

## Engender Briefing: Pension Credit Entitlement Changes

### 1. INTRODUCTION

From **15 May 2019**, new changes will be introduced which will require couples where one partner has reached state pension age and one has not ('mixed age couples') to claim universal credit (UC) instead of Pension Credit. **Engender is concerned that the rule changes have attracted little attention and no gender analysis.** These changes risk reducing household incomes substantially and requiring the younger partner – statistically more likely a woman in heterosexual couples – to engage in work activity as a condition of receiving UC.<sup>1</sup>

### 2. UPCOMING CHANGES TO PENSION CREDIT

Pension Credit supplements the Basic State Pension for older people with lower incomes and savings to ensure a minimum standard of living in retirement. Currently where the older partner reaches state pension qualifying age, couples may choose whether to apply for Pension Credit or UC. However, from 15 May 2019 this rule will be reversed; entitlement will depend on the younger partner reaching state pension qualifying age. **Couples who apply before the deadline will see their pension credit protected unless there is a change in their circumstances, such as a change of address or change to the household's income.**<sup>2</sup> The larger the age gap between the partners the longer the impact on available resources will persist.

#### 2.1 Loss of income

Age UK has estimated that couples could be £7000 a year worse off because the UC standard allowance for couples falls far below the Pension Credit minimum income guarantee (£114.81 to £255.25).<sup>3</sup> Because Pension Credit is a 'passporting benefit', affected couples could be even further disadvantaged by losing winter fuel payments, council tax exemption and become subject to the 'bedroom tax', which does not apply to recipients of pension credit. The DWP's own UC impact assessment stated that *"Some of the larger notional losses for couples without children are in cases where one member is of working age and one is currently eligible for Pension Credit."*<sup>4</sup>

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<sup>1</sup> Ben Wilson and Steve Smallwood Office for National Statistics (2008) Age differences at marriage and divorce

<sup>2</sup> <https://www.gov.uk/pension-credit/change-of-circumstances>

<sup>3</sup> The Guardian (Jan 2019) 'Benefits rule changes could cost pensioners in UK thousands a year'

<sup>4</sup> Department of Work and Pensions (2012) Universal Credit Impact Assessment (Final)

The UK Government has presented 'welfare' reforms as gender neutral because UC treats women and men in the same circumstances the same.<sup>5</sup> However men and women applying for UC are rarely in the same circumstances due to the persistence of underlying traditional gender norms which place women in the domestic sphere caring for home and children and further away from the labour market.

**Pensions are also highly gendered** due to women's care responsibilities, part-time work, occupational segregation, the gender pay gap and maternity and gender discrimination at work, reducing women's access to both state and private pensions.<sup>6</sup> Women with lower participation in the labour market (either long-term or with frequent breaks) are often reliant on the basic state pension. However, even the **basic state pension is not adept at recognising women's domestic labour** and many working-but-earning below the relevant limits will lack the National Insurance contributions to receive a full state pension.<sup>7</sup> Conversely, Pension Credit does not require qualifying NI contributions.

**Changes to entitlement to pension credit are compounded by the increase in the state pension qualifying age.** The way in which the retirement age has been altered has not adequately forewarned women, or left time to make alternative arrangements for retirement. Acceleration of the equalisation has meant that women born in the 1950s must wait up to an extra six years for their state pension. Changes to the pension credit entitlement, which may otherwise have offered a lifeline for these women, will hit this group especially hard.

## 2.2 Conditionality

The DWP argues that Pension Credit was never designed to support to working age people<sup>8</sup> however the reverse is also true. UC will not adequately meet the needs of a household at retirement age because of the strict conditionality requirements around seeking work, such as signing on at the jobcentre, qualifying as an unpaid carer, or proving they are unable to work. While the government says that the conditionality requirements will be tailored to circumstances,<sup>9</sup> it does not account for the nature of women's patterns of employment.

More than half of men and women are economically inactive in the year before state pension qualifying age.<sup>10</sup> For women, this decline in labour market participation

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<sup>5</sup> Department of Work and Pensions (2012) Universal Credit Impact Assessment (Final)

<sup>6</sup> Women's Budget Group (2015) Response to Commons Economic Affairs Select Committee

<sup>7</sup> Women's Budget Group (2018) Briefing from the UK Women's Budget Group on the impact on women of recent policy trends in pensions

<sup>8</sup> Pensions Update: Written statement - HCWS1249

<sup>9</sup> <https://www.gov.uk/government/news/changes-to-benefits-for-mixed-age-couples>

<sup>10</sup> Department of Work and Pensions (2015) Employment statistics for workers aged 50 and over, by 5-year age bands and gender

compounds the inequality in earnings and barriers to remaining in the workplace, such as time out to care for children, which reduces not only their retirement income but lifetime employability.<sup>11</sup> Furthermore, in the absence of affordable childcare options, the changes could adversely affect maternal employment.<sup>12</sup>

### **2.3 Lack of public awareness**

We further believe that the way in which the changes have been introduced is unfair, announced by way of a written statement in the House of Commons at the end of January 2019.<sup>13</sup> Though legislated in the Welfare Reform Act 2012, the scale of reform and its incremental rollout has meant that the change has received less scrutiny than other aspects. Awareness of pension credit rules is already low - 40% of people eligible for pension credit do not claim it.<sup>14</sup> **The lead in time for the change is not sufficient for organisations who support older people to raise awareness.**

## **3. RECOMMENDATIONS**

Engender believes that the UK Government should reverse the rule again before May 2019. However, we acknowledge that this would likely require primary legislation to amend the Welfare Reform Act prior to the 15<sup>th</sup> May 2019.<sup>15</sup> In the absence of an amendment, all agencies should raise awareness of the change to ensure that eligible couples sign up before 15<sup>th</sup> May. The Scottish Government and local authorities should also explore what mitigations are open to it as part of commitments to working age protections to help younger partners faced with UC and work conditionality.

### **FOR FURTHER INFORMATION**

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### **ABOUT US**

Engender is a membership organisation working on feminist agendas in Scotland and Europe, to increase women's power and influence and to make visible the impact of sexism on women, men and society. We provide support to individuals, organisations and institutions who seek to achieve gender equality and justice.

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<sup>11</sup> Department of Work and Pensions (2017) Fuller Working Lives: A Partnership Approach

<sup>12</sup> IPPR (2013) The Sandwich Generation: Older Women Balancing Work and Care.

<sup>13</sup> Pensions Update: Written statement - HCWS1249

<sup>14</sup> Age Scotland (2019) Briefing for the Scottish Parliament Social Security Committee Pension Credit reform: Mixed aged couples

<sup>15</sup> Pensions Update: Written statement - HCWS1249