Britain: Young workers face poverty in old age

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Young people in Britain face poverty and a life of hardship and drudgery in their old age, according to figures released by the Trades Union Congress on June 11.

TUC research reveals that less than half of those aged 30 years and under have a pension scheme, compared to 73 percent of those born in the 1960s. This is directly related to the drive by government and employers to slash pay and conditions, reduce central government spending and force the burden of social provision entirely onto individual workers.

Many young people will be totally reliant on the meagre price-index linked state pension. This is projected to be worth just 10 percent of average earnings by 2020, i.e., just £56 at today’s prices.

This ration is set to decline still further, with both Labour and the Conservative Party committed to reducing the amount provided by government from approximately 60 pence in the pound, to just 40 pence.

Consequently young people can expect to work until they are 72, economists have forecast, because they will simply be unable to afford to retire.

For years, successive governments have sought to justify the attack on state pensions by insisting that it is up to each person to provide for their own old age. But low wage rates, increasing indebtedness and efforts by employers to cut costs have made such provisions impossible for large numbers of people.

Industry estimates that men require £180,000 savings at 60 (£210,000 for women, who live longer) to receive a £10,000 annual pension—a minimum of £375 per month set aside.

With two-thirds of the population earning less than £25,000 a year, this is an unachievable amount for most but even more so for the young, many of whom, including graduates, can expect to earn less than £16,000 per annum.

In addition, the introduction of tuition fees for university students has meant many young people starting work with huge debts. Rising house prices, which in some areas have leapt by 30 percent over the last year, have also made pension provision unaffordable. Many have taken to viewing the eventual sale of their home as providing for their old age. But it is becoming increasingly difficult to get on the first rung of the property ladder, whilst higher repayments due to rising housing costs leave little if anything to spare for pensions.

The decently funded pension provision made by government and employers during the postwar period was not the result of charity and largesse on their part. It was imposed upon them by organised industrial and political struggles of the working class. A political and social climate was created, whereby society—and especially those employers who had benefited from a worker’s lifetime of labour—was held responsible for setting aside a portion of profits to fund pensions.

By the late 1970s, such thinking was all but abandoned as corporations and governments alike sought to overcome a decline in profitability by clawing back all previous concessions made to the working class. And they were allowed to carry out this agenda by the degeneration of the old workers organisations, which had abandoned any opposition to big business.

The pension crisis therefore is part of a general social catastrophe, which has at its heart a deliberate offensive on the part of big business and its political representatives to increase social inequality by redistributing wealth away from the working class to the rich.

Employers have cut the amount they are prepared to pay towards pensions and closed those schemes guaranteeing a set retirement package.

The aim was to force people into individual savings accounts which are less costly to business, and which were used to feed the speculative frenzy in stocks and shares. Corporations then used the increase in the money markets to take "contribution holidays," i.e., suspend their contributions to pension schemes for a period of time, saving an estimated £18 billion.

Subsequent sharp falls on the stock exchanges have revealed that many corporate pension schemes are inadequate and are unable to meet their responsibilities. Estimates are as high as £10 billion for such pension "black holes."

In addition, there has been a spate of instances in which thousands of workers who had paid into pension schemes for years have been told there would be no funding available on their retirement because their companies were bankrupt.

The lack of any insurance provision for such instances—only current pensioners are protected—has forced the Blair government to bring forward a pensions bill aimed at protecting existing workers whose schemes are jeopardised by business failure.

Under the proposed measures, employers operating pension schemes will have to pay into a fund that will compensate workers if their retirement plan is wound up. All those contributing to such schemes will be covered, but only by reducing the amounts paid out. The bill also does not cover an estimated 60,000 who already face losing all or part of their retirement savings because of failed company schemes.

Even so, employers have responded by stepping up their efforts to close down the remaining guaranteed final pension schemes to switch to others which provide no such sureties and place the burden on employees. According to one survey of 500 companies, employers currently contribute on average just 6 percent of a salary to such schemes (compared to 4 percent by employees).

The figures in relation to the government-backed "stakeholder pension" scheme, aimed at increasing pension provision amongst the low paid, are even worse. The average employer contribution is calculated at only just over 1 percent. As a result less than 3 out of 100 workers have opened stakeholder plans, and these are saving less than half the recommended amount, the TUC has said.