

Pensions Week *15 August 2005*

Where is the mega pension bill the government has promised? The Queen's Speech was quite specific on a major bill this first session of the new Parliament. If that pledge is to be met the bill needs to appear soon. What likelihood is there of reform?

I have lost count of the number of green papers, consultations and the like, each of which was hailed by the Government as a prelude to major reform. The latest in the long line of such stalling initiatives was establishing the Turner Commission during the later half of the last Parliament.

While Turner has turned out to have a life of its own, the Government saw it, as at least, knocking into long grass the idea of major pension reform. The aim was to get the Government through the election without it having to spell out what it intended to do on this front.

In one sense this defensive strategy was unnecessary. The Opposition would have been a willing accomplice to a conspiracy of silence as it had no major reforms to put before the electorate.

Likewise the Liberal Democrats were behaving characteristically. Their target voters were older women. Liberal Democrat spokesmen draped themselves in a citizenship pension garb knowing that they would not be called upon in the next Parliament to implement such proposals.

Now the Turner Commission has thrown a pretty big spanner into the pensions reform timetable. The original proposal was to report soon after the May election. The report is now expected at the end of November.

In another twist in this saga the DWP has confirmed that it intends to publish its initial proposals for reform in the spring of 2006 - making the Government hard pressed to keep its promise to bring forward a bill for major reform before the end of the parliamentary session in November.

As the slippage continues apace the Treasury has seized the opportunity yet again to assert its authority. It has agreed a minimal, tidying up bill, with the DWP. It is this bill that the Treasury is pushing No. 10 and David Blunkett to accept. It knows that if it can keep major reform off the agenda in the first session of the new parliament the odds are it will scupper reform this side of the next election.

David Blunkett won't win on reform unless the Prime Minister does much more than merely signal his support. No. 10 and the DWP must set both the pace and the direction of reform.

It is reported that the Prime Minister is in favour of a reform which will help shape how history sees his premiership. But Tony Blair cannot quite see why action is crucial this parliament.

Every past reform of pensions has been stymied by the need at one and the same time to bring help to today's pensions while likewise laying the foundation of a lasting major reform. Think back to SERPS. Here was what many saw as the most ambitious post-war reform. As well as laying plans for the future the measure was designed to give help to pensioners

soon after the reform hit the statute book. We all know how these ideals ended in tears.

Here Gordon Brown needs to take a bow. Pension Credit has been the most successful initiative ever in tackling the poverty of today's pensioners. But everyone, except the Chancellor and his accolades, know that Pension Credit can only be a short-term measure.

The cost of Pension Credit in the long run is prohibitive. The Treasury's own figures show that in 2050 its cost will be an additional 11p on the standard rate of tax. This cost is so great because Pension Credit is telling tomorrow's pensions not to save.

Putting a shelf life on Pension Credit is therefore urgent. Of course this could be achieved by reigning back its provisions. But already a generation of tomorrow's pensions have not been saving, because under the current rules it does not pay them to save.

This group will never be able to make up for those savings Pensions Credit has been telling them it is senseless to make. To cut back future entitlements to this group will leave them permanently worse off.

This is why pension reform is urgent for this session of Parliament. Once the Government has announced its reforms – and I agree that before doing so it will have at long last to have a mind of what those reforms are – an automatic run down of pension credit begins.

No major reform can come fully into effect immediately. But unless a reform is planned to begin building up in this parliament 12 years of

savings will be lost and each year lost will make reform even more difficult to achieve.

We have seen on the working age front how easy it is to feed welfare dependency. The bigger the dependency the greater is the political will necessary to implement reform. As with welfare so with pensions. A huge new army of pension dependency is being built up. With no major reform the Government estimate that 65 per cent of pensioners in 2050 will be on pension credit.

Each year that passes will therefore see a growing number of citizens who have made the rational decision to depend on Pension Credit. And the bigger this total is the more difficult electorally it will be to implement a policy where more not less people are encouraged to self reliance.