

# national assembly of women pensions briefing 4

THIS IS A SUMMARY OF THE NATIONAL ASSEMBLY OF WOMEN'S RESPONSE TO THE DEPARTMENT OF WORK AND PENSIONS GREEN PAPER 'SIMPLICITY, SECURITY AND CHOICE: WORKING AND SAVING FOR RETIREMENT.' WHICH WAS PUBLISHED IN DECEMBER 2002

We start by appraising the chapter on Women Work and Pensions, as we were assured that the Green Paper was going to address the particular problems of Women and Pensions. However we have been disappointed to find that the Green Paper has totally failed to tackle the fundamental causes of women's poverty in retirement.

The Green Paper concentrates on the private provision of pensions, which in our view does not effectively address the problem of low income in retirement for women.

We have continually argued that better state pension provision, with the state's ability to redistribute wealth, is the only way women are going to get a decent income in retirement, because women carry almost all the burden of the unpaid caring work in society.

The broken working patterns of women who have children or elderly parents to care for have been ignored in the Green Paper. For example in Annex 5, on the assumptions underlying the analysis, it states that "Working life is assumed to start at age 16, and in general continue uninterrupted until State Pension Age." This is true for fewer men now, and is certainly not the case for most women, who have children, or other dependants to care for.

## state pension provision

There are a number of issues that need to be addressed in the arena of state provision, as well as the fundamental issue of raising the level of the basic state pension, rather than allowing it to fall as a percentage of average earnings.

The lower earnings limit needs to be reduced, so that all paid work

brings state pension entitlement. The upper earnings limit on National Insurance contributions needs to be abolished, so that higher earners, who are mostly men, would be paying their fair share towards pensions, instead of allowing the brunt of the cost to be paid by lower earning women.

The question of widening the scope of Home Responsibility Protection needs to be addressed. Credits for the State Second Pension need to be on the same basis as for the Basic State Pension – not just for women with children under six years old.

There are a whole cohort of women who have paid the full NI stamp for all their working lives, who lose out on Basic State Pension because of caring for children before 1978 when HRP was introduced.

The married woman's stamp has meant that many women have little or no entitlement in their own right. There should at least be a means by which women can now be allowed to make up for the lost years, and not be out of time.

## private pension provision

The most glaring omission from the Green Paper is the failure to address the issue of sex -based actuarial factors/annuity rates. The application of sex-based factors means that, all other things being equal, a woman receives a lower pension than a man for the same level of contributions, because she is likely to live longer. This is a formidable barrier to women making adequate provision for their retirement in private sector pensions, particularly money purchase schemes. The use of unisex rates would represent a major step towards equality, and go some way towards reducing poverty for women pensioners. It has been argued by some that the market must be left unfettered from any distortion this might create, or that unisex rates would mean that men would be subsidising women.

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As the government states that it is committed to equality and is introducing legislation in the fields of disability, age, sexuality and race, it should surely be prepared to take on the issue of equality of annuity rates.

The chapter on Women Work and Pensions fails to discuss the proposed consultation on the simplification of the Reference Scheme Test for a Pension Scheme to Contract Out, by removing survivor's benefits and indexation. Yet the Partial Regulatory Impact Assessment shows that the big losers, if indexation and/or survivor's benefits were removed, would be women. So why is there any question of making these changes?

### tax simplification

Whilst we would welcome any attempt to simplify the tax rules on pension savings, the proposals would appear to give potentially even more disproportionate tax breaks to the higher paid, particularly those who pay tax at 40 per cent.

However, more than half of all those working full time earn less than £20,000 a year, and any tax savings they would gain would be substantially less.

There does not appear to have been any assessment of how much tax revenue would be lost if these tax changes are implemented: if such a figure was available, an assessment of what extra state pension provision this would be equivalent to, could be made. Already tax revenues lost into pension savings is £13 billion per annum: any further tax revenues to be diverted should be targeted at the lower paid.

It would of great interest to have a gender impact analysis of the proposed tax reforms.

### compulsion

The Green Paper represents a renewed attempt by the government to make a voluntary system of occupational pension provision work, whilst trade unions have been arguing for compulsory employer contributions. The majority of workers in the private sector have no access to an occupational

pension scheme: women are affected most by this lack of pension coverage – less than 15 per cent of unskilled part time women workers are in a company pension scheme. If the government really wish to ensure people have adequate pension savings, then they need to make employer contributions compulsory, set at a level of at least 10 per cent of earnings.

However, there should not be any compulsion for employees to pay money into privately run pension schemes, unless they have some guarantee of security, and quality of benefits. Too many schemes are being wound up with insufficient funds to pay out the expected pensions. There needs to be some guarantee on scheme funding, with government sponsored insurance.

### consultation rights

One of the reasons for the pensions crisis has been that it has been too easy for companies to close or radically alter their pension schemes, without any consultation with their employees.

The government has accepted the need for consultation, but stronger proposals are required. They should introduce the right to bargain on pensions, when unions achieve statutory recognition.

There also needs to be proper protection of pension rights when employment is transferred from one business to another (TUPE): at the moment pensions are excluded from the regulations, which means many find themselves with no occupational pension on transfer.

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