

British state pensions face devastation following Hutton report

Julie Hyland
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Lord Hutton's review of public sector pensions advocates theft on a grand scale. If his recommendations are accepted by the British Conservative/Liberal Democrat government, the contracts of millions of workers will be ripped up. Rather than receiving what is due to them, workers will be made to work longer and pay higher contributions for a lower pension on retirement.

The government-commissioned review covers 5.5 million public sector workers and the pensions of teachers, National Health Service employees, fire-fighters, the police, the armed forces and others.

John Hutton, formerly the Work and Pensions Secretary in the Labour government, unveiled his proposals for sweeping changes to the pension rights of state employees—to be implemented by 2015—last Thursday in a 200-page report.

The pensionable age for state employees should increase from 60 years of age to that of the state pension, set to rise to 66 years, Hutton states. The age at which “uniformed” employees, the armed forces, fire-fighters and police, can claim full pensions, is recommended to rise from 50 to 60 years of age.

Despite employees having to work many years longer, Hutton recommends that the value of public sector pensions should fall.

Existing final salary pension schemes—those calculated on the salary at the end of a person's career, so generally higher—should be scrapped entirely, and replaced with a career-average plan. While the benefits accrued by those still in final salary schemes should be ring-fenced, he said, after 2015 they would transfer to the new and lower pay-out scheme.

Ministers should also gain greater powers to raise employee contributions if they deem it necessary, and a “cost ceiling” should be introduced above which the

state would not contribute to public sector pensions. Chancellor George Osborne has already accepted Hutton's interim proposal that public employees' pension contributions should rise.

Coming on top of the two-year pay freeze in the public sector and the threat of tens of thousands of redundancies due to the government's austerity measures, the proposals will see state employees squeezed even harder financially.

Hutton claimed the measures were necessary to create a fairer system, “fairer to scheme members themselves and fairer to taxpayers obviously”. Longer life expectancy had contributed to a “black hole” of £770 billion in public sector pensions, so that so-called “gold plated” schemes are no longer viable, he claimed.

In truth, the proposals are further indication that the ruling class hopes to utilise the financial crisis and its fall-out in order to engineer a fundamental undermining of workers' rights and the dismantling of welfare provision.

The coalition government set out to immediately target public sector pensions on taking office in May. It established a review of the “affordability” of public sector pensions in June. Hutton was specially selected to head the “investigation”—the outcome of which had already been decided—because in the Labour Party government he had long sought similar measures. When he published his interim report in October, Hutton complained that Labour had “not gone far enough” in tackling public sector pensions.

But, as Hutton himself acknowledged, the long-term funding of public sector pension schemes has already been cut by 25 percent due to measures introduced by Labour—the raising of the retirement age for state employees to 65 for new entrants—as well as the coalition's decision to index pensions to the Consumer

Price Index.

Hutton's report has been accompanied by a campaign in the media portraying public sector pensions as overly generous. While the banks and super-rich get off scot-free, and barely any mention is made of Labour's £1 trillion subvention to the financial institutions, the political establishment and their apologists spuriously blame public sector workers and their "excessive" entitlements.

In reality, public sector employees receive an average pension of just £7,800 a year, falling to just £4,000 when the highest earners are removed from the equation.

The National Health Service is the largest occupational pension scheme in Europe. The average pension for a female is £5,000, with more than half receiving less than £3,500. The average for a male is £13,500, with more than 50 percent on less than £6,500. Among local government employees the average annual pension for males is £4,235 and £2,800 for women.

Such low levels of pension provision—despite years of paying into schemes—are symptomatic of a broader problem in society. Only approximately 35 percent of workers in the private sector have any pension plan at all. Amongst those who do, those in defined contribution schemes can expect just £1,300 a year. For others whose schemes are based on stock market returns, they have seen a catastrophic collapse in their pension pots over the last years.

According to a recent report from the think-tank Chatham House, approximately 15 million families will face acute financial problems when they retire, with their incomes falling by up to 60 percent.

A significant factor in this decline has been the closure of final salary schemes by employers. The government now intends to spread this misery wider and deeper.

The proposals have been welcomed by businesses. The Confederation of British Industry described the Hutton report as a "well-balanced package of measures", calling for it to be implemented in full. Miles Templeman of the Institute of Directors called it a "step in the right direction".

"It is time for the public sector to face up to the sort of changes we have seen affecting private sector pension schemes, particularly in relation to

renegotiation of existing obligations", he said.

Despite attacking Hutton's recommendations, the trade unions have made clear they will not take any action until after the government has published its response, sometime in the summer—as if there is any doubt what this will be.

Even then, despite the measures affecting every state employee, the Trades Union Congress has set its face against a general strike of the public sector. Dave Prentis, general secretary of Unison, has called on the government to commit to "urgent talks" with the unions on the report, rather than "rushing" into the cuts. Leaders of the main public sector trade unions are to meet with government ministers next week.



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