

## **ENFIELD OVER 50's FORUM**

### **PENSIONS, TRIPLE LOCK & UNIVERSAL ENTITLEMENTS**

**The triple lock is in place for another year, but we cannot be complacent and lose focus on what will be continued 'think tank' and government attacks throughout the next year or so.**

**The triple lock is in place because the basic state pension in the UK is the most inadequate in the economically developed world. It has already had its value decreased through government decisions to apply CPI instead of RPI as an index**

**Other universal entitlements like the TV licence (now means-tested), the winter fuel allowance and the bus pass have all been mentioned as something that is not affordable in the current climate. Although we are not here to discuss the TV licence campaign in its entirety, I will say that the campaign is not over. We are meeting with Tim Davie, Director General of the BBC later this month.**

**But if we take the 75+ age group as the most vulnerable to reductions or loss of universal entitlements, we know that current poverty levels stand at 18.5% compared to 11% among the whole population. Within this age group, women are most affected by poverty. We estimate around a further 55,000 individuals over 75's falling below the poverty line by have to pay for a TV licence.**

**What we also know is that the triple lock was always going to be reviewed in 2022, so we must be prepared to argue our corner between now and then as further mentions of a 'double lock' become more prevalent in the media. A 'double lock'**

would mean the basic state pension increasing by the higher of earnings or inflation.

There is already unfairness between what is termed the basic pension scheme and the new single tier scheme started in 2016 which was promoted as equalising pensions for all. It does nothing of the kind. In fact, currently the gap grows every year because the old scheme has the triple lock applied only to the basic element whilst the whole amount is covered in the new scheme. Currently, the difference is £40 a week and that will grow over time. It also means that those who have worked longer – say over 40 years (we know of individuals having worked over 50 years) – get a pension based on only 35 years – not the contributions made over and above.

The role of the state pension is not clearly defined. In the first instance, it was intended to provide a basic income, then it became about maintaining living standards and now it is back to being a basic level of income. That being the case, then it is a poor basic income for older people.

The old basic state pension has a replacement value of 29%, but the new scheme will be just 24%. That is why there is a government initiative to get the workers of today to 'top up' their pension pots by savings and through auto-enrolment schemes.

Here again, there is inequality. Eligibility to auto-enrolment is not universal and for many lower paid, part time workers, it means total reliance on the basic state pension at their retirement age.

**Assuming poverty grows with earnings, by 2050, the proportion of pensioners in poverty under a 'double lock' index would increase by around 4% when compared to the triple lock.**

**There are many anomalies in the pension system, some of which have already been spoken about. However, the gender pension gap is one which the NPC must work on to improve the outcomes for women.**

**Research carried out by the NPC in 2019 'Understanding Women & Pensions' found that:**

- Women workers clearly suffer from generally having lower wages (and therefore lower pension contributions), breaks in National Insurance or pension contributions due to caring responsibilities or insecure/part-time employment. The reality is that if you are low paid – you will have a poor pension in retirement.**
- Married women were the poorest in terms of personal income.**
- Private pension scheme membership and accrued savings vary widely according to occupational class, employed hours and ethnicity, all intersecting with gender.**
- The gender pension gap is bigger than the gender pay gap - 39.5% - twice as large as the difference in pay between the sexes.**

**A report by the Women's Budget Group in March 2020, continues to give cause for concern for the future:**

- Among those aged 60-64, nearly two thirds of women have no private pension wealth. The gender differential in private pension wealth is substantial over the age of 65.
- Among 65-74 year olds, median private pension wealth is £164,700 for men and £17,300 for women (just over 10% of the private pension wealth of men)
- Working age women – currently only 36% of women contribute to a non-state pension whilst the figure for men is 48%

If current trends continue, then women (and lower paid men) may find themselves heavily reliant on a basic state pension that is inadequate to say the least.

We should also recognise that there is unfairness between the female generations caused by the new state pension which Steve Webb introduced in 2016. For example:

- A woman born on 6 March 1953 with 35 years' worth of National Insurance and contracted in to the state second pension reached state pension age on 6 March 2016 and qualified at that time for a basic state pension of £119.30 a week and an average second state pension of £28; making a total of £147.30 a week.
- A woman born on the 6 May 1953 with 35 years' worth of National Insurance and contracted in to the state second pension reached state pension age on 6 November 2016 and qualified for a total state pension of £155.65 a week – over £8 a week more.

The unfairness is two individuals with the same set of circumstances – but for being born two months apart – receive different levels of state pension.

**The pension system is out of date. At its inception, it was a system built for men, by men – a system that in the 21<sup>st</sup> century is not fit for purpose.**

**The NPC policy on pensions is a basic state pension set above poverty level at 75% of the National Living Wage, indexed by the triple lock for everyone. Some call it a ‘citizens pension’. Today that would provide around £230/240 a week for everyone.**

**Then we have the matter of frozen pensions:**

- 550,000 British pensioners currently living overseas are adversely affected by the government’s frozen pension policy. This means that those living their retirement years abroad do not receive annual inflationary uprating which, in reality means their state pension decreases in value year-on-year. This system leaves many British citizens living in poverty and without independence in later life.**
- Due to increasingly outdated bilateral agreements made with some countries and not others, British pensioners living in retirement overseas are not treated equally.**
- The discriminatory nature of the system impacts on the choices that Britain’s Black, Asian and Minority Ethnic communities will have. Many from these communities came to Britain to work in the 1950s, 60s and 70s. They have worked and contributed all their time in the UK.**
- There are many reasons for leaving the UK:
  - a) Ill health of family abroad requiring someone to care and look after them****

- b) Ill health of the individual returning home in order to receive care from their family**
- c) Reaching an older age and returning to their cultural home to live out the rest of their life.**
- d) Regaining a sense of belonging in the country of their birth.**

**The NPC wrote to the All Party Parliamentary Group dealing with Froze Pensions supporting two solutions that could be applied in the short and longer term:**

**Partial Uprating: (short term)**

**This would involve introducing triple lock uprating for those on frozen pensions going forward from the current rate received. The cost is less to the government than Pension Parity, but those on the lowest pension income would feel limited improvement due to their pension being so low.**

**There are savings made by government each time an individual moves abroad and these should be used to off-set the cost of ensuring that equality in pensions is restored to all 550,000 British pensioners living overseas. Currently this is circa £4,300 per individual and is mainly in health care costs.**

**Pension Parity: (longer term)**

**This would give all 550,000 pensioners living abroad and subjected to frozen pension payments their full state pension entitlement as in UK. The pension would then be uprated in line with UK pensions going forward.**

**Inevitably, this has a cost attached which the government seek to use as a reason why inequality should remain in place. However, it would treat all British pensioners the same according to their National Insurance Contributions, not their**

country of residence. It would also alleviate poverty, thereby restoring dignity and choice in later life.

The APPG is engaging with the government on these two areas to try to get a definitive answer – something that has not been forthcoming from them in decades.

We are hearing all across the world of the difficulties caused to pension schemes through COVID-19 and we can expect the same in the UK in the run up to 2022. In fact, as pointed out at the beginning, we are already being told ‘pensioner benefits’ are unaffordable.

The NPC wrote to Rishi Sunak, Chancellor of the Exchequer; Terese Coffey, Secretary of State for Work and Pensions and their shadow counterparts on the issue of continuing with the increase in state pension retirement age when so many young people had lost their income and livelihoods. We proposed that they suspend implementing the increase to 68 which would allow those who wished to retire to do so and their jobs ring-fenced for a young person needing work.

Unsurprisingly, the only reply we received was from Jonathan Reynolds, Shadow Secretary of State for Work & Pensions who supported our call and has offered to contact us when they look at their policy.

And let’s not forget, older people are still contributing to the treasury to the tune of £160 billion through direct and indirect taxation, unpaid caring, childcare and volunteering.

**The problem we have is that no matter how many times we say it, the think tanks and media do not mention the fact that there are two basic state pension schemes. They only talk about the post 2016 scheme which allows the public to think that all pensioners get that rate of pension.**

**The dialogue around older people has changed over the last 5 or 6 years. It used to be that when you retired you were respected for the lifetime of work you had done, the economic and social contribution you had made to the country and now was time for you to take a well-earned rest and let someone else do the work. Now, older people are seen as a drain on public resources – with no notion that we have done all the things the younger generation are doing – and more – and still pay for what we get.**

**It is a popular belief that the state pension is a ‘benefit’ not a right that has been paid for over our working lives. We must work harder to change perceptions of older people.**

**One of our major campaigns will be for a Commissioner for Older People in England with the same independent, judicial role as those in Wales and Northern Ireland.**