

# Tweak to triple lock could see pensioners lose out on £200 a year

Rishi Sunak urged to adopt new metric based on 'underlying' earnings growth amid concern over huge rise in costs

[Jessica Beard](#) 15 July 2021 • 9:11pm



Rishi Sunak pushed for the triple lock to be suspended in the run-up to the spring Budget but was overruled by the Prime Minister, who was keen to avoid a backlash from older Conservative voters Credit: Stefan Rousseau/PA Wire

Rishi Sunak has been urged to tweak a key metric used for [the pensions triple lock](#) under a proposal that could see pensioners lose out on £200 a year.

The Chancellor faces a difficult decision over uprating the state pension this autumn, with concerns that the Covid pandemic has skewed economic data in a way that could force an "artificial" pension spike under the terms of the triple lock.

The mechanism, [a 2019 Tory party manifesto pledge](#), means the state pension must rise each year by whichever is the highest of 2.5 per cent, inflation or average earnings growth.

The latest wage growth data, published by the Office for National Statistics (ONS) on Thursday, suggested earnings have increased by 6.6 per cent. However, the ONS also published a new metric for "underlying" earnings data, which stripped out the abnormal effects of the pandemic.

The spike in earnings growth calculated using the regular formula has been called an "artificial" trend because it is based on the bounce-back from wages being depressed while many workers were furloughed and the disappearance of many lower-paid roles.

The lower "underlying" earning growth figure, which the ONS said was a range of between 3.2 and 4.4 per cent, could offer Mr Sunak a new metric to use in the triple lock, although it would leave him open to claims of [breaking the pledge](#).

On Thursday night, he was urged to consider the possibility amid concerns that a major boost for pensioners would be unfair on the working-age population, which has borne the brunt of the Covid economic shutdown.

Tory MP Nigel Mills, the chairman of the all-party group on pensions, said the proposal would "keep the spirit of the promise" made by the Government with the triple lock pledge.

Former Tory pensions secretaries Damian Green and Stephen Crabb said they expected Mr Sunak to study the idea of using the new metric closely.

"It's certainly a possibility," said Mr Green. "Minds have been bent to this about how you can do something that is still fair but means the principle of the triple lock doesn't leave the Government open to a huge increase in one year, because then it's a ratchet."

Mr Crabb said: "I suspect the Treasury will look at this very closely... It would still be a sizeable increase on the state pension but probably much lower than full average earnings."

However, Tory Baroness Ros Altmann, a pensions expert, suggested the proposal would amount to a "classic sleight of hand" and said: "It's ill-advised to make a short-term, knee-jerk change to a long-term protection just because you don't like the numbers."

"This would not be stopping a very generous pension becoming more generous. We have the lowest state pension in the developed world."

A Treasury source said: "These are estimates. We need to see if average earnings growth we have seen over previous months is sustained before any decisions are taken."

A 6.6 per cent increase in the state pension would cost the Treasury an additional £1.87 billion compared to a 4.4 per cent rise, with pensioners receiving an extra £4 per week. The total state pension bill would cost the Treasury £5.6 billion for next year alone at a time when Mr Sunak has been left scrambling to close the gaping hole in the public finances.

Every percentage point increase in the state pension adds £850 million to the state pension bill, Sir Steve Webb, a former pensions minister, has estimated.

Pensioners would receive an extra £11.85 a week, £208 a year, if the new state pension rose by 6.6 per cent from £179.60 per week in 2021-22 to £191.45 next April. However, if the Government opted to increase payouts by the lower 4.4 per cent measure, this would add just £8 per week.

Last week, [Mr Sunak used an interview with The Telegraph](#) to give his strongest signal yet that he could suspend the triple lock this year, amid concerns it could force a record-breaking rise to the state pension due to Covid.

Tom Selby, of the stockbroker AJ Bell, warned that the latest average earnings data were a conservative estimate of the figure that will be used to calculate the triple lock uprating. Both earnings and inflation are expected to spike this month as [lockdown restrictions are lifted](#), which could push average earnings as high as eight per cent.

An eight per cent increase could cost the Government £3 billion, versus March estimates of 4.6 per cent, the Office for Budget Responsibility has estimated.

Mr Selby said sticking to the triple lock would give retirees an "unfair advantage" over younger generations, who suffered drops in income during the height of the pandemic while the state pension rose 2.5 per cent.

Steven Cameron of the pension provider Aegon, said: "Time is running out for a reversal in this growing wages trend so Rishi Sunak is facing an eight per cent increase."



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