

national assembly of women pensions briefing 6

for a pension system based on women's needs in place of a system designed by men for men

Over the past three years the NAW has been publishing briefings on the scandal of women's poverty pensions and setting out an agenda for action to restructure pensions provision to make pensions fit women's needs. At one of our workshops a DSS leaflet was passed around – a good example, said its owner, of the pensions roulette for women. It said: "as a woman your work patterns may be different from a man's so you will need to make sure any pension you choose allows for this". Neglecting to mention, of course, that the choices available are incompatible with the pattern of most women's lives!!!

Now that the government has opened a "big conversation" with its citizens, what are the chances of it listening to what women are saying about pensions and, more to the point, acting on what it hears?

Well, the voices are certainly getting louder and similar messages are coming from a wide range of organisations – all putting pressure on the government and the pensions industry to redesign our pensions systems to give women a fair deal.

1. The **House of Lords Select Committee on Economic Affairs** published a report in January *Aspects of the Economics of an Ageing Population*. They conclude that the contribution basis of the basic state pension acts as a significant barrier to the acquisition by women of full state pension entitlements – and recommend that the basic state pension should be paid on the basis of citizenship rather than contribution record.

2. The **Pensions Policy Institute** challenged, in *Under-pensioned*, the assumptions in the government's *Pensions Green Paper*, which uses models of a full working life from 16 to state pension age to estimate retirement income.

They suggest that such modelling grossly overestimates what people are likely to get, in particular women, the disabled, ethnic minorities, people with experience of non-standard work and people living to very old ages.

They conclude that these groups cover the majority of the population, as more than one half are women, one quarter are disabled, one in 12 belong to ethnic minorities, two-fifths of all workers are either self-employed, working part-time or in temporary jobs, and one quarter of women and one fifth of men are expected to live into their nineties.

3. In February **Age Concern** and the **Fawcett Society** published their report *One in Four* showing that one in four single women pensioners live in poverty, twice as many women as men rely on means tested benefits in retirement, and for every £1 a man receives from a pension, a woman receives only 32p.

They called for four reforms:

■ Reduce the Lower Earnings Limit (LEL) to bring more low paid workers into the National Insurance (NI) system.

■ If the earnings limit was reduced from £77 to £65 per week, approximately 200,000 more women and 60,000 men would benefit – lowering it to £60 per week would bring in 570,000 women and 178,000 men.

■ Introduce a fairer, more accessible system for carers. Home Responsibilities Protection (HRP) covers too few, and should be replaced by a weekly credit for all carers.

■ Pay pensions to anyone who pays into the National Insurance system. Women with less than 10 years NI contributions currently are not eligible for any pension – this rule should be scrapped.

■ Make second pensions work for women. The state second pension (S2PO) to be made more flexible.

4. The **Equal Opportunities Commission** has also entered the fray by launching a campaign to end the scandal of women's poverty in old age and

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condemning the government's latest proposed changes to the pensions system as offering nothing for women. The EOC wants to see sweeping changes to the NI system, including those suggested by Age Concern, plus:

Adding earnings from more than one job together for NI purposes to bring in women who are currently doing two or three part-time jobs and paying no NI because the rules apply to each job separately.

Allowing women who have gaps in their contribution years because of the reduced NI to buy back into the scheme. Current rules only allow backdated contributions for six years and this needs to be extended to allow people to improve their NI record when they are best able to. The EOC believes that a pension system that adhered to the following 'SACRED' gender principles would ensure a fairer pensions system for women:

- Simple, stable and sustainable over time

- Adequate in level

- Caring breaks covered – straightforward credits for those out of paid employment for parenting or family care reasons

- Recognition of different working patterns – more part-time workers need to be in pension schemes with an employer contribution

- Evaluation of pension arrangements by gender on a regular basis to ensure the system is delivering to both women and men.

- Discrimination on grounds of sex removed, unless there are justifiable reasons for maintaining differences. Sex-differentiated annuities result in smaller retirement incomes for women.

5. In February the **National Pensioner's Convention** launched a debate to create a *Pensioners' Manifesto*.

Their first set of draft proposals is to be debated around the country, with a programme to debate and approve them at the Pensioners Parliament in May. The *Manifesto* will then be their agenda for the next general election.

The draft proposals include:

- The basic state pension and State Earnings Related Pension Scheme (SERPS) should remain securely based upon NI;

- The basic state pension should

be raised to the level of the Guarantee Credit – (£105.45pw for a single pensioner and £160.95 for a couple from April 2004) as an immediate step towards providing a basic non-means tested income in retirement;

- The basic state pension should be uprated annually in line with average earnings or inflation (Retail Price Index), whichever is the greater so pensioners may share in the nation's growing prosperity;

- Over the next five years the basic state pension should be incrementally increased to a level of one-third average earnings for a single pensioner and two-thirds average earnings for a couple. On current values that would give a weekly state pension of £133 for an individual and £266 for a couple.

- The basic state pension should be paid to all of pensionable age, regardless of their NI contributions and on the basis of enhanced credits to address the poverty and hardship felt by many older women and ethnic elders who currently rely on means-tested benefits;

- The State Second Pension (S2P) should remain earnings-related and based on the SERPS' revalued earnings formula to offer better value to those workers, particularly women, whose careers do not conform to traditional work patterns;

- Proposals to scrap the index-linking of occupational pensions at a five per cent minimum, and to reduce survivor's benefits, should be abandoned;

- The survivors' entitlement to SERPS should go back to 100%;

- The entitlement to contract out of SERPS should be revoked, the £14bn tax relief on private pensions should cease and there should be no legal requirement to join an occupational pension scheme that lacks a guaranteed return or safeguards against loss of value.

so why are women the poorest pensioners?

- Women, on average live longer than men, and are three quarters of those over 75 years of age, where low incomes are concentrated;

- Women earn less than men – the pay gap in hourly full time pay is still 18 per cent, and women working full time earn £559 per month less than men;

- Women spend fewer years in employment, as they take on more responsibility caring for children and other family members;

- Women spend more years in part-time employment with even lower pay; the gap in hourly earnings of women working part-time, and men working full-time is 40 per cent;

- Women have less access to occupational pension schemes. In the private sector women are concentrated in services, with much lower pension provision than in manufacturing;

- A pension system assuming continuous well-paid employment throughout the working life is bound to fail women;

- Women's average retirement income is £92 a week – 57 per cent of men's average retirement;

- Fewer than 12 per cent of women pensioners currently qualify for the full basic state pension based on their own contribution record, compared to 91 per cent of men.

priorities for action

- Demand a pensions system which meets the needs of women;

- An immediate increase in the basic state pension to the level of the Guarantee Credit – £105.45 for a single person and £160.95 for a couple from April 2004;

- Abolition of the lower and upper earnings limits so all earnings attract NI contributions, and credits;

- Credited women for state pension entitlement if they are carers, or on a very low income;

- Unisex actuarial factors in all pension provision, so that women do not lose out on pension income;

- Reversal of the policy to encourage private provision, and recognise the importance of the state's role in guaranteeing a reliable income to those who spend time out of employment for parenting or family care reasons.

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