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Labour's WASPI pledge: how much compensation will be received and how will it be funded?

Just days after its manifesto launch, the Labour Party has issued a new pledge to spend billions of pounds compensating those hit by state pension equalisation.

Everyday money

November 25, 2019 by Tom Bailey

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Below we round-up Labour's promised compensation to women born in the 1950s hit by changes to the state pension age. We also highlight the stance of the other major parties.

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What has Labour promised?

Labour has promised to address the "historic injustice" faced by

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women born in the 1950s, providing those affected with compensation.

The source of the supposed injustice is the 1995 Pensions Act, which committed the government to equalising the state pension age between men and women by 2020.

The government decided to accelerate its plan to increase the state pension age in 2010, with the state pension age for women recently being raised to 65, the same as it currently is for men. The plan is for the age to rise to 66 for both sexes by 2020.

Campaign groups such as Women Against State Pension Inequality (Waspi), argue that women born in the 1950s, who will now have to wait longer for their state pension, were not sufficiently warned of the changes and must now either stay in work longer than planned or potentially face economic hardship.

Labour had previously mentioned in their election manifesto that the changes had “left millions of women with no time to make alternative plans – with sometimes devastating personal consequences”.

To address this, Labour said they would “design a system of recompense for the losses and insecurity they have suffered”.

Now, however, the shadow chancellor John McDonnell has committed to introduce a universal scheme to pay those affected a maximum of £31,300.

How much will it cost?

Labour has been explicit that the compensation scheme will be universal, not means-tested. This means that around 3.7 million women will be, in theory, entitled to up to £31,300 in compensation. Labour, however, expects the average amount paid out to be per person £15,380.

In total, the entire compensation scheme, McDonnell has said, is expected to cost around £58 billion. To put that number in perspective, the government spent £96.7 billion in 2018 to 2019 on state pension payments.

However, the £58 billion figure itself has been disputed. According to Paul Johnson, director of the Institute for Fiscal Studies (IFS), the government would actually need to borrow an extra £12 billion every year for the next five years, on top of what Labour has already promised to spend, to fund the scheme.

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Where will the money come from?

Labour's spending commitments in the party's manifesto have been "costed," with the source of extra revenue required for extra spending spelled out in the party's 'Funding Real Change' grey book document. The latest pledge, however, is not "costed."

Asked on The BBC's *Andrew Marr Show* about how the compensation scheme will be paid for, Angela Rayner, a member of the shadow cabinet, said: "Any government would have to find that money anyway. But the problem is – and we opposed it at the time in 2011 – the Conservatives with the Liberal Democrats stole this money from those women who were born in the 1950s. It's completely unacceptable and millions of women have been plunged into poverty and don't just want handouts by social security – they want their money back."

Ros Altmann, the former pensions minister, describes Labour's proposal as "irresponsible". She adds: "The calls on taxpayer funding and staggeringly large sums of money that are being promised, in the context of a country that has not found money for social care and has enormous debts, make the staggering promises to all 1950s women seem irresponsible."

How does Labour's pledge stack up to the policy of other parties?

The Liberal Democrats have paid lip service to providing compensation to women affected by the state pension change, but with little detail. The party's manifesto says that those affected should be "properly compensated, according to the recommendations of the parliamentary ombudsman".

However, Lib Dem leader Jo Swinson criticised Labour proposals for not being clear "where the money is coming from".

The Conservative Party has been clearer that compensation for those affected is not on the table. During the leader's *Question Time* debate, prime minister Boris Johnson said that while he sympathises with those affected by the changes, he "cannot promise that I can magic that money for you tonight".