

Center for American Progress



SPECIAL PRESENTATION:

“MOVING FORWARD ON RETIREMENT SECURITY: EMBRACING GLOBALIZATION AND DEMOGRAPHIC CHANGE”

INTRODUCTION:

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FEATURED SPEAKER:

**THE RIGHT HONORABLE DAVID BLUNKETT, MP,
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UNITED KINGDOM**

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MR. JOHN PODESTA: Thank you, everybody, for being with us this afternoon and to be with us for this program on “Moving Forward on Retirement Security: Embracing Globalization and Demographic Change.” We’re quite proud to have the Right Honorable David Blunkett with us. I was with him earlier at a lunch that Senator Edwards hosted and we had quite a discussion on poverty in this country and, of course, that discussion turned to Hurricane Katrina.

I think if there’s one overarching lesson opinion-leaders should learn in the wake of Hurricane Katrina, it is that in times of crisis there’s no substitute for a fully-engaged, involved, and responsible public sector. I was quite struck actually by your words, David, in characterizing the UK government’s approach to a whole range of social investment issues in characterizing the notion of the belief in mutuality and solidarity. And, as you know, I would be hard pressed to use those terms in reference to our government over here, but we welcome your approach to the way that you’ve moved forward on so many different approaches to the economy and social insurance, et cetera, so we’re anxious to hear from you.

As many of you know, the Center for American Progress is involved in crafting a wide array of progressive and pragmatic policy solutions to the difficult challenges facing our nation throughout the world and here at home. We’ve put some concrete ideas on the table to strengthen retirement savings, to strengthen our pension systems. That work has been led by Gene Sperling and Christian Weller and more recently by Robert Gordon, who are all here.

And unfortunately, much of our time has been playing defense rather than offense in the last year. As I said, we put forward a number of concrete proposals to strengthen our system, but we’ve also been engaged in pushing back on the conservative press for a series of far-reaching changes to our Social Security system.

Of course, the cornerstone of that plan has been proposals to launch the privatization of our own Social Security system through the introduction of private investment accounts. While that effort seems to be dead at least for the moment, it could easily be resurrected in the future – in a future tax or pension reform legislation as we await, I think now, the delayed report from the commission studying the federal tax code.

The conservatives’ approach to Social Security has been, I think, and remains dangerously misguided, but it would also be folly if progressives allowed the recognition of that to deter us from responding to the very real problems confronting our retirement system today and in the future. We know that the critical importance of Social Security will only actually expand in years to come. As of 2002, the last year for which data are

available, 60 percent of all older Americans, those over 65 years of age, received at least half of their income from Social Security. Fully one fifth of that population received all of their income from Social Security.

But stunning as that fact is, today more than half of all private sector workers are now not covered by any pension plan at all. Despite this, we still have a tax system that gives higher relative benefits to higher-income workers, kind of skewing investment and savings opportunities to the high end at the same time that we have a rising number of Americans that lack any pension at all. And of course we're living in a time of change when many large employers in the name of global competitiveness are claiming they can no longer afford to provide retirement benefits at all. We see that with United and some of the other large employers trying to dump their pension plans.

Luckily, we in the United States need not address these issues in a vacuum. We can learn from the experience in the United Kingdom, which has been exploring progressive approaches to retirement security, approaches which we in the United States I think would do well to study. To lead us in the exploration, I'm very, again, pleased to introduce the Right Honorable David Blunkett who in May of 2005 became Britain's Secretary of State for Work and Pensions. Mr. Blunkett is a Labour MP, who was first elected to Parliament in June of 1987 representing the Sheffield Brightside seat. He served as Labor Shadow Secretary of State for Health from 1992 to 1994. He served as Education and Employment Secretary following the 1997 general election and was appointed Home Secretary in 2001.

Ladies and gentlemen, please join me in welcoming David Blunkett.

(Applause.)

THE RIGHT HONORABLE DAVID BLUNKETT MP: Firstly, my thanks, John, to you and to the Center for the very warm welcome and to all of you, the audience, because if you weren't here I'd be talking into a vacuum. I once again want to just indicate on behalf of the government and myself the condolences and support we offer in terms of the aftermath of Hurricane Katrina and the traumas that's brought not only to those disastrously affected, but obviously to the United States as a whole.

John, when I sat in that chair, I was reminded at home we have adverts on our television for orthopedic chairs for elderly people. They are couched in such terms that you'd actually never want to be old. The chair sounds excruciatingly uncomfortable. The voiceover sounds as though the person is well on their way out, and the whole idea of aging is obviously one of excruciating pain. (Laughter.) So we all have to actually change the culture, I think, about the way in which we think about aging and retirement, as well as about the income and the support systems to make it enjoyable and full of quality of life.

I've had one or two articles written about me in the London press, which have characterized my change in the department's remit from the cradle literally to the grave

as I make people work until they drop, presumably digging their own grave before they drop into it, which is quite a novel idea for those on the very far right – (laughter) – although I'm not supposed to engage in party political or anything that would infringe on an election, because, John, I've signed a form to ensure you don't lose whatever status you've got as a center. (Laughter.)

I think it might be quite useful if I just said a very quick word about the structure of our pensions. Most of you know an enormous amount about it. You wouldn't be here, you wouldn't be interested if you didn't. But we've historically for the last 100 years had a basic state pension – I'll come back to the anomalies in it in a moment – which provided a basic flat rate for those who had the right Social Security – we call it National Insurance – contributions.

We had introduced a second state pension which was initial earnings related; still is, but is flattening out. Nobody's actually entitled to the full second state pension yet because you have to accumulate 45 years to get the full amount. In 1988, the then government encouraged people to opt out, those who were in occupational health – occupational pension schemes or those who wanted to set up their own personal pensions. This became mired in real difficulties because the financial advice that was given to people was deeply flawed and became part of what was known as the pension misselling scandal, which cost the government because we had to help out with those people, around £11 billion, most of which actually fell within the lifetime of my government, or the government to which I belong. So did several other things like mad cow disease and foot-and-mouth disease and several other things that have made it quite difficult to invest the kind of resources we'd want in all the projects that we hold dear to our heart.

We have ongoing programs in relation to employers' pensions. We have DB and DC schemes. The defined benefit schemes are actually dwindling and that is quite a worry, I think, to all of us. What is strange about some of the issues around pensions is even when an employer offers, as with the public sector, a scheme to which they're contributing many employees don't actually sign up: 4.6 million workers in Britain – everything I say needs to be taken in the context of the United Kingdom being just 20 percent of the population of the U.S., of course, but 4.6 million workers have not signed into those schemes, even though the employees are contributing substantially and it's easy for them to do so. So there is, as there is here, a continuing debate about auto enrollment and what form that should take.

We have a continuing debate about how to help those who lost out once the capital markets collapsed five years ago. We have only recently set up a pension protection fund. It came into operation in April of this year. Learning from the experience of your own protection corporation and they, in turn, now learning from us – I spoke with Brad yesterday, who's the chief exec there, and talking through the challenges you face with the \$23 billion deficit. But we have another problem, which is that people of course weren't entitled to draw down on that until April, so there was a period when companies were going into insolvency and workers had been left without cover.

We introduced, before I took over, a financial assistance scheme which helps a little. It's £400 million to pick up those within three years of retirement, but there's still a continuing challenge. And, of course, we've got the changed environment in which some people, but by no means all, are inheriting assets in the form of the homes that their grandparents, parents, or uncles and aunts have owned and what difference that might make in terms of income in retirement, rather than just pensions.

Incidentally, I tried to get a debate off the ground without being politically correct about why in Britain we call people "pensioners" when they retire, as though their whole status and being in life is dependent on the source of income. I mean, can I just try something, John? You're going to have to help me out for obvious reasons. Hands up, anyone who would like to be called a pensioner.

MR. PODESTA: No hands.

MR. BLUNKETT: No. Well, there we are. Neither would I. So I continue to struggle in terms of describing income and retirement, rather than talking about pensioners.

The similarity of challenge, of course, is obvious to us all. We're living in an advanced economy. The ratio of those in work to those in retirement has changed dramatically over the years. When our first pension was established, there were ten workers for every one in retirement; now there are four. Your ratio is worse, isn't it? It's 3.3 I think. It won't be very long before it's two to one. Ours will be about 50 years before it's 2 to 1, but obviously the issues are self-evident. People start to contribute later because very many more young people, thank goodness, are going into higher education, so they start formal work and earning much later. Many people, certainly in the 1980s in Britain when we had a major unemployment crisis, were encouraged to take early retirement, but by doing so, of course, they failed to continue contributing to their own income retirement. They failed to continue being active in the labor market and the economy, which reduced again the input to the pension profile, and we're still feeling the backwash from that.

In essence, people want to live longer. They want to live better. They want to retire earlier. They want to start contributing later, and they want somebody else to pay for it. So if you can get it, it's a pretty good deal. Unfortunately we can't, so the debate in Britain is about what the role of the state is, as you've debated endlessly in the United States; what part the employer should pay; and what contribution should the individual and family make; and what is the role of government in terms of providing the necessary incentives, encouragement, advice, information and education to make all of that work so that we can put it together?

And we established a commission under the former director general of the Confederation of British Industry, which is the representative organization of medium and large-scale enterprise in Britain, with representatives of academia and the trade union

movement to take a look at the whole issue around the relationship of the state pension, the second earnings-related pension, and personal occupational pensions.

Incidentally, we did establish a year or two back a stakeholder pension, which was designed to help those who were on the fringes with very low income. Two and a half million people have taken those up. It's not been deemed to be as successful as people thought, although in certain industries like construction it has obviously helped. The difficulty there is while the employer is compelled by law in such circumstances to find a pension plan and to help the employee enter it, they're not compelled to make a contribution to it.

So major issues that we share in terms of the demographics, major issues in terms of where the funds come from, and what the role of the state should be, major issues as well about globalization which we share, probably at the cutting edge we're somewhere behind the nature of work having changed the number of jobs. I understand from talking to Elaine Chao that you can expect eight or nine jobs within the first 15, 20 years of work. It's probably five different jobs in Britain. Fifty years ago, people would not have expected to change jobs throughout their lifetime. They expected tenure, which still exists, by the way, in our university system. I don't know whether you have that in yours – funny little quirks. It's only just after the Second World War that people from Oxford and Cambridge ceased to get two votes. Did you know that? (Laughter.) It's very, very – so mind you, we did win in 1945, so it can't have been all that bad.

We also have the challenge of working within Europe, and I was discussing this at the Brookings Institute yesterday, on a different model of how we can provide security and stability, but in a totally different environment, and it has changed. I mean, it's not merely that people will be changing jobs; it's the nature of work has changed. The insecurity that exists today is entirely different to what our parents and grandparents would have experienced. And the challenge, of course, in the world of work and welfare is actually how to provide new forms of security and stability to help people cope with those rapid changes and globalization.

It's relevant to pensions because the more insecure people are, the less portable the investment and savings portfolios they have, the less they'll build up and the more likely they are to engage with spend today and pray for tomorrow, and obviously that is an issue. And so providing stability and security is not just a good thing, because it stops so many of the population having to rely on psychotherapy, but actually because it actually engages people in being secure enough to be able to save adequately, to be able to plan ahead. And it's only secure governments and it's only secure individuals that really do look to the future that invest in things that don't bring immediate gain, that don't have immediate gratification.

How to persuade young people in their 20s, therefore, try actually think about retirement and pensions is difficult in any environment, but in an insecure one with changing work patterns and changing environments is very much more difficult. So I'd welcome this afternoon thoughts from you on how we achieve greater portability, auto-

transferability – is that the right word for it, I suppose – in terms of ensuring that people can take that with them, and the decisions they take about pensions should start very early.

We're going to engage in providing education and information to youngsters in secondary school and in post-16 education. I met some young people at a college in Manchester in the northwest of England a couple of months ago and once they understood the issues, once we'd had a half an hour just talking through the basic issues, they were really engaged, but what they said – because they'd been provided with an average booklet on personal pensions and investment – was how horrendously complicated it was, how so many choices available and that they didn't really have a choice at all because it was – it was obviously going to be in the hands of a pension advisor – the difficulties of understanding how one part of the pension's program related to another. And so we do need to find simplicity whilst retaining equity and fairness, and that's difficult because equity and simplicity are obviously divergent on so many occasions.

We also need to take account of the issues around the building of personal assets and capital. Again, I'm one of those people who has a little obsession about assets and I believe that we're beginning to break through in Britain. I don't want to engage at all with your debate about changes to Social Security and your personal accounts. Just take it from me that whatever we will do will not necessarily – let me rephrase that: take it from me that whatever we do will be a British solution to a British problem, so I don't want anyone to feel that we are engaging in a debate about personal accounts and the building of capital for the future in quite the environment and culture that you're engaged with it in the United States. That's just my disclaimer for this afternoon, which will save me from getting shot when I get back and speak to the prime minister.

The truth is that it's going to be a combination of measures that will see us through. It's going to have to be fiscal incentives. We already have very substantial incentives, but they help the better off most of all. You get top rate tax relief on pension contributions, not just flat rate – not just lower rate tax relief, so there is an issue around incentives and how best to provide them from the government, as well as information and advice.

We have as part of the commission's deliberations the issue of whether it is possible to persuade people to work longer or whether we need to change the retirement age. You've already had that debate in terms of lifting the retirement age. We have two issues being debated at the moment, one very contentious one about public service workers and whether those workers in the future – not the ones immediately coming up to retirement, but those in the future should have their retirement age lifted from 60 to 65, because the investment from the public purse for public sector workers is growing exponentially; and secondly, whether all of us should actually take our retirement later.

Secondly, even if we did that, how could we provide bigger incentives? People in Britain don't know – because I've tested it out at every meeting we've gone to – that you

can actually defer your state pension and for every year for five years you defer it you get an extra 10 percent or you can take a \$30,000 sterling lump sum at the age of 70. And obviously, that is quite attractive for people who feel they can continue working full or part time, which raises a second issue about how we can equip workers to actually change jobs as they come up towards retirement; maybe take part-time work, something that is less arduous or less stressful, something that might be less prestigious, but might equally be just as interesting, and how we can build that into the retirement plan of the individual and the family so they know what is taking place.

We've also got to have a debate about how to make annuities work better for people because there are so limited options at the moment for people with a lump sum from a personal pension plan taking out annuity. And there is a debate about whether longevity is predictable. Many of the people I have a great deal of time for think it is. Many of the people in the financial sector claim it isn't.

The other issue that really is not something that's emerged until very recently but in my view is absolutely critical, and I referred to it right at the beginning of my talk, is the inequity that's existed in relation to retirement for women. Because the national insurance scheme from the Second World War made a presumption that the male was the head of the household and that the woman would be able to rely on the contributions made – security contributions made by the male of the household, many women were persuaded to pay less national insurance than the full – what we call the full stamp. And as a consequence, a very high proportion of women retiring now – in fact, 83 percent – aren't entitled to automatically as of right to a full basic pension. It varies from sort of 95 percent downwards. The overall ratio is better: it's about 50/50 because so many women who have been retired for a very long time did receive a full pension entitlement on the back of their husband's retirement, but that is no longer the case because of course social changes and social norms have changed the whole environment in which people contribute.

To overcome a situation where because of caring duties, bringing up children, very often – and this is still the case – please tell me if this is not true in the United States – it is often women who are the carers as they come towards retirement of elderly or severely-disabled relatives that they lost out. We've had to take action to help them, and those in the male population who, again, did not have a basic full entitlement and haven't built up any residual savings, so they were entirely dependent on the social security system, which is being tested.

And the Chancellor of the Exchequer, Gordon Brown, introduced three years ago a pension credit, which lifted people. Actually, they've been lifted by £40, which is well over 50 percent of what the basic pension was eight years ago, but it does involve a means test, and people still argue about whether we've a right to do that. We've lifted 2.7 million households, and those households with one or both partners in retirement, out of poverty; two million of them out of absolute poverty, and that has clearly made a difference. But for the next 30, 40, 50 years we want people to be independent. We want them to be self-reliant. We want the government to play its part, but we want to

encourage people to have the security in the system that makes it possible for them to plan for the future.

That means that we need to take account of what people can contribute during their working lives. And, of course, the lower paid you are, the less you're able to contribute. The less well off you are in the time you're working, the less well off you'll be in retirement. And we need to do so with an eye to ensuring employers don't abandon the social responsibility and the deferred earnings that they've been putting into pension schemes since the Second World War.

So the pension commission has a big challenge to bring forward a range of issues to us. We want in respect to women to be able to take account of the caring duties and the gaps that have existed much more effectively. One way would be to reduce the eligible years for full entitlement from the current 45 to 30. We could actually make a substantial difference by doing that. Some people have said, why don't we just have a flat-rate citizens pension funded from taxation. I mean, we've not ruled that out, but the reason I'm very keen to retain some form of contributory principle is because of the glue that society needs if people are prepared to vote for transferring some of their income to the income of other people; namely, have people made a contribution? If they've made a contribution, then are we in a position to top that up, and are we prepared to because we believe that it is right to do so to avoid poverty and to assist those who were on very low earnings. And what's more, do we believe that if we do it in a logical, sensible way we won't have to scabble funds together from the state to overcome poverty that could have been avoided in the first place, rather than just ameliorating it at the end of the day? And can we do so in a way that provides an incentive to employers to stick with it with the portability that I mentioned earlier?

All of it on the back of the fact that any employment policy, which is why I think it's quite useful that I'm dealing with employment, welfare state, and pensions in one department in one portfolio – all of it in terms of ensuring that as people get older and their job insecurity often becomes greater, we take account of the need to maintain them in work, not just get them an alternative job.

In France between – the study three years ago showed that those between the ages of 55 and 59 who'd just lost a job and regained one, only 40 percent were likely to be in that job four years later, moving out of a job again before retirement. In the United States it's 54 percent; in Britain it's actually 58 percent. It does make a difference, not only to the contribution people can make, but also to the fears and insecurities that's built up around that, and the likelihood of them wanting to pull out whatever savings they've got to help them survive. So if we're going to build assets, whether it's in the form of home ownership, whether it's in the form of particular savings accounts, then we've got to ensure that people don't feel the necessity of pulling out other savings in order to be able to survive as they come up towards retirement. So security, a stake in society, a sensible, balanced partnership arrangement between the individual, the employer, and the state just seems to us to make sense.

Now, it all is logical except when you come to sorting it out politically. We've started a debate across the country. My ministers and I have been over the last four months around a number of regions of Britain getting a debate going, getting the local media and the broadcast media to raise the issues, challenging people with the facts and the information that makes them think about what needs to be done, asking our political opponents to join with us in attempting to get a long-term consensus. I still believe it's possible to do so.

It's easier when you're not coming up to immediate general election, so we'll see how we go over the next two years. We've got a period of time now in which we can engage with that debate and internally decide whether this is an issue that we can put off. Many people think it is not, that we have to address it, and we have to address it in a way that actually gives people confidence in the system, because obviously the collapse of the capital markets eroded confidence in personal pensions because so many of them were so badly hit after decades of people – in the words of the chairman of the commission in Britain, Adair Turner, living in a fool's paradise where they believed that ever-rising capital assets would in the end see people through.

So a snapshot of history tells us that we've got to have a system that is understood, that is believed in, that is affordable, and that allows people to actually be prepared to plan for the future in new ways, and to engage young people in a way that actually persuades them that just going without something quite small in their lives would be worth it in the long term.

We've set up the child trust funds. Gordon Brown and I worked on this together where we put a contribution – bond. It sometimes called a baby bond. We make a contribution for the lowest income household, it's £500, to be topped up at seven and 11, perhaps in the future to be built on more substantially and to get the community involved in perhaps being prepared to give – in payroll giving to actually contribute to other children's accounts as well.

It's a personal account that will build an asset. It doesn't take from anything else. It doesn't carve out anything else. It's a beginning in terms of getting people used to the idea that they need to save long term and that they can best do so on the back of a foundation that those of us who are reasonably well off take for granted and have already secured for our own children perhaps through buying them a bond or helping them buy a house or seeing them through their education.

So we're in this together. We can learn from each other. We're willing to and if we don't, we'd be very foolish, because this is an issue that's not going to go away. And all of us – this is one of those issues where all of us want to enjoy a healthy, long retirement and we want to be able to look back and think that we individually took a responsible decision, but we also expect our government to help us do it. Thank you very much.

(Applause.)

I'd better stand because I don't like that chair, so over to you.

MR. PODESTA: I think our chair is duplicated by our air conditioning, so I'll just – it's a little warm in here.

MR. BLUNKETT: I'm glad you said that. I thought I'd just developed the flu or something. (Laughter.)

MR. PODESTA: There's a bottle of water under here if you need it.

MR. BLUNKETT: Do you want to take some –

(Cross talk.)

MR. BLUNKETT: – comments at a time?

MR. PODESTA: So we're going to take some – we've got some time for a few questions. And I was going to say, as I actually had the first and easiest question to answer, which is, when is the commission going to actually report?

MR. BLUNKETT: 30th of November.

MR. PODESTA: Okay.

MR. BLUNKETT: And then I'll just give an indication of where we're at, but it'll be next year before we respond fully.

MR. PODESTA: Okay. So I'll open it up to the audience for questions. And as the minister suggested, maybe we'll take a couple and then you – we can reply to them. If you would state your affiliation and your name.

Q: Hi. I'm John Gray with AARP, Global Aging Program, and my question was about the last program that you mentioned, the child trust funds –

MR. BLUNKETT: Yeah.

Q: – that you set up with Gordon Brown. Is there any attempt going to be made to do sort of a longevity study to see if behavior has actually changed in – for savings?

MR. BLUNKETT: There's a very quick answer to that, John, and that is yes. We are obsessed with monitoring our programs. Sometimes we have to persuade the researchers to let us have the information before we've died so that we can actually adjust the programs in time to take account.

MR. PODESTA: In the back.

Q: Anna Rappaport, Anna Rappaport Consulting. My question deals with encouraging people to work longer and making it feasible to get – for them to get jobs at higher ages and maybe collect partial pensions. I'm wondering if you have specific ideas for people to phase out and how to support that with the pension system.

MR. PODESTA: The gentleman over here.

Q: I'm Martin Gensler. I'm a former U.S. Senate aide. I know that 15 to 20 years ago Japan and West Germany were the grayest of the graying world population. Japan was number one; West Germany was number two. In the case of Japan, they got through it largely because of a high savings rate. As far as West Germany is concerned or Germany as a whole, I don't have the slightest idea, but I wonder what kind of models this provides for a population that is rapidly graying, and I have no idea in this connection. The one piece of data you cite is the fact that in Germany and Italy the number of those 55 to 59 still retaining the same job is substantially lower than in the United States and in Great Britain. I'm wondering if you can address the issue generically in terms of what lessons there are for the United States and why Germany is lagging now.

MR. BLUNKETT: Yeah. On the first question, we've recently – in fact, it comes in next April – legislated to ensure that people firstly could not be forced out of jobs that they were in unless they have other reasons in terms of health or attendance records before they're 65. Secondly, anyone who wishes to take their pension, but carry on working can actually do so as well as defer, so that people might want to take part of their pension and work part time in the same employment. They might want to go into a job share.

We also have major programs. Many of you will have heard this before, but we stole the name “the New Deal” for our employment programs from you. I went to the FDR monument yesterday to pay my respects and ask forgiveness, so we're all right on that. (Laughter.)

MR. PODESTA: And was it given?

MR. BLUNKETT: Yeah, I heard a rumble, but it may have been an aircraft from Reagan International.

The other thing we've done is set up a specific employment program for return to work for those over the age of 50. And that has been very successful in getting people into work. The challenge, as I've already indicated, is keeping them in work. We've actually had more – as a percentage, more people getting jobs from unemployment in the 50-to-60 age bracket than in the 20-to-60 age bracket, but it's retaining it. And you're quite right, I gave – I actually gave you the wrong figure earlier, so I'd better correct it. France has only 24 percent, Germany 45 percent, and ourselves and yourselves in the mid-50s in terms of those who retain the job, which is pretty important in terms of what

can be done. And I don't think we've got good evidence from any of the countries as to why that should be, and it relates to the second of those questions, which is the – if you like, the aging process and the demographics.

There is a difficulty in Germany because, of course, they've got twice the rate of unemployment of either the U.S. or Britain and that causes them to be concentrated very heavily on trying to get younger people into work and to not be so focused on those coming up to retirement who, if they're not in penury – in poverty are not a burden, therefore, on the wider exchequer and taxpayer and not seen as a challenge or a problem, even though it may be storing up difficulties for them.

And I ought to – I mean, they've got a general election this weekend. When I left, I hadn't seen the issue of pensions was an election issue at all, but actually what is interesting about the German general election – although I'm not supposed to enter into elections, am I, but I'd just comment on this interesting feature about their general election is how it appears to be as it was in – so substantially in 1979 in Britain when Margaret Thatcher was elected. And of course, it is a woman contesting the chancellorship there, very much about it's “for God's sake, let's have a change, whatever it is,” rather than anybody actually knowing what they're voting for.

MR. PODESTA: Gene, I wonder whether – as the minister reflected on the public education campaign, you were engaged in that and whether you think that you really can provide the kind of information that the public needs to make to those kinds of decisions. I wondered if you might make a comment on that.

Gene Sperling.

MR. GENE SPERLING: Well, I think that the – I guess there's different types and the one issue is whether – one of the issues here is how people actually have access to making those decisions. And I think what we're finding here more and more is that it's the automatic ease at the workplace of investing that creates the vehicle that starts the process that gets people actually investing with a matching fund. And that when you have that, you then have more of the vehicle to then try to educate more people on diversification and other strategies.

I think one of the interesting things is whether you can reach people at a young age and start. And I think as the gentleman from AARP asked, I think a lot of us don't know. We know for adults that if you can incorporate that behavior, it will help. I guess with young people it's still somewhat of an experiment. But while I have the floor I wanted to – I just wanted to pose two questions. One is – one will be a tough one, one not. The not one is –

MR. BLUNKETT: Tell me afterwards which is the – (laughter).

MR. SPERLING: Okay. Here's the fun one, which is more – I think what a lot of us share here and feel passionate about as you do is the regressivity of incentives, very

much as you spoke of here. We have an upside-down system: the more well off you are, the greater incentive you get to save; the less well off you are, the less incentive you have to save.

One of the things we've proposed here – I've proposed and John Podesta has in different forms is to flatten out the tax incentives to make it – and to offer matching incentives to try to make that more fair. What are you thinking of in terms of actually making the distribution of tax incentive savings or incentive savings more fair? That's –

MR. PODESTA: Well, that's the easy one.

MR. SPERLING: That's the easy one. That was the easy one. That's the fun one.

The harder one is, when you try to raise the retirement age, the argument that you often hear here is that if you could figure out a way to segment off those of us who are able to work at our desk with our hands, it would make more sense. But then there's another group of people who still work in more tougher, more physically demanding type of labor. As you're thinking of retirement age, are you having that discussion of whether there's a way of segmenting off people who might be more prone to more difficult labor and are you looking at early retirement options? I'm just wondering. You must be hearing that argument. I'm wondering how you're responding to it.

MR. BLUNKETT: Actually, I'm not being perverse, but I found the second one easier than the first because I have asked the commission – I've had a conversation with Adair Turner, who chairs the commission, about this and I've floated a number of ideas, which would reflect on the fact that not only people who work with their hands who are in blue collar work actually often are less equipped to be able to change jobs later in life, and particularly to adapt to an easier job, because they've given physically all their lives. But they've also started work much earlier, so they work much longer by the time they reach retirement age anyway. And whether, therefore, in any reshaping of the system entitlement to retirement income – to pension and an acknowledgement of normal retirement age should be different dependent on at what stage someone started in to work in the first place, which would be a pretty good indicator of what sort of work they were going into. And I think we just need to work that through and see what we can do, rather than just an all or nothing, because we start – people started work at 16, and if you work till you're 65, that's a bit different to someone starting work at 24 – 23, 24, and then thinking, well, I can – I'm pretty well, okay, I can get out at 60.

On the first one, I'm walking on eggshells. That's why it's difficult, because the tax system is the prerogative of Gordon Brown, and Gordon and I get on extremely well, but we might not when I got back if I committed us to a major tax change. I've stated that I think there's a big challenge here. We know there is. We have something called a savings gateway, which is an experiment in – not many, but a few of the more disadvantaged locations in Britain. But for every pound a person's prepared to save, the government will put a pound in. And we may again have to have a flexible system that

isn't just basically based on the tax system as an incentive, but in particular circumstances with low-income families or those who have actually been out of the labor market for some time we might have to look at how that savings gateway principle could be expanded so that we're doing a lot more for those people.

But it has to be something for something. I don't think the taxpayers, the electorate in Britain would actually tolerate simply saying "You haven't done anything for yourselves; we'll now mop it up," because that is actually the debate we've been having about pension credit. The people who are most aggrieved about pension credit are the ones who have set – have been struggling to save, have saved a little, and fall outside it, which is why Gordon introduced a savings credit as part of that program, so that at least it isn't taken away from you pound for pound or in your case dollar for dollar, but actually, there is a taper. Actually, the people who give us least credit are often the people who receive the credit. But Robert Wright once said to me before we were elected that he felt that the problem with tax credits, good as they were, was that the government never got the credit.

MR. PODESTA: We'll take a round of two or three questions here and then – and then David's off to Chicago.

Q: Eileen Collins, Rutgers Center for Women and Work. I loved your ambitious effort to weave in all the various considerations that you need to come up with a workable equitable plan, but the more considerations you put in, the more complex it gets and then the harder it is to explain to people. I wonder if you have any magic bullet for that paradigm.

Q: I'm Robert Gordon with the Center. Just a question about the politics of retirement security. We – and your thoughts on the British experience, which may be entirely different from ours, but we grapple a lot with the tension between universality and progressivity and the question of whether you can have a program that's highly targeted to people who need it most, but then you may be leaving out lots and lots of people who are politically essential to the strength of the program, or vice versa. And I wonder if you have thoughts about that.

MR. PODESTA: Lee in the back.

Q: Hi. I'm Lee Price with Economic Policy Institute. The earlier question about changing the retirement age, which you had said we have just debated as if it's been resolved, and it's the – I'm afraid a hardy perennial here, too, when anybody talks seriously about what Congress might or might not do.

But our research shows that about 90 percent of males in their late 40s are employed and by 60 – our early retirement age for getting Social Security is 62, but if you look at 61, only 60 percent of males are employed. And for women, it's about 75 percent employed in their late 40s and by 61 it's 50 percent, so about a third of men and women who were active in their late 40s appear not to be active in their early 60s. Some

of that is voluntary, but some of that is involuntary. People have a hard time finding that job when they've lost it in their 50s. And so the idea of postponing the first year which they can get benefits can be a real hardship if you don't deal with the problem of people getting the opportunity to find the job when they're in their 50s or early 60s. Does Britain have the same problem and are you doing something about that?

MR. PODESTA: Why don't you go ahead?

MR. BLUNKETT: Well, I don't have a simple answer, Eileen, in terms of simplicity versus equity because that in the end is – you can have a very simple system that was very crude and actually didn't deal with the serious issues in the complexity that I've tried to describe this afternoon. All I can say is that we've got to try and explain the system in a way that is logical to people and we've got to cut through some of the anomalies and historic difficulties that I've described, so that for the future there's a degree of understanding and therefore certainty about what people will get. They get better information about what they're building up themselves, what they're entitled to, what if they take out personal pension and build on it that they will receive in the end, and how that will relate to what the government are providing through the certainty of a basic entitlement – a basic pension that people have contributed to through a contributory insurance program.

And in talking to young people, as I've described earlier, their cry was not that everything had to be so simple that it was crude, but they weren't faced with so many multiple choices that they were – they just switched off, so the choice is – I mean, this is an interesting thing about modern society. We think that choice, choice, choice is the order of the day and we've debated this in the United Kingdom, but actually you get to a point where choice becomes meaningless because people can't understand the multiple choices that they're being given in terms of the type of accounts and the return on them. And in that case, they begin to lose it. So sorry, I'm hoping you're going to send me a postcard.

Q: No, I agree.

MR. BLUNKETT: Send me a postcard.

Q: Thank you.

MR. BLUNKETT: And these days it's the internet. You know, the postal system has lost out very badly. I always used to say, send me a card and send me a message.

The issue of how to retain people in older life, and I presume we're talking about the sort of 50-to-70 age group, is about equipping people for the nature of a different type of job. I mean, I'm hopeless – not because I can't see; I'm just hopeless with the internet and with new technology. When I do come up to retirement, I'm going to have to get to grips with it because I'm not going to have staff to whiz through the papers, the journals,

the – all the detailed policy things with me anymore, so I'll have to be able to access that myself.

But actually I do find – and we've got good programs through adult education to help people with this – that grandmothers and grandfathers are becoming experts now in being able to operate the technology and I just wonder whether here and in our country we're putting enough resource, including people in work so that the employer may help – at the end of a working day may help with perhaps a Saturday morning class or whatever to actually enable people to gain new skills so that they can engage with service sector, they can engage with being paid – part-time paid employees, for instance, in voluntary and not-for-profit organizations. They can actually take something new on and continue to make a contribution towards their future income at the same time.

And I'd like to think that we would be able to do that more effectively than we are doing at the moment. But you're right. I mean, if people are bewildered, sometimes they're demoralized, they're tired. It's not easy when they're competing with younger people to get in, and we need rigorous backup from government in terms of age discrimination. We've got a directive agreed across the European Union, which is being implemented from next April, which will help a little, but it is only a step in the right direction and there's much more that we need to do.

Now, it shows that I'm suffering from jet lag, because I've forgotten the first question.

MR. PODESTA: Progressivity, universality.

MR. BLUNKETT: Ah, right. Yeah. Well, there is a vigorous debate and has been for some time. And that's why I mention this sort of idea of this citizens pension. People say, "Look, why don't we cut all this out, just provide people with a high basic entitlement and what they do after that for themselves is their business, but at least we've done our duty and we don't have to means test you."

The difficulty – I mean, I've looked at the issue of – say, we raised the basic pension in Britain to the level of the pension credit. Two or three things immediately strike you. Firstly, actually some people who don't need it do quite well out of it. There are people who will – going to be lifted up who got an income of – there were two of them together, one on £600 a week, another on £320 a week in the same household. They'd gain by £17 a week because they get the flat rate, which would immediately provide them with a massive boost in income in retire – or a substantial boost in income in retirement without any reason as to why they actually needed it, whereas those on the pension savings credit who get a little bit of credit for having saved would actually have their savings credit acknowledgement wiped out. Okay. They'd be just as well off so you could say, well, take a running jump, you know, it's – we've done our bit. But actually, in political terms, they're the people who vote, the people who are most likely to have scrimped and saved and are most likely to be aggrieved and the most likely to know why they're aggrieved, because they've got a clue what's happening to other people,

vote. And the people who we often have to help resent the government most, think we're all the same, and don't bother voting.

It's a kind of – I don't know whether any of you have ever come across a book called *The Rugged Trousered Philanthropist* by Robert Tressell. It's about the turn of the 19th into the 20th Century. It's heartbreaking, so don't bother reading it because it just – you've got enough tear-jerking of your own in reality to do, but it – I consider the people who we help in that way who don't vote as the rugged trousered philanthropist because they don't all help the rich to stay rich.

MR. PODESTA: Thank you. Well, I'm going to close with two thoughts. One is that in terms of training for technology for particularly grandmothers and grandfathers, I think uploading baby pictures is a solution that gets people really into –

MR. BLUNKETT: Right. (Laughter.)

MR. PODESTA: It's very effective. And secondly, we had the pleasure actually of working with Adair Turner on a project that we did with IPPR, a UK think-tank, and the Australian –

MR. BLUNKETT: IPPR's director was my special advisor until just before the general election.

MR. PODESTA: That was on climate change, and I think we put forward some very good recommendations that were quite well received by your government. Unfortunately, they fell on deaf ears on our own government. Hopefully, Adair's work in going around the country and thinking this problem through will not only inform your work but help inform our work. So, David, thank you so much for being with us.

(Applause.)

(END)