

PRIME MINISTER

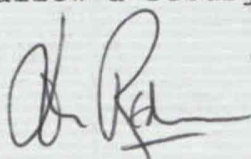
31 July 1984

PUBLIC SECTOR PENSIONS

Almost a year of deliberations have taken us no further forward. The options remain as they always were, and they all boil down to whether anybody is prepared to bargain with the employees in the health service, the education service, and in the Civil Service, over the question of who should pay for the realistic contribution towards pension costs.

If no-one is prepared to undertake this bargaining process through the usual channels, then the whole exercise may as well be abandoned forthwith. It is not a question of needing more facts or of more deliberations concerning the technical options. It all hinges on the politics of the pay round.

The one suggestion I would make is that against the current background of low inflation, it should be possible to persuade the trade union side in all of these public sector schemes that new recruits should be taken on without the benefit of an inflation-proofing guarantee. This would then begin to limit the damage should any future Government ever allow a resurgence in the inflationary spiral.



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