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PRIME MINISTER

Mr. Fowler's Pensions Speech

You may be interested to see the attached copy of the speech given by Mr. Fowler in the pensions debate last week. The speech was not only an effective defence of the Government's record, but also contained the announcement of Mr. Fowler's pensions inquiry. If you have time, therefore, it is worth a glance.

28 November, 1983.

PENSIONS SPEECH

Mr Speaker, I welcome again the honourable Gentleman for Oldham to his new job and to our debates. It is true, of course, that the honourable Gentleman for Oldham comes to these debates with a record of his own. He was a junior Minister in the Department of Health and Social Security in the last Labour Government between June 1975 and April 1976. And that was a period which was significant for pensioners in a number of ways which doubtless, temporarily, have slipped the honourable Gentleman's mind.

First, he didn't say much about inflation, but at that period inflation was destroying pensioners' savings at a record rate - the highest rate of inflation for generations. 26.9 per cent was reached in August 1975 in his period of office at the DHSS and he must be uniquely qualified to talk about the effects of inflation on the pensioner.

Secondly, there is the matter of the Christmas bonus. Labour now say a great deal about increasing the Christmas bonus. But it is worth remembering that during this period the Christmas bonus was not paid at all.

And third, and most significant of all, was that he was a Minister at the Department of Health and Social Security when the Ministers there decided to change the basis of uprating. It was then that they decided that if they kept to the historic method and therefore looked back, they would have to pay more than if they looked forward and made a forecast for a period when inflation would be lower.

The result was that the Labour Government, which should have paid out 21 per cent on the historic method, paid out 15 per cent and saved itself £500 million - in today's prices over a billion pounds.

So, with respect to the honourable Gentleman, he and the team of Ministers at the DHSS in that period have precious little to boast about. And I must tell the House that the honourable Gentleman's reception from pension organisations during that period was less than ecstatic. If I can quote from The Times of March 11 1976 under the heading "Minister shouted down at pensions rally", the paper reports that "old age pensioners shouted down Mr Meacher, Under Secretary of State at the Department of Health and Social Security, yesterday as he tried to explain the Government's record on pensions".

And before the honourable Gentleman claims that that was a meeting of retired Conservative Agents, let me point out that it was a rally of 2,000 pensioners from all over the country organised by a trades union action committee. So I have to say to the honourable Gentleman that I believe that he has a great deal to be modest about his own record and that we on this side do not feel inclined to take lectures from him or his colleagues in this area.

And I say that for three main reasons. First, the motion which stands in the name of the honourable Gentleman and his colleagues condemns the Government for what it calls the attack upon the living standards of pensioners in this country. And the honourable Gentleman has ranged wide in his speech - from the new method of uprating to the changes in housing benefit. And I will come to both those points because they are clearly important.

But what I found strange about the honourable Gentleman's speech was not what it included but what it left out. It is a debate about living standards and one would have thought that the honourable Gentleman's starting point would have been that the rate of inflation in this country is now down to levels not experienced since the 1960s. Surely that is one of the most dramatic achievements of this Government and also one of the most dramatic contributions to the living standards of retired people in particular - who all too often in the past have seen their savings slashed in real value.

The single greatest threat to the financial security of old people would be the prospect of a return to the levels of inflation which so ravaged the economy in the mid-1970s. There was a period when that fact was recognised by the Labour Party. The White Paper entitled The Attack on Inflation published in July 1975 noted that prices had risen 25 per cent in twelve months. And in unequivocal terms it declared:

"This must not go on. Failure to control inflation would mean massive and indiscriminate cuts in public expenditure with crippling damage to the social services. Success in controlling inflation is the best guarantee against this."

The statement is as true today as it was then. The tragedy of the Labour Party is that the bitter truths learnt then have been forgotten now. But I must tell the honourable Gentlemen opposite that the people of this country have not forgotten the fact that they presided over a fall in the value of money of 110 per cent. That is particularly true of retired people who saw the value of their savings halved and the security of fixed incomes shattered. They look to

Government to protect their savings - and I believe that Government has a duty to do that. So it is not enough for any Government to say that they have kept National Insurance pensions in line with, say, the cost of living index and ignore the actual rate of price increases. Because if inflation rises at 20 per cent a year that not only erodes savings: it not only eats into occupational pensions which for so many are not index linked: but it also destroys the base of industry from which the resources for social services provision come. And so I say this first that any Government which is really serious about maintaining the living standards of pensioners must also be really serious about reducing inflation. And the public can judge for themselves in which party they have most confidence the

Second, I do not accept the charges made by the Opposition even on their own terms. I certainly accept that Government has a responsibility to provide not only for National Insurance pensions but also extra help to those who need it. But what are the facts there? The facts are that in spite of the worst recession since the end of the Second World War we are currently spending £35 billion a year on the social security budget. As the result of the Chancellor's statement last week, spending next year will increase to almost £37 billion a year. By any standards that is an enormous budget - amounting to over a quarter of all public spending - and over half of that budget is devoted to pensioners and to the elderly.

The improvements in benefits payable from this week mean that:

- pensions have increased from £32.85 to £34.05 for a single person and from £52.55 to £54.50 for a married couple. That means that the Government has more than fulfilled its pledge to protect the

real value of pensions because this week's uprating takes the pension rate to a figure 75 per cent above the rate in November 1978. And over the same period the Retail Price Index will have increased by about 71 per cent;

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- as far as supplementary benefit is concerned, we have raised the capital limit for supplementary pensions by 20 per cent to £3,000. We have also increased the single payments limit by 66 per cent to £500. And we have introduced a £1,500 disregard of the surrender value of life assurance policies;

- while in the last budget tax thresholds were increased so benefitting in particular those on lower incomes and taking $1\frac{1}{4}$ million people out of tax altogether.

✓ About $\frac{1}{4}$ million of these were elderly taxpayers most of whom were pensioners.

- as far as the next uprating is concerned the honourable Gentleman will have heard the statement of the Chancellor of the Exchequer last week. He will know that as a result of that not only pensions but other benefits like supplementary benefit, unemployment benefit and child benefit will be increased in line with prices. Of course I concede that we have had to make some economies. It would have been remarkable in a budget of £37 billion had we not. But what the honourable Gentleman has to remember about housing benefit is this: Expenditure on housing benefits currently amounts to something

approaching £4 billion. It goes to almost 7 million households - affecting some 21 million people - over 40 per cent of the population. The changes to come into effect next April will amount to less than 5 per cent of total expenditure and will still leave some 6.3 million households receiving help. Moreover we have specifically designed the changes to protect poorer households, and pensioners in particular. The great majority of pensioner claimants will be totally unaffected by the changes.

But then there is the further charge that the honourable Gentleman makes - namely that we have changed the system of uprating from the forecast to the historic or actual method to the disadvantage of beneficiaries. I have already touched on the reasons why we ever moved to the forecast system in the first place. And if anyone wants confirmation of the motivation of the then Labour Government for that change they only have to read the memoirs of the former Chief Secretary; Lord Barnett.

"Later, I managed to obtain a change to fix the pension increase to be announced in the April, on the "forecast" increase in earnings or prices to the following November. The reason was simple: with inflation forecast to show a substantial fall, if we had not made such a change, we would be increasing pensions and other benefits by nearly 30 per cent".
(Inside the Treasury, p.52).

So the fact was that the last Labour Government moved to the forecast method for no other reason than to make a once and for all saving at the expense of pensioners. There is no conceivable question of that. But what also became clear later was that the forecast method that they then lumbered us with was more often wrong than right. In the past seven years the forecasts have been wrong five times. Sometimes there has been an over-estimate of inflation; sometimes an under-estimate. But the measure used to determine pensions and benefits for millions of people was shown to be three times more likely to be wrong than right.

So in the Social Security and Housing Benefits Act which we introduced in April of this year the system was changed and we went back to the actual method of measurement. In other words what we do now is to have the benefit of an exact measurement of inflation between May in one year and May in another. That figure becomes available in June and it forms the basis of the November uprating.

But there is one significant difference between our proposal and what the Labour Party did in 1975. In 1975 the Labour Party made a once and for all saving. There was no way in which pensioners could ever catch up the £500 million they had lost. By definition what happens under our system is that if there should be an increase in inflation between May and the time of the November uprating then it is automatically taken account of in the following uprating. These arguments were fully and extensively debated earlier this year. We have had now an increase of 3.7 per cent - had we stuck to the old forecast method and had inflation been forecast at 6 per cent, then the result would have been taking account of an adjustment of 2.7 per cent in respect of the previous year's overestimate - an uprating of 3.3 per cent.

But, Mr Speaker, there are wider issues concerning pensions policy. The decisions we make now do affect the entitlement of people in twenty, thirty or forty years time. It is right for the honourable Gentleman to be concerned about the level of National Insurance pensions. But it is surely also right for him to be concerned about the conditions of occupational pensions. 11½ million people in this country are now covered by occupational pensions and it is right that we should see that their interests are protected as well. If I may say so, that was at least part of the intention of the 1975 Social Security Pensions Act. That was a Bill that this Party,

then in Opposition, gave an unopposed second reading. And we did that because in pensions policy it is necessary to have a degree of consensus between the parties on the way ahead. Prior to that Bill various schemes had been put forward and had perished. There was the Crossman scheme: there was the scheme of my right honourable Friend, the Member for Leeds. We on this side - and I was myself Chief Opposition Spokesman at the time - took the views of the pensions industry who overwhelmingly advised that we should proceed on the basis of the proposals contained in that '75 Bill and that there should be a firm, long-term basis for pensions development. The result has been a partnership between the Government and the occupational schemes in the provision of pensions and I would suggest that ~~that~~ partnership has been to the overwhelming benefit of the public.

But let me make this clear. Although occupational pension matters are generally negotiated between and financed by employers and employees, the Government nevertheless does have a role to play. Most employees in occupational schemes have no option but to join the scheme as part of their/service ^{contract of}. The Government cannot, therefore, turn a blind eye to any situation in which members may find themselves joining schemes with apparently favourable terms only to find the unfairness of those terms should they later leave that job. Basically that is the problem of the early leavers. The problem is that someone who leaves a scheme and goes to another job often leaves behind him a pension entitlement but that entitlement is frozen in real terms until the age of retirement. Alternatively, if he transfers his pension then the transfer value also reflects the frozen rights.

I do not believe that that position can be justified. In their 1981 report the Occupational Pensions Board declared that it remains a fact that many early leavers lose and they often lose substantially. It cannot make sense when job mobility is much more common than it used to be that the present position should continue. It also cannot be just that early leavers from pension schemes should suffer in relation to those who stay.

It was because of this concern that in September I convened a conference on early leavers. I do not pretend that there is total agreement but I think that there is now a very wide consensus and acceptance that reform is needed. Consequently the Government have now decided that it would be right to legislate at the next suitable opportunity.

The legislative changes we propose will be broadly on the lines of the Occupational Pension Board's major recommendation. They will require schemes to revalue the pension rights of early leavers up to the time when they take their pension by 5 per cent a year or, if prices rise by less than 5 per cent, by that amount. Next week I will be issuing a consultative document setting out the Government's proposals in greater detail and I would like to have reactions and comments by the end of February so that we can keep open the option, which has many attractions, of legislating next session.

A linked area in which we look for improvement in the operation of occupational pension schemes is the disclosure of information to members. It is important that members of pension schemes should not only be provided with full information about their own individual pension rights, particularly when they change jobs, but also have access to information about the general situation of the scheme itself, as revealed by audited accounts, actuarial valuations, annual trustee reports, investment reports, and so on. This was the subject of a further report by the Occupational Pensions Board in 1982. At the time of publication I said that the Government accepted in principle the need to legislate on disclosure of information to members of occupational pension schemes. I also announced the setting up of a working group of officials to consider the pensions law. I am considering their conclusions, which also cover the possibility of a register of occupational pension schemes, the need for trustees' and employers' responsibilities to be clarified, and the question of supervision. I will also pay careful attention to the outcome of Professor Gower's study on the protection of investors in and beneficiaries from pension funds. Once I have those proposals,

which I understand will be very shortly, I intend again to publish a consultative paper on these matters also. Again, the aim would be to start the consultative process early in 1984 so that these disclosure measures might be included in the same legislation proposed for early leavers.

on early leavers and disclosure
This much then has been decided for legislation/. But one of the
proposals which is now attracting a great deal of attention is the
proposal that individuals if they wish may be given the chance to
have their own personalised pensions. This ^{includes} the proposal for
personal and portable pensions which has been put forward by among
others Mr Nigel Vinson. The aim would be to encourage schemes in
which the individual member can be told what his personal stake in
the pension fund is and in which he can identify the units of pension
wealth he has built up. At the minimum this would promote greater
interest in the development and investment of funds. The ultimate
aim would be that people leaving a job would be able to take with
them the pension wealth that they had built up in it.

The debate which has been opened up by this proposal for a portable
pension has demonstrated both that the concept has considerable
attraction to many people but that also there are considerable
practical problems to be overcome. For example, there is the
problem of the contracting out conditions needed for money purchase
schemes and there is also the whole issue of the employers'
contribution. Nevertheless, I believe that this proposal deserves
careful study and it comes together with a number of other very
important questions which will require decisions over the coming
years in both the field of State and occupational pensions.

The question of personal portable pensions is only one aspect of
pensions. There are a number of other important aspects of pensions
which, of course, are of interest to everyone in this country
that require study. There is the question of pension age; there
is the question of the balance between the working population and

the retired population; and there is the whole question of demographic growth. These are issues which will crucially affect the expectations of millions of the public for twenty, thirty, forty years ahead.

Accordingly, the Government believe that it is the right time to set up a special inquiry into provision for retirement which I shall myself be chairing and whose terms of reference will be:

"To study the future development, adequacy and costs of State, occupational and private provision for retirement in the United Kingdom, including the portability of pension rights, and to consider possible changes in those arrangements, taking account of the recommendations of the Select Committee on Social Services in their report on retirement age".

Pension Age

I have already mentioned one of the important issues which the inquiry will need to look at in depth. That is the scope for personal portable pensions. Another major issue to be tackled by the inquiry is that of pension age. The House here has the benefit of the report of the Select Committee on Social Services on this subject but the decisions to be faced could involve very substantial costs to be borne by future generations of contributors. That cannot be considered in isolation from other pensions issues.

The House will be debating this matter on Friday when my right hon Friend, the Member for Eastleigh, moves the second reading of his bill on pension age. And I am tomorrow publishing the Government's response to that Select Committee report. It will, of course, refer to the forthcoming inquiry. This will all form an integral part of that inquiry.

DEMOGRAPHY

Another important issue is possible changes that might occur in the age structure of the population over the next forty years. The present projections show a patchwork with falls as well as rises in the numbers of old people relative to the rest of the population. The numbers of people over 65 - who have risen by more than one-third over the past twenty years - will now remain more or less stable as a proportion of the population until about 2010. Thereafter, they will increase quite rapidly.

Estimates of future pension costs must, of course, depend very much on assumptions about matters like the future age structure of the population. Other crucial assumptions are about price increases and earnings increases. Let me illustrate this from the recent report by the Government Actuary on long-term pension costs. On the least favourable assumption about the real increase in earnings, the Government Actuary's report shows that Class 1 contribution rates would increase from 15.4 per cent in 1985/86 to 21.9 per cent in 2025/26. On another assumption, that the real increase in earnings is in line with the historic growth of 2 per cent and that the pension remains price-protected, the contribution rate would fall in the same period from 15.4 per cent to 13.5 per cent. What this underlines is the importance of reviewing the whole position very carefully before taking decisions.

As to membership of the Inquiry, it will include other Government Ministers and the Government Actuary as well as figures from outside the Government. These will include Mr Stewart Lyon, President of the Institute of Actuaries, Mr Marshall Field, Chairman of the Joint Working Group of the main occupational pensions organisations and Professor Alan Peacock of the Independent University of Buckingham.

There is I think one other important point to make. No-one can doubt the public importance of pensions policy. These are issues for public debate and accordingly I would like to conduct this Inquiry as openly as possible. The public, employers, unions, pensions interests, will all be invited to express their views and they will be free to make their evidence public. Certainly also we will expect to have some public sessions. But I do not envisage this as an Inquiry which goes on for year after year.

My aim is to produce conclusions from the early stages, particularly on portable pensions, by the Spring. I hope that the Inquiry will be completed by next Summer [or Autumn], and the Government will publish their conclusions from it as soon as possible afterwards.

Conclusions

Provision for retirement is an issue in which we all have an interest. We have a duty to satisfy ourselves that the pension promises of today will become the pension payments of tomorrow. My aim in setting up an Inquiry is not to call in question the pensions structure that was established in the 1970s with all party agreement. On the contrary, it is to ensure:

- that our pensions structure is soundly based;
- that it is fair as between contributors and beneficiaries and as between all scheme members;
- and that it continues to command the support of the community as a whole.

A responsible Government must look ahead. Only in that way can we be sure that successive generations of pensioners get the pensions they need and deserve. We are proud of what this Government has done for pensioners since 1979. I want to see that record maintained for future generations of pensioners.

[Mr. Meacher]

consequences will not only be those set out in our motion—lower living standards. There will also be the loss of the care on which they depend and which they desperately need, and unquestionably for some it will mean premature death. Last Friday I visited Thornton Heath hospital in Bradford, of which the Minister will be aware, where 70 frail elderly patients are looked after lovingly by staff whose devotion to them led them to occupy the hospital. Now it is threatened with closure by the so-called Lawson cuts. It is the only home that those elderly and helpless patients know. If the Government cuts force its closure, and that of many similar hospitals, it will almost certainly mean that half of the patients will die within about three months. That is what happened when the Government forced the closure of St. Benedict's hospital, and the story is being repeated all over Britain. The elderly are suffering, and the consequences are tragic.

Is that what we have come to in Britain? Do not the pensioners, who have served Britain with their labour for all their lives, deserve better from us? Are not the indignities and deprivations that I mentioned, and the multiple hardships that are being heaped on millions of pensioners, an indictment of the nation and of this Government, who have made it all too clear that their priority is to stuff the pockets of the rich with gold, even if it means that the elderly and the poor go without food and suffer the cold?

We believe in a better society, a society where pensioners share in rising living standards, where expanding health and personal social services provide a base for security and dignity in old age, and where the needs of the elderly are not sacrificed to the interests of those who have wealth and power. It is because we not only believe in that but have shown in the past how on each count rhetoric can be matched by action, that I call on all my right hon. and hon. Friends and all other hon. Members who share our ideals to vote for our motion tonight.

Mr. Deputy Speaker: I inform the House that Mr. Speaker has selected the amendment standing in the name of the Prime Minister.

5.40 pm

The Secretary of State for Social Services (Mr. Norman Fowler): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

"congratulates Her Majesty's Government for successive increases in retirement pensions which have increased the purchasing power of nine million pensioners since 1978-79; recognises the success of this Government's economic policies in reducing and controlling inflation; and notes that the greatest single threat to the security, savings, and living standards of pensioners would be the reversal of these policies."

I again welcome the hon. Member for Oldham, West (Mr. Meacher) to his new job and to his first debate in that capacity. He comes to these debates with a record of his own, because he was a junior Minister at the Department of Health and Social Security in the Labour Government between June 1975 and April 1976. That period was significant for pensioners in a number of ways which it appears have temporarily escaped the hon. Gentleman's memory.

First, my hon. Friend the Member for Birmingham, Edgbaston (Mrs. Knight) was right in what she said. The

hon. Gentleman did not say much about the rate of inflation during his time at the Department of Health and Social Security. During that period, inflation was destroying pensioners' savings at a record rate. It was the highest inflation rate for generations. During his period at the DHSS it reached 26.9 per cent. So the hon. Gentleman is uniquely qualified to talk about the effects of inflation on the pensioner.

Secondly, there was the matter of the Christmas bonus. The hon. Gentleman did not mention that, although he mentioned virtually everything else. Opposition Members now say a great deal about increasing that bonus, but it should be remembered that in 1975 and 1976 the Labour Government did not pay a Christmas bonus at all.

Thirdly, and most significant—this is particularly important, bearing in mind the hon. Gentleman's remarks about cynically changing the system—he did not say that during his time as a Minister at the DHSS, Ministers decided to change the uprating basis. They decided to switch from the historic to the forecast method. That meant one thing, and one thing alone: they did not pay pensioners for the period when inflation was at its highest. As a result, the Labour Government, who should have paid 21 per cent. on the historic method, paid 15 per cent., thereby saving themselves £500 million. At today's prices that is more than £1 billion. Therefore, we shall not take lectures from the hon. Gentleman.

Mr. Meacher: No doubt the Secretary of State has had Conservative Central Office, as well as his Department, working flat out to find criticisms, so I hope he will accept that what he has said is remarkably feeble. Bearing in mind the three criticisms that he has made, will he confirm that pensions rose by 20 per cent. over and above inflation during the Labour Government's five years in office and that under his Administration and that of his predecessors pensions rose by 3 per cent.?

Mr. Fowler: If the hon. Gentleman regards the three criticisms that I made of his record as feeble, I should tell him that there are many other criticisms that we shall make of it. It would be a mistake for the House to believe that in his period at the DHSS he was seen as the unquestioned hero of the pensioners. I quote from *The Times* of 11 March 1976, which, for the hon. Gentleman, had the rather unpromising headline:

"Minister shouted down at pensions rally."

The report says:

"old age pensioners shouted down Mr. Meacher, Under Secretary of State at the Department of Health and Social Security, yesterday as he tried to explain the Government's record on pensions."

Before the hon. Gentleman claims that it was a meeting of retired Conservative agents, I should point out that it was a rally of 2,000 pensioners from all over the country, and it was organised by a trade union action committee. The hon. Gentleman has a great deal to be modest about on his own record, and we on the Conservative Benches do not feel inclined to take lectures from him.

Mr. George Foulkes (Carrick, Cumnock and Doon Valley): Before the Secretary of State leaves the three points of criticism, one of which was the Christmas bonus, will he be announcing an increase in the Christmas bonus? Is he aware that to maintain it at the level at which it was introduced, it should now be £38? Will he accept the early-day motion that was signed by many of his colleagues,

including the hon. Member for Watford (Mr. Garel-Jones), who has conveniently disappeared? Ah, there he is! Will the Secretary of State announce an increase in the Christmas bonus today, because this is the perfect opportunity?

Mr. Fowler: The hon. Gentleman's eyesight is about as bad as his points. My answer is that we have no intention of abolishing it this Christmas, which is what the hon. Member for Oldham, West did.

Mr. Simon Hughes (Southwark and Bermondsey): Before the Secretary of State leaves the subject of meeting pensioners, is he prepared to say that he will leave the doors of his office and come and meet the hundreds of pensioners in Southwark who today said that the Labour Government's record was inadequate, but that this Government's record was considerably worse? Does he accept that pensioners in Britain are worse off than pensioners in any other state in the European Community?

Mr. Fowler: I shall do a deal with the hon. Gentleman. Rather than leaving the doors of my office, I will open the doors of my office and he can bring a delegation of pensioners to see me.

Mr. Hughes: The only problem is that the Minister's colleagues might be a little perturbed to see 700 pensioners coming up the escalators at Alexander Fleming house. However, if the offer is on, I shall certainly accept it.

Mr. Fowler: The offer is on, and I should be delighted to see a representative delegation.

I say that Conservative Members are not prepared to accept lectures from the hon. Member for Oldham, West for three major reasons. First, the motion that stands in the name of the hon. Gentleman and his colleagues is headed: "Pensioners' Loss of Purchasing Power."

The hon. Gentleman in his speech ranged from the new method of uprating to the changes in housing benefit. I shall come to those points, because they are clearly important.

If this debate is about living standards, I should have thought that the hon. Gentleman's starting point would have been the rate of inflation. The fact that inflation is down to levels not experienced since the 1960s is surely one of the Government's main dramatic achievements and contributions to the living standards of retired people who, all too often in the past, saw their savings slashed in real value. The single greatest threat to the financial security of old people is the prospect of a return to the levels of inflation which so ravaged the country in the mid-1970s.

There was a period when that fact was recognised by the Labour Front Bench. The White Paper "The Attack on Inflation" published in July 1975 noted that prices had risen by 25 per cent.

In unequivocal terms it declared:

"This must not go on. Failure to control inflation would mean massive and indiscriminate cuts in public expenditure with crippling damage to the social services. Success in controlling inflation is the best guarantee against this."

That statement is as true today as it was then.

The tragedy of the Labour party is that the bitter truths that were learnt then have been forgotten, but the people of this country have not forgotten that the previous Labour Government presided over a rise in prices of 110 per cent. That is particularly true of retired people who, as my hon. Friend the Member for Edgbaston said, saw the real value of their savings eroded and the security of their fixed incomes shattered.

It is fair to say that retired people expect the Government to protect their savings, and I believe that the Government have a duty to do that. It is not enough for any Government to say that they have kept national insurance pensions in line with the cost of living index and to ignore the rate of price increases. If inflation rises at 20 per cent. a year, that not only erodes savings and eats into occupational pensions—many occupational pensions are not index linked—but it destroys the base of industry from which the resources for social provision can come.

Any Government who are serious about maintaining pensioners' living standards must also be serious about reducing inflation in this country. The public can judge for themselves in which party they have the most confidence.

I cannot accept the charges made by the Opposition, even on their own terms. I accept that the Government have responsibility to provide not just for national insurance pensions but for extra help for those who need it. The facts are that, in spite of the worst recession since the end of the second world war, we are currently spending £35 billion a year on the social security budget. As a result of the Chancellor of the Exchequer's statement last week, net spending next year will increase to almost £37 billion. By any standard, that is an enormous budget, amounting to nearly 30 per cent. of all public spending. Over half of that is devoted to pensioners and the elderly.

Mr. David Winnick (Walsall, North): Does the Minister accept that the increases in fuel prices will be a nightmare for many pensioners during the winter? Do the Government intend to help any of the 2 million pensioners who are not on supplementary benefit but are in receipt of rent and rate rebates and do not receive a penny towards their fuel bills? Does he recognise the hardship, nightmares and agony suffered by those who cannot afford an increase in fuel prices? The price of gas has increased by 116 per cent. during the past four years, which is double the increase in the retail price index.

Mr. Fowler: I recognise those problems. I hope that the hon. Gentleman recognises that expenditure on heating additions will be about £100 million more this year in real terms than during the last year of the Labour Government.

It is important to say that the improvement in benefits payable from this week means that the Government have more than fulfilled their pledge to protect the real value of pensions. This week's uprating takes the pension 75 per cent. above the rate in November 1978. Over the same period the retail price index increased by about 70 per cent.

We have raised the capital limit for supplementary pensions by 20 per cent. to £3,000. We have also increased the single payments limit and introduced a £1,500 disregard of the surrender value of life assurance policies. In the last Budget, tax thresholds were increased, benefiting people on lower incomes and taking about 1.25 million people out of tax altogether—and many of those were pensioners. The hon. Member for Oldham, West will have heard the Chancellor of the Exchequer's statement last week. He will know, therefore, that we have made provision for not only pensions but other benefits—supplementary benefit, unemployment benefit and child benefit—which will be increased in line with prices next year.

Mr. Jeff Rooker (Birmingham, Perry Barr): Will the Secretary of State assure the House that in operating the commitment that he has just given about the increase in

[Mr. Jeff Rooker]

benefit next year, there will be no fudging of figures as in the cuts in this week's increase to pensioners with children and widowed mothers?

Mr. Fowler: There will be no fudging of figures. I can also give an assurance on one of the points raised by the hon. Member for Oldham, West about widows. We do not intend to change the position of widows.

Mr. Rooker: I said "widowed mothers."

Mr. Fowler: We had to make some economies in this year's budget. We made no secret of it. It would have been remarkable in a budget of £37 billion had we not. The hon. Member for Oldham, West must remember that expenditure on housing benefit currently amounts to something approaching £4 billion. It goes to almost 7 million households and affects 21 million people. The changes to come into effect next April will amount to less than 5 per cent. of total spending and will leave 6.3 million households receiving help. Moreover, we have specifically designed the changes to protect poorer households, and that includes the pensioners.

The hon. Gentleman made the further point that we have changed the system of uprating, from the forecast to the historic or actual method, to the disadvantage of pensioners. I have already touched on the reasons why we moved to the forecast system in the first place. If anyone wants confirmation of the motivation of the then Labour Government for that change, they have only to read the memoirs of the former Chief Secretary to the Treasury, Lord Barnett, who said:

"The reason was simple: with inflation forecast to show a substantial fall, if we had not made such a change, we would be increasing pensions and other benefits by nearly 30 per cent."

There is no doubt why the Labour Government moved that way. They moved for no reason other than to make a once and for all saving at the expense of pensioners. What also became clear later was that the forecast method with which they then lumbered the country was more often wrong than right. During the past seven years, forecasts have been wrong five times. Sometimes there has been an overestimate and sometimes an underestimate of inflation. The measure used to determine pensions and benefits for millions of people was shown to be three times more likely to be wrong than right.

So in the Social Security and Housing Benefits Act which we introduced in April this year, the system was changed and we returned to the actual method of measurement. In other words, we have the benefit of an exact measurement of inflation between May in one year and May in another, and that figure becomes available in June and forms the basis of the November uprating.

If I may say so, there is one significant difference between our proposal and what the Labour Government did in 1976. In 1976, the Labour Government made a once and for all saving. There was no way in which pensioners could ever catch up with the £500 million that they had lost. By definition, as the hon. Gentleman said, under our system if there should be an increase in inflation between May and the November uprating, then it is automatically taken account of in the following uprating. These arguments were fully and extensively debated earlier this year, as the hon. Member for Birmingham, Perry Bar (Mr.

Rooker) would be the first to confirm, not only in the House, but throughout the general election campaign. There was nothing hidden about the change.

There is one further important point that I should like to make. There are wider issues involving pensions policy. The decisions that we take now affect the entitlement of people in 20, 30 or 40 years' time. The hon. Member for Oldham, West is clearly right to be concerned about this year's uprating of national insurance pensions, but it is surely also right for him to be concerned about future generations of pensioners. There was little mention in his speech of occupational pensions.

At present 11.5 million people in this country are covered by occupational pensions. It is right that their interests should be protected as well, and that was at least part of the intention of the Social Security Pensions Act 1975. Like the hon. Member for Oldham, West I pay tribute to Brian O'Malley for his work on that Act. The Conservative party, then in Opposition, gave an unopposed Second Reading to that measure. We did so because on pensions policy it is necessary to have a degree of agreement between parties on the way ahead. Prior to that legislation various schemes had been put forward but had perished. There was the Crossman scheme and the scheme of my right hon. Friend the Member for Leeds, North-East (Sir K. Joseph). We on this side of the House—and I was chief Opposition spokesman at that time—took the view that this uncertainty could not go on. We sought the views of the pensions industry, which overwhelmingly advised that we should proceed on the basis of the proposals contained in the 1975 Bill and that there should be a firm long-term basis for pensions development.

Mr. Bidwell rose—

Mr. Fowler: The result has been a partnership between the Government and the occupational schemes in the provision of pensions. That partnership has been to the overwhelming benefit of the public.

Although occupational pensions matters are generally negotiated and financed by employers and employees, the Government have a role to play in this area. Most employees in occupational schemes have no option but to join the schemes as part of their contracts of service. The Government, therefore, cannot turn a blind eye when members join schemes with apparently favourable terms only to find the unfairness of those terms should they later leave that particular job. Basically that is the position of early leavers at the moment. The problem is that someone who leaves a scheme and goes to another job often leaves behind him a pension entitlement, but that entitlement is frozen until the age of retirement. Alternatively, if he transfers his pension, the transfer value also reflects the frozen rights. I do not believe that that position can be justified. In its 1981 report the Occupational Pensions Board declared that it remained a fact that many early leavers lose and often lose substantially and that it cannot be just that early leavers from pension schemes should suffer in relation to those who stay.

Because of this concern, in September I convened a conference on early leavers. I do not pretend that there was complete agreement, but there is now a wide consensus and acceptance that reform is needed.

Mr. Bidwell rose—

Mr. Fowler: Consequently the Government have now decided that it would be right to legislate at the next suitable opportunity.

The legislative changes we propose will be broadly on the lines of the Occupational Pensions Board's majority recommendation. They will require schemes to revalue pension rights of future early leavers up to the time when they take their pension by 5 per cent. a year or, if prices rise by less than 5 per cent., by that amount. Next week I shall be issuing a consultative document setting out the Government's proposals in greater detail, and I should like to have reactions and comments by the end of February so that we can keep open the option, which has many attractions, of legislating in the next Session.

Mr. Bidwell: We accept, because of the forward-looking projects with which the right hon. Gentleman has been dealing, that under any future Government pensioners, in relation to the rest of the country, will be better off because improvements in occupational pension schemes are proceeding apace. But the immediate problem involves those who had no chance of contributing in a substantial way to occupational pension schemes. Does the Minister accept that the more the value of the state retirement pension is eroded, flattened out or sustained, the greater will be the administrative costs of seeing whether people are entitled to supplementary benefit? The myriad extra benefits available to people struggling for dignity will mean more administrative costs. Has the Department taken that on board? I do not think that the previous Labour Government went into it exhaustively.

Mr. Fowler: The adequacy of pension provision now and in the future is a fundamental matter with which any Government must be concerned. I shall return to that point.

Mr. Meacher: The Secretary of State is apparently using the opportunity of the debate to make an important statement about the early leaver problem. Will he undertake to make a formal statement to the House, because there are many other issues, such as disclosure of information and the policing and regulation of schemes, on which the House has a right to question him? Will he make a statement on another occasion?

Mr. Fowler: I cannot give that undertaking, but it is fair in a debate on pension for me to announce the Government's pensions policy. If I do not have many more interruptions, the hon. Gentleman and other hon. Members who wish to take part in the debate will have a full three and a half hours to go over this point. I will do what I can to provide further information to the hon. Gentleman. I stand by what I said. It is important in this area to have as much agreement as possible. I appreciate and understand that there will be differences between us on pensions policy, but it is important to try to seek as much agreement as we can.

A linked area in which we look for improvement in the operation of occupational pension schemes is the disclosure of information to members, to which the hon. Member for Oldham, West has just referred. It is important that members of pension schemes should not only be provided with full information about their individual rights, particularly when they change jobs, but have access to information about the general situation of the scheme, as revealed by the audited accounts, actuarial

valuations, annual trustee reports, investment reports and so on. There should be as much information as possible. That was the subject of a further report by the Occupational Pensions Board in 1982. At the time of publication I said that the Government accepted in principle the need to legislate on the disclosure of information to members of occupational pension schemes.

I also announced the setting up of a working party of officials to consider the pensions law. I am considering its conclusions, which also cover the possibility of a register of occupational pension schemes, the need for trustees' and employers' responsibilities to be clarified, and the issue of supervision. I shall also pay careful attention to the outcome of Professor Gower's study on the protection of investors in, and beneficiaries from, pension funds. When I have seen those proposals—which I understand will be ready very shortly—I intend again to publish a consultative paper with the aim of starting the consultative process early in 1984 so that those disclosure measures might be included in the legislation proposed for early leavers.

That much has been decided for legislation on early leavers and disclosure. But one of the proposals that is now attracting a great deal of attention is the proposal that individuals, if they wish, may be given the chance to have their own personalised pensions. This includes the proposal for personal and portable pensions, which has been put forward by, among others, Mr. Nigel Vinson. The aim is to encourage schemes in which the individual member knows what his personal stake in the pension fund is and can identify the units of pension wealth that he has built up. At the minimum, this would promote greater interest in the development and investment of funds, but the ultimate aim would be that people leaving a job would be able to take with them the pension wealth that they had built up in that scheme.

The debate that has been opened up by this proposal for a portable pension scheme has demonstrated not only that the concept has considerable attractions to many people, but that there are considerable practical problems to be overcome. For example, there is the old problem and question of contracting-out conditions, and the whole issue of the employer's contribution. Nevertheless, I believe that this proposal deserves careful study, and it comes together with a number of other very important questions that will require decisions in the coming years in relation to state and occupational pensions. There are the questions of pension age, of the balance between the working population and the retired population and of demographic growth. Those issues will crucially affect the expectations of millions of people for 20, 30, 40 years ahead.

Accordingly, the Government believe that it is the right time to set up a special inquiry into provision for retirement, which I shall be chairing, which will study the future development, adequacy and costs of state, occupational and private provisions for retirement in the United Kingdom, including the portability of pension rights, and consider possible changes in those arrangements, taking account of the recommendations of the Select Committee on Social Services in its report on retirement age.

The House has the benefit of the report of the Select Committee on Social Services on pension age, but the decisions to be faced could obviously involve substantial costs to be borne by future generations of contributors that cannot be considered in isolation from other pe

[Mr. Fowler]

issues. The House will be debating the matter on Friday, when my hon. Friend the Member for Eastleigh (Sir D. Price) moves the Second Reading of his Bill on pension age. I shall tomorrow publish the Government's response to that Select Committee report, and that will make it clear that the report will form an integral part of the inquiry.

Another important issue concerns changes that might occur in the age structure of the population in the next 40 years, and, if I may say so, it is important to look carefully at the position. The present projections show a patchwork that falls as well as rises in the numbers of old people relative to the rest of the population. The number of people over 65, having risen by more than one third in the past 20 years, will now remain more or less stable as a proportion of the population until about 2010. Thereafter, indications are that the proportion of elderly people will increase quite rapidly.

Estimates of future pension costs must also depend on assumptions about matters such as the future age structure of the population. But they also depend on other assumptions—for instance, about price and earnings increases. I will illustrate this from the recent report by the Government Actuary on long-term pension costs—a subject about which the hon. Member for Perry Barr often talks. On the least favourable assumption about the real increase in earnings, the Government Actuary's report shows that class 1 contribution rates would increase from 15.4 per cent. now to 21.9 per cent. in 2025. On another assumption—that the real increase in earnings is in line with the historic growth of 2 per cent. and that the pension remains price-protected—the contribution rate would fall in the same period to 13.5 per cent. That underlines the importance of reviewing the whole position carefully before reaching conclusions, and that basically is what the inquiry will be about.

The membership of the inquiry will include Ministers from the other Departments most concerned, the Government Actuary and figures outside the Government. I am not giving a comprehensive list, but they will include people such as Mr. Stewart Lyon, president of the Institute of Actuaries; Mr. Marshall Field, chairman of the joint working group of the main occupational pensions organisations; and the eminent economist, Professor Alan Peacock.

There is I think one other important point to make. No one can doubt the public importance of pensions policy. These are important issues for public debate, and accordingly I shall conduct the inquiry as openly as possible. The public, employers, unions and pension interests will all be invited to express their views, and they will be free to make their evidence public. Certainly, we will also expect to have some public sessions, but I do not envisage this inquiry going on for years. My aim is to produce conclusions—for example, on portable pensions—by the spring. I hope that the inquiry will be completed by next summer or autumn, and following that the Government will publish their conclusions as soon as possible.

Mrs. Jill Knight: Will my right hon. Friend make sure that when the inquiry is at work it looks with a very jaundiced eye indeed at some of the figures that were put forward today by the hon. Member for Oldham, West (Mr. Meacher), who said that in Birmingham hundreds of

thousands of pensioners were in difficulty over their rents—[HON. MEMBERS: "No."] I have checked the figures. Considering the size of the population of Birmingham and the fact that 40 per cent. of households may be receiving housing benefit, it would be impossible for the figure to be anywhere near that mentioned by the hon. Gentleman, even if no cases had been settled, but I know from experience that many have been settled.

Mr. Fowler: I am grateful to my hon. Friend. I am sure that the point she raised will be mentioned in the debate.

Provision for retirement is an issue in which hon. Members in all parts of the House have an interest. We have a duty to satisfy ourselves that the pension promises of today can become the pension payments of tomorrow. My aim in setting up an inquiry is not to call into question the fundamental pensions structure that was established in the 1970s with all-party agreement, and to which I was a party. Rather, it is to ensure that our pensions structure is soundly based, that it is fair as between contributors and beneficiaries as well as between all scheme members and that it continues to command the support of the community as a whole.

A responsible Government must look ahead. Only in that way can we be sure that successive generations of pensioners get the pensions that they need and deserve. We stand by what this Government have done for pensioners since 1979, and I want to see that record maintained for future generations of pensioners.

6.18 pm

Mr. Donald Stewart (Western Isles): The Secretary of State based much of his defence of the Government on the need to keep inflation down, and pensioners, like the rest of us, are happy to see inflation coming down. However, that is not sufficient to answer the charge that is being levelled against the Government in this debate.

Special housing, day care, residential and other facilities for pensioners are already inadequate. The social benefits system is already under strain and attack, and it also is inadequate. If there are problems now, there will be much greater problems in a few years. By 1986, there will be a large bulge in the aged population, and in Scotland 864,000 people will fall into that category. In the following years, an increasing proportion of the population will be becoming elderly with a smaller proportion of the economically active population supporting them. If unemployment figures are not drastically reduced, the system will be even more insupportable.

The most suitable accommodation for the growing number of frail and elderly people in Scotland will be sheltered houses and, in some cases, residential care. Officially, it is necessary to have 50 sheltered houses per 1,000 people aged 65 and over. In my view, this is a gross under-estimation of needs, given the appalling housing conditions that many old people must endure.

According to "Scottish Housing Statistics" and the "Scottish Abstract of Statistics", the 1983 edition, 9,458 sheltered houses provided 15,500 places in 1981. I doubt that conditions have improved dramatically during the past couple of years. Perhaps the Minister will enlighten us at that point. According to projected 1986 figures for elderly in Scotland, we shall need 56,200 housing places. That is judged by the official 65 places per 1,000 people aged 65 and over.

The current level of pensions is scandalous. Pensioners have always been under-provided with pen-

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Members of Parliament may find
the enclosed useful for the
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The Government's Attack on the
Pensioners' Standard of Living.

Wednesday 23rd November 1983

House of Commons

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Enquiries on this brief to:
Mrs Christina Dykes

Some 9 million people in the UK are over retirement age. In 1984/85 the Government will spend £36,850 million on social service benefits, about half going to pensioners.

1. Higher Pensions

The Government's pledge to protect the values of pensions against rising prices has been full redeemed. The retirement pension has risen as follows:

	<u>£ per week</u>		
	<u>November 1978</u>	<u>November 1982</u>	<u>November 1983</u>
Single	19.50	32.85	34.05
Married	31.20	52.55	54.50

This increase of 74.6 per cent compares with an estimated increase in prices over the same period of 69.1 per cent (assuming that inflation in November 1983 will be the same as in October 1983: a very large increase would be needed to take the figure over 70 per cent). So retirement pensions have increased in real terms since the Conservatives came to office.

Pensions have also risen faster than the pensioners' price indices. The Pensioners Price Indices provide a guide to price changes as they affect poor pensioner households - single pension or two pension households where at least $\frac{1}{4}$ of income derives from state pensions and benefits. The PPIs give greater weight of expenditure on basic essentials such as food and fuel and light when compared with spending on the RPI. However, the PPIs are not used as a measure of the general effect of price increases on pensioners for the following reasons.

- a) The PPI's measure the changes in cost on pensioner households on low income ie a household in this context is generally one where at least $\frac{1}{4}$ of the total income comes from state pensions or benefits. As such they only apply to over 11 per cent of all households and they only cover two-fifths of pensioners.
- b) They are not considered to provide a better indication of the spending patterns of pensioners generally than the RPI. The one person PPI in particular is especially influenced by the extreme patterns of expenditure which occur by there being only one person in the household.
- c) The PPIs do not cover housing costs because of difficulties in measuring price changes for housing as they affect pensioners households.

Direct comparison between the PPIs and the RPI are difficult because the former is only measured quarterly. However, since the last quarter of 1978 to the latest available figures ie the third quarter of 1983 the PPIs have not risen as fast as the general RPI. For example, the one person PPI rose between these dates by 62.7 per cent and the two persons PPI rose by 62.4 per cent. The general RPI rose between November 1978 to September 1983 by 67.7 per cent. (The RPI less housing rose slightly less in the same period than the PPIs - ie it rose between quarter 4 1978 and quarter 3 1983 by 61.7 per cent).

Above all these figures has been the pension increase to November 1983 of 74.6 per cent.

The magnitude of this achievement has to be seen in the context of the growth of the pensioner population. The number of pensioners has risen from 8.5 million in 1978-9 to 9.1 million in the benefit year of 1982-3 - a rise of 600,000 or 7 per cent.

Earnings Rule

The Government is committed to abolish the earnings rule as soon as it is able. Between November 1978 and November 1982 the earnings rule limit was raised from £45 a week to £57 per week. From November 1983 this limit will be raised by 4 per cent to £65 a week.

2. Methods of Calculating Pension Increases

1 Recent History

Earnings Link. Under the last Conservative Government, the Social Security Act 1973 was passed to ensure that pensions and other social security benefits were raised each year at least in line with prices. When Labour came into office they introduced further legislation, the National Insurance Act 1974 which linked pensions and other long-term benefits to the movement of prices or earnings, whichever was more favourable.

In practice, the earnings link was too expensive for any government to sustain, and Labour was driven to some strange measures in order to get round it. For example, in 1976 pensions were raised by less than the increase in prices or earnings (see below); in November 1977 the earnings link did not apply as prices rose faster than earnings, but in November 1978 Labour gave a pension increase of 11.4 per cent, although earnings rose by 13.3 per cent. In March 1979, Labour proposed a pension increase of 12.8 per cent at a time when earnings were rising by about 15 per cent. (Hansard, 28th March 1979, Col 482).

The then Labour Secretary of State for Social Services, Mr David Ennals, made the surprising admission that the earnings link was not necessarily enforceable in a court of law. When tackled about the 1978 pensions deficiency, he replied cynically that:

'There is a statutory obligation to take these figures (ie earnings) into account, which was done, but no statutory obligation to get it right' (Pensioners Voice, January 1979).

The abolition of the earnings link under the Social Security (No 2) Act 1980 was therefore a sensible and overdue measure. Mr Patrick Jenkin, then Secretary of State for Social Services, emphasised that:

'The Bill contains a guarantee for pensioners against rising prices. My Right Hon friends and I have repeatedly committed ourselves to ensure that pensioners share in rising prosperity..... this is a more realistic a more honest and, above all, a more sustainable prospectus' (Hansard 20th December 1979, col 903).

Historic and Forecast methods. Up to 1976, increases in benefits were based on the historic or actual rise in prices or earnings that existed at the time of the uprating announcement. In March 1976, when the uprating for the following November was announced, this would have meant an increase in all benefits of 21.2 per cent to match the then rate of inflation. (Pensions and other long-term benefits, as explained earlier, were linked to the annual rise in prices or earnings; but earnings were rising by the lesser figure of 19.4 per cent, so the increase in prices was the one that would have counted.)

In the event, Lady Castle dispensed with the historic method of calculation and increased pensions by 15 per cent. This was done by switching to a forecast method, based on the estimated rise in prices or earnings in the year to November. This meant that pensioners and others received £500 million less than under the old system, a loss equivalent to about £1,000 million at current prices. (Hansard, 8th November 1982, col 400).

The forecast method had a further disadvantage. It was usually wrong. Even when the forecast was restricted to prices (the earnings link was abolished after 1979, as explained earlier), it proved to be 1 per cent too high in 1980, 2 per cent too low in 1981 and 2.7 per cent too high in 1982.

2. This Year's Increase

The Government has decided to revert to the historic method of calculating pensions increases. This year's increase of £1.20 for a single person and £1.95 for a couple or 3.7 per cent, will be based on the inflation rate last May. If the inflation rate rises between May and November 1983 then any shortfall will be accounted for in the calculation next year; i.e. any shortfall in 1983-4 will be balanced in 1984-5. It should also be borne in mind that the variations in the rate of inflation, whether up or down, are estimated to be small, perhaps of the order of one or two per cent, so that any temporary discrepancy between pension increases and inflation should be small.

3. Inflation: the Pensioner's Greatest Enemy

Inflation is the greatest enemy of the retired because it erodes the value of their savings and any fixed income (eg a small fixed occupational pension) they may have. Under Labour, pensioners saw the value of their savings gravely undermined by rising prices. Mr Fowler pointed out that between 1974 and 1979:

'inflation went up by 110 per cent. Pensioners with savings of, say, £5,000 saw the real value of those savings halved under the Labour Government' (Hansard, 8th November 1982, cols 333-4).

The Government's economic strategy therefore continues to be directed towards reducing the rate of inflation, a process from which pensioners especially stand to gain. Indeed, pensioners have long recognised that their interests are best safeguarded by the Conservatives.

4. Christmas Bonus

The Christmas Bonus, which Labour failed to pay in 1975 and 1976, will continue to be paid every year in accordance with the law passed by the Conservative Government in 1979. Mr Joel Barnett, then Labour's Chief Secretary to the Treasury, had revealed that even in 1978 the bonus had almost to be forced on DHSS Ministers: 'The Christmas Bonus was a very low priority for both David Enmal and Stan Orme, and it had to be almost forced on them' (Inside the Treasury, Andre Deutsch, 1982).

5. Supplementary Benefit

Supplementary Benefits, the 'safety net' providing a minimum level of income to many pensioners (among others). The supplementary benefit scale rates have been increased by 4.3 per cent in November 1983. This is in line with the Retail Price Index after the exclusion of housing costs

Thus the long term supplementary scale rates which since June 1983 men aged 60 or over on supplementary benefit can qualify for immediately (ie without having to wait for a qualifying year on the lower short-term rate), have been increased as follows.

	<u>November 1978</u>	<u>November 1982</u>	<u>November 1983</u>	<u>%age increase</u>
Long-term rate				
Single	19.90	32.70	34.10	71.3
Married	31.55	52.30	54.55	72.9

Heating Additions

Since November 1980, the basic heating additions is paid automatically to householders aged 70 or over on supplementary benefit. The rates have been increased substantially since 1978, with the two higher rates being consolidated into one. The increase in November 1983 (over November 1982 level) will be 8.6 per cent to reflect the rise in fuel costs in the last year.

£ per week

	<u>November 1979</u>	<u>November 1980</u>	<u>November 1982</u>	<u>November 1983</u>
Basic rate	0.95	1.40	1.90	2.05
Higher rate	1.90	3.40	4.65	5.05
	or			
	2.85			

Overall, the Conservative Government is providing more help with heating costs than was given by the last Labour Government, both in cash terms and in real terms.

The table below shows expenditure in Britain on help with heating costs under Labour and under the Conservatives. That includes supplementary benefit heating additions; extra help towards heating costs through Family Income Supplement; and expenditure through the Electricity Discount Scheme (in 1978-79) which was discontinued by the present Government:

	<u>Expenditure on Heating Costs</u>	
	Current Prices £m	Constant 1982-3 Prices £m
1978-9 (Labour)	125	201
1982-3 (Conservative)	325	325

(Hansard 16th April 1981, WA, col 289; 31st January 1983, WA col 27 and 11th March 1983, WA col 526).

6. Gas and Electricity Prices

The increase in Heating Additions (see above) of 8.6 per cent will protect the poorest pensioners - those on supplementary benefit against rises in energy prices. Other points which should be made include:

- a) In real terms gas prices are closer to what they were in 1970 - prior to the massive increase in energy costs.
- b) Energy subsidies are not efficient - they encouraged waste, and the depletion of fuel reserves. Funds which would be spent on subsidies (or revenues which are lost through not raising prices) are better spent helping the poorest to meet their fuel bills (through Heating Additions). In this way energy conservation, and protection of the poorest, can be pursued simultaneously.
- c) Labour subsidised domestic gas prices by overcharging industrial users. In 1979, when the Conservatives came to power, British Gas was making a loss on domestic gas sales. This imbalance has now been rectified: it is in everyone's interests that the wealth-producing part of society should have been given fairer treatment.
- d) The electricity industry's so-called 'massive profits' represent a return of just 1½ per cent on capital employed.

7. Transport

i) Outside London

Concessionary fares for pensioners are a matter for local authorities. In many instances, concessionary fares are not seen as the most appropriate answer to local needs. The Secretary of State for Transport, Mr Nicholas Ridley, recently quoted the following statement from the Labour Government's 1977 White Paper on transport: 'The Government does not consider that a mandatory national concessionary fares schemes would be appropriate' (Hansard, 14th November 1978, col 600).

ii) London

The Government's policy is to transfer responsibility for pensioners' concessionary fares from the GLC (when abolished) to the boroughs. The London Boroughs Association, in a statement on 20th October 1983, agreed to take over the concessionary fares schemes, and to run it on the basis of the existing scheme. Some London boroughs have dissented: the Labour Association of London Authorities' has refused to discuss transfer of the scheme, because it has refused to accept the abolition of the GLC. (It should be remembered that abolition of the GLC is due to come into effect in April 1986.

8. Health Care

This Government has increased the number of doctors, dentists and nurses in the NHS, and will continue to take the measures necessary to care for the rising number of pensioners. In the 1983 Manifesto the Government pledged:

'The treatment of the elderly, the mentally handicapped and the mentally ill will continue to command our particular attention.'

Subsequently, the Secretary of State for Social Services, Mr Norman Fowler, has emphasised that pensioners are a priority group within the NHS.

'We are committed to a strong NHS and we have identified elderly people as one of the priority groups for whom services must be developed most intensely.' (Times, 6th September 1983)

Such pledges have been honoured in the recent announcement of spending plans for the NHS. Next year an additional £800 million will be allocated to the NHS in Great Britain - as pledged by the Prime Minister during the election campaign. These resources should provide a real growth of over 1 per cent for the NHS and as Mr Fowler has explained.

'In the hospital and community health services the growth should cover the expected increase in the number of very old people.' (Press Release, 17th November 1983)

9. Housing Benefit

From April 1983, housing benefits have replaced by both supplementary benefit provision for rent and rates assistance and local authority rent and rate rebate and allowance schemes. The objectives of the housing benefit scheme were to remove the confusion and complexity arising out of the old schemes. In particular it will be simpler for old people, especially local authority tenants on supplementary benefits to understand. They will no longer have to pay rent and rate on one hand while receiving benefit on the other. In future, under the housing benefit scheme they will be rebated in full.

No one on supplementary benefit should get any less help with rent and rates. In addition under the taper arrangements many old claimants of local authority schemes

(most of the poorer ones) will gain benefit, while others (those with income above the needs allowance) will get less. It is estimated that as many as 1 million gained from these arrangements.

The changes to Housing Benefits announced in the autumn statement will affect in general the relatively better-off households and those with non-dependents in work. who will in future be expected to make a higher contribution towards housing costs. In particular the increase to the tapers will have the general effect of concentrating help on those who need it most. Only the tapers above the needs allowance are affected - those above the needs allowance are the relatively better-off amongst housing benefit recipients.

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