

SUBJECT ce Notes

RECORD OF A MEETING WITH REPRESENTATIVES OF THE NATIONAL PENSIONERS  
CONVENTION, HELD AT THE HOUSE OF COMMONS ON THURSDAY, 1 MARCH, 1984  
AT 1615 HRS

Present:

Prime Minister	Mr. F. Baker
The Secretary of State for Social Services	Mr. P. Jacques
Minister of State for Social Security	Mr. Jones
Mr. John Mackay, Parliamentary Under- Secretary, Scottish Office	Mr. McDonald
Mr. T.S. Heppell - DHSS	Mr. G. Massey
Mr. J.R. Simpson - DHSS	Miss Millard
Mr. A. Turnbull	Mr. Sharply
Miss R. Christopherson	
Mr. D. Barclay	

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On behalf of the delegation, Mr. Jones said that they wished to concentrate on a single fundamental issue: the level of the basic retirement pension. The Convention believed that the current level was totally inadequate. The latest increase of 3.7% had not maintained pensioners' living standards even at their previous low level. Every major country in Europe paid its retired people a higher basic pension, reflecting the higher priority which their governments gave to the welfare of pensioners. Accordingly, the Convention's central request was for an increase in the basic pension. The TUC had put to the Chancellor modest proposals for an increase of £13.75 a week for a married couple, and £8.40 for a single person. These increases would be a step in the right direction, though they fell short of the Convention's longer term objectives.

Mr. Jones said that he was well aware of the Prime Minister's view that the working population could not finance increases in the retirement pension. He believed this argument was invalid for three reasons. First, if the question were put to them fairly, the majority of working people would be prepared to pay a little

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more to help senior citizens. Secondly, employers could reasonably be expected to pay substantially more - this should not prejudice their competitive position, since European employers already made higher contributions. Thirdly, the Government could reverse the reduction in its own contribution. Pensioners were an important section of the community, and entitled to a share in the revenues of North Sea Oil.

Concluding, Mr. Jones stressed the urgent need for improvement. It was indefensible that so many retired people were faced with a choice between poverty and an undignified means-test in order to supplement their pension.

Miss Millard supported what Mr. Jones had said. She recognised that the increase proposed by the TUC would cost a substantial amount - but the money would come back to the economy either through taxation or through expenditure. She stressed the inadequacy of the most recent increases in the retirement pension, which had already been eroded by inflation and more particularly by reductions in housing benefit and increases in fuel prices. Elderly people were not looking for luxury but they were entitled to security.

Mr. Baker drew the Prime Minister's attention to the plight of those born before 1912, who were suffering badly as younger pensioners began to benefit from earnings-related pensions. He asked the Government to consider a payment into the National Insurance Fund to compensate elderly people who had not had the opportunity to contribute to the more generous scheme. Frequently the same people also received only minimal occupational pensions. It was no answer to say that they could always claim supplementary benefit if they were in need: they were proud people, and as the take-up statistics showed, they did not find it easy to claim means-tested benefits.

/Mr. McDonald

Mr. McDonald said that the 3.7 per cent increase had been particularly inadequate in Scotland. It had been a hard winter, and he knew many old people who had simply been unable to meet their heating costs. The new way of calculating pension up-rating had produced an increase which failed to match the actual increase in pensioners' costs. Mr. Jacques added that in calculating increases, insufficient attention was paid to the high cost of incidental expenditure on matters such as electrical and plumbing repairs. These were a considerable burden, particularly for pensioners who had retired for some time and faced the need to renew household equipment.

Mr. Massey felt that the emphasis placed by the Government on the cost of pension increases was unjustified. The fact was that pensioners had contributed to the economy through a lifetime of labour. They had earned their pension. He agreed with what had been said about the reduction in the Treasury supplement, which had fallen from 18 per cent to only 11 per cent. At the time of the EEC Referendum, it had been said that membership of the Community would enable all our citizens to share in the benefits of higher European living standards. How much longer did pensioners have to wait? Finally, Mr. Massey deplored the absence of trade union or pensioner representatives on the inquiry into retirement provision which had been announced by the Secretary of State for Social Services.

Concluding the delegation's statement of their case, Mr. Sharply said that it was difficult to see why the Government found it so difficult to provide additional money. It was wrong to claim that the working population would not pay - they would do so gladly, if the issues were properly presented to them.

Responding to the delegation, the Prime Minister said that everyone - and especially governments - would rather say yes than no when confronted with a plea for increased expenditure. But governments had no money of their own. It was their duty to strike a fair balance between the providers and the recipients

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of pensions and social security benefits. She was constantly pressed to reduce tax, not least the tax paid by pensioners themselves. The fact was that people did not welcome being asked to pay higher taxes or National Insurance contributions. All that happened was that they pressed for higher wages to compensate, and in the absence of improved productivity the only result was higher inflation.

The Government calculated that the TUC's proposed increases would cost about £3 billion in a full year. This would mean an extra £4.30 per week in National Insurance contributions for male workers on average earnings, and £2.75 per week for female workers on average earnings, if the whole additional cost were to be met by employees. The Convention's own demands would cost £15 billion - equivalent to an extra £24.30 a week in the contribution made by males on average earnings. The fact was that it made no sense for people to pay tax with one hand and receive roughly the same amount of benefit with the other. Three hundred thousand people, for example, received £5 a week in housing benefit and paid £7 a week in tax. This illustrated the truth that taxation only transferred money from one pocket to another: it was erroneous to argue, as Miss Millard had done, that increasing pensions would bring extra resources into the economy. Similarly Mr. Baker's proposal for a subvention to the National Insurance fund for elderly pensioners would have to be financed by the working population. The state pension scheme was financed on a pay as you go basis - although benefits were calculated in proportion to recipients' contribution record, they were paid for by the present working population. On comparisons with other EEC countries, the Prime Minister said that they were able to pay higher pensions because they produced more wealth per head. That gave everyone, not just pensioners, a higher standard of living.

The Prime Minister said she was proud of the Government's record in maintaining the purchasing power of pensions in a period of economic difficulty, and at a time when there had been an increase of 600,000 in the number of pensioners. The level of basic retirement pension had risen slightly in real terms, and had to be

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seen in the context of other benefits financed by the taxpayer. These included the entire National Health Service, supplementary benefit, supplementary/<sup>benefit</sup> heating additions (which the Government had increased by 40 per cent more than the increase in prices), the personal social services, and so on. People often compared her Government with that of Mr. Harold Macmillan. Yet few realised that in his time the National Health Service had employed half as many people as now, and that it had absorbed only a quarter of the total yield of income tax. The National Health Service now took half the income tax yield. The recently announced increase in electricity prices had been necessary in order to produce a more reasonable return on the savings of the people which had been used to finance the industry's capital. The increases were extremely modest compared with those under the previous government.

Concluding, the Prime Minister stressed that she would very much like to agree to everything the Convention demanded, just as she would like to agree to many other requests for increased expenditure. But governments had a responsibility to see where the money could come from. In the end, it could only come from higher taxes and National Insurance contributions. In striking a balance between the interests of taxpayers and the improvement of the welfare state, the Government had been careful to protect the most vulnerable including pensioners.

The Secretary of State for Social Services responded to the more detailed points made by the delegation. The new system of up-rating pensions was a substantial improvement, since increases were now calculated in relation to actual inflation rather than forecast inflation. May had been chosen as the latest possible month which could be used for a November up-rating. It was sometimes forgotten how significant had been the Government's achievement in bringing down inflation - this had been a tremendous help for those living on fixed incomes. He accepted that people who had not had an opportunity to contribute to the new pension scheme were at a relative disadvantage. But both this Government and the last

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had decided that a retrospective payment of higher benefits simply could not be afforded. His concern for pensioners was reflected in his decision to set up an inquiry into provision for retirement. This was not "representative" in the sense that the delegation had implied. It was a Government inquiry, looking at future policy and future demand. Nevertheless it would be taking evidence in public - indeed the TUC had given evidence the previous evening - and he hoped that the National Pensioners Convention would also take the opportunity to give both oral and written evidence. Comparisons with Europe were a complex matter - in Germany for example there was little emphasis on occupational pension schemes, and this went some way to explain the different level of state pension. Nevertheless the inquiry would be looking carefully at international comparisons. He had also established a separate inquiry into the structure of housing benefit, and its administration. The evidence was that in most areas local authorities were now coping well with housing benefit, though there were a number which were not and the inquiry would explore the reasons for this. He hoped that the National Pensioners Convention would give their views to the Minister of State.

In concluding statements Mr. Jones said that although he and his colleagues were grateful to the Prime Minister for seeing them, they left frustrated and disappointed with what she and her Ministers had said. The Prime Minister said that she understood their strong feelings - it was never easy to say no, though sometimes it was necessary. The Government had done and would continue to do a very great deal to help pensioners, but there were limits to what the taxpayer could afford. She undertook that the Minister of State for Social Services would send to the Convention a more detailed account of the Government's calculation of the cost of the TUC's proposals.

Miss Willard

Cover back into economy

"False" figure.

H-B. - then

Mr. Baker 1912  $\$6-35-$

ER/P

Occupational pensions

Purchased lower in the 30's

RPS - Perans + Wedges

Mr. Massey "Eared on corn"

Treasury retirement (18<sup>7</sup>/<sub>6</sub> - 13<sup>2</sup>/<sub>2</sub> - 4<sup>7</sup>/<sub>2</sub>)

A.F.C. benefits?

Leans into provision for retirement.



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10 DOWNING STREET

*From the Private Secretary*

2 March, 1984

*Dear Colin,*

I enclose a copy of a record of the meeting between the Prime Minister and representatives of the National Pensioners Convention which took place at the House of Commons on 1 March. The Prime Minister was most grateful for the excellent briefing provided for her.

I am sending a copy of this letter and the enclosure to the Private Secretary to John Mackay (Scottish Office) and to Derek Hill (Northern Ireland Office).

*Yours ever,**David*DAVID BARCLAY

C. Phillips, Esq.,  
Department of Health and Social Security

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