

CONFIDENTIAL

G.6

FROM: ADAM RIDLEY
10 June 1982

CHANCELLOR

cc CST
MST(C)
Mr Le Cheminant

PUBLIC SERVICE PENSIONS

As you will recall, the public opinion survey undertaken recently by Conservative Central Office provided useful and, indeed, striking support for the proposals you have put to the Cabinet. We now have a fuller report on the results of the survey, which in particular explores the differences in response attributable to sex, age, party, and sector of employment. In sum, this disaggregation of the responses only goes to strengthen the initial impression derived from the crude "headline" results which you saw earlier. It also sheds light on several points of particular interest:

(a) Awareness of the existence of index-linked public sector pensions.

Answer 2(a) shows that Conservative voters are notably more aware of them than those of other parties, while 2(c) shows the same is true of the ABC.1. groups as opposed to other socio-economic groups. However, public sector employees appear curiously unaware on the face of it, according to 2(c). That could reflect a basic problem of comprehension, as is hinted at by the answer to the last question given in § 7 which shows that awareness of the index-linking of the ordinary retirement pension is no greater.

(b) Party and class and employment differences and the index-linking principle

Curiously only the Liberal respondents showed a majority against the index-linking principle. Conservatives were on balance significantly in favour, Labour and SDP rather more so still. ABCI's were most in favour of index-linking. So were public sector employees - but as 3(c) shows a majority of the private sector respondents who understood the question were in favour too.

CONFIDENTIAL

2. As there are to be further discussions of the issue and Mr Le Cheminant is even now preparing further material for you to use, this is obviously the moment for considering how to put the survey to use. After talking the matter over with Mr Kerr, it would seem that there is a good case for your drawing your colleagues' attention to the survey results. I would suggest a shortish letter making a few key points, covering either the full report attached or a suitably shortened version (my preference is for the former, but only marginally). It would be most helpful to know whether you agree, and if so whether there are any points you would want borne in mind for the draft of your letter.
3. As you will see, I am copying this minute to Mr Le Cheminant. At this stage I imagine you will want us to continue to handle these survey results on a carefully restricted basis, for obvious reasons.

AR

A N RIDLEY

Public Attitudes to Index Linked Pensions.1. Introduction

The Party recently commissioned from GALLUP some questions on attitudes towards index linked pensions. The survey was conducted from 12th to 17th May, and GALLUP interviewed 977 electors throughout Great Britain. A note setting out the 'headline' results from the survey was circulated last week - this note sets out the detailed findings.

2. Awareness of Index Linked Public Sector Pensions.

GALLUP asked 'Many people are not aware that all public sector employees will get in addition to the ordinary state retirement pensions, another pension from their employers which is increased each year to compensate for inflation - this is often called an index linked pension. Were you aware of this provision or not?' GALLUP found 64% aware of the existence of index linked pensions for public sector employees, 34% were not, and 2% did not answer the question. Details of the analysis of this question for the main socio-economic groups are shown below:-

a) VOTING INTENTION

	<u>TOTAL</u>	<u>CONSERVATIVE</u>	<u>LABOUR</u>	<u>LIBERAL</u>	<u>ALLIANCE/SDP</u>
	%	%	%	%	%
AWARE	64	73	53	62	65
NOT AWARE	34	26	44	36	34
DON'T KNOW	2	1	3	2	1

Among Conservative supporters 73% claimed to be aware of the existence of index linked pensions, among Alliance/SDP supporters 65%, among Liberal supporters 62% and among Labour supporters 53%

b) <u>SEX</u>	<u>TOTAL</u>	<u>MEN</u>	<u>WOMEN</u>
	%	%	%
AWARE	64	73	56
NOT AWARE	34	34	42
DON'T KNOW	2	5	3

Men are more likely than women to be aware of the existence of index linked pensions - 73% of men claimed to be aware of them compared with only 56% of women.

c) <u>AGE</u>	<u>TOTAL</u>	<u>18-34</u>	<u>35-44</u>	<u>45-64</u>	<u>65+</u>
	%	%	%	%	%
AWARE	64	58	66	71	62
NOT AWARE	34	40	31	27	36
DON'T KNOW	2	2	3	2	2

Electors in the 45-64 age group are more likely to be aware of the existence of index linked public sector pensions - 71% claimed to be aware of them in the age group, compared with 66% in the 35-44 age group, 62% in the 65+ age group and 58% in the 18-34 age group.

d) <u>CLASS</u>	<u>TOTAL</u>	<u>ABC1</u>	<u>C2</u>	<u>DE</u>
	%	%	%	%
AWARE	64	75	63	50
NOT AWARE	34	23	34	48
DON'T KNOW	2	1	3	2

(2)

ABC1 electors are more likely to be aware of public sector index linked pensions than are electors in the other social groups, 75% in the ABC1 age group, 63% claimed to be aware of them 34% in the C2 group and 50% in the DE group.

e) OCCUPATION

	<u>TOTAL</u>	<u>EMPLOYED IN PRIVATE COMPANY/ SELF EMPLOYED</u>	<u>EMPLOYED IN PUBLIC SECTOR</u>
	%	%	%
AWARE	64	65	70
NOT AWARE	34	33	30
DON'T KNOW	2	2	0

Employees in the public sector are slightly more aware of index linked public sector pensions than are employees in private companies (including self employed).

3. ATTITUDES TO INDEX LINKED PENSIONS

GALLUP asked respondents 'Some people say that pensions given to retired people from the public sector should not be index linked. Do you agree or disagree with this view?' Among the electorate as a whole 36% agreed that pensions for public sector employees should not be index linked, 46% disagreed with this view and 18% did not have a view. Details of the analysis for the main groups are shown below:-

a) VOTING INTENTION

	<u>TOTAL</u>	<u>CONSERVATIVE</u>	<u>LABOUR</u>	<u>LIBERAL</u>	<u>ALLIANCE/SDP</u>
	%	%	%	%	%
AGREE	36	38	35	45	30
DISAGREE	46	47	45	38	57
DON'T KNOW	18	16	20	18	12

Among Conservative supporters 47% disagreed with the idea of stopping public sector index linked pensions (38% agreed with the idea), 45% of Labour supporters disagreed (35% agreed), 38% of Liberal supporters disagreed (45% agreed) and 57% of Alliance/SDP supporters disagreed (30% agreed).

b) <u>SEX</u>	<u>TOTAL</u>	<u>MEN</u>	<u>WOMEN</u>
	%	%	%
AGREE	36	38	34
DISAGREE	46	50	42
DON'T KNOW	18	12	24

Among men 50% of men disagreed with the idea of stopping index linked pensions 38% agreed (12% did not have a view). Among women 42% disagreed - 34% agreed, but 24% did not have a view.

c) AGE

	<u>TOTAL</u>	<u>18-34</u>	<u>35-44</u>	<u>45-64</u>	<u>65+</u>
	%	%	%	%	%
AGREE	36	31	37	42	35
DISAGREE	46	47	48	47	41
DON'T KNOW	18	22	15	11	25

In the 18-34 age group 47% disagreed with the idea of stopping index linked pensions (31% agreed), 48% disagreed in the 35-44 age group (37% agreed), 47% disagreed (42% agreed) and 41% in the 65+ age group (35% agreed).

(3)

d) CLASS	TOTAL	ABC1	C2	DE
	%	%	%	%
AGREE	36	36	38	34
DISAGREE	46	53	46	37
DON'T KNOW	18	10	17	30

Among the ABC1 agroup 53% disagreed with the idea of stopping index linked pensions - 36% agreed with the idea and 10% did not have a view. Among the C2 class group 46% disagreed with the idea of stopping index linked pensions, 38% agreed and 17% did not have a view. Among the DE class group 37% disagreed, 34% agreed and 30% did not have a view.

e) OCCUPATION

	TOTAL	EMPLOYED IN PRIVATE COMPANIES/ SELF-EMPLOYED	EMPLOYED IN PUBLIC SECTOR
	%	%	%
AGREE	36	39	32
DISAGREE	46	42	58
DON'T KNOW	18	19	10

Among electors employed in private companies or self-employed 39% agreed with the idea of stopping index linked pensions and 42% disagreed. Among public secotor employees - 32% agreed and 58% disagreed.

4. GOVERNMENT POLICY

GALLUP presented respondents with three options with regard to index linked pensions. They found 7% in favour of ending completely the index linking of pensions for public employees, 43% in favour of making sure that those who will draw an index linked pension pay the full cost while they are working; 33% in favour of leaving them as they are and 17% did not have a view. There was no significant differences among the main socio-economic groups except when we look at the analysis by type of occupation. Here we found:-

<u>OCCUPATION</u>	<u>TOTAL</u>	<u>EMPLOYED PRIVATE COMPANIES/ SELF-EMPLOYED</u>	<u>EMPLOYED PUBLIC SECTOR</u>
	%	%	%
<u>END COMPLETELY THE INDEX LINKING OF PENSIONS FOR PUBLIC EMPLOYEES</u>	7	8	6
<u>MAKE SURE THAT THOSE WHO WILL DRAW AN INDEX LINKED PENSION PAY THE FULL COST WHILST THEY ARE WORKING</u>	43	48	32
<u>LEAVE THINGS AS THEY ARE</u>	33	29	47
<u>DON'T KNOW/ NO VIEW</u>	17	16	14

Among public sector employees 47% were in favour of leaving them as they are - compared with 29% of electors employed in private companies/self-employed, only 32% of public sector employees claimed to be in favour of the idea of making sure that those who will draw an index linked pension pay a full cost whilst they are working - 48% of electors employed in private companies took this view. Only 6% of public sector favoured the idea of ending all index linked pensions - 8% of employees of private companies (including self-employed) took this view.

5. ATTITUDE TO INDEX LINKED PENSIONS FOR VARIOUS GROUPS

GALLUP asked a range of questions designed to look at attitudes towards index linked pensions for various groups. They asked:-

I am now going to read out a list of different jobs. For each one, can you tell me whether you think that people who work in them should or should not have an index linked pension when they retire?

	<u>Should</u>	<u>Should Not</u>	<u>Don't Know</u>
Soldiers, Sailors, Airmen (%)	81	10	9
Civil Servants (%)	51	36	14
Nurses (%)	84	8	8
Employees of the Railways, Post Office, Bus Companies and British Airways (%)	51	37	12
Doctors (%)	65	25	10
Policemen (%)	79	12	9
People who work in Local Government (%)	46	42	12
Prison Officers (%)	72	17	10
Teachers (%)	61	29	11
Employees of Nationalised Industries like the Water, Gas and Electricity Boards (%)	49	39	13

84% of electors thought nurses should have index linked pensions, 81% of electors thought soldiers, sailors and airmen should have index linked pensions, 79% policemen, 72% prison officers, 65% doctors, 61% teachers, 51% civil servants, 51% employees of the railways, post office, bus companies and British Airways, 49% employees of nationalised industries like the water, gas and electricity boards, and 46% people who work in local Government.

42% thought people who worked in local Government should not have index linked pensions, 39% employees of nationalised industries like the water, gas and electricity boards, 37% employees of the railways, post office, bus companies and British Airways and 36% civil servants.

6. INDEX LINKING OF PRIVATE PENSION SCHEMES

When GALLUP asked 'At present most private firms schemes to give pensions to their employees (not the state system) are not index linked, do you think these schemes or should not be index linked to the rate of inflation - 68% thought they should be index linked, 16% they should not and 16% did not have a view.

We asked those who thought private pension schemes should be index linked 'would you be prepared to pay, say £2.00 a week more than you do at present for this? 71% claimed they would be prepared to pay an extra £2.00 a week, 14% they would not be prepared to pay an extra £2.00 a week and 14% had no view.

7. AWARENESS OF INFLATION LINKING OF ORDINARY STATE PENSIONS

GALLUP found 71% of electors aware that the ordinary state pension is changed each year to take account of inflation - 24% claimed not to be aware of this provision and 6% did not answer. In the 65+ age group 79% claimed to be aware of this provision 77% of the 45-64 age group, 74% of the 35-44 age group and 61% of 18-34 age group.

CONFIDENTIAL

PUBLIC SERVICE PENSIONS: DRAFT STATEMENT/WRITTEN ANSWER

The Government has completed its review of public service pensions in the light of the Scott Report.

In doing so we have examined a wide range of options and have come to a conclusion that the right course is to seek adequate contributions from public service employees for their pension benefits rather than to seek to reduce the real value of those benefits. This decision is fully in line with the approach to these matters which we put forward at the last election. The principle underlying our proposals will be that public service employees, rather than the taxpayer, should bear the full cost of the extra benefits they enjoy as compared to average practice in the private sector.

Some 3.7 million public employees belong to pension schemes directly subject to the provisions of the Pensions (Increase) Act of 1971 and some 1.6 million public service pensioners, or their widows, receive index-linked pensions. In addition there are a number of public sector, mainly nationalised industry, pension schemes which provide similar protection to the purchasing power of their pensioners.

Nationalised industry and similar pension schemes in the public trading sector are often of a contractual kind not readily susceptible to amendment by legislation. The present statement therefore applies only to public service pension schemes such as those for civil servants, nurses, teachers, other NHS and local government employees, members of the Armed Forces and the police.

CONFIDENTIAL

CONFIDENTIAL

Within the public sector there is a wide variety of separate schemes which differ from each other on matters such as the financial and statutory basis of the schemes, the level of contributions, the manner in which contributions are paid and the rate of accrual of benefits. Seeking to bring all of these schemes to a common basis would be a massive and time-consuming operation. The Government has decided that the simplest way of applying the principle enunciated above is to leave the structure of these schemes, other than the Principal Civil Service Pension Scheme, unchanged and to seek power to impose a special levy on all public service contributors of a size sufficient to finance the difference in the degree of inflation proofing, actually paid year by year, between the public service pension schemes concerned and the average practice of the private sector pension schemes. If our proposals are accepted the level of this charge will be reassessed periodically in the light of changes in the average practice of private sector pension schemes, the rate of inflation and other factors such as the maturing of the State scheme. On present indications the likely initial level of the charge would be around 2-2½ per cent of pay. As the existing level of contributions in most public service pension schemes is 6 per cent, for basic benefits, the likely total charge on public service employees, when the new scheme comes into operation, would be of the order of 8-8½ per cent of pay. This would be the charge for schemes where prospective pensioners contribute for up to 40 years of employed service. Some public servants, eg the police, fire and prison services, have faster rates of accrual and higher rates of basic contributions and of special charges would be justified in these

CONFIDENTIAL

cases - pointing to a total contribution by them of around 11 per cent.

Legislation to give effect to our proposals would remove once and for all the perception of unfairness which currently applies between those who enjoy and those who do not enjoy index-linked pensions. The full cost of the better benefits would clearly be a charge on the potential beneficiaries, and in a way which would automatically reflect changing circumstances.

I am also able to announce two related decisions. Armed Forces pensions are in form non-contributory although in practice, through the operations of the Armed Forces Pay Review Body, Service men and women have their pay abated by 11 per cent to take account of the substantial pension benefits to which they are entitled. These arrangements work well and the Government does not propose to disturb them.

The Principal Civil Service Pension Scheme is also in form non-contributory except that male civil servants ^{contribute to} directly meet the full cost of the pensions payable to their widows. At the same time, for many years, a specific deduction has been made in the process of determining Civil Service pay in lieu of a direct pension contribution. This practice, although administratively simple and cost effective has led to a good deal of public misunderstanding about the nature of the Civil Service pension arrangements. It was also operationally tied in with the system of Civil Service pay determination which was brought to an end in 1981. There would be considerable advantage for all concerned if the Civil Service Pension Scheme was now to be put on a contributory basis. Moreover,

CONFIDENTIAL

such an arrangement would, by removing the question of pension contribution from the pay determination process, sit more readily with any new form of pay determination which may emerge following the report of the Megaw Inquiry into Civil Service pay. It is technically possible to put the Civil Service Pension Scheme on to a contributory basis without legislation though the right level of contribution to be required cannot be settled in advance of the determination of the level of extra contribution for full index linking to be applied to the public services as a whole. On present indications however the total level of contribution by civil servants to their pensions under the proposed arrangements would be of the order of $8-8\frac{1}{2}$ per cent of their pay as for other public services with comparable pension arrangements.

The House has expressed a wish for an early debate on these matters and the necessary arrangements are being made. When that debate has taken place it would be the Government's intention to issue a document setting out its proposals in greater detail as a basis for consultation with the interests involved. Legislation will then be introduced to Parliament. [Given the complexity of these matters it is not possible to forecast precisely when the legislation will be introduced or when it will prove possible thereafter to implement the arrangements stemming from that legislation.] [It would be prudent for the House to assume that the necessary legislation is more likely to be introduced early in the new Parliament than in the latter days of this one.] [Our aim will be to

CONFIDENTIAL

complete the necessary consultations and introduce legislation in the next Session of Parliament. If this proves possible the new arrangements could become effective at some date in 1984 or 1985.7

CONFIDENTIAL