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Rt Hon Sir George Howarth MP
House of Commons

Our ref: MC2022/70074

13 October 2022

Dear Sir George

Thank you for your letter of 5 September to the Secretary of State on behalf of a number of your constituents about State Pension. I am replying as the Minister for Pensions and Growth.

The petition your constituent refers to suggests linking the State Pension and the National Living Wage. The two have different purposes, and a direct comparison cannot be drawn. The National Living Wage aims to protect low-income workers and provide an incentive to work by ensuring that workers benefit from being employed. However, this is not appropriate for many people who are no longer part of the labour market, such as pensioners.

The Government remains committed to alleviating levels of pensioner poverty with the latest statistics showing that in 2020/21 there were 400,000 fewer pensioners in absolute poverty after housing costs than in 2009/10.

We are also committed to ensuring that older people are able to live with the dignity and security they deserve in retirement, and the State Pension is the foundation of State support for older people. We spend over £134 billion each year on benefits for pensioners. This includes spending on the State Pension which is forecast to be over £110 billion in 2022/23. This is likely to increase substantially in 2023/24. This proposal would add significant costs and make the system unsustainable, creating additional burdens on the working age population.

Since 2010, the full yearly amount of the basic State Pension has risen by over £2,300, in cash terms. That is £720 more than if it had been uprated by prices, and £570 more than if it had been uprated by earnings since 2010.

Around 1.4 million of the most vulnerable pensioners also receive some £5 billion of Pension Credit, which tops up their retirement income and is a passport to other financial help such as support with housing costs, council tax, heating bills and a free TV licence for those over 75.

Pension Credit is a means tested benefit and provides a top up for people of State Pension age to a weekly minimum amount, (currently £182.60 for single people and £278.70 for couples). These amounts may be higher for those with caring responsibilities, a severe disability or certain housing costs. This approach ensures that spending is targeted at those most in need.

Claims for Pension Credit can be made online at: www.gov.uk/pension-credit/how-to-claim. The service is available to use 24 hours a day, 7 days a week, and provides flexibility to those who may struggle to make their claim alone to have a friend or family to support them when making their claim, at a time that is most convenient to them. Pension Credit claims can also be made through the Freephone telephone number 0800 99 1234, and there is also an option to complete a paper application form.

In addition to the State Pension and Pension Credit, there are many further sources of financial support for pensioners. Those aged over State Pension age are entitled to free eye tests, free NHS prescriptions and free bus passes. Winter Fuel Payments provide pensioners with support for their energy bills worth over £2 billion every winter.

Turning to State Pension age, changes to State Pension age were made through a series of Acts by successive governments from 1995 onwards, following public consultations and extensive debates in both Houses of Parliament.

We have no plans to reverse changes to State Pension age. Our reforms have focused on maintaining the right balance between the affordability, sustainability of the State Pension, and fairness between generations. The latest Office for National Statistics data shows that the number of people over State Pension age compared to the number of people of working age is expected to increase. On average, people are living longer, and increasing State Pension age in line with life expectancy changes has been the approach of successive governments over many years. It helps to maintain the cost and sustainability of the State Pension in the long term.

The State Pension is funded through the National Insurance and tax contributions of the current working-age population. Reducing the State Pension age to 60 would therefore increase the tax burden of the current working-age population.

The Government has previously estimated that had we not put in place any increases in State Pension age for both men and women, the total additional cost to taxpayers would have been around £215 billion for the period 2010/11 to 2025/26, in 2018/19 prices. This figure takes account of State Pension, other pensioner benefits, and savings made on working age benefits. The 2019 report that details these costs can be found here: https://www.gov.uk/government/publications/analysis-relating-to-state-pension-age-changes-from-the-1995-and-2011-pensions-acts/analysis-relating-to-state-pension-age-changes-from-the-1995-and-2011-pensions-acts

It is important to stress that working-age benefits will continue to be available for those whose State Pension age has increased. People can make initial enquiries about what support may be available to them by checking the information on claiming benefits on the Government website at www.gov.uk.

The Energy Price Guarantee will ensure that a typical household in Great Britain pays an average £2,500 a year on their energy bill, for the next two years, from 1 October 2022. The consumer saving will be based on usage, however, a typical household will save at least £1,000 a year (based on current prices from October). People do not need to apply, and there is no need to contact their energy supplier.

This is in addition to the help the Government is making available to most domestic electricity customers in Great Britain, with £400 off their bills from October, through the expansion of the Energy Bills Support Scheme. This is a doubling of the £200 of support announced in February, and there will no longer be any repayments.

On 26 May, the Government announced a range of cost-of-living measures to provide financial assistance to millions of households across the UK, including over £15 billion of additional support, targeted at those with the greatest need. This builds on the over £22 billion previously announced.

The £650 one-off Cost of Living Payment will target support at low-income households on means-tested benefits. This will support over 8 million households across the UK, with the first payment of £326 paid from mid-July. We are also providing additional support to help 6 million disabled people with the extra costs they will face. Those eligible will receive a one-off, disability Cost of Living Payment of £150 from 20 September.

The Government is also providing extra support to pensioners across the UK. Over 8 million pensioner households will receive an extra one-off £300 Winter Fuel Payment this year to help cover the rising cost of energy.

As a result of the cost-of-living measures, and the action already taken this year, the vast majority of households will receive cost of living support worth £550. Pensioners will receive £850 and almost all of the 8 million most vulnerable households will receive at least £1,200 of support.

For those that are not eligible for the means-tested Cost of Living Payment, or for families that still need additional support; the Government is providing an additional £500 million to help households with the cost of essentials, bringing the total funding for this support to £1.5 billion. In England this will take the form of an extension to the Household Support Fund backed by £421 million. Devolved Administrations will receive £79 million through the Barnett formula.

Yours sincerely,

Alex Burghart MP

Minister for Pensions and Growth