

Pensions have to go green or they are of little use to ...

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There was [an article in the Guardian this weekend](#) that argued that millions of people in the UK might retire on less than the living wage. It suggested that:

Pensions providers have been called on to do more to encourage people to save for their retirement as estimates suggest millions of people are at risk of retiring on incomes far less than the current “national living wage”.

Since the introduction of automatic enrolment in 2012, which obliged employers to auto-enrol qualifying staff in workplace pensions, some 10 million people have started saving, many of whom would not have done so before. A minimum of 8% of pensionable earnings must be contributed at present — 5% by the employee and 3% by the employer.

But Aviva, the insurer and pensions provider, claims millions of people earning the average wage of £27,500 run the risk of retiring on a pension of far less than £15,000, the equivalent of the current national living wage. It wants contributions increased to 12% of earnings over the next decade.

Of course, Aviva would say that: they win from this, and the argument suits them very well. But there is something much more important to add.

Last month I sat next to an actuary working on such pensions funds and he said two things to me. One was that he seriously hopes there will be a planet that can sustain the people he is investing for by the time that they retire, and he was not sure of that, especially given current business behaviour. But more importantly, he was very clear that funds of the sort these payments go into do not invest. Instead he agreed with an argument I have long made, which is that all they do is promote saving.

In economic terms savings are a withdrawal of money from economic activity. They are deflationary as a result. And they do not create anything new at all. So, whilst saving might make personal sense they do not deliver macroeconomic benefit as things stand.

I would add something else. Those savings are largely being directed into the stock

market, with a bit also going into commercial property. The result is that these savings actually boost the value of these assets month in month out, with the consequence that those who already own most of those assets - who are the already wealthy - are seeing their wealth inexorably boosted by this compulsory pension policy. Bizarrely, saving is then actually increasing wealth inequality.

My answer is it need not be like this. If savings went into investment - which they would if they were directed through a Green Investment Bank into the Green New Deal - then this whole weakness in our pension system could be addressed and corrected and we might even have a viable planet to live on. Right now there is no chance of that. And we need to change that, urgently.