British retirees get just 29% of their previous pay as the UK lags the EU - 'so worrying'

STATE pension income has come into focus in recent days as it emerged payments may rise by as much as eight percent from next year. The news has once again placed the triple lock in doubt but Rishi Sunak has been urged not to take any drastic measures as British retirees struggle in comparison to their neighbours.

Rishi Sunak grilled over plans for 8% pension rise

State pension payments may rise by eight percent next year as dramatic earnings predictions were made. The news drew fresh questions on the feasibility and sustainability of triple lock rules.

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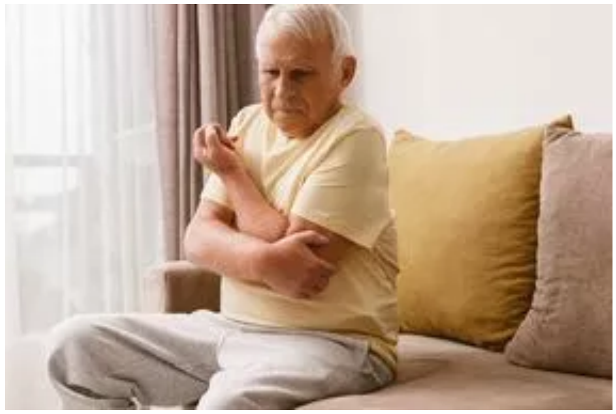
State pension set to rise by 8% but thousands are set to miss out



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Sarah Coles, a personal finance analyst at Hargreaves Lansdown, reflected on how Rishi Sunak may act in light of these developments.

Ms Coles said: "Rishi Sunak set the cat among the pigeons by departing from the usual line to defend the triple lock at all costs.

"The reference to fairness to taxpayers and pensioners, and highlighting concerns about costs, was the Chancellor waving bolt cutters around the triple lock – either to signal a break away from the policy or to gauge the reaction.

"The crisis has thrown up an inherent problem with the mechanisms behind the triple lock, because it's unable to cope with sudden and spikey wage changes.

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British retirees are struggling in comparison to their EU counterparts (Image: GETTY)

"Sunak could address this by adding an element of smoothing of wage figures, so the spikes are evened out to a more gradual rise.

"However, he might also use this as an opportunity to revisit the triple lock, which is a massive cost for the Government at a time when it's watching every penny.

"The Treasury could choose to drop the third lock, so the pension just rises with the highest of wage increases or price inflation.

"This would avoid pension incomes dropping behind rises in the wider economy, so the Government could argue that pensioners will be no worse off."

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Ms Coles went on to break down how UK pensioners are lagging behind many other countries in the developed world: "However, the function of the 2.5 percent guarantee was to build in gradual improvements to the state pension over time.

"This can be seen in the context of the fact that on average in OECD countries, pensioners receive 63 percent of their previous pay, while in the UK they get 29 percent.

"The Government could choose to boost the state pension in one hit instead of taking this gradual approach, but at a time of Government penny pinching, this seems unlikely.

"Any removal of the 2.5 percent guarantee without an overall rise in the state pension would effectively mean signing us up to the current level of the state pension for the foreseeable future.

The state pension triple lock may be in danger (Image: EXPRESS)

"This would have far-reaching consequences not just for today's pensioners, but for today's taxpayers who hope to draw a reasonable state pension in future.

"The state pension is the bedrock for millions of retirement incomes, so it's no wonder that threats to the triple lock are so worrying for those who rely on it."

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The difficulty facing UK retirees was recently highlighted by a House of Commons Library Briefing Paper written by Roderick McInnes.

on £122million

This report, produced in mid-April, compared the pension systems among UK, EU and OECD savers and within this report, the Mercer CFA Institute Global Pension Index was utilised.

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This index annually cross-examines the pension systems of 39 countries, utilising more than 50 indicators.

In its latest report, it was revealed that the UK placed 15th in the table, achieving an overall score of 64.9 (out of 100) with a corresponding grading of C+.

In comparison, The Netherlands topped the leaderboard with a score of 82.6 and an A grading.

Overall, EU countries dominated the top 10, with Finland, Sweden and Norway all making an appearance and eight European countries scored a higher grade than the UK.