



Work and Pensions Committee
House of Commons
London
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CALL FOR EVIDENCE: PENSIONER POVERTY, CHALLENGES AND MITIGATIONS

The Pensions and Lifetime Savings Association is the voice of workplace pensions and savings. We represent pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £1.3 trillion in the UK and abroad. Our members also include asset managers, consultants, law firms, fintechs, and others who play an influential role in people's financial futures. The PLSA's mission is to help everyone in the UK attain an adequate income in retirement. To achieve this goal, in our 2023 report [Five Steps to Better Pensions](#) we set out high level recommendations on how the UK pension system should be reformed. A key component of this is continuing to strengthen the State Pension so that it protects everyone from poverty.

What is the state of pensioner poverty in the UK, and are the State Pension and means-tested benefits high enough to prevent it?

An unacceptable number of pensioners are currently experiencing poverty in the UK. Age UK report that 1.9 million, or 16% of pensioners in the UK are living in relative poverty¹. This figure is according to the Government's standard poverty measure, which measures Households Below Average Income. It tracks people living in households with incomes below 60% of the contemporary median, after housing costs and adjusting for family size. This measure does not take into account assets and the cost of living but is used as a standard measure of poverty because it offers reliable long-term benchmarking against societal living standards². The standard poverty line according to the Households Below Average Income measure is £9,880 for a single person, and £17,004 for a couple³.

The PLSA have developed a different kind of measure, the [Retirement Living Standards](#), which provide detailed descriptions of the costs of life in retirement for three different living standards. Based on independent research with the UK public, the research outlines the amount that single and couple households would need to spend in order to have a Minimum, Moderate or Comfortable living standard in retirement. Calculations for each level do not factor in the cost of mortgages or rent, although they do include housing maintenance costs.

The Minimum Retirement Living Standard (based on the Joseph Rowntree Foundation's Minimum Income Standard) details the budget that older people from across the UK agree is needed to have a minimum acceptable standard of living in retirement⁴. Currently, the Minimum level is £14,400 p.a. for a single person household, and £22,400 p.a. for a couple. People below 75 per cent of Minimum

¹ [poverty-and-financial-disadvantage-in-later-life-briefing-2024.pdf](#)

² Sasjkia Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

³ Sasjkia Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

⁴ [Minimum Income Standard | Centre for Research in Social Policy | Loughborough University](#)

Income Standard experience substantially greater risk of deprivation⁵. Recent modelling commissioned by the PLSA has shown that after the 2024 Triple Lock increase, just 68% of the total population are on track to hit the Minimum level of the Retirement Living Standards in retirement - with 32% falling below. This is equivalent to approximately 5 million households.

Turning to the different types of state pension received, research has shown that both the legacy and New State Pension are too low to protect all pensioners from falling into poverty. Of course, pensioners receiving the pre-2016 State Pension (those who retired before March 2016), had to meet a much tighter set of criteria to qualify for National Insurance contributions towards the maximum amount of each pot than is the case for the New State Pension. Those who retired before 2016 The Basic State Pension is also £2,688 less than the New State Pension⁶.

Those pensioners receiving the New State Pension may be living in poverty for two key reasons. Firstly, housing related costs such as water rates, council tax and home insurance, are not included in the standard poverty measure and yet are still incurred by most pensioners. This means those relying on the full New State Pension alone could be in poverty, even if they own their home outright. Secondly, many pensioners receive much less than the headline New State Pension because they don't have enough contributing years in their National Insurance records; in 2022-23, around half of those reaching the state pension age from 2016 did not receive the full state pension⁷.

In their (currently embargoed) report *Mature Decisions*, Fabian Society has also suggested that means tested benefits for pensioners on low incomes are effective on lifting some, but not all pensioners out of poverty. The research finds that 28 percent of means-tested benefits recipients, totalling 400,000 pensioners, are living in poverty. This is double the poverty rate of pensioners receiving neither Pension Credit nor Housing Benefit (14%). This is caused by a number of design features in the benefit system, for example renters' housing costs not being fully covered by Housing Benefits or council tax support, or Pension Credit and the Housing Benefit applicable amount for couples being worth £2,512 less than the standard poverty line in 2022-23⁸.

And despite the availability of benefits such as Pension Credit and Housing benefit, most pensioners in poverty do not receive them, which is partly due to low take up. In 2022-23, there were 300,000 pensioners eligible for both benefits, but receiving only one. Modelling by Fabian Society suggests that 1.4 million people are not receiving the Pension Credit they are entitled to, with an average outstanding amount of £4,083 per year. Low take up is largely driven by poor levels of awareness and the social stigma that benefit claimants can experience. Another reason why many pensioners living in poverty do not receive benefits is that they are simply not eligible to claim them. They are ineligible because their income is higher than the benefits support level (yet lower than the poverty

⁵ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

⁶ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

⁷ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

⁸ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

line) or the income assumed from their savings takes them over the threshold. Around 800,000 pensioners not receiving Pension Credit have incomes below the poverty line but above the Pension Credit threshold. Similarly, 700,000 pensioners in poverty are not eligible for either of these benefits because their incomes or savings are too high. As a result, very few people are lifted out of poverty even when full take up of Pension Credit and/or Housing Benefit is stimulated⁹.

Who is most likely to be affected?

In addition to available benefits providing inadequate support to lift all pensioners out of poverty, pensioners are at greater risk of experiencing poverty if they have been unable to make sufficient contributions to their pension. Lower levels of employment and earnings across a lifetime are linked to lower levels of pension contributions and saving, and consequently lower living standards upon reaching retirement¹⁰. There are therefore certain groups of people who are at greater risk of experiencing poverty in retirement.

Women

Gender inequalities create differences in working patterns (and therefore retirement outcomes), even though more women are both in work and in full time work than in the past. Adjusted for part time hours, labour market participation among women is 46% compared to 74% for men. This means that unequal working patterns are the largest contributing factor the gender pay gap and in turn the gender pensions gap¹¹. Furthermore, women are more likely than men to be on lower salaries, in part time work or hold multiple jobs, so are disproportionately affected by Automatic Enrolment over saving protections such as the £10k earnings trigger and the Lower Earnings Limit. Around 32% of employed women do not meet the qualifying criteria for Automatic Enrolment, compared to just 16% of men¹². As a result, PPI report that women in their late 50s have less than two thirds of the pension savings of men¹³. Single older women are particularly at risk, with Age UK reporting that 23% of single older women live in poverty, compared to 20% of single older men, and 13% of pensioner couples¹⁴.

Ill health and disability

In 2021-22, 31% of disabled people in the UK were living in poverty. This was even higher (38%) for people with a long-term, limiting mental health condition¹⁵. The employment patterns of people with disabilities contribute to this pattern and also have implications for standards of living in retirement, as disabled workers have reduced opportunity to contribute to pension savings. To illustrate, people

⁹ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

¹⁰ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

¹¹ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

¹² [Five steps to better pensions: time for a new consensus](#)

¹³ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

¹⁴ [poverty-and-financial-disadvantage-in-later-life-briefing-2024.pdf](#)

¹⁵ Joseph Rowntree Foundation: <https://www.jrf.org.uk/uk-poverty-2024-the-essential-guide-to-understanding-poverty-in-the-uk>

with a disability are less likely to return to work after a period of absence than those without a disability (7.6% v 26.8%)¹⁶. Workers from areas of high deprivation are the most likely to fall into ill health while working and in turn stop working¹⁷. PPI report that the years between leaving the labour market and reaching the State Pension age bring particularly high risk of poverty, especially to those with low levels of discretionary or long-term savings who are dependent on working age benefits¹⁸. On top of this, rates of disability, in particular disability due to poor physical health, increase with age. 45% of adults over the State Pension age were disabled in 2022-23, and 67% of those aged over 85¹⁹.

Also experiencing greater risk are the carers of ill and disabled individuals, who find their working patterns interrupted by their caring responsibilities. 28% of people with caring responsibilities were in poverty in 2021-22, experiencing an average pay penalty of £5,000 a year due to their limited ability to work²⁰.

Ethnic minorities

People from ethnic minority backgrounds had an employment rate of 68% across 2022-23, compared to 79% among people from white backgrounds²¹. This inequality in working patterns and earnings again leads to increased poverty rates for pensioners with ethnic minority backgrounds; 25% of Asian/Asian British pensioners and 26% of Black/Black British pensioners are living in poverty compared to 16% of White pensioners²². Other factors contributing to the ethnicity pensions gap include elements of Automatic Enrolment such as the £10k earnings trigger disproportionately excluding people of non-white ethnicity. A relatively high proportion of ethnic minorities are not a member of any kind of workplace or private pension²³.

Interrupted and insecure working patterns

Through a combination of being lower paid and part time, non-full time working patterns result in many people failing to qualify for Automatic Enrolment. There are 1.2 million people with multiple jobs who may fail to meet the £10k earnings trigger²⁴. PPI data shows that multiple job holders overall earn on average 39% less than the average worker²⁵. Gig economy workers (those working for online labour platforms) are also ineligible for Automatic Enrolment and so are at significant risk of becoming under pensioned. The PLSA believes that the scope of Automatic Enrolment should be widened to include gig economy workers.

¹⁶ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

¹⁷ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

¹⁸ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

¹⁹ <https://researchbriefings.files.parliament.uk/documents/CBP-9602/CBP-9602.pdf>

²⁰ <https://www.jrf.org.uk/uk-poverty-2024-the-essential-guide-to-understanding-poverty-in-the-uk>

²¹ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

²² [poverty-and-financial-disadvantage-in-later-life-briefing-2024.pdf](#)

²³ [Five steps to better pensions: time for a new consensus](#)

²⁴ [Five steps to better pensions: time for a new consensus](#)

²⁵ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

In addition, less than 20% of the 4.2 million self-employed workers in the UK are saving into a pension²⁶.

Housing inequality

Another important factor is housing inequality. Changes in levels of home ownership matter to retirement adequacy because the retirement income model tends to assume home ownership. To illustrate, currently only about 4% of pensioners are private renters, with 14% in social housing and the vast majority (82%) in owner-occupied housing²⁷. However, UK homeownership has peaked and is now in decline as rates fall among younger age groups. Over the next twenty years, the proportion of people who own their own home in retirement could fall to 63%, compared to 78% today²⁸. PPI analysis has estimated that fewer than one in five households aged 45 to 64 and renting privately today are likely to have sufficient pension income to rent even a modest one-bedroom flat through retirement²⁹. In 2022-23, the relative income poverty rate for pensioners who were privately renting was 38%, compared with 34% among social renters and 12% among owner occupiers³⁰. We can expect this figure to worsen as rates of home ownership continue to decline.

What can we do about it?

The PLSA believes that the State Pension should cover all basic needs and prevent all pensioners from falling into poverty. In 2023 we proposed Five Steps for Better Pensions. One of our recommendations addresses the State Pension and pensioner poverty: we argue that the State Pension should be set at a level to avoid poverty via maintaining the mechanism of the Triple Lock. However, our own research shows that even after the most recent Triple Lock increase to the State Pension, a significant number of pensioners are still not hitting the Minimum income level and are at risk of experiencing poverty (see above). Therefore, increases to the State Pension will need to be accompanied by other policy interventions to protect pensioners from falling into poverty. Other recommendations in our Five Steps report included:

- Setting new adequate, fair and affordable objectives for the UK pensions system.
- Increasing the number of people saving into a workplace pension, and at higher contribution rates. Over the next decade contributions should rise gradually from 8% to 12%. While employees should only be required to put in 1% extra, we believe employers should put in 3% extra, with the result that by the early 2030s each will be paying 6%, totalling 12%. We are exploring whether a contribution rate of 12% should apply to all workers, or whether there should be some easements or exemptions for those on lower pay who may be saving enough at a lower contribution rate to reach an acceptable replacement rate in retirement.

²⁶ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

²⁷ [IFS Report Means-tested support for people approaching and beyond state pension age](#)

²⁸ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

²⁹ [20241127-the-uk-pensions-framework-2024-final.pdf](#)

³⁰ [IFS Report Means-tested support for people approaching and beyond state pension age](#)

- Additional help should be given to under pensioned groups such as women, the self-employed, gig economy workers and others. This will include examination of the £10k earnings trigger mechanism, support work by HMRC to automatically account for qualifying earnings across multiple jobs, and the inclusion of gig economy workers with the scope of Automatic Enrolment.
- The pensions industry and employers should take action to help people engage with pensions, receive higher contributions, or get better pension outcomes.

If all our proposals are implemented, and the State Pension Triple Lock is maintained, people on all income levels will have an improved income in retirement, and more people will be protected from poverty in old age.

Other measures to protect pensioners from falling into poverty look more specifically at widening the scope and improving take up of benefits available to pensioners. For example, in their upcoming report *Mature Decisions* (currently under embargo), Fabian Society are calling for the Government to bring more older pensioners within scope of the New State Pension and / or relax contribution rules, raise Pension Credit levels for couples, including where one is below the state pension age and set a target and launch pilots testing options to achieve full pensioner benefits take-up³¹.

Elsewhere, a recent IFS report highlights that the pension credit amount is now below the value of a full new state pension. Future generations of pensioners will be less and less likely to be eligible for any pension credit, which also means over time fewer people will be passported to the additional benefits linked to it. These will increasingly only be available for those who have only spent a relatively small fraction of their working life in the UK, or those receiving additional amounts due to entitlement to disability benefits or carer's allowance³².

To address low take-up of pension credit, the government has stated its commitment to integrating pensioner housing benefit and pension credit. The IFS suggest that integration of the benefit system could go even further to integrate the working-age and pensioner benefit systems. This could have benefits such as improving claimant experience for those reaching State Pension Age who are already receiving universal credit, making it easier for them to flow onto pension credit, and providing policymakers more flexibility in the treatment of couples with one below the State Pension Age and one above it³³. We believe that this solution merits exploration.

We hope this information is helpful in your inquiry and we would, of course, be happy to respond to any further questions on it.

Please direct any questions in the first instance to Olivia Sizeland (olivia.sizeland@plsa.co.uk).

³¹ Sasjka Otto, 'Mature Decisions: The Role of Social Security in Alleviating Pensioner Poverty', *Fabian Society*, January 2025

³² [IFS Report Means-tested support for people approaching and beyond state pension age](#)

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