**Pensioner Poverty and the Pensions & Income Working Party - Briefing Paper - September 2022**

**Introduction**

Pensioner poverty is the bleak reality for two million pensioners in the UK, scraping by on less than 60% of the UK average income. It is a figure that has been rising since 2014, with 200,000 more pensioners being plunged into poverty in the last year alone.

There are multiple reasons why people live in pensioner poverty. Pensioners generally have a fixed income and those who had low earnings during their working life are going to have low income in retirement. The suspension of the Triple Lock in 2022-23, systemic pensions inequalities and errors, poorly insulated homes, loss of the over 75s free TV licence, health and care needs and the spike in energy prices, inflation and the general cost of living crisis has only exacerbated the issue further.

**The UK State Pension**

The Organisation for Economic Cooperation and Development (OECD) has calculated that upon retiring the average British worker will receive a state pension and related entitlements worth 21.6% of what they had previously been earning. This is one of the lowest public pension replacement rates for any OECD country, where the average is 42.2%, and countries such as Austria, Spain and Turkey enjoy rates as high as 74%.

When including private and occupational pensions, UK pensions still lag behind, providing just 58.1% of previous earnings from work - below the OECD average of 69.1%. Those who will solely rely on the State Pension (~40% of those over 60) as a main or only source of income face a bleak financial future.

**The New State Pension vs Old State Pension: A two-tiered and too a complex system**

In 2016 the New State Pension was introduced. The full amount was set at a higher level than its predecessor the Old State Pension and just above the level of Pension Credit. In 2022-23 the full New State Pension is £185.15 per week, whereas the Old State Pension was £141.85. The level of Pension Credit is £182.60 if you're single and £278.70 if you're a couple.

* The comparison between the New State Pension and Old State Pension is a tricky one due to the Additional State Pension (ASP). Depending on when you paid into the Additional State Pension it was called State Earnings-Related Pension Scheme (SERPS), the State Second Pension (S2P) and there was also State Pension Top Up (SPTU) was a scheme in place between 12 October 2015 and 5 April 2017 which allowed men aged 65 or older and women aged 63 or older a chance to buy Additional State Pension.
* Some people receive Graduated Retirement Benefit (GRB) which was an early form of earnings-related pension, intended to top-up basic pension. Whilst the New State Pension and Old State Pension are updated in line with the Triple Lock, the Additional State Pension, in its various guises, is only tied to CPI and not the triple lock.
* many other entitlements such as the Winter Fuel Payment have not risen at all. Some people also ‘Contracted Out’ their Additions State Pension meaning that their National Insurance contributions may have been affected. The £10 Christmas Bonus and £0.25 Age Addition for the over 80s have not been uprated since 1972.
* Most people do not receive the full amount of State Pension and those on the Old State Pension are more likely to find themselves in poverty.
* Despite the availability of Pension Credit, 800,000 eligible people do not claim the gateway benefit, meaning that £1.7billion goes unclaimed each year and access to help with Council Tax, Housing Benefit, free TV licence, help with NHS dental treatment, glasses and transport costs for hospital appointments, access to social tariffs and many other services is lost.

**Gender Pension Gap**

Women have clearly suffered from having lower wages and therefore lower pension contributions, due to caring responsibilities/maternity leave or / insecure/ part-time employment and also due to the impact of divorce on their pensions. Many have been affected by the equalisation of State Pension Age and many do not claim National Insurance Credits or Carers Credits. The trade union Prospect estimates that the gender pension gap in the UK in 2019-20 was 37.9%. meaning three million women are missing out on workplace pensions because they don’t qualify for auto enrolment. Women would need to work an additional 18 years in full-time employment to close the gender pension gap.

**Department for Work and Pensions errors**

On top of a complex system that has historically favoured men due to the way its contributory design works, there have been a catalogue of errors by the Department for Work and Pensions affecting widows and widowers; women who paid the 'married women's stamp'; backdated state pension for transgender women; underpayment of second state pension; underpayment of deferral amounts; incorrect maximum figure used. More than 230,000 people, mainly women, are thought to have been underpaid their state pension and could be due a pay-out, a total of £1.46billion.

**Auto-enrolment, Private & Occupational pensions**

* Since 2012 employers have had to enrol their staff into workplace pension schemes, where the minimum total contribution under auto-enrolment is 8%. This is a low rate and will not give a good pension pot in retirement. There are also a raft of exemptions; you need to be at least 22, below the state pension age, work in the UK and earn more than £10,000 a year.
* Auto-enrolment is not particularly well suited to help employees who take significant career breaks, work in multiple and or part-time jobs or frequently move between jobs.
* The under-pensioned groups are much more likely to be ineligible for auto-enrolment and this widens the pension and savings gap. The proportion of under-pensioned groups that were ineligible for auto-enrolment during 2020 included: Women - 22%, Women with disabilities - 29%, Ethnic minorities - 17%, Men with disabilities 11%.
* State pension age has already risen to 66 and will rise to 68 and may potentially go even higher, employment rates among people approaching retirement age have fallen to their lowest levels since 2016, further reducing their likelihood of having a good pension.
* Many occupational and private pensions that once provided decent pay outs have now closed or become less generous.

**Conclusion**

A financially secure and healthy later life is becoming increasingly unlikely for millions of people. The number of people in poverty is growing at an alarming rate and that is why the NPC believes the State Pension should be set at 70% of the living wage (outside London rate) and above the official poverty level. This is currently £242.55 a week in 2022. This should be paid to all men and women, regardless of their National Insurance contributions.

Pensions affect everyone and future generations are going to be even more reliant on the state pension in their retirement than their parents and grandparents. Ensuring a decent state pension for today’s pensioner helps to ensure a decent state pension for tomorrow’s pensioner.

The NPC and the NPC Pensions & Income Working Party will:

* campaign for a decent state pension for all
* encourage Trade Unions / Trade Union Councils and workers to work with the NPC
* liaise with the NPC Trade Union Working Party

**Further Information / references**

*Centre for Ageing Better* - Summary | The State of Ageing 2022 - <https://ageing-better.org.uk/summary-state-ageing-2022>

*National Pensioners Convention* - Pension Credit - <https://www.npcuk.org/post/pension-credit>

*Now Pensions* - Gender Pension Gap - <https://www.nowpensions.com/app/uploads/2020/12/NP-gender-pensions-gap-report.pdf>

*Which?* – Pension Errors - <https://www.which.co.uk/news/article/six-state-pension-errors-uncovered-could-you-be-owed-money-aOpt99P04jL2>

*National Pensioners Convention* - The History of the Triple Lock - <https://www.npcuk.org/post/the-history-of-the-triple-lock>

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