SOCIAL SECURITY (UP-RATING OF BENEFITS) BILL

EXPLANATORY NOTES ON LORDS AMENDMENTS

What these notes do

1 These Explanatory Notes relate to the Lords Amendments to the Social Security (Up-rating of Benefits) Bill as brought from the House of Lords on 8 November 2021.

2 These Explanatory Notes have been prepared by the Department for Work and Pensions in order to assist the reader of the Bill and the Lords amendments, and to help inform debate on the Lords amendments. They do not form part of the Bill and have not been endorsed by Parliament.

3 These Explanatory Notes, like the Lords amendments themselves, refer to HL Bill 61, the Bill as first printed for the Lords.

4 These Explanatory Notes need to be read in conjunction with the Lords amendments and the text of the Bill. They are not, and are not meant to be, a comprehensive description of the Lords amendments.

5 Lords Amendments 1 and 2 were tabled by Baroness Altmann, and were opposed by the Government.

6 In the following Commentary, an asterisk(*) appears in the heading of any paragraph that deals with a non-Government amendment.

Commentary on Lords amendments

Lords Amendments to Clause 1: Up-rating of state pension and certain other benefits following review in tax year 2021-22

Lords Amendment 1 and 2*

7 Lords amendments 1 and 2 intend to maintain the link between pension up-rating and earnings growth, but the earnings growth figure is to be adjusted to take account of the exceptional effects of the Covid-19 pandemic on the Office for National Statistics (ONS) Average Weekly Earnings (AWE) index.

8 Lords amendment 2 is consequential to Lords amendment 1. Amendment 1 makes changes to subsection (1) of Clause 1 and provides for a review of the basic State Pension, the full rate of the new State Pension, the Standard Minimum Guarantee in Pension Credit and survivors' benefits in Industrial Death Benefit by reference to earnings growth (adjusted for the

exceptional effects of the Covid-19 pandemic). Amendment 2 makes changes to subsection (2) of Clause 1 and provides for an increase in those benefits by reference to earnings growth (also adjusted for the exceptional effects of the Covid-19 pandemic).

Financial Effects of Lords Amendments

9 The Bill as originally drafted required the Secretary of State to up-rate the basic State Pension, the full rate of the new State Pension, the Standard Minimum Guarantee in Pension Credit and survivors' benefits in Industrial Death Benefit in the tax year 2022-23 by at least the increase in prices or 2.5%, whichever was higher. In practice, CPI at 3.1% would apply. Any adjusted measure of earnings, as stipulated by the Lords amendments, would likely be higher than 3.1%, and therefore the Lords amendment would increase public expenditure. By way of illustration, a blog by the ONS[1] accompanying the AWE figure of 8.3% for earnings growth in the year to May-July 2021 posits a caveated range of 3.6% to 5.1%.[2] If the increase were to be in line with the mid-point of the ONS blog's indicative range (i.e. 4.4%), then the cost would be £1.3bn in 2022/23. This additional expenditure would continue and increase in later years, costing an additional £1.7bn per annum in 2026/27.

[1] Far from average: How COVID-19 has impacted the Average Weekly Earnings data | National Statistical (ons.gov.uk) and Are we earning more now? Measuring real wage growth during the pandemic | National Statistical (ons.gov.uk)

[2] Average weekly earnings in Great Britain - Office for National Statistics (ons.gov.uk)

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