A windfall for the old: The injustice of triple lock pensions

The Conservatives' refusal to consider tweaking the triple lock to reflect economic reality is an act of generational apartheid: socialism for the old, austerity for the young.

Rachel Cunliffe

Every so often, a brave politician tentatively suggests we might want to reconsider the "triple lock" on the UK state pension. The instant uproar from outraged pensioners, amplified by newspaper comment sections, is always enough to ensure such proposals are quickly dropped and never spoken of again.

So it is with Rishi Sunak. Data released earlier this month showed that average UK earnings rose by 5.6 per cent in April, meaning the £85bn triple lock – which increases pensions in line with average wage growth, inflation or 2.5 per cent (whichever is highest) – could cost £4bn more next year

The Chancellor is reportedly considering suspending the triple lock to avoid this fate, sparking fury not just among the press but from his own colleagues. Although the policy was only introduced in 2010 by the Conservative-Liberal Democrat coalition government, it is discussed with a reverence that implies it is a cherished commitment that has endured for centuries. Ministers have predictably reassured the public that, while many ideas are under discussion, the triple lock is safe.

The intellectual dishonesty in the framing of this debate is stunning.

Newspapers refer to the proposed suspension of the triple lock as “costing pensioners £10 a week”, as if the Treasury is trying to take money directly out of older people’s pockets. In fact, the reverse is true: pensioners currently stand to gain an extra £10 a week as a direct result of working people’s misery.

At the start of the pandemic, wages fell sharply as jobs were lost and more than nine million people were furloughed. Earnings have since started to bounce back but this does not represent genuine progress, rather a recovery from a severe shock, combined with the impact of people coming off furlough.

During this time, the triple lock has protected pensioners from the pay cuts and insecurity suffered by working-age adults, giving them a 2.5 per cent increase. Now wages are recovering, the same pensioners who were insulated from the downturn stand to benefit from the correction and enjoy their own 5.6 per cent pay rise.

Crucially, this is not money needed to ensure pensions hold their value relative to inflation, which was very low at the start of the pandemic and has only recently climbed above 2 per cent. Pensions are not set to increase because the economy is booming, but because worker wages were so badly hit at the start of the pandemic.

A simple way to address this would be to calculate pensions based on average wage growth or inflation over the last two years, to ensure they reflect longer-term economic trends. But even this modest proposal triggers howls of outrage and warnings of pensioner impoverishment. This, evidently, is nonsense. Protecting pensioners from economic volatility is a worthy goal, but when the mechanism means they are profiting from worker pay cuts, something has gone badly wrong.

[see also: How "millennial money management" sells young people the illusion of financial control]

So why is the government so quick to dismiss any hint of change? The answer owes less to economics than to politics: maintaining the triple lock was a Conservative 2019 manifesto pledge, and reforming it is therefore unthinkable. (At the last general election, 64 per cent of over-65s voted Tory.)

But many things were unthinkable when the country headed to the polls in December 2019. Nationwide lockdown. The overnight criminalisation of everyday human contact. Travel bans. State edicts forcing businesses to shut their doors. School closures. Fining people for walking too close together.

When it came to governing in a pandemic, the public – in particular those older generations most at risk from Covid-19 – had no problem understanding that exceptional circumstances called for exceptional measures. There was no question that the government would approve unprecedented levels of emergency spending: £64bn on the furlough scheme, £12bn on the vaccine roll-out, £37bn on the Test and Trace system.

Yet when it comes to financing that spending, and the costs of recovery, suddenly pre-Covid commitments are once again sacrosanct. A government that can find less than a tenth (£1.4bn) of the school catch-up funding deemed necessary, refuses to countenance rethinking a £4bn bung to pensioners.

It is notable too which promises the government deems vital to keep and which are disposable. The foreign aid budget has been cut from 0.7 per cent of GDP to 0.5 per cent irrespective of the manifesto, and there is talk of increasing university student loan repayments by lowering the threshold at which people start to repay from £26,000 a year to £19,000.

Students and graduates on the current system already accrue sky-high levels of interest (double the average mortgage rate of 2.5 per cent and more than 50 times the Bank of England base rate of 0.1 per cent) and the vast majority will be paying what amounts to a graduate tax for most of their working lives. Retroactively changing the terms of these loan agreements would, coincidentally, save the Treasury around £4bn.

It is unconscionable for the government to argue that the economic landscape is so dire as to warrant denying children adequate school catch-up provision and imposing higher graduate repayments, while simultaneously refusing to budge from the triple lock. It is an act of generational apartheid: socialism for the old, austerity for the young.

Throughout the pandemic, the mantra has been that we must all make sacrifices to protect those most at risk. Overwhelmingly, those sacrifices have been made by the young in the form of lost earnings and reduced freedoms, for the sake of the vulnerable old. There is nothing unjust about now asking the old to return the favour by forgoing a baseless pension increase so their children and grandchildren can begin to recover.