

## Appendix 19: Women and pensions (See Articles 11 and 13)

Women are already at a disadvantage with regard to state pensions and are more likely to face pensioner poverty than men. Nearly two thirds of women pensioners rely on Pensions Credit.

State pension age for women was due to rise gradually from 60 to 65 by 2020. The Government then announced in 2011 that it would rise more rapidly, reaching 65 by November 2018 and 66 by April 2020, bringing it in line with men. Under this proposal, by 2020 the state pension age would be 66 for both women and men. This was six years earlier than planned, which many campaigners thought did not leave those affected with enough time to plan for their financial futures. It was argued that *“If given the green light these changes will deny millions of people the chance to plan properly for their retirement and will condemn the poorest to even more hardship.”*<sup>1</sup> Following campaigns by Age UK<sup>2</sup> and many trade unions, the Government agreed to cap the extra time anyone will have to wait for their state pension to 18 months, thus delaying the second rise in the pension age for men and women from April to October 2020.<sup>3</sup>

Changes to the age of the state pension will bring about equality between women and men. However, as a result of the more rapid move towards this than previously planned there is a group of women in their mid-50s that will have a very short time to adapt to a change that will see them lose a significant amount of income. Pension experts have argued that women born around 1954 will be the biggest losers: *“A woman born on 5<sup>th</sup> April 1953 will still be able to claim her State Pension when she is just 62 years, 11 months and one day old. A woman born a year and a day later will have to wait until she is 66. The extra three years of income could be worth more than £15,000 just looking at the Basic State Pension and could be much higher for women with substantial entitlements to SERPS [State Earnings-Related Pension Scheme] or the State Second Pension. It may have been fairer to start the changes earlier but implement them more gradually.”*<sup>4</sup>

In the longer-term, women will benefit from the wider reforms to the pension system, particularly the reduction in the number of qualifying years for the full Basic State Pension to 30. However, in its Equality Impact Assessment of this policy the Government estimated that in 2015 over 46% of women will still not be entitled to a full Basic State Pension.<sup>5</sup>

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<sup>1</sup> Age UK (2011) ‘Age UK responds to state pension age debate in House of Lords’, *Age UK*, 13<sup>th</sup> March 2011 <http://www.ageuk.org.uk/latest-press/archive/age-uk-responds-to-state-pension-age-debate-in-the-house-of-lords/>

<sup>2</sup> Age UK <http://www.ageuk.org.uk/> Accessed: 08/05/13

<sup>3</sup> Department for Work and Pensions (2011) ‘No women will face two year increase in state pension age’, *Department for Work and Pensions*, 13<sup>th</sup> October 2011 <http://www.dwp.gov.uk/newsroom/press-releases/2011/oct-2011/dwp119-11.shtml>

<sup>4</sup> Towers Watson (2010) ‘State pension age up by two years for some women’, *Towers Watson*, 20<sup>th</sup> October 2010 <http://www.towerswatson.com/en/Press/2010/10/State-Pension-Age-up-by-two-years-for-some-women>

<sup>5</sup> Department for Work and Pensions (2009) *State Pension Reform: Equality Impact Assessment* <http://www.dwp.gov.uk/docs/ja-state-pension-reform-09.pdf>

Case study:<sup>6</sup>

*“Since the proposal gained some publicity, angry, anxious women have contacted Age UK. Many say that they have already adjusted their financial plans once to take account of increases already agreed by Parliament and now these plans are being undermined. They feel that they have worked most of their lives often from the age of 15 or 16. They have paid National Insurance and taxes and often contributed more widely to society. Now the goal posts are being moved, forcing hundreds of thousands of them to work for longer. Even though most had expected to retire at 60, they are not arguing that the State Pension Age should not be raised in the light of rising life expectancy. They simply feel that speeding up the equalisation which is already taking place is a step too far.”*

There is also a proposal to index State Pension Age (SPA) automatically to life expectancy, a proposal that ignores the more relevant data on healthy life expectancy and the large class differences in disability and in job opportunities. It will leave working people without any certainty as to SPA when planning for their future. The Government fully expect SPA to rise to age 68 or more in years to come. The Government’s decision to introduce a single tier flat rate state pension of £155/week (in 2012 prices) for each individual reaching SPA in 2015 and having 30 qualifying years will benefit women with low lifetime earnings but those already over SPA will not be eligible. Working age women will in future have no way to obtain a good wage replacement rate except through private pensions. Since these disadvantage women by allowing no carer credits, gender inequality in private pensions will remain.

As well as changes to state pensions, women face cuts to their work-based pensions. For instance, public service pensions will be uprated according to the Consumer Price Index (CPI) measure of inflation rather than Retail Price Index (RPI), significantly reducing their value to members over time as CPI tends to be lower than RPI. Many private sector schemes are expected to follow suit. The switch to CPI is a stealthy way of cutting pensions. The Independent Public Service Pensions Commission led by Lord Hutton said it cuts the value of public service pensions by 15%.<sup>7</sup>

In the public sector the Government has indicated their intention to save £2.8bn per year by 2014-5 by increasing employee contributions to public service pensions. For many workers this will mean about a 50% increase in the amount they pay into their pension. This comes as public service workers have been subject to a pay freeze and are facing rising living costs. This increase is in effect an extra tax on public service workers, as the money won’t go into improving the schemes, but into the national deficit.

The Government is also looking to reform the public service pension schemes by increasing normal pension ages and changing the design of the schemes, in line with the recommendations of Lord Hutton’s report. Overall because women make up the majority of the public sector workforce, and just under 40% of women’s jobs are in the public sector (compared to 15% of men’s), (See Article 11) women will be the disproportionate losers from the changes the Government is seeking to

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<sup>6</sup> Age UK (2011) *Too much too far*. Age UK: London

<sup>7</sup> HM Treasury, Independent Public Service Pensions Commission [http://www.hm-treasury.gov.uk/indreview\\_johnhutton\\_pensions.htm](http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm) Accessed: 17/05/2013

make to public service pensions. Trade union Unison has said that more than 3.7 million women could be affected by plans to make them pay more, work longer and receive less pension.<sup>8</sup>

Although the Government has indicated that there will be some protection for low-paid workers – those earning less than £15,000 (full-time equivalent) will not face contribution increases – this means that part-time workers (who are predominantly women) stand to lose out. A public service employee whose full-time equivalent salary is greater than £15,000 but who works part-time and has take home earnings less than £15,000 will still face an increase in their contributions. For example, a part-time nurse who earns a full-time equivalent salary of £22,000 a year, but might take home half that sum a year, could see her pension contribution almost double.

Figures from the Trade Union Congress show that 806,000 people are caught out in this way - 12.5% of public service employees. It is low-paid women who are overwhelmingly the ones affected, making up 90%, (732,000) of those caught in this trap. Women will be disproportionately disadvantaged by this loophole as 84% of part-time public sector workers are women.<sup>9</sup>

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<sup>8</sup> Unison, Women's pensions <http://www.unison.org.uk/pensions/women.asp> Accessed: 17/05/2013

<sup>9</sup> Trades Union Congress (2010) *The gender impact of the cuts*. TUC: London  
<http://tinyurl.com/6j7ry7b>