House of Commons

Work and Pensions Committee

# Intergenerational fairness

## Third Report of Session 2016–17

HC 59

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## Third Report of Session 2016–17

*Report, together with formal minutes relating to the report*

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## Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Department for Work and Pensions and its associated public bodies.

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# Summary

### An economy skewed towards baby boomers and against millennials

The UK economy has become skewed. Rapid and sustained rises in house prices have concentrated wealth in the hands of those who own property. Far too many young people cannot afford homeownership and instead have to pay costly private rent. Life expectancy has risen faster than anticipated at a time when the large baby boomer cohort, born between 1945 and 1965, are reaching retirement. As the taxes of working people support the retired, the ageing population places strain on those in work. Pensioners have been protected from public spending cuts that have largely been felt by younger groups. Pensioner poverty has been drastically reduced and average pensioner household incomes now exceed those of non-pensioners after housing costs. The millennial generation, born between 1981 and 2000, faces being the first in modern times to be financially worse off than its predecessors.

### The intergenerational contract

The welfare state has long been underpinned by an implicit social contract between generations. The provision of benefits and public services to the current pensioner population is funded by the taxes of the current working-age population. In turn they expect to receive similar benefits and services when they retire, and so on. The skewing of the welfare state has placed the intergenerational contract under strain.

### Replacing the triple lock

The triple lock, which was introduced in 2012, annually uprates the state pension by whichever of price inflation, average earnings growth or 2.5 per cent is highest. It has made a valuable contribution in increasing the relative value of the state pension. Its retention would, however, tend to lead to state pension expenditure accounting for an ever greater share of national income. At a time when public finances are still fragile, this is unsustainable. Accelerated increases in the state pension age, an alternative means of making the state pension more fiscally sustainable, would disproportionately affect the young and those socio-economic groups with lower life expectancies in retirement. Allied to the introduction of the new state pension, which in future will see the vast majority of pensioners on a flat rate, the triple lock will by 2020 have achieved the Government's objective of securing a decent minimum income for people in retirement to underpin private saving. The retention of the triple lock would not be intergenerationally fair. We urge political consensus before the next general election on a new earnings link for the state pension.

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 a smoothed 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.

### *Universal pensioner benefits*

Universal pensioner benefits have been deployed by successive governments for reasons of short term expediency. Such measures, which do not tend to be subject to indexation, lead to ill-targeted support, further complicate the benefits system and are politically and administratively far harder to put right than to introduce in the first place. The Winter Fuel Payment is one such example. There is no case for future governments to contemplate any increase in the value or range of universal pensioner benefits. They should also not be off limits when spending priorities are set in future Parliaments.

### *Information gap*

There is a dearth of reliable and comprehensive information about the intergenerational distribution of public and private resources. Greater awareness of the intergenerational implications of decisions would make for better informed policy. We recommend the Government make available the necessary information and resources to enable updated research estimating the balance of fiscal contributions and withdrawals by different generations over their entire lifetimes to be carried out.

### *Strengthening the intergenerational contract*

The intergenerational fairness debate should not be conducted in divisive or adversarial terms. Each generation cares deeply about their children, parents and grandparents alike. It is not the fault of baby boomers that the economy, or certain asset prices, have become skewed in their favour. But the absence of fault does not obviate the need for policy action. The recommendations in this report are intended to strengthen the implicit contract between generations that is at the heart of our society.

# 1 Introduction

## The intergenerational contract

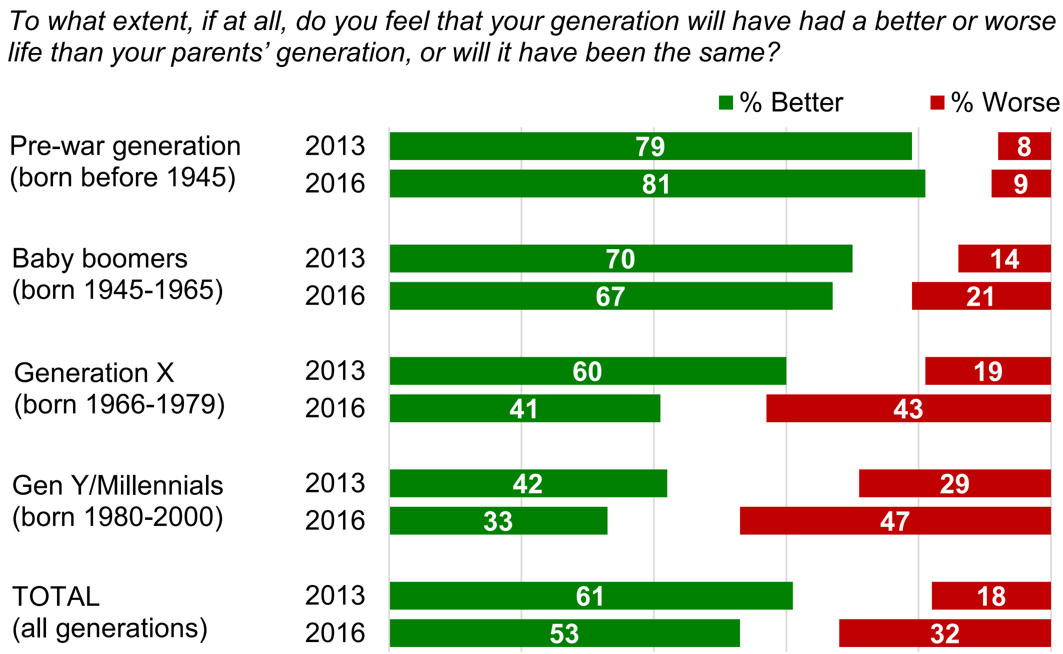
1. The welfare state has long been underpinned by an implicit social contract between generations.[1] The provision of state pensions, benefits and public services to the current pensioner population is funded by the taxes of the current working-age population.[2] In turn they expect to receive similar benefits and services when they retire, and so on. This process of life cycle fiscal transfer has been allied to a widespread expectation that economic growth will enable each successive generation to enjoy gradually rising living standards.

2. Recent years have seen increasingly prominent concerns that shifts in the distribution of income and wealth, demographic trends and the policies of successive governments have placed the intergenerational contract under threat. Commentators such as Lord Willetts, a former Minister and Executive Chair of the Resolution Foundation,[3] and the Intergenerational Foundation, a think tank founded in 2011, contend that the 'baby boomer' generation who are approaching or have recently reached retirement will, over the course of their lifetimes, enjoy greater provision of welfare and public services relative to their tax contribution than younger cohorts can hope to receive. At the same time as younger people face this fiscal pressure of supporting a growing pensioner population they are finding it increasingly difficult to buy a home or provide for their own retirement, concentrating wealth in older groups. Lord Willetts argues that the phenomenon of "a specific generation benefiting in an unrepeatable way" at the expense of its successors amounts to breaking the intergenerational contract and "storing problems for the future".[4]

3. Survey evidence indicates that young adults are increasingly pessimistic about their chances of having a better life than their parents. As shown in Figure 1, those born in the 1980s and 1990s, the 'millennial' generation, are least positive of all.

1 Intergenerational Foundation (IGF0010), Population Matters (IGF0022)
2 See, for example, SAGA (IGF0069), Dept for Work and Pensions (IGP0065)
3 David Willetts, *The Pinch: How the Baby Boomers Took Their Children's Future – and Why They Should Give It Back*, 2010
4 David Willetts, "The social contract between generations in Britain is being broken", Resolution Foundation website, 25 October 2015

**Figure 1: Generational attitudes about the prospect of a better life than their parents**




Sources: 2013 results from Intergenerational Justice Research Report, Ipsos MORI/Joseph Rowntree Reform Trust Jun 2013 -Base: 985 British adults aged 15+, 5–25 Apr 2013; 2016 results from Fragmented Times –Generational Strains, Ipsos MORI Base: 1,001 British adults 18+, 13th –16th Feb 2016

Such concerns about the prospects for today's young adults are not, however, restricted to that generation. Nearly two-thirds of baby boomers (those born in the 20 years following World War II) think that today's youth are set to have a worse life than their parents.[5] While families may not think in terms of 'generations' and 'contracts', they naturally express concern for relatives of different ages.[6] As Neil Duncan-Jordan of the National Pensioners Convention told us:

> Pensioners are members of families. They are concerned about their children and grandchildren, just like the grandchildren are concerned about their grandparents.[7]

4. On becoming Prime Minister, Theresa May pledged to tackle the "growing divide between a more prosperous older generation and a struggling younger generation" as part of a "mission to make Britain a country that works for everyone".[8]

## Our inquiry

5. Assessing intergenerational fairness is not simply a matter of comparing the circumstances of different age groups at a given point in time, but instead the economic

5 Ipsos MORI, Fragmented Times – Generational Strains, 2016 (published as part of the Ipsos MORI Generations project)
6 Academy of Social Sciences (IGF0032); Q18 [Lord Willetts]
7 Q81
8 Rt Hon Theresa May, Statement of 13 July 2016 and speech to launch Conservative leadership campaign, 11 July 2016

experiences of generations over the course of their lifetimes. We concur with the assessment of Rt Hon Steve Webb, former Minister for Pensions, who cautioned that a 60 year old who appeared relatively comfortable:

> [ … ] was probably 20 when we had hyperinflation in the mid-1970s and 30 when we had mass unemployment in the 1980s. If she is a woman, she may well have started work at a time when there was not even legislation to stop discrimination against women in the labour market. I think the challenge for the inquiry is to see people over the course of their whole lives and then I think you will get a rich and very different picture.[9]

Equally, intergenerational fairness should not be confused with very valid concerns about inequality *within* generations.

6. Intergenerational fairness encompasses welfare, pensions, housing, social care, higher education, economic and monetary policy, and so on. We have not sought to consider policy in all these areas, many of which stray beyond our remit. Instead, we have focused on the responsibilities of the Department for Work and Pensions in the context of broader economic and demographic trends. We are grateful to everyone who has contributed to the inquiry.

9 Q2

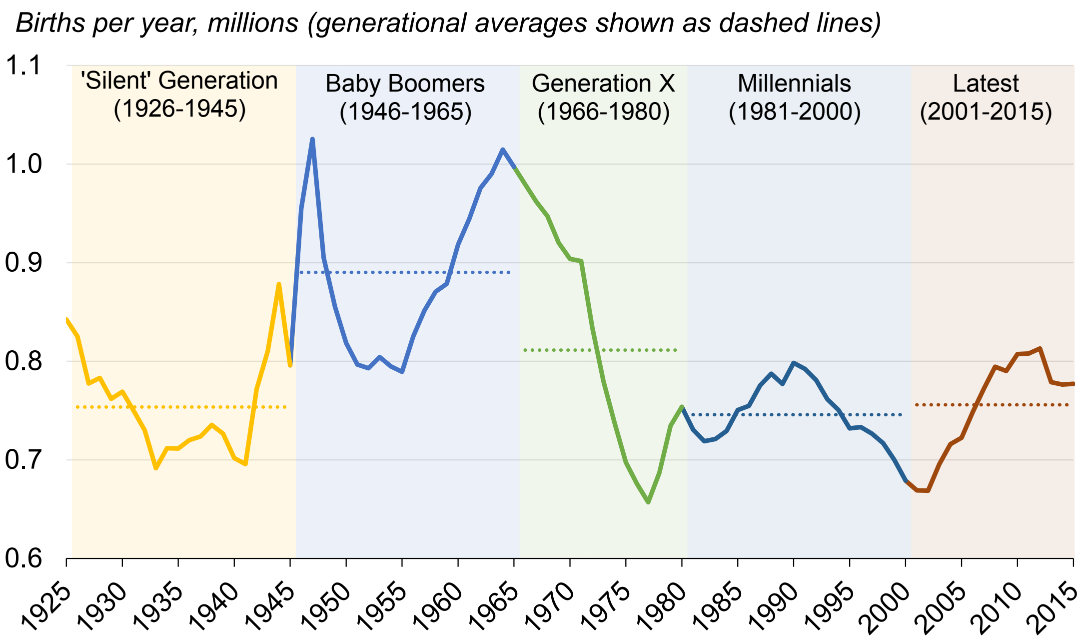
# 2 The intergenerational contract under strain

## Demographic context

### *A large and long-living baby boomer generation*

7. Assessing intergenerational fairness must begin by defining different generations. This necessarily entails an element of arbitrary choice. Those born immediately before a generational dividing line may well dispute their implicit association with those born twenty years before but not those born one year later. A common approach is to define generations with reference to trends in birth rates, as shown in Figure 2. During the post-war baby boom of 1946 to 1965, the children of which are now aged between 51 and 70, there were around 800,000 to one million UK births per year. In the 'Generation X' phase that followed, the UK went from 'baby boom' to 'baby bust'–the number of births per year fell below 700,000 by the latter half of the 1970s. Subsequent generational phases are characterised by between 700,000 and 800,000 births in most years.

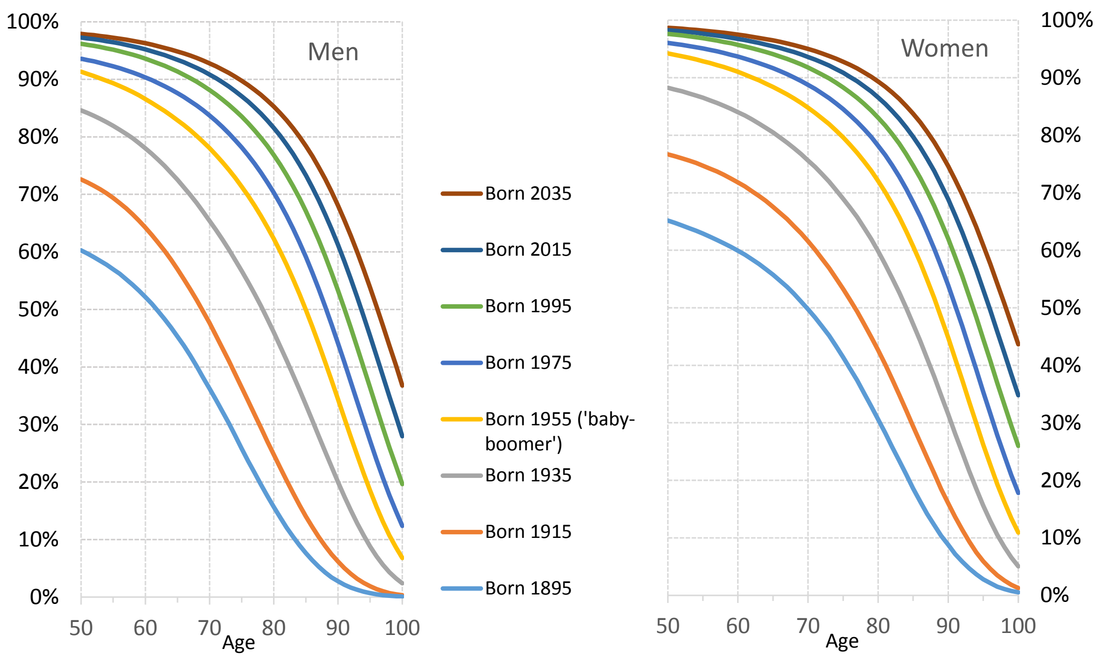
**Figure 2: Number of births per year, United Kingdom**




Sources: ONS Birth Characteristicstable 8: live births by sex, 1838 to 2014; ONS Birth Summary Tables England and Wales table 1: summary of key live birth statistics 1938 to 2015; NISRA Northern Ireland Live Births 1887 to 2015; National Records of Scotland Births Time Series Data. Adapted from: Resolution Foundation Stagnation Generation, 18 July 2016

8. The advent of a large baby boomer cohort has been accompanied by substantial rises in life expectancy. For example, a boy born in 1955, in the middle of the baby boom, had an 83 per cent chance of living to at least 65, compared with 45 per cent of those born in 1895.[10] An ever greater proportion of people are living deep into old age, as demonstrated by Figure 3:

**Figure 3: Improving survival rates at age 50 and beyond, UK**

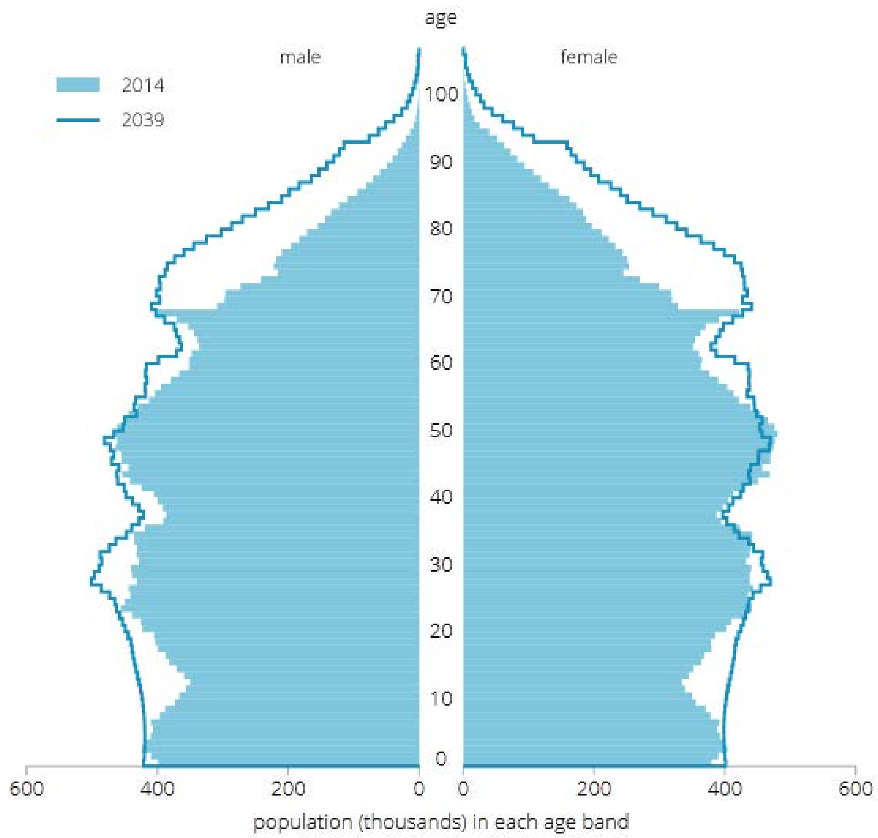



Source: ONS, Past and projected data from the period and cohort life tables: 2014-based, UK, 1981 to 2064 (life tables principal projection for England and Wales and UK)

9. The combination of trends in birth rates and life expectancy will result in substantial change to the age structure of the UK population over the next 25 years. Figure 4 shows Office for National Statistics 'population pyramids' illustrating the UK's age structure in 2014 and 2039:

10 This is largely the culmination of a half century of massive progress in reducing infant mortality. Life expectancy is projected to continue increasing for subsequent generations due to improving survival rates at later ages - on current projections, boys born in 2015 are four times as likely as those born in 1955 to live to 100.

**Figure 4: Age structure of the UK population, mid-2014 and mid-2039**




Source: ONS National Population Projections: 2014-based Statistical Bulletin

The share of the population aged 65 and over is projected to grow from 18 per cent in 2014 to 24 per cent in 2039, while the proportion 80 and over is expected to grow from 5 per cent to 8 per cent over the same period. Increases will be proportionately highest in the oldest age groups.

10. The Intergenerational Foundation identified these demographic trends as an important driver of intergenerational imbalance:

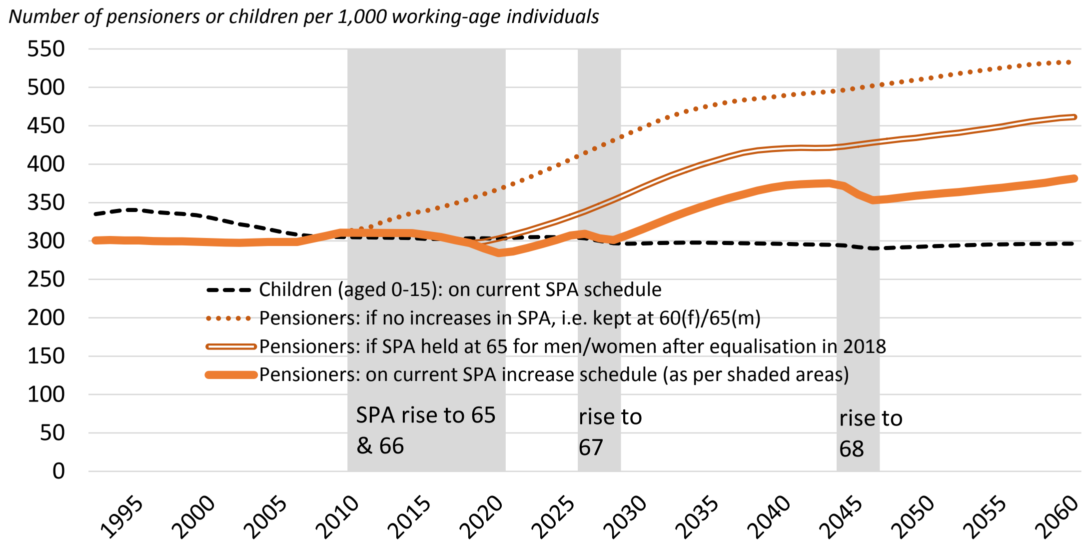
> The number of Baby Boomers and the unprecedented longevity which they are set to enjoy means they will require a bigger financial contribution from the next generation to support them in their old age than they provided for the generation which came before them, yet at the same time there is abundant evidence to suggest that today's young workers are enduring a lower standard of living than today's pensioners did when they were the same age [ … ].[11]

11 Intergenerational Foundation (IGF0010)

## *Old-age dependency ratio*

11. One measure of the extent to which the working age population supports pensioners is the dependency ratio, the number of pension age people per working age person. Figure 5 shows projected trends in the dependency ratio, adjusted for changes in state pension age (SPA). The ratio was stable in the decade leading up to the mid-2000s, at which point the large baby-boomer cohort began the transition into pension age. Without the programme of SPA increases that began in 2010, the number of pensioners per 1,000 working-age people would have passed 400 by the middle of the next decade. Scheduled increases in the SPA until 2028 are projected to keep the dependency ratio at around 300 pension-age people per 1,000 working-age people. After then, a sharp rise to 375 per 1,000 is expected. The scheduled rise in the state pension age to 68 in 2044–46 then temporarily brings the ratio back down to 350 per 1,000, at which point it begins to increase again.

**Figure 5: Crude dependency ratios for pensioners and children projected to 2060, UK**

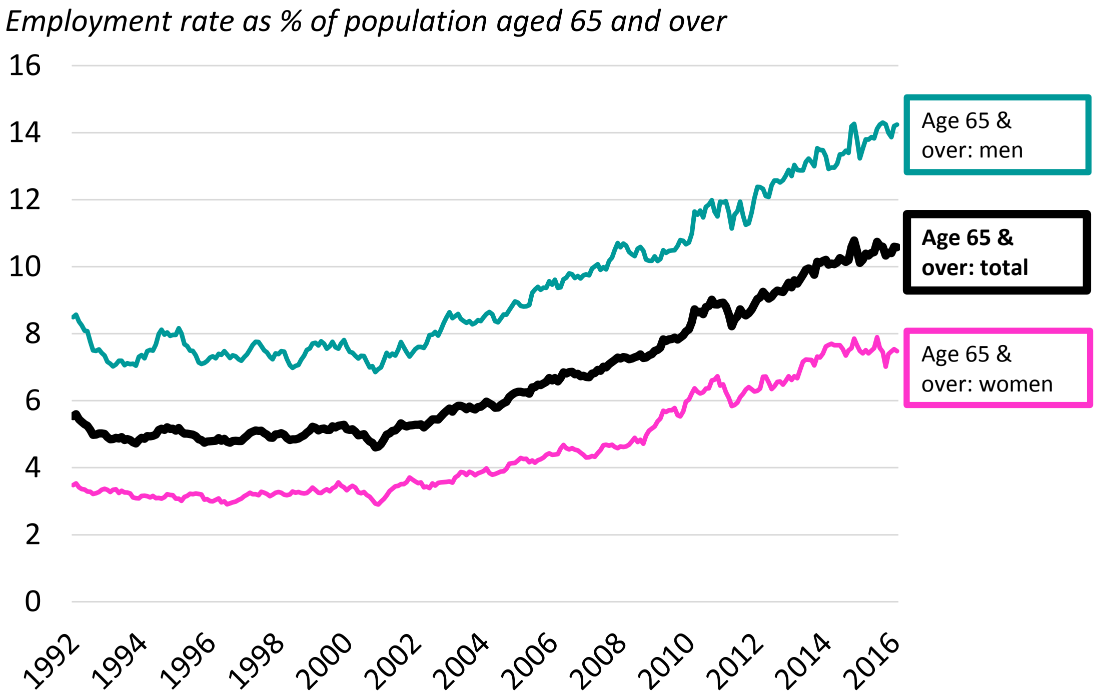



Source:ONS mid-year population estimates and 2014-based population projections. Shaded areas denote years when state pension age (SPA) is currently scheduled to increase -does not include potential longevity-linked accelerations of the schedule.

12. The dependency ratio is a crude measure, as it does not assess the extent to which pensioners are truly dependent on financial transfers from their younger counterparts. As shown in Figure 6, the last 15 years have seen a substantial increase in the employment rate among those aged 65 and over, which has more than doubled from around 5 per cent in 2001 to over 10 per cent in 2016.[12] This trend was apparently resistant to the 2008–09 recession.

12 This should not simply be attributed to SPA increases, as the SPA is not scheduled to rise above 65 until 2018.

**Figure 6: Employment rates among people aged 65 and over, UK, 1992–2016**




Source: ONS Labour Market Statisitcs:Labour market by age group (seasonally adjusted)

13. Though the rise of the older worker blurs the distinction between working age and pension age, these employment rates remain far below those for younger age groups: 74 per cent of the UK population aged 16–64 are in employment, rising to 84 percent of people aged 35–44. A further closing of that gap holds out the prospect of larger numbers of people in their late sixties and even seventies working and helping to shoulder the fiscal burden of an ageing population. Analysis by the Government Office for Science, however, shows that gains in healthy life expectancy and disability-free life expectancy at age 65 have not been keeping pace with the rises in overall life expectancy at that age. Average disability-free life expectancy remains below 65 in many areas of the country, constraining the ability of over-65s to prolong their working lives as SPA increases. [13]

14. **Demographic trends have placed considerable stress on the intergenerational contract. The post-war baby boomer cohort entering retirement is particularly large and people within it will tend to enjoy longer retirements than was anticipated. This puts a strain on the working age population. Increases in the state pension age reduce the ratio of pensioners to working age people and therefore have counteracted demographic trends. For many people, however, working into their late sixties or seventies is not an option.**

13 Foresight/Government Office for Science Trends in life expectancy and healthy life expectancy, March 2015, section 2.4, table 2 and section 3.2 table 6

## Private wealth

### *Homeownership and housing costs*

15. Homeownership represents not just a major financial investment—for most people the largest they will ever make—but also a secure and stable basis to bring up a family, to live rent-free in retirement and ultimately pass a legacy to the next generation. A large majority of renters aged under 35, particularly those in the growing private rented sector, remain attached to the aspiration of ultimately owning their own home and expect to become homeowners at some point in the future.[14] For many, however, rising house prices and rents have "dashed their justifiable expectation of an affordable home".[15] This is a particular concern in London and the South East, where house prices are highest and have tended to grow fastest.[16] Generation Rent, a campaigning group, described the "hoarding" of property wealth by property speculators at the expense of would-be homeowners.[17]

16. The Resolution Foundation, a think tank, estimated that the time required for low to middle income households to save a deposit for a typical first time buyer purchase has increased from between three and five years during the 1980s and early 1990s to over 20 years now.[18] In the meantime, increasing numbers are renting privately or remaining in the parental home. James Sefton, Professor of Economics at Imperial College London, told us that "as the young's main resource is their current and future labour income, whereas the old have a significant share of the wealth invested in real estate, implicit in this price appreciation is a large intergenerational transfer from young to old".[19]

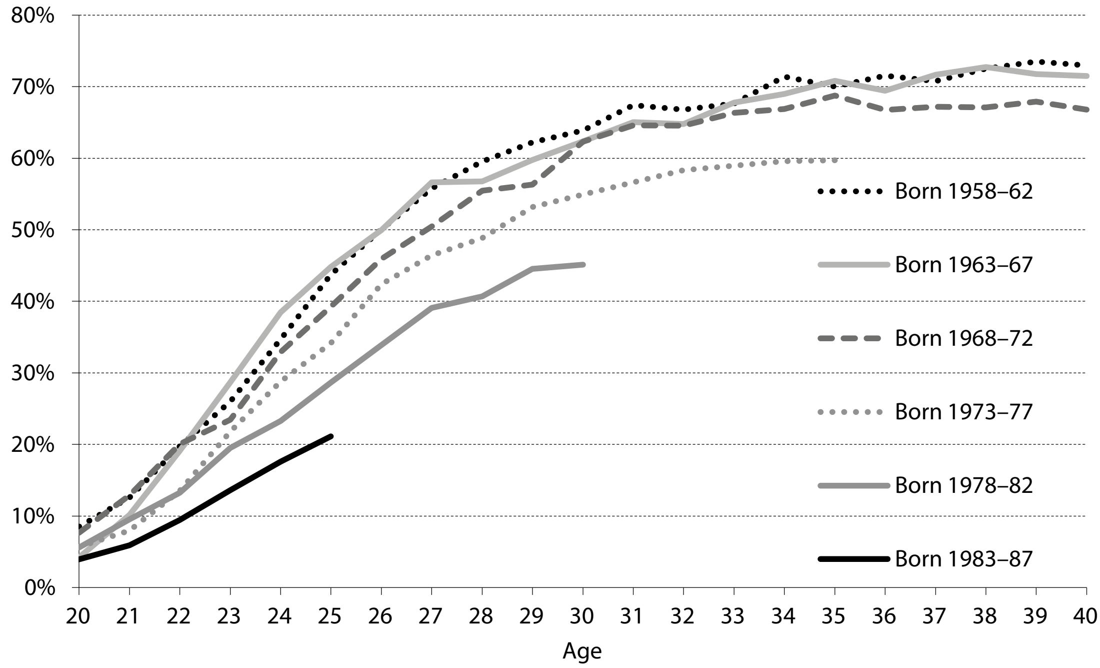
17. This overall pattern disguises a considerable degree of variation. Many of those baby boomers who own property may have suffered price falls and perhaps negative equity in the late 1980s and early 1990s, and may well have paid far higher interest rates than borrowers today.[20] The Ready for Ageing Alliance cautioned that a quarter of people aged 55–64 in England are renting while just under half fully own their property.[21] Dan Wilson Craw of Generation Rent told us that people in middle age with little prospect of getting a mortgage were increasingly renting privately and having to claim housing benefit in work. This puts increasing strain on the housing benefit bill.[22]

18. There are, however, clear generational differences in homeownership. Research by the Institute for Fiscal Studies (IFS), a think tank, shows how homeownership rates have declined in successive birth cohorts. Someone born in the mid-1960s, for example, had a 45 per cent chance of owning a home aged 25. This fell to 34 per cent for the mid-1970s cohort and 21 per cent of those born in the mid-1980s. The rate has therefore halved in 20 years. The difficulties in buying a home experienced by those born in the early 1980s contribute to such people being markedly less wealthy than the previous generation were at

14 DCLG, English housing survey 2014 to 2015: first time buyers and potential home owners report, July 2016, annex table 2.3
15 Dr Jay Ginn (IGF0028)
16 Independent Age (IGF0048)
17 Generation Rent (IGF0059)
18 Q61 [Lord Willetts] and Corlett, Finch and Whittaker, Living Standards 2016: The experiences of low to middle income households in downturn and recovery, Resolution Foundation, 2016, pp40–41
19 Professor James Sefton (IGF0075)
20 Centre for the Study of Financial Innovation (IGF0068)
21 Ready for Ageing Alliance (IGF0017)
22 Q111

the same age. The IFS recently found that people in their early 30s have average household wealth per adult of £27,000—about half the average wealth holdings that people born in the 1970s had at the same age (£53,000).[23]

**Figure 7: Homeownership rates by birth year and age**




Source: IFS (2014) Living Standards, Poverty and Inequality in the UK: 2014, IFS written evidence IGF0023

19. Lord Willetts told us that the housing market is characterised by increasing proportions of renters and people who own their homes outright. The proportion who own with a mortgage, "the getting started bit", is falling.[24] The Institute for Fiscal Studies (IFS) said that intergenerational effects could be compounded if house prices continued to rise:

> The decline in homeownership rates might be thought a cause for concern in itself, but it also has the potential to affect the wealth accumulation of younger generations over their lifecycle if the (leveraged) returns on housing continue to exceed those on other assets, and younger generations are unable to access those returns.[25]

20. For those who do own a property its market value may in reality be secondary to its function as a family home.[26] Steve Webb explained that realising increases in property values, through downsizing and equity release, was still rare.[27] Ultimately, of course, the housing stock currently held by older generations must pass into the ownership of younger generations. The intergenerational transmission mechanism of property is, however, likely to be increasingly based on inheritance ever later in life, or in parental

23 IFS, The Economic Circumstances of Different Generations: The Latest Picture, Briefing Note BN187, September 2016, pages 2 and 9
24 Q55
25 Institute for Fiscal Studies (IGF0023)
26 Dr Jay Ginn (IGF0028)
27 Q26

assistance to children in financing house purchases (the 'bank of Mum and Dad').[28] This could exacerbate inequality of asset wealth *within* generations as those lacking parental financing or the prospect of an inheritance risk finding themselves permanently locked out of homeownership.[29]

21. We heard that acting to reduce the cost of housing could have a "transformative" effect, both on intergenerational fairness and on the wider performance of the economy.[30] Philip Booth, of the think tank the Institute of Economic Affairs (IEA), told us "there are not many things that are a silver bullet when it comes to policy but housing comes very close to that".[31] The proposed solutions focused on increasing the supply of housing, through an expansion of housebuilding, a relaxation of planning laws and making more efficient use of under-occupied housing.[32] Ashley Seager, co-founder of the Intergenerational Foundation, advocated more innovative solutions, such as incentivising downsizing by the over-60s by removing stamp duty and adjusting the planning system to facilitate "downsizing-in-situ", whereby a house is split into two flats and the occupier remains in one of them.[33] These policy proposals lie outside the Work and Pensions remit, though should measures not be taken to increase the supply of housing the cost of housing benefit is likely to continue to increase.

22. **Housing is central to intergenerational fairness. Rapid and sustained rises in house prices, most marked in London and its surrounding areas, have concentrated wealth in the hands of those who have owned property for decades. At the same time far too many young people have been priced out of homeownership. High private rents make it difficult to save for a deposit. The opportunities that were open to baby boomers to buy a home with a relatively small deposit are closed to today's young. Though wealth will be passed to younger people through inheritance, this risks exacerbating inequality within generations. Successive governments have palpably failed to act effectively on the housing market. Alongside housebuilding, there is a strong case to consider innovative policies to encourage downsizing and to more efficiently distribute the existing stock. Such measures lie outside our remit. The manifest problems in the housing market, however, form the backdrop to much of this Report.**

### *Savings and occupational pensions*

23. Historically low interest rates and loose monetary policy since the 2008–09 recession have reduced returns on savings. Saga told us that this disproportionately affects older people, who are more likely to be dependent on savings income, while younger people with mortgages are benefitting from lower interest rates.[34] Steve Webb emphasised that many current pensioners had been "stuffed" by very low annuity rates.[35]

24. Conversely, the relatively generous final-salary defined benefit (DB) pension schemes which were commonplace during the working lives of the baby boomer generation are now all but completely closed to new entrants. As a result, less than 10 per cent of private

28 Centre for the Study of Financial Innovation (IGF0068)
29 For example, United for All Ages (IGF0045), Grandparents Plus (IGF0058)
30 Q241 [Shiv Malik]
31 Q241
32 For example, Q230 [Shiv Malik], United for All Ages (IGF0045)
33 Q114
34 Saga (IGF0069)
35 Q31

sector employees born in the early 1980s were active members of a DB scheme in their early 30s, compared with nearly 40 per cent of those born in the 1960s at the same age.[36] Younger workers now tend to be enrolled on defined contribution (DC) schemes instead.[37] These typically attract much lower levels of employer contribution: in 2015 the average employer contribution rate to private sector DC schemes was 2.5 per cent of pensionable earnings, compared to 16.2 per cent for DB schemes.[38] DC schemes make no promise as to the value of the pension pot upon retirement, meaning that employees bear the full risk of investment performance.[39] At the same time, the cost of servicing rapidly increasing DB scheme deficits—exacerbated by low investment returns—is placing an ever greater burden on UK firms. The Office for National Statistics estimates that in 2015 companies made special deficit repair contributions to DB schemes of £11 billion in addition to ordinary employer contributions of £20 billion.[40] This may constrain their ability to increase employment or engage in productive investment.[41] Today's younger workers are therefore faced with supporting the inadequately-funded DB schemes of their older colleagues and retired predecessors, while being denied the opportunity to accrue pension entitlements on the same basis. Paul Johnson, Director of the IFS, told us that this was tantamount to a "very clear redistribution" between generations.[42] Our ongoing inquiry into defined benefit pension schemes will consider intergenerational fairness in that context.[43]

## Public expenditure and tax

### *Generational accounting*

25. Public expenditure tends to be concentrated on younger and older age groups. Education expenditure is unsurprisingly skewed towards childhood while expenditure on health and social care is, on average, highest for the oldest people. Spending is lowest on working age people, the time when an individual's tax contribution typically peaks. Figure 8 shows the Office for Budget Responsibility (OBR) model of such effects:

36 IFS, The Economic Circumstances of Different Generations: The Latest Picture, Briefing Note BN187, September 2016, p13

37 For example Institute for Fiscal Studies (IGF0023)

38 ONS Occupational Pension Scheme Survey UK, 2015. The average contribution for career average schemes was 12.9 per cent of pensionable earnings. The average employer contribution rate to DC schemes is set to rise as the rollout of automatic enrolment reaches completion, but this will only bring the minimum employer contribution rate up to 3 per cent by April 2019.

39 See, for example, ShareAction (IGF0050)

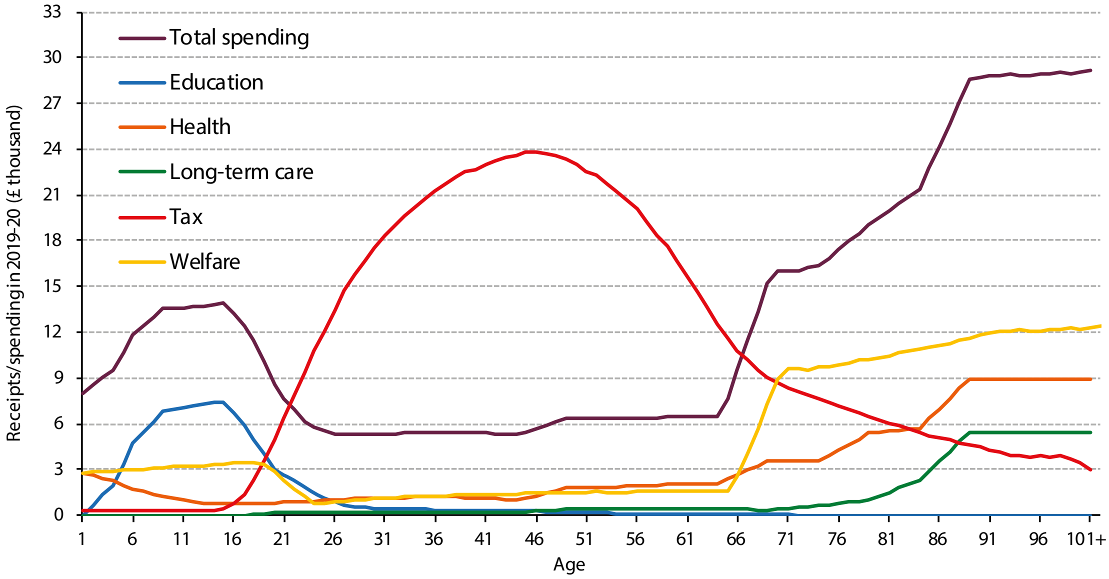
40 ONS Occupational Pension Scheme Survey UK, 2015. The Intergenerational Foundation estimated £35 billion of DB scheme special deficit repair contributions by a credible methodology. See Intergenerational Foundation, DB Pensions: Choking Hazard, June 2016.

41 Intergenerational Foundation, DB Pensions: Choking Hazard, June 2016

42 Q275

43 Pension Protection Fund and Pensions Regulator inquiry

**Figure 8: Representative profiles for tax, public services and welfare spending**




Source: OBR Fiscal sustainability report – June 2015

26. The Intergenerational Foundation argued that the primary function of the welfare state is to distribute resources across lifetimes, rather than between generations. Within each generation, fiscal contributions (tax receipts shown in red) and withdrawals (total spending shown in purple) should tend to balance.[44] The alternative is one generation effectively subsidising another over the course of their respective lifetimes. Michael Johnson, of the think tank the Centre for Policy Studies, argued that the bill for the "vast unfunded promises" made to baby boomers, notably in state and public sector pensions, would have to be footed by the millennial generation.[45]

27. Generational accounting is a forward-looking assessment of the balance of fiscal contributions and withdrawals that people are set to make over their remaining lifetimes. Where this balance is negative, this implies a fiscal burden that current policies would, unchanged, impose on future generations.[46] It also provides an indication of the policy reforms needed to achieve generational balance, in which future generations face the same lifetime net tax rates as current generations.[47] The most recent UK Generational Accounts, published in 2011, estimated the intergenerational budget imbalance to be £7.6 trillion in aggregate terms. Future generations will, in effect, inherit net liabilities of just over five times annual GDP.[48] The rise in tax revenue (or reduction in expenditure) needed to plug the gap would be around six per cent of GDP.

28. The 2011 UK Generational Accounts set out future contributions and withdrawals by age group. Without any changes in policy, children currently aged 0–4 would on average contribute around £70,000 more in taxes than they enjoyed in services and benefits. People currently aged 65–69 would on average have a net withdrawal of more than £220,000

44 Intergenerational Foundation (IGF0010)
45 Michael Johnson, Who will care for generation Y?, Centre for Policy Studies, 2015
46 Cardarelli / Sefton / Kotlikoff, Generational Accounting in the UK, NIESR, April 1999
47 Cardarelli / Sefton / Kotlikoff, Generational Accounting in the UK, NIESR, April 1999
48 McCarthy / Sefton / Weale, Generational Account for the United Kingdom, NIESR Discussion Paper No. 377, 15 March 2011, p.14. This figure comprises the £6.8 trillion present value of future net transfers (expenditures minus tax) to be paid by the government plus net government debt of £0.8 trillion.

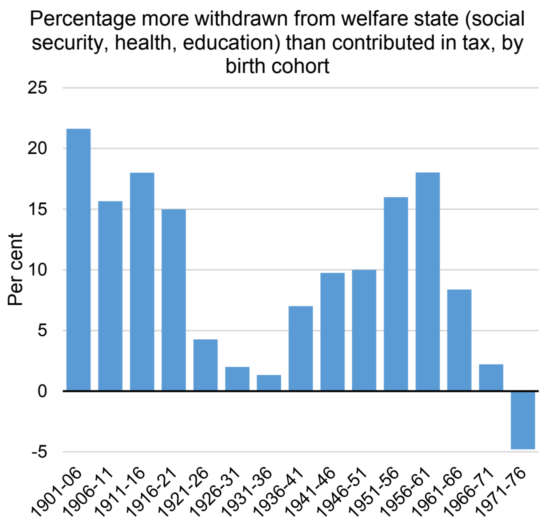
over the remainder of their lifetimes.[49] In order to achieve fiscal balance by the end of today's infants' lifetimes, as yet unborn people would each need to contribute an average of £160,000 in net terms.[50]

## *Fiscal balances over lifetimes*

29. Generational accounting only assesses the *future* profile of taxes and withdrawals for different generations over their remaining lifetimes. A complete life-cycle assessment would need to include past taxes paid and benefits received. The IFS argued that this would be "a more sensible tool for policy analysis".[51] The most prominent attempt to assess and compare the past and future contributions of different generations over the whole life course remains that published by Professor John Hills in 2004, based on 2001 calculations.[52] Professor Hills compared past and future tax contributions and expenditure on health, education and social security for each five-year birth cohort over the course of their lifetimes. His estimates are shown in Figure 9:

**Figure 9: Projected lifetime receipts from health, education and social security, and taxes paid towards them by cohort**

| | Cumulative receipts and payments, % of GDP | | | **Receipts as % of tax paid** |
|---|---|---|---|---|
| Born: | Receipts | Tax | Net gain | |
| 1901-06 | 9.0 | 7.4 | 1.6 | **122** |
| 1906-11 | 9.6 | 8.3 | 1.3 | **116** |
| 1911-16 | 10.8 | 9.1 | 1.7 | **118** |
| 1916-21 | 11.9 | 10.3 | 1.6 | **115** |
| 1921-26 | 12.2 | 11.7 | 0.5 | **104** |
| 1926-31 | 13.7 | 13.5 | 0.2 | **102** |
| 1931-36 | 15.3 | 15.1 | 0.2 | **101** |
| 1936-41 | 16.7 | 15.7 | 1.0 | **107** |
| 1941-46 | 18.0 | 16.4 | 1.6 | **110** |
| 1946-51 | 18.6 | 17.0 | 1.6 | **110** |
| 1951-56 | 20.5 | 17.8 | 2.8 | **116** |
| 1956-61 | 21.6 | 18.3 | 3.3 | **118** |
| 1961-66 | 19.4 | 17.9 | 1.5 | **108** |
| 1966-71 | 18.5 | 18.1 | 0.4 | **102** |
| 1971-76 | 17.9 | 18.8 | -0.9 | **95** |




Source, J Hills (2004), 'Distribution and redistribution', chapter in Inequality and the State. Calculations based on actual spending patterns to 2001 and projections from 2001 to 2051. Takes no account of post-2001 policy changes to the profile of tax and spend.

30. Professor Hills estimated that people born between 1951 and 1956 will receive in services 116 percent of what they contributed in tax, while people born between 1956 and 1961 will receive 118 per cent.[53] Lord Willetts used these data to argue that baby boomers "have received much more from the welfare state than they put in".[54] By contrast, the last

49 ibid, table 2 (page 15). Expressed in net present value terms at 2008 prices.

50 Ibid, tables 1 & 3 and page 14

51 Banks et al, What can we learn about pension reform from Generational Accounts for the UK?: Institute for Fiscal Studies Working Paper W99/16, Oct 1999

52 John Hills, 'Distribution and redistribution', chapter 8 in *Inequality and the State*, OUP 2004; analysis reproduced in John Hills, Good *Times Bad Times: The Welfare Myth of Them and Us*, Policy Press, 2015, ch. 13 fig 3.13.

53 David Willetts, The Pinch, 2010, p 162 - citing Hills, 'Distribution and Redistribution', p 199.

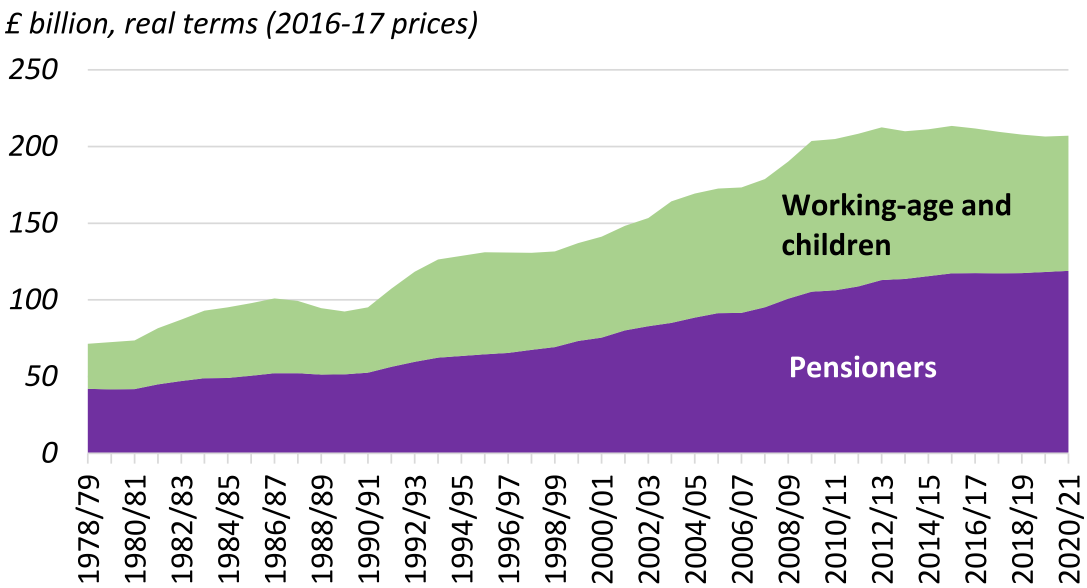
54 David Willetts/Resolution Foundation presentation, The pinch: How the baby boomers took their children's future – and why they should give it back, 10 Dec 2015

cohort Professor Hills analysed, those born between 1971 and 1976, were projected to be net contributors. This valuable research is now more than a decade old and does not take account of subsequent developments in the economy and government policy.

### *Benefit spending*

31. As has long been the case, the majority of social security spending in Great Britain is directed towards pensioners.[55] This in itself is not an indicator of intergenerational inequality in the distribution of government expenditure. In 2009–10, pensioners accounted for 52 per cent of total social security spending in Great Britain, rising to 55 per cent in 2016–17. This figure is projected to rise further, to 57 per cent by 2020–21, despite increases in the state pension age.

**Figure 10: Welfare expenditure (incl. state pension, benefits and tax credits), Great Britain**




Source: DWP Benefit expenditure and caseload tables 2016. Inflation adjusted using GDP deflator.

32. The relative decline in the non-pensioner share of expenditure is partly driven by increased rates of employment among working-age people. Policy choices have, however, also contributed. Measures affecting social security and tax credits announced since May 2010 are estimated to have saved a total of £22 billion a year by 2015–16. These include a cap on working age benefit indexation, and cuts to child benefit, housing benefit and Universal Credit. The ongoing effect of these measures, combined with the further £12 billion cuts to working age benefits legislated for in this Parliament, mean that total in-year savings are estimated to rise to £40 billion by 2020–21.[56] These savings are almost entirely derived from cuts to working-age entitlements while pensioner benefits have been protected.[57] Lord Willetts told us that per person by 2020, working-age benefits will be 9

55 See DWP Benefit Expenditure and Caseload Tables 2016, GB Welfare table. Northern Ireland has devolved powers over social security but benefit rules and rates operate according to a principle of parity with Great Britain.

56 Welfare savings 2010–11 to 2020–21, House of Commons Library briefing paper CBP7667

57 For example, Q74 [Ashley Seager]

per cent lower, child benefits 12 per cent lower and pensioner benefits per pensioner 19 per cent higher compared with pre-crisis levels.[58] We consider the state pension "triple lock" in the next chapter.

33. These savings do not include those from increases in the state pension age legislated for in the Pensions Acts 2011 and 2014. In 2014 the then Chancellor, George Osborne, described those changes as "bigger than any other saving I've made anywhere else in government".[59] Saga told us that, in total, they will reduce expenditure by £100 billion.[60] In annual terms, however, the savings are small relative to the cuts to working age benefits. For example, the state pension age increases in the Pensions Act 2011 will by 2020 save the DWP £4 billion per year (in 2011 prices) in spending and increase tax and national insurance receipts by £1 billion.[61] Furthermore, future increases to the state pension age will only affect today's working-age cohorts.

34. It is often argued that the focus on working-age welfare spending as a source of savings is at least in part motivated by political concerns about pensioners' higher propensity to vote. Ashley Seager, for example, told us:

> We think you only have to look at the adjustments that have happened since the financial crisis in terms of austerity, where benefits to those of working age and the young have been cut sharply but they have risen sharply for older generations—for the grey vote, if you like—and we think that should certainly stop, because it is progressively getting worse.[62]

Baroness Altmann, former Pensions Minister, among others cautioned that retired people are less able to increase their incomes in response to benefit reduction than working age people.[63]

35. After the substantial package of savings implemented in the last Parliament, it has proven increasingly difficult for the Government to make further cuts to working-age welfare. In late 2015 the Government scrapped plans announced in the 2015 Summer Budget to cut tax credits for working families in April 2016. This came after we urged a reconsideration of the proposal in light of the sudden and substantial reductions in income that they would have inflicted on large numbers of working families.[64] Proposed changes to Personal Independence Payment (PIP, a disability benefit) assessment criteria

58 Q7 [Lord Willetts]
59 BBC Andrew Marr Show 30 November 2014, cited by Age UK (IGF0044)
60 Saga (IGF0069). Based on: £30.6 billion total net reduction in DWP spend (2011–12 prices) over the period 2016–2026, sourced from DWP Pensions Act 2011 impact assessment Annex A: State Pension Age (updated 21 November 2011), page 8, table 3; and £73.5 billion total net reduction in DWP spend (in 2013–14 prices) over the period 2026–2036, sourced from DWP Pensions Act 2014 impact assessment Annex B: Long term State Pension sustainability: increasing the State Pension age to 67, page 9 table 2
61 DWP Pensions Act 2011 impact assessment Annex A: State Pension Age (updated 21 November 2011), page 8, tables 3 and 4
62 Q100 [Ashley Seager]
63 Baroness Altmann's oral evidence to the Committee on 19 October 2016, Q3264. See also Institute of Economic Affairs (IGF0031).
64 Work and Pensions Committee, Third Report of Session 2015–16, A reconsideration of tax credit cuts, HC 548

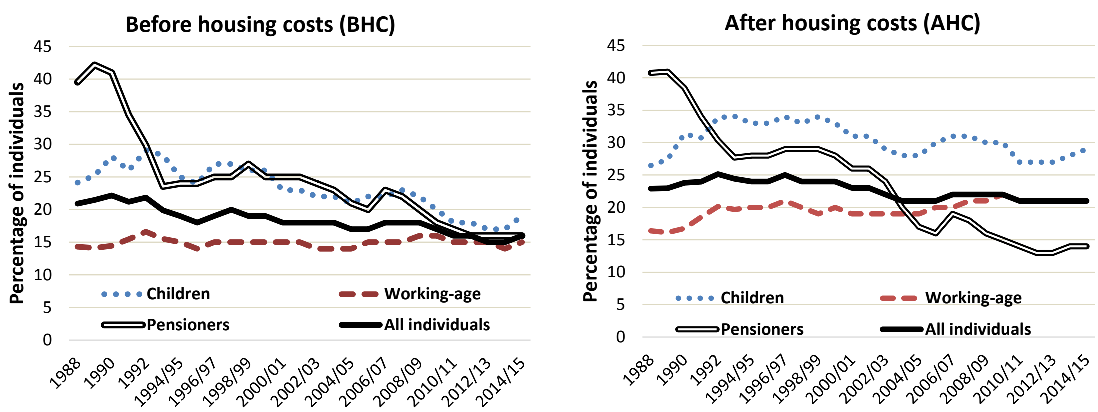
in relation to aids and appliances were also reversed in March 2016, just days after they were announced.[65] The Government subsequently declared that there would be no further welfare savings measures in this Parliament beyond those already legislated for.[66]

36. **More work is required to assess the intergenerational distribution of tax contributions and public spending on services and benefits. What research exists suggests that today's young will be net contributors to the welfare state, while the baby boomer generation will be net beneficiaries. The effect is likely to have been exacerbated by policy decisions to protect pensioner benefits while targeting welfare cuts on working age payments. The limits of that approach have been reached. If further measures are needed to ensure the fiscal sustainability of welfare spending in the medium to long term then pensioner expenditure should not remain out of bounds.**

## Incomes and poverty

37. The UK had a crisis of pensioner poverty. By the end of the 1980s, pensioners were around twice as likely as the population as a whole to live in relative poverty—over two-fifths lived in households with incomes 60 per cent below the median. Figure 11 shows the remarkable turnaround in the quarter-century since then. *Before* housing costs are taken into account, pensioners are now no more likely to be living in relative poverty than the population as a whole. *After* housing costs are taken into account, the percentage of pensioners living in relative poverty (14 per cent) is substantially lower than working-age adults (21 per cent) and children (29 per cent).

**Figure 11: Percentage of individuals in relative low income (below 60% of contemporary median net income)**




Source: DWP Households Below Average Income (HBAI) 2014 15

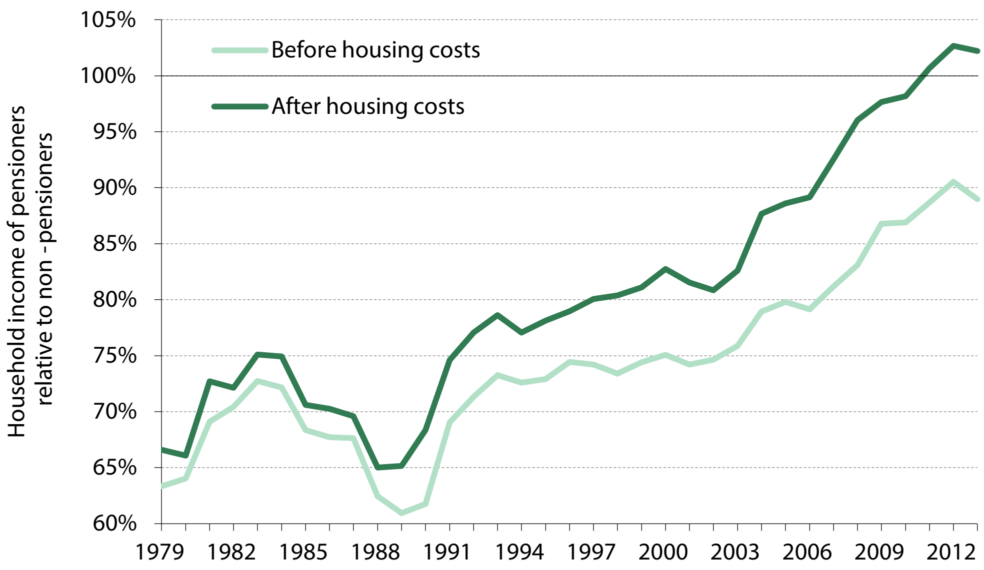
38. The last quarter-century has also seen a vast improvement in average pensioner incomes relative to non-pensioners (see Figure 12). After housing costs are deducted and adjusting for household composition, median pensioners household net incomes are now estimated to be just above the working-age average, having been below 70 per

65 Letter from the Prime Minister to Rt Hon Iain Duncan Smith MP, 18 March 2016
66 Secretary of State for Work and Pensions statement on not going ahead with changes to Personal Independence Payment, HC Deb 21 Mar 2016 col 1268

cent of the working-age median in the late 1980s. Shiv Malik, a journalist specialising in intergenerational issues, noted “pensioners take home more from not working as people who do work, which is an astounding proposition.”[67]

39. Increases in pensioner income have been driven mainly by real increases in the value of their benefits and state pensions, higher incomes from private pensions, and increased employment rates. The rate of ‘catch-up’ was particularly fast during periods of recession, as the negative impact on earnings was mainly felt by working-age households.[68]

**Figure 12: Median equivalised household income of pensioners relative to non-pensioners since 1979 (GB)**




Source: IFS (Belfield et al) Living Standards, Poverty and Inequality in the UK: 2015, fig 3.6

Shiv Malik described the relative rise of pensioner incomes as “the greatest mitigation of poverty since the creation of the middle classes in the developed world”.[69] This is, of course, to be celebrated. Mr Malik cautioned, however, that “if it is coming at the cost of the next generation then we have problems”, particularly as economic and welfare systems tended to be built on the implicit premise that the next generation would be better off than the last.[70]

40. Reductions in incomes associated with the 2008–09 recession have been felt particularly acutely by the ‘millennials’, who constitute the youngest segment of the workforce. IFS analysis shows that in 2014–15 the real median income of the 22 to 30 age group was still 7 per cent below its 2007–08 level whereas for 31 to 59 year olds the median income had recovered to its pre-recession peak and for those aged 60 and over incomes were 11 per cent higher in real-terms.[71] The IFS also found that average incomes of those born in the early 1980s are slightly lower than those of the 1970s cohort at the same age - the first time for at least 50 years that a cohort has begun their working-age

67 Q252 [Shiv Malik]
68 IFS, Living standards, poverty and inequality in the UK: 2016, pp 14 and 21
69 Q237 [Shiv Malik]
70 Q237 [Shiv Malik]
71 IFS, Living standards, poverty and inequality in the UK: 2016, pp 3 and 12. See also Resolution Foundation, Stagnation Generation, 2016, pp 10–11

lives with average incomes no higher than those of their predecessors.[72] The Resolution Foundation found that millennials are "the first generation that has so far earned less than the one before at every age" and that if productivity growth remains low, "millennials are at risk of becoming the first ever generation to record lower lifetime earnings than their predecessors".[73] Even optimistic assumptions suggest that "millennials will record much lower generational pay progress than their predecessor generations did".[74]

41. **Great strides against the scourge of pensioner poverty have been made over the past 25 years. After housing costs, pensioner households are far less likely to be in poverty than households of working age, particularly those with children. Pensioner incomes have also rapidly caught up those of other households. This is a triumph. This success, however, has implications for policy. This is particularly true at a time when people in their 20s and 30s may struggle to attain—never mind exceed—the incomes of their forebears.**

42. **The economy has become skewed in favour of baby boomers and against millennials. Unless governments adapt to these changed circumstances the intergenerational contract that underpins the welfare state is under threat.**

72 IFS, The Economic Circumstances of Different Generations: The Latest Picture, Briefing Note BN187, Sep 2016, p6. There is some contradictory evidence - ONS data shows that median equivalised disposable income in households in which the chief economic supporter is aged 20–29 was 34% higher in real terms in 2014–15 than in 1994–95. However, the same measure rose by 63% for the 60+ age group. See ONS Bespoke analysis of Effects of Taxes and Benefits on Household Income, 10 October 2016.

73 Resolution Foundation, Stagnation Generation, 2016, pp 10–11

74 Resolution Foundation, Stagnation Generation, 2016, pp 5–6

# 3 The state pension triple lock

## State pension uprating policy and its effects

43. The 'triple lock' or 'triple guarantee' was announced by the Coalition Government in the June 2010 Budget[75] and implemented in 2012. It uprates the basic state pension (BSP) annually by the highest of:

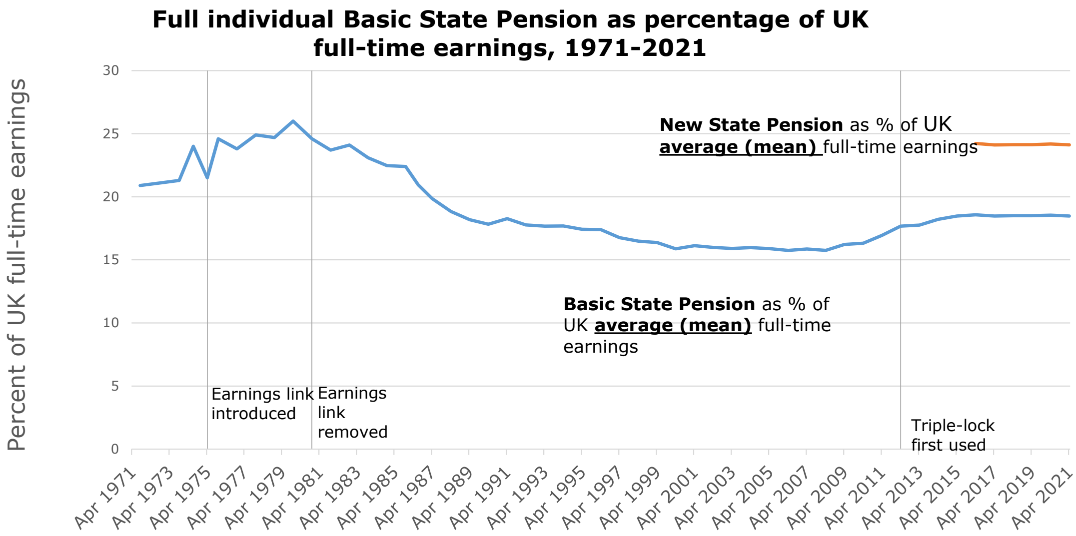
- price inflation, measured by the Consumer Price Index (CPI);
- average earnings growth; or
- 2.5 per cent. [76]

The triple lock also applies to the new state pension (NSP), which was introduced for people reaching state pension age from 6 April 2016.[77] The Government confirmed its commitment to retaining the triple lock until 2020 in the June 2015 Budget.[78]

44. An earlier statutory link between the BSP and earnings was removed by the Social Security Act 1980.[79] It was restored by the Pensions Act 2007 and came into effect in 2010.[80] This followed the 2005 Pensions Commission recommendation that restoration of the link was required to "stop the spread of means testing which would occur if present indexation arrangements were continued indefinitely". Means testing undermined incentives to save privately and therefore the prospect of people saving adequately for retirement.[81] In the interim period, the BSP was uprated in line with the Retail Prices Index (RPI), a further measure of price inflation. This indexation was supplemented in 2001 by a minimum annual increase of 2.5 per cent.[82] This followed controversy over a 75p increase in the weekly pension prompted by low inflation in 1999.[83]

75 HC Deb 22 June 2010, vol 512 cols 166–80 [Budget statement]
76 In the legacy state pension system (which applies to those who reached state pension age before 6 April 2016), the triple lock only applies to the Basic pension while the additional State Pension (SERPS/S2P) is raised in line with CPI inflation.
77 HL Deb 28 April 2016 col 1235 [Lords Chamber]
78 HM Treasury, Summer Budget 2015, 8 July 2015, HC (2015–16) 264;
79 Social Security Act 1980, section 1 amended section 125 of the Social Security Act 1975 to link long-term benefit increases to prices, not earnings.
80 Social Security Administration Act 1992, s150A - inserted by Pensions Act 2007 s5(1), which restored the earnings link, and amended by Pensions Act 2014 which introduced the new State Pension.
81 Pensions Commission, A New Pension Settlement for the Twenty-First Century, Second Report, November 2005, Executive summary, page 10–12.
82 HC Deb 27 November 2001, cols 836–7 [Pre-Budget Report statement]
83 State Pension Uprating, House of Commons Library Briefing Paper SN-05649, 31 Aug 2016, para 2.1

**Figure 13: Trends in the state pension compared to earnings**




Source: Work and Pensions Committee calculations based on ONS AnnualSurvey of Hours and Earnings / New Earnings Survey, DWP Annual Abstract of Statistics, OBR Economic and Fiscal Outlook

45. Figure 13 shows trends in the BSP and NSP relative to average earnings. As prices tend to rise more slowly than earnings, the value of the BSP declined relative to average earnings during the period of price indexation. The BSP was 26 per cent of mean full-time earnings in 1979, falling to 16 per cent in the period 2000–2008.

46. A combination of economic factors and policy changes in recent years have resulted in the state pension making up much of the ground it had lost relative to earnings during the 1980s and 1990s. Historically, earnings growth has tended to exceed both inflation and 2.5 per cent. This was not, however, the case in the aftermath of the 2008 financial crisis. Exceptional economic circumstances resulted in the BSP increasing relative to average earnings at a rate that would not have been anticipated when either uprating regime was instigated. Steve Webb described the rapid growth in the state pension relative to earnings as a "windfall", as his concern as Pensions Minister had been that such progress would be "glacial".[84] RPI exceeded average earnings for the purposes of state pension uprating in 2008–09, 2009–10 and 2011–12. In the intervening year, the Government applied a discretionary increase of 2.5 per cent,[85] which exceed average earning growth and both measures of inflation. With the triple lock then in place, the BSP increased by more than average earnings in each year from 2012–13 to 2015–16 as either CPI inflation or 2.5 per cent exceeded earnings growth (figure 14). As a consequence of these combined increases the BSP is expected to be 18.6 per cent of average full-time earnings in 2016–17, a level not seen since the 1980s.

47. The full rate of the NSP is currently £155.65, substantially higher than the BSP at approximately 24 per cent of average full-time weekly earnings.[86] This percentage is near the peak of the BSP's value relative to average earnings (26 per cent in 1979). Under the triple lock, the NSP will still be worth at least 24 per cent of average full-time earnings by

84 Q4 [Steve Webb]
85 This discretionary increase was announced in the 2009 Pre-Budget Report (HC Deb 9 Dec 2009 col 362).
86 Based on average full-time weekly earnings of £627.40 as at April 2015 (source ONS Annual Survey of Hours and Earnings 2015 provisional results table 1), increased in line with average earnings growth of 2.4% in 2015/16 as forecast by OBR (March 2016 Economic and Fiscal Outlook)

the end of this Parliament (see figure 13). In time, the vast majority of new pensioners—between 80 and 90 per cent—will receive the full rate of NSP, which will place their incomes above the threshold for the means tested Pension Credit guarantee (currently £155.60).[87] When asked whether the state pension is still too low, Baroness Altmann told us it:

> is now recovering to a level that is decent and the new state pension on top of this will provide a good base for people to make their own private provision on top. That is the purpose of the policy.[88]

Now the former Pensions Minister, she argued recently that "the triple lock will have fulfilled its purpose by 2020".[89]

48. **The triple lock, allied to the introduction of the flat rate new state pension, has succeeded in increasing the value of the headline state pension relative to average earnings to a level not seen since the original earnings link was removed in 1980. Low rates of earnings growth following the 2008–09 recession mean this process has occurred faster than was expected. Provided the new state pension is maintained at this proportion of earnings the work of the triple lock, to secure a decent minimum income for people in retirement to underpin private saving, will have been achieved.**

## Sustainability of the triple lock

### *The ratchet effect*

49. As the state pension rises each year by the highest of three factors, it is structurally more generous than its individual components. It sets the state pension on a permanently divergent upward trajectory relative to both earnings and prices. Lord Willetts described this as a ratchet effect:

> It really is a ratchet, where regardless of the state of the economy, regardless of what is happening to other groups' earnings and incomes, the pension just rises substantially.

50. The charts below show the effect of the triple lock since it was first applied in respect of 2012–13 state pension rates. The BSP was uprated in line with CPI in 2012–13 and 2014–15, earnings growth in 2016–17 and the 2.5 per cent minimum in 2013–14 and 2015–16 (figure 14).

87 New State Pension: impact on an individual's pension entitlement – longer term effects, DWP ad hoc research, 14 January 2016, p 16

88 Q295

89 "Triple lock for state pensions could move to a double lock", Baroness Altmann, pensionsandsavings.com blog, 30 July 2016

**Figure 14: Indexation factors applicable to fiscal years 2012–13 to 2021–22**

| | 2.5 per cent | Consumer Prices Index (a) | Earnings growth (b) | **Triple lock - Basic & New State Pension uprated by:** |
|---|---|---|---|---|
| | % | % | % | % |
| 2012-13 | 2.5 | **5.2** | 2.8 | **5.2** |
| 2013-14 | **2.5** | 2.2 | 1.6 | **2.5** |
| 2014-15 | 2.5 | **2.7** | 1.2 | **2.7** |
| 2015-16 | **2.5** | 1.2 | 0.6 | **2.5** |
| 2016-17 | 2.5 | -0.1 | **2.9** | **2.9** |
| 2017-18 (c) | **2.5** | 0.6 | 2.4 | **2.5** |
| 2018-19 | 2.5 | 1.6 | **3.6** | **3.6** |
| 2019-20 | 2.5 | 2.1 | **3.5** | **3.5** |
| 2020-21 | 2.5 | 2.0 | **3.5** | **3.5** |

Indexation factors that apply to State Pension rates in each financial year:

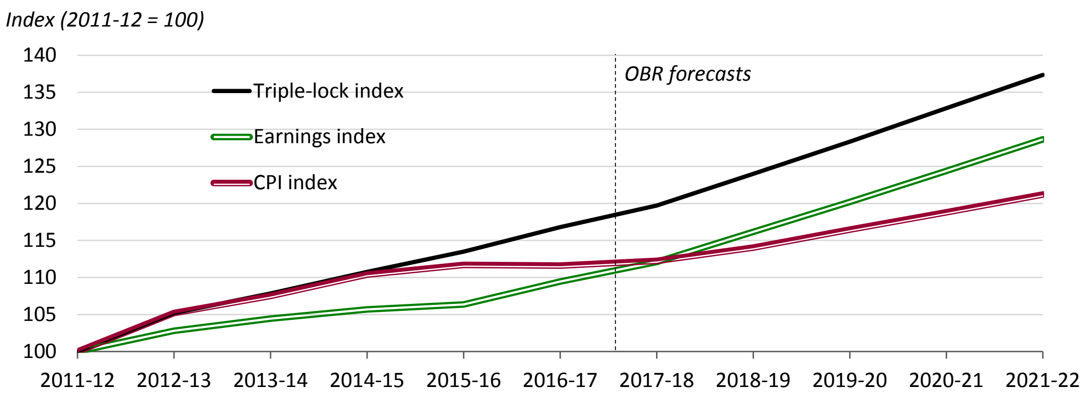
(a) CPI inflation (annual growth) in September of preceding year

(b) Average Weekly Earnings (AWE) index - annual growth in total pay (3-month average) as at July of previous year (ONS series KAC3)

(c) 2017–18 onwards are OBR forecasts (Economic and Fiscal Outlook March 2016)

On current forecasts, the triple lock will result in the basic state pension being worth nearly seven per cent more than it would have been under a simple earnings link by the end of this Parliament (figure 15). It will be worth nearly 4 per cent more than if the previous system of RPI indexation had applied over the period.

**Figure 15: Indexation trajectories for basic state pension from 2011–12 onwards**




Work and Pensions Committee analysis; indexation factors from same sources as figure 14

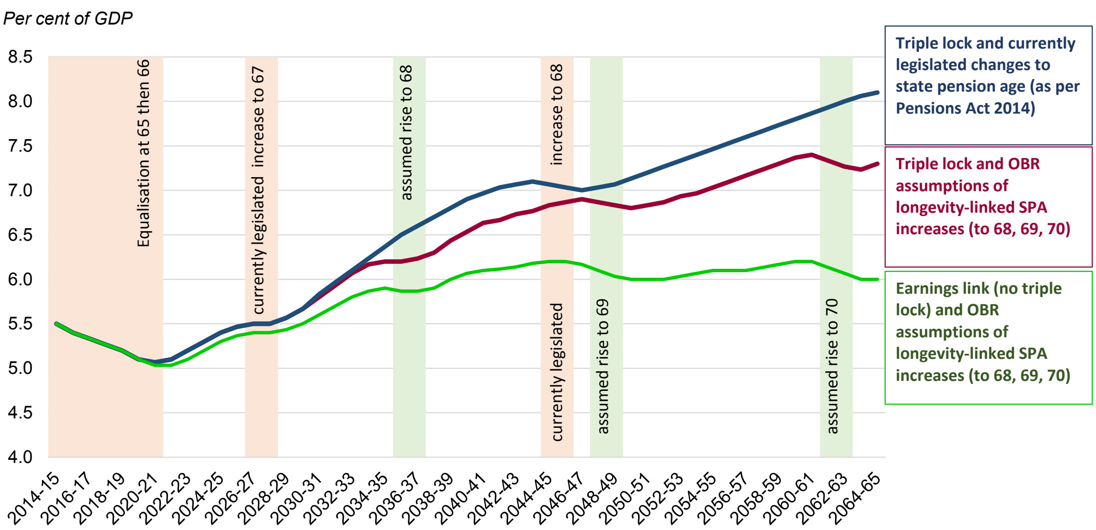
51. Reform, a think tank, estimated that the triple lock will in 2016 result in annual state pension expenditure £4.5 billion higher than it would have been had a simple earnings link been in place.[90] This gap can only grow. The most recent OBR projection of the long-term impact of the triple lock on state pension expenditure was contained in its 2015 Fiscal Sustainability Report. Given that in some years earnings growth is expected to fall below the rate of price inflation or the 2.5 per cent minimum, the OBR estimated that the

90 William Mosseri-Marlio, "Cost of the triple lock is set to surpass £20 billion", Reform, 28 October 2016

triple lock delivers an average annual increase of 4.9 per cent in the long term. That is 0.39 percentage points higher than average annual earnings growth (4.5 per cent) and 2.89 percentage points higher than CPI inflation (assumed in the long term to be 2.0 per cent in line with the Bank of England's target).[91] Based on this assumption, the OBR estimated that:

- the annual cost of the triple lock relative to earnings uprating will be an additional 1.3 per cent of GDP by 2064–65 (the gap between red and green lines in figure 16);
- if the state pension were just earnings-linked rather than triple-locked, spending on this would be kept within a range of 6—6.25 per cent of GDP, thanks also to planned increases in the state pension age; and
- on the current legislated state pension age timetable, i.e. without further longevity-linked increases in the state pension age, state pension expenditure would rise to 8 per cent of GDP by the mid-2060s.[92]

**Figure 16: OBR projections of state pension expenditure, % of GDP**




Source: based on OBR Fiscal Sustainability Report June 2015 chart 3.7

52. The long-term effect of the triple lock ratchet on state pension expenditure was the backdrop for many commentators calling for its abandonment. The IEA said it had "little economic justification" and created "an ever-inflating cost dynamic for the state pension".[93] Philip Booth added "it is crazy to have a system by which the pension rises by the greater of three different figures and it just leads to a totally arbitrary level of the state pension".[94] Baroness Altmann argued that the 2.5 per cent minimum annual increase

91 OBR Fiscal Sustainability Report June 2015, table 3.4, p 63. The 2016 FSR publication has been cancelled in the wake of the EU Referendum.
92 OBR Fiscal Sustainability Report June 2015 pp 72–73
93 Institute of Economic Affairs (IGF0031)
94 Q231 [Philip Booth]

was "arbitrary" and had "no specific relationship to society or the economy".[95] The IFS concurred, noting it applied "regardless of changes in meaningful economic variables like earnings and prices".[96] Its Director, Paul Johnson, said the triple lock:

> adds £15bn to costs by 2050 relative to earnings indexation; introduces an element of pure randomness into the pension level [and] makes no sense as a policy.[97]

The IFS summarised that the triple lock is not sustainable indefinitely and that "there is no plausible objective to which the triple-lock is the best solution".[98]

53. The Intergenerational Foundation argued against the triple lock on grounds of intergenerational fairness:

> From an equity standpoint, it makes sense to uprate the BSP in line with either inflation (to maintain its purchasing power) or earnings (so that it increases at the same rate as the working population's capacity to pay for it), but increasing it by more than either of these measures is unfair, especially at a time when many working-age benefits have been either frozen or indexed by less than the value of inflation.[99]

Professor James Sefton added that the triple lock prevents "intergenerational risk sharing" in the event of shocks to the economy.[100] It shares increased prosperity but concentrates the costs of an economic crisis on younger groups.

54. **The triple lock is inherently unsustainable. In the absence of reform the state pension would inevitably grow at a faster rate than the rewards of work and would account for an ever-greater share of national income. In particular, we find no objective justification for the 2.5 per cent minimum increase.**

### *State pension age increases*

55. As was demonstrated by OBR analysis, if the triple lock is to be maintained then the long-run sustainability of state pension expenditure will be dependent on further increases in the state pension age. The state pension age for men and women is currently scheduled to rise to 67 by 2028 (affecting those currently aged 38–54) and to 68 by 2046 (affecting those currently aged under 38). The Pensions Act 2014 provides for periodic longevity-based reviews of the state pension age.[101] The first such review, led by John Cridland, will report in early 2017. The 'guiding principle' of these reviews is to maintain the proportion of adult life spent in receipt of a state pension at no more than a third. This means that, on the basis of current projections, "the increase in the state pension age to 68 is likely to come forward from the current date of 2046 to the mid-2030s, and that the state pension

95 Baroness Altmann, Triple lock for state pensions could move to a double lock, pensionsandsavings.com blog, published 30 July 2016; "Government to keep the triple lock on state pension until 2020," Financial Times, 31 July 2016
96 Institute for Fiscal Studies (IGF0023)
97 "Pension policy – where have we been, where are we going?" Presentation by Paul Johnson, Institute for Fiscal Studies, 20 October 2015
98 Institute for Fiscal Studies (IGF0023)
99 Intergenerational Foundation (IGF0010)
100 Qq 2 6, 272 [James Sefton]
101 Pensions Act 2014, section 27

age is likely to increase further to 69 by the late 2040s".[102] Even with SPA increases along these lines, however, the OBR projects that expenditure on the triple-locked state pension will continue to rise markedly as a share of GDP.[103]

56. Steve Webb, who introduced the triple lock as Pensions Minister, defended its long-term viability by arguing that it should be viewed not in isolation but as part of a package of structural changes to the state pension system. The new state pension, he said, acted to "strip out long-term cost pressures from the system."[104] The new state pension is contributory but people cannot accumulate more entitlement than the full flat rate for which 35 qualifying years of national insurance contributions or credits are required. Someone who leaves school at 18 may have a working life of 50 years or more, but further contributions will not result in higher pensions. Steve Webb acknowledged, "today's teenagers will be lucky to get a pension before they reach the age of 70".[105] In summary, he described his state pension policy as "we will not pay you a pension until a much later age [ … ] but when you get it, it will be worth having".[106]

57. Age UK similarly defended the triple lock as being of long-term benefit to today's younger generations:

> During retirement, most other parts of income such as private pensions and annuity income, are likely to fall in real terms. The triple lock will ensure that at least one element of retirement income maintains its value over time.[107]

The Pensions Policy Institute noted that the triple lock greatly increases the probability of today's younger workers achieving income replacement ratios in retirement that adequately maintain their living standards.[108]

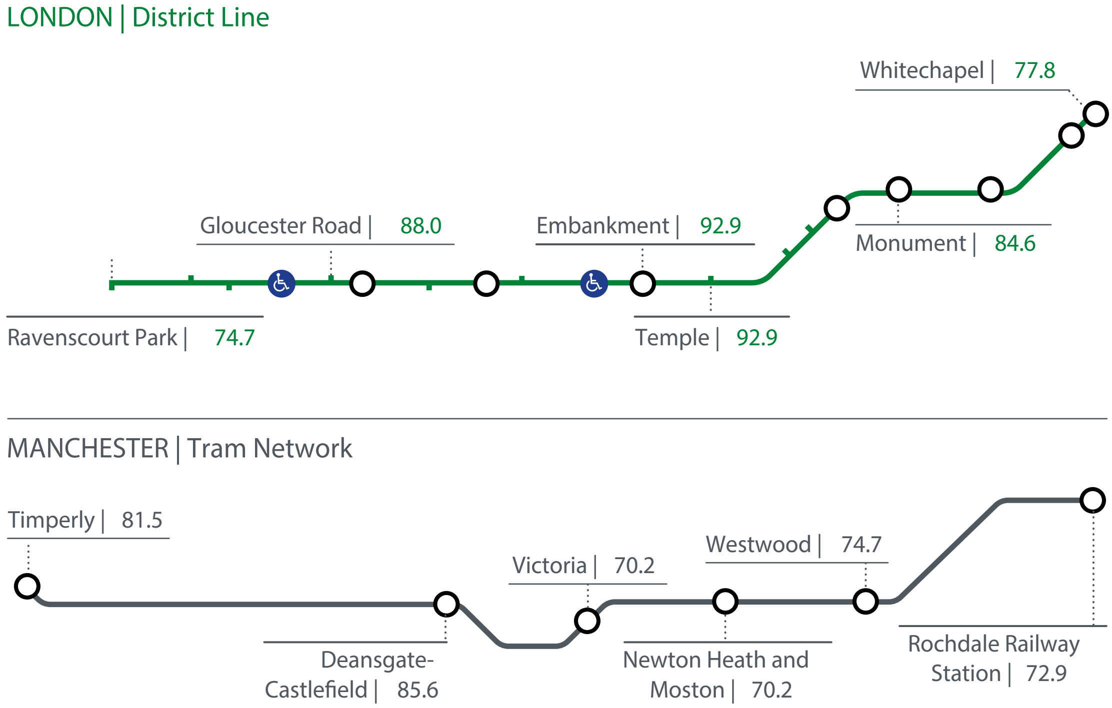
58. We heard concerns, however, that the trade-off of an ever higher state pension age to compensate for generous uprating disadvantaged certain groups. Baroness Altmann said:

> Many low earners, people in heavy industrial jobs, those living in particular areas of the country have much lower life expectancy than average. These significant variations in life expectancy mean that continually increasing state pension age will further disadvantage particular groups of society.[109]

In its interim report, the state pension age review considered some of these points. It found significant geographical differences in life expectancy. For example, life expectancy at birth in Greater London is 2.6 years higher for women and 2.4 years higher for men than in Greater Manchester. There are, however, even wider differentials between local areas within those urban areas, as shown in figure 17, which is based on transport networks:[110]

102 HM Treasury, Autumn Statement 2013, Cm 8747, December 2013, paras 1.119–1.125; see also Autumn Statement announcement on a core principle underpinning future State Pension age rises: DWP background note December 2013
103 OBR Fiscal Sustainability Report June 2015, para 3.56 and chart 3.7
104 Steve Webb, "Yes, pensioners have never had it so good – but they still deserve the 'triple lock'", Telegraph, 22 Oct 2015. See also Work and Pensions Committee, Eighth Report of Session 2015–16, Communication of the new State Pension, HC 926, para 29
105 As above
106 Q5 [Steve Webb]
107 Age UK (IGF0044)
108 Pensions Policy Institute (IGF0055)
109 Baroness Altmann, "Triple lock for state pensions could move to a double lock," pensionsandsavings.com blog, 30 July 2016
110 Independent Review of the State Pension Age: interim report, 13 October 2016, p 57

**Figure 17: Resident male life expectancy at birth by public transport stops**




Source: Independent review of the state pension age: Interim report, October 2016

59. The state pension age review also found significant differences in life expectancy by local deprivation levels and socio-economic group. For example, life expectancy at birth was 5.9 years higher for men and 4.4 years higher for women in the managerial and professional classification than for those in routine occupations.[111] People living in deprived areas or in lower socio-economic groups tend to spend far fewer years in retirement than their affluent peers and are less likely to be healthy in that retirement.[112] People who leave school in their teens may well also contribute more years of work than their university-educated peers for no higher new state pension. The review has invited responses on whether the state pension age is the appropriate mechanism for ensuring the fiscal sustainability of the state pension.[113]

60. **There is, to some extent, a trade-off between the uprating of the state pension and the state pension age. 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. We do not doubt that further increases in the state pension age will be required as welcome increases in life expectancy continue. They should not,**

111 Independent review of the State Pension age: interim report, 13 October 2016, pp 58–60. Figures related to England and Wales.
112 Independent review of the State Pension age: interim report, 13 October 2016, pp 61–66
113 Independent review of the State Pension age: interim report, 13 October 2016, p 93

**however, be the sole means of ensuring the long-term affordability of the state pension. We welcome the wide-ranging approach the ongoing review of the state pension age has taken to its work.**

## Alternatives to the triple lock

### *Removing one of the elements of the triple lock*

61. The IEA argued that a return to price-indexation of the state pension would be "particularly helpful" to achieving fiscal sustainability.[114] Saga identified the earnings component of the triple lock as "potentially problematic" on the grounds that "should earnings shoot up in future the triple-lock will prove unsustainable". It suggested that the triple lock could be replaced by a link to a pensioner-specific price index, underpinned by a 2.5 per cent minimum increase.[115]

62. We heard however that an earnings link was important not only to enable state pensioners to share in rising prosperity, but to incentivise private saving. The full rate of the NSP is currently set just above the level of the means tested Pension Credit standard income guarantee, which is itself subject to statutory earnings uprating.[116] In announcing the NSP in 2013, the then Government said it would "simplify the state pension and better support saving for retirement".[117] The DWP estimates that by 2030 the NSP system will reduce eligibility for Pension Credit guarantee credit by nearly a third for new pensioners compared with the legacy system.[118] If the new state pension were to lag behind earnings, it would soon fall below guarantee credit level, making increasing numbers eligible for a means tested top-up. This would erode the incentive for additional pension saving, undermining the central purpose of the reform.[119] In our Report on pensions automatic enrolment we concluded that the Government should consider means of promoting further private saving to ensure more people had adequate incomes for retirement.[120]

63. Baroness Altmann argued for the abandonment of the "arbitrary" 2.5 per cent minimum increase from 2020, making the triple lock a "double lock" with the state pension being increased by the higher of prices and earnings growth in any given year. This, she argued, would protect pensioner incomes while delivering "billions of pounds lower long-term pension costs". She added that governments could still opt to apply a higher discretionary increase in an individual year if circumstances dictated.[121]

64. Andrew Hood of the IFS cautioned, however, that a double locked pension would still tend to account for an ever great share of national income:

> If you took the 2.5% out of the triple lock and said the state pension will rise with the higher prices and earnings, you still have the problem that over the long run it would rise faster than both. During the recession it would

114 Institute of Economic Affairs (IGF0031)
115 Saga (IGF0069)
116 Social Security Administration Act 1992 section 150, as amended by Pensions Act 2007 section 5
117 Department for Work and Pensions, 2013, The single-tier pension: A simple foundation for saving, CM 8528
118 New State Pension: impact on an individual's pension entitlement – longer term effects, DWP ad hoc research, 14 January 2016, figure 12, page 26
119 TUC (IGF0042), para 5.4
120 Work and Pensions Committee, Eleventh Report of Session 2015–16, Automatic enrolment, HC 579
121 Baroness Altmann, "Triple lock for state pensions could move to a double lock," pensionsandsavings.com blog, 30 July 2016; "Government to keep the triple lock on state pension until 2020", Financial Times, 31 July 2016

> have risen in line with prices, therefore becoming a higher share of average earnings, and then because it goes up in line with average earnings after that, that has now got baked in, it has got locked in.

### *Smoothed earnings link*

65. The IFS suggested an alternative system which would ensure that growth in the state pension:

- did not fall behind earnings (as it would with price indexation);
- protected pensioners from real cuts to income in periods when real earnings fall (as would occur with straightforward earnings indexation); and
- did not exceed growth in earnings in the long-term.

That combination of policy objectives could be achieved by linking the state pension to a fixed minimum proportion of average earnings, a system in operation in Australia. The state pension would be uprated with earnings, but with temporary price-indexation when inflation exceeded wage growth. Price indexation would continue once earnings growth again exceeded inflation, but only for as long as the value of the state pension remained above the original fixed minimum proportion of average earnings. Indexation would then revert to earnings.[122] Pensioners would not be hit with real falls in income, but the state pension would not rise ever higher relative to earnings. Andrew Hood of the IFS told us, therefore, that "you can have your cake and eat it".[123]

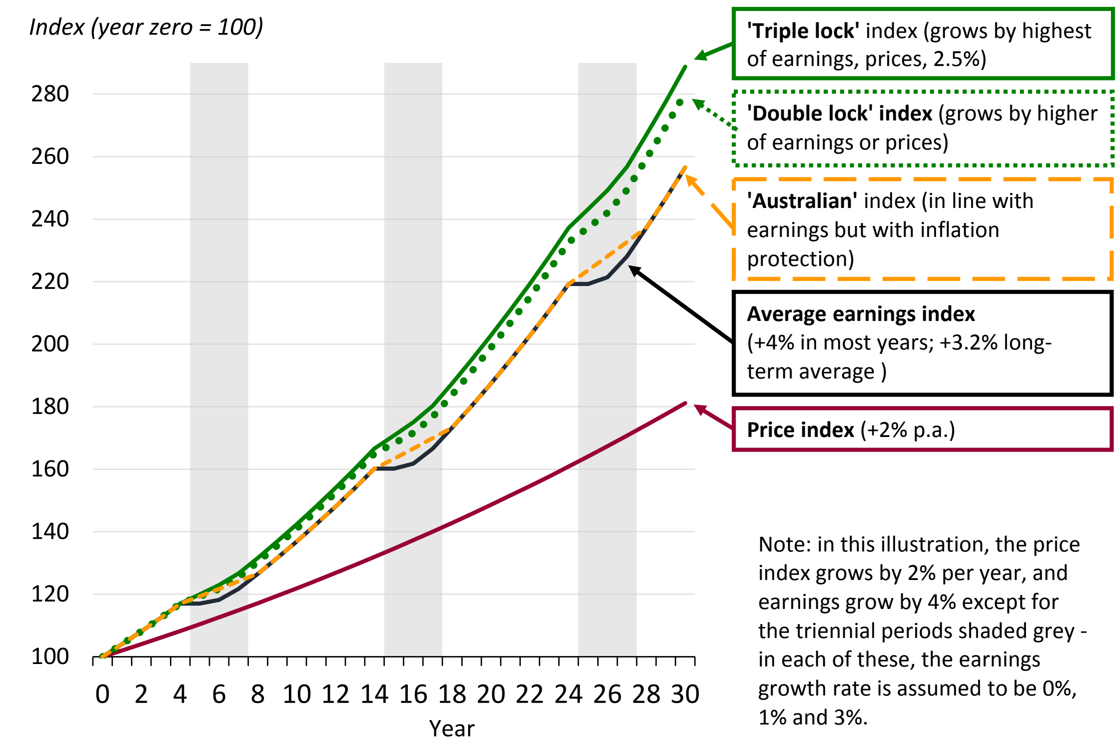
66. Figure 18 illustrates how an 'Australian-style' smoothed earnings uprating mechanism might work compared to other indexation methodologies. It shows a notional 30-year period during which average earnings grow twice as fast as prices in most years but each decade is punctuated by a brief period of below-inflation earnings growth, as might occur in a recession. The double lock is slightly less generous than the triple lock in the long run, as there is no fixed minimum increase of 2.5 per cent. While offering transitional protection during the recession periods, an Australian-style uprating system is less generous still, tracking earnings growth in the long run. In doing so, it would avoid the structurally higher long-term costs associated with a triple lock or double lock.[124]

122 Pension policy – where have we been, where are we going?, IFS presentation, 20 Oct 2015; see also Pensions and living standards and the public debate, IFS, 22 Oct 2015

123 Q287 [Andrew Hood]

124 The Australian Age Pension differs from the UK State Pension in that it is means tested and eligibility is based on years of residence rather than contribution record. The Age Pension for a couple is currently benchmarked at 41.76 per cent of male total average weekly earnings whereas the single person rate is 66.3 per cent of the couple rate (27.7 per cent of average male earnings). Source: Australian Dept of Social Services and Australian Parliamentary Library Research Papers Pension indexation: a brief history (April 2014)

**Figure 18: Illustration of different indexation trajectories over 30 years**




67. **The triple lock should not continue beyond 2020. By then, the value of the new state pension relative to average earnings will be close to the historic high for the headline state pension rate. If maintained, the arbitrary boost the triple lock gives to the state pension relative to both earnings and prices will become ever harder to justify both in fiscal terms and from the perspective of intergenerational fairness. We urge political consensus before the next general election on a new earnings link for the state pension.**

68. ***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.***

# 4 Universal pensioner benefits

69. 'Universal' benefits are available to a whole section of the population as of right, without the imposition of a means test, national insurance contribution requirements or other restrictive criteria. Universality has largely disappeared from working age benefits. As part of the welfare reforms in the last Parliament, child benefit, which was the main universal cash benefit available to all families with dependent children, became subject to a high-income tax charge. [125] Pensioners, however, continue to benefit from a range of cash and in-kind universal benefits:

- Cash benefits:
  - Winter Fuel Payment (DWP; introduced in 1997); and
  - £10 Christmas bonus (DWP; introduced in 1972).[126]
- Non-cash benefits (benefits-in-kind):
  - free TV licences for those aged 75 and over (introduced in 2000, subsidy financed by DWP);
  - free prescriptions and eye tests for those aged 60 and over in England (Department of Health);[127] and
  - a statutory concessionary travel scheme providing free off-peak bus travel in England to people aged above the female state pension age (since 2006, Department for Transport).[128]

70. Free TV licenses for people aged 75 and over will cost the DWP £630 million this year—0.3 per cent of total welfare spending in Great Britain, and 0.6 per cent of DWP spend on pensioners. However, as part of the BBC's latest funding settlement, this cost will begin to be passed from the DWP to the BBC from 2018–19, with the BBC taking on full responsibility in 2020–21. This leaves the Winter Fuel Payment as the main universal benefit that the DWP provides.

## Political considerations

71. Lord Willetts and Steve Webb told us of the particular sensitivities around any proposal to reform pensioner entitlements, even in respect of relatively minor elements such as the 25p-a-week state pension addition for those aged 80 and over.[129] Steve Webb said:

> I did want to get rid of the 25p addition, because I used to get letters every week saying how absurd it was. I had two options. One was to level up and put another 25p on the under-80s pension, and the answer was, "We have

125 Local Government Association (IGF0039)

126 HC Deb 14 November 1972 vol 846 c53W [Retirement Pensioner (Bonus)]. The Christmas Bonus is effectively universal for pensioners as it payable to all State Pensions and recipients of Pension Credit guarantee credit.

127 Prescriptions are free of charge to everyone in Scotland, Wales and Northern Ireland. Free eye examinations are available to UK citizens of all ages in Scotland.

128 Concessionary bus fares, House of Commons Library briefing paper SN01499

129 Qq 36- 8

> no money. We are trying to save billions over here" and the other was to abolish it, which generates the headline, "Skinflint Minister takes pennies off elderly pensioners" and it just felt—like all my 27 predecessors—not worth the bother.[130]

72. Mr Webb added "what tends to happen with these things is they come in as a gimmick, they stay and get eroded and eroded."[131] The £10 Christmas bonus is a case in point. When first introduced in December 1972, it was worth more than a week's basic state pension for an individual (£6.75) and almost as much as the married couple's rate (£10.90).[132] Since then the Christmas bonus payment has been frozen in cash terms at £10 and not uprated in line with inflation. As a result, its real annual cost to the Exchequer has fallen by nearly 90 per cent since its introduction (from £870m to £124m in 2016–17 prices), despite the number of pensioner recipients having increased by over 50 per cent over the same period.[133]

73. The preservation of universal pensioner benefits was a matter of cross-party consensus at the 2010 General Election. The 2010 Coalition Agreement pledged to protect them during the 2010–2015 Parliament at the same time as introducing restrictions to working-age benefits and tax credits. These pensioner benefits continue to be protected in this Parliament, in accordance with the Conservative manifesto pledge. Labour and the Liberal Democrats made similar pledges with the exception of proposals to withdraw Winter Fuel Payment from higher-rate taxpayers which would have affected only around 5 per cent of the eligible population.[134]

## The Winter Fuel Payment

74. Winter Fuel Payment (WFP) is a tax-free, non-means tested annual payment paid to people aged over the female state pension age. Recipients are not obliged to spend it on fuel. The standard rates are £200 per eligible household where the oldest person is under 80 and £300 for households containing a person aged 80 or over.[135] In 2015–16 it was paid to 12.2 million individuals in over 8.7 million households.[136] It cost DWP £2.1 billion.[137]

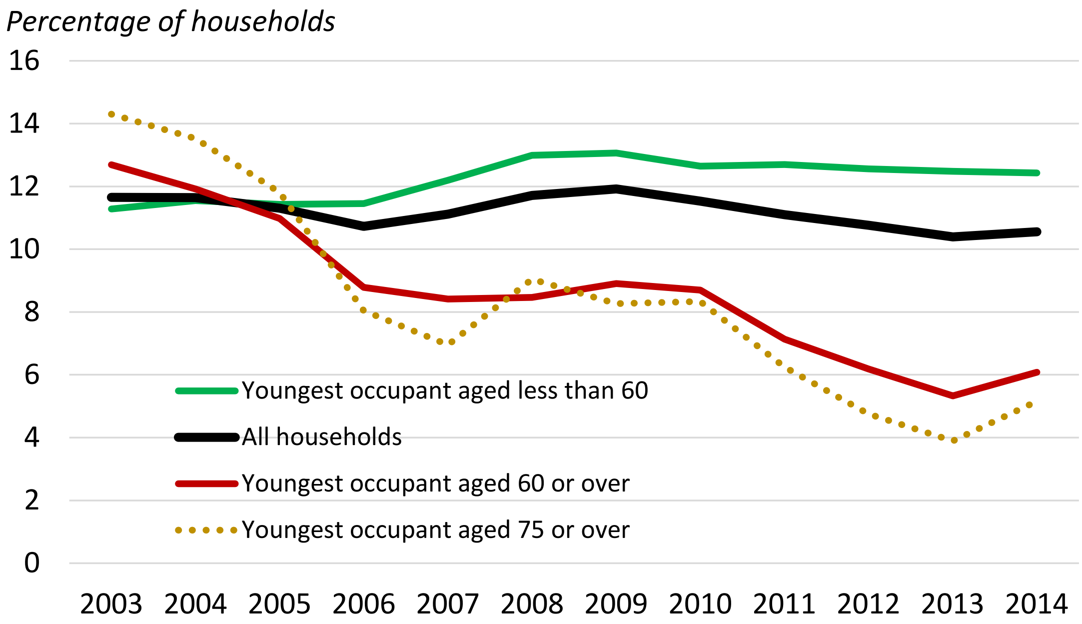
### *The Winter Fuel Payment and fuel poverty*

75. The substantial recent improvements in pensioner incomes relative to working-age households we saw in Chapter 2 have been accompanied by falls in the proportion of pensioner households living in fuel poverty, as shown in Figure 19. In households whose youngest member is aged 60 and over the fuel poverty rate in England has halved in a decade, from 12 per cent in 2004 to 6 per cent in 2014. There has been a particularly large decrease among the over-75s. In the same period the fuel poverty rate among non-

130 Q37 [Steve Webb]
131 Q38 [Steve Webb]
132 HC Deb 14 November 1972 vol 846 c53W; DWP Abstract of Statistics
133 DWP Benefit expenditure and caseload tables 2016
134 Labour 2015 General Election manifesto, p. 49; Liberal Democrat 2015 General Election manifesto, para 3.4. In 2015 it was estimated that around 600,000 people of WFP qualifying age were higher-rate taxpayers (source: HL Deb 26 Jan 2015 Written question HL4131), around 5% of the relevant age group.
135 For full details of rates and eligibility see https://www.gov.uk/winter-fuel-payment/what-youll-get
136 DWP, Winter Fuel Payment: recipient and household figures 2015 to 2016
137 DWP Benefit expenditure and caseload tables 2016

pensioner households has remained broadly the same. Now is an appropriate moment to examine the effect of the WFP on intergenerational fairness and whether its retention is warranted.

**Figure 19: Households in fuel poverty, by age of youngest occupant, England, 2003–2014**




Source: Workand Pensions Committee analysis of DECC Fuel Poverty Trends 2003–2014 Long term trends under the Low Income High Costs indicator

76. We heard concerns that abrupt reductions to the scope or value of universal pensioner benefits could undermine the substantial gains achieved in alleviating pensioner poverty. The Pensions Policy Institute pointed out:

> Relatively small changes in pensioner incomes such as changes to universal benefits [ … ] can have significant impacts on poverty rates. There is a high concentration of 1.2 million older adults with incomes only just above the poverty level, the biggest group of people in the UK living on the brink of poverty.[138]

Other witnesses told us that the provision of universal benefits to pensioners helps to save money elsewhere in the system, notably in the NHS and social care budgets.[139]

77. Neil Duncan-Jordan of the National Pensioners' Convention defended the WFP and other universal pensioner benefits as a means of making up the historically inadequate level of the state pension:

> You have to look at why we've got a lot of these things in the first place. We've got a lot of these additional universal benefits because our state pension is

138 Pensions Policy Institute (IGF0055)

139 For example, Age UK (IGF0044), National Pensioners Convention (IGF0034), Independent Age (IGF0048) and For Richer, For Poorer? A review of the evidence on universal pensioner benefits, Independent Age/ Strategic Society Centre research report, 2015

> widely regarded as inadequate. I mean, £115 a week after paying in 30 or 40 years' national insurance is not a huge amount of money on the basic state pension.[140]

Age UK and Later Life Ambitions, a campaigning group, warned that many pensioner households on low incomes might not apply for a means tested WFP.[141] Around one third of households entitled to mean tested Pension Credit do not claim it.[142]

78. The level of the WFP is not connected to fuel costs experienced by households. There is evidence, however, that its label as a fuel payment is effective in prompting households to use it to heat their homes. The IFS estimated that pensioner households spend 47% of their WFP on fuel compared to 3% if they treated the payment purely as cash.[143]

79. Ashley Seager told us, however, that affluent pensioners did not tend to spend the WFP on fuel:

> I met a wealthy pensioner the other day, who said, 'Me and my friends love it when the winter fuel allowance comes in. We book London's top restaurant and go for a massive splash-up meal.' Is that an appropriate use of public resources at a time when we are borrowing £80 billion or £90 billion a year [ … ]?[144]

Shiv Malik concurred, arguing that recent improvements in pensioner incomes meant that the universal WFP should have been one of the first targets for fiscal savings:

> We have a very set image of what pensioners are like, which is that presumably they are all very poor and deprived. That used to be true. It just isn't true now. [ … ] So why do they need £2.3 billion in winter fuel payments when [ … ] it does not go to fuel? People spend it on whatever they like, whether it be claret or something of far more necessity. [ … ] Why on earth then, if you are cutting, would you cut the education maintenance allowance or the future jobs fund before you cut winter fuel payment?[145]

80. **The Winter Fuel Payment is a universal benefit that is not focused on those who need it most. It is a blunt instrument for alleviating fuel poverty among the least well-off pensioner households and gives a cash payment to many households who do not need it. As its value is fixed in cash terms its real value is set to dwindle gradually over time.**

140 Q101 [Neil Duncan-Jordan]
141 Age UK (IGF0044) para 22 and Later Life Ambitions (IGF0043), para 8
142 DWP Income-related benefits: estimates of take-up: financial year 2014/15 table PC5
143 Beatty et al, "Cash by any other name? Evidence on labeling from the UK Winter Fuel Payment," Journal of Public Economics, Volume 118, October 2014, pp. 86–96, cited in Institute for Fiscal Studies (IGF0023)
144 Q100 [Ashley Seager]
145 Q252 [Shiv Malik]

### *Policy options*

81. The Intergenerational Foundation said the WFP should be means tested, arguing that its universality will "result in increasing unfairness and inefficiency as the wealthy members of the baby boomer generation retire."[146] We considered various options for restricting its payment [latest estimate of annual savings in brackets]:

- restrict to Pension Credit recipients only [£1.5 billion];[147]
- progressively withdraw from pensioners with incomes above the national average salary [uncosted]; [148]
- treat it as taxable income [£250 million];[149] and
- remove from higher rate taxpayers [£105 million].[150]

82. These measures would at best only save just over 1 per cent of total social security expenditure on pensioners.[151] The estimated savings do not take account of any increase in administrative costs or complexity that may arise from means testing or taxing the benefit. Ashley Seager argued that these factors should not be an obstacle to means testing:

> the argument is lazy that it is too difficult and too expensive to means test for pensioners when we means test for every other sector of the population.[152]

83. Neil Duncan-Jordan told us that "means testing would be inefficient and expensive, and it probably would miss some of those who need the help most."[153] Steve Webb raised practical objections to making WFP taxable:

> If you only try to get money off higher rate taxpaying pensioners on the winter fuel payment, there is a risk you will spend more money administering it than you will raise. There are just so few higher rate taxpaying pensioners. That may change over time, but you only get money if you tax all taxpayers, which is half of pensioners. Even then it is not as simple as it looks, because we pay winter fuel payments to households and we tax individuals.[154]

84. Steve Webb added that the Winter Fuel Payment as Governments have tended not to uprate it in cash terms its real value was progressively dwindling:

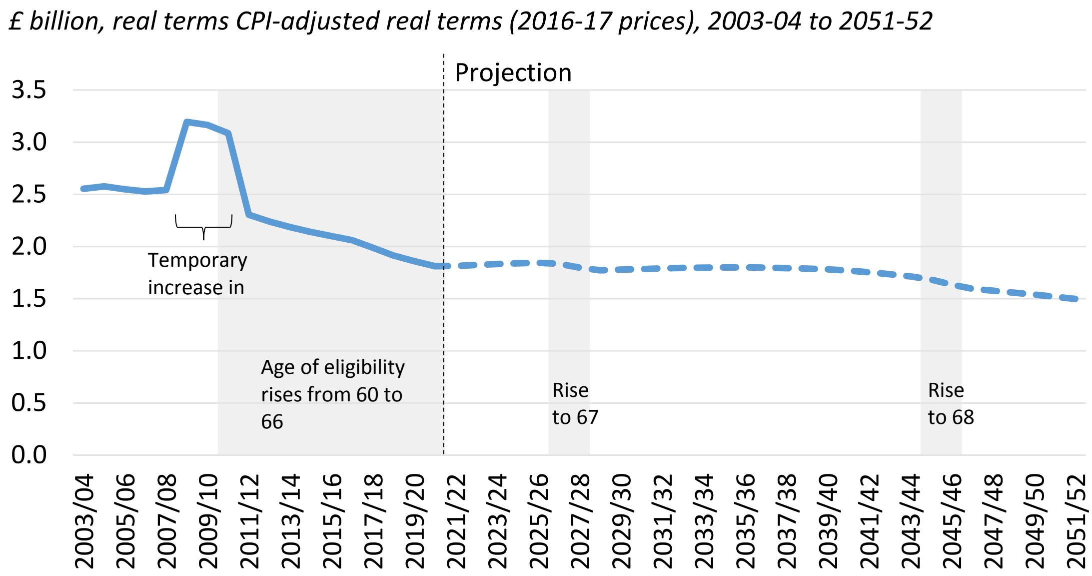
> The winter fuel payment is £2 billion or whatever, that is not quite yet a rounding error in the DWP, but because it is never going to be increased it will become a rounding error. If we are going to focus on it, let us focus on the £100 billion we spend on the pension, not the bits on the side.[155]

146 Intergenerational Foundation (IGF0010)
147 HC Deb 13 December 2011 col 704w
148 Intergenerational Foundation (IGF0010)
149 PQ HL4133 [on Winter Fuel Payments], 26 January 2015
150 HC Deb 21 May 2013 col 675w
151 Based on total GB pension-age expenditure of £115.6 billion in 2016–17, from DWP Benefit expenditure and caseload tables 2016
152 Q99 [Ashley Seager]
153 Q104 [Neil Duncan-Jordan]
154 Q42 [Steve Webb]
155 Q88 [Steve Webb]

Neil Duncan-Jordan told us that, when first introduced, the WFP was worth "about a third" of the average fuel bill. It has since fallen to "about an eighth". He argued that "it was cut by the last Government. It hasn't kept pace [with inflation] because it is not linked to anything".[156]

85. Expenditure on the WFP is falling in real terms as its value is not uprated and the age of eligibility is rising in line with state pension age. In 2016–17 prices the amount spent on WFP has fallen from £2.3 billion in 2011–12 to £2.1 billion in 2016–17 and is forecast to fall further to £1.8 billion by 2020–21.[157] Beyond 2021, the overall number of recipients will rise, as will the proportion of recipients who qualify for the higher rate of payment (for those aged 80 and over). However, as demonstrated by Figure 20, the absence of uprating is likely to prevent total expenditure rising in real terms in the long run.

**Figure 20: Winter Fuel Payment expenditure, Great Britain**




Source: Work and Pensions Committee analysis based on DWP Benefit Expenditure and Caseload Tables March 2016 (outturns and forecasts covering period to 2020–21 inclusive). Projection from 2021 onwards based on: increasing caseload in line with latest ONS projections of State Pension age population in Great Britain (on current legislated SPA timetable); average amount received per claimant weighted to reflect the rising caseload share that qualifies for the higher rate of payment: long-term CPI assumed to be constant 2%

If the WFP were to remain frozen in cash terms in perpetuity, its real-terms value will be eroded by a third over the next 20 years and by a half over the next 35 years.[158]

86. **Successive Governments from both main parties have introduced universal benefits for pensioners, who have a high propensity to vote, for reasons of short-term expediency. As these benefits are not subject to indexation promises their value withers away in real terms, but their symbolic and political importance is more durable. Such measures lead to ill-targeted support, further complicate the benefits system and are far harder to put right than to introduce in the first place. Given the welcome improvements in pensioner incomes and reductions in pensioner poverty seen in recent years, there is no case for future governments to contemplate any increase in the value or range of universal pensioner benefits.**

156 Q103 [Neil Duncan-Jordan]
157 DWP Benefit Expenditure and caseload tables 2016
158 Based on CPI inflation of 2 per cent per annum.

87. **The longer universal pension benefits remain protected, the more they may come to be viewed as integral entitlements. Their relatively recent introduction, however, means they should not be seen as sacrosanct elements of the welfare settlement that beneficiaries have paid for during their working lives. Universal pensioner benefits should not be off limits when spending priorities are set in future Parliaments.**

# 5 Strengthening the intergenerational contract

## Intergenerational fairness and policy-making

88. Growing concerns about the intergenerational contract make it vital that policy-making incorporates consideration of intergenerational fairness. Information is key to this. We heard, however, that such information is scant. This could contribute to intergenerational concerns being overlooked. Professor James Sefton told us:

> I think there is an awareness of intergenerational sharing. [ … ] I think what is lacking is a conversation and figures to base that around. We don't understand exactly what the amounts are, what the key factors are, how they interact, how the Government sector interacts with the private sector and what the key areas are. [ … ] We need to get the figures out there first to get the discussion going.[159]

89. Michael Johnson called for new legislation to be accompanied by "intergenerational impact assessments" which would "express in cash flow terms the impact on the burden of taxation in the future".[160] This, he argued, would:

> introduce at the heart of the legislative process some way of bringing to the surface the cash flow or tax burden consequences of the future generation of the promises that we are making to ourselves today.[161]

90. As noted in Chapter 2, there is no up to date and comprehensive analysis—historic or prospective—of intergenerational redistribution over the whole lifecycle.[162] The Academy of Social Sciences highlighted the gaps in our knowledge in this area:

> We lack a full or even partial set of age-specific accounts that include not just cash receipts by age groups through social benefits but the age breakdown of public services. Recent analyses focus on pensioner benefits but neglect social care (where austerity has cut places). Such accounts would need to include the recent expansion of student loans, both as a benefit and a liability as well as policies (such as apprenticeships and the national minimum wage) where the direct cost is being moved out of public spending to company balance sheets.[163]

91. In Chapter 2 we cited the hugely valuable research conducted by Professor John Hills which estimated the intergenerational distribution of social protection expenditure and receipts over lifetimes.[164] The research is now more than a decade old and was based on even older data. It does not, therefore, take account of economic trends and policy changes in the interim period.

159 Q268 [James Sefton]
160 Q213 [Michael Johnson]
161 Q213 [Michael Johnson]
162 Q276 [James Sefton]
163 Academy of Social Sciences (IGF0032)
164 John Hills, 'Distribution and redistribution', chapter 8 in *Inequality and the State*, OUP, 2004; analysis reproduced in John Hills, *Good Times Bad Times: The Welfare Myth of Them and Us*, Policy Press, 2015 ch 13 fig 3.13.

92. Ashley Seager described this kind of generational lifecycle analysis as "an enormous undertaking that does need to be done", but which the Intergenerational Foundation has not yet been able to attempt.[165] Professor Sefton provided us with an overview of the range of administrative and survey data sources that could be drawn upon to develop a life-cycle analysis not just of net fiscal contribution by different cohorts, but potentially encompassing private economic transfers between generations.[166]

93. **There is a dearth of reliable and comprehensive information about the intergenerational distribution of public and private resources. Greater awareness of the intergenerational implications of decisions would make for better policy.** ***We recommend the Government make available the necessary information and resources to enable updated research estimating the balance of fiscal contributions and withdrawals by different generations over their entire lifetimes to be carried out. We further recommend the Government undertake a forward-looking assessment of the intergenerational distribution of private income and wealth.***

## Securing the intergenerational contract

94. We heard cautionary evidence that the experiences of successive generations should not be solely reduced to net financial transfers. Both the Academy of Social Sciences and the IFS noted that today's young benefit from improvements in areas such as healthcare and technology that were not available to their forebears.[167] Later Life Ambitions told us:

> No two generations have the same experience–technology, the vagaries of history, changing economic circumstances all shape a generation's experience. Nobody would advocate rationing for today's children because it would only be fair to those who were children during the Second World War any more than they would suggest students who enjoyed grants in the 1960s return them to the state as a courtesy to young people paying student fees.[168]

Saga pointed to the "dour" living conditions of the post-War period, in which "mobile phones and computers were effectively science fiction". By contrast, young people today could enjoy central heating, household appliances and "a kaleidoscope of entertainment available inside and outside the home". The society enjoyed by the young had been "endowed to them by those working generations before them".[169]

95. Nevertheless, the intergenerational fairness debate risks becoming characterised as a battle between generations. Major books on the subject have set out to show "How the Baby Boomers Took Their Children's Future - And Why They Should Give it Back" and "How Britain Bankrupted Its Youth".[170] Baroness Altmann told us that she was:

165 Qq 78–79 [Ashley Seager]
166 Professor James Sefton (IGF 0075)
167 Academy of Social Sciences (IGF0032); Institute for Fiscal Studies (IGF0023)
168 Later Life Ambitions (IGF0043)
169 Saga (IGF0069)
170 David Willetts, *The Pinch: How the Baby Boomers Took Their Children's Future – and Why They Should Give It Back*, 2010 (2010); Ed Howker and Shiv Malik, *Jilted Generation: How Britain Has Bankrupted Its Youth* (2010)

> quite exercised by the undercurrent of intergenerational conflict that seems to have grown up over recent times, and we are in a society in which we want intergenerational cohesion.[171]

The National Pensioners Convention warned against "creating a division between young and old and encouraging a phoney war between the generations".[172] We even heard suspicions that the intergenerational fairness debate is intended to drive a "race to the bottom", pitting young and old in a contest for resources whereby difficulties encountered by one group are used as a reason to cut entitlements for others.[173]

96. We began this Report looking at polling evidence of intergenerational concern. Lord Willetts explained:

> Pensioners do now worry about their kids or grandkids [ … ] younger people do not resent money going to their granny. The polling on that is quite interesting. Younger people are tougher on working-age benefits than they are on pensioner benefits.[174]

Independent Age, a charity, pointed out "the lack of statistical evidence of intergenerational resentment of any kind."[175] A 2013 report by Demos, a think tank, assessed generational attitudes to the welfare state using survey data and focus groups and found "a remarkable degree of cross-generational solidarity". The priorities of different generations for public spending were motivated not by generational self-interest but by a common desire for the system to support those most in need and to honour the contributions that older people made throughout their working lives".[176] These findings were echoed by the 'Citizens' Jury' convened earlier this year by PwC, a professional services firm, to look at intergenerational fairness:

> The jury was clear that a problem for one generation is also a problem for another: younger generations are concerned about issues that would adversely affect their parents and grandparents, while older generations worry deeply about the challenges for their dependents. They were clear that all generations need to take responsibility for addressing intergenerational differences.[177]

97. A recurring theme of our evidence was "fault" and "blame". Witnesses told us that baby boomers were being blamed for the difficulties younger people face in the housing market, simply because they happened to buy houses that appreciated markedly in value.[178] We agree with the National Pensioners Convention that any such an assertion is nonsense.[179] We also agree, however, with the Intergenerational Foundation that though baby boomers are not to blame, they did enjoy advantages that are not on offer to their successors.[180]

171 Q292 [Baroness Altmann]
172 National Pensioners Convention (IGF0034)
173 Professor John Macnicol (IGF0020), GIPSIL (IGF0016), Unite the Union (IGF0030)
174 Q45 [Lord Willetts]
175 Independent Age (IGF0048)
176 Duffy et al, Generation Strains, Demos/Ipsos MORI, 9 September 2013
177 Intergenerational fairness - a citizens' view, PwC/Britain Thinks, February 2016
178 For example Professor John Macnicol (IGF0020); Dr Jay Ginn (IGF0028); National Pensioners Convention (IGF0034).
179 Q82 [Neil Duncan-Jordan]
180 Q93 [Ashley Seager]

We concur with the Beth Johnson Foundation, a charity, that it is necessary "to change the rhetoric from a 'blaming game' into a real intergenerational conversationgenerations working together to solve any issues that exist, not pitting them against one another".[181]

98. **Our current focus on imbalances between generations should not detract from the important issue of disparities of wealth and opportunity within each generation. The generational perspective is one of many that need to be considered in the formulation of policy to ensure a cohesive society that works for everyone.**

99. **The intergenerational fairness debate should not be conducted in divisive or adversarial terms. We reject any notion of intergenerational conflict and do not accuse any particular generation of stealing from their successors. Baby boomers acknowledge the pressures faced by later generations. They are concerned for their children's and grandchildren's prospects and already provide support where they can. In turn, younger people are concerned for the welfare of their parents and grandparents and want to ensure they enjoy a decent retirement. It is not the fault of baby boomers that the economy has become skewed in their favour. But the absence of fault does not obviate the need for policy action. The recommendations in this report are intended to strengthen the contract between generations that is at the heart of our society.**

181 Beth Johnson Foundation (IGF0025)

# Conclusions and recommendations

## The intergenerational contract under strain

1. Demographic trends have placed considerable stress on the intergenerational contract. The post-war baby boomer cohort entering retirement is particularly large and people within it will tend to enjoy longer retirements than was anticipated. This puts a strain on the working age population. Increases in the state pension age reduce the ratio of pensioners to working age people and therefore have counteracted demographic trends. For many people, however, working into their late sixties or seventies is not an option. (Paragraph 14)

2. Housing is central to intergenerational fairness. Rapid and sustained rises in house prices, most marked in London and its surrounding areas, have concentrated wealth in the hands of those who have owned property for decades. At the same time far too many young people have been priced out of homeownership. High private rents make it difficult to save for a deposit. The opportunities that were open to baby boomers to buy a home with a relatively small deposit are closed to today's young. Though wealth will be passed to younger people through inheritance, this risks exacerbating inequality within generations. Successive governments have palpably failed to act effectively on the housing market. Alongside housebuilding, there is a strong case to consider innovative policies to encourage downsizing and to more efficiently distribute the existing stock. Such measures lie outside our remit. The manifest problems in the housing market, however, form the backdrop to much of this Report. (Paragraph 22)

3. More work is required to assess the intergenerational distribution of tax contributions and public spending on services and benefits. What research exists suggests that today's young will be net contributors to the welfare state, while the baby boomer generation will be net beneficiaries. The effect is likely to have been exacerbated by policy decisions to protect pensioner benefits while targeting welfare cuts on working age payments. The limits of that approach have been reached. If further measures are needed to ensure the fiscal sustainability of welfare spending in the medium to long term then pensioner expenditure should not remain out of bounds. (Paragraph 36)

4. Great strides against the scourge of pensioner poverty have been made over the past 25 years. After housing costs, pensioner households are far less likely to be in poverty than households of working age, particularly those with children. Pensioner incomes have also rapidly caught up those of other households. This is a triumph. This success, however, has implications for policy. This is particularly true at a time when people in their 20s and 30s may struggle to attain—never mind exceed—the incomes of their forebears. (Paragraph 41)

5. The economy has become skewed in favour of baby boomers and against millennials. Unless governments adapt to these changed circumstances the intergenerational contract that underpins the welfare state is under threat. (Paragraph 42)

## The pension state triple lock

6. The triple lock, allied to the introduction of the flat rate new state pension, has succeeded in increasing the value of the headline state pension relative to average earnings to a level not seen since the original earnings link was removed in 1980. Low rates of earnings growth following the 2008–09 recession mean this process has occurred faster than was expected. Provided the new state pension is maintained at this proportion of earnings the work of the triple lock, to secure a decent minimum income for people in retirement to underpin private saving, will have been achieved. (Paragraph 48)

7. The triple lock is inherently unsustainable. In the absence of reform the state pension would inevitably grow at a faster rate than the rewards of work and would account for an ever-greater share of national income. In particular, we find no objective justification for the 2.5 per cent minimum increase. (Paragraph 54)

8. There is, to some extent, a trade-off between the uprating of the state pension and the state pension age. 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. We do not doubt that further increases in the state pension age will be required as welcome increases in life expectancy continue. They should not, however, be the sole means of ensuring the long-term affordability of the state pension. We welcome the wide-ranging approach the ongoing review of the state pension age has taken to its work. (Paragraph 60)

9. The triple lock should not continue beyond 2020. By then, the value of the new state pension relative to average earnings will be close to the historic high for the headline state pension rate. If maintained, the arbitrary boost the triple lock gives to the state pension relative to both earnings and prices will become ever harder to justify both in fiscal terms and from the perspective of intergenerational fairness. We urge political consensus before the next general election on a new earnings link for the state pension. (Paragraph 67)

10. *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.* (Paragraph 68)

## Universal pensioner benefits

11. The Winter Fuel Payment is a universal benefit that is not focused on those who need it most. It is a blunt instrument for alleviating fuel poverty among the least well-off pensioner households and gives a cash payment to many households who do not need it. As its value is fixed in cash terms its real value is set to dwindle gradually over time. (Paragraph 80)

12. Successive Governments from both main parties have introduced universal benefits for pensioners, who have a high propensity to vote, for reasons of short-term expediency. As these benefits are not subject to indexation promises their value withers away in real terms, but their symbolic and political importance is more durable. Such measures lead to ill-targeted support, further complicate the benefits system and are far harder to put right than to introduce in the first place. Given the welcome improvements in pensioner incomes and reductions in pensioner poverty seen in recent years, there is no case for future governments to contemplate any increase in the value or range of universal pensioner benefits. (Paragraph 86)

13. The longer universal pension benefits remain protected, the more they may come to be viewed as integral entitlements. Their relatively recent introduction, however, means they should not be seen as sacrosanct elements of the welfare settlement that beneficiaries have paid for during their working lives. Universal pensioner benefits should not be off limits when spending priorities are set in future Parliaments. (Paragraph 87)

## Strengthening the intergenerational contract

14. There is a dearth of reliable and comprehensive information about the intergenerational distribution of public and private resources. Greater awareness of the intergenerational implications of decisions would make for better policy. *We recommend the Government make available the necessary information and resources to enable updated research estimating the balance of fiscal contributions and withdrawals by different generations over their entire lifetimes to be carried out. We further recommend the Government undertake a forward-looking assessment of the intergenerational distribution of private income and wealth.* (Paragraph 93)

15. Our current focus on imbalances between generations should not detract from the important issue of disparities of wealth and opportunity within each generation. The generational perspective is one of many that need to be considered in the formulation of policy to ensure a cohesive society that works for everyone. (Paragraph 98)

16. The intergenerational fairness debate should not be conducted in divisive or adversarial terms. We reject any notion of intergenerational conflict and do not accuse any particular generation of stealing from their successors. Baby boomers acknowledge the pressures faced by later generations. They are concerned for their children's and grandchildren's prospects and already provide support where they can. In turn, younger people are concerned for the welfare of their parents and grandparents and want to ensure they enjoy a decent retirement. It is not the fault of baby boomers that the economy has become skewed in their favour. But the absence

of fault does not obviate the need for policy action. The recommendations in this report are intended to strengthen the contract between generations that is at the heart of our society. (Paragraph 99)

# Formal Minutes

### Wednesday 2 November 2016

Members present:

Rt Hon Frank Field, in the Chair

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|---|---|
| Heidi Allen | Richard Graham |
| Ms Karen Buck | Luke Hall |
| James Cartlidge | Steve McCabe |

Draft report (*Intergenerational fairness*), proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 99 read and agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 16 November at 9.15 a.m.

# Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

### Wednesday 2 March 2016

*Question number*

**Rt Hon Lord Willetts**, Executive Chair, The Resolution Foundation (formerly Minister of State for Universities and Science), **Rt Hon Steve Webb**, Director of Policy, Royal London (former Minister of State for Pensions) Q1–70

### Wednesday 16 March 2016

**Sally West**, Income and Poverty Strategy Adviser, Age UK, **Dan Wilson Craw**, Policy and Communication Manager, Generation Rent, **Ashley Seager**, Co-founder and advisory board member, Intergenerational Foundation, and **Neil Duncan-Jordan**, National Officer, National Pensioners' Convention Q71–121

**Ben Franklin**, Head of Economics of an Ageing Society, International Longevity Centre UK, and **Rachael Saunders**, Age at Work Director, Business in the Community Q122–139

### Wednesday 13 April 2016

**Michael Johnson**, Research Fellow, Centre for Policy Studies Q140–229

### Monday 25 April 2016

**Philip Booth**, Editorial and Programme Director, Institute of Economic Affairs, and **Shiv Malik**, Investigations Correspondent, The Guardian Q230-260

**Paul Johnson**, Director, Institute for Fiscal Studies, **Andrew Hood**, Research Economist, Institute for Fiscal Studies, and **James Sefton**, Professor of Economics, Imperial College London Q261–290

### Wednesday 27 April 2016

**Baroness Altmann, CBE**, Minister of State, Department for Work and Pensions, **Mary Pattison**, Director, Ageing Society and State Pensions, Department for Work and Pensions, and **Tom Younger**, Deputy Director, Pensions Strategy and Analysis, Department for Work and Pensions Q291–351

# Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

IGF numbers are generated by the evidence processing system and so may not be complete.

1 Academy of Social Sciences (IGF0032)

2 Age UK (IGF0044)

3 Association of British Insurers (IGF0072)

4 Beth Johnson Foundation (IGF0025)

5 Business in the Community (IGF0061)

6 Centre for the Study of Financial Innovation (IGF0068)

7 Child Poverty Action Group (IGF0064)

8 Christopher Spink (IGF0056)

9 Colin Hadley (IGF0070)

10 Collection of Women Against Real Injustice & Inequality of the Contributory State Pension (IGF0063)

11 Crisis (IGF0052)

12 Department for Work and Pensions (IGF0065)

13 Dr Emma Laurie (IGF0018)

14 Dr Jay Ginn (IGF0028)

15 Equity Release Council (IGF0024)

16 Generation Rent (IGF0059)

17 GIPSIL (IGF0016)

18 Grandparents Plus (IGF0058)

19 Green House think tank (IGF0049)

20 Hargreaves Lansdown (IGF0046)

21 Hornsey Pensioners Action Group (IGF0019)

22 Independent Age (IGF0048)

23 Institute and Faculty of Actuaries (IGF0040)

24 Institute for Fiscal Studies (IGF0023)

25 Institute for Social and Economic Research, University of Essex (IGF0053)

26 Intergenerational Fairness Forum (IGF0011)

27 International Longevity Centre - UK (IGF0033)

28 James Gibbons (IGF0041)

29 Later Life Ambitions (IGF0043)

30 Legal & General Group Plc (IGF0027)

31 Local Government Association (IGF0039)

32 Mr Geoffrey Dees (IGF0005)

33 Mr George Collier (IGF0071)

34 Mr Joel Kosminsky (IGF0021)
35 MRM (IGF0026)
36 Mrs Daphne Berkovi (IGF0004)
37 Ms Ana de la Quintana (IGF0037)
38 (Name withheld) (IGF0003)
39 National Pensioners Convention (IGF0034)
40 Nutmeg (IGF0074)
41 Pensions and Lifetime Savings Association (IGF0054)
42 Pensions Policy Institute (IGF0055)
43 Population Matters (IGF0022)
44 Professor Carolyn Kagan (IGF0051)
45 Professor James Sefton (IGF0075)
46 Professor John Macnicol (IGF0020)
47 Prospect (IGF0035)
48 R Michael James (IGF0007)
49 Ransackers Association (IGF0029)
50 Ray Williams (IGF0014)
51 Ready for Ageing Alliance (IGF0017)
52 Rt Hon Andrew Mitchell MP (IGF0006)
53 Saga (IGF0069)
54 ShareAction (IGF0050)
55 South East region National Pensioners Convention (IGF0008)
56 Tempo Pension Services Limited (IGF0047)
57 Tendring Pensioners' Action Group (IGF0066)
58 The Fawcett Society (IGF0057)
59 The Institute of Economic Affairs (IGF0031)
60 The Intergenerational Foundation (IGF0009)
61 The Intergenerational Foundation (IGF0010)
62 TUC (IGF0042)
63 Unite LE/RM013 Branch (IGF0015)
64 Unite the Union (IGF0030)
65 United for All Ages (IGF0045)
66 University of East Anglia & University of Essex (IGF0073)
67 Young Women's Trust (IGF0036)

# List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

## Session 2015–16

| | | |
|---|---|---|
| First Report | Pension freedom guidance and advice | HC 371 (Cm 9183) |
| Second Report | Welfare to work | HC 363 (HC 720) |
| Third Report | A reconsideration of tax credit cuts | HC 548 |
| Fourth Report | Benefit delivery | HC 372 (HC 522) |
| Fifth Report | The local welfare safety net | HC 373 (HC 924) |
| Sixth Report | Understanding the new state pension – interim report on pension statements | HC 550 |
| Seventh Report | Communication of state pension age changes –interim report | HC 899 |
| Eighth Report | Communication of the new state pension | HC 926 (HC 229) |
| Ninth Report | Support for the bereaved | HC 551 (HC 230) |
| Tenth Report | In-work progression in Universal Credit | HC 549 (HC 585) |
| Eleventh Report | Automatic enrolment | HC 579 (HC 610) |
| First Special Report | Progress with automatic enrolment and pension reforms: Government and Financial Conduct Authority responses to the Committee's Fourth Report of Session 2014–15 | HC 375 |
| Second Special Report | Improving Access to Work for disabled people: Government response to the Committee's Second Report of Session 2014–15 | HC 386 |
| Third Special Report | Benefit Sanctions: Beyond the Oakley Review: Government Response to the Committee's Fifth Report of Session 2014–15 | HC 557 |
| Fourth Special Report | Pension freedom guidance and advice: Financial Conduct Authority Response to the Committee's First Report of Session 2015–16 | HC 719 |
| Fifth Special Report | Welfare-to-work: Government Response to the Committee's Second Report of Session 2015–16 | HC 720 |
| Sixth Special Report | The local welfare safety net: Government Response to the Committee's Fifth Report of Session 2015–16 | HC 924 |

## Session 2016–17

| | | |
|---|---|---|
| First Report | BHS | HC 54 |
| First Special Report | Communication of the new state pension: Government Response to the Committee's Eighth Report of Session 2015–16 | HC 229 |
| Second Special Report | Support for the bereaved: Government Response to the Committee's Ninth Report of Session 2015–16 | HC 230 |
| Third Special Report | Benefit delivery: Government Response to the Committee's Fourth Report of Session 2015–16 | HC 522 |
| Fourth Special Report | In-work progression in Universal Credit: Government Response to the Committee's Tenth Report of Session 2015–16 | HC 585 |
| Fifth Special Report | Automatic enrolment: Government Response to the Committee's Eleventh Report of Session 2015–16 | HC 610 |