

PRIME MINISTERMEETING WITH THE NATIONAL PENSIONERS' CONVENTION

You are meeting the National Pensioners' Convention tomorrow and the comprehensive brief from DHSS, which you have already looked over, is attached. The Pensioners' Convention delegation will be:

Mr. Norman Willis	Chairman
Mr. Jack Jones	Vice Chairman
Mr. Fred Baker	British Pensioners' Association
Ms. Dorothy Rhodes	Pensioners' Voice
Mr. George Massey	BT Pensioners
Mr. Raymond MacDonald	T&G
Mr. Les Paul	
Mr. George Robertson	Scottish OAPs Association
Mr. Peter Jacques	TUC
Mr. Ray Earwicker	TUC

Mr. John Major (DHSS) and Mr. John McKay (Scottish Office) will also attend.

The Manifesto of the National Pensioners' Convention remains their "Declaration of Intent". The points they seem most likely to raise are as follows:

- (i) Pensions up to half average earnings for a married couple and one-third for a single person (the main proposal in the Declaration) (Note 1)
- cost would be £10.25 billion for pensions alone and £16 billion if linked long-term benefits were similarly raised;
 - pensions will have risen by ⁹⁶98 per cent since 1978 compared with 57 per cent for prices (*9 percentage points*);
 - the cost of personal National Insurance contributions for a man on average earnings would rise from £19.35 to £33.33 (£14.00) and the cost

for a woman on average earnings from £12.60 to £21.70 (£7.10) - assuming all the costs fell on employees. These figures relate to 1986/87 votes. For 1984/85 the equivalent male figure is £16.

- the increase of 40p for single pensioners and 65p for couples follows increases of £2.50 and £4.00 a week in November. Large money increases are to help if they simply reflect inflation.

(ii) Heating (Note 9)

- the Government has an excellent record on heating additions. £400 million spent this year, up £140 million in real terms since 1978/79;
- 90 per cent of all supplementary benefit pensioners get heating addition compared with 71 per cent in 1978;
- the value of heating additions has risen by 40 per cent more than the cost of fuel prices;
- a heating allowance of £7 to all pensioners (which Mr. Jack Jones has called for) would cost some £3 billion (extending the lower rate of heating addition to all pensioners would cost over £500 million);
- main rates of SB, intended to be used to pay for all day-to-day expenses including fuel, up by over 6 per cent in real terms since November 1978.
- gas prices are now the same in real terms as in 1970. Electricity prices have risen by only 6 per cent in total in the last three years - compared to 6 per cent every four months under Labour;

(iii) Exceptionally severe weather payments (Note 9)

- the Chief Adjudication Officer on 27 February issued guidance suggesting that all Adjudicating Officers should consider discounting a period of exceptionally severe weather;

- extra help now available in all but two of the 500 DHSS areas;
- Standing charges however fall more heavily on small consumers, and pensioners do not necessarily fall into this category. British Gas and most Area Electricity Boards have already tried a rebate scheme for standing charges for small consumers. The schemes were not effectively targeted - much of the help went to people with e.g. second homes. Electricity Boards have scrapped their scheme; British Gas revised it.

(iv) Level of Retirement Pension compared with other European Countries (Note 15)

- simple international comparisons are very difficult to make. But the UK is third in the league of the proportion of GDP spent on the elderly (9.6 per cent, ahead of West Germany and Italy);
- higher pensions can only be afforded if the economy is strengthened. You cannot simply pick the country with the best level of pension provision and press for that to be applied in the UK, irrespective of our economic performance.

(v) Up-rating: Break with the Earnings Link (Note 2)

- government is pledged to maintain the value of retirement pensions and associated long-term benefits. Since 1978 pensions have risen by about 5 per cent more than prices;
- each 1 per cent increase in social security benefits costs the country over £350 million per year. The Government could not revert to a system providing increases in real terms irrespective of the country's ability to pay.

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(vi) Pensioners' Price Index (Note 2)

- the most reliable and comprehensive measure of price movements is given by the Retail Price Index;
- the Pensioners' Price Index covers only pensioner households where three-quarters of the total income comes from state pensions or benefits. It covers less than 40 per cent of the retired. Since 1978, the PPI has risen less than the RPI and pension rates.

(vii) Statutory Free Fare Scheme throughout the UK

- provision of travelling concessions is for local authorities who know local needs and priorities. The Government has provided for a fall-back scheme to be operated by London Regional Transport if the London boroughs cannot reach agreement. In fact, the boroughs have been able to reach agreement on their own scheme for the coming year.

Overall, the proposals in the Declaration of Intent would cost some £16.5 billion if limited to pensions only and £20 billion if the increases were extended to linked long-term benefits. A breakdown of the costs involved are in the Annex attached to this note.

The full DHSS briefing is also attached.

MARK ADDISON

5 March 1986



10 DOWNING STREET

Prime Minister.

This is the very full DHSS
briefing for your meeting on
Thursday with the National
Pensioners Convention and
Norman Willis.

You may wish to look at it
over the weekend. The key
bits are the first two flags
or

- (i) the uprating
- (ii) lines to take on the
NPC Declaration of Intent.

MLA 28/2



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From the Secretary of State for Social Services

4th March, 1986

Mark Addison Esq.,
10, Downing Street,
LONDON SW1

Dear Mark

As I mentioned to you on Friday, a section was accidentally missed out of the brief for the National Pensioners' Convention meeting. I enclose this, with apologies. It should be inserted at the end of Annex C Note 7. I gather there is also a figure missing in Annex G, third line: it should be 86.9.

The TUC have advised us that the Lobby will concentrate on levels of pensions in other countries, use of the RPI against the Pensioners Price Index, heating, and the break with the earnings link for upratings.

Giles Denham

GILES DENHAM
PRIVATE SECRETARY

COST OF IMPLEMENTING ALL ITEMS ON DECLARATION OF INTENT

Some of the proposals are insufficiently specific for any costings to be made. However, it is likely that full implementation of all the proposals would cost in the region of £20,000 million annually.

<u>Proposal</u>	<u>Comment</u>	<u>Additional annual cost of public expenditure</u> £ million
1. Pension of half and one-third gross average earnings for couple and single person respectively	Cost also includes other linked long-term national insurance contributory benefits. ie Invalidity benefit; widows benefit and industrial injuries benefit. This proposal alone would increase the Class I national insurance contribution by £16.00 a week for male employees alone on male average earnings of £200 a week.	12,500*
2. Six monthly uprating on a permanent basis	Each 1 per cent increase in pension and other long-term national insurance benefits brought forward by 6 months would cost £110 million (1985/86)	110
3. Adequate heating allowance covering all fuel	Examples: (a) The cost of extending the basic rate heating addition to all pensioners on housing benefit would be about	300 or

Proposal

Comment

Additional annual
cost to public
expenditure
£ million

	(b) The cost of extending it to all pensioners who are householders would be in the order of	500
4. Index-lined Christmas bonus of £20	Each additional £1 on the bonus costs over £11 million	110
5. Reducing pension age to 60 and abolition of the earnings rule	1983/84 net cost around £85 million	2,600 190
6. Adequate death grant	Estimate for restoring death grant to original value in respect of all deaths - £230	135
7. Free health	Unquantifiable	-
8. Availability of community and personal social services	Unquantifiable	-
9. Appropriate accommodation including choice	Unquantifiable	-
10. National scheme of free off peak travel on local buses. Concessions for people of pensionable age.	Estimate is the minimum	400 <hr/> *16,500(rounded) <hr/>

* If supplementary and other long-term voted benefit increased on the same basis as outlined in proposal 1 public expenditure would be increased by a further £3,500 million which would be equivalent to 2p on the standard rate of income tax plus 1% VAT.

The total cost of implementation of the Declaration of Intent - £20,000 million (rounded).

Mark

Pensioners

I've arranged with Security Control at the House for the group to get in expeditiously tomorrow afternoon. I've told Mr Sarwicker the details.

The group will meet you in the Central Lobby at 4PM. If for any reason you can't find them, they will have reported their presence to the policeman on the desk ~~where~~ on arrival.

Nicky (Parliamentary Clerk)