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Chapter 8 - Welfare reform and pensions

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8.1 Introduction

This chapter reports the work of the General Council on welfare reform and pensions. This has been an important area of work and in February, the Secretary of State for Social Security Alistair Darling met the General Council to explain the Government's policies. The General Council welcomed the Government's objective of 'work for those who can, security for those who cannot,' and took the opportunity to discuss the principles on which social security reform should be based. In particular, TUC support for national insurance, and opposition to means-testing, were emphasised. The Secretary of State indicated that he would welcome a continuing dialogue with the General Council on these issues.

Throughout the year, the General Council have worked towards achieving the goals set out by Congress, including the 1998 Congress resolution on pensions, namely to ensure that today's working population has access to decent second tier pensions and that today's pensioners can retire in security and with dignity on an adequate, non-means-tested basic state pension.

8.2 Welfare reform

In recognition of the ongoing policy debate, the TUC has continued to publish briefings on 'welfare reform', covering the latest developments. Last year's Congress passed a motion on poverty and ill-health, which called on the Government to ensure that wider social policies took into account the link to health policy. In January, *Health Inequalities*, a special issue of the welfare reform series was published, bringing together the latest research into this subject. Another motion passed by last year's Congress raised concerns about the 'voucher' system for children's spectacles, which disadvantages many children from poor families. The TUC is working with the British Orthoptic Society on this issue. At last year's Congress the British Dietetic Association remitted a motion on breastfeeding. The TUC has had discussions with the union about the issue, which will be kept under review.

The TUC has also published one-off briefings, outside the scope of the welfare reform series, on *Women and Social Security*, *Suicide and Unemployment*, and *Benefit Upgrading*. Last year's Congress passed a motion on poverty and equality, calling for a national plan to counter social exclusion. A special briefing, on *Poverty and Family Spending*, was published in December illustrating the growth of poverty and inequality. The Government has responded to social exclusion by creating the Social Exclusion Unit, and establishing a series of policy action teams. These teams bring together senior civil servants and people from outside Government to design policies dealing with different facets of social exclusion, and Ms Cordell Pillay, Assistant General Secretary of the National Association of Probation Officers, was appointed to the Policy Action Team on Jobs. In April the TUC produced a briefing for the Jobs Team, on *Promoting Welfare to Work*, which argued that insecurity in employment and insecurity of benefit rights were vitally important problems.

The TUC has continued to press for reforms to Jobseeker's Allowance in the past year, and published, as part of the Welfare Reform series, *Work Disincentives and Benefit Levels*, highlighting how the extension of means-testing under JSA has heightened work disincentives for unemployed people. The TUC was one of the organisations involved in the 'Reforming JSA' campaign coordinated by the Unemployment Unit and Youthaid, lobbying the Government for reforms. The significant role of the TUC Centres for the Unemployed in the campaign was highlighted by the decision to launch the reform proposals and campaign leaflet at their annual conference.

Last year's Congress passed a motion on Jobseeker's Allowance, which raised concerns about the problems faced by those working short time, temporarily laid-off or made redundant by insolvent firms. TUC Centres for the Unemployed also played a leading role in campaigning around these issues, and, as a direct result, a number of MPs have lobbied Ministers on this issue. The General Secretary has also written to Angela Eagle, Parliamentary Under Secretary of State at the Department of Social Security, calling for these rules to be changed as soon as possible.

The General Council responded to all the Government's social security reforms during the course of the year. Throughout the year the TUC has taken part in consultation meetings on the new Working Families Tax Credit, organised by the Inland Revenue, and, in March, a delegation met the Paymaster General Dawn Primarolo. These opportunities were used to press for measures to minimise the risk that the introduction of the WFTC will lead to a transfer of resources from women to men, and to argue that lone parents, like couples, should be able to choose whether WFTC is paid to them through the wage packet or directly by the Inland Revenue. These points were further emphasised in *Tackling the Workless Divide*, published in January.

In September the TUC responded to a government consultation on social security fraud, arguing that fraud is a serious problem, but that it is important that measures to combat fraud avoid stigmatising the honest majority of benefit claimants. In November, the TUC responded to proposed government reforms of child support, welcoming the proposed new assessment formula as an improvement on the existing one, but expressing concern that lone parents will still bear the risks and uncertainties involved in child support. In December, the TUC criticised the Government's proposals for disability benefits, arguing that the means-testing of Incapacity Benefit for people who also receive occupational pensions was a backwards step. TUC criticisms of the proposals were also presented in a briefing for MPs, published in the same month. December also saw the publication of the TUC's response to the Government's proposals for widows' benefits. Whilst welcoming the extension of these benefits to widowers, the TUC regretted the abolition of Widows' Pension, and its replacement by a six-month transitional benefit for bereaved people without children.

In March, the TUC published *Jolly Good Show*, a report which welcomed two important measures announced in the Budget. The extension of Maternity Allowance to women earning over £30 per week is an important extension of National Insurance coverage, and the creation of a 'zero rate band' of National Insurance Contributions provides a mechanism for extending NI rights to other low-paid workers: a longstanding TUC objective. While these NI reforms were welcome, another measure was less positive: the decision to levy NI Contributions on non-cash vouchers paid to workers. This will have a negative impact, especially on workers who receive luncheon vouchers, and the TUC made this point in a September submission to the DSS and a December response to a consultation by the Social Security Advisory Committee. These arguments were also pressed by the TUC representative on the SSAC, Richard Exell.

In May the TUC was invited by the House of Commons Select Committee on Social Security to present oral evidence on 'ONE' - the new single work-focused gateway to benefits for all claimants of working age. The TUC delegation, led by Pat Hawkes of the General Council, argued that this reform was, on the whole, welcome, but expressed concern that disabled applicants would have difficulty proving that they were incapable of work (and thus qualified for benefit) at the same time as they complied with the new gateway's emphasis on examining ways in which they could move into employment.

In June, a TUC team, again led by Ms Hawkes, presented oral evidence to the Select Committee on 'The Contributory Principle'. Support for national insurance is an important element of TUC

welfare policy, and a detailed written submission was also presented. In this submission, the TUC argued that national insurance has important strengths, especially in minimising the role of means-testing in the benefit system, and maintaining public support for the welfare state. Alternatives to national insurance, especially private insurance, are less effective in promoting social cohesion, though NI does need reform, especially to include the two and a half million low-paid workers who currently do not earn enough to pay contributions.

8.3 General Council statement

In May the General Council reviewed Government legislation on the welfare state and the likely development of Labour Party policy. They agreed that it would be essential for the General Council to set out their views to Congress explaining key principles and the need for a full debate. The General Council drew up the following statement on welfare reform July.

General Council Statement: Welfare reform

Introduction

The debate about the welfare state's fundamental principles is one of the most important political issues of our time, and this statement sets out the basis for the TUC's contribution to that debate. Trade unionists believe that the state of welfare is a measure of the health of our society. The mark of a civilised society is how well it treats those in need or hardship, whatever the cause of that might be. Without social protection, change would be a threat, not an opportunity, and the sight of fellow citizens excluded from society's central goods would destroy all sense of community.

This is why unions have always been such strong supporters of the welfare state. We look to it for social protection from the harshest rigours of the market economy: 'social security'. We value it because it guarantees everyone a minimum standard, and reduces inequality.

The dilemma

These objectives can conflict. For any given level of spending, offering security to everyone will produce a lower level of benefit paid to each individual than would be achieved by targeting provision on the poorest. That is why our social security system offers two main types of benefit: means-tested and non-means-tested. Means-tested social assistance guarantees a social minimum, and targets spending, facilitating adequate benefit levels for those most in need. Non-means-tested benefits (national insurance benefits and non-contributory benefits) offer security to all citizens.

In deciding the balance between means-tested and non-means-tested provision, the General Council believe that there are three important considerations:

- Means-tested benefits increase the '*poverty trap*' - as recipients' incomes from other sources rises, their benefits fall. They therefore face a severe disincentive to seek employment, as they are little better off. The poverty trap also discourages people from saving or taking out insurance to provide for their future needs, as their savings and any payments from an insurance policy reduce the amount of benefit to which they are entitled. National insurance benefits, on the other hand, are not means-tested, and therefore do not face these problems.
- Because it is not means-tested, the NI system is more likely to have the support of better off groups in society, who may one day be able to make claims on it. Means-tested benefits, on the other hand, divide those who claim benefits from those who pay for them.
- National insurance emphasises the centrality of work in social policy as Contributions and benefits are both directly related to employment.

The General Council believe that National Insurance should constitute the centre of our welfare state. Means-tested benefits should *supplement* National Insurance, not substitute for it. The NHS and education are provided without means-tests, as social rights of citizenship, and security from poverty is no less fundamental a right.

Paying for welfare

Social security reduces poverty and inequality:

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- The latest data from the Office for National Statistics show that in 1997/8, the tax/benefit system raised the average income of the poorest 20 per cent of households from £2,520 to £8,430.
- Taxes and benefits reduce inequality (measured by the Gini coefficient) by more than 28 per cent.

Spending on social security, however, is low by European standards:

- European Commission estimates show that, in 1998, Government expenditure on 'transfers to individuals' in the UK stood at just over 13 per cent of GDP, compared with an EU average of 19 per cent.

Given the importance of social security in combatting poverty it is therefore not surprising that this country also has, by European standards, shamefully high levels of poverty. European Commission figures, which set a "poverty line" of half the average income in each respective Member State, show that, in 1993 in the UK:

- There were nearly 13 million poor people (about 22 per cent of individuals).

In France, there were 7.5 million (14 per cent).

In Germany, there were 9 million (11 per cent).

The EU average was 17 per cent.

- About 32 per cent of children (4 million) lived in poor households.

In France 12 per cent (1.5 million).

In Germany 13 per cent (2 million).

The EU average was 20 per cent.

The UK is also one of the most unequal countries in the European Union. The latest Eurostat data shows that the share ratio of income inequality - the ratio of the share of income going to the richest 20 per cent of the population to the share going to the poorest 20 per cent - in each member state is:

Fin	Den	Neth	Fr	Swe	Bel	Aust	Lux	Ger	It	Sp	UK	Irl	Gr	Port
3.1	3.2	3.9	4.5	4.5	4.6	4.7	4.8	4.9	5.3	5.4	5.5	6.0	6.2	7.2

This is not a static problem: inequality and poverty are getting worse. As the Treasury has noted, 'over the last twenty years the poorest groups in society have been largely excluded from the general rise in prosperity. Since the late 1970s average incomes have risen by more than 40 per cent in real terms but for those on the very lowest incomes they have remained broadly static.' (*Tackling Poverty and Extending Opportunity*, HMT, 1999, p 5)

The importance of work

The Government has established 'work for those who can, security for those who cannot' as its guiding principle, and three themes in the Government's welfare reform programme encapsulate this approach: the use of tax credits to 'make work pay', active labour market programmes to help people to move from welfare to work and increased reliance on occupational and private provision to meet welfare needs.

The General Council support the Government in emphasising work as the key to security. Unions are sceptical of claims that employment should no longer underpin social security policy, and an emphasis on employment puts unions' negotiations with employers at the heart of social inclusion. We believe that a work-based welfare reform programme can only succeed in the context of an economic strategy designed to achieve full employment. Full employment has always been a core trade union objective, and Beveridge himself recognised that the defeat of his 'five giants' would depend upon its achievement.

The General Council have also welcomed the introduction of tax credits. US experience has underlined the political strengths of this approach - tax support to wages is always likely to be more popular than benefits. The advantages of reducing stigma and increasing take-up also seem important to us.

Unions also support the welfare-to-work programmes. Indeed, we are the New Deal's strongest institutional supporter. The commitment of £3.5 billion to the New Deals is precisely the type of support for long-term unemployed people for which unions have called for 20 years, and the design and delivery of the programme have already provided numerous examples of innovation and flexibility. Central to trade union support for the New Deal is the provision for training - a vital element in increasing employability. In order to prevent the New Deal from becoming just another scheme, it is vital that the training element is protected and promoted. The New Deal for young people has established a sensible balance of rights and responsibilities - a *choice* of options, enabling young unemployed people to design their own routes back to employment, but no fifth option of passive reliance on benefits. The New Deals for lone parents, disabled people and unemployed people over 50 are also examples of progressive and supportive programmes for people who face significant obstacles in getting jobs.

Unions are proud of the occupational benefits they have negotiated with employers, particularly pensions, sick pay and maternity pay, and a supportive regulatory framework for such provision must be an important element of welfare reform. However, high quality state benefits are also needed, and the State Second Pension is an important recognition of the reliance by low-paid workers on state pension systems.

While the General Council readily acknowledge the importance of paid work in promoting social security, by itself work is not enough to achieve this objective. In the first place, it is possible to have a job and still be insecure and excluded. Workers with hire-and-fire employers, people trying to make ends meet on very low pay and those who have been forced into labour-only sub-contracting are almost as much at risk of social exclusion as those who are unemployed. Indeed, low-pay and unemployment are closely linked, and the Treasury has identified the 'low-pay, no-pay cycle' as a problem to be addressed alongside unemployment. (*Tackling Poverty and Extending Opportunity*, HMT, 1999, pp 41 - 3.)

Unions therefore play a vital role in preventing insecurity from reaching in to the workplace. Representing workers with a grievance or facing disciplinary procedures, negotiating better pay and conditions, ensuring adequate health and safety are all major contributions we make towards social security. We believe that minimum standards at work can also play an important role. The national minimum wage, health and safety and equal opportunities legislation and other employment laws all offer social protection against exploitation.

Why benefits should be raised

Social security policy which focuses on work also needs to provide adequate *levels* of benefit: given current benefit levels, 'adequate' will mean a substantial increase. The first point which needs to be made is that helping people to move from welfare and into work will still leave a large number of people relying on benefit:

- Only 6 percent of DSS spending is on unemployed people, compared with 44 per cent on retired people (who are obviously not a target for welfare-to-work measures).
- The Government rightly hopes to help economically inactive people of working age into jobs, as well as unemployed people. The TUC estimates that successful active labour market programmes will help 5 - 10 per cent of lone parents, disabled people and other target groups into employment.

Therefore, *even if the New Deals were to eliminate long-term unemployment, and the other welfare-to-work programmes were to be a complete success*, there will still be millions of people whose main incomes will come from benefits. This figure would include at least one million disabled people, nearly a million lone parents and those pensioners with little or no private/occupational pension income. If benefit levels are not raised in real terms (that is, by more than inflation) they will remain poor.

Secondly, benefit levels also have an impact on inequality. This is because, for the very poorest people, benefits account for such a high proportion of their income:

- Benefits provide two thirds of the income of the poorest fifth of households, but only one-sixth for the average household. (*Income and Wealth: the Latest Evidence*, John Hills, Rowntree, 1998)
- When benefit levels do not rise as quickly as other forms of income people who rely on benefits will fall further and further behind the average.
- As the people who rely on benefits are already the poorest households this means that inequality will worsen.
- Wages (the most important form of income other than benefits) nearly always rise faster than prices.
- Therefore, the policy of increasing benefits in line with the increase in prices, not wages, will mean that inequality will rise.

The importance of this point has not been appreciated widely enough: *even if the Government's welfare-to-work policy is a complete success, inequality will continue to grow unless benefits are increased in real terms.*

Nowhere is this more true than in the case of old age pensions. The General Council support the development of stakeholder pensions, the State Second Pension and the Minimum Income Guarantee for the poorest pensioners. However, it is vital that the reforms allow pensioners to share in growing prosperity and the growth in real earnings, and so offer a realistic opportunity for those in low-paid employment to escape poverty in their old age, by linking the basic state pension to average earnings.

A recent document from the Labour Party's National Policy Forum has made important commitments: to increasing Child Benefit at least in line with prices; to evaluate the implementation of Parental Leave, including the appropriate roles of paid and unpaid Parental Leave; to review Jobseeker's Allowance. The General Council welcome these measures, and will press for other measures to improve the absolute and relative position of people who rely on benefits.

Principles for reform

Over the past year the General Council have increasingly come to believe that a national fundamental debate on the welfare state is urgently needed. We therefore welcome the news of the Government's intention of promoting just such a debate, grounded in the values of social insurance, inclusiveness and the promotion of equality.

The General Council have called for a *fundamental* debate because it is important that welfare reform should be built on a foundation of widely agreed principles. Without clear principles, reform will be limited to piecemeal ad hoc measures, which may conflict with each other and fail to achieve anything. Without a basis in agreed principles reforms are likely to be driven solely by budgetary considerations.

The General Council are keen to take part in this debate, and our comments will elaborate on three important principles with which this statement concludes: *work, inclusiveness and equality.*

The Government has repeatedly stated that a single principle underlies their reforms: 'work for those who can, security for those who cannot'. The General Council strongly support welfare reforms designed to help and encourage people to get and keep secure and worthwhile jobs. It is right that work should be at the heart of social policy. Work provides us with status, and gives us a role in society. Our income is more likely to be regarded as a *right* when it has been earned through work. For unions, it also has the advantage that we can negotiate wages, but not other forms of income. A government concerned for social justice will seek to promote security and decent income levels for all, and full employment is the basis on which these can be built.

Inclusiveness is another principle on which welfare reform should be based. The responsibilities we have to each other as citizens of a common society, and the rights we have to play an active role in that society can only be realised if everyone is included in that society. The union principle of 'an injury to one is an injury to all' should permeate the welfare state. Every citizen should

benefit from the welfare state when they need it, and contribute to it when they are able. An inclusive welfare state can promote common interests among citizens who otherwise might have little concern for each other, helping to build more cohesive communities and productive businesses.

Inclusiveness cannot flourish apart from *equality*. Commonality between people who are not equals is always precarious, and a society which excludes citizens from its normal life is a stranger to fellowship. Unions fight against inequality, and social exclusion - whether on the basis of class, poverty, race, religion, gender, sexuality or disability - is the enemy we seek to overturn. We believe that welfare reform should seek to strengthen communities and businesses by bringing in the talents of people currently excluded by low incomes, discrimination and exploitation.

8.4 The future for pensions

Pensions Green Paper: *Partnership in Pensions*

On 15 December 1998, the pensions green paper *A New Contract for Welfare: partnership in pensions* was published. This document set out the Government's proposals for the shape of pension provision in the UK for the next century. In summary it:

- introduced measures aimed at helping today's pensioners;
- proposed to replace the State Earnings Related Pension Scheme (SERPS) with a new State Second Pension aimed at the low paid and some carers;
- introduced a new type of second pension called Stakeholder Pensions which will be low cost value for money pension schemes aimed at those earning between £9,000 and £20,000 pa who cannot join an occupational pension scheme; and
- sought to strengthen the framework for occupational pension schemes.

In March 1999, the TUC submitted its formal response to the pensions green paper. This sought to promote the points made in a composite resolution to the 1998 TUC Congress, namely that all working people should have access to decent second pensions. The TUC shares the Government's objectives, ie to see a better deal for today's pensioners and to see more of tomorrow's generation of pensioners retiring on bigger, safer and better value for money pensions. The TUC response also acknowledged the importance of the pension review, as it is estimated at around one million trade union members are without a second pension.

The various aspects of the TUC's activities in connection with the pensions review are described in further detail below.

State Pension Scheme and benefits for today's pensioners

The TUC described the Green Paper's proposals for today's pensioners as a missed opportunity to help those in most need. In particular, the TUC expressed great disappointment at the Government's failure to restore the earnings link for the purposes of up-rating the basic state pension. The TUC said the basic state pension remained the financial underpinning for many of today's pensioners and this would remain so for many years to come. Whilst welcoming the new Minimum Income Guarantee (MIG) guaranteeing all pensioners a minimum income of £75 per week, the TUC expressed concern at the fact that the MIG was means-tested. All the evidence shows that means-testing and pensioners do not mix: around 75,000 pensioners (mainly women) do not claim the income support to which they are entitled and as a result lose around £15.00 per week in income. The TUC said it would be far more efficient to increase the basic state pension, which remains a universal benefit.

To further press the case for today's pensioners, a TUC-NPC delegation comprising John Monks and Jack Jones went to see Gordon Brown on 15th July. In responding to the TUC call to restore the earnings link, the Chancellor said that the Budget announcement giving £100 to each pensioner household in November would cost £600 million. He also acknowledged the need to look at the incomes of Britain's eldest pensioners.

The TUC also welcomed the Government's proposal to introduce a State Second Pension with effect from April 2002. In particular, the TUC welcomed the focus on the low paid and the fact that,

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for the first time, carers will be able to accrue a second pension. This will be of particular benefit to women who are currently disadvantaged by the pensions system. However, the TUC expressed concern that the State Second Pension will only be up-rated in line with prices, not earnings. The result will be that, within a few years of retirement, State Second Pension recipients will be dependent on the means-tested MIG. The TUC said this was highly unsatisfactory: the purpose of the pension reforms should be to eliminate the necessity for pensioners to be forced to rely on means-tested benefits.

Stakeholder Pension Schemes

The TUC welcomed the overall architecture proposed for the new Stakeholder Pension Schemes which will come on line from April 2001. Low cost, collective, value for money schemes governed by trustees will be of particular benefit in providing middle income earners with an affordable way to save for a second pension. The TUC has expressed concern over some weaknesses in the design of these schemes. Most notably, the absence of a requirement for employers to contribute to these schemes may mean that the pensions paid out of Stakeholder Pension Schemes may be very small, and not significantly above the level of the MIG. The TUC called on the Government to compel employers to contribute to these schemes.

Since the publication of the Green Paper in December, the Government has engaged in a further round of consultation on the detail of Stakeholder Pension Schemes. In July, six consultation papers were published, covering minimum standards for stakeholder pensions; employer access; alternative governance structures; advice and the regulatory regime; the tax regime; and the potential for a clearing house regime. The TUC has commented on each of these consultation papers. At each opportunity, the TUC has emphasised the need for quality benefits and well regulated schemes open to all. In this context, the TUC welcomed the Government's proposal to limit the charges levied on Stakeholder Pension Schemes to 1 percent of the fund and the decision to require all employers regardless of size to provide access to a scheme. However, the TUC expressed concern that employers would be able to impose a six month waiting period before workers would be eligible to join a Stakeholder Scheme.

To facilitate the development of Stakeholder Pension Schemes, the Government has established two groups. The first, 'Core Group', is examining the detailed proposals for Stakeholder Pension Schemes. Tony Young, General Council spokesperson on pensions represents the TUC on this Group. Joanne Segars TUC staff, represents the TUC on the second advisory group which is looking at wider issues in connection with Stakeholder Pension Schemes.

Occupational Pension Schemes

The TUC welcomed the Government's intention to strengthen the framework within which occupational pension schemes operate and which were announced in a separate consultation document published on 16th December. In its response to this document in February, the TUC continued to press the case for membership of occupational pension schemes to be made a compulsory condition of employment again. A key issue of concern to unions in the consultation document was a proposal to change the way in which member-nominated trustees and directors (MNTs/ MNDs) were nominated and selected. It was widely recognised that the proposals emanating out of the 1995 Pensions Act had not worked well, were over complicated and had led to the exclusion of scheme members from the boards of trustees in some cases.

Following opposition by the pensions industry to the Government's proposals, the TUC met representatives of the DSS and the joint working group of industry representatives. A TUC proposal, which would guarantee all trust boards had to comprise at least one-third MNTs/ MNDs gained acceptance by the pensions industry and DSS and will go forward to Ministers for further consideration.

On 23 March, the TUC held a seminar on the Pensions Green Paper which was sponsored and jointly organised by Thompsons a firm of solicitors for unions. This event was addressed by the Secretary of State for Social Security Alistair Darling, John Monks, Tony Young and Caroline Instance. The seminar provided an opportunity to discuss the Government's proposals in advance of the TUC's views on the Green Paper being submitted to the DSS.

Arrangements are well in hand for a national conference on the future for pensions. This event will take place on 29th October 1999 at the QEII Centre in London. It is sponsored by Legal and General. The Secretary of State will be the keynote speaker.

Throughout the year, the TUC has continued to contribute to the work of the Pension Provision Group, an independent group of pensions experts who have been asked by the Government to examine the current state of pension provision in the UK and likely future trends.

8.5 Promoting pensions education and awareness

Throughout the year, the TUC has been closely involved in working with the Government to promote a greater public awareness and understanding of pensions; higher standards amongst occupational pension schemes; and the need to save for a second pension. The TUC continues to be represented on the Pensions Education Working Group, whose report *Getting to know about pensions* was published in June 1998.

In May, the TUC responded to the Government's proposal to introduce an accreditation scheme for occupational pension schemes called *Quality in Pensions*. The TUC welcomed the proposal to introduce the new, voluntary, scheme and said that it would encourage schemes to strive for higher standards of administration and service delivery, for example in a similar way in which Investors in People had raised standards elsewhere in the workplace. Following opposition from the pensions industry, the Government decided to revise its plans and opt for a 'best practice' approach. The TUC will be closely involved in developing the best practice templates.

Following the success of the TUC's *It's time for women and pension power* campaign and helpline, the Pensions Education Working Group recommended that a second pensions telephone helpline should be established, available to both men and women. The Pensions Education Working Group felt that the original pensions helpline, which was described as being a 'ground breaking initiative' by the then Secretary of State Harriet Harman, was a modern, cheap and efficient way of providing help and information to members of the general public about their pension situation.

The new Helpline - *Pension Power for You* - was launched on 5th July and ran until August 13th. The line was a TUC partner initiative, supported by the Department of Social Security, employers organisations and pensions organisations. Altogether, over £200,000 was allocated to the line in the form of sponsorship. The purpose of the helpline was to provide free, no-nonsense help and information to the public about all aspects of state, occupational and personal pensions. Callers could opt to receive a basic pensions information pack, speak to a pensions expert or have a pensions expert call them back. Information given over the phone was backed up by printed information sent directly to callers. In the first week of operation alone, 6,500 calls had been received to the *Pension Power for You* Helpline. The Department of Social Security are undertaking an extensive evaluation of the Helpline. This will analyse information about the callers; the nature of their pension problem; what callers thought of the pension helpline; and whether callers acted on the information they were sent.

8.6 Protecting Pensions: 1995 Pensions Act

Throughout the year, the TUC has continued to monitor the implementation and effectiveness of the 1995 Pensions Act. As already noted, the TUC has welcomed the improvements to the proposals for selecting and electing member-nominated trustees which was identified by the TUC as being one of the key weaknesses in the Act.

The Government has proposed a number of other measures aimed at strengthening the 1995 Pensions Act. These include amending the powers of the Occupational Pensions Regulatory Authority (Opra) and changing the penalties for certain breaches of the Act (such as the late payment of employee contributions) from criminal to civil offences. In its response to this aspect of the pensions review consultation process, the TUC welcomed these proposed changes and said that the changes would make Opra a more effective regulator.

Joanne Segars, TUC Senior Pensions Officer, was re-nominated to the Board of the Authority in April.

The TUC has continued to inform trade union members who have an interest in pensions about the 1995 Pensions Act and their rights under it. Primarily, this has been via the *TUC Pensions Briefing*

and the *Member Trustees' Newsletter*.

The TUC also continues to be supportive of the work of the Pensions Compensation Board (PCB) which was also established after the Maxwell scandal to compensate members of occupational pension schemes whose scheme assets had been misappropriated *and* whose employer was insolvent. Lord Brooke of Alverthorpe continues as the TUC's nominee on the PCB. The PCB made its first award of compensation in June 1999.

8.7 Winning pension rights for part-time workers

As reported to the 1998 Congress, the TUC has continued to co-ordinate the claims of 22 test cases over the backdating of part-time workers' membership of their occupational pension scheme (*Preston and Others v Wolverhampton Health Care Trust and Others*). These cases followed a 1994 judgement in the ECJ which said that to exclude part-time workers from membership of occupational pension schemes was indirectly discriminatory. The principal points at issue were whether the two year limitation on backdating was legal and whether the six month time limit for making claims should be applied; a further issue was the continuity of contracts of employment.

In April, the cases were heard in the ECJ. The Advocate-General's opinion is expected on 14 September, 1999, with the judgement following two to three months thereafter. The TUC is optimistic about winning on the two year point at least. After the ECJ judgement is given, the TUC will consider how to approach the next stages, including funding of the cases, particularly if costs are awarded against the unions involved, and handling the cases back in the employment tribunals.

8.8 Integration

In furtherance of the resolution passed at the 1998 Congress calling on the General Council to assist unions oppose and eliminate the practice of 'Clawback' or integration in occupational pension schemes, the TUC published a *Negotiators' Guide to Integration*. This explained what integration is and how it works, how unions can go about eliminating or reducing the worst effects of integration in schemes, and gave case studies of union achievements in eliminating integration. The Guide also looked at the legal implications of integration, which Congress considers to be indirectly discriminatory.

In advance of the publication of the Guide, an article appeared in the *TUC Pensions Briefing*.

8.9 Public sector pensions

Throughout the year, the TUC has worked with affiliated unions to improve occupational pension schemes in the public sector.

An area of continuing concern has been the failure of statutory public sector schemes to pay survivors' benefits to unmarried adult partners. The TUC therefore welcomed the Government's recognition of this discriminatory scheme rule and the statement in the Pensions Green Paper that public service pension schemes could, if they so decided, provide these benefits. However, the TUC also expressed concern that scheme members would be required to meet the additional costs of the benefit improvement.

Concerned at what it sees as the spiralling costs of early retirement through ill health, the Treasury commenced a review of scheme practice in April. The Review aims to examine alternatives to the current arrangements as well as the better management of staff and dealing with health problems, such as stress, at an earlier stage. The TUC Public Service Pensions group is making an input into the work of this group. This has included an analysis of levels of ill-health early retirement and a mini survey of scheme practice in the private sector.

8.10 TUC Pension Specialists Group

The TUC has continued to convene meetings of the TUC Pension Specialists Group. This Group considers latest developments in state and occupational pensions and issues of a technical nature. Issues considered by the Group over the course of this Congress year have included: the Government pensions review; integration; and TUPE reform.

At its September meeting, the Group met DSS officials to discuss the next stages of the development of Stakeholder Pension Schemes would be handled. The Group had a productive discussion on the direction of the Government's thinking on Stakeholder Pensions and progress to date.

Also at its September meeting, the Group met Stephen Ingledew, head of marketing and development at NPI, who had undertaken some research profiling groups who would be likely members of the new Stakeholder Pension Schemes. The research showed that a million trade union members are without an occupational pension and without the opportunity to join an occupational pension scheme. They would, therefore, be potential members of a stakeholder pension scheme.

The Trade Union Pension Specialists Group has continued to remain in close contact with others in the pensions industry and members of the Group have continued to attend meetings of the Trade Union Liaison Forum of the National Association of Pension Funds. In addition, the Group nominated Peter Smith (Balpa) to serve on the Accounting Standards Board working party on financial reporting in pension schemes.

8.11 Member trusteeship and pension fund investment

Interest in the TUC Member Trustees' Network continues to grow. Currently around 1,000 member-nominated trustees and directors are registered on the Network. The purpose of the Network is to provide trustees with advice and information which will enable them to be more effective trustees. As part of the service it provides to member trustees, the TUC continues to produce a quarterly newsletter called *TUC Member Trustee News*. This year has seen the development of an Investment for Beginners series following demand revealed in a survey aimed at ascertaining the types of services member trustees expected from the TUC. Other issues covered this year have included: socially responsible investment; penalties for the late or non-payment of scheme members' pension contributions; and trustee training.

In recognition of the importance of trustee training, the TUC has developed two trustee training awards. These are accredited by the National Open College Network and are available through the TUC Regional Education Service.

In November 1998, the TUC held a one-day pension fund investment conference called *Making Pension Fund Investment Work*. This event was attended by over 100 people, mostly member-nominated trustees. Speakers included representatives of the pensions regulator, Opra, pensions lawyer Ruth Goldman, and the DSS. The conference looked at why and where pension funds invest their assets, trustees' legal duties regarding pension fund investment, socially responsible investment and the exercise of shareholder voting rights by trustee boards. Bill Patterson of the AFL-CIO explained how the American trade union movement had developed its approach to shareholder activism by member trustees. The conference was supported by NPI. To coincide with the conference, the TUC published the third edition of *Shareholder Voting: a TUC guide for member trustees* which was produced in conjunction with the Pensions Investment Research Consultants (PIRC).

At the ICFTU Steering Committee in November 1998 it was agreed that an international Task Force on pension funds and international capital markets should be established. This development recognised that pension fund investment does not take place within a vacuum, and investment does not stop at national boundaries. John Monks, Bertil Jonsson (LO-Sweden) and John Sweeney (AFL-CIO) along with ICFTU General Secretary Bill Jordan were the main parties to this decision. A Practitioners' Group was established to map pension fund assets, trustees voting rights, and trade union influence over these assets; identify best practice in trustee education on pension fund investment; and identify areas for possible common action at a future date. Brendan Barber chairs meetings of the Practitioners' Group which are currently attended by eight national union centres, three international trade secretariats, TUAC, and the ICFTU. A conference of trade union general secretaries from countries with the world's largest funded pension schemes will take place in November 1999 in Stockholm.

In July, the TUC welcomed the publication of new regulations requiring trustees to disclose to scheme members the extent (if any) to which they adopt socially responsible investment criteria

and vote the shares held in the scheme's investment portfolio. Trustees should disclose their policy on these issues via the scheme's Statement of Investment Principles. This move meets with TUC recommended best practice. In finalising the wording of the regulation, the Government took on board concerns raised by the TUC and others that the definition of 'socially responsible investment' should be more widely defined.

8.12 Pension services for trade union members

Throughout the year, the TUC has continued to provide a range of services to trade union trustees, negotiators and scheme members.

The TUC's own pensions 'magazine', the *TUC Pensions Briefing* continues to be subscribed to by over 800 people. Articles have focussed on the Government's proposed pensions changes; equal treatment; surpluses; investment issues; and TUPE. Updates to the *TUC Pensions Handbook for Negotiators and Trustees* continue to be produced.

8.13 TUC Pensioners' Committee

The TUC Pensioners' Committee, whose membership is listed in appendix one, continues to provide a forum for retired trade union members to comment on and be consulted about the TUC's activities, to exchange news and for the communication of information on organisations and issues of interest to retired persons.

The Committee met twice during this Congress year. It heard presentations from Mr Georges Debunne, President of FERPA, and a charity for sheltered housing, the Elderly Accommodation Council. It considered issues relating to the formation of Pensioners' Groups by Trades Union Councils, Pension Funds, and to the TUC's submission to the pensions Green Paper.

The annual Pensioners' Rally was once again arranged for the 1998 Congress with guest speaker Sir Alex Ferguson. A March before the Rally was organised by the Northern group of the National Pensioners' Convention.

The TUC has continued to be involved in the European Federation of Elderly and Retired Persons (FERPA), through the direct affiliation of certain unions. Mr Jack Jones and Ms Sylvia Green represent the TUC on the FERPA Executive Committee. Mr Jones is currently Vice-President of FERPA. This year FERPA held its third Congress at which the TUC were represented by five members of the Committee. The Congress debated and passed a resolution concerning social protection, pensions, health care, democracy and civil society and the rights and role of the elderly in society. In May, the General Secretary and Mr Jones delivered to the Prime Minister, on behalf of FERPA, a letter calling for the establishment of European minimum standards for pensions and welfare benefits.

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