

national assembly of women

pensions briefing 7

NAW response to Pensions Commission First Report

The NAW is a grassroots women's organisation organised in branches across the UK with affiliations from other campaigning groups and trade unions. We have been actively involved in campaigning for justice for women in pensions policy for many years now. We have organised workshops and conferences on women and pensions policy and published six *Pensions Briefings* setting out our critique of our present pensions system and the changes needed to ensure we have a pensions system which meets women's needs.

We welcome the opportunity to comment on the thinking emerging from the Pensions Commission and we hope that it will set out radical and far sighted proposals with equal treatment for women and men at their core. It would be a huge mistake and a betrayal of women to give in to pressure just to tinker with what is basically an outdated and unfair system especially as women are starting to think that at last we might get a pensions system which meets our needs. As it's broke we have to fix it.

1 A State Pension System structured in such a way that only 14 per cent of women qualify in their own right compared with over 90 per cent of men is inherently sexist and unjust. We are convinced that the solution is a Universal/Citizen's Pension based on simple residency/citizenship and age criteria like those of New Zealand paid at 65. We need to break the link between pension entitlement and labour market participation. This should be set initially at the level of the Pension Guarantee, £106 a week, for each pensioner and should, in the long term rise to be 25 per cent of average earnings. It

would be important to try and secure political consensus around this given the previous Conservative government's breaking of the earnings link which played a major part in undermining people's confidence in the state pension. This would guarantee all pensioners a decent minimum income and by providing a solid and secure foundation would encourage (along with other measures) people to save safe in the knowledge that they would not be penalised by means testing for having saved towards their retirement.

An effective pension system for women has to be one in which women build up pension entitlement in their own right.

2 The means tested approach behind the Pension Credit has got to be abandoned. The government has set up a system which subjects many more women than men (two thirds of recipients are women) to a complicated, intrusive and stigmatised claiming process in order to get the £106 accepted as the decent minimum. It is clearly a disincentive to women to save since they are aware that modest savings can disqualify them and it is a bureaucratic farce costing 10 times more per case to deliver means tested pension benefits than the state pension.

3 We support the case put forward by the Equal Opportunities Commission for a revamped State Second Pension to credit carers for time out of the labour market caring for children and other family members. The initial beneficiaries of this would be women, though over time it could also function as an enabler for men to take a more equal share in caring responsibilities.

4 The current system of tax relief is the most regressive that could be devised and given the inequality in

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incomes, amounts to a direct subsidy of high earning men with over half the total cost of tax relief on pension contributions going to the richest 10 per cent of taxpayers. 2.5 million higher rate taxpayers receiving 55 per cent of tax relief, 13 million lower rate taxpayers receiving 45 per cent of tax relief and around nine million taxpayers receiving no tax relief as they are not investing in a pension. There is a considerable cost to the state of forgone tax, subsidising private pensions; in 2003/04 tax relief on pension contributions was an estimated £11.4 billion. This subsidy has to be ended and the money re-diverted to improving the state pension.

5 We support the principle of requiring employers to contribute to their employees' pensions. We believe that one of the reasons for the failure of stakeholder pensions is the lack of compulsion on employers to make any contributions. It is also unacceptable to put all the investment risks onto individuals least able to understand them let alone able to take expert advice. One of the barriers to compulsion for employees has been removed with the government underwriting schemes. There remains a major barrier for low paid workers who are mainly women which is that they simply can't afford to. Unison estimate that the majority of the 20 or more per cent of eligible workers who do not join the Local Government Pension Scheme are women and a survey for the Local Government Employers showed that 43.5 per cent said this was because they didn't earn very much and needed to maximise their take home pay and similar results were found in Age Concern's "To save or not to save" survey. There would have to be direct subsidy from government to cover low paid workers' contributions if the government decided to go down the compulsion route for employees as well as employers.

6 We would be horrified if the government proposed to increase the state pension age beyond 65, bearing in mind that the first cohort of women whose pension age

increased from 60 will feel the effect from 2010. It is obviously good for those women who choose to work beyond 65 and are fit enough to do so to take advantage of the age discrimination rights. It is quite another to require women who may not wish to work til they drop to do so and we need to acknowledge that the broad trends to longer, healthier and more active retirements mask class and ethnic inequalities.

7 We think that annual detailed statements of pensions built up should be produced for everyone, written in clear plain English and backed up by independent advice and support through a trusted agency such as Citizens Advice. Government has to acknowledge that there is a mountain to climb in terms of building people's trust in the role of the state but that this will have to be done if there is any realistic prospect of the majority of people saving for retirement.

8 Finally we believe that a pension system designed to meet women's needs will be one that is fair and will be capable of meeting everyone's needs.

FURTHER COPIES OF THIS BRIEFING MAY BE OBTAINED FROM BARBARA SWITZER, 16 FOLLETT DRIVE, ABBOTS LANGLEY, HERTS WD5 0LP, SWITZER@GN.APC.ORG

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