers continue in their caring role long after reaching State Pension Age. Increasingly, many carers become full time carers for the first time after reaching State Pension Age. Many also continue to have extra costs as a result of their caring responsibilities. The benefits system needs to do more to recognise this. (Paragraph 208)

42. We reiterate the recommendations in our Valuing and Supporting Carers report that the system of carers’ benefits needs to be overhauled. We call for a Caring Costs Payment to be payable to all carers, including those over State Pension Age, to compensate for extra costs, or allow them to buy in some help. We recommended that it should be set at between £20 and £50 a week. Until this can be introduced we endorse the recommendations of the NAO, that the Department must do more work to estimate the take-up of Carers Allowance, and that PDCS must improve communications with customers. (Paragraph 209)

103. The Government recognises that many carers continue to provide care after State Pension Age. In 2002, the Government extended availability of Carer's Allowance (CA) to older carers. This enabled people who became carers after reaching age 65 to claim CA for the first time, and has resulted in over 250,000 carers now being entitled to the additional amount for carers in Pension Credit, which is worth up to £29.50 a week.

104. The Government has committed, as part of the National Carers Strategy to a long term review of carer benefits within the context of wider welfare reform and the fundamental review of the care and support system. It is acknowledged that a system of carers’ benefits must be created that is able to provide support where it is most needed and that can adapt to the wide range of needs that carers have, including those of older carers. An extra Caring Costs Payment is one of many reform options to consider as part of this review.

105. The Government has accepted the NAO recommendation to do more to estimate take up of CA and have commissioned the Institute for Social and Economic Research to undertake a feasibility study to measure the CA eligible population. It is anticipated that this study will be completed in November 2009 and will provide DWP with a much clearer understanding of what we need to do to estimate take-up robustly.

106. The Government takes its responsibility to communicate clearly with customers very seriously, and is constantly looking for ways to provide better information. In June the Government launched ‘Carers Direct’, a one-stop information and advice service for carers. The Carers Direct hotline will make England's 5 million carers' lives easier and reduce the time and stress of searching out essential advice.

43. We believe that pensioners who live on the Personal Expenses Allowance should be entitled to live in dignity. Even though their accommodation and food is provided for them, they should still be entitled to a decent allowance to allow them to live fulfilled lives, and to keep up contact with their families. They need money to buy clothes, toiletries, for phone calls and hairdressing, as well as for going out. This is fundamental to achieving well-being in later life. (Paragraph 215)

44. We are very disappointed to have to repeat our concerns from our 2005 report that the level of PEA is too low. The current level of PEA does not allow pensioners to live

with dignity. We call on the Department of Health to raise the PEA to £40. (Paragraph 216)

107. The Government is aware of the strength of feeling on this issue. However, the estimated cost of raising the PEA to £40 per week is £250 million a year. This extra expenditure would not increase the choice or quality of care services or support the transformation of adult social care system. This is an area where an extra £520 million of ring-fenced funding, through the introduction of Personal Care Budgets, has been allocated.

108. The PEA is increased annually to reflect increases in average earnings. The level of the PEA (£21.90 per week) reflects the fact that people in care homes have fewer personal needs than those living in their own homes.

109. The Government is committed to reforming the care and support system and funding a care system that is fairer, simpler and more affordable for everyone and is sustainable. *Shaping the Future of Care Together*, the Green Paper on the future of care and support, published in July and currently being consulted on, sets out options for how care should be funded in the future.

110. Under any of the proposed funding systems, the State will provide more support towards the cost of care, reducing the amount people will have to pay. In the case of residential care, with the State taking a larger role in the costs of care, then the average amount people will have to pay for their accommodation costs will fall. In cases where individuals are eligible for full State support, this will include some support with personal expenses.

45. The poverty figures should seek to reflect the realities of people's living conditions. People receive DLA and AA because they have extra costs due to their disability, yet these payments are treated as additional income with no account taken of the additional costs. We call on the Department to regularly publish poverty figures that do not treat DLA and AA as income, perhaps as part of the Households Below Average Income publications. (Paragraph 221)

111. The Department agrees that such estimates should be made available and will consider the best means of doing so.

112. In addition, the Department is undertaking work to explore the extent to which material deprivation measures can augment our understanding of the living standards of those households facing particular difficulties due to high living costs, including those associated with disability.

46. The economic downturn provides both a challenge and an opportunity for Personal Accounts. People may be more reluctant to put their money in the stock market, but it may "make people think more about how they need to think about security in retirement". The Department's communication strategy around Personal Accounts must take both these factors into account. (Paragraph 227)

113. Individual's reactions to the reforms will differ depending on their circumstances; their appetite for risk and their levels of optimism about the future economy.

114. The economic climate is one of the factors the workplace pension reform programme's communications strategy (a partnership between Department, the Personal Accounts Delivery Authority and the Pensions Regulator) identified early on. Communication activities are already in place with ongoing tracking to ensure they reflect the changing environment. Additional channels will be ready if or when tracking indicates it is appropriate.

115. Individuals affected by reforms will have access to relevant and accurate info to help them work out whether pension saving is right for them, given their personal circumstances.

47. We agree with the Government that the success of Personal Accounts is essential for ensuring higher levels of retirement saving, which is vital for wider society. We hope that the downturn does not lead to pressure from businesses to delay Personal Accounts. The recession makes it even more important that the Government focuses on keeping the system as simple as possible for employers and employees, and on ensuring that charges to the consumer are low. (Paragraph 230)

116. The Government remains committed to the programme and is working closely with employers to minimise administration costs which fall on them whilst also ensuring that the needs of individuals are protected by maximising saving for retirement.

117. The Government has introduced policies to minimise the costs to business and believes the provisions set out provide a coherent and low cost package overall, balancing the needs of savers and the burdens on employers and schemes in the most effective way. Employer costs will be phased in to help employers adjust gradually to the additional costs of the reforms and reduce burdens on business. The Government will continue to monitor the costs of regulations in light of policy development, new research and other evidence.

118. Low charges will be a key feature of the personal accounts scheme - though the exact charge level can only be determined once the design is finalised.

48. We have heard mixed evidence about the benefits of lifestyling. Whether or not to invest in a lifestyled fund is a personal decision for each investor to make based on their attitude to risk. However the vast majority of investors place their money in default funds. We do not believe that it is enough for the Department to simply work with consumers to check "that they understand about lifestyling". The Department needs to undertake research into lifestyling, to ascertain how effective it is in practice and to assess its suitability for savers with more modest incomes. (Paragraph 241).

119. The Department does not believe it is necessary to carry out further research on lifestyling. Evidence already exists that shows that lifestyling can be an effective means of mitigating investment risk in the approach to retirement. It is a strategy that tries to reduce the risk while maintaining a good return, and as such cannot remove investment risk entirely. This is true regardless of the level of saving made by the member.

120. However, it is not the role of government to provide advice or recommendations about investment strategies for individuals or particular groups of savers. What is suitable for any particular individual will depend on a range of factors including their appetite for risk and reward and their own particular circumstances.

49. The Department cannot realistically expect that many people with Personal Accounts will exercise their right to choose their fund; the default fund for Personal Accounts will need to be designed to suit the needs of the majority of its customers. (Paragraph 244)

121. The Department recognises that complex choices can be off putting for people, so it is important that the scheme is kept simple to encourage high participation and to keep charges low.

122. We anticipate that the scheme will offer a straightforward choice of investment funds for members who wish to actively choose where their pension pot is invested. For those who do not wish to make a fund choice, there will be a default fund.

123. In accordance with existing trusts and pension law, the investment approach for the scheme, including the design of the default option, will be the responsibility of the trustee. This will ensure investment decisions are made free from political influence and in the best interests of members.

124. The Personal Accounts Delivery Authority (PADA) will carry out the initial work on the investment approach, but the decisions on the investment strategy will be made by the scheme trustee. PADA has recently published a discussion paper on the approach the trustees should take to the design of the default fund. The focus of this paper has been designing a default fund that meets the needs of the potential membership of the scheme, particularly as many will have not saved in a pension scheme before.

51. We welcome the fact that the Department is working with DECC and energy suppliers to help them target those in greatest need. Switching utilities provider is difficult for those without internet access. Support needs to be provided to help pensioners, particularly the older and more vulnerable, to find the best deals. The Department should work with DECC and Ofgem to simplify the system to ensure that pensioners are able to access the best deals. We are concerned at the level of financing of and the administration of the Warm Front Scheme. (Paragraph 255)

125. The Government firmly believes that consumers should be able to access the information they need to allow them to make the right decisions about energy use, tariffs and suppliers and agrees that more needs to be done to help ensure pensioners find the best tariffs.

126. Following its supply market probe Ofgem published a package of final proposals on 7 August 2009 designed to improve customer information and consumer protection. The proposals include the introduction of better information on bills, annual statements, a "peace of mind" guarantee by suppliers, improvements to sales and marketing rules and overarching standards.

127. Many people who do not use the internet change supplier based on doorstep sales, and Ofgem has significantly increased protections in this area. Ofgem has also proposed that switching sites extend their scope by promoting their telephone services, in particular to enable prepayment switching and switching among low income and vulnerable groups who do not have internet access.

128. Ofgem plan to implement the package of proposals in three separate phases, starting on 1 October 2009 to take account of changes that suppliers will have to make to their existing systems, processes and marketing materials. The Government will continue to monitor developments and to support improvements which deliver better outcomes to all groups, including pensioners.

51. We are concerned at the level of financing of and the administration of the Warm Front Scheme. (Paragraph 255)

129. The Government has recently taken steps to strengthen management of the Warm Front Scheme.

130. Since the end of 2008 an external expert procurement firm has been negotiating on behalf of the Department for Energy and Climate Change (DECC) with eaga plc on a range of contract amendments designed to improve the quality of contractual controls and introduce the new package of service improvement measures. This work was completed in July 2009 and should significantly improve the scheme's value for money. DECC has also recruited an experienced contract manager which, alongside a stronger negotiated contract, will result in a far more effective management of the Warm Front contract.

131. In relation to financing, change has already been enacted on the contract intended to make it more cost effective and deliver greater value for money. Funding for the Warm Front scheme was fixed through the last Comprehensive Spending review covering the period 2008-11. Funding for Warm Front has increased by almost £100m in the current spending period to March 2011 to £960 from £862m for the last one (2005/6-2007/08).

52. Choosing an annuity is a very important decision. People approaching retirement need to be made aware that they have choices to make, and be given support in making them. (Paragraph 261)

132. The Government agrees that it is important that people approaching retirement need to be made aware that they have choices to make, and need to be given support in making them.

133. In 2007 the Government carried out a review of the Open Market Option (OMO) which gives individuals the right to shop around for an annuity. In response to this review the Government established the OMO Review Group in 2008, made up of members from a range of stakeholder organisations, including the Financial Services Authority, (FSA), the Association of British Insurers (ABI), the Pensions Advisory Service (TPAS), Which? and Age Concern. This group has taken forward a range of initiatives to improve the support and advice available to individuals including:

- a review by the FSA to improve both the quality of the literature provided by annuity providers and to speed up the payment process;

- A Customer Claims guide published by the ABI in February 2008 and additional good practice guidance on providers' wake-up letters in July 2008.
- The launch of an on-line annuity planner by the Pensions Advisory Service on 2 May 2008 to help consumers to make an informed decision.

134. In addition, the FSA's Moneymadeclear website, which is expected to become part of a national Money Guidance service in 2010, provides clear, unbiased information about retirement options and, through an impartial comparison tool, helps individuals shop around for an annuity.

53. People need to make a range of difficult decisions about providing for their retirement. This will increase when they have to make decisions about Personal Accounts. There is a shortage of support available for those who need to make decisions about relatively small sums of money. (Paragraph 264)

135. The Government recognises that more should be done to support people in making decisions about providing for their retirement and acknowledges in particular that people will need information to help them plan effectively and save for their retirement as pensions reform is implemented. The Government agrees that those making decisions about relatively small sums of money often struggle to access impartial information and guidance – Government has identified this as an 'advice gap' - and is committed to addressing the issue.

136. HM Treasury and the Financial Services Authority are currently piloting a Money Guidance service, in the North West and the North East of England. The service is free, open to all and targeted at those most vulnerable to the consequences of poor financial decision making. The service aims to become the single point of contact for impartial information and support on any personal finance issue, from budgeting to pensions. The service aims to help people make informed financial decisions, help them consider their wider financial situation when making decisions and signpost them to specialist sources of guidance and advice, such as The Pensions Advisory Service, where appropriate. In *Reforming Financial Markets* published in July, the Government announced that, subject to interim findings from the pilot indicating success, the Money Guidance service will be made available nationally from Spring 2010.

137. The Department has designed automatic enrolment so that regulated financial advice is not required for individuals to make a decision, as is the case for occupational pensions at present; and also so that detailed additional information or guidance will not be needed for most people.

138. For those people who will want further information, we are working to develop a set of simple information tools and useful information which individuals can use at the point they wish to plan for their retirement or when are automatically enrolled. This will be available via the Money Guidance service and the one-stop shop in good time to support the implementation of automatic enrolment.

54. We welcome the commitment of the then Minister to review the information provided to people about deferring the State Pension. While this option is not suitable for everyone, it is a very good investment for many people, especially women and those

in good health. The Department must do more to ensure people are aware of the benefits of deferring. (Paragraph 272)

139. Many people can benefit from deferring their State Pension although as the Committee notes it is not suitable for everyone. The Government is committed to ensuring that people approaching State Pension age are aware of their options and have access to high quality information products to help them decide when the right time for them to claim is. We are reviewing these information products and we believe that there is scope for the review to identify how both the information provided and its delivery can be improved to meet customers' needs.

55. We welcome the campaign announced in the budget to encourage pensioners to reclaim tax they have overpaid. However in the past such campaigns have not been successful. The Department must work closely not just with HMRC, but with banks and building societies. (Paragraph 275)

140. The Government does not accept that previous campaigns to address the overpayment of tax have been unsuccessful. For example, telephone enquiries on how to claim tax back doubled shortly after the 2008 advertising campaign.

141. However, the Government agrees that it's important that we do all we can to make this campaign a success to help pensioners at a time when low interest rates mean that those who rely on savings income may have suffered a fall in income.

142. With DWP's support, HMRC will be able to write to Pension Credit recipients with advice in the Autumn. This group has been targeted because pensioners with low incomes are one of the groups most likely to have overpaid tax. HMRC and DWP are working closely to ensure that this mailout goes smoothly. In addition, HMRC and HM Treasury have been working with banks and building societies on ways in which they can help with the taxback campaign.

56. Equity release can be a good option for some pensioners who own their own home. Pensioners need clear and impartial advice in assessing the options available to them. Government should monitor the equity release market with a view to facilitating the development of schemes which are appropriate for asset-rich but income-poor pensioners. This may involve simplifying the rules, and ensuring they are more widely understood. (Paragraph 279)

143. The Government agrees that equity release may be a useful option for some homeowners that wish to access their housing wealth without the need to move home. Equity release products are complex financial products, and consumers considering equity release should seek independent financial advice to help ensure that the product is appropriate to their individual circumstances. FSA regulation of the equity release market provides consumers with protection, including through requirements about information and transparency. This is supported by industry guidance which encourages individuals to seek independent advice.

144. The Government have been working with stakeholder groups to ensure that the rules surrounding equity release are well understood, especially the interactions with the benefit system. The recently announced increases in the capital threshold to £10,000 and the

change in the rules surrounding the Assessed Income Periods mean that for the most vulnerable people the decision to release equity, in consideration of their benefits, may be clearer.

57. There are many good schemes run by the Government and third sector to provide financial advice to pensioners, including using volunteer IFAs to provide regulated advice. However the current system is piecemeal, and to a large extent relies on people knowing that they need advice and seeking it out. Many people are not aware of the choices available to them, particularly over providers of utilities and annuities. Often what they need is generic advice, or just information on how they can seek further advice, or shop around for other options. (Paragraph 284)

145. The Government's aim is to create a single point of access for impartial financial information and guidance i.e. 'generic advice' through a national Money Guidance service. Through partnerships this will build on the expertise and reach of existing organisations offering support and advice and will aim to reach those who may not recognise that they need support and guidance on money.

146. In turn, the one-stop shop, announced in Building a Society for All Ages, will signpost people to all different kinds of information, including Money Guidance for help on financial issues, which can help them prepare for retirement and make decisions affecting their retirement.

58. Concerns about legal liability inhibit the provision of regulated financial advice by the Government and other bodies. However it is poorer pensioners who are less likely to secure the services of an IFA, and it is these pensioners who most need advice on how to maximise their investments. (Paragraph 285)

147. The Government is committed to addressing the 'advice gap' and has announced its intention to rollout the Money Guidance service from Spring 2010. This will offer access for all to free, impartial financial guidance to help people make informed financial decisions or, where specialist services such as TPAS or regulated advice providers such as IFAs are needed, refer them to these sources of help.

59. There are areas where the need for advice can be mitigated by moves to make systems more automatic, for example by introducing automaticity to Pension Credit claims, requiring auto-enrolment in Personal Accounts, or by making default funds lifestyled. There will always be people who need to make decisions, for example whether or not to opt-out of Personal Accounts. However a system which has the best outcome for as many as possible, without them having to apply or make decisions, will prevent people being lost along the way. It will also reduce the number of people needing advice. The Government should take this into account in its measures to reform the benefits and pensions systems. (Paragraph 286)

148. The Government believes it is right that individuals themselves retain ultimate responsibility for making the decisions that are right for their particular circumstances. Therefore there will always be an element of decision making required in the pensions and benefit system. Nevertheless the Government agrees that, where practical, the system should be made as simple as possible to navigate.

149. As the Committee recognises, the Government is taking forward measures to improve the pensions system such as automatic enrolment into qualifying workplace pension schemes. The Department is always looking at ways to improve the claims process for pensioners and is also investigating how it can make better use of the information available to it in order to further increase take up. The Pension Credit pilot programme will provide evidence to help the Department understand how we may deliver income-related support for pensioners in the future.

150. The Department will continue to look at ways of making further improvements as part of ongoing work to simplify the benefits system. For example, the Department is working on streamlining working age benefits and is exploring the feasibility of moving to a single “income replacement” benefit for people of working age for the longer term.

60. We welcome the announcement in Building a Society for all Ages that the Government will provide a "one-stop shop" for individuals wanting to plan ahead for their retirement. It is not clear how this will operate in practice, but it is essential that Money Guidance and the "one-stop shop" signpost customers on to other organisations, such as The Pensions Advisory Service and third sector organisations, as seamlessly as possible. If people are advised to contact a wide range of organisations, or are passed from one organisation to another, people will be lost along the way. (Paragraph 292)

151. The Department agrees with the Committee that while many individuals will find the Money Guidance Service or tools featured on the one-stop shop will be sufficient to meet their needs, some will need to be referred to specialist sources of guidance and advice. The Government agrees that signposting and referral should be as seamless as possible and is already looking at how this might work. For example, HM Treasury and the Financial Services Authority are piloting direct referrals to The Pensions Advisory Service as part of the Money Guidance pathfinder.

61. Money Guidance and the proposed “one-stop shop” has to become the clear, trusted, source of financial advice which is clearly needed. This service needs to develop public trust and needs to be clearly branded. The Government must focus on both the importance of branding, and the importance of ensuring the service reaches out to those who may not be aware that they need advice. (Paragraph 293)

152. The Government agrees with the Committee that services such as Money Guidance and the one-stop shop must gain public trust to be fully effective. For this reason, we are working with trusted information providers and organisations experienced in supporting people’s decision-making, for example, partners for the Money Guidance pathfinder include Citizens Advice Bureaux, Age Concern and local community organisations.

153. The Government also recognises the need for impartial information and guidance services to reach out to those who may not recognise a need for financial guidance. This was one of the key challenges identified by the Thoresen Review of generic financial advice. For the Money Guidance pathfinder, marketing and work through trusted intermediaries and partners, such as housing associations, councils and Sure Start centres, are being used to engage people with the service.

62. We welcome the commitment in the Building a Society for all Ages Strategy that the “one-stop shop” will include telephone and face-to-face advice, and cover a wide range of benefit, and non-benefit related, money issues. It needs to inform people of the financial issues they need to be aware of, and inform them when they need to seek regulated advice. In addition the service needs a much higher public profile than any of the Government’s current initiatives, especially amongst those who are less financially literate. (Paragraph 294)

154. The one-stop shop will act as an easy and straightforward way for those looking for information and personalised guidance on a wide range of money issues to access the Money Guidance service, which is available online, on the phone and face to face. It will also provide access to the Department’s work to help individuals understand the forthcoming reforms to State and workplace pensions, and to raise awareness of options for working into later life. To support pension reform, we intend to provide clear, simple information and tools, available via a website and contact centre, to help people understand key concepts around retirement and State Pensions. The one-stop shop will also provide access to information from a range of other sources on wider issues including health, housing and work.

155. Plans for raising awareness of the Money Guidance service currently being tested as part of the pathfinder include a varied marketing approach and work with trusted intermediary organisations, which can particularly help to make those most vulnerable to the consequences of poor financial decisions aware of how the Money Guidance service can benefit them. The Department will use communications about pension reform issues to build public awareness of the information that can be accessed through the one-stop shop. This will be strengthened by work with partner organisations. On an ongoing basis, advisors in each of the services signposted to by the one-stop shop will be trained to cross-refer between services. This will help reflect the holistic information needs of customers for all these services.

63. Pensioners in rural areas have the same need for advice as those in towns. The pilots need to look at ways of providing advice in rural areas. While the internet is a useful source of information for many pensioners, others do not have access, and in some rural areas broadband is not available. (Paragraph 295)

156. The Money Guidance pathfinder is being delivered through a number of different channels in the pilot regions (North West and North East of England), including face-to-face. The pathfinder regions were specifically chosen to offer scope to test how the Money Guidance service can be delivered in both urban and rural areas. A number of face-to-face partners have been selected on the basis of a wide-ranging local footprint, including in rural areas. HM Treasury and the Financial Services Authority are supporting partners in innovative approaches to extend their reach, through for example, outreach sessions in a community location, home visits development of video conference sessions.

157. In addition, Money Guidance is available online and over the telephone. The Government recognises that this service will be better facilitated by improved internet access, and that digital exclusion can be much more acute in rural areas, particularly where there is poor internet access.

158. In the report 'Digital Britain' published in June 2009 the Government has committed to bringing broadband to within reach of all parts of the country.

64. Enabling older people to extend their working lives is an important element of the Pensions Commission's prescription for the future of pension provision. People working beyond 65 will become the norm as the State Pension Age is progressively increased. (Paragraph 299)

66. Many older people appreciate the benefits of work, helping them to keep active, to develop new skills and participate fully in society. The skills and experience that older people can offer is an asset that should be prized by employers. (Paragraph 304)

159. Enabling older people to continue in, or return to work is a vital factor in supporting our economic prosperity and pension sustainability. The Government agrees that the skills and experience of older people is a valuable asset which can be of great benefit to employers.

160. The Government is committed to enabling people to extend their working lives and has taken forward a range of measures to help them to do so such as making compulsory retirement below 65 generally unlawful, with older workers now having the right to request to work past their employer's normal retirement age. The Government's Age Positive initiative continues to promote the adoption of flexible approaches to work and retirement and the removal of fixed retirement ages. More employers now tell us of the business benefits such as improved productivity, motivation, and enhanced opportunities presented by more flexible working patterns. The Department will continue to monitor the employment rate of older workers which is included as one of the indicators in the Department's Public Service Agreement.

65. Employment for those over State Pension Age provides the opportunity to supplement income from state and private pensions. Employment up to State Pension Age provides an opportunity for many to increase their retirement income. (Paragraph 300)

161. The Government agrees with the committee and has made changes to tax and pension rules to encourage and support longer working. These include gradual equalisation of women's State Pension Age with that of men at age 65 by 2020; increasing the deferral rate for State Pension and making available a lump sum payment instead of an increased weekly pension when it is eventually drawn; and where scheme rules permit, allowing all or part of an occupational pension to be drawn whilst continuing to work for the pension sponsoring employer.

67. Ill health is a major cause of early retirement and prevents many older people from extending their working lives. We welcome the Government's response to Dame Carol Black's review, in particular the introduction of an electronic "fit note" and the establishment of a National Centre for Working-Age Health and Well-being. The data provided by the fit note should allow the Centre to analyse trends in ill health, including any issues that disproportionately affect older people. We would expect this analysis to lead to targeted initiatives that help to prolong older peoples' working lives. (Paragraph 305)

162. The Government is currently developing a strategy for evaluating the impact of the revised medical statement (or 'fit note') and we are working to ensure that any evaluation looks at impact on equality for key groups, including older people.

163. In terms of the role of the new national centre, it will be tasked with improving the evidence base on working age ill health. Given that health issues disproportionately influence older people the Government expects that an improvement in the evidence base will lead to a better understanding of the role ill health plays in early retirement and so enable the development of better targeted initiatives that help prolong older people's working lives.

68. We are not convinced that the benefits to business of greater certainty in staff planning that come from the Default Retirement Age outweigh the broader need for more people to be enabled to extend their working lives. (Paragraph 309)

69. We reiterate our conclusion from our report on the Equality Bill that the Default Retirement Age contradicts the Government's wider social policy and labour market objectives of raising the average retirement age and allowing people to continue to work and save for their retirement. We welcome the Government's decision to bring forward the review of the Default Retirement Age but the evidence we have received suggests that it is discriminatory and unnecessary. We look forward to it being abolished. (Paragraph 315)

70. We note evidence from organisations that have taken this step that abolishing the Default Retirement Age tends to lead to workers delaying retirement for a year or two and we believe that this measure would not have a disproportionate effect on the labour market. However, the opportunity to work an additional year could enable someone who deferred claiming their basic State Pension to add over 10% to the value of their State Pension for the rest of their life; deferral for two years would add over 20%. This could have a significant impact on rates of pensioner poverty. (Paragraph 316)

164. The introduction of the default retirement age in 2006 was a significant step forward. It meant that for the first time, people had the right to remain in work until the age of 65, unless a lower retirement age could be objectively justified. The Default Retirement Age has also allowed many people to continue in work until at least age 65, when in previous recessions they would have been forced to retire earlier. Building on this, the Government used Opportunity Age to signal that it was our long-term aim to consign fixed retirement ages to the past.

165. When the DRA was introduced, the Government announced that in 2011 we would review whether the Default Retirement Age was still appropriate and necessary. The very different economic circumstances today, for businesses and for individuals coming up to retirement, in comparison to 2006 when the age regulations came into force, suggest that an earlier review is needed.

166. The Government will therefore bring forward the review of the Default Retirement Age to 2010. We have now started the process of engaging with stakeholders and gathering evidence to inform the review. The review will also take account of the recent judgment in the Judicial Review of the decision to introduce the DRA.

167. We will look at many issues including the needs of business and individuals in the prevailing economic climate, and the need for employers to manage the structure of their workforce. To that end we are committed to continue working with representatives of employers, such as the Confederation of British Industry, as well as representatives of employees and older people's organisations such as the trade unions, Age Concern, Help the Aged and older people's forums.

168. If the evidence shows that the Default Retirement Age is no longer needed we will act to make the necessary changes to legislation. We would support employers through this, and any changes would not be implemented until 2011. This would give employers sufficient time to prepare, and employees' time to consider what impact the new circumstances would have on their plans.

71. If older people are going to continue to participate in the workplace after the age of 65, then they should receive the same protection against discrimination on the grounds of age as workers under the age of 65. We call on the Government to introduce provisions to extend protection against discrimination on the grounds of age to those over 65. (Paragraph 317)

169. It is not true to say that workers over the age of 65 have no protection against age discrimination. Since the introduction of the Age Regulations, workers in this age group have access to statutory sick pay and protection against unfair dismissal. The removal of the upper age limit for unfair dismissal and redundancy rights means that older workers get the same rights to claim unfair dismissal or to receive a redundancy payment as younger workers – unless there is a genuine retirement. This was a significant step forward.

170. In addition the Equality Bill currently before Parliament will outlaw unjustifiable age discrimination against adults aged 18 and over by those providing goods, facilities and services and exercising public functions. This will provide important new protection, particularly for older people who often get sub-standard treatment, and will signal clearly to service providers that it is not acceptable to treat some people worse than others simply because of their age.

171. The Government has also brought forward the review of the Default Retirement Age to 2010.

72. Flexible working arrangements can be crucial in enabling older workers to remain in work. We commend the Department's work under the Age Positive Initiative to promote flexible retirement packages. Helping older workers to work flexibly and remain in the workplace can have clear benefits for employers who are able to retain the skills of experienced workers. (Paragraph 322)

172. The Government agrees that flexible working arrangements can help individuals to remain in work and benefits employers in helping them to retain the skills and experience of older employees.

173. The DWP is extending our Age Positive Initiative to work closely with industry leaders in retail, transport and manufacturing to develop sector based approaches to flexible retirement and the removal of fixed retirement ages.

73. We note that many older workers face additional barriers to work because of their caring responsibilities. We commend the Department on its measures to increase awareness amongst employers and employees of the right for carers to request flexible working and to encourage employers to offer flexible work; we call on the Department to monitor the success of this work closely to assess its impact in helping older workers to remain in or find work. (Paragraph 326)

174. The Department welcomes the committee's support and will continue to work to increase the awareness of flexible working legislation.

175. In addition, from October 2009, the Department will introduce an enhanced vacancy taking system that will lead to more consistent recording of flexibilities and better search facilities which should make it easier for people find flexible job vacancies. We will evaluate the performance, quality and usability of the vacancy tracking system and those vacancies found on Directgov.

176. The Department will continue to monitor the employment rate of older workers including those with caring responsibilities.

74. We have previously called for the £5 earnings disregard for Pension Credit to be increased. The current rules are a barrier to pensioners working, and are contrary to the Department's stated objectives. We find it regrettable that the disregard has remained at the same level for over 20 years and is now equivalent to less than one hour's work at the minimum wage. (Paragraph 334)

75. We welcome the Department's announcement that it will trial raising the earnings disregard for lone parents on Income Support to £50. We call for the earnings disregard for pensioners in receipt of Pension Credit to also be increased to £50. (Paragraph 335)

177. The Government wants to test whether the offer of an improved incentive for lone parents to try out work whilst on benefits will help them make the transition from benefits to full time work. It is being trialled alongside the new set of conditionality requirements that will be tested in the Progression to Work pathfinders, with the aim of supporting lone parents move closer to a return to sustainable employment over time.

178. However, Pension Credit is primarily a safety net entitlement which targets help where it is needed most and is not intended for people who do substantial amounts of work. The Government recognises that some people may wish to take up work or continue working in retirement and keep in touch with the job market, so a small amount of earnings are disregarded within Pension Credit.

179. Indeed Pension Credit brought in more generous rules than those that applied in its predecessor. There is no limit on the hours that people can work and still claim Pension Credit and in addition the Savings Credit element of Pension Credit rewards those who are aged 65 and over with earnings, income or savings above the Savings Credit threshold.

180. The Government fully supports the principle of working and recognises that for many in retirement this is a positive step. We will therefore keep the policy and disregard that operates within Pension Credit under review.

76. We note that the Pensions Commission’s proposal for a reduced rate of employer’s national insurance contributions for employees above State Pension Age would provide an additional incentive for them to keep on older workers. We acknowledge that in the current fiscal climate this may not be a priority, but we call on the Government to cost this proposal and keep it under consideration as part of its long term strategy to increase the employment rate of older workers. (Paragraph 338)

181. The Government will continue to keep this proposal under review and will carry out work to better understand the costs and potential benefits.

77. The Government’s programme of welfare reform has placed a greater burden on Jobcentre Plus. The Committee fully endorses the Government’s commitment to helping people who can work into employment but calls on Jobcentre Plus to ensure that it addresses the needs of those over 50 who are looking for work. (Paragraph 343)

182. The Government welcomes the Committee’s support for its commitment to help people who can work into employment.

183. The help available now through Jobcentre Plus and our partners, including the new offer available to people losing their jobs in the recession will be particularly helpful to older people. This includes additional support on looking for work, opportunities to re-train or become self-employed and opening up more job opportunities through Local Employer Partnerships. We will monitor and evaluate the impact of these initiatives on older people.

78. As part of the welfare reform programme, a number of older people of working age will move onto Employment and Support Allowance (ESA), and will find that their receipt of that benefit will be subject to its conditionality regime. Many, particularly those moving from Incapacity Benefit, may not have worked for a long time and it is essential that the support is available from Jobcentre Plus to help them develop the skills and experience they need to find and sustain employment. We call on the Department to undertake careful monitoring of the impact of the conditionality regimes of both ESA and Jobseeker’s Allowance on those over 50. (Paragraph 344)

184. The Department plans to monitor impact of a mandatory work-focused interview regime through pilots for the over 50s, and the impact of mandatory work-related activity through the Invest to Save pathfinders for existing customers and Progression to Work pathfinders for new customers.

185. The evaluation of the new regime for jobseekers will examine impacts for different groups of people, including those over 50. A key part of this evaluation is the impact study, which will involve comparing the new and old jobseeker regimes in terms of the support offered and outcomes for people over 50.

79. Older workers may face a variety of barriers to work, including a lack of relevant skills. It is over two years since Lord Leitch highlighted the need to develop the skills of older people and called for the establishment of an integrated employment and skills service. We will observe with interest the progress of the Integrated Employment and Skills Service trials; it is essential that this service is sensitive to the needs of older

people. If the Government is serious about wanting to increase the employment rate of those aged 50-69 it must make greater efforts to support those people in overcoming these barriers. (Paragraph 349)

186. The Government agrees that it is important that the Integrated Employment and Skills Service is sensitive to the needs of older people. The service is being designed to meet the needs of our priority groups, and in particular those at a disadvantage in the labour market, including older workers.

187. Pilots of the new service, which started last September, will be evaluated to ensure that they are meeting the needs of our priority groups, including older workers. The evaluation will inform the national rollout.

80. We welcome the additional support being provided for carers to find work under the National Carers Strategy and we will monitor the success of this initiative. (Paragraph 351)

188. The Government welcomes support of this strategy. We will monitor and evaluate its success.

81. We are relieved that current indications show that older people are not faring worse in employment than the rest of the working age population in the recession. We call on the Department to continue to monitor trends closely. (Paragraph 357)

189. The Government, along with the Equality and Human Rights Commission are committed to monitoring the impact of the recession on disadvantaged groups including older workers. The Department also produces an annual Older Worker Statistical Information Booklet which presents developments within the labour market focusing on older workers.

82. We agree with Professor Hills that the economic downturn only increases the need to support older people to find work. In previous recessions, many of those in their 50s lost their jobs never to work again. This was not only a waste of their skills and dynamism but condemned many to a life of poverty in retirement. This cannot be allowed to happen again. (Paragraph 358)

190. The Government agrees that it must not allow older people to be disproportionately affected in the current economic downturn. Analysis shows that once unemployed, older workers are more likely to remain out of work for a longer period of time and also less likely to re-enter the labour market.

191. The latest statistics show that older worker employment is declining, but as a whole older workers are faring well compared to other age groups and the overall labour market. Older worker employment declined 0.4 percentage points between the second quarter of 2008 and the second quarter of 2009, compared to a decline of 2 percentage points for those aged between 16 and State Pension age for the same period.

192. The Government remains absolutely committed to supporting people to finding work. In addition to existing labour market measures, in April the Government introduced a range of new measures for unemployed customers to offer additional support to help

offset the impact of the recession. We will be closely monitoring these measures to ensure they meet the needs of older people as well as other groups.