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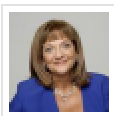
Ros Altmann: Ministers must think again about abandoning manifesto commitments to pensioners



By Baroness Altmann

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Baroness Altmann is a Conservative peer.

The Bill governing next year's State Pension increases for the country's twelve million pensioners returns to the Commons for Ping Pong on Monday 15th September. MPs have a chance to reconsider their decision to take away promised protections for next year, just as household bills for basic essentials such as heating and food are rising sharply.

When voting in September to remove next year's triple lock earnings uprating from all pensioners, there was very little debate. After careful scrutiny, as is their role, Peers concluded the legislation that would increase State Pensions by only September's 3.1 per cent CPI, required amendment. It concluded MPs had inadequate or misleading information, so they should be asked to reconsider their original decision.

The triple lock promise to increase pensions at least in line with earnings was part of the 2019 Conservative Manifesto. This should not be abandoned lightly, especially as the Bill is also removing the long-standing earnings protection for the very poorest pensioners, who rely on means-tested Pension Credit.

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Pension Credit has never benefitted from the triple lock, it has been tied just to earnings inflation. However for 2022-23, this would be replaced by September CPI.

Of course, Ministers themselves could recognise the changed circumstances for pensioners and the need to rebuild public trust, by agreeing to the Lords amendments.

These ensure the Government honours its Manifesto pledge, but without increasing State Pensions by the full 8.3 per cent rise in the traditional earnings inflation measure. This year's ONS Average Weekly Earnings figure for the three months to July was artificially inflated by composition and base effects from last year's sectoral job losses and furlough scheme, making the year on year comparison for those months exceptionally high.

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However, the Lords amendments propose adjusting the data for pandemic distortions.

This is part of new evidence for MPs to consider. When voting in September, they were led to believe there was no alternative to using the 8.3 per cent earnings increase, costing over £5billion at a time when public finances are under exceptional strain.

However, this is not actually true. The 1992 Social Security Administration Act, which this Bill amends to remove earnings uprating provisions, actually allows wide discretion for the Government to adjust the data as it considers necessary each year. Section 150A subsection (8) says that when reviewing how to uprate the state pension 'the Secretary of State shall estimate the general level of earnings in such manner as he thinks fit'. So why did the Government not do that?

Apparently, officials believe they cannot produce a reliable adjusted figure. This does rather strain credulity, given the large numbers of statisticians, mathematicians and actuaries at the Department's disposal. Nevertheless, since the original debate, the ONS itself has released information to explain methodologies for adjusting the data and Budget 2021 also provided OBR figures for average earnings – all are below 8.3 per cent, but above the September cpi of 3.1 per cent.

Indeed, the September CPI is itself too low, partly due to pandemic effects. For example, last year's sharp rise in restaurant meal costs as 'Eat Out to Help Out' ended, meant a significant year on year fall this September. The Budget figures forecast inflation well above four per cent with OBR warnings of over five per cent and even 7.5 per cent next year, possibly driven by rising energy and food prices.

The Budget also undermined affordability arguments with announcements of huge spending increases and tax cuts, including reducing bank levy tax and alcohol duties. What would it say about our society's values if Parliament forces pensioners to accept a real income cut during a cost of living crisis, to help pay for lower bank and alcohol taxes?

And doing this in the eye of a cost of living storm, with UK State Pensions being the lowest in the developed world, and pensioner poverty levels that were already rising even before the pandemic.

Pensioners are not all well off. Two millions live in poverty, more than half of single pensioners (mostly women) are in fuel poverty and one in eight in extreme fuel poverty. Most rely largely or entirely on their State Pensions for retirement income. If they are not protected against rising living costs, they will struggle to pay their bills.

MPs have a chance to think again and so does the Government. They also have a chance to restore some trust and confidence, by demonstrating determination to keep their Manifesto pledges.

Protecting pensioners as promised also upholds the values of our welfare state. It is no surprise that younger generations are paying for unfunded pensioner benefits. That is how our National Insurance system has always worked and, with an aging population, the costs are bound to soar. That cannot justify Chancellors eyeing State Pensions as a valid target to raid when Government wants money for other priorities.

Pensioners will have good reason to feel angry as their bills keep rising. Even if supposedly just for one year, this clearly inadequate 3.1 per cent rise will not protect pensioners as inflation soars and will cause more hardship and poverty. A decent society does not knowingly abandon its elderly citizens in this cavalier fashion. Pensioners will not readily forgive such betrayal.