

BARONESS ALTMANN: Cutting state pensions is a betrayal

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As The Mail on Sunday's Personal Finance editor Jeff Prestridge pointed out seven days ago, MPs have a chance to restore some public confidence in their integrity this week.

Tomorrow, Conservative MPs can vote to honour their party's triple-lock manifesto promise to pensioners and accept proposals from the House of Lords that would allow state pensions to increase in line with earnings, not just prices, next year.

The Government's plan to scrap the earnings protection, which state pensions and pension credit have long enjoyed, will leave many pensioners

struggling to meet their basic bills. Make no mistake, the proposed 3.1 per cent increase represents a cut in real terms in the state pension – which is already the lowest in the developed world.

Hard going: Removing the triple-lock earnings protection will undoubtedly increase hardship

Can one of the world's richest countries really justify cutting state pensions as inflation takes off?

Removing the triple-lock earnings protection will undoubtedly increase hardship. Pensioner poverty was rising even before the pandemic struck, with two million living below the poverty line and one million – predominantly women – in fuel poverty. Too many pensioners feel they have to choose between heating and eating, but as fuel and food prices rocket, some may not be able to afford enough of either.

The Government says the suspension of the earnings link is for one year only. Well, that is of scant comfort to millions relying principally – or entirely – on state payments to support their retirement spending.

And what a year to choose to do this. Most elderly citizens don't have spare money proverbially stashed behind the sofa to see them through. Pensioners should not be short-changed.

It is not too late for a change of political heart. The triple-lock promise to increase pensions at least in line with earnings was in the 2019 Conservative manifesto.

Such commitments should not be abandoned lightly, yet the Commons sanctioned the move in just a couple of hours with little debate. The House of Lords is asking MPs to reconsider their decision and take on board new information which they did not have when agreeing to scrap the earnings link.

So what is this new information? The Government said keeping the triple-lock earnings protection meant having to increase state pensions by 8.3 per cent, as that was the number for the official earnings measure it normally uses.

This figure was inflated by year-on-year distortions from pandemic measures such as furlough, and using it would cost £5billion – unaffordable when public finances are under exceptional strain.

But the House of Lords has pointed out that the 8.3 per cent figure could be adjusted to account for the pandemic impact.

The Government claims it cannot produce reliable adjusted figures so it must abandon earnings protection and use 3.1 per cent, based on September's inflation rate. Well, the Government's claim does not stand up to scrutiny. With all the statistical experts at the Government's disposal, of course they can produce a reasonable figure.

And, in any case, the Office for National Statistics and the Office for Budget Responsibility have already published estimates for underlying average earnings of below 8.3 per cent but well above 3.1 per cent.

In fact, September's consumer price inflation figure was biased downwards by exceptional factors such as the ending of the 'eat out to help out' scheme in 2020. Last month's Budget confirmed that inflation will be well above 3.1 per cent next year, maybe touching 5 per cent or even 7.5 per cent.

The Budget also undermined the Government's affordability argument for breaking the triple lock by announcing huge spending increases and a number of tax cuts.

Abandoning the triple lock was the Chancellor's largest cost-cutting measure, but what would it say about our society's values if Parliament reduces pensioners' incomes during a cost of living crisis to help pay for

lower bank and alcohol taxes?

State pensions are part of our National Insurance welfare state. The deal is that younger generations pay for today's pensioners.

Of course, with an ageing population, the costs rise, but that is the societal contract. Older people have paid their dues.

Too many Chancellors have seen pensions as a valid target to raid when money is tight. Pensioners deserve better. Accepting the Lords amendments would allow MPs to honour their pledges. Choosing to plough ahead with the 3.1 per cent increase risks a major political backlash as angry pensioners struggle to pay their bills.

A decent society should not abandon its elderly citizens in such a cavalier fashion. Forcing more pensioners into hardship and poverty is a betrayal of our country's finest.

If MPs want to restore public trust, voting to protect pensioners as promised would be a good place to start.

Baroness Altmann is a Conservative life peer, a leading pensions expert and a renowned campaigner.