Midlands TUC Pensioners Network Update

Spring 2015

Articles

From the Regional Secretary: *Pension charge cap should be extended to more savers*

In early February the government and the Financial Conduct Authority announced new rules to protect pension savers.

These changes are good news for pension savers, but those with savings in old schemes will not benefit from them. The government's failure to extend the cap, or the remit of new independent governance committees, to retirement income products post-April could leave some savers in a financial services 'Wild West' with no protection from excessive charges or dodgy products.

Independent governance committees are a clear recognition that competition has failed savers, but they are a fudge – neither very independent, nor having powers to govern.

Trust-based schemes run in members' interests better protect savers. This will be even more important in the future as those retiring try to turn their pots into income in the Chancellor's brave new pensions world.

We risk repeating the pensions rip-offs of the 1980s. Tinkering with consumer protection will not prevent that.

Lee Barron

Midlands TUC Regional Secretary

About the Midlands TUC Pensioner Network

We bring together representatives of union retired members' groups and Trades Union Councils in the –Midlands to promote TUC policy and campaign on old people's issues.

We aim to work with the trades union movement as a whole to bring working members and retired members together and to promote trades unionism among older people. Delegates from all TUC affiliated unions and trades union council are welcome.

We meet three times a year at UNITE, 3 Pride Point Drive, Derby DE24 8BX.

Meetings in 2015 will be on

- 18th March
- 12th August
- 4th November.

Refreshments from 12.00 noon.
Meeting 12.30-2.30pm.

Going Backwards

The Thatcher years saw the link between state pensions and earnings broken, personal pensions take the place of state second pensions and pension contribution holidays for employers.

The neoliberal beliefs of individual responsibility and that competitive markets provide the best answers triumphed. Collective pension provision, state and workplace, began to be dismantled.

When Labour came to power, it was soon clear they would not restore the earnings link for state pensions. Pension Credit improves living standards for many pensioners but it still leaves them in poverty and it is means tested.

Labour set up the Pensions Commission, chaired by Lord Turner (ex CBI), with Jeannie Drake (CWU trade union) and John Hills (LSE academic). Its first report in 2004 said we had four options:

- Let pensioners get poorer;
- Spend more of GDP on future pensioners;
- Get people to save more for pensions; and/or
- Raise retirement ages.

In 2006, its second report rejected letting pensioners get poorer and acknowledged state spending had to rise. It recommended:

- Basic State Pension rises in line with earnings;
- Pension entitlement based on residence not National Insurance Contributions;
- A limited role for means testing;
- A State Second Pension that takes account of caring responsibilities;
- Auto-enrolling everybody into a workplace or national pension scheme.

- Increasing state pension age to 66 in 2030 and 67 in 2040.

Labour's Pensions Act 2008 adopted some of this. It raised retirement ages, changed S2P to include carers, reduced to 30 years the contribution record needed for a full pension and brought in auto-enrolment.

THE CON TRICK

In 2011 the Tories speeded up the increase in women's pension age and brought forward the rises for men and women to 66 in October 2020 and 67 in 2026.

The Pensions Act 2014 brings in the Single Tier Pension but only for people reaching State Pension Age after April 2016. This will replace the Basic and Second State Pensions with one amount, just above the Pension Credit level (currently £151pw).

The number of years to qualify goes up to 35 and only contracted-in contributions count. Contracting–out will go as there will no longer be a State Second Pension to contract out from. This will raise National Insurance Contributions for both workers and employers and put more pressure on final salary pension schemes.

The Pensions Service estimates that in 2040 just 35% will be better off, 45% worse off and 20% about the same under the new system. Over the longer-term it will cut the amount being spent on state pensions as a proportion of the economy.

The latest wheeze, branded "Choice", lets people treat their Pension pots (in defined contribution schemes) as savings rather than money earmarked for a pension. From this April, over-55s can draw out some or all of their pension pot. A quarter is tax free; you pay tax on the rest. The "justification" for this is the failing annuity market, (a fixed pension pot buys less pension than it used to) and "choice". But many people, if they make poor decisions or merely live longer than expected, could find themselves running out of savings and falling into poverty in old age.

Pressure to use the money to pay off debt, whether for themselves or one of the family, could be enormous. The potential for scams and fraudsters is worrying.

Trying to improve a failing market by injecting even more market into the system doesn't work. We learned that in the '80s, when the Tories had similar slogans of choice and individual responsibility and oversaw a collapse in pension savings.

Who benefits from the latest "Choice" experiment? There is a predicted £1.6 billion tax windfall for the government from people taking cash early from their pension pots.

Article based on original article by Eleanor Lewington of the National Assembly of Women

Nettles still to be grasped

First, too few workers have a decent works pensions.
In parts of the public sector, 90% of workers are in a pension scheme but in the private sector it can be as low as 5%. Half the self-employed and 80% of those not in work have no pension savings at all.

Second, who benefits from pension tax relief?
The Turner Commission recognised the high paid get the lion's share:

- 8% of taxpayers, earning more than £50,000 receive almost 50% of pension tax relief; and,
- Lump sums cost £4 billion a year in lost tax. A quarter of this goes to just 2% of taxpayers.

Third, the Gender Pensions Gap is huge:
Turner also recognised how the current system disadvantages women. The state pension system, put in place after the Second World War, was built on a male breadwinner with a wife relying on him for her pension. The 2016 improvement in the level of the state pension won't deal with the effects of low pay, broken employment or caring responsibilities so it will still leave many women to retire in poverty. Hundreds of thousands of part-time workers – most of them women – are missing out on pensions auto-enrolment because they are paid less than the £10,000 a year earnings trigger in each job they hold.

Fourth, treat all surviving partners alike.
At present an exception to the Equality Act means occupational pension schemes treat widowers worse than widows and surviving same-sex spouses and civil partners worse still.

Better off in April or running to catch up?

In April the State Pension will go up from £113.10 to £115.95 a week for a single person and from £180.90 to £185.45 for a couple. This is a rise of 2.5% in line with the Triple Lock. Over-80s get an extra 25 pence.

The State Second Pension and most works pensions go up 1.2% in line with CPI.

As for Pension Credit, in line with Coalition - policies since they came to power, the Standard Minimum Guarantee will go up by the same, in cash, as the State Pension, that is from £148.35 to £151.20 a week for a single person and from £226.50 to £230.85 for a couple. This is the minimum the state says a pensioner needs to live on after housing costs and council tax. You have to apply. Four million qualify for pension credit but a third don't get it because they don't ask.

Again this year part of the increase in the Standard Minimum Guarantee will be clawed back from Savings Credit. This is a modest benefit that tries to stop pensioners who saved for retirement from ending up no better off than if they hadn't. The threshold will rise from £120.35 to £126.50 a week for a single person and from £192.00 to £201.80 for a couple. The maximum payment will reduce from £16.80 to £14.82 a week for a single person and from £20.70 to £17.43 for a couple. AgeUK points out this means some pensioners will get a rise of only 87pence a week.

Personal Tax Allowances rise (for some) on April 6th

	2014/15	2015/16
Born after April 5th 1948	£10,000	£10,600
Born between April 6th 1938 and April 5th, 1948	£10,500	£10,600
Born before April 6th 1938	£10,660	£10,660

State Pension Deferral

Among changes to pensions in 2016 will be much less attractive terms for those who defer taking their pension.

Currently you can defer your pension and get an uplift of 10.4% for each year you defer. Alternatively you can take the amount you have deferred as a lump sum.

But, those reaching State Pension Age from April 2016 will find the deferral rate has been slashed to 5.8% and the lump-sum option has been abolished.

People considering deferral need to consider the position carefully. You do not have an option to defer if you are receiving certain benefits. If you do defer, the higher resulting pension, once in payment, may affect whether you pay income tax or whether you can claim mean-tested benefits or help with care costs.

Having dependents or having a spouse or partner under State Pension Age also affects the position.
And the biggest question …. If I defer, will I live long enough to get my money back?

(Thanks to UCU East Midlands Retired Members' Branch for the information in this article)

15 Minute Home Care visits on the rise

Hre's how a UNISON member has described her job:

"On my run there are a number of 15-minute visits. One is to a man in his mid-

90s who is very frail and slow to move especially in the morning.

"I have been given fifteen minutes to go into his house, wake him, help him to the bathroom, give him a shower, help him get dry and dressed, make his breakfast and make sure he takes his medication.

"I told my organiser this takes at least 30-45 minutes. Her reply was that other workers can do it in this time."

The government claims it is clamping down on home carers rushing their work but UNISON found more councils than ever commissioning 15-minute calls. This comes from answers to a Freedom of Information request sent to all English councils.

One home-care visit in seven now lasts only fifteen minutes. Nearly three quarters of all English councils commission these lightning calls.

In 2013 government minister, Norman Lamb, said 15 minutes isn't enough. He claimed the Care Quality Commission would look at it. But the CQC has no such power and the 2014 Care Act ducked the issue.

UNISON's Ethical Care Charter calls for standards to protect the dignity of people getting care at home and a Living Wage for home care workers.

In a linked development, Jo Swinson MP, Under Secretary for Employment Relations, has responded to pressure and agreed to investigate whether the six biggest care providers pay all their staff at least National Minimum wage. This follows scandals of home care workers not paid for travel time between clients' homes.

As part of Fair Pay Fortnight Midlands TUC hosted a meeting at Nottingham to hear Care Workers, Carol Star (Unite) and Carol Weimar (UNISON) call for social care to get the funding and the respect it needs.

Migrant Workers – Good for Britain

Based on original article published in Labour Research July 2014.

Immigration has become a key political battleground in recent months and will undoubtedly figure in the forthcoming General Election campaign. Unfortuanlastly, much of the debate appears to be centred on the opinion that migration drives up unemployment and drives down wages.

Studies do not back up these beliefs. Migration increases demand and stimulates economic growth so it will increase the demand for labour as well as the supply. If the economy is growing the labour market will adjust quickly. In the absence of economic growth adjustment takes longer.

This doesn't rule out a UK worker being displaced by a migrant. But a UK worker might be displaced by another UK worker or a migrant by a migrant. The problem is not migration but lack of jobs. Stopping migration won't help economic growth and it won't create a single job.

Besides, migration plugs gaps in the UK workforce. A quarter of NHS doctors and half of new nurses are from overseas

Studies of the effect of migration on wage rates have been inconclusive but they all show that migration has much smaller effect than other drivers of wage levels. There is no evidence that excluding migrants from the labour market would raise wages.

What would raise wages for vulnerable workers is action against abusive employment practices like zero-hours contracts and phoney self-employment.

As the TUC's Rosa Crawford said, *"Toughening up the law is the best way to tackle exploitative bosses not blaming migrant workers."*

Dignity Day Campaigning

As part of ongoing NHS campaigns and promoting the National Pensioners Convention (NPC) Dignity Code, the Midlands TUC Pensioners Network with the NPC held two campaigning events in the West Midlands.

Firstly the group undertook action at the Queen Elizabeth Hospital on Birmingham on January 26th
and two days later at Wolverhampton Civic Centre on the 28th January

Continuing the fight against privatisation in the NHS needed little explanation and hundreds signed our petition to local politicians.

Our petition supporting the Dignity Code which demands that the rights and personal dignity of older people less able to care for themselves is maintained also had a great response. Some gave horror stories but many praised Care Workers who were doing a great job on low pay and on zero hours contracts.

The Dignity Code, although it is primarily about older people, recognises that workers need dignity too with proper training and work balance. Some local authorities, GPs and Care Homes have signed up to the Code but more are needed.

Victory at George Eliot Hospital

UNITE's Frank Keogh talks to Mids TUC Pensioners Network

The fight against privatisation at George Eliot Hospital, Nuneaton was Midlands TUC's Campaign of 2014.

From the announcement of the proposed prtivatisation, unions worked tirelessly to stop the plans.

Union stewards and activists staffed street stalls, collected over 6,000 signatures, held public meetings and demonstrated at key board meetings.

Key to the campaign was building support both among staff at the hospital and among users of the hospital services. Moreover, buildign links with politicians and working hard at media coverage were important in securing public support.

In the end the Trust abandoned their plans and agreed to keep George Elliott firmly within the National Health Service.

UNITE's Frank Keogh described the campaign when he addressed Midlands TUC Pensioners' Network meeting in December.

Reorganisation following he Health and Social Care Act, which Labour is pledged to repeal, has cost over £2 billion. It was designed to make the NHS easy to privatise and 70% of contracts since 2013 have gone to the private sector and over £20 billion of health spending is now in private hands.

The government claims to protect NHS funding but hospitals tell a different story. Queen Elizabeth Hospital Birminham faces demends to make savings of £60 million. Russells Hall Hosptial, Dudley, is being forced to lose one in ten of its staff.

Frank's talk also covered the threat to the NHS posed by the Transatlantic Trade and Investment Partnership. UNITE has commissioned legal advice from an expert in EU law which confirms campaigners fears that TTIP will make it imposible to protect the NHS from US health corporations.

Keeping in touch

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