

Welfare



Personal Finance
Education Group

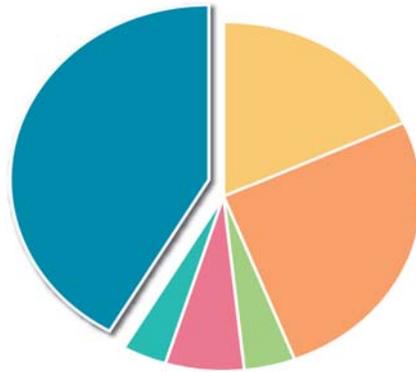
Recommended teaching resource
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INDIVIDUALS
ENGAGING IN
SOCIETY

Citizenship Foundation

Introduction

Welfare covers the help provided to people in need or at risk of hardship and includes benefits and allowances for people who are unemployed, unable to work due to disability or because they are caring for others, and pensions for those who have retired.



**Budget 2013-14:
£220 billion**

(Source: HM Treasury March 2013)

Learning objectives

- To understand that the state currently provides a pension for people in retirement and the challenges in doing so;
- To understand that future changes to pensions policy will affect people in different ways depending on their personal circumstances.

Learning outcomes

- **All must** understand the meaning of a state pension;
- **Most will** explain why some people should be given more support by the state than others in their retirement;
- **Some could** compare and contrast the long term financial consequences of a range of life choices and decisions.

Curricula references at Key Stage 4

Citizenship: 1.1 b, c; 1.2 a, b, c; 1.3 a; 3 a, j, k.

PSHEe (EWFC): 1.2 d, 1.3 a, b; 1.4 a, b; 3 k.

Resources

Item	PDF	Presentation slides
How Much?		✓
Life After Work	Page 5	✓
Pension Profiles	Pages 6-11	✓
Deserving or Underserving?	Page 12	

Lesson Sequence

Starter (15 mins)

- Show the students the photos in **How Much?** in the lesson plan presentation slides and ask them to identify the items which are worth the same as a weekly basic state pension, which is the money people in the UK receive when they retire from work;
- All of them items except for the camera cost about £100. The current basic state pension for a single person is £110.15 (April 2013). The camera costs about £800;
- Give the students copies of **Life After Work** (p 5 and in the slides) and allow a few minutes to read through the information in pairs. An overview of Life After Work is provided in the lesson plan presentation slides. Then question the students about its contents:
 - *How much is a basic state pension for a single person?*
 - *Why do people receive a state pension?*
 - *What is the 'welfare state'?*
 - *Where does the money come from to pay state pensions?*
 - *What other ways can you save for your retirement?*
 - *What is an 'ageing population'?*
 - *Why is the UK's population ageing?*
 - *What is the 'pensions funding gap'?*
 - *At what age do men currently retire?*
 - *What about woman?*
 - *What age will the students be when they retire?*
 - *Why has the Government raised the retirement age?*
 - *Why does the Government want employers to employ older workers for longer?*

Main (35 mins)

In this activity students assess the impact of changes to pensions policy on a range of different people and decide who will get a state pension if the Government decides not everyone can have one;

- Organise the students to work in groups of four and give each group a set of the personal profiles in **Pensions Profiles** (pg 6-11). The profiles are also included in the lesson plan presentation slides;
- Their first task is to look at the six profiles. Each person is at a different age and stage of their lives. They all have different personal circumstances, employment situations, and attitudes towards saving for the future.
- The bottom of each profile contains some 'Top Trumps' style scales that the students need to complete. Encourage the students to compare the personal profiles and give each person a rating between 1 and 10 (where 10 is the highest) for:
 - *Wealth: how much income, savings and assets (things that can be sold like a house or car) does the person have?*
 - *Effort: how hard has the person worked? This can be in paid employment, voluntary work or caring for other people;*
 - *Planning: how much has the person prepared for their retirement through savings or investments? This includes property and private pensions.*

- When the students have completed their ratings tell them that all the people in the profiles will qualify for a state pension once they reach 68. However, imagine the Government does not have enough money to pay everyone their pension. How could the Government change

Lesson Sequence (cont..)

pension arrangements to make its 'pension pot' stretch further? Three potential policies are outlined below. Task the students with assessing the effect each would have on the people in the **Pensions Profiles**:

- An increase in income tax as a way of raising more money in taxation to pay for state pensions;
- An increase in the retirement age to 70 to delay the age at which people receive their state pension so they continue to pay tax for longer (if they are working);
- Making people spend their savings and sell their assets before they can receive a state pension.

**This is not necessarily true under the current rules regarding the state pension. The amount people receive depends on the number of qualifying years in which they have paid National Insurance contributions. The rules are complex, and have been simplified for this learning activity.*

- The students should use the 'Happiness Chart' at the bottom of each of the profiles to indicate how each person will be affected by the three policy changes. They should draw a sad face if the policy will have a negative effect, or a smiley face if the policy will be of benefit or won't make any difference;

- The likely results are given in the table below and in the slides. This assumes an increase in the retirement age is a negative change for those who are working because they will work for longer. However some people welcome the chance to work for longer and to continue earning money. Everyone, working or not, will have to wait longer before they can receive their state pension;

- Once the students have completed their happiness assessments, ask the students to think about who 'deserves' to get a pension, and who 'needs' a pension. Ask them to place the **Pensions Profiles** in a spectrum from most to least deserving. 'Deserving' could mean those who have worked the hardest, or planned ahead. Then ask them to rearrange the profiles according to 'need' which could relate to level of income, assets or ability/opportunity to work;

- Now ask the students to choose the two people they think should receive the state pension when they retire. The other four won't receive anything. Is 'need' or 'deserve' the most important factor? Who has:
 - The least money when they reach retirement age?
 - Worked the hardest?
 - Been employed the longest?
 - Planned ahead for their retirement?
 - Planned the least for their retirement?

Profile	Increase in taxes	Increase in retirement age	Spend your own money first
Mark Glazier	Sad	Sad	Sad
Grace Ferndale	Happy	Sad	Happy
Alan Amoo	Happy	Sad	Sad
Lola Fenty	Happy	Sad	Happy
Prash Chaudry	Happy	Sad	Happy
John Lawler	Happy	Sad	Sad

Lesson Sequence (cont..)

Plenary (10 mins)

- Ask each group of students for the two people they decided to give a state pension to and the main reasons why. Record the answers on the board and see if there is any consensus:
 - *Is there anyone who everyone agrees should get a basic state pension and if so, why?*
 - *Is there anyone who everyone agrees should not get a basic state pension and if so, why not?*
- There are a number of issues you can raise:
 - *What do you think the benefits are of planning for your retirement? What are the benefits and risks of investing in a pension fund or in property?*
 - *Whose responsibility is it to provide an income for people who have retired? Individuals? The state?*
 - *Is there a level of poverty at which the state should intervene, regardless of the circumstances that led to it?*

Further/additional activities

- Since 1 October 2011 it has been illegal for an employer to compel an employee to retire at a set age. Give the students copies of **Deserving or Undeserving?** (p12) for them to record their decisions about who will and won't receive a state pension, and justify their opinions;
- The government estimates about seven million people are not saving at all for retirement, or not saving enough. Ask the students to create alternative ways for the Government to tackle the pensions funding gap, eg making it compulsory for employees and employers to pay into private/company pension scheme. They should assess the effect of the policy on the people in the **Pension Profiles** and justify why their policies would be better or worse than the alternatives;
- The first 2 minutes 15 seconds of the video link below [4:26] (also in the presentation slides) gives useful information about private pensions and the importance of saving for retirement: <http://www.youtube.com/watch?v=c7koLS7uxq0>
- Ask the students to consider whether or not people should be made to retire at a certain age, or if they should be given the choice to work for as long as they are able. This short video [2:26] (also in the presentation slides) includes a range of views: <http://www.youtube.com/watch?v=4kiEefu7Fpk>
- Task the students with researching the main challenges for the future provision of pensions in the UK and how they will affect society. This short video [4:57] (also in the presentation slides) includes an interview with the pension's minister discussing some of the current issues: <http://www.youtube.com/watch?v=A5qJdnruG5M>

Life After Work

- Pensions, along with other public services such as National Health Service and state education, are part of the UK Government's 'welfare state' through which the Government aims to ensure everyone has a basic level of wellbeing. The state pension is designed to protect people, (who reach retirement age) from poverty in later years;
- Currently the state pension for those of working age is 68. In 2012/13 a single person will receive £110.15 a week basic state pension, though some people get less than this, and others are entitled to slightly more. The state pension age is the earliest age at which you can get your state pension. This is not the same as retirement age which is when you choose to retire from work. Employers cannot set a default retirement age for their workers;
- The amount you receive depends on the number of 'qualifying' years in which you have paid National Insurance Contributions (NICs). This is a tax on earnings and is deducted from your wages along with Income Tax. There are also ways of paying NICs if you are self-employed or not working;
- The state pension is unlikely to be enough to support the lifestyle you will want when you are older and if so you will need an additional income. If you are working you can pay into a personal pension or an occupational scheme provided by your employer;
- This makes women particularly vulnerable to poverty in later life as they are more likely to have had periods when they haven't worked because of raising a family or caring for others. People also save for their retirement by investing their money in other ways such as in property. There are risks attached to all these methods and they may not give you the income you had hoped;
- State pensions are paid for by taxes. The people who are currently working are paying the taxation that is used to pay the pensions of those who are currently retired. So the higher the pensions bill, the more the Government has to raise through taxes;
- The UK has an ageing population. When pensions were first introduced in the UK in the 1900s, there were 22 people of working age for every pensioner. By 2024, there will be less than three;
- If you were born in the UK in 1900 you could expect to live to 46 if you were a man or 50 if you were a woman. By 2010, this had risen dramatically to 78.5 (males) and 82.5 (females). This means people generally receive a state pension for a much longer period than when pensions were first introduced. Medical innovations, improved sanitation and housing, cleaner air and better average living standards have all contributed to increasing life expectancy in the UK;
- The average number of children born per woman in the UK (1.94 children) has been below the population replacement level (2.1) since the early 1970's. Many things have contributed to this change, including better availability and effectiveness of contraception; the rising costs of living; more women working and changing social attitudes;
- The UK's ageing population has created a funding 'gap' for pensions and to address this the Government has changed the age at which today's young people can receive their state pension - 68 years old for someone who is teenager now. This means people will work for longer (and pay tax for longer) and start receiving their state pension later in life.

Pensions Profiles

Mark Glazier, B & B Owner

I started my bed and breakfast about 40 years ago. It's on the seafront in Scarborough. I work really long hours in the summer when the town is full of tourists. We have 14 rooms which are full from Easter to about the end of September, and in the peak summer months we open up the restaurant to non-residents and serve food right through until 10.00pm. The bar stays open until 2am.

It's really hard work and I'm ready to drop by October. It's worth it though. My wife and I take off for a couple of months over Christmas. She suffers from depression, particularly in the winter so it's important we get away. We sunk all our savings into an apartment in Portugal about 10 years ago.



The business makes a reasonable profit. I earn about £60k a year. I've just paid off the mortgage on the B&B. It's a huge relief. A place that size costs a lot to buy, and a lot to run. I'm really looking forward to retiring next year and getting my state pension. Eventually I'll sell the B&B and use the money to top up my pension, but not right now. Property prices have crashed and I'd get hardly anything for it at the moment.

At least I'll have my state pension in the meantime. After all the hard work I've put in, and the thousands I've paid in tax, I've certainly earned it.

Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	☹️ ☺️
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

Grace Ferndale, Full Time Mum



I had my first baby when I was 24. Henry's 9 now, Rose is 4 and Ritchie's 2. Before I had a family I worked for a large supermarket chain as a trainer, getting new employees ready to work on the tills and on the shop floor. It was a lot of fun, and I enjoyed having money of my own, but I gave it up to be a full-time mum.

My husband and I got divorced last year. It was pretty messy but he's agreed to pay the rent on the house until the children leave home. He has the children at weekends but I'm on my own during the week. I think it's important to be there for your kids. My mum worked the whole time I was growing up.

I'd like to go back to work when Ritchie's been at a school a few years but I'd need a part-time job where the hours fit around the school run, and one where I only work during term time so I'm off during the holidays with the kids. Those kinds of jobs are hard to find, but what's the point in working full time if I have to spend most of my wages on childcare?

I don't see how I can save for my retirement at the moment. Maybe when I start working I can put something aside but it won't be much. Thankfully there's a state pension for people like me. I'm doing the right thing by my children after all, and bringing up a family is a really tough job, it's just that you don't get paid for it.

Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	 
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

Alan Amoo, Full Time Carer

I don't work anymore. I used to, but when my wife died I stopped working so I could look after our disabled daughter Michelle. She needs round-the-clock care and it's important she has the best quality of life I can provide.

I enjoyed my job. I was a medical salesman for 14 years, selling drugs and equipment to doctor's practices. I met so many nice people and loved being out on the road. I was really good at it and made quite a lot of money in commission. Then suddenly everything changed. I couldn't carry on working. Michelle needed me. So I gave up work, sold my house and moved in with my parents. They help out with Michelle as much as they can but they're getting on a bit now and can't lift Michelle in and out of her wheelchair, or into bed.



I paid into the company pension scheme when I was working, but 14 years isn't much. It looks like it'll only give me an income of about £1,500 a year when I'm 65. I've got a few thousand in the bank, from the sale of my house. I've needed to dip into it over the years but I want to save what's left for Michelle. She'll need it when I'm gone and can't look after her any more. I'll just about be able to live off my state pension and leave Michelle's inheritance alone.

Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	 
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

Lola Fenty, Environmental Campaigner



I don't need much money. I live a simple life and just earn what I need, when I need it. I travel around, working on farms mainly. I'm pretty handy at most things so I usually get three meals a day and a place to sleep in exchange for a day's work. I do the odd cash in hand job when I need a bit extra. I'm also a professional storyteller and perform at most of the big festivals in the summer, and I've been fairly active in a lot of environmental campaigns against building new roads and airport runways.

Who wants to be part of the rat race? Not me. All the consumerism and money, money, money. It doesn't make you happy after all. It's who you're with that's important, and the way we live our lives. We've got to stop killing our planet. We use so much of the world's resources on pointless things. I always use public transport and buy second hand clothes.

I've never asked the state for anything. I've never claimed any benefits and I'm even educating my daughter myself rather than sending her to school. I'll need a state pension though when I'm too old to work. It's only fair. Other people are much more of a drain on society, in fact I put in much more than I take out.

Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	 
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

Prash Chaudry, Junior Doctor

I finished my medical training in New Dehli in India three years ago and came to work in a hospital in Liverpool. I'm really pleased I've qualified and am getting on with the job now. It's great to be helping so many people. It's a lot of responsibility but you learn to handle it.

As a Junior Doctor I'm expected to work really long hours. Sometimes I do 100 in a week and I often work 12 hours in a stretch. Eventually I want to be a surgeon. It'll take me a few years to get there but if I put in enough hard work there's no reason why not.

I live in a modern apartment overlooking the Mersey. The rent's a small fortune but it's great being in the centre of town. It's convenient for work and it means that on the rare occasions when I'm not working I can go to the bars and clubs nearby. I like to spend my holidays scuba diving – somewhere hot with clear blue water. Work hard, play hard. That saying was written about me!

I know I should have a financial plan in place for when I retire, but it's such a long time away. I can't think about that now. Life's too short. I should know! Anyway, I'm only earning £30k a year and it doesn't stretch that far. At least I'll get a state pension. It won't be much but I'll have deserved it after spending my whole career saving other peoples' lives.



Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	 
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

John Lawler, Temporary Worker



My wife and I have lived in the same house since we got married nearly 30 years ago. Both my children were born here, and I'm determined to stay here until I die.

I worked in the local fork lift truck factory for 25 years, checking they'd been screwed together properly before they were rolled off the production track and into the hands of their new owners. The week after I'd received a gold wrist watch for my 25 years' service, I was made redundant. No warning. The place completely closed. All the work was transferred to Germany.

Since then I've been doing temporary jobs through an employment agency. I've worked on and off at a place that makes airline food for years now, with a few other bits and pieces in between. There's just nothing else going around here. Everything's closed down. I earn the minimum wage. That's less than £250 a week when I've got work, but we get by, me and the wife. She works part time in the Post Office which helps.

I'll have a small pension from a scheme they had at the fork lift factory. I started paying in as soon as I joined at 16. The others my age couldn't believe it. They said I was getting old before my time. I couldn't pay in much every month. I didn't earn very much and with two children and a mortgage to pay it was pretty hard going.

My state pension will come in handy though. It's meant for people like me. I've worked hard and planed for my retirement. It's not my fault it all went wrong.

Lifestyle	Points (1-10)
Wealth	
Effort	
Planning	

Happiness	 
Increase in Income Tax	
Increase in retirement age to 70	
Spend my own money first	

Deserving or Undeserving?



Lifestyle	State pension?	Explain your reasons why this person either deserves, or doesn't deserve to receive a state pension
Mark Glazier	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Grace Ferndale	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Alan Amoo	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Lola Fenty	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Prash Chaudry	Yes <input type="checkbox"/> No <input type="checkbox"/>	
John Lawler	Yes <input type="checkbox"/> No <input type="checkbox"/>	