

# Labour's pension plan will make us poorer

<https://www.taxresearch.org.uk/Blog/2025/07/25/labours-pension-plan-will-make-us-poorer/>

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Labour says it's launching a pensions review to make retirement more secure. But dig into the details and it's clear: this is about cutting costs, not helping pensioners.

- Higher retirement ages
- Forced private savings
- Risky stock market exposure
- Means-tested pensions

We are heading for a pensions crash. And the City of London will cash in before it all falls apart. We need a fair, state-backed pension system.

<https://www.youtube.com/watch?v=JRbq-7xpUNA?si=OJhTOWv78Izmem76>

This is the audio version:

[https://www.podbean.com/player-v2/?i=hg3u3-1914338-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=hg3u3-1914338-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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The UK government is going to review the future of pensions in this country.

Just before Keir Starmer sent all MPs off for their summer holidays, it was announced by Labour that they are very worried about the fact that, in their opinion, if people carry on saving for pensions the way they are now, every pensioner in the UK will on average, be 8% worse off in 2050 than they are now, and that they say has to change.

Well, I can't argue with the sentiment. I don't want pensioners to be worse off in 2050 than they are now, even if it's quite unlikely that I'll be around at the time.

But the point is that by doing this, they're relaunching something called the Pensions Commission, and we know what the Pensions Commission did the first time it existed, which was in 2002.

It gave us pension enrollment for people who are at work, which basically ensured that everybody who was not in a company pension scheme was pretty much compulsorily enrolled in a national pension scheme that required that they and their employer make a contribution to a pension fund month in, month out, and that pension fund put the money in the stock market.

In other words, the Pension Commission ensured that there was a massive boost for funds flowing into the stock market, but the one thing we do know is that 20-plus years on, the system isn't working because if it was, we wouldn't have a predicted pension shortfall by 2050.

So, what's really going on, and what is the government really saying when it has announced this review?

First of all, I think we can be very confident that they are very worried that there is a massive potential state pension liability coming up, which, at the moment, they cannot be sure that they want to fund, and therefore, they want to reduce the public responsibility for providing pensions by forcing that task onto individuals.

So, what they're going to do is say we must save more to cut the current £175 billion annual cost of paying pensions by the state.

Now they're ignoring the fact that, actually, the subsidy to pensioners already costs £70 billion a year; apparently, this doesn't feature in their calculations at present, but what they want to do is shift from state pension provision to private pension provision, even though that wasn't the headline message.

And what I think we can be sure will happen because this, again, is based upon the precedent of past Labour Party action in this area, is that we will see an increase in the state retirement age.

Rumours have reached us because Liz Kendall has spoken about this, that they're

thinking about increasing the state retirement age to at least 68, but with people getting less than a full state retirement pension at that age, and in fact having to wait until they're 72 to qualify for the full pension entitlement, which let's be clear about it, is around £12,500 a year at present. Nobody is living in riches on that sum, but you're going to have to wait forever to get it in the future.

What is more, the plan is, and we know this from the whole preamble to the report that is being set up, that people are going to be forced to pay more into private pensions.

How do we know that? Because they talk about the fact that not everybody is saving, and they want to make sure they do.

And there's a third dimension to what I think is likely to happen, and that is the state pension will be means-tested if they want to continue to cut the cost of the state pension, even though they would've increased the state retirement age, and they will have forced people to save. The corollary of all of that is that they will ensure that those who have got a private pension will not qualify for the state pension, and, therefore, this saving that they're going to force you to do will actually reduce your expectation of a state old-age pension.

None of this sounds good.

None of this sounds as though this is going to make pensioners better off.

All of this looks as though it's going to achieve a very basic state pension for the very poorest, but otherwise, everybody will be dependent upon risky stock market schemes to provide their pension in the future, and that scares me rigid.

And the reason why is that those, I'm afraid to say, rather small-minded people who are running the government and who are running the Labour Party just can't get their heads around the fact that there are some fundamental changes going to take place in markets over the next 30 years or so.

Right now, stock markets are booming. The London FTSE 100 Share Index is at a record high level because of the exceptional returns currently being enjoyed by defence companies, because we're on a pathway to war, and because of the exceptional returns being earned by fossil oil companies, because they've said they're abandoning renewable energy when renewable energy is very clearly what we need, and because banks are making exceptional profits out of exploiting us all.

But those profits are not sustainable. We'll have either killed each other in a war, or we'll have destroyed the planet, or banks will literally have fleeced us dry. Whichever one of those it is, those levels of profit are not going to continue.

And there's a very particular problem, which is being entirely ignored by this plan, which is the fact that there are going to be fewer young people in coming generations.

If everybody now buys shares and are using them as the basis for their pension fund, they will, when they get to old age, have to sell them to somebody. That's a simple, straightforward requirement.

How a saved pension works is that you maximise your savings at the time that you retire, and from then on, you basically sell the assets you've acquired to provide you with a pension. So, somebody's got to buy your shares, and there are going to be fewer people to buy shares in the future than there are now, and by then, people will have rumoured that war, bank exploitation, and fossil fuels aren't a good idea, and so they're not going to be there to buy the shares that people will want to sell.

In other words, if you look at what is going to be in-built into this new pension system, a crash is going to be inevitable. We simply won't be able to avoid it.

Pension values will collapse as a consequence, and people will not get the pensions they expect as a result.

The state will be unprepared, having wasted vast amounts of state money in subsidising this crash, because they will have done so through the tax relief provided on pension contributions, and people will be left over in poverty and will still need an income to survive. That's the crisis that we'll actually face if we go down the route that the Labour Party is talking about.

The only winners will be the City of London, because yet more money will be poured into their schemes and everything will appear to be great for the next few years because more and more money will be used to buy shares until the point comes when everyone suddenly says this isn't working, and that's when the crash will happen.

So this is a false narrative.

It presumes that pensions are all about personal responsibility, which is a core neoliberal idea, and that pensions are all about personal savings, which is another core neoliberal idea. The fact is, pensions aren't about either of those things.

As I explained in a recent video, which we'll link down below, there is a fundamental intergenerational pension contract which has to be honoured within any pension arrangement, and that is very simple. It is that today's workers fund today's pensioners in the hope that the generation who follow them will provide for today's workers when they reach old age. This is a fundamental intergenerational contract which transfers wealth between them. There is no other way in which pensions can be provided, but by a younger generation sacrificing part of their income to keep the older generation, of which their parents might be a part, alive, and that is the key that society has to recognise and which the neoliberal model does not.

It is only the state that can manage this intergenerational contract, in other words.

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Markets are incapable of doing it.

We need to renew that social contract, not boost the failed market ideology, which will give us a crash if things go the way that I expect and as I've outlined in this video.

So, in practice, Labour is going to be complicit in undermining pensions. It's not going to be creating better pensions for everyone. It's going to generate a major financial crisis and destroy pension value.

We are heading for a crisis driven by ideology, in other words, and it's time that we demanded a fair state-based pension for all instead.

That's my opinion. What do you think? We're going to put a poll down below. Do you think the future of pensions should be based on personal savings? Possibly enforced personal savings, or should we be looking for the state to supply an enhanced old age pension so that, as people on average in the UK get older, they'll still have the right to a state pension that they can afford to live off?

Have a look at the poll. Give us your views. This is important because what you think matters, and you might want to write your MP about this, and there's a link to assist you to do that in the blurb below this video.

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## Poll

[poll id="155"]

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## Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

**One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.**