

PENSIONS REFORM

Comments by Warwickshire Welfare Rights Advice Service on the Government white paper

WWRAS is a county wide registered charity which specialises in welfare rights advice. Our role is to promote take up and awareness of benefits in Warwickshire. We do this by:

- supporting frontline local agencies who are in contact with claimants and potential claimants. We operate a telephone helpline for advisers, run training courses for their staff and volunteers and produce fact-sheets and leaflets containing practical and up to date information on benefits issues relevant to their clients
- taking referrals from clients who need to challenge decisions using the appeals process and offering tribunal representation where required
- running targeted take up campaigns to promote specific benefits or benefits for key client groups or in particular areas of deprivation

Our work helps ensure that claimants get all the benefits to which they are entitled and in 2004/5 we helped raise £3.25 million in extra benefits. 80% of our work is with people who are sick or disabled and a high proportion of these are pensioners.

Our comments are based on 20 years of experience of giving benefits advice.

Having studied and discussed the proposals in the White Paper, we would like to put forward the following observations:

Chapter 1: Encouraging and enabling private pension saving

We appreciate the intention behind these proposals but feel that the scheme may not be as successful as suggested. Given the fact that many young people may have other heavy financial commitments, not least the repayment of student loans, we feel many may have to opt out of the new scheme. This is also likely because of the previously poor track record of some private pension schemes which will not encourage participation. We are also concerned that some employers who currently offer better provision may be tempted to go for the cheaper option or even, in the case of the more unscrupulous, actually encourage their employees to opt out.

Chapter 2: Strengthening existing provision

Some of these proposals are to be welcomed but there must always be concern that deregulation may lead to the removal of safeguards. This could, again, feed into the loss of confidence from employees.

Chapter 3: Providing a foundation for private saving

The return of the link between basic State Pension and average earnings is certainly to be welcomed, as is the reduction in the number of qualifying years and the other improved contribution conditions.

We are, however, unsure of the value of keeping the State Second Pension if it is to become a flat rate. Would it not be less complicated to incorporate this into the basic pension? It could be worth considering whether an increased but more equitable contribution system (which no longer protected higher earners, for example) might fund a higher level of Basic State Pension for everyone thus removing the need to encourage private provision which, by its nature, will always be less secure.

There is also concern that removing so many pensioners from the means-tested Pension Credit is also going to mean that they lose access to “passport benefits”, such as Community Care Grants.

We understand the rationale behind the raising of the State Pension age in the light of an ageing population. We do, however, wonder whether consideration has been given to the effect on the voluntary sector. Many voluntary sector organisations traditionally rely on people who have been able to retire from paid work at an age when they are still physically and mentally active enough to volunteer their services. The government is currently actively promoting the voluntary sector and encouraging its links with the statutory sector in providing essential services to the community. If people are required to continue in paid work for longer, it seems likely that there will be a significant reduction in the number of volunteers coming forward. This could have serious implications for the provision of many services.

Chapter 4: Extending working life in an ageing society

The removal of barriers for those who are able and wish to extend their working lives is a positive measure. We believe, however, that there are real dangers that the effect on the health and well-being of older workers could be detrimental unless realistic schemes are created to enable a gradual reduction of working hours without jeopardising final pensions. We also feel that, rather than making everyone work until the age of 68, it should be possible to offer people a choice between this and paying a higher rate of contribution during part (or even all) of their working lives which would enable them to opt to retire at 65.

People’s health is likely to be better in late middle age/early old age if they are given more choice in what they can do and are able to tailor it to their capacity. It needs to be remembered that if the health of this section of the work force is adversely affected, it will further increase demands on the Health Service.

This is a particular area of concern when the White Paper proposals are seen in conjunction with the proposed new Employment and Support Allowance. It seems to us that there is a real danger that people with genuine health problems will be forced to continue working when they are not really fit to do so.

We hope that the above comments will be considered during the consultation process on these proposals.

Sandra Corner, September 2006

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