



Only a quarter of Britons are on track



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ROS ALTMANN: Abandoning the state pension 'triple lock' earnings link in a knee-jerk reaction to one year's numbers would be unwise

By [ROS ALTMANN FOR THIS IS MONEY](#)

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Ros Altmann is a campaigner for the elderly and a former Pensions Minister, who is now a member of the House of Lords.

It is disappointing to read that the Chancellor plans to abandon the triple lock protection for state pensions and remove the part of it related to average earnings.

Pensioners are not all wealthy, and millions have to live on the state pension which is the lowest in the developed world.



A comprehensive review of pensioner support is needed, not short-term sudden changes.

Triple lock pledge: State pension increases by the highest of price inflation, average earnings growth or 2.5% - but [wages are currently distorted by the pandemic](#)

The triple lock itself is a political construct, but since 2016 it has become even less effective because it mostly protects the youngest pensioners who are on the new flat rate system.

For older pensioners, it only applies to their basic state pension, not the other earnings-related parts of the old system such as SERPS and S2P which are linked to inflation.

The element that is most redundant is the 2.5 per cent minimum promise, even if earnings and prices rise by less, and yet this seems to be what the Chancellor is considering applying to next year's pension uprating. I would urge him to think again.

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State pension keeps being used as a political football

Different Governments have announced rises or cuts in the levels of protection offered to people on the state pension over the years.

Before 1979, the basic state pension was required to rise in line with the highest of earnings or price inflation (a double lock), and in that year the basic state pension was worth 26 per cent of average earnings.

In 1979, politicians decided that the basic state pension would only rise in line with price inflation, removing the earnings link at a time when earnings were rising much faster.

In 2001 there was a political backlash after the furore about a very low state pension increase of 75p.

So, the Government promised it would uprate by at least 2.5 per cent even if inflation was lower than this, and it introduced pension credit for the poorest.

However, this still left the state pension whittling away relative to earnings and by 2010 it was worth just 16.3 per cent of the average earnings level.

In 2010, the Coalition Government decided that pension benefits had fallen too far behind other benefits and, with many pensioners living in poverty, it introduced the 'triple lock' guarantee to increase state pensions by the best of prices, earnings or 2.5 per cent.

Since 2010, the basic state pension has recovered somewhat, but is still only worth 19 per cent of average earnings, while the new state pension is worth 24.8 per cent.

So, even after years of the triple lock, for both younger and older pensioners the state pension is still lower than in 1979 relative to earnings.



Ros Altmann: The nation has a hugely divided pensioner population. Some may be very well off, but millions are not

State Pension as a percentage of Net Average Earnings (Source: Pensions Policy Institute)		
1979	26.0%	
2010	16.3%	
2020	19%	(New State Pension 24.8%)

State pension is lower relative to earnings than in 1979, despite the triple lock

It is important that we do not keep using pensions as a political target to raid. Stability and protection are so important for our older generations.

The triple lock had already outlived its usefulness by 2016 as it was applied to the full new state pension while only the old basic state pension was triple-locked, with the other elements of it tied to prices.

It does need to be reconsidered, but that should take place with careful thought, and perhaps with a reversion to a double lock, as the 2.5 per cent is an arbitrary figure which is difficult to justify on economic or social grounds.

Abandoning the earnings link sets a dangerous precedent

The nation has a hugely divided pensioner population. Some may be very well off, but millions are not and the state pension is less than a quarter of average earnings.

The oldest pensioners tend to be the poorest and the majority of these are women.

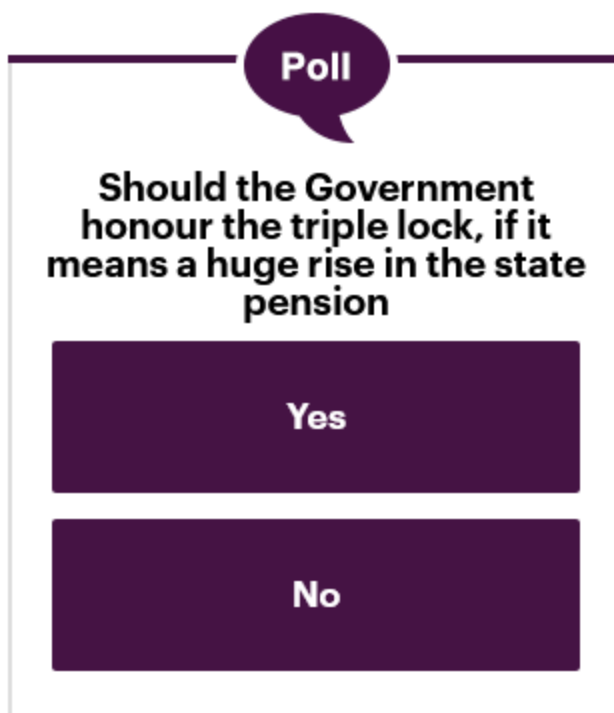
Our pensioners need proper protection. The earnings link which the Chancellor might abandon is the legally required uprating for **pension credit for the poorest pensioners**.

It would seem indefensible to remove the protection for these vulnerable elderly people.

Meanwhile, the UK pays the lowest state pension in the developed world. The system is also extremely complicated, comprising many different elements.

There are many parts to the old state pension, and there are tax-free benefits such as winter fuel payments, free travel, free eye tests, a Christmas bonus, and so on.

These tax-free elements are worth far more to wealthy pensioners than to the poorest. These separate parts still cost significant sums and perhaps could be rolled into a better state pension, without the add-ons.



Poll

Should the Government honour the triple lock, if it means a huge rise in the state pension

Yes

No

There is a need for a comprehensive review of all aspects of state support for pensioners, but this should be done in a thoughtful and considered manner, rather than as a knee-jerk reaction to one year's numbers.