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Research Briefing

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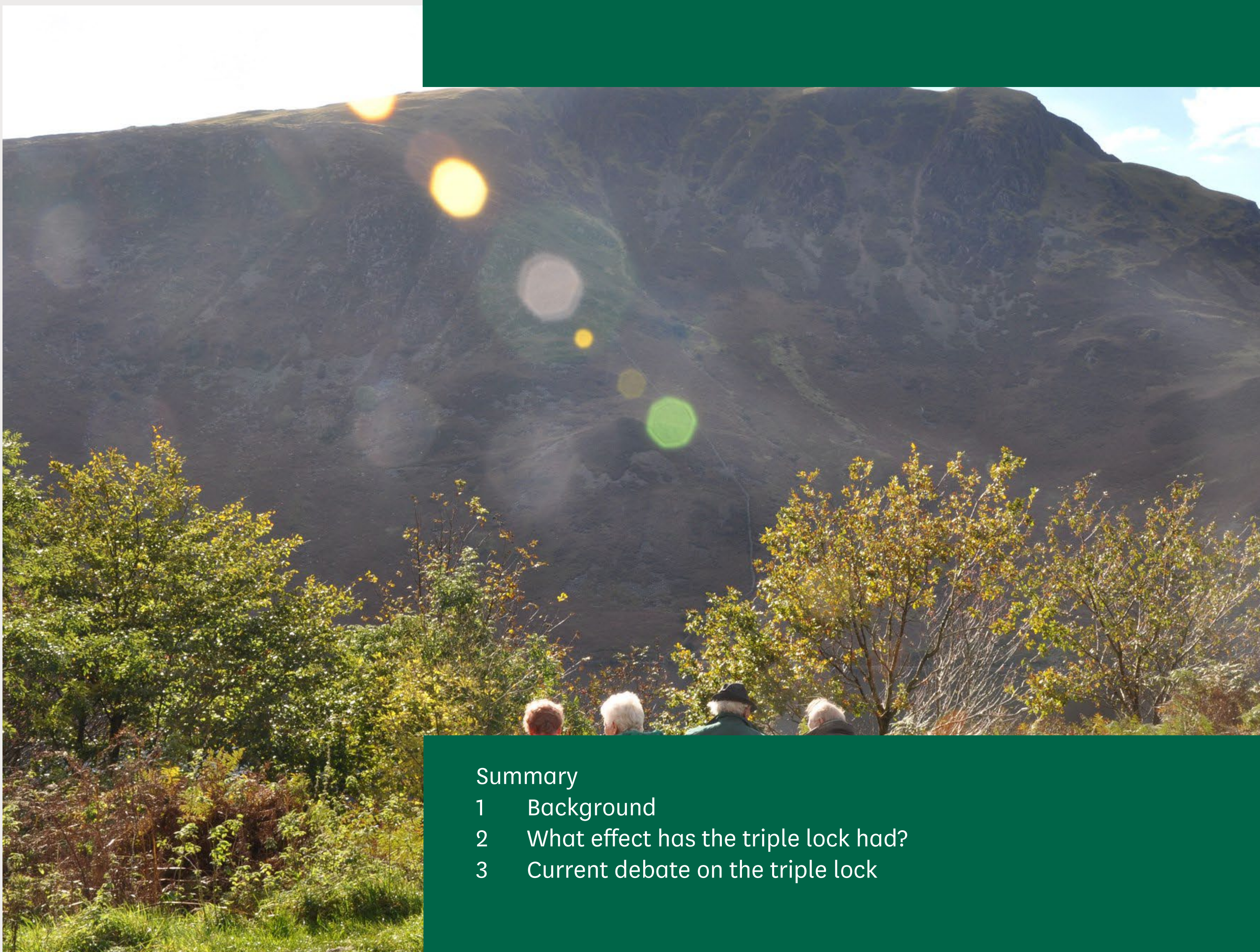
State Pension triple lock



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Summary

The triple lock is a government commitment to uprate the basic and new State Pension every year by the highest of earnings growth, inflation, or 2.5%.

Since April 2016, there have been two State Pension systems in the UK:

- The new State Pension for those reaching State Pension age from 6 April 2016.
- The old State Pension for those who reached State Pension age before 6 April 2016. This consists of two tiers:
    - The basic State Pension, based on a person's National Insurance contribution record.
    - The additional State Pension, which is partly earnings-related.

There is a statutory requirement to uprate both the basic and new State Pension every year at least in line with earnings, but the triple lock commitment goes beyond this. Different uprating arrangements apply to the other parts of the State Pension.

The triple lock since 2011

The triple lock was announced by the Coalition Government in its first Budget after the 2010 election. It was implemented from the 2011/12 financial year and has been applied every year since, except for a temporary suspension in 2022/23. Before 2011, pensions had been uprated at least in line with prices since 1980, when an earnings link was ended by the then incoming Conservative Government.

The Conservative Government continued the policy from 2015, and "no change to the Pensions Triple Lock" formed part of the agreement between the Conservative and Democratic Unionist Parties after the 2017 election. There was cross-party support for the triple lock again in manifestos for the 2019 general election.

The triple lock following the pandemic

Volatile earnings figures following the coronavirus pandemic prompted the Government to legislate on State Pension uprating.

In 2020, disruption to the labour market caused average earnings to fall, meaning that most State Pension rates would have been effectively frozen in 2021/22. This was because the legislation prevented the Secretary of State from making an uprating order where earnings growth is negative.

To avoid this, the Government introduced the Social Security (Uprating of Benefits) Act 2020, allowing the triple lock to be implemented in 2021/22. Relevant State Pensions were uprated by 2.5%.

The relevant Average Weekly Earnings (AWE) index then rebounded to 8.3% (later revised to 8.4%) in the following year. In anticipation of this, the Government said it was "a distorted reflection of earnings growth" reflecting recovery from furlough and other pandemic-related measures. To address this, the Social Security (Uprating of Benefits) Act 2021 suspended the earnings element of the triple lock for the 2022/23 financial year. Instead, State Pensions increased by 3.1% in line with the Consumer Prices Index (CPI).

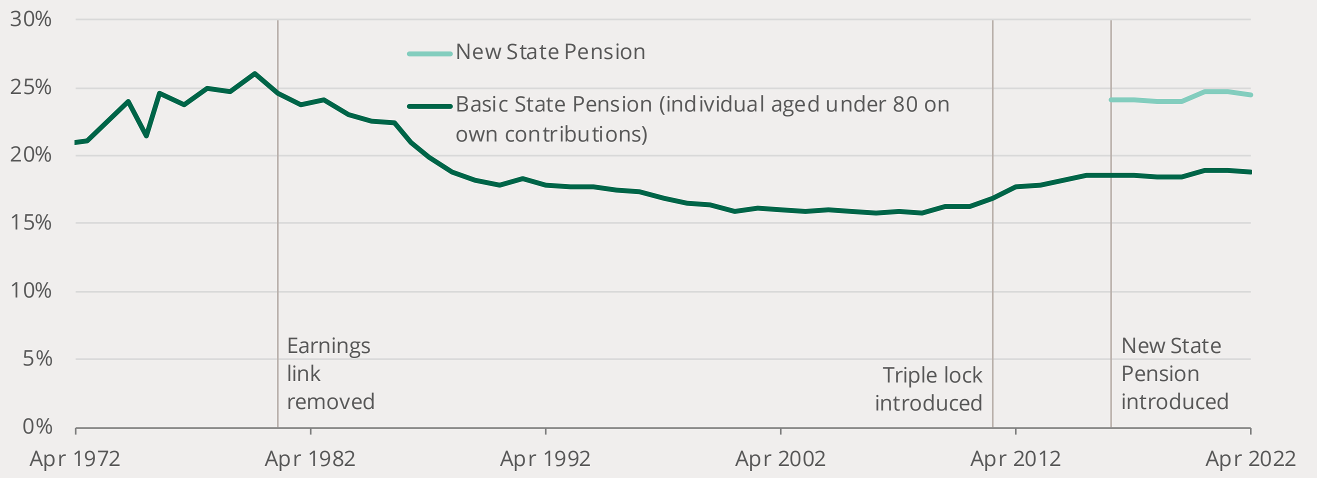
Effect of the triple lock

Over time, the triple lock has increased the value of State Pensions relative to prices and earnings, as well as the cost to the Government.

The triple lock, along with the introduction of the new State Pension, has increased the value of the State Pension relative to average earnings to a level not seen since 1980, when the policy of uprating in line with earnings was ended. From a peak of 26% in 1979, the value of the basic State Pension as a percentage of average full-time earnings fell to around 16% between 2000 and 2010.

Basic and new State Pensions as a percentage of earnings

% of mean average full time earnings



Source: DWP, Abstract of DWP benefit rate statistics 2022; ONS, Annual Survey of Hours and Earnings (ASHE): Table 1 (various editions)

Debate on the future of State Pension uprating

Concerns have been raised about the sustainability of the triple lock in the long term, particularly in light of recent economic volatility which has accelerated growth in government spending on State Pensions.

The Office for Budget Responsibility (OBR) has noted the ratchet effect of the triple lock. It increases State Pension rates, and spending as a proportion of GDP over time, particularly following shocks to earnings or inflation, adding to pressures already resulting from an aging population.

Critics argue that the triple lock is unfair because older adults currently experience higher standards of living than younger people may expect to enjoy in the future, and that it is unfair to expect younger people to subsidise older people's incomes so much through the triple lock.

Supporters of a continued triple lock argue the policy helps improve the adequacy of retirement incomes for current and future pensioners. They note the particular importance of State Pensions to those on lower incomes, and that the UK State Pension is low in an international context.

Proposals for the future of uprating

Despite the temporary suspension in 2022/23, the Government and opposition parties reiterated a commitment to the policy in debates on bills relating to the triple lock following the pandemic. However, both the Conservatives and Labour are yet to confirm whether the triple lock will be a manifesto commitment in the next general election.

Supporters of the policy such as Sir Steve Webb, the former Pensions Minister who oversaw the introduction of the triple lock, have pointed out that "the UK still has one of the lowest state pensions in the Western World", despite the triple lock having been in operation for more than a decade. He has suggested the policy should be maintained until the State Pension reaches a "reasonable" proportion of average earnings.

Alternative uprating proposals from think tanks and other commentators arguing for an end to the triple lock include:

- Returning to a link with either prices or earnings.
- A 'double lock' increasing State Pensions with the highest of earnings or prices.
- A 'smoothed earnings link' with the option to further top-up State Pensions in periods of high inflation and a clawback mechanism to avoid compounding increases relative to earnings.

1 Background

1.1 What is the triple lock?

Since April 2016, there have been two State Pension systems in the UK:

- The new State Pension for those reaching State Pension age from 6 April 2016.
- The old State Pension for those who reached State Pension age before 6 April 2016. This consists of two tiers:
  - The basic State Pension, based on a person's National Insurance contribution record.
  - The additional State Pension, which is partly earnings-related.

There is a statutory requirement to uprate the basic and new State Pension every year at least in line with earnings.[1]

The 'triple lock' is a Government commitment, over and above the statutory requirement, to uprate the basic State Pension and new State Pension by the highest of earnings growth, inflation or 2.5%. It does not apply to other elements of the State Pension – such as the State Second Pension or 'deferred retirement increments' earned by deferring a claim for the State Pension.[2]

Measure of inflation

The measure of prices used for the triple lock is the Consumer Prices Index (CPI), although in 2011 the Retail Prices Index (RPI) was used. This was necessary in that year to ensure that the increase in the basic State Pension was at least as generous as under the previous uprating rules.[3]

Measure of earnings growth

Legislation allows the Secretary of State for Work and Pensions to estimate the annual change in the "general level of earnings in such manner as he thinks fit."[4] Although the Coalition Government did not initially specify what

1 Social Security Administration Act 1992, s150A; and Pensions Act 2014, Sch 12(19).
2 Social Security Administration Act 1992, s150; and Commons Library briefing SN5649, State Pension Uprating
3 HM Treasury, Budget June 2010, HC 61, June 2010, para 1.107; HC Deb 14 June 2010 c284
4 Social Security Administration Act 1992, s150A(8)

measure of earnings would be used in the triple lock, the measure used is the year-on-year increase in the Average Weekly Earnings (AWE) index for May to July. This measure of whole economy pay, including bonuses, has continued to be used since then.[5]

Since the introduction of the triple lock, the Government has also ensured that the cash value of triple-lock increases in the basic State Pension is passed through to recipients of Pension Credit Guarantee Credit, which is the main form of means-tested support for low-income pensioner households.[6]

1.2 What are the origins of the triple lock?

The triple lock was introduced by the Coalition Government from April 2011. However, its roots are in earlier developments, including the previous link with earnings under Labour in the 1970s, which was subsequently abolished by the Conservative Government in the early 1980s.

State Pension uprating timeline

1970s to 1990s

Keith Joseph, the Secretary of State for Health and Social Services in Edward Heath's Conservative Government, first introduced a statutory duty to increase State Pensions in line with prices through section 39 of the Social Security Act 1973 (although the first statutory uprating did not take effect until April 1975). However, the Labour Government elected in February 1974 introduced legislation requiring long-term benefits (including State Pensions) to be increased in line with earnings or prices, whichever was higher.[7]

The Conservative Government elected in 1979 pronounced this as not sustainable in "the light of experience". The then Secretary of State for Social Services, Patrick Jenkin, argued that what really mattered was "the guarantee against rising prices."[8] Section 1 of the Social Security Act 1980 amended the Social Security Act 1975 to link long-term benefit increases to prices, rather than earnings.

1997 to 2005

The Labour Government elected in 1997 resisted calls to restore the earnings link for some years, arguing that it did nothing to help the poorest pensioners,

5 Office for National Statistics data series KAC3. With the exception of the 2022/23 financial year when the earnings link was temporarily suspended.
6 See Commons Library briefing CBP-8806, Benefits Uprating 2020, section 2.3
7 National Insurance Act 1974, s5; and Social Security Act 1975, s125
8 HC Deb 13 June 1979 c439

on whom they wanted to concentrate additional resources through the means-tested benefit, Pension Credit.[9]

The legislation in force until 2011 required the basic State Pension to be uprated at least in line with prices.[10] From April 2000, the State Pension increased by only 75p a week for a single pensioner, following low price inflation (1.1%) in the year to September 1999.

The hostile public response to what was seen as a derisory increase[11] persuaded the then Chancellor, Gordon Brown, to announce in his November 2000 Pre-Budget Statement that there would be above-inflation increases in the basic State Pension for the next two years.[12] From 2002 onwards, the Labour Government was committed to uprating the basic State Pension by the higher of 2.5% and inflation.[13]

2005 to 2010

In 2005, the Pensions Commission[14] recommended that the Government restore the link with earnings. This was to "stop the spread of means-testing which would occur if present indexation arrangements were continued indefinitely."[15] In a May 2006 white paper, the Labour Government announced that it would restore the earnings link, provisionally, from 2012:

> During the next Parliament, therefore, we will re-link the uprating of the basic State Pension to average earnings. Our objective, subject to affordability and the fiscal position, is to do this in 2012 but in any event at the latest by the end of the next Parliament. We will make a statement on the precise date at the beginning of the next Parliament.[16]

The aim was to provide a better platform for private saving:

> If the state system is to serve as a foundation for their retirement planning, it must retain its level relative to these expectations. This will help to address the problem of undersaving by enabling people to predict with confidence what they are likely to receive from the State when they retire, and therefore what they will need to save in addition to meet their expectations.[17]

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9 HC Deb 1 April 2003 c677W [Ian McCartney]

10 But did not prevent it from being increased by more if the Secretary of State chose to do so.

11 See for example 'Paltry 75p a week rise is an insult to all pensioners', Sunday Express, 23 April 2000, and 'Pensions war hots up over 75p a week rise', Sunday Mirror, 9 April 2000

12 HC Deb 8 November 2000 c 326

13 HC Deb 27 November 2001 cc836-7; HC Deb 15 June 2005, 441W; Pre Budget Report 2009, para 5.43

14 Set up in 2002 to 'advise on whether the existing system of voluntary private pensions would deliver adequate results' - see the archived Pensions Commission website.

15 Pensions Commission, A New Pension Settlement for the Twenty-First Century, Second Report, November 2005, Executive summary, page 10-12. Among other reasons, the Commission feared that widespread means-testing would undermine the incentive to save (p64).

16 DWP, Security in retirement: towards a new pensions system, Cm 6841, May 2006

17 As above, para 3.21

The Pensions Act 2007 provided for a statement to be made on timing by 1 April 2011 and for the link itself to be restored by the end of the 2010 Parliament.[18] It was restored from April 2011.[19]

2010 to 2016 – introduction of the triple lock

The restoration of the earnings link was supported by both opposition parties when the legislation was before Parliament.[20] In its election manifesto, the Conservative Party said it would restore the earnings link.[21] The Liberal Democrats said they would uprate the state pension annually by "whichever is the higher of growth in earnings, growth in prices or 2.5 per cent."[22] In its Programme for Government following the 2010 General Election, the Coalition Government said it would:

> [...] restore the earnings link for the basic state pension from April 2011 with a "triple guarantee" that pensions are raised by the higher of earnings, prices or 2.5%, as proposed by the Liberal Democrats.[23]

The triple lock was introduced in the June 2010 Budget[24] and came into effect in the 2011/12 financial year. It has been applied every year since, except for a temporary suspension of the earnings link in 2022/23 (see below).

2016 onwards – extension to the new State Pension

In 2014 the Coalition Government legislated to introduce a new State Pension for future pensioners from 6 April 2016.[25] Its modelling for this assumed that the triple lock would apply to the new State Pension as well as the existing basic State Pension, but that a decision would be made closer to implementation.[26] The then Pensions Minister Steve Webb described it as an integral part of wider pension reform including the new single-tier State Pension, and increases to the State Pension age.[27]

Following the 2015 general election, the Conservative Government said it would maintain the triple lock.[28] It later confirmed that this would apply to the full new State Pension as well as the basic State Pension.[29] The policy

18 As above, para 3.21
19 HL Deb 14 March 2011 c75; SI 2010/2650; Social Security Benefits Uprating Order 2011 – Explanatory Memorandum, para 7.4 (PDF)
20 HC Deb, 16 January 2007, c672 [Philip Hammond] and c687 [David Laws]. The debates on the Bill are covered in more detail in Library Standard Note SN04295, Pensions Bill 2006-07 – debates in Parliament
21 Conservative Party Manifesto 2010 – An invitation to join the Government of Britain
22 Liberal Democrat Manifesto 2010
23 The Coalition: Our Programme for Government, May 2010
24 HM Treasury, Budget June 2010, HC 61, June 2010, para 1.107; HC Deb, 14 June 2010, c284
25 Through the Pensions Act 2014
26 DWP, The single-tier pension: a simple foundation for saving, January 2013, Cm 8528, p12
27 Steve Webb, Oral evidence to the Work and Pensions Committee, 2 March 2016, Q3
28 HM Treasury, Summer Budget 2015, 8 July 2015, HC 264, para 1.139; See also Office for Budget Responsibility, Fiscal Sustainability Report, June 2015, table 3.1
29 See, for example, HL Deb 28 April 2016 c1235

continued, however, not to apply to the old additional State Pension (see section 1.4 below).

In his 2016 Autumn Statement, the then Chancellor of the Exchequer Philip Hammond reaffirmed the commitment to the triple lock for that Parliament but said the Government would "review public spending priorities and other commitments for the next Parliament in light of the evolving fiscal position at the next spending review."[30] Opposition parties also expressed their commitment to the triple lock.[31]

In its manifesto for the 2017 general election, the Conservative Party said it would maintain the triple lock until 2020, then replace it with a double lock – the highest of prices or earnings growth. Most of the other main parties pledged to maintain it for the next Parliament.[32] The 26 June 2017 agreement between the Conservative and Democratic Unionist Parties (PDF) said both parties had agreed that there would be "no change to Pensions Triple Lock."[33]

There was cross-party support for the triple lock in manifestos for the 2019 general election.[34] The Conservative Party manifesto for the 2019 general election included a commitment to keep the triple lock.[35] This was confirmed in subsequent parliamentary debates.[36]

1.3 Pandemic-related disruption in 2021 and 2022

2021/22 response to negative earnings growth in the pandemic

In 2020, the economic disruption caused by the coronavirus outbreak resulted in a fall in average earnings, meaning that most State Pension rates would have been effectively frozen in 2021/22. This was because the Social Security Administration Act 1992 prevented the Secretary of State from making an uprating order where earnings growth is negative.

To avoid freezing State Pension rates, the Government introduced the Social Security (Uprating of Benefits) Act 2020. This allowed the triple lock to be

30 HC Deb 23 November 2016 c906
31 HC Deb 29 November 2016 c1393 [Rebecca Long Bailey]; HC Deb 30 November 2016 c1586 [Ian Blackford]
32 Conservative manifesto 2017 (PDF); DUP Manifesto for the 2017 Westminster election; The Labour Party Manifesto 2017; Liberal Democrat Manifesto 2017
33 The agreement was to remain in place for the length of the Parliament and could be reviewed by the mutual consent of both parties
34 Labour Party election manifesto 2019; Liberal Democrat election manifesto 2019/our plan to build a fair society/support for pensioners; SNP general election manifesto 2019/fair pensions; DUP election manifesto 2019
35 Our Plan - Conservative Party election manifesto 2019
36 HC Deb 10 Feb 2020 c671 [Will Quince]; HC Deb 13 Feb 2020 c997 [Jacob Rees Mogg]

implemented in 2021/22, when the basic and new State Pensions and the Standard Minimum Guarantee in Pension Credit were uprated by 2.5%.

For further information see the Library briefing, Social Security (Uprating of Benefits) Bill 2019-21.

2022/23 suspension of the earnings element of the triple lock

A different situation emerged for the 2022/23 pensions uprating. Following negative earnings growth in mid-2020, there was a rebound in earnings and the Average Weekly Earnings (AWE) index then rose sharply.

The Department for Work and Pensions (DWP) estimated that earnings growth for May to July 2021 (the period used to measure uprating) would be between 8% and 8.5%. Using earnings to uprate pensions in 2022/23 would have cost around £4 billion to £5 billion more than uprating by the higher of 2.5% or expected price inflation.[37] The Government said this was "a distorted reflection of earnings growth" reflecting a recovery from furlough and other pandemic-related measures.[38]

Consequently, on 7 September 2021 the Government announced that a one-year adjustment was needed.[39] The Social Security (Uprating of Benefits) Act 2021 suspended the earnings element of the triple lock for the 2022/23 financial year. Instead, State Pensions would increase by 2.5% or CPI inflation (based on September's rate), whichever was higher.

On 25 November 2021, a written statement from the Secretary of State for Work and Pensions confirmed that State Pension rates for 2022/23 would rise in line with CPI of 3.1%.[40]

Further background can be found in the Library's briefings on the Bill:

- Commons Library briefing CBP-9311, The Social Security (Uprating Of Benefits) Bill 2021-22
- Commons Library briefing CBP-9365, The Social Security (Uprating of Benefits) Bill 2021-22: Progress of the Bill

37 Department for Work and Pensions, Legislation to ensure fairness for pensioners and taxpayers, 7 September 2021

38 HC Deb 7 September 2021, c185

39 HC Deb 7 September 2021 c185-193

40 HCWS420 [Statutory Review of Benefit and Pension Rates: 2022-23], 25 November 2021

1.4 Triple lock and additional State Pensions

While the triple lock applies to both the new State Pension and the old basic State Pension, it does not apply to the additional State Pension – which is paid to some people on top of the basic State Pension.

The Labour Government legislated to restore the earnings link for the basic State Pension in the Pensions Act 2007. This was as part of a package of reforms intended to maintain the value of the basic State Pension as average earnings increased. This would, it hoped, limit the spread of means-testing and provide a better foundation for private pension saving.[41]

This was legislated for in the Pensions Act 2007 and implemented from 2011 by the Coalition Government.[42] The earnings link was not applied to the additional State Pension, where the statutory requirement remains to increase amounts each year at least in line with prices.

The reason given for not applying the earnings link to the additional State Pension was cost and because the Pensions Commission – on whose reports the 2007 Act reforms were based – had made it clear that in retirement it was appropriate to maintain overall State Pension income growth (including the additional State Pension) somewhere between earnings and prices.[43]

When it introduced the new State Pension, the Government confirmed the triple lock would apply to it.[44]

The effect is that for people who reach State Pension age from 6 April 2016, the triple lock applies to the full rate of their new State Pension, whereas for people who reached State Pension age before that date it applies to the basic State Pension and does not apply to any additional State Pension they are entitled to. The fairness of this was questioned in a debate in the Lords on 13 October 2020. The former Pensions Minister, Baroness Altmann said:

> The triple lock protects only the full basic state pension of £134.25 a week and the full new state pension of £175.20. It does not apply to SERPS or the state second pension. So it benefits the youngest pensioners most, rather than the oldest and poorest.[45]

The then Work and Pensions Minister, Baroness Stedman-Scott, responded that the State Pension reforms should be looked at in the round:

> It is not possible to make direct comparisons between the two systems in this way. The new system has been designed so that no more money is being spent

41 Pensions Commission, A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission , November 2005; Executive Summary; And DWP, Security in retirement: towards a new pensions system, Cm 6841, May 2006, chapter 3

42 Social Security Benefits Uprating Order 2011 – Explanatory Memorandum (PDF), para 7.4

43 PCB Deb 25 January 2008, c88 [James Purnell]

44 See, for example, HL Deb 28 April 2016 c1235

45 HL Deb 13 October 2020 c294GC

> than under the previous system. Care has been taken to ensure fairness to both groups while delivering a sustainable system for the future. Although some people may get a larger amount uprated by the triple lock, they will not have access to other elements of the previous system; for example, a lower state pension age and the ability to build a higher state pension through the additional state pension.[46]

1.5 How does the triple lock compare to international practice?

In most Organisation for Economic Co-operation and Development (OECD) countries, state pensions and other benefit entitlements are automatically uprated in line with prices or other factors such as earnings. But practices, and the extent and timeliness of any adjustments, vary considerably.

The OECD's December 2022 publication on how inflation challenges pensions explores pension uprating arrangements in member countries, describing the mix of approaches taken:

> Almost all OECD countries have some form of indexation for the payment of old-age benefits. However, the rules vary both across countries and across schemes within countries. About two-thirds of OECD countries index their targeted, i.e. means-tested, old-age benefit to prices, while about half provide, based on the rules, protection against high inflation in their main mandatory earnings-related pension scheme. [47]

The report includes a table describing how member countries index their various state pension schemes.[48]

Although many countries have uprating or indexation arrangements delivering above-inflation pension increases, including some taking into account wage growth, the triple lock is unique. Defenders of the triple lock argue, however, that the UK State Pension rates are low in relation to comparable countries.[49]

More on how UK pensions compare with those in other countries can be found in the Commons Library briefing Pensions: international comparisons.

46 HL Deb 13 October 2020 c311GC

47 OECD, How inflation challenges pensions (PDF), December 2022,

48 OECD, How inflation challenges pensions (PDF), December 2022, table 1

49 For example Steve Webb, ONS confirms 8.5% pension increase challenge for Chancellor, Lane Clark & Peacock, 17 October 2023; and National Pensioners' Convention, The History of the Triple Lock, updated 22 February 2022, p8

1.6 Further reading

For more detail on uprating see:

- Commons Library briefing CBP-9498, How benefit levels are set – an overview of how social security benefit levels are set, including State Pensions.
- Commons Library briefing CBP-6525 The new State Pension - background – looks at the development of the new State Pension introduced on 6 April 2016.
- Commons Library Briefing CBP-2117, State Pension Uprating - background - the development of the uprating arrangements for the State Pension and Pension Credit.

2 What effect has the triple lock had?

Over time, the triple lock has increased the value of State Pensions relative to prices and earnings, as well as the cost to the Government.

The triple lock came into effect in the 2011/12 financial year, having been announced at the June Budget 2010. However, in April 2011 the Coalition Government chose to uprate the State Pension in line with Retail Price Index (RPI) inflation rather than the Consumer Prices Index (CPI).

This was because the basic State Pension had previously been uprated by RPI and, for the purposes of uprating that year, RPI was higher than any of the measures to apply under the triple lock guarantee (that is, higher than average earnings growth, CPI inflation or 2.5%).[50]

This meant that the first year in which the triple lock as we know it was actually used to determine State Pension increases was 2012/13.

The table shows pension uprating factors applied each year to 2023/24. Since 2012/13 the CPI measure has been used five times, the 2.5% minimum has been used four times, and average earnings growth three times.

50 HM Treasury, Budget 2010, HC 61, 22 June 2010, para 1.107

State Pension triple lock: uprating factors used

	Triple lock		Reference indices for triple lock[a]	
	Factor	based on:	CPI inflation	Average earnings
2011/12	+4.6%	RPI[b]	+3.1%	+1.3%
2012/13	+5.2%	CPI	+5.2%	+2.8%
2013/14	+2.5%	2.5%	+2.2%	+1.6%
2014/15	+2.7%	CPI	+2.7%	+1.2%
2015/16	+2.5%	2.5%	+1.2%	+0.6%
2016/17	+2.9%	Earnings	-0.1%	+2.9%
2017/18	+2.5%	2.5%	+1.0%	+2.4%
2018/19	+3.0%	CPI	+3.0%	+2.2%
2019/20	+2.6%	Earnings	+2.4%	+2.6%
2020/21	+3.9%	Earnings	+1.7%	+3.9%
2021/22	+2.5%	2.5%	+0.5%	-0.9%
2022/23	+3.1%	CPI[c]	+3.1%	+8.4%
2023/24	+10.1%	CPI	+10.1%	+5.4%

Notes:
(a) References indices shown are taken from current time series data. Provisional estimates used at the time of uprating may differ slightly where figures were subject to subsequent revision.
(b) State Pension amounts for 2011/12 were raised by 4.6%, in line with RPI.
(c) State Pension amounts for 2022/23 was increased in line with CPI following a one year suspension of the triple lock (see "Exceptions to the triple lock" box overleaf).

Sources: CPI inflation: ONS series D7G7, CPI annual rate (values for preceding September), Average earnings: ONS series KAC3, Average weekly earnings (AWE) whole economy year-on-year three-month average growth (values for preceding July)

Since triple lock indexation rises each year by the highest of three factors, it is structurally more generous than each of its individual components, and this effect compounds over time.

The full basic State Pension for an individual in 2023/24 is £156.20 per week. This is £15.30 (10.9%) higher than if it had been CPI-indexed since 2011/12 and £15.00 (10.6%) higher than if it had been earnings-linked.

The 2023/24 rate is also around £5.55 per week (3.7%) higher than if would be if a 'double-lock' method were used – uprating in line with the higher of earnings or CPI.

Basic State Pension: triple-lock and alternative scenarios
All figures £ per week, nominal terms

	Actual value of basic State Pension (triple-locked)	Alternative uprating scenarios		
		CPI inflation	Earnings link	Double lock (higher of CPI or earnings)
2011/12	102.15	102.15	102.15	102.15
2012/13	107.45	107.45	105.00	107.45
2013/14	110.15	109.80	106.70	109.80
2014/15	113.10	112.75	108.00	112.75
2015/16	115.95	114.10	108.65	114.10
2016/17	119.30	114.10	111.80	117.40
2017/18	122.30	115.25	114.50	120.20
2018/19	125.95	118.70	117.00	123.80
2019/20	129.20	121.55	120.05	127.00
2020/21	134.25	123.60	124.75	132.05
2021/22	137.60	124.20	123.60	132.70
2022/23	141.85	128.00	134.00	136.85
2023/24	156.20	140.90	141.20	150.65
Difference vs triple lock in 2023/24		**-15.30**	**-15.00**	**-5.55**

Note: Analysis based on uprating indices from current time series data. Provisional estimates used at the time of uprating may have differed slightly where figures were subject to subsequent revision.

Sources: HC Library calculations based on DWP Abstract of DWP benefit rate statistics 2022; CPI inflation: ONS series D7G7, CPI annual rate (values for preceding September); Average earnings: ONS series KAC3, Average weekly earnings (AWE) whole economy year-on-year three-month average growth (values for preceding July)

2.1 Value in relation to earnings

Another way of assessing the impact of the triple lock is to look at its effect on the value of State Pensions relative to average earnings.

The basic State Pension declined relative to earnings after the link between State Pension uprating and average earnings was broken in 1980. However, in recent years the triple lock and the new State Pension have increased the relative value of the State Pension to a level not seen since the earnings link was removed.

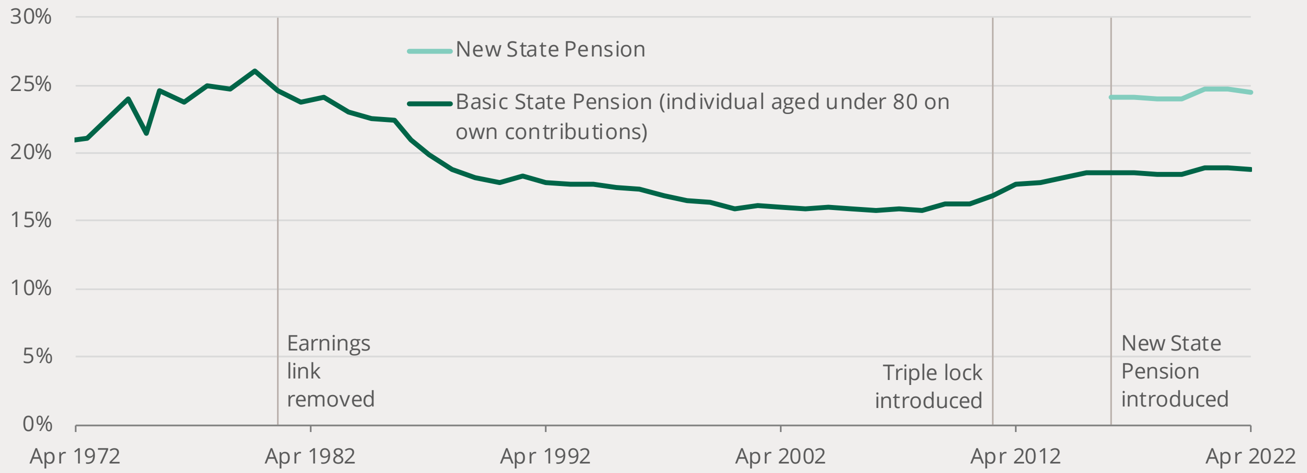
The chart below shows the value of the full basic and new State Pension as a percentage of average full-time earnings (for the UK).

From a peak of 26% in 1979, the value of the basic State Pension as a percentage of average full-time earnings fell to around 16% between 2000 and 2008.

Following the introduction of the triple lock, the value of the basic State Pension increased from 16.8% to 18.8% of earnings by 2022. The new State Pension was worth 24.5% of earnings in 2022, a slight increase from 24.1% when it was introduced in 2016.

Basic and new State Pensions as a percentage of earnings

% of mean average full time earnings



Sources: DWP, Abstract of DWP benefit rate statistics 2022; ONS, Annual Survey of Hours and Earnings (ASHE): Table 1 (various editions)

2.2 Pensioner incomes and poverty

See the Library's briefing on Poverty in the UK: statistics for more on levels of poverty among pensioners and the wider population.

Since the introduction of the triple lock, the Government has ensured that the cash value of triple lock increases in the basic State Pension are passed through to recipients of Pension Credit Guarantee Credit, which is the main form of means-tested support for low-income pensioner households.[51] However, it is unclear how much the triple lock and the Pension Credit 'pass through' has contributed to lessening pensioner poverty over this period.

Measuring poverty

Two commonly used measures of poverty based on disposable income are:

- Relative low income: This refers to people living in households with income below 60% of the median in that year.

[51] See Commons Library research briefing CBP-8806, Benefits Uprating 2020, section 2.3

- Absolute low income: This refers to people living in households with income below 60% of median income in a base year, usually 2010/11. This measurement is adjusted for inflation.

Median income is the point at which half of households have lower income and half have higher income.

Income can be measured before or after housing costs are deducted.

When analysing pensioner incomes, it is considered more useful to look at incomes after housing costs, since around three quarters of pensioners own their homes.

The percentage of pensioners living in relative low income rose from a historic low of 13% in 2011/12 to 18% in 2021/22. This followed a period of over a decade when this measure had been trending downwards – from a high of 29% in 1997/98.[52]

Using the alternative measure of absolute low income (relative to a 2011/12 real-terms income baseline), the rate of poverty fell from 14% of pensioners in 2011/12 to 12% in 2021/22.[53]

The median net income of pensioner households after housing costs rose by 7% in real terms between 2010/11 and 2021/22, from £324 per week to £349 per week (both figures in 2021/22 prices). This was a slower rate of growth in real incomes among pensioner households than over the preceding two decades.[54]

Estimates of pensioner poverty are based on data from the Family Resources Survey (FRS). FRS data collection for 2021/22 was via telephone interviewing as opposed to the face-to-face method used prior to the coronavirus pandemic. The change in mode may have influenced responses and this factor should be considered when interpreting change.

2.3 How much does the triple lock cost?

The Office for Budget Responsibility (OBR) estimated in 2015 that the cost to the exchequer of the triple lock by 2014/15 was around £2.9 billion a year more than if a simple earnings link was used.[55] This was £2.4 billion more than

52 DWP, Households below average income: for financial years ending 1995 to 2022 Mar 2023, table 6.1
53 DWP, Households below average income: for financial years ending 1995 to 2022 Mar 2023, table 6.2
54 DWP, Pensioners' incomes series: financial year 2021 to 2022, August 2023, table 2.1
55 Office for Budget Responsibility, Welfare Trends Report June 2015, page 50, para 2.62

the Government originally forecast when introducing the policy in 2010,[56] and £1.4 billion more than the Government's revised forecast for that year in the 2011 Budget.[57]

In March 2023, the Department for Work and Pensions (DWP) forecast that total State Pension expenditure in 2023/24 will be **£124.3 billion**.[58] Based on this forecast, we have estimated what the cost of the State Pension would be under alternative uprating regimes. The total State Pension expenditure in 2023/24 would be:

- **£114.5 billion** – £9.8 billion (7.9%) less – if the triple-locked components of State Pension expenditure had instead been uprated **in line with earnings** since 2011/12.
- **£114.3 billion** – £10.0 billion (8.0%) less – if the triple-locked components of State Pension expenditure had instead been uprated **in line with the Consumer Price Index (CPI)** since 2011/12.
- **£120.7 billion** – £3.6 billion (2.9%) less – if triple-locked expenditure had instead been '**double-locked**', using the higher of earnings or prices but not incorporating a 2.5% minimum increase, since 2011/12.

56 HM Treasury, Budget June 2010, HC 61, 22 June 2010, p41, table 2.1, line 48. Originally forecast annual cost of triple lock by 2014/15: £450 million.

57 HM Treasury, Budget 2011, HC 61, 22 June 2010, p45, table 2.2, line bd. Forecast cost in 2014/15: £1.53 billion.

58 DWP, Benefit Expenditure and Caseload Tables 2023, Spring Budget 2023 edition, State Pension table

3 Current debate on the triple lock

3.1 Government and Opposition positions

The Conservatives and all major opposition parties supported the triple lock at the 2019 General Election.[59] Parties also reiterated their commitment to the policy in debates on bills relating to the triple lock in 2021/22 and 2022/23 (see section 1.3).

However, both the Conservatives and Labour are yet to confirm whether the triple lock will remain a manifesto commitment in the upcoming general election.

In September 2023, the Prime Minister said the Government “remains committed” to the triple lock, praising the record of governments since 2010, but did not directly address SNP questions about whether the Conservative Party would continue support for the triple lock beyond the next general election.[60]

Around the same time, the Work and Pensions Secretary Mel Stride said that the triple lock was unsustainable "in the very, very long-term” because of the “ratcheting” effect of uprating by the highest of three metrics. However, he said that at present his party remained committed to the policy.[61] The Chancellor, Jeremy Hunt, was quoted as telling an event at the October 2023 Conservative Party conference that the Government should be “very careful not to break manifesto promises”.[62]

Labour Party frontbenchers have also been asked about continued commitment to the triple lock. Asked in a BBC Breakfast interview in September 2023, Deputy Leader Angela Rayner did not recommit to the policy, stating:

59 Our Plan - Conservative Party election manifesto 2019; Labour Party election manifesto 2019; Liberal Democrat election manifesto 2019/our plan to build a fair society/support for pensioners; SNP general election manifesto 2019/fair pensions; DUP election manifesto 2019

60 HC Deb 13 September 2023 cc903-904

61 Work and Pensions Secretary Mel Stride admits triple lock is 'not sustainable' in the long-term, ITV News, 12 September 2023

62 Quoted in Chancellor drops hint on triple lock, The Actuary, 11 October 2023

> We will have to see where we are when we get to a general election and we see the finances. We will not make unfunded spending commitments, because Liz Truss did that and she crashed the economy.[63]

The Liberal Democrats have suggested they will continue to support the triple lock into the next general election.[64]

Legislative debates on pandemic-related changes

Although the triple lock was temporarily suspended in 2022/23, cross party support for the triple lock was reiterated in legislative debates.

As explored in section 1.3, to avoid freezing State Pension rates, the Government introduced the Social Security (Up-rating of Benefits) Act 2020.

The Second Reading debate included commitments to the triple lock from the Government as well as spokespeople from other major opposition parties.[65] Introducing the Second Reading debate, Work and Pensions Secretary, Thérèse Coffey, said the Bill:

> ...makes technical changes for one year only that will ensure that state pensions can still potentially be uprated, despite the likely fall in earnings. This will allow the Government to maintain a manifesto commitment to the pensions triple lock policy, providing peace of mind to pensioners about their financial health.[66]

At second reading in the Lords on 13 October 2020, the Department for Work and Pensions (DWP) Minister Baroness Stedman-Scott said future decisions on uprating would be made depending on the wider public finances:

> Let me be clear: for 2022-23, we are dealing with a huge amount of uncertainty. No one can predict with confidence what earning trends will be over the course of next year, which will be the relevant index for uprating decisions for the following April. Of course, we hope that earnings will increase as the economy recovers, and the Secretary of State will look at this issue when she conducts a statutory annual review of earnings, prices and benefit rates in 2020-21. That will also be the process by which annual uprating decisions will be made in future years, and any decisions will be taken in the context of the wider public finances.[67]

Although the Social Security (Up-rating of Benefits) Act 2021 temporarily suspended the earnings link, the Government and oppositions parties again recommitted to the triple lock in debates about the Bill.

The then Secretary of State for Work and Pensions, Dr Thérèse Coffey stated that setting aside earnings in the uprating review for 2022/23 would last for

63 Quoted in Paul Seddon, Angela Rayner cautious about committing Labour to pension triple lock, BBC News, 12 September 2023
64 Liberal Democrats, For a fair deal (accessed 12 October 2023)
65 HC Deb 1 October 2020 c559
66 HC Deb 1 October 2020 c559
67 HL Deb 13 October 2020 c309GC

one year only, and that the triple lock would be applied "in the usual way" for the remainder of the Parliament.[68] Matt Rodda, the Shadow Pensions Minister, again reiterated Labour's support for the triple lock and criticised the Government for breaking its promise to maintain the policy.[69] Other opposition parties reiterated commitments to the policy while criticising the Government's approach.

Further background can be found in the Library's briefings on the Bill:

- Commons Library briefing CBP-9311, The Social Security (Uprating Of Benefits) Bill 2021-22
- Commons Library briefing CBP-9365, The Social Security (Uprating of Benefits) Bill 2021-22: Progress of the Bill

Discussion of the debate on the triple lock in advance of decisions on uprating in 2024/25 can be found in the Commons Library insight The triple lock: How will State Pensions be uprated in future?

3.2 Long-term projections of cost

The Office for Budget Responsibility (OBR) has consistently noted the ratchet effect of the triple lock. It has a propensity to increase State Pension spending as a proportion of Gross Domestic Product (GDP) in addition to cost pressures arising from an ageing population,[70] particularly following shocks to earnings or inflation.[71]

In its latest Fiscal Sustainability Report, published in July 2023, the OBR assessed the long-term effect of the triple lock.

The chart below is based on the latest OBR forecast that spending on State Pensions[72] will amount to 5.1% of GDP in 2023/24, rising to 8.6% of GDP by the end of the forecast period in 2072/73.[73]

68 HC Deb 20 September 2021 c61

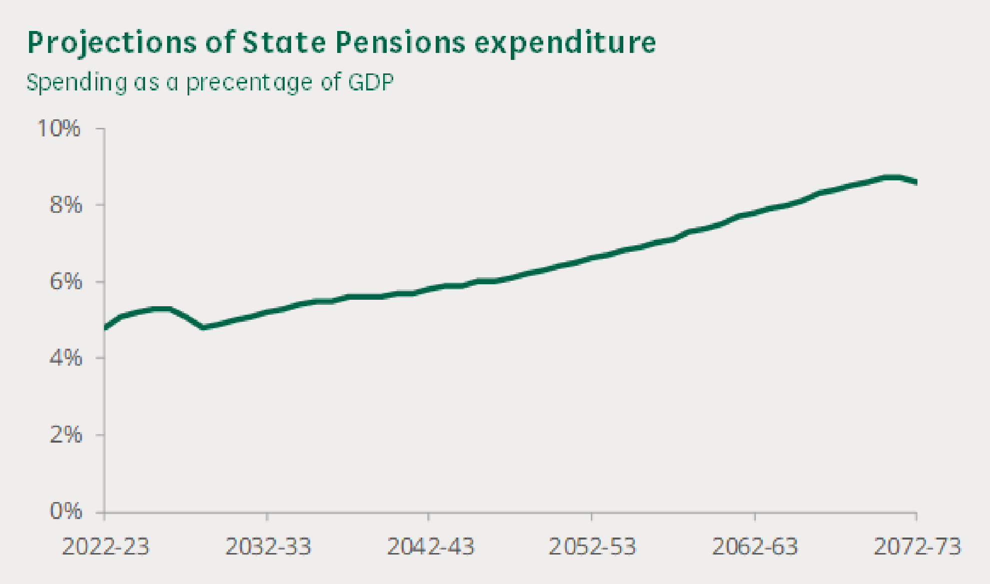
69 HC Deb 20 September 2021 c62

70 For example Office for Budget Responsibility, Fiscal Sustainability Report July 2020, 14 July 2020, para 5.46, page 137; and Office for Budget Responsibility, Fiscal sustainability report – July 2013, 17 July 2013, para 3.51

71 Office for Budget Responsibility, Fiscal risks and sustainability report – July 2023, 13 July 2023, para 5.34

72 Including amounts such as additional State Pensions under the old State Pension that are not subject to the triple lock

73 Office for Budget Responsibility, July 2023 Fiscal risks and sustainability – Detailed long-term fiscal projections, 7 September 2023, Table 1.1



Source: July 2023 Fiscal risks and sustainability report, detailed long-term fiscal projections, Table 1.1

The projected long-term cost of the triple lock has increased significantly "as a result of recent volatility in inflation and wage growth" in recent years.[74]

The projection is based on the assumption, using data since 1992/93, that the triple lock would deliver a 'triple lock wedge' of an average of 0.58 percentage points each year compared with a simple earnings link.[75] This premium has risen significantly since the pandemic and the subsequent period of higher-than-target inflation. The equivalent figure was 0.38 percentage points in the OBR's July 2020 report, and 0.2 percentage points in their 2011 report.[76]

This increase in the expected cost of the triple lock, over and above an earnings link, is due to the trend of lower-than-historical earnings growth since the implementation of the policy and, more recently, volatile prices and earnings following the coronavirus pandemic.

The latest OBR report explains that the projected premium might be significantly higher if future economic activity resembles the "more volatile and weaker" period since 2010/11, rather that the longer period since 1992/93:

> … basing the calculation only on the more volatile and weaker period of economic activity since 2010-11, during which the triple lock has been in effect, the long-term cost of the triple lock would be considerably higher. The 'triple lock premium' would be almost twice as high at 1.04 percentage points rather than 0.58 percentage points, state pensions spending in 2072-73 would

74 Office for Budget Responsibility, Fiscal risks and sustainability report – July 2023, 13 July 2023, para 5.34

75 The 'wedge' is how much higher the OBR projects growth in average state pension awards to be relative to their long-term assumption for average earnings growth.

76 Office for Budget Responsibility, Fiscal Sustainability Report July 2020, 14 July 2020, table 4.2, p117; and Office for Budget Responsibility, Fiscal sustainability report – July 2011, 13 July 2011, para 3.38.

therefore be 1.9 per cent of GDP higher, and the cumulative effect of higher spending in every year would add 36 per cent of GDP to debt by 2072-73[77]

Relationship to the State Pension age

Besides reforming the rules on who is eligible for a State Pension, expenditure can be controlled in two main ways:

- changing the uprating arrangements, and/or
- increasing the State Pension age.

Governments have remained committed to the triple lock since it was introduced. The rising projected 'triple lock wedge' (explored above) has therefore focused increasing attention on the State Pension age as a means of controlling costs.

Under section 27 of the Pensions Act 2014, the Government has an obligation to review the State Pension age every six years, informed by a report from an independently led body.[78] Since this was enacted, two periodic reviews have taken place, the first reporting in 2017 and the second in 2023. Both these, and other commentators, have suggested that the triple lock may have to be considered again to avoid relying solely on State Pension age rises to control spending.

In 2016 the Work and Pensions Select Committee pointed to the trade-off between these two factors in its report on Intergenerational Fairness and concluded that the Government should not rely solely on the State Pension age to control costs:

> The cost of a more generous state pension can be offset by restricting its availability to fewer people. Increases in the state pension age, however, disproportionately affect younger people. They also risk further skewing receipt of the state pension towards people in areas of the country, and socio-economic groups, in which life expectancy is high. People with low life expectancies, who may have been disadvantaged in their early years and working lives, would be further disadvantaged in their later years.[79]

2017 State Pension age review

In his independent report for the 2017 review, John Cridland recommended increasing the State Pension age to 68 over the period 2037 and 2039. He said that if further savings were needed, these should be made by withdrawing the triple lock and moving to uprating by earnings:

> We recommend that the triple lock is withdrawn in the next Parliament. Under our recommended timetable, State Pension spending would be 6.7% of GDP in

77 Office for Budget Responsibility, Fiscal risks and sustainability report – July 2023, 13 July 2023, para 5.34

78 As well as the Government Actuary's Department. For further background see Commons Library briefing CBP-6546, State Pension age review

79 Work and Pensions Committee, Intergenerational fairness, HC 59, November 2016

> 2066/67, which is a reduction of 0.3% compared to the principal OBR projection. If the triple lock is withdrawn, spending will be further reduced to 5.9% of GDP by 2066/67.[80]

In July 2017 the Government said it would adopt Mr Cridland's proposed timetable, subject to a future review to take account of more recent life expectancy projections and to evaluate the effects of already enacted rises in State Pension age.[81]

In its July 2019 response to the House of Lords Intergenerational Fairness and Provision Committee's report on tackling intergenerational fairness, the Government argued that the triple lock should not be viewed in isolation, and that its introduction of the new State Pension had put the system on a more sustainable footing. It noted that its proposed timetable for future increases in the State Pension age would help ensure fairness and sustainability.[82]

2023 State Pension age review

Baroness Neville Rolfe led the independent report for the 2023 State Pension age review. Although her formal remit did not extend to the structure of State Pensions and uprating,[83] her report for the 2023 State Pension age review did explore these questions.

She noted that the State Pension age can control expenditure through changing the number of people receiving the State Pension, and how long they receive it. However, her report highlights other policies such as eligibility rules and, in particular, the "ratcheting effect of the triple lock", which also impacts expenditure.[84]

Data in the report (drawing on OBR forecasts discussed above) shows that under current plans, including an ongoing commitment to the triple lock,[85] State Pension expenditure will increase from around 4.8% of GDP in 2021/22 to 8.1% of GDP in 2071/72, with most of the increase taking place from the 2040s onwards.

Analysis undertaken for the independent report shows the "stark impact an uprating mechanism can have on overall State Pension expenditure". Uprating in line with inflation as measured by the Consumer Prices Index (CPI) would see State Pension expenditure fall as a share of GDP. Uprating in line with earnings would also significantly slow the growth in spending compared to a triple lock.[86]

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80 DWP, Independent Review of the State Pension age, Smoothing the transition: Final report, March 2017

81 DWP, State Pension age review: final report, July 2017, p4

82 House of Lords Intergenerational Fairness and Provision Committee, Tackling intergenerational fairness, Government response to the recommendations, July 2019, p14-15

83 DWP, Second review of the State Pension age: independent report terms of reference, 14 December 2021

84 DWP, State Pension age Independent Review 2022: final report, 30 March 2023, p63

85 See Commons Library briefing CBP-7812, State Pension triple lock

86 DWP, State Pension age Independent Review 2022: final report, 30 March 2023, p64

Baroness Neville-Rolfe concluded in her independent report that on average people should expect to spend up to 31% of adult life in receipt of State Pension. This metric alone, however, did not to address concerns about affordability and sustainability of the State Pension. The independent review therefore proposed "a limit on State Pension-related expenditure of up to 6% of GDP". This could be met through changes to State Pension age, or though changing other policies such as the triple lock, or by a combination of measures.

Based on the 31% of adult life metric, Baroness Neville-Rolfe concluded:

- The legislated rise in State Pension age to 67 should continue as planned between 2026 and 2028.
- The State Pension age should rise further to 68 between 2041 and 2043.

The proportion of GDP spent on State Pensions is not forecast to reach 6% until the late 2040s, so the 6% limit on expenditure would not impact State Pension age choices before then. Although "no firm recommendation" was made, a 6% of GDP limit on State Pension expenditure implies an increase to 69 between 2046 and 2048, followed by successive increases to 74 by 2067, unless "other tools" are used to limit expenditure growth.

The Government did not adopt the recommendations of the independent report, beyond restating a commitment to the planned increase in State Pension age from 66 to 67 between 2026 and 2028. It provided no direct response to suggestions expenditure could be controlled through changes to uprating as well as the State Pension age,[87] although the Work and Pensions Secretary did recommit to the triple lock in the parliamentary debate on the Government's response to the independent review.[88]

3.3 Commentary

Arguments for and against the triple lock relate to issues of the adequacy of retirement incomes, sustainability and intergenerational fairness.

Arguments for ending the triple lock

Critics argue that the triple lock is unfair because older adults currently experience higher standards of living than younger people may expect to enjoy in the future, and that it is unfair to expect younger people to subsidise older people's incomes so much through the triple lock.

Comparisons have been drawn between the triple lock and the freezing of most working-age social security benefits for four years from 2016 and their

87 DWP, State Pension age Review 2023, 30 March 2023

88 HC Deb 30 March 2023, cc1176-1184

subsequent uprating by CPI, to support the argument that one group in society should not have their benefits uprated by a more generous index.[89]

Organisations including the Institute for Fiscal Studies (IFS) have argued that the triple lock is unsustainable in the long term, noting that it will rise faster than either earnings or prices over time, so will take up an increasing share of public expenditure.[90] They also note that this effect has increased due to post-pandemic economic volatility.[91]

As explored in section 3.2 above, critics have argued the triple lock's ratchet effect places additional emphasis on the State Pension age as a means of controlling expenditure.

The IFS has also pointed out that the triple lock makes planning the government's finances difficult because the combination of components is difficult to forecast, and depends on unpredictable economic conditions. Their current estimates for additional spending resulting from the triple lock by 2050 range from £5 billion to £45 billion per year at today's prices due to this uncertainty. This same phenomenon, they argue, also creates uncertainty for future pensioners, making it "difficult for individuals to plan appropriately for retirement":

> A full new state pension is currently equivalent to 25% of full-time mean earnings. If the triple lock is kept in place indefinitely, a reasonable range (occurring 80% of the time) for the value of the state pension in 2050 is between 26% and 32% of mean full-time earnings. In today's terms, this would mean a range of £10,900 to £13,400 per year – a difference of £2,500 per year in today's terms.[92]

The Resolution Foundation has argued that the triple lock is a "messy tool" to achieve the objective of a higher State Pension with unpredictable outcomes, and that the "seismic effects" of the coronavirus pandemic on the jobs market is exposing this. Instead, they argue for a more explicit debate about what the value of the State Pension should be relative to earnings, and that a "smoothed earnings link" should be used instead (see below).[93]

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89 Pensions Policy Institute, How will the removal of the State Pension lock affect adequacy?, March 2018, p26

90 Institute for Fiscal Studies, Evidence to the Work and Pensions Committee (IGF0023), February 2016; similar views were express by the Work and Pensions Committee in their report on Intergenerational Fairness in November 2016: Work and Pensions Committee, Intergenerational fairness, HC 59, November 2016

91 See Emmerson C, COVID-19 will bring forward the date when the pensions triple lock is unpicked, Institute for Fiscal Studies, 21 October 2020; and Cribb J and others, The triple lock: uncertainty for pension incomes and the public finances, Institute for Fiscal Studies, 8 September 2023

92 Cribb J and others, The triple lock: uncertainty for pension incomes and the public finances, IFS, 8 September 2023, p2

93 Resolution Foundation, Locked in? The triple lock on the State Pension in light of the coronavirus crisis, 26 June 2020

Arguments for maintaining the triple lock

Supporters of a continued triple lock argue the policy helps improve the adequacy of retirement incomes for current and future pensioners.

In a 2022 report, the Work and Pensions Committee noted that the full new State Pension falls below the minimum income standard calculated by the Pensions and Lifetime Savings Association.[94] Office for National Statistics (ONS) figures show that almost a third of working-age people do not expect to have any pension provision beyond the State Pension when they retire, and the Committee therefore recommended the Government should commit to continuing the triple lock due to the importance of the State Pension to people's retirement incomes.[95]

A range of organisations argue that the triple lock is important in maintaining the value of the State Pension for younger people. The National Pensioner's Convention, for example, has noted that many future pensioners are likely to have less generous defined contribution occupational pensions, alongside facing a rising State Pension age, and has argued that ensuring a "decent living state pension" through the triple lock is even more important for future generations.[96]

Analysis by the Pensions Policy Institute in 2018 showed that the triple lock would increase the incomes of future pensioners (as well as today's) and make it easier for them to achieve adequate retirement incomes by reducing the amount they need to save privately. It found that using a double lock (linking the State Pension to the higher of prices or earnings), or an earnings link, lower earners would have to significantly increase their private pension saving to reach adequate levels of retirement income.[97]

Sir Steve Webb, the former Pensions Minister who oversaw the introduction of the triple lock, has pointed out that "the UK still has one of the lowest state pensions in the Western World", despite more than a decade of the triple lock. He suggests that that the policy should be maintained until the State Pension reaches a "reasonable" share of average earnings.[98] He has also said, in discussions about uprating in April 2024, that earnings-related

94 Pensions and Lifetime Savings Association, Evidence to the Work and Pensions Committee (COL0035) (PDF), June 2022

95 Work and Pensions Committee, Protecting pension savers – five years on from the pension freedoms: Saving for later life, HC 126, 30 September 2022, paras 57-59

96 National Pensioners' Convention, The History of the Triple Lock, updated 22 February 2022; also see Age UK, The future of the 'triple lock', 31 August 2021

97 Pensions Policy Institute, How would the removal of the triple lock affect pension adequacy, March 2018, Executive Summary

98 Steve Webb, ONS confirms 8.5% pension increase challenge for Chancellor, Lane Clark & Peacock, 17 October 2023; and Callum Mason, Pensions triple lock could go once '30 years of damage' is undone, says ex-minister behind it, I News, 14 August 2023

uprating is affordable, and that the triple lock is still needed to restore value lost relative to earnings in the 30 years up to 2010.[99]

Alternatives to the triple lock

Return to a link with prices or earnings

Alternatives often mentioned in discussions about the triple lock are to return to the previous uprating arrangements for State Pension uprating (see section 1.2) – a link with prices or earnings.[100]

Of these proposals, an earnings link is more frequently advocated.[101]

On 25 April 2019, the House of Lords Select Committee on Intergenerational Fairness and Provision also recommended that the triple lock should be removed, and that the State Pension should be uprated in line with average earnings to ensure parity with working people. However, it said there should also be "protection against any unusually high periods of inflation in the future."[102]

The financial effect of uprating State Pensions in line with prices or earnings compared to the triple lock is explored in section 2.3 above.

A 'double lock'

A 'double lock' – the highest of earnings and prices – is sometimes explored as an alternative,[103] and was included in the Conservative Party's 2017 general election manifesto.[104]

A 'smoothed earnings link'

The IFS argues that a double lock would not eliminate the 'ratchet effect': "the state pension would still rise faster than both earnings and prices in the long run, and would still eventually become unaffordable."[105] In its analysis

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99 Quoted in Lois Vallely, Cover story: Hold or fold? Future of triple lock remains uncertain, Money Marketing, 9 October 2023

100 For example see Lane Clarke & Peacock, On point paper: Can the Chancellor escape his pensions 'triple lock?', 13 September 2020, pp18-19; and DWP, State Pension age Independent Review 2022: final report, 30 March 2023, pp63-64

101 For example in John Cridland's 2017 independent review of the State Pension age: DWP, Independent Review of the State Pension age, Smoothing the transition: Final report, March 2017, p16

102 House of Lords Intergenerational Fairness and Provision Committee, Tackling intergenerational fairness, HL paper 329, April 2019

103 For example see Lane Clark & Peacock, On point paper: Can the Chancellor escape his pensions 'triple lock?', 13 September 2020, pp18-19; and DWP, State Pension age Independent Review 2022: final report, 30 March 2023, pp63-64

104 Conservative manifesto 2017 (PDF); see also Stephanie Hawthorne, Conservatives to end state pension triple lock, FT Adviser, 18 May 2017; and Heather Stewart and Anushka Asthana, Theresa May weighing up cheaper 'double lock' for pensions, The Guardian, 26 April 2017

105 Hood A, A double lock on the State Pension would still be a bad idea, IFS, 27 April 2017

published in the run-up to the 2015 general election, it proposed a 'smoothed earnings link':

> If, instead, the government wants to protect pensioners from real-terms reductions in the state pension when earnings fall, by increasing the pension by more than earnings in such circumstances, but does not want to increase the value of the state pension relative to earnings in the long term, a mechanism to 'claw back' above-earnings increases would need to be developed. One option would be to set a target for the level of the state pension relative to average earnings, and to cap increases in the state pension (e.g. at inflation) if the state pension was above that level.[106]

The Work and Pensions Select Committee later recommended this approach in its 2016 report on Intergenerational fairness:

> We recommend the Government benchmark the new state pension and basic state pension at the levels relative to average full-time earnings they reach in 2020. The triple lock should then be replaced by an earnings link. In periods when earnings lag behind price inflation, an above-earnings increase should be applied to protect pensioners against a reduction in the purchasing power of their state pension. Price indexation should continue when real earnings growth resumes until the state pension reverts to its benchmark proportion of average earnings. Such a mechanism would enable pensioners to continue to share in the proceeds of economic growth, protect the state pension against inflation and ensure a firm foundation for private retirement saving. The new state pension and basic state pension it replaced would track average earnings growth in the long term. That is more fiscally sustainable and more intergenerationally fair.[107]

More recently, in September 2023, the Financial Times editorial board concluded the triple lock is "unsustainable", and that the policy results in the "costs of economic stagnation" being "concentrated on younger groups". They recommended replacing the triple lock with a smoothed earnings link, with the option to further top-up State Pensions in periods of high inflation and a clawback mechanism to avoid compounding increases relative to earnings.[108]

Resolution Foundation analysis in July 2023 estimated that a smoothed earnings lock "would reduce welfare spending in 2041-42 by some 0.5 percent of GDP – or £14 billion in today's terms".[109]

Targeting a proportion of earnings

The Resolution Foundation's Intergenerational Commission report on intergenerational fairness, published in May 2018, supported a mixed

106 Hood A, Phillips D, Benefit spending and reforms: the coalition government's record, IFS, 28 January 2015

107 Work and Pensions Committee, Intergenerational fairness, HC 59, November 2016

108 Financial Times editorial board, The case for retiring Britain's triple lock on pensions, Financial Times, 17 September 2023

109 Brewer M et al, Sharing the benefits Can Britain secure broadly shared prosperity?, Resolution Foundation Economy 2030 Inquiry, 4 July 2023, p49

approach: increasing State Pensions to a fixed proportion of average earnings over time, then implementing a smoothed earnings link.

The two-step proposal would maintain the value of the new State Pension relative to earnings at a slightly higher level than the then-current position. It recommended, firstly, that the Government increase the value of the new State Pension relative to earnings between 2022 and 2035 by 1% above average earnings growth, to reach 32.5% of median earnings. After this, it proposed the introduction of what it called a 'double lock', whereby "the State Pension should maintain its peg to earnings in the medium term, but could be uprated by more than earnings in years when prices rise faster, with the gap then subsequently being closed by increases less than earnings".[110]

A mixed index

As part of its international "going for growth" recommendations, the Organisation for Economic Co-operation and Development (OECD) has suggested that the triple lock be replaced. It says pensions should instead be uprated by an average of earnings growth and CPI inflation, alongside additional means-tested support for poorer pensioners.[111]

110 Intergenerational Commission, A New Generational Contract: the final report of the Intergenerational Commission, Resolution Foundation, 8 May 2018, pp172-5

111 Organisation for Economic Co-operation and Development, Economic Policy Reforms 2023: Going for Growth: UK country note, 2023

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