

Briefing Note

THE TRUTH ABOUT PENSIONS

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THE 1982 PENSIONS INCREASE

- * Retirement pensions are at their highest level ever in real terms. This November they were increased as follows:

	<u>Nov. 1981</u>	<u>Nov. 1982</u>
Single Pension per week	£29.60	£32.85
Married Pension per week	£47.35	£52.55

- * This pension increase was calculated by the Government at the time of the Budget in March in order to match the rise in prices to November 1982 and to make good the 'shortfall' last year, when prices rose unexpectedly faster than pensions.
- * The good news for pensioners is that the Government was too cautious about its success in reducing the inflation rate. Instead of prices rising by 9% as anticipated in the year to November 1982, the actual figure (to be released in December) will be nearer 6½%.
- * This means that the pension will have been raised significantly ahead of prices this November, and this has given pensioners a welcome and unexpected bonus. For example, a married pensioner couple will be over £50 better off over the year or by about £1 per week.
- * The bonus does not apply just to pensioners but to virtually all those in receipt of social security benefits, such as widows, the disabled and the unemployed. They have all received the same proportionate increases as pensioners. The total cost of this bonus to the taxpayer, assuming the inflation rate falls to 6½%, will be around £700 million in a full year.
- * This represents a significant, heavy extra burden on employed people who are already paying too much in tax.
- * The bonus paid this year will not be taken back. Pensioners will keep it. Mr Norman Fowler, Secretary of State for Social Services, has, however, pointed out:
"when we settle the amount of the 1983 uprating of benefits, we shall need to have regard to the fact that this year the actual rise in prices will be less than the original forecast rise in prices. The decisions on what the 1983 uprating should be will be taken, as usual, at the time of the next Budget". (Hansard, 8th November 1982, Col. 334).
- * It may be noted that, even if the pension payment above inflation in 1982 was matched by a corresponding payment below inflation in 1983, the value of the pension over the two-year period will, of course, have been fully maintained and protected.

THE CONSERVATIVE RECORD

The Conservative Government came to office committed to safeguarding the interests of the elderly. This commitment has been fulfilled.

Pensions

- * In the four years to November 1982 the single pension has increased from £19.50 to £32.85 and that for a married couple from £31.20 to £52.55. This increase of 68% compares with an expected increase in prices over the same period of about 63½%.
- * The pension increase will continue to be ahead of prices over the five-year period to November 1983 even if the £1 per week bonus is not continued.
- * In short, the purchasing power of the retirement pension at the time of the next election will actually be greater than in the last year of Labour government.

Other Benefits

- * The Conservative Government has given special help to poor pensioners on supplementary benefits. The heating additions were increased by 15% this November; and since November 1980 the basic heating addition has been paid automatically to householders aged 70 or over.
- * The £10 Christmas Bonus has been paid each year and will be paid again this year. By contrast, Labour withdrew it for two years (1975 and 1976) when they were in office.

Taxation and Inflation

- * The cut in the basic rate of income tax from 33% to 30% has enabled many pensioners to keep more of their own income.
- * The fall in the rate of inflation is of more help to pensioners than to any other group. This is because inflation erodes the value of their savings and any fixed income (e.g., a small private pension) that they may have.

A FAIR BALANCE

The Government has fully protected pensioners during its period of office. It would obviously like to have done more for them as for the other groups like the disabled, but there is no magic bank account out of which social security benefits can be paid. They can only be paid out of money raised by taxation.

A balance has to be struck between what people want in benefits and what they - and others- are prepared to pay. At a time of recession a fair balance has been struck.