

# Britain: Truth suppressed about pensions crisis

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At the end of January the government's statistical service pulped the entire print run of its annual compendium of social statistics just days before publication, following a decision to censor the lead-in article. Each copy retails at £41 and contains hundreds of pages.

The Office of National Statistics (ONS) postponed the launch of *Social Trends* No. 34 while it reprinted a version that was more to its liking.

Academics Sara Arber and Jay Ginn, from the University of Surrey's Centre for Research on Ageing and Gender, introduced the 2004 edition of *Social Trends* with an article entitled *Ageing and Gender: Diversity and Change*. It charts the demographic, social and economic characteristics of the over 65s.

In their conclusion they had had the temerity to mention that the Labour government's plans would lead to an increase in pension poverty and the number of elderly people forced to depend upon means tested benefits, which are widely reviled and largely go unclaimed. It made clear that the government's abandonment of one of the central pillars of the welfare state—universal pension provision through the redistribution of income by the state—would have disastrous consequences for the elderly.

Arber and Ginn then exposed the fact that the funds existed to prevent such a situation from occurring. The National Insurance Fund—made up of workers' contributions and used to pay pensions, sick pay, unemployment benefits, etc.—was in fact in surplus. The oft-peddled justification that state pensions were unaffordable had been shown to be a lie. Far from pension poverty being unavoidable, it was a deliberate policy choice.

They also questioned whether topping up pensions with means tested benefits would be a cheap, effective or sustainable alternative.

Arber and Ginn had written:

“Instead of raising state pensions to reflect the steadily rising income to the National Insurance Fund, a dramatic increase in the proportion of pensioners receiving means tested benefits is planned.

“Whether the unpopularity of claiming means tested benefits will diminish remains to be seen. However the policy of expanding means testing in later life rather than increasing the state pensions may not be a cheap option.

“It is questionable whether supplementing low state pension income through massive expansion of means testing is an effective or sustainable policy.”

To make statements of fact that exposed the government's fundamental dishonesty and even to question the efficacy of government policy was too much for the ONS. The offending sentences were deleted and *Social Trends* No. 34 was reprinted.

Furthermore, the ONS refused to let journalists question Dr Ginn after the launch of *Social Trends* about the government's policy on means tested benefits, saying that they could only ask questions of fact not policy. If they wanted to ask such questions they would have to do so off the premises of the ONS.

One of the authors, Jay Ginn, explained to the Radical Statistics annual conference the scale and growth of poverty among the elderly and

demonstrated that pension poverty was set to increase dramatically.

The number and proportion of pensioners living in poverty as a result of successive governments' refusal to increase the state pension in line with earnings has risen. In 2001, 21 percent of pensioners were living in poverty compared with 16 percent in 1981. More and more elderly people, particularly women who are unable to obtain a good state second pension, occupational or private pension due to their domestic roles are forced to rely upon income support—now replaced by the Pension Credit scheme—a means tested benefit.

A Eurostat survey of European households shows that the UK poverty rate of people over 65 is higher than the EU average. The same survey shows that the average income of older people in the UK relative to the rest of the population is substantially lower than the EU average. Thus they suffer a larger drop in their standard of living after retirement than those of other EU countries.

A separate cross country comparison of pensioners' income showed that pensioners' relative income was lower in Britain than in all eight major industrial countries except Australia. Relative income was slightly lower than in the US, Canada and the Netherlands, but substantially lower than in Germany, Italy and France.

Ginn explained that while spending on state pensions constituted 4.4 percent of GDP in 2000, it is set to fall to 3.4 percent in 2050. The basic state pension, which slumped to a mere 15 percent of average earnings in 2000, will fall to just seven percent of average earnings in 2050. The basic pension plus the state second pension will fall from 37 percent to 20 percent of average earnings over the same period, while its cost will fall from £34 billion to £26 billion.

Hence spending on income support would rise from one percent of GDP in 2000 to 2.6 percent in 2050. In other words, the cost of means tested income support would rise more than the fall in state pensions—to compensate for the failure of pension provision—an absurd state of affairs that clearly would not be cheap or sustainable, as Arber and Ginn had concluded. Of course this assumes that the bourgeoisie continues with present levels of income support.

The government justifies means testing as a way of targeting resources on those most in need. However, the persistently low take up is an unspoken source of its attraction for government. Half of all those eligible are not claiming the 23 potential benefit entitlements.

According to Malcolm Wicks, the Minister for Pensions, only 2.53 million people out of a possible 4.9 million who are eligible are receiving Pension Credit. The low take up is hardly surprising: pensioners have to fill in a 35 page form of Byzantine complexity in order to claim it. According to a Public Accounts Committee report published in April 2003, £2 billion of the main pot of benefits went unclaimed.

Similarly, while 1.5 million pensioners are eligible to claim Council Tax relief, less than 40 percent do so, leaving a massive £750 million in benefits unclaimed.

In the last 20 years, successive governments have put pressure on

workers to take responsibility for their retirement income through private pensions. This has proved to be a disaster for many. Actuarial studies have shown that personal pension plans have suffered losses of up to 30 percent of fund value between 1999 and 2002.

Of those occupational pensions with supposedly defined benefit schemes, upon which an estimated 50 percent of the work force depend, 39 percent are closed to new members, 18 percent are being considered for closure, 14 percent have been closed while a further 10 percent have been wound up or are providing reduced benefits.

Yet the public subsidy through tax relief to private and occupational pensions has increased from £1.2 billion in 1979 to £13.7 billion in 2000—more than 2.5 percent of GDP.

Recent academic research has exposed how this has served to fuel the inequalities that are the hallmark of Britain today. The main beneficiaries of such tax relief have been the wealthy. Half the tax relief has gone to the top 10 percent of tax payers while a staggering one quarter has gone to just 2.5 percent of the top tax payers, thereby exacerbating class and gender inequalities. As the old saying goes, to the rich shall be given, from the poor shall be taken.

That is not the full extent of the pension scandal. Firstly, the government endlessly peddles the myth that demographic trends make the state pension unsustainable. This is belied by its own statistics. The growth in the UK's elderly population has been relatively modest and is not the cause of the problem as previous articles by the World Socialist Web Site have demonstrated.

Secondly, the government routinely portrays decent state pensions and welfare provisions as unaffordable without massive tax increases. But the income from taxes is never carefully scrutinised. Indeed, it cannot be because the ONS does not make all necessary data available in an accessible way. To cite but one example. The tax relief on private and occupational pensions is of course only one of many subsidies given through the tax system to the rich. While the government publishes data on its income from taxes, it is remarkably coy about publishing financial information that quantifies tax welfare and tax breaks (negative taxes) to the rich and big business. Without this, an understanding of the affordability or otherwise of a particular social measure and the redistributive nature of the tax system is impossible.

The government's plans for pension provision are all the more obscene because the Government Actuarial Officer's own data shows quite clearly that the Labour government's scrooge-like attitude is totally unnecessary. Not only did the National Insurance Fund have a surplus of £24 billion in 2000, its surplus is rising by £4 billion a year.

The government's own actuary has said that not only can pensions be increased, but the surplus can be invested in government bonds or fund other social expenditure.

Thus, the elderly face the prospect of hardship, misery and penury in their last years because the government refuses to use their contributions and those of the present generation of workers to the National Insurance Fund to fund an increase in pensions or indeed any other welfare payments. Rather, it seeks to make one cut after another.

Pensioners are being robbed of their own money. That is precisely the reason why the ONS censored the *Social Trends* article. The last thing it wants is for the public to realise that government policies are based upon a tissue of lies.

The annual British Social Attitude Surveys have examined attitudes to tax and welfare, including pensions. They show that since 1983, despite the climate of welfare cuts and the rhetoric of individual responsibility, there has been growing support for increased taxation to fund social spending. More than half those questioned were in favour of increased taxation and public spending provision.

State pensions were the most widely supported social security benefit. Fully 80 percent said the basic state pension was inadequate and 78

percent wanted more spent on state pensions. Forty-eight percent said pensions are solely a government responsibility, while 33 percent said that government and employers should share this equally. Forty-two percent favoured increased National Insurance Contributions.

The establishment of an "independent statistical service" was an election commitment of the incoming Labour government in 1997. It pledged to restore trust and public confidence in official statistics. Instead Labour has not only failed to fulfil its pledge, but the ONS has become ever more mired in controversy over manifestly wrong census data and its willingness to ensure that the numbers fit the requirements of government.

This example of the ONS censoring incontrovertible facts and legitimate questions over government policy and its refusal to publish broader financial information has a wider historical significance. It points to the fact that the culture of deceit and dishonesty that was revealed so graphically by Prime Minister Tony Blair's justification for going to war against Iraq is endemic, permeating every pore of the civil service machine in Whitehall.

The collection and publication of economic and financial statistics was bound up with the development of the modern state and has a long history in Britain going back hundreds of years. The forerunner of the ONS itself, the Central Statistical Service (CSS), was established in 1941 to service the war effort.

After 1945 there was an expansion in the work of official statisticians, based on the post-war consensus of managing the economy and containing class conflict through a system of government income and expenditure—the Keynesian welfare state—based upon an integrated system of national accounts and economic statistics. A key measure was the 1947 Statistics of Trade Act that made it possible to collect more information from industry on a compulsory basis. The ONS itself was established through the merger of the CSS and the Office of Population Censuses and Surveys in 1996.

It is impossible to maintain societal consensus and indeed a functioning and representative parliamentary democracy unless certain conditions are satisfied. Firstly that citizens or at least their political representatives, the media, trade unions, academics, etc., can see how society's resources are being used and secondly that no members of that society are seen to have an explicitly sanctioned unfair advantage over others in relation to how those resources are used.

That is why censorship, concealment and official deceit have become so universal. Government lies, distortions and the suppression of information are the product of policies aimed at enriching the few at the expense of the majority for which no democratic mandate can be secured. In the face of the overwhelming support for state pensions and the ever increasing poverty, not to say destitution, of pensioners while a privileged few display the most obscene wealth in part at least as a result of state concessions, the ONS can not tell the truth and publish information that conflicts with the official version of "the truth" that the government promotes.



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