Low pay and pensions: planning for old age in a real world of insecurity, financial constraint and competing demands.


ABSTRACT

This thesis is a study of current pension policy and its likelihood of providing a decent retirement income that guarantees a quality of life for the low paid, namely a retirement above subsistence level and one that offers them dignity and personal autonomy. The low paid often experience financial difficulties during their working lives and owing to competing financial demands not only do they struggle to make ends meet but find it difficult to put aside savings for their futures. This research was a social investigation and examined current government thinking and its approach to redress these problems. It used a multi-methodological approach underpinned by four components: a literature review; a comprehensive analysis of research reports that focused on individuals' saving habits; semi structured interviews with the low paid to explain their real life experiences; and an analysis of contemporary proposals.

The literature review highlighted that since the 1950s there has been a shift from socialisation of risk, where risk is shared by the state employer and employee, to an individualisation of risk in pension policy and 'New' Labour has continued along this route. Moreover, low pay remains a prominent issue today just as much as it did at the beginning of the 20th century. It is this combination of continued low paid and increased risk on the employee that has exacerbated the plight for many in low pay employment. The current solution supported by government relies on using means testing to protect the poorest whilst expecting others to be 'responsible' citizens and provide for their retirement under the rhetoric of 'rights' and 'responsibility'. Yet as this research established many in the latter category are considered low paid by the Low Pay Unit. It is this problem of definition that has led policy makers to fail to understand that the low paid are in fact unable to make money purchase pension schemes viable. This has now been recognised by other organisations, political parties and academics. Now even the pro-market right have acknowledged the failure of the private sector to bridge the gap vacated by the state under twenty years of neo-liberal policy and argue that means testing, once favoured by the Conservative Party, acts as a disincentive to save towards a second-tier private pension.

Key findings in this thesis include: first that the low paid do in fact have a positive attitude towards saving but it is their lack of ability and real opportunity that prevents them from saving towards a decent second-tier pension. Thus there is a contradiction in policy that seeks to improve attitude and awareness of the low paid to improve their situation. Second, that the government presides over a low paid economy and this is a political choice that favours pro-business labour market policies. Third, current government attitude continues to ignore the warnings from both pro-state left and pro-market right sources that a continuation of a pension policy relying on means testing in fact acts as a poverty trap. And finally, the plight of the low paid remains bleak and will worsen in the future if neo-liberal policy continues without increased state intervention.
Financial planning. Ageing and welfare budget deficits are already leading to increasing financial insecurity. The ‘gold-plated’ pensions of recent years are now being steadily downgraded. To secure the sustainability of public pension systems, retirement ages could increase. The pension age has already been increased in Italy, France, Sweden and the Netherlands. The UK and Germany are set to follow. Possible. ING Real Estate recently invested substantial amounts in a retirement housing project and in a care project in Canada, along with financing three whole villages developed especially for senior citizens in Australia. There are also competitive opportunities to offer intercession and healthcare specifically geared for older and frailer people. Estate planning.