



10 DOWNING STREET

THE PRIME MINISTER

24 December 1982

*Dear Mr. Vargas,*

Thank you for your letter about next year's social security benefits uprating.

There is a great deal of misunderstanding abroad in the press and elsewhere about our plans for the 1983 uprating. I am glad of this chance to set the record straight. There is no question at all of cutting the pensions or other benefits, or of claiming back money from pensioners. Our pledge is to protect the value of pensions and other related long term benefits from the effect of inflation. These went up generally by 11 per cent this November. The basic retirement pension went up from £29.60 to £32.85 for a single person and from £47.35 to £52.55 for a married couple. We also made other improvements this time, such as the increases in the retirement pension earnings rule limit from £52 to £57, and a 15 per cent increase in the supplementary benefit heating additions, which help with the heating cost of over 2 million homes.

The 11 per cent increase in pension rates was made up of two elements. First, an item of 2 per cent to make up the amount by which the pensions etc. were behind inflation last year. Plus 9 per cent being last Spring's estimate of the likely rate of inflation between November 1981 and November 1982. The estimates are made on the best available evidence in order to enable us to keep our pledge.

As it turned out, we have done better than estimated. Prices did not rise by 9 per cent in the year up to last November. In fact, 6½ per cent seems to be nearer the mark. It is, of course,

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to the benefit of everybody that inflation has gone down so fast. It also seems that in the coming year pensions and other benefits will be higher than is strictly needed to keep pace with inflation. We have no intention of taking away from pensioners the extra money they are receiving this year. What is more we stand by our clear pledge to protect the real value of the pension and related long term benefits in the lifetime of this Parliament. All we have said is that the level of next year's increase in pensions and other benefits in November 1983 will be decided at the time of the next Spring Budget. It will then be necessary to consider to what extent we have to bring pensions and other benefits into line with inflation or allow them to continue to run ahead of it.

The decision will not be easy, because of the overall sums involved. Every 1 per cent increase in pension above the level of inflation costs about £150 million a year. The more we spend in this way means the less we will have for social security improvements on which we are anxious to make progress, such as the poverty trap, the earnings rule, or the supplementary benefit capital limit, to mention only a few. Nor can we forget that because pensions and benefit are paid on a "pay-as-you-go basis", and not from an investment fund, every increase comes straight out of the wage packets of the working population by way of additional tax and national insurance contributions. So much is now paid out of the national insurance fund today - some £20 billion this year - that although both employees and employers contributions are going up again next April by 0.25 per cent the fund will have to draw on reserves. This cannot go on indefinitely, and that is why we may have to bring pensions into line with prices next November.

Our policy must be to continue to bring inflation down. This will benefit pensioners in low prices and lay the basis for a solid economic recovery which will generate the wealth to give all the help that we would like to give.

P. Jacques, Esq.

Yours sincerely  
P. Jacques

NATIONAL PENSIONERS' CONVENTION STEERING COMMITTEE

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PJ/JG/DS

FIRST CLASS MAIL

November 16 1982

JK (HMT) PM

Dear Mrs Thatcher

I am writing following the meeting of the National Pensioners' Convention Steering Committee held on November 9, 1982, which agreed a resolution strongly protesting against the threat of the Chancellor of the Exchequer to pay a lower increase in retirement pensions next year than the official rate of inflation.

The Steering Committee felt that this was a mean approach which failed to take account of the very low basic retirement pensions paid in Britain and measures already taken by the Government affecting pensions. Pensions should be increased in 1983 by the full rate of inflation, and a further major increase made to move pensions towards the objective of the National Pensioners' Convention of 50 per cent of average earnings for a married couple and one third average earnings for a single person.

You may wish to know, that in order to discuss the issues involved, we are requesting that the Chancellor meet representatives of the National Pensioners' Convention constituent organisations.

Yours sincerely

*P. Jacques*

P JACQUES  
Secretary  
National Pensioners Convention Steering Committee

The National Pensioners Convention Steering Committee includes representation from: Age Concern; British Pensioners' Trades Union Action Association; Help the Aged; London Joint Council of Senior Citizens; NALGO Retired Members Section; National Federation of Post Office and British Telecom Pensioners; Pensioners Voice; Public Services Pensioners Alliance; Task Force; TGWU Retired Members Section; Trades Union Congress; Wales Old Age Pensioners Association and West Midlands Pensioners Convention.