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**The Case against a Citizenship Pension**

*“Who could be against a Citizenship Pension? More women than men draw an incomplete state retirement pension and the Citizenship Pension is being presented as the most effective antidote to pensioner poverty. A careful analysis of the Citizenship pension however suggests that the disadvantages of this reform far outweigh its advantages,”* said Frank Field at this morning’s Politeia Conference – *A Policy for Pensions: Prosperity and Security in Retirement.*

- **Unfairness:** The vast majority of people with incomplete insurance records, leading to a partial state retirement pension, made the decision they did not need to work, or, if they did, they would pay a much reduced N.I contribution. To award this group a full pension, when other women paid what was called the full stamp and often voluntary contributions to make up a complete insurance record, flies in the face of justice. Those who have paid a full contribution will resent that their own efforts should be discounted in this way.
- **Attacks the something for something culture:** A corner stone of British welfare is that people gain benefits because they have made contributions. That principle has already been severely eroded by the massive extension of means-tested benefits. Ignoring an individual’s contribution for the state retirement pension could be a death blow to the insurance principle and all that that entails.
- **Undermines savings:** Advocates of the Citizenship Pensions suggest that the National Insurance rebate, currently used by individuals to invest in a funded pension scheme, should be largely diverted to pay for a higher state pension. If this proposal goes through it will make it nigh impossible for the Government to achieve its objective of reversing the current 60:40 ratio of pay-as-you-go to funded pension provision in this country.
- **Represents a significant increase in National Insurance contributions:** A significant part of each person’s National Insurance contributions goes either to the State Second Pension (S2P) or, more commonly, into a company or private scheme providing a funded pension. Many voters, and particularly young voters, do not believe that the existing pay-as-you-go state retirement pension will have survived their advent into retirement. To divert the National Insurance rebate from funded provision to finance current pay-as-you-go pensions will be seen by most of today’s workers as a significant increase in their National Insurance contributions from which they are unlikely to benefit from in the future.
- **Underestimates the success of Pension Credit:** There are severe long run disadvantages associated with Pension Credit. In particular, it builds a powerful disincentive to save. In the shorter run however Pension Credit has been successful in reaching the poorest pensioners who are largely women with incomplete insurance records. The official data probably significantly underestimates the Pension Credit’s success.

Frank Field concluded: *“It is difficult to see a Citizenship Pension as an effective let alone a longer term solution to Britain’s pension’s crisis. Today’s workers, who are called upon to finance today’s pay-as-you-go state retirement pension, do not believe that this is a secure means of ensuring that they have an adequate pension when they come to retire. While Citizenship Pension has a superficial attraction it also diverts attention from debating the serious hard options which have to be embraced if a successful long term reforms of pensions is made in this country.”*

The panel also included: Chris Daykin HM Government Actuary, Paul Thornton, The Senior Partner, Watson Wyatt LLP, and David Willetts, MP, Shadow Work and Pensions Secretary.

**For more information or for information on the conference, please  
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