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"Household cost indices could help pensioners cope with cost-of-living increases" says Pensions Policy Institute

On Friday 25th March, **The Pensions Policy Institute (PPI)** published **Briefing Note 129: How do cost-of-living increases affect pensioners?** The cost of living is increasing as a result of price inflation, mainly on energy and transport. Pensioners are distinctly affected by inflation, as they tend to spend income on specific goods and services in different proportions than the general population. The Briefing Note explores the impact of changes in inflation on pensioner households.

Daniela Silcock, Head of Policy Research at the PPI said "Cost of living rises are difficult for everyone, especially those with low incomes and low levels of savings to fall back on. Pensioners can be hit hard by cost increases in areas on which they spend more, such as housing, fuel, and energy. This is why recent increases which have affected energy costs particularly, and upcoming rises to energy caps, could result in many pensioners struggling to meet daily needs.

The problem is compounded when pensioner income increases by less than the rise in the cost of living. While State Pension and Pension Credit usually increase by earnings or above (the Triple Lock) in 2022/23 they are rising by the Consumer Price Index (3.1%), which is lower than the annual cost-of-living increase in January 2022 as measured by the Consumer Price Index + Housing of 4.9%. Pensioner income from earnings and private pensions may increase by a range of measures, including some price indices, but income from many annuities and from earnings is likely to remain level.

This mismatch between income and price inflation can reduce pensioner standards of living, resulting in significant deprivation for those without extra savings or assets. One potential solution is to consider linking rises to pension income and pensioner benefits to ONS's Pensioner Household Cost Index, currently under development, which measures how costs rise for pensioner households based on their average expenditure. In the meantime, the Government might wish to consider other, more immediate, measures for ensuring that rapid cost-of-living increases don't lead to serious deprivation for some pensioner households."

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For further information please contact -

Danielle Baker, Head of Membership & External Engagement (PPI)
020 7848 4467 or 07714250910, email: press@pensionspolicyinstitute.org.uk

Daniela Silcock, Head of Policy Research (PPI)
email: daniela@pensionspolicyinstitute.org.uk

Notes for editors

1. **We are an independent educational research charity: The Pensions Policy Institute (PPI)** does not lobby for any particular solution and we are not a think-tank taking politically influenced views. The PPI is an educational research charity, which provides non-political, independent comment and analysis on pensions policy and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.