



West Midlands Ambulance Branch

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Unfair private sector pensions are no model for public sector

Making public sector pensions like those in the private sector would mean taking all pensions away from two in three public sector workers and giving a huge increase to the pension pots of a small number of senior public sector staff, says a TUC report published today (Thursday).

Many critics of public sector pensions say that public sector pension provision should be made more like that in the private sector. But the TUC report *A Race to the Bottom*, which analyses official pensions data, shows that in the private sector:

- * Two in three private sector workers are not members of a workplace pension.
- * Private sector pension provision increases sharply with pay, while in the public sector it is much more evenly distributed. Two in three public sector staff earning between £100 and £200 a week are in a pension while only one in seven private sector employees in the same wage band are in a pension.
- * Pension provision in the private sector varies hugely between sectors, with four in five workers in the energy sector having a pension, but only one in 16 in the hospitality sector having one.
- * While senior public sector staff are in the same schemes as the rest of the employees in their sector and often pay bigger percentage contributions, top directors in the private sector (FTSE100 directors) have pensions worth nearly £4 million.

Pension provision in the private sector is therefore extremely unfair and making the public sector mirror such arrangements would be deeply damaging, says the TUC.

A race to the bottom says that private and public sector defined benefit (DB) pension schemes are similar, with average employer contributions in each almost the same. Nearly three in ten (28.2 per cent) private sector DB schemes have employer

contributions of more than 20 per cent of salary, compared to 17.9 per cent in the public sector, and many of these will be the unique armed forces scheme which has no employee contributions.

While private sector defined benefit pensions have been in steep decline, defined contribution (DC) provision has not filled the gap as critics claim, says the TUC. Since 1999 DC pension coverage has only increased by 2.5 per cent of workers, while DB coverage has fallen by 19.1 per cent of the workforce.

Private sector workers should be angry not at public sector workers but at their employers, and successive governments, who have allowed private sector pension coverage to decline so sharply, says the TUC.

In particular the two in three private sector workers with no pension should be livid that they see none of the nearly £30 billion spent on tax relief on pensions each year, two thirds of which goes to the less than one in four taxpayers who earn enough to pay higher rates of income tax.

The report also says that millions of private sector pensioners and scheme members will be hit by the government's switch to using the lower CPI inflation measure for pensions indexation in order to save money on public sector pensions.

TUC General Secretary Brendan Barber said: "The current pensions debate is all about divide and rule. Employers have been cutting private sector pensions for years, while usually hanging on to their boardroom specials.

"Pensions in the private sector are deeply unfair, and making public sector pensions more like private sector provision has nothing to do with fairness. It is just part of a long campaign by those on the small-state right to cut public services.

"A typical nurse is being asked to pay an extra £1,000 a year and work longer to get a smaller pension. None of this will help a single private sector worker get a better pension.

"Private sector workers without a pension should not direct their anger at public sector workers, but should be livid at the extraordinary costs of providing pensions' tax relief, with two-thirds of the £30 billion bill going to higher rate taxpayers.

"Millions of workers with private sector pensions are already being hit by the attack on public sector schemes as their pensions are now being uprated by the lower CPI inflation measure."

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