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Britains two tier pensions system

Pension Hypocrisy

Anarcho

December 2, 2005

Gordon Brown has shown his New Labour credentials by questioning the deal agreed by the Government to allow public-sector workers to continue to retire at 60. While Downing Street and the Department of Work and Pensions insisted that the deal with the unions would not be unpicked, the unions, who called off a strike when the deal was struck, sensibly renewed their threat of industrial action.

Brown raised the pro-business standard addressing a CBI conference in London. He was worried that the recent public sector pensions deal will prove too expensive in the long run. Shame he had no such qualms about invading Iraq or about finding a replacement for Trident. Clearly he is showing the markets that New Labour's Thatcherite policies will be save in his hands. As such, he needs to address the needs of business. State pensions cost them money in taxes, while company pensions become a permanent and ever lengthening drag on profits. Something has to be done.

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What is particularly galling about the pensions issue is the hypocrisy. It was staggering to see a CBI spokesman twittering on about “unfairness” on the news or hear the director of the British Chambers of Commerce arguing that *“what we are going to end up with here is two nations. That will create real resentment in the workforce.”* Employers warn of a “two-tier” pension system and John Sutherland, the CBI president, opined that the government *“must treat all equally and fairly. It cannot expect private sector employees to work until sixty-seven to finance the pensions and early retirement of public sector employees who retire on inflation-proofed final salary pensions at sixty. Society can no longer afford such schemes ...and such inequality is unacceptable.”*

Unsurprisingly, the CBI made no comments about the existing “two-tier” pensions system, that between bosses and workers. According to the TUC, eight out of ten of the UK’s top companies provide directors with pensions that can pay out in full at 60 and are worth, on average, 26 times those of most employees. Moreover, directors’ final salary pensions are most likely to build up twice as fast as the most common rate for employees in final salary schemes. The directors of the UK’s 100 most important companies have amassed pensions worth a total of £.9 billion which, on average, would pay out £167,000 a year if claimed now. This is over 26 times the national average of £129 a week and over 30 times the average public sector pension.

Of course the CBI is not arguing that private sector workers should receive the same deal as bosses. Nor even the same one as public sector workers. No, rather than level up, all workers are to have their pension deals levelled down and they are using the issue to divide workers against each other. The last thing that the private sector wants is its wage slaves wanting a better deal and so they want them to help bring down their more fortunate fellow workers down to the level the bosses think is best. Given this, the imposition of a later retirement age in the public sector would strengthen the private sector’s hand as it attempts to enforce the same on its

workers. As it is, the deal is hardly brilliant as the government has succeeded in getting the consent of major public sector unions for a higher retirement age on future public sector workers.

Thus the bosses' real worry about the "two-tier" system — if public sector jobs have better pensions then private industry will have to provide the same. It is, in other words, simply a variation of the old argument that unions "exploit" non-unionised workers. In reality, unions provide a minimum level of wages and conditions which bosses have to match in order avoid uppity wage slaves demanding a better deal. As such, the bosses' hypocrisy about a "two-tier" system could be used to challenge their plans and get a better deal for all workers.

The CBI's new concern from equality and affordability is pretty narrow. Apparently, it thinks that this society can afford the millions paid to the bosses. In 2001, it was announced that UK bosses were the best paid in Europe, earning an average of £509,019 a year. These outstrip those of every other European country by more than £100,000 and had risen by almost one-third since 1999. Meanwhile, the UK's manufacturing employees have become the lowest paid in the developed world.

In February, 2003, it was reported that two-thirds of the workforce were now earning less than the average wage, up from 60% ten years previously. The rising wage inequality was as a result of huge pay deals for executives and directors. Top pay has been increasing faster than for the rest of the workforce. Ironically, the strongest rise occurred since 1997. In 2002, for example, executive pay rose by 17% — a year when billions was wiped off the value of companies so destroying any claim that this pay are related to their contribution to society.

The CBI president did not rally against other forms of inequality, at the unfairness inherit in 23% of UK wealth being owned by 1 per cent of the population or that the wealthiest 10% own more than half the wealth. That the poorest 50% own 6% of wealth or that the wealthy have got wealthier over the last ten years failed to raise a

moment from our advocates of pension fairness. Nor did he attack a “two-tier” system in which the few own most of the wealth and the rest of us are expected to put up with the crumbs which come our way. Nor did he ponder why “society” cannot afford to pay for pensions but has enough to invade Iraq, impose ID cards or replace Trident.

Finally, it does seem strange that the CBI, representing as it does the private sector, should lecture the public sector on this issue. After all, private pension schemes proved to be completely disastrous (“mis-selling” being the euphemism of choice rather than the more accurate fraud). Nor should we forget that it was the old pro-business party (the Tories) who advocated these schemes after breaking the link between state pensions with average earnings in favour of the Retail Price Index. Even the way the CBI is framing the issue backfires on them. For how incompetent are UK bosses anyway? They have one of the most pro-business regimes in the world and still they worry about their profits. No matter how slight the proposed reforms, the CBI are guaranteed to moan about how industry cannot afford it. So much for the wealth that an unbridled capitalist economy would produce!

In summary, the so-called pensions ‘crisis’ is really a battle. It is between the priorities of capital and those of human need. It is a case of what we need to live and not whether the system can afford it. If enough pressure is generated from below, then what can be afforded will change accordingly — as will what people want and the kind of society they wish to live in.