



SOCIAL & GENERAL STATISTICS SECTION

2001 Benefit Up-rating

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[sgs/note/2001-Up-rating]

Introduction

The up-rating of social security benefits from April 2001 is based on inflation in the year to September 2000. This means that most National Insurance benefits are due to be up-rated by 3.3% (the increase in the RPI in the 12 months to September) and means tested benefits by 1.6% (the increase in the "Rossi" index – the RPI less certain housing costs, namely less rents, mortgage interest payments, council tax and depreciation costs.).¹

Retirement Pensions

This September's inflation rate of 3.3% implies basic rates of Retirement Pension from next April of £69.75 for a single pensioner and £111.50 for a pensioner couple. . (This is a £2.25 pw rise for a single person and £3.60 pw for couples)

If the up-rated pension were to be linked to earnings this year then the single rate in April 2001 would be around £70.90 pw (a rise of £3.40)

The Chancellor has announced the single pension will be increased by £5 pw and the married by £8 pw. This give weekly pension rates of £72.50 (single) and £115.90.

Earnings up-rating since 1997 would have produced rates of £74.75 (single) and £119.50 (married).² (£7.25 pw rise in April 2001 for a single person).

Minimum Income Guarantee

The Government is committed to increasing the minimum income guarantee for pensioners by the increase in average earnings.³ This year the relevant factor is 3.9%.

¹ In practice, because of rounding, the rates of some individual benefits will not change by exactly these factors.

² Based on HC Deb 11 November 1999 c812-3w, with assumption of real earnings growth of 1.5% in year to September 2000.

³ see HC Deb 6 6 2000 c223W for basis of earnings up-rating factor - 3 month avg change in average earnings to previous July "headline" rate, as published in monthly digest

The basic level of the MIG increased with age in April 1999 and April 2000, as IS for pensioners had done in previous years. However, from April 2001 the MIG level will be simplified into one rate for all those over 60. The level of the guarantee from April 1999, April 2000 and April 2001 and the previous rates of IS for pensioners are shown in the following table:

	April 1998	April 1999	April 2000	April 2001
Single 60-74	£70.45	£75.00	£78.45	£92.15
Single 75-79	£72.70	£77.30	£80.85	£92.15
Single 80 or over	£77.55	£82.25	£86.05	£92.15
Couple one or both 60- 74	£109.35	£116.60	£121.95	£140.55
Couple one or both 75-79	£112.55	£119.85	£125.35	£140.55
Couple one or both 80 or over	£117.90	£125.30	£131.05	£140.55

A 3.9% increase would have given the following rates from April 2001:

	Apr-01
Single 60-74	81.50
Single 75-79	84.00
Single 80 or over	89.40
Couple one or both 60- 74	126.70
Couple one or both 75-79	130.25
Couple one or both 80 or over	136.15

The April 2001 increase represents an above-prices and an above-earnings increase. In his Pre-Budget Statement on 8 November 2000 Gordon Brown gave information about future increases to the MIG:

First, for those in and at risk of poverty, we will radically improve the minimum income guarantee. I can tell the House that the minimum income guarantee, which was £68.80 in 1997, is £78.45 today, and will be raised in April by £14 a week to £92.15. For thousands of our poorest pensioners, that will mean £700 extra a year. I can also tell the House that when the new system is introduced in April 2003, the minimum income guarantee will be set not at £92, but at £100 a week, £22 a week more than today. For the first time, a single pensioner will be guaranteed at least £100 a week. For couples, there will be a rise from £106.60 in 1997 to £154. Every year after that, I can tell the House that the minimum income guarantee will be raised in line with earnings.⁴

Richard Cracknell

⁴ HC Deb 8 November 2000 c325