Unite Briefing: **Public service pensions November 30th, 2011 – Day of Action**

Unite, alongside unions across public services, is balloting its members on support for a day of action on November 30th, 2011 to defend public service pensions.

The negotiations:

Unite, the TUC and other trade unions are committed to continuing talks with the government and the employers in each of the major public service pension schemes. But government ministers have so far failed to properly engage in negotiations. Treasury ministers chose to pre-empt the talks and announced their proposals in the *Daily Telegraph* instead. They have refused to budge from plans that would mean public service workers would have to work longer, pay 50% more now and get 50% less as a pension in the future. This is unfair. It is also unnecessary. If the government brings new proposals to the table, progress in negotiations will become possible.

Are these proposals necessary to make pensions affordable?

No. Under the last Labour government, significant changes were negotiated to public service pension arrangements. This included raising the normal retirement age to 65 for NHS, Teacher and Civil Service schemes and in Local Government. Where the normal retirement age was already 65, it was agreed to end the ability to retire after 25 years service. Contributions of the highest paid were increased. Under cost-sharing and 'cap and share' future employer contributions are capped at 14% and the increase cost of, for example, longer life expectancy, falls on the active members of the pension schemes, not on the government or the employer. These changes had already ensured that **public sector pensions are affordable and sustainable.**

Are these pensions a public drain?

No. Analysis by the Government Actuary's Department for the Hutton Review found that public service pension benefit expenditure from unfunded schemes is expected to reach 1.9% of GDP in 2010-11 and remain close to this level for the next decade, before falling to 1.4% of GDP by 2060. Even this measure of public service pensions ignores the income from contributions, and suggests that all of this is a straight drain on the taxpayer, which is not the case. The so-called 'unfunded' schemes have a planned correlation between contributions and benefit expenditure over the long term. This means that at times the schemes are in surplus. For example, this is currently the case with the NHS scheme – the largest public sector scheme. In 2008-09, it **actually made a profit of £2bn for the government**, which uses that money for other purposes and, in effect, promises a fixed investment return on it.

The facts about public sector pension schemes:

- Despite government claims, public service pensions are not 'gold plated' – the median public sector pension is currently £5,600 a year and for women it is just under £4,000, with 65% receiving less than £6,000.

- In June 2010, the government unilaterally announced it was changing the indexation of public sector pensions from the normal RPI measure of inflation to CPI, which is lower. This has reduced pension benefits by an estimated 15%.

- The government's proposals risk creating more pensioner poverty, not just through reducing the value of pensions, but also increasing the numbers who have no occupational pension at all. By seeking to increase the contributions members make now by a further 3.2% – a 50% increase for most workers – many members will opt-out of schemes they can no longer afford. This threatens the entire viability of the schemes by reducing contribution income overall – a danger that even other cabinet ministers, such as Health Secretary Andrew Lansley, have pointed out in leaked correspondence objecting to the Treasury's plans. Calling the proposals "unrealistic" and "inappropriate", he highlighted "the risk that lower paid staff in particular will simply opt-out, leaving HMT [HM Treasury] with reduced receipts in the short term while still having to pay for past pension promises." He warned that this "would create a significant fiscal pressure in the short to medium term and in respect of lower paid staff who opt-out would increase pressure on the social security budget in the longer term."
  In short, the plans would end up costing the government more, rather than less, while still leaving people in poverty after retirement.

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What do Labour voters think?

Polling has shown that Labour voters consistently and overwhelmingly oppose the government's plans. For example, a YouGov for the *Sunday Times* poll (18th June 2011) on the Hutton Report proposals showed that 64% of Labour voters opposed the changes and only 21% supported them, while the most recent poll (YouGov, 16th September) showed that **65% of Labour voters support public sector workers** taking strike action over the pensions changes, while less than a quarter would oppose it.

Unite represents 250,000 members across the public sector.

September 2011

What has the Labour Party said?

Labour frontbenchers have condemned the government's attitude to negotiations and called for it to offer a fair deal on pensions. Labour leader Ed Miliband, said that the ***"government has a responsibility to properly negotiate, they're not doing it and they've got to do it."***
(New Statesman, 22nd September 2011)

Shadow Chancellor Ed Balls said: ***"The unions have been saying all along they want proper talks to get to a fair deal.*** *The government pre-empted all of that by a huge rise in pension contributions last autumn….* ***unions can only get round the table and talk if the government wants a deal*** *and all the evidence is the government doesn't want a deal. They want the confrontation."*
(Newsnight, 14th September 2011)

Shadow Leader of the House of Commons, Hilary Benn said: ***"It takes two sides to negotiate and at the moment the truth is that the government is not seriously negotiating,*** *and they should stop condemning people and get round the table and sort this out."* Asked about industrial action, he added: *"If the government doesn't negotiate, then I for one would understand why people feel they have been given no alternative whatsoever … let's remember that the average public sector pension is only four thousand pounds a year, and for women it is a lot less than that." (Any Questions, 17th September 2011)*

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