[Legislation to ensure fairness for pensioners and taxpayers]

Press release

Following unprecedented fluctuations to earnings caused by the COVID-19 pandemic, the government has today announced legislation to set aside for one year the use of average earnings growth figures for State Pensions up-rating.

In taking this decision, the government has carefully considered the fairest approach for both pensioners and younger taxpayers.

This legislation will ensure pensioner incomes still receive a significant boost, uprating by the higher of inflation or 2.5%.

The growth in earnings is estimated to be between 8% and 8.5%. This would mean a difference of around £4 or 5 billion in basic and new State Pensions expenditure in 2022/23, when comparing with the higher of 2.5% or expected price inflation.

Younger people have been hit hardest by the financial impacts of the pandemic, and the artificial inflation of pensioner incomes at this time would be out of kilter with the pressures being experienced by the rest of the population.

This makes sure pensioners' spending power is preserved and they're protected from higher costs of living.

But will also ensure that as we are having to make difficult decisions elsewhere across public spending – including freezing public sector pay – pensioners are not unfairly benefitting from a statistical anomaly.

This new legislation is a one-year response to exceptional circumstances and the government plans to return the earnings element of the Triple Lock next year.

Since 2010, the full yearly basic State Pension has increased by over £2,050 in cash terms.

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