

Britain: Protest by steelworkers highlights pensions crisis

Julie Hyland
11 June 2003

Former steel workers demonstrated outside Prime Minister Tony Blair's residence Sunday 8 June, in protest at pension regulations that mean they have lost much of their retirement income despite paying contributions for up to 40 years.

The 500 workers were formerly employed at Allied Steel and Wire (ASW) in Sheerness, Kent before it went into receivership in July 2002. Under existing legislation covering company pension schemes, only existing pensioners are protected when a firm folds (and then not always). Those yet to draw their pensions are listed only as creditors, competing with others for a share of any remaining monies. In many cases workers lose most, if not all, of their pension entitlements.

The rules cover so-called guaranteed company pension schemes, long considered the best of personal pension plans for paying out retirement benefits in line with final salary, which cover 9.5 million workers in the UK. They apply even if employees have made pension contributions for 40 years or more, and are only one day off retirement. They also apply even if the company voluntarily winds up its pension scheme.

The ASW workers were all members of a company pension scheme. Even when the news broke that they were to be laid off, all the workers believed they would still be able to collect their "guaranteed" pensions.

Speaking to reporters on the demonstration, John Hayter, 59, said he had lost 90 percent of his pension just three years before retirement after paying in to the company pension scheme for 28 years. His family would be forced to sell their home and move to another area in order to release capital to live on.

John Benson, 56, had worked at ASW for 41 years and had also been contributing to the company pension scheme since it was opened 28 years ago.

Breaking the news of his redundancy to his wife last year he had reassured her, "Don't worry, we'll be fine, I've got a pension." Ten days later he found out that he could end up receiving nothing.

His wife Linda explained, "I just went mad. What do you

mean there's no pension? There's got to be a pension. I said you've paid into that pension scheme and it is your money."

But existing employees have no guaranteed rights to their pensions and little means of legal redress. To add insult to injury, the cost of winding up the ASW pension scheme is being deducted from the pension fund. The procedure takes several years and is hugely expensive, according to a BBC *Panorama* documentary on ASW broadcast in November 2002, *How Safe is your pension?*

Lawyers charged £130 alone to reply to a letter from the ASW Pensions Action Group requesting information on progress, the programme revealed, and total costs billed to the fund just for the month of October 2002 were over £8,000. By the time current pensions and legal fees are paid there could be nothing remaining.

The former ASW employees have been left to try and pressure the government into giving them some form of compensation. But on *Panorama* Andrew Smith, Secretary of State for Work and Pensions, dismissed such claims:

"If we were to say in the case of one scheme that for whatever reason it's gone insolvent that we can bail that out, we would be in the position of standing behind every scheme in the country... when it comes to investments and markets, there is no such thing as total security."

ASW is only the tip of an iceberg that threatens to make tens of thousands of workers destitute. The Pensions Advisory Service (Opas) was set up to oversee company pension schemes in the wake of the Robert Maxwell scandal during the 1980s, in which the *Daily Mirror* owner and leading Labour Party supporter stole millions of pounds from his employees' retirement pot.

But—heavily skewed in favour of employers—existing legislation covers only fraud and seeks to protect existing pensions, not contributions.

Presently a solvent employer who decides to stop contributing to a company scheme is only required to make good any funding shortfall up to the level of a Minimum Funding Requirement, which is always set below the amount members would have originally been entitled to receive. In

the case of insolvent employers, whilst existing pensioners have first claim there is no absolute security for any pension rights at all.

As the ASW workers' website (<http://www.pensionstheft.org>) explains, there are many more already facing the same dire situation. Former employees of a British company acquired by the Danish shipping giant Maersk face the possible loss of more than half of their benefits, whilst workers at Glory Mill, which went into liquidation in February 2002, saw their pension scheme wound up. Their website (<http://www.fagans.free-online.co.uk>) explains, "Members of the scheme have now been informed that their benefits will be reduced by 50-65% (or more!)."

Trevor Mitchell, 64, explains that he was employed at the mill for 30 years and paid in regularly. Now, "I can not retire at 65, because I have been robbed of my promised benefits. Who lied and cheated me of my rights? I would like to know, but nobody will tell me."

Dave Fagan worked at the mill for 25 years, joining the pension scheme at 18, "believing I was making a sound investment for me and my family's future. To be told that my sensible financial decisions have been destroyed through no fault of mine and that Felix Schoeller [the company boss] is hiding behind company law, a spineless luxury denied to the individual, proves that corporate employers, despite their 'mission statements' etc. always fail the 'morals test'."

It should be noted that in all the above cases, and many more, company directors ensured that their own pensions were protected.

At Scottish engineering firm Blyth & Blyth even existing pensioners could be left without benefits. Blyth & Blyth was taken over in a management buyout earlier this year, but the new firm has no responsibility for the old pension scheme, which was more than £6 billion short. The 150 workers who had not retired by the time the company went into receivership could lose everything and there might not be enough funds to continue paying those already drawing pensions

The implications for millions of workers are horrendous. Britain has gone much further than other European countries in shifting the onus for retirement income away from the state and private corporations onto individuals. This has mainly been achieved by setting the state pension at virtually poverty levels. In 2000, the UK spent 5.5 percent of GDP on state pensions as against a European Union average of 10.4 percent.

Even so, low wage rates mean that almost half the UK workforce has no pension provision other than the state pension. Efforts to encourage personal pensions (other than final payment schemes) have led to a proliferation of

schemes now covering some five million workers in total. These have even less protection than even the so-called "guaranteed" schemes, as they are completely dependent on the vagaries of the stockmarket.

The government has insisted that by acting responsibly and setting money aside in such schemes people will be guaranteeing a secure retirement. But ASW, Maersk, Glory Mill and others prove this to be a lie. Existing pension regulations amount to legalised theft, as many workers are literally robbed of tens of thousands of pounds.

Even the most minimal efforts by government to regulate pension schemes are opposed by employers. Regulations introduced following the Maxwell scandal mean that should a company's assets fall below liabilities, employers are required to prop up ailing final salary pension schemes to ensure payouts.

To avoid this, and reduce costs, many companies have closed their company schemes—with three-quarters of schemes predicted to be ended by 2005. Most firms have already closed the schemes to new employees.

Firms have blamed the shortfalls on the downturn in the stockmarket. Whilst this is a major factor, just as significant has been the decision of many employers during the stockmarket boom of the 1990s to take substantial "pension holidays." The Inland Revenue has revealed that during the stock boom, employers took payment holidays worth £18 billion.

The crisis extends to major employers. The pension schemes of the FTSE 100 companies face an estimated £65 billion black hole. Car manufacturer Honda has said its pension fund has an estimated £40 million deficit. It intends to raise the age of retirement for employees to 62 and keep pay rises below the rate of inflation to bridge the gap. Telecoms firm BT has revealed a £6.3 billion gap in its pension fund, and Royal Mail has said it has a £4.6 billion shortfall.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact