Miller, M. R (1987) *The development of retirement pensions policy in Britain from 1945 to 1986 : A case of state and occupational welfare.* Doctor of Philosophy (PhD) thesis, University of Kent.

The Development of Retirement Pensions Policy in Britain from 1945 to 1986: A Case of State and Occupational Welfare

by Margaret R. Miller

Submitted February 1987 in partial fulfilment for a Ph.D. in Social Policy and Administration, Faculty of Social Sciences, University of Kent, Canterbury.

Acknowledgements

I would like to express many thanks to Vic George for all the time and effort he has put into supervising this thesis and the encouragement he has given me. Thanks are also due to Michael O'Higgins of the University of Bath who began supervising this thesis and especially to John Lambert of University College Cardiff who encouraged me to undertake postgraduate research. I would also like to thank Dr. Phillipa Bevan for permission to quote from her thesis and to Mrs. Titmuss' advisor for permission to quote from the Titmuss files held in the British Library of Political and Economic Science. Last but not least I would like to thank my parents Nora and Jack Miller for all their support throughout my education; Atul who gave me much moral support and all the friends who helped in many ways especially Glen and Ken. Finally, thanks are due to Ann who typed the final draft for me so well.

Abstract

This thesis is a study of state and occupational retirement pensions in Britain from 1945 to 1986. It looks at four main issues. Firstly it presents the data available on the occupational and state pensions systems of the period. Secondly it discusses how policy on retirement pensions evolved from 1945 and the role of governments, private capital, trade unions, public opinion and the poverty lobby in determining the content of this policy. The thesis also explores the relationship between the state and occupational pensions systems and how each has influenced the development of the other. Finally it discussed factors which seem to have influenced policy in order to help explain why policy on retirement pensions developed as it did and how the income inequalities of the retirement pensions system have been sustained.

TABLE OF CONTENTS

(Table of Contents contd.)

(Table of Contents contd.)

(Chapter Four contd.)

(Table of Contents contd.)

LIST OF TABLES

(List of Tables contd.)

(List of Tables contd.)

(List of Tables contd.)

(List of Tables contd.)

(List of Tables contd.) Page

(List of Tables contd.)

(List of Tables contd.)

Introduction

This thesis discusses the development of state and occupational retirement pensions between the years 1945 and 1986. Data on both occupational and state pensions will be presented, along with the details of the pensions policies of the various governments of the period. The development of pensions policy will then be explained by linking it to a theory of power and the state. The central theme is therefore to discuss and offer an explanation as to how and why retirement pensions in Britain developed as they did and the implication of these developments for the income levels of elderly people.

Chapter one discusses the research approach which is adopted in this thesis. It discusses factors which, it can be argued, have had an important influence on retirement pensions provision . Therefore, it provides a context to which the material in subsequent chapters can be related.

Subsequent chapters cover the development of pensions and pensions policy. Chapter two covers the period of 1942 to 1964. The third chapter discusses pensions under the Labour governments of 1964 to 1970 and the Conservative government of 1970 to 1974. Chapter four concerns the Labour government of 1974 to 1979, with specific reference to the Social Security Pensions Act of 1975. The most recent phase in pensions policy, the period of Conservative government from 1979 up until 1986, is dealt with in chapter five. Each of these chapters will contain data on both occupational and state pensions, along with a detailed discussion of how the various pensions policies of the period evolved and their implications for both existing and future pensioners. The material in each chapter is then related to the theory of power and the state that is set out in chapter one. The final chapter sets out the conclusions which emerge from the thesis.

Before moving on to the first chapter it is important to briefly note how this thesis relates to some other work which has been completed on the subject of retirement pensions in Britain. The first major point to note is that this thesis picks up the theme of the now famous paper by Titmuss, 'The Social Division of Welfare'.(1) In this paper, which was written in 1955, Titmuss stressed the importance of examining both occupational and fiscal welfare systems as well as the state welfare system. He argued that occupational and fiscal welfare could undermine state welfare and therefore that social administration should include the study of all three forms of provision. With specific reference to occupational provision, he pointed out the adverse effects of this form of welfare:

> "No doubt many of these forms of occupational social services express the desire for 'good human relations' in industry... But as they grow and multiply they come into conflict with the aims and unity of social policy; for in effect (whatever their aims may be) their whole tendency at present is to divide loyalties, to nourish privilege, and to narrow the conscience..." (2)

Despite Titmuss' argument, little attention was paid to welfare systems other than state welfare and with hindsight contemporary academics have recognised this omission. Donnison makes this point and argues that both research and teaching in social administation continued to focus on state provision.(3) Reddin has since written several articles on the occupational pensions system and its relation to state pensions since the 1975 Social Security Pensions Act,[(4)] and Groves has looked at the history of women and occupational pensions.[(5)] It is hoped that this thesis will also help to redress the balance and illustrate that the occupational and state pensions systems need to be considered together so that the ways in which each has influenced the other become apparent.

The second point is that since research for this thesis began, two important constributions to work in this field have been completed. Firstly there is Shragge's Ph.D thesis and subsequent book on pensions in Britain.[(6)] Whilst his work gives some attention to occupational provision, its focus is that of state pensions and unlike me, he uses an explicitly Marxist theory to analyse the development of pensions policy in Britain. So whilst there are parallels between his research and mine, there are also significant differences. The other more recent publication is that by Hannah on the development of occupational pensions in Britain.[(7)] This was published whilst my thesis was in its final stages. Any similarities between his work and mine are therefore coincidental.

The contribution of this thesis to the understanding of retirement pensions policy in Britain is intended to be four fold. Firstly, it brings together the mass of data on occupational pension provision. Secondly, it relates occupational to state provision in an effort to present a more complete picture of pension provision for the elderly. Thirdly, it sets out the details of decisions made on pensions by government, and the role of private capital, trade unions, the poverty lobby and the public in these decisions. Fourthly, it relates this material to the wider issue of the factors influencing social/ policy in capitalist societies and illustrates how discussion of a single issue such as pensions, when discussed over a lengthy period, can help to point to these factors.

The research method was that of collecting secondary data, some of which was archive material, but was mostly government reports and documents from political parties, trade unions and the poverty lobby, journal and newspaper articles and numerous books. The mass of information and data available in this field inevitably meant a great deal of judicious selectivity on my part but every attempt was made to present all major perspectives in the formulation of pensions policy throughout the period in question.

Notes and references

(1) R.M. Titmuss (1963) "The Social Division of Welfare: some reflections on the search for equity" in "Essays on the Welfare State", second edition, Allen and Unwin, London.

This was originally the sixth Eleanor Rathbone Memorial lecture, given at University of Birmingham in December 1955.

(2) Ibid.,p.52.

(3) D. Donnison (1979) "Social Policy since Titmuss", Journal of Social Policy, Vol.8, part 2, p.148.

(4) M. Reddin (1977) "National Insurance and private pensions" in K. Jones, M. Brown and S. Baldwin (eds) "The Yearbook of Social Policy in Britain 1976", Routledge and Kegan Paul, London.

M. Reddin (1980) "Taxation and Pensions" in C. Sandford, C. Pond and R. Walker (eds) "Taxation and Social Policy", Heinemann, London.

M. Reddin (1982a) "Occupational welfare and social division" in C. Jones and J. Stevenson (eds) "The Yearbook of Social Policy in Britain 1980/1981", Routledge and Kegan Paul, London.

M. Reddin (1982b) "The future of occupational pension provision in Britain:comments" in M. Fogarty (ed) "Retirement Policy: the next Fifty Years", Heinemann, London.

M. Reddin (1983) "Pensions, wealth and the extension of inequality" in F. Field (ed) "The Wealth Report - 2", Routledge and Kegan Paul, London.

(5) D. Groves (1983) "Members and Survivors: Women and retirement pensions legislation" in J. Lewis (ed) "Women's welfare, women's rights", Croom Helm, London.

(6) E. Shragge (1982) "The Development of State Retirement Pensions in Britain 1940-1975", Ph.D thesis, University of Kent, January 1982.

E. Shragge (1984) "Pensions policy in Britain: A socialist analysis", Routledge and Kegan Paul, London.

(7) L. Hannah (1986) "Inventing Retirement: the development of occupational pensions in Britain", Cambridge University Press, London.

Chapter One

A RESEARCH APPROACH TO THE STUDY OF RETIREMENT PENSIONS POLICY IN BRITAIN FROM 1945 TO 1986

Retirement pensions are a major social service. Currently, £20 billion is spent on the provision of retirement pensions per year in Britain and yet relatively little research has been carried out on the development of policy on the issue. It is hoped that this thesis will help to rectify this.

The approach to retirement pensions policy which is taken is this thesis is one which essentially argues that private captial tends to have most power to influence social policies which have economic implications. Therefore, because policy on retirement pensions has economic implications than private capital has an interest in influencing pensions reform so that any policy changes fit with its needs. It can be argued that private capital's power to do this rests on several factors.

Firstly, private capital is able to ensure that the labour market inequalities which are produced by a capitalist economic system, are reflected to some degree in the social security system, including retirement pensions. It is able to do this because it owns the industrial and financial capital on which the economy is based. The social security system cannot provide a higher source of income than people could secure on the labour market because this would reduce their incentive to work. Secondly the existence of private capital gives rise to an alternative pensions system to that provided by the state. This consists of occupational pensions and private insurance pensions. Thirdly, the development of occupational pensions produces an important source of finance capital in the form of pension fund assets. These three issues are inter-related but will be discussed in turn. They are important because they illustrate the power of private capital which is not necessarily apparent from a study of decision making on pensions in isolation.

Retirement pensions and the labour market

Labour market inequalities are most clearly reflected in occupational rather than state pensions because an occupational pension largely mirrors an individual's position in the labour market. Access to occupational pensions is biased towards non-manual workers rather than manual workers and towards men rather than women. Access depends on position in the labour market. Those who have no access to the labour market or only limited access, have no access to occupational pension schemes either. There is also division between those with access to occupational pensions schemes because a person's status and wage in work is closely reflected in their occupational pension. There is no room for vertical redistribution of income in the occupational pensions system.

Whilst state pensions have the potential to be more redistributive towards poorer groups because state provision is not <u>directly</u> linked to the labour market, the labour market still limits this redistribution. State pensions which are earnings related, require contributions or are low flat rate pensions requiring supplementation from means tested benefits, are all examples of how the work ethic is embodied in state pensions. Thus Phillipson argues that the ethics of capitalism conflict with social needs:

> "... the logic of capitalism as a productive and social system is irreconcilable with meeting the needs of elderly people"[1]

And Walker has summarised the principle on which retirement pensions are based as being:

> "... unto every one that hath shall be given"[2]

The extent to which state pensions are redistributive towards lower income groups, depends on the power and commitment of the government, trade unions, the poverty lobby and public support, not only to push for radical pensions policies but to undermine the power of private capital in the economy, so relieving the government of economic pressure to support private capital's interests. The degree to which private capital's position in the economy is undermined, determines the scope for redistributive pensions policies and indeed redistribution of income and wealth per se.

The second way in which private capital has power over pensions policy is the very fact that it produces an alternative pensions system to state provision. This has clear implications for state pension policy because it divides the population into those dependent on state pensions and those who have access to an alternative. Those with occupational and/or personal private insurance pensions tend to be wealthier with more power to influence the government. Occupational and private insurance pensions similarly divide the trade union movement into those with access to them and those left dependent solely on state provision.

An important point about occupational pensions is that the individual has little say in whether he or she belongs to a scheme. Most employees are obliged to join if it is provided by their employer. As Wedderburn comments:

> "Only in a minority of cases does the worker have any choice about whether or not he belongs to such a scheme and in even fewer cases does he have much influence upon the nature and kind of benefits offered by it."(3)

So whilst the decision to join an occupational pension scheme is not made by the individual, it is likely to affect his or her attitude towards state pensions and how generous they should be and so decrease support for improvements in the state pensions system.

At this point, it seems important to set out the various reasons for the development of occupational pensions and therefore illustrate that whilst the government and trade unions have had some influence on this development, they remain first and foremost a product of the economic structure. Four main economic factors have encouraged occupational pension development in this country: full employment, demand for more efficient labour, change in the occupational structure and a rise in wage levels.

Full employment in the 1950's and 1960's is most often mentioned as the main reason for the development of these schemes. Occupational pensions were a means to attract and retain workers in a period when demand for labour was high.[4] This view is clearly illustrated by the following comment in a government report on the employment of older workers in 1953:

> "The development of these schemes has been accelerated no doubt because it is in the interests of employers, in the competitive conditions of full employment, to give their workers a special inducement to enter and remain in their service ..."[5]

Hawkesworth is more specific and argues that occupational pensions were usually introduced into occupations where the training costs were high. Full employment did not mean that all types of workers were in short supply.[6] However, employers did not only introduce occupational pensions because of their value in attracting and retaining labour but also because they were a means to shed inefficient labour. Thus the Phillips report of 1954 on the provision for old age, argued that these pensions gave the employer a means of increasing the efficiency of the workforce. It gave employers:

> "...greater freedom in retiring those employees who are no longer regarded as efficient as a result of increasing age or ill-health."[7]

Rhodes mentions that occupational pensions were introduced in the railway industry as far back as 1908 in order to improve efficiency.[8]

Changes in the occupational structure leading to the growth of non manual work at the expense of manual work is also seen as an important factor. Gould has argued that the growth of occupational pensions is related to the growth of what he calls the salaried middle class. This class is able to gain more access to occupational pension membership than the working class by virtue of its more privileged position in the labour market.[9]

The fourth economic factor is the rise in real wage levels which have occurred since 1945. This is important both in the sense that people become dissatisfied with a low level of state pension and also that they are able to afford contributions to occupational pension schemes. Thus Fraser states:

> "The growing affluence of the majority has left Beveridge's concern for mere subsistence way behind."[10]

Reid and Robertson also agree that higher wage levels are an important factor. They argue that it is only when a certain level of wage is reached that fringe benefits will be negotiated.[11]

These four economic factors were given added strength by the fact that they were used by the insurance industry to promote its own interests. Therefore a fifth factor in the development of occupational pensions schemes was that by the 1950's specialisations developed within the insurance industry aimed at selling pensions to employers.[12]

Clayton notes the rapid development of group pensions plans from 1931, which was then a relatively new type of insurance.(13)

Government policies have been responsible for four further factors in the development of occupational pensions: tax concessions, low levels of state pension, nationalisation policy and also pay policy. And so in the words of Hindess, it needs to be acknowledged that government policies also helped to encourage the growth of private pensions which:

> "... do not merely rise from affluence but are the consequence of government policies."(14)

The government policy which is directly aimed at encouraging occupational pensions has been the system of tax concessions for both employer and employee on contributions to occupational pension schemes and the exemption of pension funds from taxation on interest, dividends or capital gains. These concessions were retained throughout the period in question(15) and form part of what Titmuss referred to as the fiscal welfare system.(16)

Governments also encouraged occupational pensions, intentionally or otherwise, by the provision of low levels of state pension. The low levels of state national insurance retirement pension since its introduction in 1946, meant that many elderly people throughout the period 1946 to 1986, had to rely on means tested benefits in order to supplement their pensions. In the words of the British Institute of Management in 1974:

> "The U.K. has probably the most developed private pension schemes in the E.E.C., mainly as a result of the low levels of state benefits and employer social security contributions." (17)

Clayton too refers to the link between low levels of state pensions and the development of occupational provision, particularly in times of rising affluence. Writing in 1971, he argued that:

> "Increasing affluence during the years of full employment has made people less tolerant of the prospect of relative poverty in old age and less willing to rely on the minimum benefits provided by the welfare state"[18]

A third government policy which extended occupational pension coverage was the nationalisation programme of the Labour government in 1945-1950. This was not of course directed at increasing occupational pensions, but it nevertheless had that effect. Many of these newly nationalised industries had previously had occupational pensions for some workers and on nationalisation these rights were extended. The resulting increase in public sector occupational pension coverage spurred the private sector to follow suit as the two employment sectors were in competition for labour.[19]

Government policies of wage restraint also indirectly encouraged occupational pension coverage. Hawkesworth has correlated a link between periods of income policy and an increase in fringe benefit provision including pensions. He argues that in 1966, 1973 and 1974, all periods of statutory wage control, disputes regarding fringe benefits increased.[20] Minns[21] and Paish and Peacock[22], also support this argument. In fact Paish and Peacock, writing in 1954 argued that trade unions had just started to bargain for pensions at that time because of wage restraint. Basically the argument is that such government policies encouraged or forced trade unions to negotiate for occupational pensions when they would have preferred wage rises.

How far the trade unions were a further factor in the development of occupational pensions is disputed. On the one hand the Watkinson report of 1953 argued that employee pressure was often responsible for the development:

> "The initiative often comes from the employees themselves and schemes are usually welcomed by them"(23)

On the other hand it is argued that it was employers who were mainly responsible and so Wedderburn and Craig argue:

> "The extension of occupational pensions and sick pay schemes... have come, in the main, not because of pressure from trade unions, but as a result of employer initiative."(24)

Indeed, in 1972, Chester criticised the reluctance of manual workers to bargain for occupational pensions.(25). Perhaps the disagreement is partly explained by the fact that the trade union movement never spoke with one voice on this issue: manual workers have been less likely to press for occupational pensions than non manual workers. Reid and Robertson argue that up until 1965, there had generally been little pressure from trade unions for these pensions because they preferred to lobby for an improved state pensions system.(26) They mention that employers sometimes introduced occupational pensions despite trade union opposition.(27) From her research on fringe benefits, Bevan argues that even by the late 1960's there was little support in the trade union movement for occupational pensions:

"... many trade unionists were still wary of the schemes provided by employers even when they were negotiated."(28)

The development of occupational pensions varied throughout the period 1942 to 1986 and so did the particular factors responsible for the development. This will be discussed in the chapters that follow. However, it is possible to reach the general conclusion that the main reasons for the development of occupational pensions were economic: changes in the labour market and employer pressure for the introduction of these schemes. Government tax concessions were partly responsible as were less directly but no less significantly, the low levels of state pension throughout the period. Trade unions had very little involvement with the development until the late 1960's and even then were divided on the issue.

Finance capital and occupational pensions

As mentioned earlier the third factor which gives private capital influence on pensions policy is the finance capital which this occupational pensions system creates. Whilst some occupational pensions are non-contributory and a few are even run on a pay as you go basis so that today's employees pay for today's pensioners, the vast majority are funded. Therefore in most occupational pension schemes contributions are paid by employer and employees and invested in a pension fund.

There are three ways in which occupational pension schemes can be funded. Firstly an employer can take out a group pensions scheme from an insurance company. In effect this means that the employer takes out insurance from the insurance company to guarantee the payment of pensions in the future.

Only a few occupational pensions are funded in this way and it is usually only the small employer who would opt for this method. However, as Coakley and Harris argue, these group schemes are important to the insurance companies as they account for one third of their business.[29] A second type of funding is that the employer and employees contribute to a fund which is self managed by the firm with advice from insurance companies and banks.[30] However, the third and most popular way is that the pensions fund is managed by merchant banks, clearing banks, stockbrokers or insurance companies. These agents charge the employer fees for managing the scheme.

The pension funds are invested in government securities (gilts) and company shares (equity) and in property. The profit gained from these investments is used to pay out occupational pensions when employees retire. An important aspect of funded occupational pensions is the immense financial capital that they have accumulated. As Reddin points out:

> "... funded pension schemes are not <u>just</u> pensions schemes. They hold massive sums of capital and play an increasingly significant investment role in industry, property and not least, as major lenders to government."[31]

The assets of pension funds were valued at £100 billion in 1984, so that they now own nearly 30 per cent of all company shares on the stock market.[32] Employees have little say in how these funds are invested.[33]

In addition to this economic power, occupational pensions have also created an interest group which benefits quite substantially from their operation. Thus Dumbleton and Shutt comment:

"The pensions industry provides the opportunity for stockbrokers, merchant banks, estate agents and investment advisors to make a very reasonable living."(34)

The management of pension funds also provides banks with the power and opportunity to finance some of their other activities as Minns discovered in his study of the share holdings of pension funds.(35)

The importance of occupational pensions is therefore not only that they provide an alternative welfare system to state provision but also the fact that the majority of occupational pension schemes lead to the build up of pension funds. The investment and management of these funds links them with the rest of finance capital and they form an important source of investment in the economy and a source of income for the government to borrow. Those with vested interests in occupational pensions would of course benefit from government policy on pensions that did not undermine the position of occupational pensions. The fact that occupational pensions funds are important to the economy would suggest that this gives occupational pensions interests, an important level of power in government negotiations on pensions policy, unless a government is prepared to nationalise this part of finance capital. Reddin summarises this issue:

"The funds can make a major contribution to the retirement incomes of substantial numbers of citizens; they simultaneously lend to government and industry; their potential behaviour in this latter role undoubtedly affects governments' willingness to affect the climate in which they operate."(36)

Therefore private capital in the form of employers and the pensions industry, has a clear interest in trying to resist government policy for a state pensions system which is generous and financed by vertical redistribution. The potential power of private capital to resist such policy is clear and has been illustrated above. However, the extent to which private capital is able to exploit its powerful position depends on how far government is committed to introducing economic reforms which will undermine the power of private capital. It also depends on the power of the trade union movement and how far it is united in support of such a radical policy and on public opinion on the issue, including public support for the poverty lobby.

Methodology

The aim of this thesis is to look at how particular decisions on retirement pensions policy in Britain came to be taken by various governments in the 1945 to 1986 period and the effects of the policies introduced on the incomes of the elderly.

The research method is that of looking at the pensions policies which were debated and those which were introduced. The role of private capital in influencing these decisions is assessed by looking at the role of employers organisations such as the Confederation of British Industry and the role of the pensions industry, represented by groups such as the Life Offices Association which promotes the interests of occupational pension schemes organised by insurance companies, and the National Association of Pension Funds which promotes the interest of schemes administered by employers. The role of trade unions will be discussed by mainly looking at the role of the TUC and its influence on decisions taken and to a lesser extent the role of individual trade unions. The influence of public opinion will be assessed by government response to public opinion and any public opinion polls on the issue. The role of the poverty lobby will be illustrated from the role of groups such as Age Concern which campaign on behalf of pensioners and also groups such as the National Federation of Old Age Pensioners Associations which are organised by pensioners themselves.

However, the relative power of the government, private capital, trade unions, public opinion and the poverty lobby is not only assessed by looking at their overt role in the decisions taken but also from the effects of the reforms that were introduced. Data on both state and occupational pensions is therefore presented and discussed. The levels of state pension and the number of elderly people dependent on means tested benefits will be set out. Data on occupational pensions will illustrate both the proportion of existing pensioners with occupational pensions and the proportion of the workforce covered by these schemes. The inequalities in coverage of occupational pensions between non-manual and manual workers, private and public sector workers and male and female workers will be illustrated. The reasons for the development of occupational pensions in the period covered by each chapter will also be discussed to assess how far the development was a result of economic factors or other factors. An assessment will also be made on how far the occupational pensions sector has influenced state pensions policies.

Having discussed the debates, developments and implications of pensions policy, each chapter concludes by mentioning the factors which seem to have had nost influence on the pension policies introduced . This will help to illustrate why pensions policy evolved as it did. Issues such as how far private capital was able to dominate policy and similarly how far government, trade unions, public opinion and the poverty lobby were influencial will be discussed. The degree to which government was able to override private capital's interests is important as is whether private capital itself was united on the issue. Another important issue which will be discussed is how far Labour government policies on pensions differed from those of Conservative governments.

Therefore, whilst much attention is paid to what has been termed the "micro" level of policy making- how policy was discussed and the influence of various groups, a narrow view of the factors influencing policy is avoided because the material is related to broader, structural factors.

This method of studying retirement pensions policy is clearly just one possible approach among many. However, this approach was chosen because it seems to most accurately reflect the factors responsible for the development of social policies which have clear economic implications.

Notes and references

(1) C. Phillipson(1982) "Capitalism and the Construction of Old Age", Macmillan, London, p.3

(2) A. Walker (1980) "The Social Creation of Poverty and Dependence in Old Age ", Journal of Social Policy, Vol. 9, part1, p.59

(3) D. Cole Wedderburn (1965) "Financial Provision for the Aged", in J. Farndale (ed) "Trends in Social Welfare" Pergamon Press, Oxford, p.129

(4) V. George (1968) "Social Security: Beveridge and after", Routledge and Kegan Paul, London, p.166

F. Paish and A. Peacock (1954) "The Economics of Pension Funds", Lloyds Bank Review, October 1954, p.15

HMSO (1954a) "The Economic and Financial problems of the Provision for Old Age", Cmnd. 9333, (The Phillips Report), HMSO, London, p.58, para 217

(5) HMSO (1953) "Report of the National Advisory Committee on the employment of older men and women", cmnd. 8963, (The Watkinson report), HMSO London, pp.32-33, para.98.

(6) R.J. Hawkesworth (1977) "Fringe Benefits in British Industry" British Journal of Industrial Relations, Vo. XV, No.3, p.401.
The study he mentions is a British Institute of Management report of 1975.

(7) HMSO (1954b) op. cit., p.58.

(8) G. Rhodes (1965) "Public Sector Pensions", George, Allen and Unwin, London, p.42.

(9) A. Gould (1981) "The Salaried Middle Class in the Corporatist Welfare State", Policy and Politics, Vol.9, No.4, p.406.

(10) D. Fraser (1975) "The Evolution of the British Welfare State", Macmillan, London, p.228.

(11) G. Reid and D. Robertson (1965) "Fringe Benefits, Labour Costs and Social Security", George Allen and Unwin, London, p.31.

(12) Economist Intelligence Unit (1977) "Pension Funds in the U.K.", E.I.U. special report No.43, London, p.9.

(13) G. Clayton (1971) "British Insurance" Elek Books, London, p.230.

(14) B. Hindess (1983) "Debating the Future of Socialism". New Statesman, Vol.106, 5th August 1983, p.13.

(15) R. Ellison (1979) "Private and Occupational Pension Schemes: Volume 1" Oyex Publishing, London, p.9.
Midland Bank (1957) "The History of retirement pensions: the background of new proposals", Midland Bank Review, August 1957, p.6.

(16) Titmuss (1963) op. cit. p.45.

(17) British Institute of Management (1974) "Employee Benefits Today", B.I.M., London, p.45.

(18) Clayton (1971) op. cit., p.230.

(19) Economist Intelligence Unit (1977) op. cit., p.7.

(20) Hawkesworth (1977) op. cit., pp.401-402.

(21) R. Minns (1982) "Take over the City: The case for public ownership of financial institutions", Pluto Press, London, p.11.

(22) Paish and Peacock (1954) op. cit., p.15.

(23) HMSO (1953) op. cit., pp.32-33, para.98.

(24) D. Wedderburn and C. Craig (1974) "Relative Deprivation in Work" in D. Wedderburn (ed) "Poverty, Equality and Class Structure", Cambridge University Press, London, p.154.

(25) T.E. Chester (1972) "Private Pensions or State Benefits?" National Westminster Bank Quarterly Review, August 1972, p.39.

(26) Reid and Robertson (1965) op. cit., p.30.

(27) Ibid., p.33.

(28) P. Bevan (1979) "The Growth of Fringe Benefit Provision: causes and consequences for social inequality and social integration", University of Oxford, Nuffield College, Ph.D. thesis, p.267 (unpublished).

(29) J. Coakley and L. Harris (1983) "The City of Capital" Basil Blackwell, Oxford, p.93.

(30) Minns (1982) op. cit.

(31) M. Reddin (1980) "Taxation and Pensions" in C. Sandford, C. Pond and A. Walker "Taxation and Social Policy", Heinemann, London, p.116.

(32) G. Locksley and R. Minns (1984) "Pension Power" Marxism Today, August 1984, p.30.

(33) Ibid., p.30 also.

(34) B. Dumbleton and J. Shutt (1979) "Pensions: the capitalist trap" New Statesman, Vol.98, 7th September 1979, p.335.

(35) R. Minns (1980) "Pension Funds and British Capitalism", Heinemann Educational Books, London, p.146.

(36) Reddin (1980) op. cit., p.117.

Chapter Two

THE DEVELOPMENT OF STATE AND OCCUPATIONAL RETIREMENT PENSIONS 1945 TO 1964

The aim of this chapter is to discuss the development of policy on state and occupational pensions during the period 1942-1964. The chapter is divided into four sections. The first section looks at the development of pensions policy and data on state pensions for the period of the two Labour governments of 1945 to 1950 and 1950 to 1951. It begins with the pensions policy proposed in the Beveridge report of 1942 because this approach was essentially adopted by the Labour government in 1946. The second section outlines the pensions policies of the three Conservative governments of 1951 to 1955, 1955 to 1959 and 1959 to 1964. It also includes data on state pensions at this time, along with the development of the Labour party's policy on pensions during this lengthy period when it was out of government. The third section covers the development of occupational pensions between 1936 and 1963. The fourth and final section relates the pensions developments of 1945 to 1964 to the theory of power and the state which was chosen in chapter one.

SECTION ONE: POLICY ON STATE AND OCCUPATIONAL PENSIONS IN THE BEVERIDGE REPORT OF 1942 AND THROUGHOUT THE LABOUR GOVERNMENTS OF 1945 TO 1951

By the early 1940's existing income provision for the elderly came to be generally regarded as inadequate. It consisted of both very low non-contributory pensions paid to the poorest sections of the elderly population as a result of the 1908 Old Age Pensions Act and contributory pensions for manual workers introduced by the Widows', Orphans' and Old Age Contributory Pensions Act of 1925. Both of these pensions were supplemented initially by locally administered poor relief which was replaced in 1940 by means tested additions paid out on a national basis by the Assistance Board.

Beveridge and state and occupational pensions

The Beveridge report, "Social Insurance and Allied Services", included important recommendations for the reform of this inadequate financial provision for the elderly. It argued that the state should provide a retirement pension essentially financed by flat rate contributions paid by employees and employers, with only 20 per cent of the pension financed from general taxation.(1) The idea of paying for old age pensions wholly through taxation was put to the Beveridge committee by the Political and Economic Planning group, and the Fabian Society.(2) However, this idea was not seriously considered by the Beveridge committee.(3) Lynes argues that whilst Beveridge acknowledged that part of the pensions scheme should be paid for out of general taxation, he considered that a wholly tax financed scheme was more likely to lead to low pension levels which would increase the need for means tested supplements.(4)

A second important element of Beveridge's proposal was that pensions and contributions should be of a flat rate level. He argued that this flat rate level should be high enough to cover for subsistence needs once the twenty year contribution period necessary for receipt of a full pension had elapsed. Earnings related benefits were briefly considered as an option but Beveridge only envisaged them as a form of transitional pension, graduated according to the contributions paid and the Treasury refused to consider the idea on financial and administrative grounds.(5)

A third vital element of Beveridge's pension proposals was that whilst this state flat rate pension should provide the elderly with a subsistence level minimum pension which would prevent most pensioners from having to claim means tested supplements, the state pension should also be low enough to foster individual responsibility. Therefore, Beveridge argued that it was not the responsibility of the state to provide more than this minimum pension level but that each individual could supplement this with private and occupational pensions. The report argued that:

> "direct encouragement of voluntary insurance, of saving to meet abnormal needs or to maintain standards of comfort above the subsistence level is an essential part of the Plan for Social Security proposed in this report."(6)

It is in fact debatable whether Beveridge assumed that occupational pension provision could be classed as voluntary provision. Strictly speaking individuals have little choice in whether they belong to occupational pensions and in this sense they are not part of voluntary provision. Beveridge made little specific reference to occupational pensions, but the comments he did make were included in his report under the section on voluntary insurance.(7)

His brief comments on occupational pensions merely stated that he recognised the importance of occupational pensions and estimated that they accounted for approximately ten per cent of pensioners incomes.(8) Whilst recognising the importance of the schemes, he argued that government should not interfere with this occupational provision. It should ensure that the development of state pensions was gradual to allow for further growth of both voluntary and occupational pension provision. A gradual development of state provision would:

> "give time for any necessary rearrangement of the occupational pension and voluntary schemes."(9)

The Political and Economic Planning group did suggest to the Beveridge committee that the state should become more involved in the development of occupational pensions and proposed that the government should draw up a standard model of occupational pension scheme. The government should supervise them and ensure joint administration of the schemes by both employee and employer and that a transfer of pension rights was possible on change of employment.(10) Beveridge did not take up any of these suggestions.

Whilst Beveridge was opposed to government regulation of occupational pensions, he supported government regulation of insurance for funeral expenses, death and endowment which were provided by the industrial assurance companies and the friendly societies. He argued that the government should take over some of the work of these bodies because the proportion of premiums being used to pay for administrative costs was too high and too few insurance policies ever matured because people could not keep up the payments.[11] This argument for state regulation stands in stark contrast to his view that occupational pensions should be unfettered by government controls. Indeed the amount of attention he gave to the role of friendly societies and industrial assurance companies and trade unions as vehicles for supplementing state pensions, far outweighed the attention he gave to occupational pensions as supplements to state pensions. Walley has commented on this imbalance in the Beveridge report and so he argues that Beveridge has:

> "remarkably little to say about occupational pensions or employers' sick pay arrangements but devotes an amount of attention worthy of Lloyd George to friendly societies and trade unions as agencies for supplementing state benefits."[12]

So Beveridge's pension proposals were that of flat rate contributions for a flat rate pension to cover subsistence needs and supplemented by voluntary or occupational provision which would be unregulated by the state.

<u>The Labour governments of 1945 to 1951: policy on state pensions</u>

The Labour party was much involved in campaigning for the introduction of many of the recommendations of the Beveridge report in the war time coalition government and in the formulation of the subsequent white paper on social insurance of 1944.[13]

With its landslide victory in the 1945 General Election, the Labour party was elected to government with a larger majority than it had ever achieved before or since. The new Labour government adhered to Beveridge's proposals for a flat rate contribution and benefit system for pensions, with little debate on any alternatives to this kind of policy. The idea of earnings related rather than flat rate contributions was raised by the Minister of National Insurance, James Griffiths at the annual Labour party conference in 1946.[14] This idea was also suggested by a Labour Member of Parliament in 1946:

> "I suggest to the Minister that a far better system would be to introduce contributions on the basis of a percentage of the total income which might be earned; - about 4-5 per cent."[15]

Some constituency Labour parties had argued in 1942, that the idea of flat rate contributions was regressive, but there had not been enough pressure to change the Labour party's policy.[16] By 1950 there was debate on whether benefits should remain flat rate and so the idea of earnings related pensions was discussed but rejected on the grounds that it would promote income inequality amongst elderly people.[17]

Flat rate contributions for flat rate pensions were introduced by the National Insurance Act of 1946 and this system of state pensions was retained throughout this period of Labour government. The policy clearly reflected Beveridge's proposals although two important changes were made to his plan. The first change was that the level of the flat rate national insurance retirement pension was fixed at a lower rate than the level Beveridge had proposed. The other change was that full pension rates were paid out after only ten years of contribution, instead of twenty as recommended in the Beveridge report. The contributions that some people had paid to the previous state pension scheme would count towards the necessary ten year period.

With regard to the first change, Kincaid argues that national insurance pensions should have been set at £1.70 a week in 1948 for a single person in order to reflect Beveridge's proposed benefit level.(18) However, the rate that was set was just £1.20 a week. Beveridge's proposed level was itself below the relative level proposed by Rowntree in 1936.(19) Thus as Wedderburn has argued, the Labour government failed to introduce a subsistence level of benefit and thus:

> "The subsistence level was abandoned <u>de facto</u> at the outset."(20)

Table 2.1 below, illustrates the low level of the state retirement between 1948 and 1951 both in relation to the basic rate of national assistance and in relation to the average male manual worker's gross wage. The failure to uprate the level of national insurance pension between 1948 and 1950 meant that it declined in value from 19.1 per cent of these earnings in 1948 to 17.6 per cent by 1950 and the increase just before the general election of 1951 only raised this percentage to 18.2 per cent. National Assistance was introduced in 1948 as the new means tested benefit system to supplement those with income below subsistence level. The table shows that the national insurance pension level was in fact below that of the national assistance level because housing costs were paid on top of the basic national assistance level which is set out in the table.

Table 2.1

The rate of state retirement pension for a single pensioner compared with the national assistance level and related to the gross average earnings for full time male manual workers 1948 to 1951

Date	National insurance retirement pension		National assistance	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding housing costs	as a percentage of average gross male manual workers earnings
July 1948	1.30	19.1	1.20	17.6
June 1950*	1.30	17.6	1.30	17.6
Sept 1951	1.50	18.2	1.50	18.2

* there was no increase in national insurance in 1950.

Source: Department of Health and Social Security (1986) "Social Security Statistics, 1985" Tables 46.09 and 46.10, pp. 250-251.

It has been estimated that in 1946, 1.47 million elderly people were claiming means tested supplementary pensions.[21] As table 2.2 below illustrates, the introduction of the national insurance pension did reduce this number so that by 1948 only 0.55 million elderly people were claiming the new means tested national assistance benefit and most of these additions were to supplement the state national insurance retirement pension rather than payments instead of it.

Table 2.2

The numbers of people over retirement age receiving state retirement pension and the number receiving national assistance in Great Britain, 1948 to 1951

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions)	Number of people over retirement age receiving national assistance	Number of people over retirement age receiving national assistance as a supplement to national insurance retirement pension
July 1948	-	550	432
Dec. 1948	-	638	495
Dec. 1949	-	719	558
Dec. 1950	3858	852	677
Dec. 1951	4146	969	767

Sources: HMSO (1965) "Report of the National Assistance Board year ending December 1964", Cmnd. 2674, HMSO, London, Appendix III, p.63.

V. George (1967) "Social Security: Beveridge and After", Routledge and Kegan Paul, London, p.165, Table 45- (taken from the Annual reports of the Ministry of Pensions and National Insurance).

Government figures reveal that 22 per cent of those on national insurance retirement pension in 1951, in the U.K. were receiving national assistance as well.(22) At the time, the new image and administration of means tested benefits, which had been introduced by the National Assistance Act 1948, was considered to solve any existing problem of non take-up of means tested benefits. Indeed Deacon has argued that the popularity of the means tested supplementary pensions paid out during the Second World War by the Assistance Board and the subsequent change from a household to a personal means test, helps to explain why the Labour governments 1945-51 were content to let so many people become dependent on means tested national assistance benefits.(23) The need for many elderly people to claim national assistance in order to bring their incomes up to subsistence level, was not seen as a problem at the time. This complacent view of state provision was reflected and re-inforced by Rowntree's study of poverty in York in 1950 which concluded that poverty had declined substantially and that a great deal of this decline was due to the reorganisation of the social security system.(24) However, recent re-analysis of data from Rowntree's study has revealed that at least 12.4 per cent of the people included in his study were living below national assistance levels and most of the people eligible, but not claiming national assistance were in fact elderly people.(25)

The Labour government's decision to introduce national insurance benefits of such a low level therefore led to many elderly people claiming national assistance and a significant number failing to claim it and so living below the official poverty line. It is clear that Beveridge's ideal that the introduction of national insurance would mean that only a small and declining number of people would need to claim means tested benefits was not fulfilled by Labour government policy. Yet Beveridge's ideal itself was unrealistic in that even his proposed level of national insurance benefits did not cover power of private capital should not be under-estimated, neither should it be over-estimated and thus the power of government under-rated.

As far as the relative power of the trade unions is concerned, it is clear that their power is heavily dependent on their position in the economy at any one time. If there is full employment and labour is therefore a scarce commodity, then trade unions will have significant power if they are organised so that they can withdraw their labour if their demands are not met. However, when unemployment is high, then trade unions no longer have this power. It is much easier for the employer to attract new labour.

The other factor determining trade union power is whether the various sections of the movement are united or divided on an issue. Divisions of interest within the trade union movement have become more apparent since the 1960's with the growing affluence of more skilled workers at the expense of unskilled workers. The growth of white collar work has also contributed to this division of interest. However, when trade unions are united and in a situation of full employment, then important reforms can be won.

In this sense the Marxist view that welfare reforms fit with the needs of capital, can be disputed. They can just as easily be viewed as concessions gained from private capital. Titmuss argued that welfare such as the national health service, is significant because some of the principles on which it is based challenge the dominant value system.(77) Whilst welfare reforms may have many shortcomings, and whilst a capitalist economic system can co-exist with them, this does not mean that they necessarily benefit capitalism.

Thus the Labour government introduced a low flat rate state national insurance retirement pension, financed by flat rate contributions. The inequality of the wage structure meant that contributions had to be low enough for the lowest paid to afford them. With only a small element of the cost of the pension financed from general taxation, this low level of flat rate contribution inevitably led to low levels of pension. Many elderly people still needed to claim means tested benefits. Whilst the new state pension scheme increased the incomes of the elderly it was by no means a radical reform. The Labour government was content to use Beveridge's proposals as the framework for the new state pensions system and there was little debate on alternatives to this.

The Labour governments of 1945 to 1951: policy on occupational pensions

As will be discussed in section three of this chapter, it is likely that some of the growth of occupational pension schemes between 1936 and 1953/4, did occur during the 1945-1951 period of Labour government even though it had no explicit policy to either encourage or discourage occupational pensions despite awareness at the time of their growing importance.(28) However, two of its financial policies did have implications for the growth of the occupational pensions sector: its failure to nationalise the insurance companies and its acceptance of the tax concessions available to these pension schemes.

The Labour party had been committed to nationalising insurance companies since 1931 when the Cohen committee investigated the issue.(29) Whilst this policy did not appear in the Labour party's general election manifesto for 1945, it was mentioned as part of Labour's programmes in that year.(30) By 1948, one Labour M.P., Ian Mikardo criticised the Labour government's failure to take action on the issue. He argued that it was important that voluntary insurance, which people could use to supplement their national insurance benefits, was available at as low a cost as possible. Nationalisation of insurance companies would reduce this cost. He also argued that it would curb the overlapping and overselling of insurance as well as removing the financial power of the insurance companies.(31)

In 1949, both James Griffiths, the Minister for National Insurance and Aneurin Bevan, The Minister for Health, asked the National Executive of the Labour party to support the nationalisation of insurance companies.(32) This was opposed by some members of the National Executive Committee on the grounds that it was politically dangerous to make enemies of the insurance companies who could launch powerful propaganda campaigns against the Labour government. It was also argued that nationalisation would undermine British insurance business abroad, particularly in the United States and so it would effect the dollar reserves and hence the national economy.(33)

At a further National Executive Committee meeting on the issue, there was opposition from the Co-operative society which argued that nationalisation would mean that the Co-operative Insurance Society would cease to exist. This opposition was used by Stafford Cripps, the Chancellor of the Exchequer and by Herbert Morrison, Lord President, to strengthen the case against nationalisation.(34) The eventual outcome of the debate was that nationalisation was rejected but mutualisation of the insurance companies was accepted. This was a compromise which meant that the Labour government argued for a certain proportion of insurance funds to be made to invest in government securities and that the policy holders themselves should own the companies so improving the value of their insurance policies. This was set out in the Labour party's General Election manifesto of 1950:

> "The Labour Party, believing that the interests of policy holders should be paramount therefore proposes that the Proprietary Companies should be taken out of the realm of private profit and mutually owned by the policy holders themselves instead of by private share holders."(35)

However, even this less radical attempt at undermining the insurance companies led to intense campaigning by the insurance industry. As Sked and Cook point out:

> "... agents were mobilised by insurance companies- which set up 400 anti-nationalisation committees up and down the country- and used as doorstop canvassers against the Government's programme."(36)

O'Morgan argues that mutualisation of the insurance companies had little support from the public either. It was a complex policy and the public could not clearly see what they would gain from it.[37] By the 1951 General Election there was no mention of the proposal in the Labour party's manifesto. Whilst the policy did appear in the Labour party's pamphlet, "Challenge to Britain" in 1953,[38] Clayton argues that this statement was merely "lip service" to an idea that had been "quietly dropped".[39]

The implications of Labour's failure to nationalise the insurance companies has been aptly summarised by Marwick as being the most important reason why inequalities in welfare persisted:

> "... despite earlier Labour sentiments on the subject, private insurance outside the state system was left untrammelled - perhaps one of the largest single reasons why the classless welfare state failed to materialise." (40)

The involvement of insurance companies with the occupational pensions system was discussed in chapter one. It is clear that if the Labour government had nationalised the insurance industry it would have undermined the development of occupational pension provision.

The other financial policy of the Labour government which affected the development of occupational pensions was its policy on tax concessions to these schemes. In 1947 it introduced legislation in the firm of a Finance Act, to restrict these concessions. This limited the amount of a lump sum occupational pension which could attract tax relief.(41) This legislation did indicate that the Labour government did not approve of some of the tax concessions available to occupational pensions but it left most of the existing tax concessions for these schemes intact and few occupational pension schemes would lose tax relief as a result of these changes. Indeed Pilch and Wood argue that rather than curb the development of occupational pensions, the 1947 Finance Act actually encouraged the development by re-affirming the tax concessions that were still available to employers should they decide to set up an occupational scheme:

> "Employers who had been nervous about introducing a scheme on the old basis, which looked too good to be true, were encouraged by the new rules to set up pension schemes for their key employees which would still enable quite substantial tax free capital benefits to be paid on their retirement."(42)

Firstly, private capital is able to ensure that the labour market inequalities which are produced by a capitalist economic system, are reflected to some degree in the social security system, including retirement pensions. It is able to do this because it owns the industrial and financial capital on which the economy is based. The social security system cannot provide a higher source of income than people could secure on the labour market because this would reduce their incentive to work. Secondly the existence of private capital gives rise to an alternative pensions system to that provided by the state. This consists of occupational pensions and private insurance pensions. Thirdly, the development of occupational pensions produces an important source of finance capital in the form of pension fund assets. These three issues are inter-related but will be discussed in turn. They are important because they illustrate the power of private capital which is not necessarily apparent from a study of decision making on pensions in isolation.

Retirement pensions and the labour market

Labour market inequalities are most clearly reflected in occupational rather than state pensions because an occupational pension largely mirrors an individual's position in the labour market. Access to occupational pensions is biased towards non-manual workers rather than manual workers and towards men rather than women, who have less powerful positions in the labour market. Those who have no access to the labour market or only limited access, have no access to occupational pension schemes either. There is also division between those with access to occupational pensions schemes because a person's

> "We should like to see the Social Security Scheme more widely supplemented by special pensions schemes run by firms or even industries."(44)

Similarly the Conservative party's manifesto for the General Election of 1950 stated that personal thrift should be encouraged in order to supplement social security provided by the state.[45] These were indications of the type of pensions policy to be adopted by the Conservative government on returning to office in 1951.

SECTION TWO: CONSERVATIVE GOVERNMENT AND LABOUR PARTY POLICY ON STATE AND OCCUPATIONAL PENSIONS 1951 TO 1964

This section discusses the pensions policy of the three Conservative governments of this period. It will deal firstly with pensions policy between 1951 and 1956 and secondly with the policy in the period 1956 to 1964. This will be followed by an account of changes in Labour party policy on pensions which were formulated in this long thirteen year period when it was the party of opposition rather than government.

Conservative government policy on state and occupational pensions 1951 to 1956

The cornerstone of Conservative policy throughout this five year period was to offer means tested assistance to those pensioners in need rather than improve the real level of retirement pensions. Poverty among the elderly was to be tackled through selective additions rather than through universal improvement of retirement pensions. Table 2.3 illustrates that neither the rate of national insurance nor the rate of national assistance increased in relation to the average gross earnings of male manual workers. By 1956, both these benefit levels were just 17.6 per cent of this earnings figure.

Table 2.3

The rate of state retirement pension for a single pensioner compared with the national assistance level and related to the gross average earnings of full time male manual workers 1952 to 1956

Date*	National insurance retirement pension		National assistance	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding housing costs	as a percentage of average gross male manual workers earnings
June 1952	1.625	18.3	1.75	20.1
Feb 1955	2.00	18.4	1.875	17.8
Jan 1956*	2.00	17.6	2.00	17.6

* The increase in national insurance level took place in September 1952 and April 1955. There was no increase in national insurance level in 1956.

Source: Department of Health and Social Security (1986) "Social Security Statistics 1985", HMSO London, pp.250-251, Tables 46.09 and 46.10.

Whilst the levels of national assistance did not increase, the number of elderly people claiming it to supplement national insurance retirement pensions rose from 856,000 in 1952 to 927,000 by 1956. Table 2.4 below illustrates this increase. In proportional terms too there was an increase: 22 per cent of those on national insurance retirement pension were also receiving national assistance payments in 1951 and by 1954 the corresponding proportion had risen to 27 per cent.[46] Therefore, the national assistance system was becoming increasingly important as a supplement to the low level of state national insurance pension. Subsequent research by Abel-Smith and Townsend, published in 1965, revealed that at least 7.8 per cent of the British population were living below national assistance levels in 1953/54. This amounted to four million people, half of whom were living in households where the head of the household was retired.[47] This indicates that there was a significant degree of non take-up of national assistance benefits even though people were eligible for them. The Conservative government's policy of using the national assistance system rather than the national insurance system to increase income levels among the retired made this non take-up of national assistance more of a problem.

As far as policy on occupational pensions in the 1951 to 1956 period was concerned, policy changes were introduced and three government reports were published that made several important recommendations on this issue. Firstly, the Watkinson committee had been set up in March 1952 to review the problem of the employment of older men and women. Its report in 1953 referred to the growth in occupational pension provision and the need for more comprehensive data on the issue.[48] Concern was also expressed that occupational pensions might undermine the employment of older workers.[49]

Table 2.4

The numbers of people over retirement age receiving state retirement pension and national assistance in Great Britain, 1952 to 1956

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions)	Number of people over retirement age receiving national assistance	Number of people over retirement age receiving national assistance as a supplement to national insurance retirement pension
Dec 1952	4184	1098	856
Dec 1953	4309	1194	938
Dec 1954	4435	1258	1001
Dec 1955	4548	1153	888
Dec 1956	4644	1189	927

Sources: HMSO (1965) "Report of the National Assistance Board year ending December 1964", Cmnd. 2674, HMSO London, Appendix III, p.63.
V. George (1967) "Social Security : Beveridge and After" Routledge and Kegan Paul, London, p.165, Table 45 (taken from annual reports of the Ministry of Pensions and National Insurance).

The second report was that of the Phillips committee which had been set up in 1952 to look at the economic and financial problems involved in providing for elderly people. It was set up partly because the government was concerned about

Clayton notes the rapid development of group pensions plans from 1931, which was then a relatively new type of insurance.(98)

Government policies have been responsible for four further factors in the development of occupational pensions: tax concessions, low levels of state pension, nationalisation policy and also pay policy. And so in the words of Hindess, it needs to be acknowledged that government policies also helped to encourage the growth of private pensions which:

> "... do not merely rise from affluence but are the consequence of government policies."(99)

The government policy which is directly aimed at encouraging occupational pensions has been the system of tax concessions for both employer and employee on contributions to occupational pension schemes and the exemption of pension funds from taxation on interest, dividends or capital gains. These concessions were retained throughout the period in question(100) and form part of what Titmuss referred to as the fiscal welfare system.(101)

Governments also encouraged occupational pensions, intentionally or otherwise, by the provision of low levels of state pension. The low levels of state national insurance retirement pension since its introduction in 1946, meant that many elderly people throughout the period 1946 to 1986, had to rely on means tested benefits in order to supplement their pensions. In the words of the British Institute of Management in 1974:

> "The U.K. has probably the most developed private pension schemes in the E.E.C., mainly as a result of the low levels of state benefits and employer social security contributions.' (102)

so that the 1956 Finance Act introduced two new tax reliefs for pension schemes. One provided for tax to be paid only on the interest of an annuity, not on the annuity as a whole and the other allowed for premiums paid on an approved deferred annuity to be treated as an expense for tax purposes.(58) This created a new tax free business for insurance companies referred to as pension annuity business(59) and so reduced the premiums for occupational pensions financed by an insurance policy.(60)

Townsend illustrates the financial implication of this change by pointing out that it cost the Treasury just as much as the amount paid to all pensioners in national assistance benefit. Thus he stated that the 1956 Finance Act:

> "... allowed £50 million a year in taxes to be lost to the Exchequer so that contributors to private superannuation might enjoy more generous tax concessions. That £50 million was equivalent to the total sum then being paid to old age pensioners by the National Assistance Board."(61)

Conservative government policy on state and occupational pensions 1957 to 1964

By 1958, the Conservative government had decided to introduce changes to the state retirement pension, probably prompted by the fact that the Labour party had adopted a new approach to retirement pension provision in 1957.(62) A white paper was produced in 1958 which set out the government's new proposals, which came to be known as the Boyd-Carpenter pension scheme. The Graduated Pensions Act, of 1959, introduced these proposals and so a modest earnings related supplement, financed by earnings related contributions, was added to the existing flat rate state retirement pension. However, this earnings related supplement was in no way designed to undermine the occupational pensions system but on the contrary, it was designed to encourage it. Thus the government's white paper had stated that:

> "... changes in the field of National Insurance should be so framed as not to prevent the vigorous development of independent provision for old age, whether through occupational schemes or otherwise."(63)

Therefore, the legislation allowed all those in occupational pension schemes which would provide a pension of at least the level of the new graduated pension supplement, to contract out of contributions to this earnings related part of the state pension. It was profitable for all those earning more than the average male and female manual workers wage to contract out.(64) Moreover it was the employer, not the employee, who decided whether to contract out the occupational pension scheme.

By 1963, 4.3 million or 39 per cent of all employees in occupational pension schemes had contracted out of the new state graduated pension(65) and by 1967, this figure had reached 5.3 million, i.e. 43 per cent of all those in occupational pension schemes.(66) This was far in excess of the Government's expectations which had been a modest 2.5 million.(67)

The Graduated Pensions Act also encouraged the growth of new occupational pension schemes. Lapping states that in 1962, 900,000 employees were covered for the first time and plans were set out for more schemes to make use of contracting out.(68) However, most of those benefiting from this development of new occupational pension schemes were those employees who were on above average incomes.(69)

This expansion in occupational pension schemes also increased the business of insurance companies and banks who administered many of these occupational pension schemes. Stephens aptly summarises the effect of the 1959 Graduated Pensions Act as:

> "a great shot in the arm for the British Insurance business."(70)

But whilst the legislation encouraged occupational provision, it did little to improve the level of the state pension. Lynes estimated that the graduated supplement was so low that even after contributing to it for ten or in some cases twenty or thirty years, pensioners with no other resources would still have to claim national assistance in order to bring their income up to the official poverty line.[71] Allowing occupational pension scheme members to contract out of the graduated pension meant that those who could afford to pay a higher contribution to the state scheme were in fact paying a lower contribution.[72] This left no room for redistribution from higher to lower income groups which would have improved income levels for those dependent on state pensions.

Indeed it seems that far from being a reform to improve pensioners incomes it was in fact engineered in order to increase contributions to the national insurance fund without having to pay out an immediate increase in benefit.[73] In this way the reform ensured that the Exchequer subsidy to the national insurance fund could be reduced. Between 1954 and 1959 the Exchequer subsidy to the national insurance fund had increased from 11.1 per cent to 19.9 per cent but in 1962, a year after the Graduated Pension scheme was introduced, this subsidy had dropped to 15.4 per cent.[74]

The table below illustrates that the levels of state retirement insurance and of national assistance increased only marginally in relation to the average wage for male manual workers, to 20.4 per cent in 1963 for national insurance pension and 19.2 per cent in that year for national assistance.

Table 2.5

The rate of state retirement pension for a single pensioner compared with the national assistance level and related to the gross average earnings of full time male manual workers 1958 to 1963

Date	National insurance retirement pension		National assistance	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding housing costs	as a percentage of average gross male manual workers earnings
Jan 1958	2.50	19.8	2.25	17.8
Sept 1959*	2.50	18.5	2.50	18.5
April 1961	2.875	19.1	2.675	17.8
Sept 1962*	2.875	18.2	2.875	18.2
May 1963	3.375	20.4	3.175	19.2

* there was no uprating for national insurance pension in 1959 or 1962.

Source: Department of Health and Social Security (1986) "Social Security Statistics 1985", HMSO, London, pp.250-251, Tables 46.09 and 46.10.

Once account is taken of the additional payment of housing costs on top of the national assistance rate it is clear that the level of national insurance remained lower throughout the period.

The issue of the relationship between the levels of national insurance and national assistance to average earnings has been raised several times in this chapter. The crucial point in this debate is that retirement pensions and other social security benefits were not at this time raised automatically every year but rather they were raised periodically at the discretion of the government. It was therefore inevitable that the ratio between the two would decline during the intervening period. However, the fact remains that there was no marked increase in either national insurance retirement pension or in national assistance in relation to average earnings throughout the 1951-1964 period of Conservative government.

As far as the numbers of elderly people claiming national insurance and national assistance was concerned, Table 2.6 sets out the data for the period 1957 to 1964. Whilst there was some fluctuation, the overall trend was an increase in the numbers claiming national assistance so that by 1964 there were 1.154 million elderly people on national insurance retirement pension who were also receiving national assistance. As Bradshaw and Deacon have argued, the increase in the total numbers of elderly people in the population and also the increase in council house rents together with the fact that the elderly were more willing to claim national assistance than the old public assistance, explains a large part of the increase in numbers of elderly people dependent on national assistance.(75)

Table 2.6

The numbers of people over retirement age receiving state retirement pension and national assistance in Great Britain, 1957 to 1964

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions)	Number of people over retirement age receiving national assistance	Number of people over retirement age receiving national assistance as a supplement to national insurance retirement pension
Dec 1957	4755	1237	978
Dec 1958	5320	1134	894
Dec 1959	5477	1213	976
Dec 1960	5563	1307	1075
Dec 1961	5676	1276	1056
Dec 1962	5814	1331	1122
Dec 1963	5981	1295	1100
Dec 1964	6158	1342	1154

Sources: HMSO (1965) "Report of the National Assistance Board year ending December 1964", Cmnd. 2674, HMSO London, Appendix III, p.63.

V. George (1967) "Social Security : Beveridge and After" Routledge and Kegan Paul, London, p.165, Table 45 (taken from annual reports of the Ministry of Pensions and National Insurance).

However, whatever the reasons for the increase, it was clear that a large number of elderly people were dependent on means of schemes administered by employers. The role of trade unions will be discussed by mainly looking at the role of the TUC and its influence on decisions taken and to a lesser extent the role of individual trade unions. The influence of public opinion will be assessed by government response to public opinion and any public opinion polls on the issue. The role of the poverty lobby will be illustrated from the role of groups such as Age Concern which campaign on behalf of pensioners and also groups such as the National Federation of Old Age Pensioners Associations which are organised by pensioners themselves.

However, the relative power of the government, private capital, trade unions, public opinion and the poverty lobby is not only assessed by looking at their overt role in the decisions taken but also from the effects of the reforms that were introduced. Data on both state and occupational pensions is therefore presented and discussed. The levels of state pension and the number of elderly people dependent on means tested benefits will be set out. Data on occupational pensions will illustrate both the proportion of existing pensioners with occupational pensions and the proportion of the workforce covered by these schemes. The inequalities in coverage of occupational pensions between non-manual and manual workers, private and public sector workers and male and female workers will be illustrated. The reasons for the development of occupational pensions in the period covered by each chapter will also be discussed to assess how far the development was a result of economic factors or other factors. An assessment will also be made on how far the occupational pensions sector has influenced state pensions policies.

people were living below national assistance level because they were not claiming this benefit although they were on such low incomes that they were entitled to do so.[80] The survey also showed that elderly women were much more likely to be living below the national assistance level than men, because they were less likely to have paid national insurance pensions and less likely to have an occupational pension.[81]

The government disputed the validity of Cole and Utting's research arguing that the research sample was not large enough.[82] However, it seems that the results did embarrass the government and so just before the General Election of 1964, it commissioned its own survey into the situation of elderly people in Britain, which as we shall see later, supported the findings of Cole and Utting.[83]

The net effect of Conservative government policy on pensions during this thirteen year period of 1951 to 1964, had been to encourage the development of occupational pensions both by the fact that the state retirement pension was kept at such a low level and because it allowed occupational pension scheme members to contract out of the graduated supplement it had introduced to the state scheme. The high dependency of elderly people on means tested benefit increased to an even higher level than under the Labour governments of 1945 to 1951. Thus by the end of this long period of Conservative rule the numbers of elderly people living below this national assistance level were becoming apparent. Research was beginning to contradict the assumption that national assistance had helped to solve the problem of poverty amongst the elderly. It was becoming clear that many elderly people, for whatever reason, were unwilling to go through the means testing necessary to receive national assistance and were therefore living below the official poverty line.

Labour party policy on state and occupational pensions 1951 to 1964

Until 1955, Labour party policy on state pensions remained that of flat rate contributions for flat rate benefits. However, by 1955 discussion began on the idea of changing this policy to one of earnings related state pensions financed by earnings related contributions. A policy on these lines had been formulated by Titmuss and his colleagues Abel-Smith and Townsend who were all advisors to the Labour party on welfare policy. Their ideas were first put to the Labour party by Crossman at the annual conference of 1955.

This conference debated the need for the Labour party to adopt a new approach on pensions. The debate was wide ranging and covered both the method of financing pensions and the level of pensions as well as the specific idea of earnings related pensions. Roberts, chairman of the TUC Social Insurance committee, argued that the principle of contributory insurance should be retained so that benefits as of right could be provided which would be less vulnerable to cuts.(84) However, Aneurin Bevan argued that pensions should be financed entirely by employers and the Exchequer.(85) There were also many resolutions calling for a substantial increase in the level of the flat rate national insurance pension.

Crossman, the NEC member replying to this debate, argued that the low paid could not afford to pay for higher flat rate contributions and the Exchequer could not afford the level of subsidy required to increase the level of the existing national insurance pension. He therefore proposed that the conference

(13) Hewitt (1981) op. cit.

(14) Ibid., p.172.

(15) K. Banting (1979) "Poverty, Politics and Policy", Macmillan, London.

(16) H. Heclo (1974) "Modern Social Politics in Britain and Sweden", Yale University Press, London.

(17) A. Willcocks (1967) "The Creation of the National Health Service", Routledge and Kegan Paul, London.

(18) R. Michels (1915) "Political Parties", Constable London.
G. Mosca (1939) "The Ruling Class", translation, H.D. Kahn, MacGraw Hill, London.
V. Pareto (1966) "Sociological Writings", edited by S.E. Finer, Pall Mall, London.

(19) M. Weber "Economy and Society", ed. by G. Roth and C. Wittich (1968) Bedminster Press, New York, - referred to in F. Parkin (1982) "Max Weber", Tavistock and Ellis Horwood Publications, London.
C. Wright Mills (1956) "The Power Elite", Oxford University Press, New York.

(20) E.C. Cuff and G.C. Payne et al (1979)"Perspectives in Sociology", George Allen and Unwin, London, p.78.

(21) C. Wright Mills (1956) op. cit., pp3-4.

(22) Ibid., p.276.

(23) Ibid., p.277.

(24) Ibid., p.324.

(25) Ibid., p.3.

The pensions plan set out by Titmuss did not include nationalisation of insurance companies but it did include a proposal for a state pensions fund which would be invested in private industry. This proposal was incorporated into the policy document, 'National Superannuation' which was accepted by the National Executive Committee of the Labour party in 1957.(91) However, Titmuss had also argued that all members of occupational pension schemes should pay full contributions to the state pension scheme but this was rejected by the Labour party and so contracting out of part of the state pensions system was accepted.

According to Heclo, the TUC and the middle class put pressure on the Labour party to allow contracting out. He argues that the trade unions did not want their members' plans for occupational pensions to be jeopardised by them having to remain full members of the state pension scheme as well.(92) But how far the TUC rather than the insurance and banking industries were responsible for the Labour party's decision to allow contracting out is in fact debatable. It is likely that additional, if not more significant pressure, was exerted on the Labour party by the insurance and banking industries who stood to lose potential and existing revenue if all occupational pension scheme members were required to pay full contributions for a state earnings related pension.

Other features of the National Superannuation policy accepted by the Labour party in 1957 were that the state pension scheme would consist of two elements: a flat rate and an earnings related element. Contributions from employees at 3 per cent on earnings up to four times the national average wage, would be added to a 5 per cent contribution by the employer and 2 per cent

(36) R.E. Pahl (1975) "Whose City?", Penguin, Harmondsworth.

(37) P. Saunders (1981) "Social Theory and the Urban Question" Hutchinson, London, pp.121-122.
Refers to R. Pahl (1977a) "Managers, technical experts and the state in M. Harloe (ed) "Captive Cities", John Wiley, London.

(38) R.E. Pahl (1977b) "Collective consumption and the state in capitalist and state socialist societies" in R. Scase (ed) "Industrial Society: Class Cleavage and Control" Tavistock, London.

(39) R.E. Pahl and J.T. Winkler (1974) "The Coming Corporatism" New Society, October 19th, 1974. Vol.30, No.627,pp.72-76.

(40) G.P. Kirk (1982) "Theoretical approaches to Urban Planning in A. Blowers, C. Brook, P. Dunleavy and L. McDowell (eds) "Urban Change and Conflict", Harper Row and Open University Press, London, p.140.

(41) N. Abercrombie and J. Urry (1983) "Capital, Labour and the Middle Class", George Allen and Unwin, London, pp.49-50.

(42) R. Dahrendorf (1959) "Class and Class Conflict in Industrial Society", Routledge and Kegan Paul, London,pp.51-57.

(43) T.H. Marshall (1946) "Citizenship and Class", Cambridge University Press, London.

(44) C.A.R. Crosland (1964) "The Future of Socialism", Jonathan Cape, London.

(45) J. Westergaard and H. Resler (1975) "Class in a Capitalist Society", Penguin, Harmondsworth, p.119.

(46) S. Lukes (1974) op. cit., p.25.

Whilst the new policy did propose state pensions which were largely earnings related it also ensured some redistribution towards the lower paid and an increase in the level of the state pension which would have reduced the number of pensioners having to rely on national assistance. However, some on the left wing of the Labour party argued that the scheme should have done more to help existing pensioners and criticised the proposal that it should take forty years before the pension scheme was paying out full benefits.(96)

As far as the TUC was concerned, it eventually agreed to the principle of state earnings related pensions in 1957. In 1955 it had rejected the idea partly because it favoured increases to the existing flat rate national insurance pension and partly because some trade unionists were in occupational pension schemes and were worried that a state earnings related pension could undermine these.(97) However, it seems that the TUC's continuing failure to secure a significant increase in the national insurance pension prompted it to eventually agree to changing its policy.(98) In February 1957 Alfred Roberts, leader of the TUC Social Insurance committee, accepted the Labour party's new strategy for pensions. At the annual conference of the TUC in that year he therefore stated:

> "... the attractions of the new scheme are sufficiently great to justify further examination and to do so in the full knowledge that this will involve an approach to social insurance on lines fundamentally different from those previously endorsed by Congress."(99)

His approach was accepted by the conference.

In contrast to this support, the occupational pensions industry was clearly opposed to the Labour party's new policy.

The most organised section of the pensions industry at this time was the Life Offices Association[100] which represented the occupational pension schemes administered by the insurance industry. Pensions business had become a major part of the insurance industry and had been developed to replace business lost when state national insurance was introduced in 1946.[101] The National Association of Pension Funds which represented occupational pension schemes administered by employers, was not so active at this time.[102]

The Life Offices Association was hostile to Labour's new pension policy arguing that the role of the state pension should merely be to ensure that basic needs of the elderly were met. More specifically it argued that the Labour party was under-estimating the costs of the scheme, that it would lead to too much redistribution of income , that it would increase inflation and that it would reduce personal savings and undermine the national economy.[103]

The Institute of Actuaries were also critical of Labour's proposals and argued that the proposed state pensions fund would give the government too much investment power. One of the leading Actuaries in the City, Frank Reddington, argued that if introduced, the policy would lead to little contracting out of the proposed state earnings related pension. Most employers would therefore provide occupational pensions as a supplement to the full state pension.[104]

Some leading members of the Labour party were concerned that the insurance industry might organise anti-Labour propaganda in response to its new policy just as it had done in the late 1940's when the Labour government had proposed nationalising the insurance companies.[105] The dilemma for the Labour party was that if a future Labour government introduced the new pension policy then it would arouse much opposition from the pensions industry but if it did not introduce it, and so state pension levels were not substantially improved, then occupational pension schemes would continue to develop with no viable state alternative.

After the publication of 'National Superannuation' in 1957, the Labour party's study group on security and old age argued that more help should be given to existing pensioners and those who would retire in the early years of the new scheme. These suggestions were incorporated into the Labour party document, "New Frontiers for Social Security" published by the National Executive Committee in 1963.(106) Therefore it was suggested that the value of contributions paid by those over fifty years of age should be doubled in the early years of the scheme. So that after only seven years, a married man with average earnings would be entitled to a pension equivalent to half his previous earnings.(107) It was also suggested that an income guarantee should be introduced to benefit existing pensioners and all those retiring within seven years of the new pension scheme being introduced. This would provide a minimum income which at first would be "well in excess of the present level of retirement pension" and would increase in the transitional seven year period so that the majority of elderly people would no longer have to claim national assistance. Entitlement would be assessed on completion of simplified tax returns to the Inland Revenue.

This 1963 social security policy statement also supported the rest of the proposals set out in the 1957 National Superannuation document,(109) including the idea of a state pensions fund which led to more criticism by the Life Offices Association who argued that if introduced this would reduce the outlets available for the investment of occupational pension funds.[110] However, despite this opposition, the Labour party retained its new policy on pensions and included it in its manifesto for the 1964 General Election.

Having reviewed the developments of pensions policy and data on state pensions throughout the period 1945 to 1964, the development of occupational pensions in this period will now be discussed.

SECTION THREE: THE DEVELOPMENT OF OCCUPATIONAL PENSIONS 1936 TO 1963

The information available on the development of occupational pensions in this period consists of a Ministry of Labour survey conducted in 1936 [111] and surveys by the Government Actuary in 1956[112] and 1963.[113] The 1936 Ministry of Labour survey only looked at occupational pensions in the private sector of employment, although estimates have since been made on the coverage in the public sector at that time. The government report on "the Economic and Financial problems of Old Age" 1954, known as the Phillips report,[114] also contains some information on occupational pensions in 1953/54 but the data is not comprehensive and indeed the report of this committee argued that more accurate information should be collected by the government.[115] The Government Actuary did begin the series of detailed surveys soon after this recommendation.

The vast increase in occupational pension scheme membership which occurred between 1936 and 1963, is shown in Table 2.7 along with the percentage of employees in the labour force who belonged to an occupational pension scheme during this period. This table shows that the number of employees who were members of an occupational pensions scheme rose from 2.6 million in 1936 to 11.1 million in 1963. The period from 1953/4 to 1956 witnessed the most rapid development of occupational pension scheme membership, closely followed by the period 1956 to 1963. Lack of data for the intervening years between 1936 and 1953/4 makes it difficult to assess whether the increase in membership from 2.6 million to 6.2 million in that period was the result of a steady increase in membership throughout these years or the result of rapid development occuring within a few years of the whole period.

Occupational pension data for 1963 onwards is discussed in detail in later chapters but it is important to note here that the period 1953 to 1963 contained the most rapid development of occupational pension scheme membership in the whole period of 1936 to 1983.

The table shows that the increase in the number of employees in occupational pension schemes from 1936 to 1963 is reflected in the increase in the proportion of all employees in the labour force who were members of a scheme. In 1936, only approximately 12 per cent of employees were in an occupational pension scheme but by 1956, this proportion had risen to 36 per cent and by 1963 it had reached 47 per cent - almost half of the total workforce.

The rapid development of occupational pension schemes in this period can be ascribed to several of the factors already mentioned in chapter one in the discussion of the broad factors that account for the development of occupational pensions generally. Thus, in this 1936 to 1963 period, it seems that

Table 2.7

The number of employees in occupational pension schemes in relation to the total number of employees in the labour force, 1936 to 1963

note: occupational pension and employment data for 1936 and 1953/4 refers to Great Britain and it is not clear whether it includes part-time employees and/or employees in the armed forces. The data for 1956 and 1963 refers to the United Kingdom and does include part-time employees and employees in the armed forces - all the data excludes the unemployed.

in millions

Year	Total number of employees in occupational pension schemes	Percentage increase between surveys	Average increase per year	Total number of employees in the labour force	Percentage of employees in occupational pension schemes
1936	2.6			**21.0 (1931)	** 12
1936-1953/4		139	0.21		
1953/4	6.2*			20.9 (1953)	30
1953/4-1956		29	0.60		
1956	8.0			22.2	36
1956-1963		39	0.40		
1963	11.1			23.5	47

* This figure was 7.1 million in the Phillips report (HMSO 1954a) but has been adjusted by the Government Actuary to 6.2 million, Government Actuary (1977) "11.5m pension scheme members", Department of Employment Gazette, May, p.474.

** This figure relates to the Census of 1931 and is not directly comparable to the other figures - it includes the self-employed and employers and is therefore an over-estimate.

Sources:

re 1936: Ministry of Labour (1938) "Schemes for providing for employees on retirement from work", Ministry of Labour Gazette, May 1938, p.172. (This survey only covered the private sector but estimates on total coverage are found in Government Actuary (1977) op. cit.
Council for Science and Society (1981) "New Technology, Society, Employment and Skill", CSS, London, p.32, figures 1 and 2.

re 1953/54: HMSO (1954a) "The Economic and Financial Problems of Provision for Old Age", Cmnd.9333, (the Phillips report), HMSO, London, p.59, Table XVII, Government Actuary (1977) op. cit.
Central Statistical Office (1956) "Annual Abstract of Statistics", no.95, HMSO, London, p.104, Table 129.

re 1956: Government Actuary (1958) "Occupational Pension Schemes: a survey by the Government Actuary", HMSO, London, p.5. This survey stated that the total was 8.1 million but this has been revised to 8.0 million in Government Actuary (1977) op. cit.
Central Statistical Office (1963) "Annual Abstract of Statistics", no.100, HMSO, London, p.106, Table 133.

re 1963: Government Actuary (1966) "Occupational Pension Schemes: A New Survey by the Government Actuary", HMSO, London, p.11, Table 8.
Central Statistical Office (1968) "Annual Abstract of Statistics", no.105, HMSO, London, p.113, Table 128.

full employment, the low level of the state retirement pension, the nationalisation policies of the Labour government 1945 to 1951, the increase of occupational pension membership for local government employees, tax concessions, and the promotion of occupational pensions by the insurance industry, all seem to have been important factors.

The return of full employment after the Second World War is perhaps the main reason for the rapid development of occupational pension schemes at this time. Between 1948 and 1966, less than 2 per cent of the labour force were unemployed.(116) By the 1950's there was such a shortage of manpower that elderly people were encouraged to stay on at work past the age of 65 years.(117) Occupational pension schemes were therefore a means of attracting and retaining employees.

However, another crucial factor was that the state national insurance retirement pension introduced in 1946 was kept at such a low level. The previous sections of this chapter have mentioned this. It seems that when the state retirement pension was initially introduced in 1946, it did lead to employers reducing the contributions and benefits of occupational pensions.(118) However, the value of this pension subsequently declined in relation to wage levels and employees were able to afford to contribute to an occupational pension scheme as well as the state scheme. The 1959 Graduated Pensions Act, introduced by the Conservative government was intended to encourage the growth of occupational pensions and offered contracting out of state pension contributions and benefits.

The nationalisation of industries in the 1945-1950 period brought with it an extension of occupational pension membership to the public sector as did the local government superannuation

Acts of 1937 and 1953.[119] The expansion of public sector occupational pension provision encouraged employers in the private sector to introduce more occupational pensions provision because the two employment sectors were in competition for labour. The insurance industry also encouraged the trend by employing a new type of broker specifically to sell occupational pensions. Tax concessions for both employer and employees on contributions to occupational pension schemes in addition to the tax free status of pension funds, were largely retained by governments throughout the 1936 to 1963 period. The Labour government's limited attempt at restricting some of these concessions had little effect on the development and some of the provisions of the 1956 Finance Act increased these concessions.

There is little evidence that the trade unions had much of a role in the rapid expansion of occupational pensions in these years. Paish and Peacock argue that wage restraint in the 1950's encouraged the trade unions to bargain for occupational pensions,[120] but there is little evidence that the trade union movement as a whole played anything but a minor role in the development of occupational pension schemes at this time compared with the other factors which have been mentioned.

Having outlined the overall trend in occupational pension membership at this time, it is useful to breakdown this data into the development and coverage of occupational pension schemes for non-manual as compared to manual employees, for public sector as compared to private sector employees and for male as compared with female employees.

The inequality of access to occupational pension schemes between non-manual and manual employees is shown in Table 2.8.

elderly came to be generally regarded as inadequate. It consisted of both very low non-contributory pensions paid to the poorest sections of the elderly population as a result of the 1908 Old Age Pensions Act and contributory pensions for manual workers introduced by the Widows', Orphans' and Old Age Contributory Pensions Act of 1925. Both of these pensions were supplemented initially by locally administered poor relief which was replaced in 1940 by means tested additions paid out on a national basis by the Assistance Board.

Beveridge and state and occupational pensions

The Beveridge report, "Social Insurance and Allied Services", included important recommendations for the reform of this inadequate financial provision for the elderly. It argued that the state should provide a retirement pension essentially financed by flat rate contributions paid by employees and employers, with only 20 per cent of the pension financed from general taxation.(1) The idea of paying for old age pensions wholly through taxation was put to the Beveridge committee by the Political and Economic Planning group, and the Fabian Society.(2) However, this idea was not seriously considered by the Beveridge committee.(3) Lynes argues that whilst Beveridge acknowledged that part of the pensions scheme should be paid for out of general taxation, he considered that a wholly tax financed scheme was more likely to lead to low pension levels which would increase the need for means tested supplements.(4)

A second important element of Beveridge's proposal was that pensions and contributions should be of a flat rate level. He argued that this flat rate level should be high enough to

The percentages in the table are not directly comparable because the sources on the numbers of non-manual and manual employees in the labour force are different - there being no single source available. There is also the problem that the occupational pension data refers to the U.K. but the employment data refers to Great Britain. However, the data gives some idea of the inequality between the two categories. In 1956, 55 per cent of non-manual employees were in an occupational pension scheme, compared with 26 per cent of manual employees. This difference had narrowed by 1963 so that 61 per cent of non-manual employees compared to 43 per cent of manual employees were then covered. The table also shows that the number of non-manual employees in the workforce increased between 1956 and 1963, whilst the number of manual employees decreased and because non-manual occupations are more likely to have occupational pension rights attached to them, then the increase in non-manual work itself helped to increase the total number of employees with an occupational pension scheme.

Whilst data on non-manual and manual membership of occupational pension schemes is not available for the years 1936 and 1953/54, data is available for these years on public and private employee coverage. Table 2.9 below shows that between 1936 and 1953/54, slightly more of the increase in occupational pension membership was attributable to public sector employment. However, between 1953 and 1956 most of the increase- 66 per cent, was due to an increase in the number of private sector employees in an occupational pension scheme and between 1956 and 1963, 93 per cent of the increase was due to the private employment sector. As already mentioned it is likely that the rapid development of public sector occupational

Table 2.9

The number of public and private sector employees in occupational pension schemes in relation to the total number of public and private sector employees in the labour force 1936 to 1963

note: occupational pension data for 1936 and 1953/4 refers to Great Britain and it is not clear whether it includes part-time employees and/or employees in the armed forces, and data for 1956 and 1963 refers to the United Kingdom and does include part-time employees and the armed forces. The Employment data matches the occupational data base for 1963 but not for 1953/4 or 1956. In both these cases the data refers to the total employed rather than just employees. The data also refers to Great Britain which is accurate for 1953/4 but not for 1956. All data excludes the unemployed.

in millions

Year	Public Sector				Private Sector			
	Number of employees in occupational pension schemes	Number of employees in employment	Percentage of employees in occupational pension schemes	Percentage of change between occupational pension surveys due to the public sector	Number of employees in occupational pension schemes	Number of employees in employment	Percentages of employees in occupational pension schemes	Percentage of change between occupational pension surveys due to the private sector
1936	1.0	n/a	-	-	1.6	n/a	-	-
1936-1953/4				58				42
1953/4	3.1	6.3*	49*		3.1	16.3*	19*	
1953/4-1956				33				66
1956	3.7	6.0*	62*		4.3	17.9*	24*	
1956-1963				7				93
1963	3.9	5.9	66		7.2	17.2	42	

* these figures are approximate - see note above

Sources:

re 1936: Ministry of Labour (1938) "Schemes for providing for pensions for employees on retirement from work", Ministry of Labour Gazette, May, p.172, Government Actuary (1977) "11.5m pension scheme members", Department of Employment Gazette, May, p.474.

re 1953/4: Government Actuary (1977) op. cit., p.474, Table 1.
Central Statistical Office (1960) "Employment in the public and private sectors of the economy in Great Britain 1949 to 1959", Economic Trends, no.85, HMSO, London, p.IX, Table 2.

re 1956: Government Actuary (1977) op. cit., p.474, Table 1 - the figure of 3.7 million for the public sector is taken from this source because it is mid-way between the figure of 3.8 million in Government Actuary (1958) "Occupational Pension Schemes: a Survey by the Government Actuary", HMSO, London, p.5 and the figure of 3.6 million in Government Actuary (1966) "Occupational Pension Schemes: A New Survey by the Government Actuary", HMSO, London, p.11.
Central Statistical Office (1960) op. cit.

re 1963: Government Actuary (1966) op. cit., p.11, Table 7.
Central Statistical Office (1979) "Employment in the public and private sectors 1961-1978", Economic Trends, no.313, HMSO, London, p.99, Table 2.

pension schemes due to nationalisation of some industries and the extension of these pensions for local government employees, encouraged private sector employers to set up schemes for their employees as well.

The table also shows that in 1953/4 only 19 per cent of private sector employees were members of an occupational pension scheme compared with 49 per cent of public sector employees. By 1963 the percentage of private sector employees in a scheme had risen to 42 per cent and the percentage of public sector employees in a scheme had also risen to 66 per cent. Public sector workers were therefore still more likely to be in an occupational pension scheme than private sector employees despite the significant development of occupational pension membership in the private sector from 1956 onwards.

Table 2.10 shows that the rapid increase in occupational pension coverage in the 1936 to 1963 period was quite clearly mainly due to an increase in the number of male rather than female employees covered. For example, in the 1956 to 1963 period, 97 per cent of the increase was due to an increase in the number of male employees in occupational pension schemes and the table shows the low proportion of female as compared with male employees covered by occupational pensions. In 1953/4, 36 per cent of male employees belonged to an occupational pension scheme compared to only 18 per cent of female employees. By 1963, the proportion of male employees in occupational pension schemes had risen substantially so that 62 per cent of male employees were covered but the proportion of female employees in these schemes had risen only slightly to 21 per cent. The data clearly shows that the rapid expansion of occupational pensions in the 1950's and early 1960's was

Table 2.10

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1963

note: occupational pension data for 1936 and 1953/4 relates to Great Britain and it is not clear whether it includes part-time employees and the armed forces but data for 1956 and 1963 does include these categories and relates to the United Kingdom. Employment data has been chosen which corresponds with these differences, with the exception of 1936, and all the figures exclude the unemployed.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	*14.8(1931)	14		0.5	*6.3(1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7	36		1.3	7.2	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	

* These employment figures are from the Census of 1931 and are not directly comparable to the data for the other year's as they include employers and the self-employed.

Sources:

re 1936: Ministry of Labour (1938) "Schemes for providing for pensions for employees on retirement from work", Ministry of Labour Gazette, May, p.172.
Government Actuary (1977) "11.5m pension scheme members" Department of Employment Gazette, May, p.474.
M. Webb (1982) "The Labour Market" in I. Reid and E. Wormald (eds) "Sex Differences in Britain", Grant McIntyre, London, p.116, Table 6.1.

re 1953/4: Government Actuary (1977) op. cit.
Central Statistical Office (1956) "Annual Abstract of Statistics", No.93, HMSO, London, p.104, Table 129.

re 1956: Government Actuary (1966) "Occupational Pensions: A New Survey by the Government Actuary", HMSO, London, p.11, Table 8, states that 6.3m males in occupational pensions in 1956 has been revised to 6.4m. Government Actuary (1977), op. cit., p.474.
Central Statistical Office (1963) "Annual Abstract of Statistics", no.100, HMSO, London, p.100, Table 133.

re 1963: Government Actuary (1966) op. cit., p.11, Table 7.
Central Statistical Office (1968) "Annual Abstract of Statistics", no.105, HMSO, London, p.113, Table 128.

mainly due to an increase in the number and proportion of male employees gaining access to occupational pensions.

This gender inequality of access to occupational pension schemes is partly explained by the fact that women are more likely than men to be in part-time employment and it is full-time employment which is more likely to provide an occupational pension scheme. Unfortunately, the data available for this period does not illustrate the position of full-time male employees compared with full-time female employees.

The previous tables have shown the inequalities of access to occupational pensions but there is also inequality between those in occupational pension schemes. As far as the period from 1936 to 1963 was concerned, it was clear from the Government Actuary surveys of 1956 and 1963, that non-manual workers were members of occupational pension schemes which were more generous than the schemes available to manual workers.

In the 1956 survey, salaried staff were receiving occupational pensions more than twice the size of those given to wage earners.(121) The Government Actuary survey for 1963 found that the combined average contribution from employee and employer towards the occupational pension schemes of non-manual workers was £110 per year but the combined contribution for manual workers was just £35 per year. Some occupational pension schemes are non-contributory and so contribution levels are not necessarily an indication of the generosity of the occupational pension but they give some idea of the inequality between those with access to occupational pensions. This survey also revealed that 50 per cent of occupational pensioners were receiving an occupational pension of between 10s. and £2 per week, 47 per cent were receiving one of between £2 and £15 per week whilst

3 per cent were receiving one of between £15 and £20 per week and so the inequality in the value of occupational pensions was clear.(122)

The tables on occupational pensions have so far referred to the number and proportion of employees who were members of an occupational pensions scheme. Table 2.11 shows the number and proportion of pensioners receiving an occupational pension. It shows that in 1936, only 5 per cent of pensioners were receiving an occupational pension but by 1963 this proportion had risen to 19 per cent.

Table 2.11

The number of occupational pensions in payment compared with the total number of elderly people, 1936 to 1963

Year	Total number of occupational pensions in payment *	Total number of elderly people (males 65 and over females 60 plus)	percentage of elderly people receiving an occupational pension
1936**	0.2	4.3(1931)	5
1953/4**	0.9	6.7(1951)	13
1956	1.1	7.5(1958)	15
1963	1.5	7.9	19

* very few pensioners receive more than one occupational pension and so the percentage receiving an occupational pension is fairly accurate;

** as noted on other tables, these occupational pension surveys referred to G.B. only whereas 1956 and 1963 data refers to U.K.- the difference is accounted for in the data on the number of elderly people in the population.

Sources: (continued over)

Sources: occupational pension data: Government Actuary (1981) "Occupational Pension Schemes 1979: Sixth Survey by the Government Actuary", HMSO, London, p.12, Table 3.1

population data:

re 1936 Central Statistical Office (1963) "Annual Abstract of Statistics 1963", no. 100, HMSO, London, p.9, Table 9.

re 1953/4 ibid.

re 1956 ibid.

re 1963 Central Statistical Office (1968) "Annual Abstract of Statistics 1963", no. 105, HMSO, London, p.12, Table 11.

Data from the Government Actuary Survey of 1963 shows that only 0.55 million or 36 per cent of the 1.5 million pensioners receiving an occupational pension were women.(123) Cole and Utting's research in 1959/60 also found inequality between male and female pensioners so whilst nearly 50 per cent of retired single and widowed men had an occupational pension, only 20 per cent of single retired women and 4 per cent of retired widows were receiving one.(124)

One final point relating to the growth of occupational pension schemes in this period is the corresponding growth in pension fund assets. Data from the Radcliffe committee, which had been set up to examine the monetary and credit system, shows that in 1958, pension fund assets were worth £2,500 million. This was just under the amount of assets held by the building societies, was half of the assets held by insurance companies and one third of the assets of the London clearing banks.(125) This figure excludes the assets of funds administered by insurance companies- about one quarter of the total number of pension funds at that time. By 1963, pension fund assets had almost doubled to £4,637 million.(126) Pension funds were clearly becoming an important part of finance capital.

This section has shown the rapid rise in occupational pension membership and the rise in the number of pensioners receiving an occupational pension throughout the years 1936 to 1963. It has also shown the inequalities of access to occupational pension schemes between non-manual and manual employees, public and private sector employees and between male and female employees. Having outlined this data on occupational pensions, together with data on state pensions and the policies on retirement pensions adopted by governments in this period, it is now important to relate this material to the theory of power and the state to be used in this thesis which was set out in chapter one.

SECTION FOUR: AN EVALUATION OF RETIREMENT PENSION PROVISION BETWEEN 1945 AND 1964

This section discusses how far the retirement pensions system of this period was the result of the power of private capital in the form of employers and finance capital and indeed the capitalist economic structure itself, or how far it was the result of the power of governments, public pressure, trade union pressure or that of the poverty lobby to act against the interests of private capital. The influence of these factors will be discussed in turn.

As far as the Labour government's policy on state retirement pensions between 1945 and 1951 was concerned, it essentially pursued a moderate policy which posed little threat to private capital. Thus the national insurance retirement pension which it introduced, contained very little redistribution from higher to lower income groups. It upheld work incentives by the fact that entitlement was based on contribution record. The government could have introduced a state pension scheme which gave more help to lower income groups if it had based entitlement on citizenship and had ensured that the state flat rate pension was financed entirely from direct taxation or by earnings related contributions. There is no overt evidence that sections of private capital forced this moderate policy onto the Labour government and it is likely that the policy was mainly due to a lack of commitment by the Labour government to a more radical policy. However the point is that if the government had attempted to introduce a more radical scheme it would have faced opposition by private capital because such a policy could be seen as undermining the inequalities of the wage structure which are an essential element of a capitalist economy. Unless the Labour government was prepared to introduce fundamental changes to the economic system, its policies on social security were to a large extent limited by this economic system.

However, the Labour government did have some independence from private capital's power. Whilst its state pensions policy was moderate, it can be argued that it was not simply the kind of policy which fitted with the needs of private capital. The state national insurance retirement pension which it introduced was clearly more generous than the previous system of state retirement provision which had provided for selected groups only and even then at a very minimal level. The introduction of this new state retirement pension did, at least initially, reduce the number of elderly people needing to claim means tested benefits. This higher, universal pension, must have

Thus the Labour government introduced a low flat rate state national insurance retirement pension, financed by flat rate contributions. The inequality of the wage structure meant that contributions had to be low enough for the lowest paid to afford them. With only a small element of the cost of the pension financed from general taxation, this low level of flat rate contribution inevitably led to low levels of pension. Many elderly people still needed to claim means tested benefits. Whilst the new state pension scheme increased the incomes of the elderly it was by no means a radical reform. The Labour government was content to use Beveridge's proposals as the framework for the new state pensions system and there was little debate on alternatives to this.

The Labour governments of 1945 to 1951: policy on occupational pensions

As will be discussed in section three of this chapter, it is likely that some of the growth of occupational pension schemes between 1936 and 1953/4, did occur during the 1945-1951 period of Labour government even though it had no explicit policy to either encourage or discourage occupational pensions despite awareness at the time of their growing importance.(28) However, two of its financial policies did have implications for the growth of the occupational pensions sector: its failure to nationalise the insurance companies and its acceptance of the tax concessions available to these pension schemes.

The Labour party had been committed to nationalising insurance companies since 1931 when the Cohen committee investigated the issue.(29) Whilst this policy did not appear in the Labour party's general election manifesto for 1945, it was decision to drop this nationalisation policy was partly due to lack of planning,[129] and lack of commitment[130] but perhaps most of all due to the pressure exerted by the insurance industry itself which was able to use its wealth to launch successful public campaigns against both the idea of nationalisation and mutualisation of insurance. The economic problems faced by the Labour government at this time also helped to restrict the scope of radical reform[131] for example Morgan describes the deepening financial crisis which hindered the social reform policies of the Labour government and which produced an economic crisis in 1947 and he is critical of members of the Labour government at that time who failed to appreciate these constraints.[132]

The decision not to nationalise the insurance industry left this section of finance capital free to diversify and exploit the growing market for private and occupational pensions. This became some compensation for the insurance business lost as a result of the national insurance system introduced by the Labour government in 1946.

The Labour government had succeeded in nationalising very few industries by 1951 and in effect the capitalist economy was left intact. The increasing affluence of some employees which this economic system allowed along with a situation of full employment made occupational pensions a useful device for employers to use to attract labour. Thus an alternative system of retirement pensions developed alongside the state system. This occupational pensions system encouraged the acceptance of the earnings related principle for state pensions amongst the Labour party and trade unions. It also became such a major part of retirement provision that the idea of those in occupational schemes contracting out of state pension schemes became acceptable.

Whilst there was some conflict between the Labour government and private capital over retirement pensions policy, the Conservative governments of 1951 to 1964 and private capital seemed to have the same interests. There seems to have been no dispute between the two even over details of policy. The Conservative government reduced the value of the state retirement pensions in relation to earnings and introduced a graduated supplement to the state pension which was designed to encourage the development of occupational pension schemes rather than improve the incomes of existing or future pensioners. In these ways it pursued policy which clearly matched the interests of private capital.

As far as public opinion was concerned, its influence compared to private capital, was, as with the Labour government more powerful on some occasions but less powerful on others. It was no doubt public support for change to the social security system after the Second World War which encouraged the Labour government to introduce its new state pension system. As has already been mentioned this was not directly the interests of private capital. However on other issues, private capital seems to have been able to influence public opinion to support policies which suited its interests. A clear example of this is the way in which the insurance companies campaigned against the Labour government's proposed nationalisation of insurance. This campaign seems to have been an important influence on the withdrawal of this policy. Another example is the way in which the development of occupational pension schemes divided interests. Occupational pension schemes need to be seen as a product of a capitalist economy and in this way the product of the power of private capital. There seems to have been some public concern in the 1950's and 1960's about the low levels of the state retirement pension at that time. The Conservative government merely responded by setting up an enquiry into the income levels of elderly people. It is likely that public concern about the low levels of state pension would have been stronger and therefore of more influence on the government had all the population been faced with dependency on state pensions when they retired. By 1963, almost half of the working population were in an occupational pension scheme and this is likely to have divided interests.

The trade union movement supported the introduction of the new state retirement pension in 1946 but came to have divided interests regarding retirement pensions by the 1950's because of the development of occupational pension schemes. Whilst few trade unions had become actively involved in negotiation for occupational pension schemes in the 1945 to 1964 period, it seems that the growing access of some trade union members to these schemes weakened support for radical improvements to the state pension scheme. The trade union movement still supported increases to the state retirement pension (which were not introduced) but it was wary of any substantial increase in pension levels, for example through earnings related contributions and benefits, which would not allow contracting out for those who belonged to an occupational pension scheme. So in this sense private capital had been able to influence the trade union movement as it had influenced the public in general through the provision of occupational pensions which reduced support for a more radical state pension system.

There is little evidence of any action or influence by the poverty lobby on the retirement pensions policies of the period. Bradshaw and Deacon do note that voluntary organisations for the elderly were the first to draw attention to the numbers of elderly people living below the national assistance level in the 1950's.[133] This probably encouraged the academic research on the issue in the late 1950's and early 1960's, the results of which embarrassed the Conservative government of the time and probably increased public awareness of the problem but it had little other effect.

This discussion has shown that the main factors determining retirement pensions provision in this period were the power of private capital and to a lesser extent the power of government, public opinion and the trade union movement. Governments were shown to have some independence from private capital, for example, the state retirement pension introduced by the Labour government in 1946 was not a policy which served the needs of private capital. It was a policy which private capital could tolerate but it did not directly serve its interests. If the Labour government had wanted to introduce a more radical pensions policy it may have been able to do so with more commitment but it would have faced direct opposition by private capital which it could only have overcome by radically restructuring the economy to reduce the power of private capital. Its one attempt to begin to do so, with its proposed nationalisation of insurance companies failed because it did not have the commitment and had not planned the policy in such a way as to overcome the direct opposition from the insurance companies. The public and trade union movement were able to exert pressure in that they, like the Labour government, supported the introduction of the state retirement pension in 1946. However the development of occupational pensions was able to divide public and trade union interests and weaken support for a more radical state pension in the 1950's and early 1960's and in this way private capital was able to influence both public and trade union opinion.

So by the end of this period, in 1964, occupational pension schemes covered half the workforce and the state retirement pension remained low with many elderly people needing to claim national assistance. The next chapter looks at how the Labour government elected in 1964 responded to this situation.

Notes and references

(1) HMSO (1942) "Social Insurance and Allied Services" Cmnd. 6404, HMSO, London, (the Beveridge report), p.100.

(2) B. Abel-Smith (1953) "The Reform of Social Security", Fabian research series No.161, Fabian Publications, London, p.19.

(3) ibid.

(4) T. Lynes (1983) "Beveridge and his blueprint", New Society Vol.64, no.1055, February 3rd, p.176.

(5) J. Harris (1975) "Social Planning in wartime: some aspects of the Beveridge report", in J. Winter (ed) "War and Economic Development", Cambridge University Press, Cambridge, p.250.

(6) HMSO (1942) op. cit., p.92.

(7) ibid., para.381, p.145.

(8) ibid., p.92.

(9) ibid., para.381, p.145.

(10) Political and Economic Planning (1942) "Planning for Social Security", Political and Economic Planning, July 14th, 1942, p.49.

(11) J. Harris (1977) "William Beveridge - a Biography", Clarendon Press, Oxford, pp.379-380.
HMSO (1942) op.cit., p.145, para.382 and Appendix D.

(12) Sir J. Walley (1972) "Social Security: Another British Failure?" Charles Knight and Co. Ltd., London, p.76.

(13) D. Fraser (1984) "The Evolution of the British Welfare State", second edition, Macmillan, London, pp.219-220 and p.227.

(14) Labour Party (1946) Report of the 45th Annual Conference of the Labour Party, Bournemouth 1946, Labour Party, London, p.117.

(15) Hansard (1946) Vol. 418, col.1806, 6th February 1946. (comment by A. Lewis, Labour MP for West Ham and Upton)

(16) J. Harris (1981) "Some aspects of social policy in Britain during the Second World War", in J.W. Mommsen (ed) "The Emergence of the Welfare State in Britain and Germany" Croom Helm, London, p.254.

(17) J. Hess (1981) "The Social Policy of the Attlee Government" in J.W. Mommsen (ed) ibid., p.309.

(18) J. Kincaid (1975) "Poverty and Equality in Britain" Penguin, Harmondsworth, p.58.

(19) V. George (1973) "Social Security and Society", Routledge and Kegan Paul, London, p.47.

J. Kincaid (1975) op. cit., p.59.

(20) D. Cole Wedderburn (1965) "Financial Provision for the Aged", in J. Farndale (ed) "Trends in Social Welfare" Pergamon Press, Oxford, p.119.

(21) A. Deacon (1982) "An End to the Means Test? Social Security and the Attlee Government", Journal of Social Policy, Vol 11, Part 3, p.229 - refers to the report of the National Assistance Board in 1947, Cmnd. 7148, p.8.

(22) Central Statistical Office (1975) "Social Trends 1975" no.6, HMSO, London, p.113, Table 5.23.

(23) A. Deacon (1982) op. cit., p.290.

(24) B.S. Rowntree and G.R. Lavers (1951) "Poverty and the Welfare State", Longmans, London.

(25) A.B. Atkinson, A.K. Maynard and C.G. Trinder (1981) "National Assistance and Low Incomes in 1950", Social Policy and Administration, Vol.15, no.1, Spring 1981, p.24 and p.28.

(26) J. Hess (1981) op. cit., p.302.

(27) J. Kincaid (1975) op. cit., p.30 and p.59.

(28) Political and Economic Planning (1942) op. cit., pp.49-50 W.F. Marples (1948) "The effect of changed economic conditions and state insurance on private pensions fund benefits, contributions and valuations", Journal of the Institute of Actuaries, LXXXIV, no.339, p.231.

(29) Counter Information Services (nd.c 1974) "Your Money or Your Life: Insurance Companies and Pension Funds", Anti-report no.7, CIS, London, p.2.

(30) K. O'Morgan (1984) "Labour in Power 1945-1951" Oxford University Press, Oxford, p.126 and p.143.

(31) I. Mikardo (1948) "The Second Five Years: A Labour Programme for 1950", Fabian Research series, no.124, Fabian Publications, London, pp.12-13.

(32) G. Clayton (1971) "British Insurance" Elek Books, London, p.215
and K. O'Morgan (1984) op. cit., pp.125-126.

(33) G. Clayton (1971) ibid., p.216.
and K. O'Morgan (1984) op. cit., p.126.

(34) K. O'Morgan (1984) op. cit., p.126.

(35) F.W.S. Craig (1970) "British General Election Manifestos 1918-1966", edited by F.W.S. Craig, Political Reference Publications, Chicester, p.159.

(36) A. Sked and C. Cook (1979) "Post War Britain: a political history" Penguin, Harmondsworth, p.92.
This is also mentioned by:-
R. Miliband (1972) "Parliamentary Socialism", second edition, Martin Press, London, pp.300-301.

(37) K. O'Morgan (1984) op. cit., p.127.

(38) B. Abel-Smith (1953) op. cit., pp.38-39.

(39) G. Clayton (1971) op. cit., p.216.

(40) A. Marwick (1967) "The Labour Party and the Welfare State in Britain 1900-1948", American Historical Review, 73, p.401.

(41) HMSO (1954b) "Report of the committee on the taxation treatment of pensioners", Cmnd. 9063, HMSO, London, (the Millard-Tucker report), p.26.

(42) M. Pilch and V. Wood (1979) "Pension Schemes: a guide to principles and practice", Gower, Aldershort, p.8.

(43) HMSO (1954b) op. cit., p.1.

(44) Conservative Party (1947) "The Industrial Charter" Conservative and Unionist Central Office, London, p.30.

(45) F.W.S. Craig (1970) op. cit., p.146.

(46) HMSO (1965) "Report of the National Assistance Board for the year ending 31st December 1964", Cmnd. 2674, HMSO, London, p.65, Appendix V.

(47) B. Abel-Smith and P. Townsend (1965) "The Poor and the Poorest", Bell and Sons, London.

(48) HMSO (1953) "Report of the National Advisory Committee on the employment of older men and women", Cmnd. 8963, (the Watkinson report) October 1953, HMSO, London, p.32,para.96.

(49) ibid., p.33.

(50) HMSO (1954a) "The Economic and Financial problems of the provision for old age", Cmnd. 9333, (the Phillips report) HMSO, London, p.2, para.8.

(51) Trades Union Congress (1954) "Report of the 86th Annual Trades Union Congress", Brighton 1954, TUC, London, pp.139-140.

(52) ibid.

(53) HMSO (1954a) op. cit., p.58.

(54) ibid., p.82, para.313.

(55) ibid., p.68, para.254.

(56) Government Actuary (1958) "Occupational Pension Schemes: a survey by the Government Actuary", HMSO, London.

(57) HMSO (1954b) op. cit., p.26.

(58) J. Wiseman (1965) "Occupational Pensions Schemes" in G. Reid and D. Robertson (eds) "Fringe Benefits and Labour Costs", George Allen and Unwin, London, p.180.

(59) S. Wittaker (1974) "Pension Schemes", in D. Shirley and A. Thornhill (eds) "Potter and Monroe's Tax Planning" Sweet and Maxwell, London, p.469.

(60) J. Wiseman (1965) op. cit., p.186.

(61) P. Townsend (1976) "Sociology and Social Policy", Penguin Harmondsworth, p.254.

(62) R.H.S. Crossman (1972) "The Politics of Pensions", p.13 (Eleanor Rathbone Memorial Lecture, May 1971) Liverpool University Press, Liverpool, p.13.

(63) HMSO (1958) "Provision for old age - the future development of the national insurance scheme", Cmnd. 538, October 1958, HMSO, London, p.11, para.38.

(64) M. Fogarty (1962) "Undergoverned and overgoverned", Geoffrey Chapman, London, p.105.

(65) J. Wiseman (1965) op. cit., p.184.

The percentage figure of 39 per cent has been calculated by comparing the figure of 4.3m with the total number in occupational pension schemes at this time - 11.1m from Government Actuary (1966) "Occupational Pension Schemes: a new survey by the Government Actuary", HMSO, London, p.11, Table 8.

(66) Government Actuary (1968) "Occupational Pension Schemes: Third Survey by the Government Actuary", HMSO, London, pp.12-13, para.30.

The percentage figure of 43 per cent has been calculated by comparing the figure of 5.3m to the total number in occupational pension schemes at the time - 12.2m from Government Actuary (1968) ibid., p.8, para.24.

(67) B. Watkin (1975) "Documents on Health and Social Services: 1834 to the present day", Methven, London, p.104.

(68) A. Lapping (1972) "Social Welfare and Housing", in D. McKie and C. Cook (eds) "The Decade of Disillusion: British Politics in the sixties", Macmillan, London, p.155.

(69) Sir J. Walley (1972) op. cit., p.140

(70) J.D. Stephens (1979) "The Transition from Capitalism to Socialism", Macmillan, London, p.181.

(71) T. Lynes (1963) "Pension Rights and Wrongs: a critique of the Conservative Scheme", Fabian Society, London, p.17.

(72) Sir J. Walley (1972) op. cit., p.140.

(73) T. Lynes (1963) op. cit., p.4.

(74) A.K. Maynard (1973) "Social Security", in M.H. Cooper (ed) "Social Policy - a survey of recent developments", Basil Blackwell, Oxford, p.185.

(75) A. Deacon and J. Bradshaw (1983) "Reserved for the Poor" Basil Blackwell and Martin Robertson, Oxford, p.100.

(76) HMSO (1965) op. cit.

(77) J. Harris (1977) op. cit., p.463.

(78) R.M. Titmuss (1960) "The Irresponsible Society", Fabian Society, London, p.8.

(79) R. Pryke (1963) "Public or Private Welfare", Socialist Commentary, September 1963,

refers to the following Gallop poll results:

1959: people were asked what a government surplus of £50 million should be used for - 45 per cent said it should go on increasing old age pensions, 17 per cent said it should be used on the health service, 12 per cent said it should be spent on schools, and 13 per cent that it should finance tax reductions.

1960: people were asked how money saved from arms spending should be spent - 33 per cent said it should be used to increase pensions, 14 per cent that it should be spent on hospitals, 7 per cent said it should be spent on schools and 28 per cent on tax cuts.

1961: asked how money saved by a reduction in government expenditure should be spent - 34 per cent said it should be spent on old age pensions, 16 per cent that it should be spent on hospitals, 6 per cent on schools, and 32 per cent that it should finance tax cuts.

(80) D. Cole Wedderburn with J. Utting (1962) "*The Economic Circumstances of Old People*", occasional paper in social administration no.4, Codicote Press, Welwyn, p.102.

A study by P. Townsend had also shown that one quarter of the elderly people interviewed were not receiving the national assistance that they were entitled to:
P. Townsend (1957) "*The Family Life of Old People*", Penguin, Harmondsworth, p.91.

(81) D. Cole Wedderburn and J. Utting (1962) op. cit.

(82) C. Phillipson (1982) "*Capitalism and the Construction of Old Age*", Macmillan, London, p.92.

(83) HMSO (1966) "*Financial and other circumstances of retirement pensioners*", HMSO, London.

(84) Labour Party (1955) *Report of the 54th Annual Conference of the Labour Party*, Margate 1955, Labour Party, London, p.194.

(85) ibid., p.200.

(86) R.H.S. Crossman (1972) op. cit., p.11.

The full reference of the pamphlet he refers to is:-
B. Abel-Smith and P. Townsend (1955) "*New Pensions for Old*", Fabian Research series no.171, Fabian Society, London.

(87) Labour Party (1955) op. cit., p.200.

(88) ibid., p.202.

(89) ibid., p.202.

(90) F.W.S. Craig (1970) op. cit., p.205.

(91) Labour Party (1957) "*National Superannuation: Labour's policy for security in old age*", Labour Party, London, pp.49-50.

(92) H. Heclo (1974) "Modern Social Politics in Britain and Sweden", Yale University Press, London, p.265.

(93) Labour Party (1957) op. cit., p.73.

(94) ibid., p.41.

(95) A. Lapping (1972) op. cit., p.153.

(96) D. Wedderburn (1964) "Pensions, Equality and Socialism", New Left Review, no.24, March/April, p.76.

(97) H. Heclo (1974) op. cit., p.262.

(98) ibid., p.263.

(99) Trades Union Congress (1957) Report of the 89th Annual Trades Union Congress, Blackpool 1957, TUC, London, p.351, (Alfred Roberts speaking for the General Council).

(100) H. Heclo (1974) op. cit., p.267.

(101) J. Morgan (ed) (1981) "The backbench diaries of Richard Crossman", Hamish Hamilton and Cape, London, p.597; this refers to a comment by Oliver Poole M.P., May 23rd 1957.

(102) H. Heclo (1974) op. cit., p.267.

(103) Life Offices Association and Associated Scottish Life Offices (1957) "The Pensions Problem: a statement of principle and a review of the Labour party's proposals" LOA and ASLO, London, p.15.

(104) J. Morgan (ed) (1981) op. cit., p.579 (entry for March 29th 1957).

(105) New Statesman (1957) "Labour's new pension plan", New Statesman, 9th February 1957, p.158.

(106) Labour Party (1963) "<u>New Frontiers for Social Security</u>" Labour Party, London.

(107) ibid., p.17.

(108) ibid., p.19.

(109) ibid., p.11-13.

(110) The Guardian (1963) "Record savings by Life Assuranc e" by the financial editor, 8th April 1963.

(111) Ministry of Labour (1938) "Schemes for providing for pensions for employees on retirement from work", <u>Ministry of Labour Gazette</u>, May 1938.

(112) Government Actuary (1958) op. cit.

(113) Government Actuary (1966) op. cit.

(114) HMSO (1954a) op. cit.

(115) ibid., p.68, para.254.

(116) K. Hawkins (1984) "<u>Unemployment</u>", Penguin, Harmondsworth, p.7.

(117) C. Phillipson (1982) op. cit., p.32.

(118) Nuffield Foundation (1947) "<u>Old People: Report of a Survey Committee on the problems of ageing and the care of old people</u>", Oxford University Press, London, p.24, para.54.

(119) HMSO (1954a) op. cit., p.4, para.16.

(120) F. Paish and A. Peacock (1954) "The Economics of Pension Funds", <u>Lloyds Bank Review</u>, October 1954, p.15.

(121) Government Actuary (1958) op. cit., p.6, para.19.

(122) Government Actuary (1966) op. cit., p.14, para.30.

(123) ibid., p.13, Table 10.

(124) D. Cole Wedderburn with J. Utting (1962) op. cit. referred to in D. Wedderburn (1965) op. cit., p.125.

(125) HMSO (1959) "Report of the Committee on the working of the Monetary System", Cmnd. 827, HMSO, London, Table 20, (the Radcliffe report).

(126) Central Statistical Office (1972) "Annual Abstract of Statistics", no. 109, HMSO, London, Table 383.

(127) Nuffield Foundation (1947) op. cit.

(128) K. O'Morgan (1984) op. cit., p.143.

(129) A. Sked and C. Cook (1979) op. cit., p.31.

(130) R. Miliband (1972) op. cit., p.288.

(131) K. O'Morgan (1984) op. cit., p.151.
A. Marwick (1967) op. cit., p.401.

(132) K. O'Morgan (1984) op. cit., p.151.

(133) A. Deacon and J. Bradshaw (1983) op. cit., p.102.

Chapter Three

THE DEVELOPMENT OF STATE AND OCCUPATIONAL RETIREMENT PENSIONS 1964 TO 1974

This chapter discusses the development of retirement pensions policy throughout the period 1964 to 1974. Section one discusses the policies of the Labour governments 1964 to 1970 and section two discusses the policies of the Conservative government of 1970 to 1974. Sections one and two both include data on state pensions. Data on occupational pensions throughout this period is set out and discussed in section three. The fourth and final section analyses these pension developments in relation to the theory of power and the state.

SECTION ONE: STATE AND OCCUPATIONAL PENSIONS POLICY OF THE LABOUR GOVERNMENTS 1964 TO 1970

A Labour government was returned after the General Election of October 1964, but with a majority of only four seats and after just eighteen months the Prime Minister, Harold Wilson, called another General Election. His bid to increase the Labour party's majority in parliament succeeded and so from March 1966 until June 1970 a Labour government was in power with a majority of 96 seats. This is important because the discussion of pensions policy in this period of Labour government is divided into two parts. The first part discusses the policies of both of the Labour governments from 1964 to 1970, towards the incomes of existing pensioners. The second part discusses pension policy for future pensioners throughout the same period.

Policy for existing retirement pensioners

The previous chapter mentioned that the Labour party's social security document, "New Frontiers for Social Security", published in 1963, included both a policy for a state earnings relation pension and a policy for an income guarantee to help existing pensioners and those who would retire before the proposed new state pension scheme was paying out full pensions. Both of these policies were included in the Labour party's general election manifesto for 1964.(1)

The income guarantee would provide a minimum income which it was claimed would be set at a level above that of the existing state retirement pension. This initial level would be increased during the seven year period before the new state pension scheme was paying out adequate benefits.(2) The income guarantee would ensure that most elderly people had an income high enough to lift them off the need for national assistance. Entitlement would be assessed from the completion of simplified tax forms. It was hoped that this simplified means test and the fact that the elderly would not have to go to the national assistance board to claim it, would attract those elderly who had previously failed to claim the national assistance benefits to which they were entitled.(3) It was a way of increasing the incomes of the poorest elderly without having to raise the level of the state retirement pension.

It would still have been preferable to substantially increase the levels of the state retirement pension to reduce the need for means testing altogether. However, if the income guarantee had been introduced at a generous level and its means testing had been made more acceptable than that of the national assistance scheme, then it would have been of some help to elderly people. But even the income guarantee policy was not introduced and as Townsend has stated, the fate of the idea was:

> "... a particularly intriguing example of a paper lion which has turned into a lamb."(4)

Yet the 1964 election manifesto stated that the income guarantee would and could be introduced quickly, because unlike other social security reforms, its introduction would not depend on growth in the economy:

> "... with the exception of the early introduction of the Income Guarantee, the key factor in determining the speed at which new and better levels of benefit can be introduced, will be the rate at which the British economy can advance."(5)

But two other policies effectively replaced it. The first was an increase in the level of the state retirement pension in 1965 and the second was the reorganisation of national assistance into supplementary benefit in 1966. Neither reform was as generous as the promised income guarantee scheme.

It seems that right at the beginning of the new Labour government, it was decided that a modest increase in the state retirement pension was preferable to introducing the income guarantee. In November 1964 the rise in the state retirement pension was announced. However, despite backbench protest, the increase was delayed until March 1965.[6] Wilson argued that this delay was due to administrative and economic difficulties.[7]

Nairn is more specific and argues that these economic difficulties were caused by Wilson's decision to borrow on the international finance market as a way of avoiding an economic crisis in 1964. He argues that Wilson's refusal to adopt a more radical economic policy was restricting the scope of social reform:

> "Since the government turned to international finance, it needed the goodwill of the international money lenders; since it does not mean to control the private sector of industry, it will need the goodwill of its own capitalist class to get anywhere at all."(8)

Wilson did acknowledge these constraints, but unlike Nairn, he argued that there was no alternative.(9) Miliband argues that Wilson could have devalued the pound in 1964 instead of borrowing on the international finance market with the constraints on public expenditure which international finance capital could then demand. He makes the important point that Wilson's aim was to manage capitalism more effectively rather than introduce radical economic changes which would undermine the power of private capital and make way for more radical social reform.(10)

Even though Wilson had postponed the increase in the state retirement pension to March 1965, the announcement of this increase, along with that of other tax and social security increases, led to an economic crisis in November 1964. Thus Wilson states:

> "The combination of tax increases with increased social security benefits provoked the first of a series of attacks on sterling by speculators and others which beset almost every action of Government for the next five years."(11)

Sked and Cook comment that the problem was that the increase indicated to both British and foreign capital that the Labour government was giving increases in social security too high a priority:

> "To both the city and foreign observers, it seemed to mean that the Labour government were giving their social policies priority over the strength of sterling."(12)

However, despite these economic pressures, the increase in the state retirement pension was introduced. It was a modest increase but high enough to increase the level of this pension to 21.4 per cent of the gross average earnings of full-time male manual workers. Since its introduction in 1948, this percentage had fluctuated between 17.6 per cent and 20.4 per cent (see tables 2.1, 2.3 and 2.5 in chapter two), and so the 1965 increase raised it to its highest level so far. However, as will be discussed later with reference to tables 3.1 and 3.2, to reduce the numbers of elderly people needing to claim national assistance would have required a much higher increase relative to national assistance so that the pension would cover housing costs and more than subsistance needs.

By July 1965 it was clear that the income guarantee policy had been dropped even though Wilson claimed that it had merely been postponed. However, it was not introduced even after the Labour government strengthened its majority in 1966. The withdrawal of the income guarantee policy was part of a package of expenditure cuts designed to stabilise the economy. Thus Wilson argued:

> "The consequences of the run on sterling following the May trade figures were recorded in the gold figures at the end of the month and started off a fresh run... The Chancellor and I agreed that new measures were needed... The economic package we were preparing was approved by Cabinet, though there were some extremely tough and unhappy measures in it... we announced the postponement of the proposed income guaranteed pension."(13)

The 'National Plan', which was published by the government in 1965, set out the government's plans to promote economic growth.(14) This document stated that the income guarantee had been withdrawn because it would not promote economic growth and it recommended that a new pensions plan should be drawn up which would not cost so much.(15) Thus it seems that economic factors were largely responsible for the decision to abandon the idea of an income guarantee.

However, three other reasons have been given to explain why the idea was dropped. Firstly, the resources which could have financed it had already been spent on the increase in state retirement pension in 1965.(16) Secondly the Inland Revenue which would have administered the scheme was opposed to it.(17) This opposition in turn reduced the Treasury's support for the scheme. Thus as Crossman stated:

> "... the Chancellor's enthusiasm for any scheme goes down if the Inland Revenue is in revolt."(18)

A third reason was that there were doubts as to whether the scheme had been thoroughly worked through. Crossman expressed such doubts in January 1965.(19) Subsequent academic comment by Webb is that the plan was:

> "... an outline scheme <u>not</u> a detailed blueprint."(20)

The government was obviously not committed enough to complete more detailed work on the idea or to overcome opposition from the Inland Revenue. The income guarantee would have involved a means test but from the Labour party's promises it seems that this would have been more acceptable to elderly people than the national assistance system and so abandoning the idea meant that many elderly people still had to claim national assistance.

The value of the state retirement pension declined after the 1965 increase as Table 3.1 shows, to between 19.6 and 21.1 per cent of the gross national average earnings of full-time manual male workers. In contrast, the basic rate of national assistance benefit (renamed supplementary benefit in 1966) was as high, if not slightly higher, than the rate of state retirement pension, even before the housing costs which were paid on top of this basic rate are taken into account.

The Minister for Social Security, Peggy Herbison, resigned in July 1967 because she considered the increase in the state retirement pension in 1967 to be too low. She felt that it should have been increased to keep pace with the rise in the average wage.(21) The National Old Age Pensioners Association sent a deputation to Judith Hart, the new Minister for Social Security, in September 1968 to protest against the low level of the national insurance pension. However, she argued that the economic situation was such that an increase was not feasible and also that it was difficult to get the higher paid to accept the level of contribution required to meet the cost of the suggested increase. The National Old Age Pensioners Association argued that the Exchequer should restore its former contribution to the pension scheme. They also argued that a reduction in expenditure on defence could finance an increase and indeed disputed whether in fact the higher paid would be reluctant to finance a more generous pension.(22)

Table 3.1

The rate of state retirement pension for a single pensioner compared with national assistance/supplementary benefit levels and related to the gross average earnings of full-time, male, manual workers, 1965 to 1969

Date	National insurance retirement pension		National assistance/ supplementary benefit	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding costs**	as a percentage of average gross male manual workers earnings
March 1965	4.00	21.4	3.80	20.3
Nov 1966*	4.00	19.7	4.50	22.2
Oct 1967	4.50	21.1	4.75	22.2
Oct 1968*	4.50	19.6	5.05	22.0
Nov 1969	5.00	20.0	5.30	21.2

* In 1966 and 1968 there was no increase in the national insurance pension and so the percentage of earnings in these years has been calculated by assessing average earnings from the percentages given for supplementary benefit. These average earnings figures have been calculated as: 1965 : £18.69, 1966 : £21.33, 1967 : £25.00, 1968 : £22.97, 1969 : £25.00 (See DHSS (1986) "Social Security Statistics 1985", Table 46.09.

** this rate includes the long term addition paid to pensioners from 1966.

Sources: Department of Health and Social Security (1986) "Social Security Statistics 1985", HMSO, London, pp.250-251, Tables 46.09 and 46.10.

Department of Health and Social Security (1975) "Social Security Statistics 1973", HMSO, London, p.148, Table 34.01 (re rates of long term additions from 1966).

The trade union movement also expressed its concern at the low level of the state retirement pension. The TUC's annual conference, in 1967, passed a resolution demanding an increase in the pension[23] and in August 1968 the TUC told Crossman, then Secretary of State for Social Services, of their views on this issue but Crossman merely replied that the situation was unavoidable.[24]

The effect of the government's decision not to raise the levels of the state retirement pension or introduce a generous income guarantee was that the proportion of elderly people claiming national assistance/supplementary benefit on top of their state retirement pension remained high. Table 3.2 shows that the percentage of elderly people claiming national assistance or supplementary benefit on top of their state retirement pensions was 22 per cent in 1965 rising to between 28 and 29 per cent in the years 1966 to 1969. This percentage was higher than in the previous Labour and Conservative governments of 1945 to 1964, when it had ranged between 22 per cent and 27 per cent.[25] Part, but not all, of this increase can be attributed to the change in the name and administration of national assistance in 1966. However, the persistently low levels of state retirement pension were also important.

Several research reports in 1965 and 1966 indicated that there were many elderly people eligible for national assistance who were not claiming it. A government report on the impact of rates on households found that in 1963, at least 500,000 retired households were eligible for, but not claiming, national assistance.[26] A report by Townsend and Wedderburn on "The Aged in the Welfare State" did not specifically look at the issue of low take-up of national assistance but concluded that it was likely that there were around 500,000 elderly income units living below the national assistance level.[27] This report also found that 50 per cent of the elderly were so dependent on the

Table 3.2

The numbers of people over retirement age receiving national insurance retirement pension and the number receiving national assistance in Great Britain 1965 to 1969

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions)	Number of people over retirement age on national assistance/ supplementary benefit	Percentage of national insurance retirement pensioners (including widows 60 to 64 years,) on national assistance/supplementary benefit
1965	6529	1435	22
1966	6717	1818	29
1967	6940	1806	28
1968	7141	1860	28
1969	7299	1875	28

Source: Central Statistical Office (1970) "Social Trends 1970" no.1, HMSO, London, p.99, Table 47 and p.100, Table 48.

state social security system that they received less than £1 per week from other sources such as occupational pensions.(28) The report from the survey commissioned by the Conservative government in 1964, "Financial and Other Circumstances of Retirement Pensioners", which was published in 1966, also confirmed the problem of non-take-up of national assistance amongst elderly people. It estimated that 850,000 olderly people were eligible, but not claiming national assistance in 1965.(29) This amounted to 13.4 per cent of the elderly population.(30) The reasons given for non-take-up included dislike of going to the National Assistance Board, dislike of charity altogether and some elderly people felt that they could manage without claiming it.(31)

Having abandoned the idea of an income guarantee, the Labour government's response to the problem of this low take-up of national assistance was to reform the administration of this means tested benefit and to rename it. Therefore in August 1966, just five months after the General Election of 1966, the Ministry of Social Security Act was passed. This Act came into effect in November 1966. It amalgamated the existing Ministry of Pensions and National Insurance and the National Assistance Board into one Ministry of Social Security. The functions of the old National Assistance Board were taken over by a newly created Supplementary Benefits Commission. National assistance payments were renamed supplementary benefits and payments to the elderly were referred to as supplementary pensions. The elderly could use the same pension book to cash both national insurance pensions and supplementary pension.(32) Means testing for eligibility for the supplementary pension would continue although it was hoped that the new administration would change the image of means testing and reduce the stigma attached to claiming such benefits. The government publicised these changes to try and increase take-up of this new means tested benefit system.

The level of supplementary benefit available to the elderly was also increased with the introduction of a long term addition on top of the basic rate and it raised the income and capital disregards concerning eligibility for supplementary benefits. So the government not only changed the administration of the means tested benefit system, it also increased the number of people who would be eligible to claim.(33)

The degree to which these changes increased take-up of supplementary benefit is disputed. Initially, several thousand new claims were made.(34) Crossman argued that about half of those elderly people who had not claimed national assistance although they were entitled, <u>were</u> claiming the new supplementary pension.[35] However, he admitted that there was still some non-take-up of the benefit amongst elderly people:

> "...it was still true that there were many thousands of people who would not go near it because they felt that it was repugnant to them."(36)

Atkinson argued that it would be optimistic to claim that non-take-up had been reduced by 25 per cent, let alone the 50 per cent figure which Crossman had stated.[37] Atkinson stated that between 50 and 66 per cent of the increase in proportion of state retirement pensioners claiming supplementary benefit, (this increase was shown in Table 3.2), was due to the increased level of this benefit and so an increase in the number of elderly people eligible rather than an increase in the take-up of the benefit.[38]

Townsend's large scale research project on poverty from 1968 to 1969, found that the numbers of elderly people, (65 years and over), who were eligible but not claiming a supplementary pension was 1.32 million.[39] He acknowledged that the numbers of elderly people eligible for this means tested benefit had increased both due to the 1966 legislation and because the numbers of elderly people in society had increased. However, he controlled for these changes so that he could assess how far the introduction of supplementary benefit had reduced the problem of non-take-up and found that it reduced it by just 2.2 per cent:

> "the effect of introducing supplementary benefits was to reduce the number of retirement pensioners eligible for benefit but not receiving from 13.4 to 12.2 per cent, or up to approximately 75,000. This is a modest achievement, certainly much more modest than was claimed at the time."(40)

Townsend's survey showed that in 1968 to 1969, 20 per cent of elderly people were living below the new supplementary benefit level. This level included the housing costs paid on top of the basic level of supplementary benefit. A further 44 per cent were living between 100 and 139 per cent of this supplementary benefit scale or in other words were living on the margins of poverty.[41] This illustrates the low incomes of many elderly people which continued during the 1964 to 1970 period of Labour government.

The government relied on heavier use of the supplementary benefit system to increase the incomes of the elderly rather than raise the level of the state retirement pension to the rate campaigned for by the pensioners lobby and the trade union movement. Whilst the problem of low-take-up was marginally reduced with the replacement of national assistance with supplementary benefit, it still existed.

Policy for future retirement pensioners - the decision to abandon the 1957 policy and the white paper of 1969

The Labour party had been working on the 1957 pensions policy for seven years by the time it was elected to government in 1964. It had therefore been thoroughly debated and finalised. As Webb states:

> "...few other areas of social policy can have benefited from such a long period of planning in opposition."(42)

The policy was included in the Labour party's General Election manifesto in 1964, although the idea of a state pensions fund was not mentioned. Despite this preparation and despite its appearance in the manifesto, it was never introduced. It was eventually replaced by another pension policy in 1969 which was less radical. Several reasons have been given for the decision to abandon the 1957 policy.

Firstly there is Heclo's argument that the economic situation prevented the government from committing itself to the policy:

> "Undoubtedly the major reason for the delay in superannuation stemmed from Britain's delicate economic position and the Treasury's firm refusal to see any such massive financial scheme undertaken at a time of economic crisis."(43)

However, others such as Kincaid, Townsend and indeed Crossman himself have argued that the scheme did not demand resources in its early years.(44) Crossman made the point that it would increase rather than decrease resources coming into the Exchequer due to the earnings related contributions it required from the workforce. This surplus could have been used to increase the level of the state flat rate national insurance pension.(45) Townsend similarly argued that the surplus created by the scheme would have been £300 million in the early years and this itself could have helped to stabilise the economy.(46)

One explanation for the delay in introducing the reform, rather than its withdrawal, was that the Minister for Pensions and National Insurance was not in the Cabinet at that time. Douglas Houghton, Chancellor of the Dutchy of Lancaster, was given responsibility for presenting social security issues in the Cabinet but as he was not the Minister for Pensions and National Insurance, he had little power to push the pensions issue through.(47)

Another explanation given for the decision to withdraw the policy was that the occupational pensions sector was continuing to develop. When the 1957 plan was drawn up, the latest statistics on occupational pensions revealed that 8 million employees belonged to these schemes. By 1966 it was clear that this number had increased to 11.1 million in 1963 and the results of a further survey published in 1968 showed that this number had increased still further to 12.2 million in 1967.(48) Thus Heclo argues:

> "Between 1956 and 1967 the membership in private pension plans rose to cover one half of all employed persons. This mass of contractual relationships could not be ignored by the Labour government."(49)

This undoubtedly posed a major problem for the Labour government, not only because it meant that an increasing number of the electorate were contributing to occupational pension schemes but also because the financial power of pension funds accumulating these contributions was also increasing. Yet it must have been clear to the government that as long as the conditions of the Graduated Pensions Act 1959 remained intact and the state retirement pension remained low, then these factors alone would encourage the further development of these schemes. But the Labour government did not take action on the issue at an early stage. Admittedly its majority in parliament between 1964 and 1966 was small and Crossman argued that the 1957 policy was too large a piece of legislation to have been implemented by 1965.(50) Lynes argued that a delay in introducing the reform was inevitable because of the need to review the whole of the social security system.(51) However, Townsend who had been one of the architects of the 1957 reform argued that it could have been introduced by 1965, if the government had been committed to it:

> "I believe it can be argued that with a little more determination on the part of the Government we might have had this on the statute book by the end of 1965."(52)

He acknowledges that the continuing development of occupational pensions made it more and more difficult to introduce this policy but argues that this would have posed less of a problem the earlier the policy was introduced because one of the aims of the 1957 policy was to contain the development of occupational pension schemes. Townsend argues that the longer the 1957 policy was delayed:

> "...the less likely it was that we could in this country establish one nation in old age rather than the two nations as then existed, that now exist. And the Labour government of 1964 failed to implement the national superannuation proposal early on."(53)

So it seems that the main reason for the delay and subsequent abandoning of the 1957 pension plan was that the Labour government was not committed to such a radical reform. Kincaid argues that the scheme was too redistributive from higher to lower income groups for the Labour government.(54) This is not to dismiss the economic pressures on the government, but as already argued, these economic pressures were partly caused by the Labour government's chosen economic strategy.(55)

The 1957 pensions plan had aroused opposition from the pensions industry when it was first announced in 1957 and also when it was included in the Labour party's policy document, "New Frontiers for Social Security" in 1963 and so it was clear that the pensions industry would have preferred a more moderate scheme. The Labour government was not committed enough to the reform to stand up to this opposition. The pensions plan which it eventually put forward was much less restrictive towards the occupational pensions sector. To succeed in introducing the 1957 plan would have required a radical economic policy and much determination. Thus as Lynes argued:

"If an adequate state pension scheme is to be introduced it will demand either delicate and patient negotiation or an unshakable determination to push it through despite all opposition."(56)

The Labour government chose the easier option of moderating its policy.

The first clear indication that the Labour government had changed its policy on pensions seems to have been a series of remarks in its General Election manifesto for 1966. This stated that the occupational pensions sector would be treated as a partner to the state sector:

"The new graduated scheme will overcome problems of transferability of pension rights when an employee changes his job. There will be a partnership between the state and occupational pensions."(57)

The 1957 policy had not provided for a partnership between state and occupational pensions. Another indication that the 1957 policy had been abandoned was that the policy of providing half pay on retirement was not mentioned in the manifesto. Thus the Times noted:

"The phrase 'half pay on retirement' which occurred so frequently in Labour statements between 1958 and 1963 seems to have been dropped."(58)

The manifesto also stated that a pension plan would be "prepared", yet the Labour party had been working on the 1957 policy for nine years.(59) This indicated that the Labour government planned to change its policy on the issue. However, despite these comments, the Minister for Social Security, Judith Hart, wrote to the General Secretary of the TUC in September 1967 stating that the government were still proposing to introduce the 1957 plan.(60) According to Crossman, the civil service had been working on a new pension plan since August 1966.

It was Crossman who was given responsibility for the Cabinet committee on pensions in January 1967.(61) He found that the civil service were reluctant to let him examine the details of the new pension plan and Crossman argued that this led to long delays.(62) In fact he argued that it seemed that neither the Ministry of Social Security nor the Chancellor of the Exchequer were keen on introducing a new pension policy before the next General Election.(63) But by November 1968, the drafting of the pension bill had begun and Crossman, now Secretary of State for Social Services was finding the civil servants more helpful. He admitted that the new pension plan was not all that he would have liked it to be but he nevertheless accepted it:

> "Once we got down to actually drafting the Bill, the Civil Service were magnificent. We found formulas for doing all we wanted. We made certain changes. We abandoned certain things I would have liked. But by and large the scheme was shown to be wholly workable..."(64)

Others were not so happy with the scheme. The Minister for Social Security, Judith Hart argued that more redistribution towards the lower paid should be built into the scheme but Crossman's reply was that this was simple not possible.[65] Townsend argued that the Labour government was conceeding too much to the occupational pensions industry. He was critical of its stance on pensions:

> "Those who speak of the Life Offices as if they were distributing loaves and fishes to the grateful multitudes are not speaking the language of socialism."(66)

The government's new pension proposals emerged in a white paper "National Superannuation and Social Insurance" in January 1969.[67] The pensions scheme which it proposed became known as the Crossman plan. The essence of the scheme was an earnings related state pension with no flat rate element but with some redistribution of income from higher to lower income groups. It enabled those on half the national earnings level to receive a pension of 60 per cent of their previous earnings. Someone on one and a half times national average earnings would receive a pension of only 36.7 per cent of their earnings.[68] The plan also provided for some contracting out of this state earnings related pension for those in occupational pension schemes.

Despite some elements of redistribution, the 1969 scheme was less radical than the 1957 scheme for several reasons; the ceiling on contributions was lower, the Exchequer contribution was lower, the pension in payment would not be so effectively protected against inflation, the contracting out terms for occupational pensions were more lenient and the provision for existing pensioners and those close to retirement was less generous. These differences will be discussed in the course of the following brief outline of the plan.

The ceiling on the level of earnings to be used to calculate contributions was just one and a half times national average earnings.[69] Therefore those earning more than this level would pay the same contribution and receive the same level of pension as those earning one and a half times average earnings. The 1957 pensions policy had set an earnings ceiling of four times national average earnings.[70] This change made occupational pension schemes more attractive to employees earning more than one and a half average earnings because they were paying relatively little into the state pension scheme. They could therefore afford to continue to pay into an occupational pension scheme. So whilst it reduced the level of state pension that higher earners would receive, it also reduced the resources available to finance the state pension for lower paid workers because the higher paid were paying a relatively low rate. Lynes argues that this lower ceiling on earnings and benefits was introduced into the 1969 pensions plan to accommodate occupational pension schemes:

> "...it is hard to blame the Government for setting the ceiling where it has, unless one is also prepared to argue that the Government is wrong to encourage the continuation of private schemes in roughly their present form."(71)

The Exchequer contribution to the state pension was to be 18 per cent of the combined contribution of employer and employee, whereas in the 1957 scheme this had been set at 24 per cent. As the taxation system is more progressively financed than the national insurance system, (at least direct taxation) then this made the financing of the scheme less redistributive. The 1969 scheme did propose to revalue contributions to the state pension scheme by adjusting them in line with national average earnings increases, but it did not include revaluing the pension payment in line with a special price index for pensioners every year as the 1957 policy had done. Instead it proposed an increase every two years in line with the ordinary price index.(72)

The idea of a state pensions fund which had been strongly opposed by the pensions industry when included in the 1957 policy(73) was reduced to a shadow of its former self. The state pension fund outlined in the 1969 plan was small, reaching its maximum size after only 15 to 16 years and was restricted to investment in government securities.(74) The decision to drop the more radical version of a state pension fund was a reflection of the change in attitude towards the occupational pensions sector. Whilst the 1957 policy had aimed to contain the growth of occupational pensions, the 1969 policy was much more accommodating and viewed the relationship between the two sectors as a "working partnership".(75) The 1969 plan also recognised the importance of the pensions funds as a source of finance capital in the economy:

> "The Government welcome this growth in occupational provision and recognise the important role which occupational pension schemes now play not only in provision for old age... but as a source of the savings needed to finance investment." (76)

Indeed, one of the reasons given in the white paper for allowing occupational pension scheme members to pay a reduced contribution towards the state pension scheme was the importance of the occupational pension funds to the economy. If contracting out was not permitted then some occupational pension schemes would not be able to continue.(77) The government acknowledged that most other countries did not allow contracting out of the state pension scheme and agreed that occupational pensions should ideally be just a supplement to, rather than a partial replacement of, the state pension but their importance to the economy ruled out such a policy.(78) Thus as Lynes has argued, the decision to allow contracting out:

> "... is mainly the result of political and economic considerations far removed from the problems of provision for old age as such."(79)

Whilst contracting out was allowed in the 1957 policy, its terms were less generous towards the occupational pensions sector.(80) The 1969 scheme was less restrictive in the conditions it laid down for contracting out. It also took on the responsibility of inflation proofing occupational pensions in payment. The exact terms of the contracting out arrangement were left open to further discussion between the government and the pensions industry.(81)

It is interesting to note that Crossman argued that contracting out had to be allowed otherwise the pensions industry would have launched a campaign against the government's proposals:

> "... they would tell their members that the wicked Labour government was depriving them of their pensions. So this was politically very very dangerous indeed."(82)

So whilst the civil servants working on the pension plan were initially reluctant to allow contracting out, Crossman succeeded in including it.(83) Yet he also admitted that contracting out did cost a lot to administer and that the government was hoping that contracting out would not be necessary after ten years as most employers would then find it more convenient to simply add an occupational pension to their employee's full state pension.[84] However, Crossman's view on this seems unrealistic as once the decision to contract out had been taken it would seem most unlikely that an employer would reverse this decision.

Another important difference between the 1957 and 1969 pension plans was that the former gave more priority to helping existing pensioners and those people in the workforce who were close to retirement. It had provided for a 50 per cent increase in the existing state retirement pension and a twofold increase in the value of contributions from older workers so that they could draw a half pay pension within seven years of the start of the new pension scheme.[85] Whilst the 1969 scheme allowed for some blanketing in by paying out full pensions within twenty years, it did nothing to help existing pensioners or those on the verge of retirement. Lynes stated that the Treasury would not have accepted the plan if it had provided help for existing pensioners[86] and yet the revenue foregone in allowing contracting out by occupational pension scheme members and indeed in insisting on continuing tax concessions to occupational pensions schemes did seem to be acceptable.[87]

Atkinson estimated that if the 1969 pension scheme was introduced in 1972, then even by the year 2000, 13 per cent of retirement pensioners would still have pensions below the supplementary benefit level including average rent.[88] He argued that only a substantial rise in the state retirement pension[89] - 42 per cent for a single person and 29 per cent for a married couple,[90] could ensure that pensioners did not have to rely on supplementary benefit. However, there was no prospect of the government granting such a radical increase in 1969.

Those campaigning for an increase in the existing pension level gained nothing from the reform. The poverty lobby was essentially excluded from the government's discussions on the pensions issue which were mainly confined to the pensions industry, the employers and the trade unions. Thus Lynes, who had been part of the poverty lobby when secretary of the Child Poverty Action Group, notes that the new pension plan was drawn up as a result of:

> "... high level negotiation between the Government and the main interest groups - the CBI, the TUC, the Life Offices' Association, and the National Association of Pension Funds."(91)

Negotiation after the publication of the white paper in January 1969, centred on the terms for contracting out. The pensions industry had formed a committee with the CBI so that the employers and the pensions industry could coordinate their response to the government's proposals.(92) The pensions industry accepted the pensions plan,(93) but along with the employers they demanded that contracting out terms should allow for a one per cent abatement in benefit for a one and a half per cent abatement in contribution to the state pension scheme.(94) Some public sector trade unions, such as the National Association of Local Government Officers, also supported this level of abatement,(95) because they were also concerned that if the contracting out terms were not generous enough then their occupational pension schemes could be undermined. However, most trade unions supported the government and agreed with a one per cent benefit abatement for a one and a quarter per cent contribution abatement.(96)

By September 1969, Roy Jenkins, the Chancellor of the Exchequer, agreed that Crossman could go as far as offering a 1.3 per cent contribution abatement but if possible should try and get the pensions industry to accept the original figure of 1.25 per cent.(97) The pensions industry and NALGO still demanded more than 1.3 per cent whilst the TUC argued that the government should offer no more than this.(98) Eventually the figure of 1.3 per cent was accepted and outlined in a further white paper of November 1969.(99)

How far this figure benefited the occupational pensions industry is debatable. It was certainly higher than the government had originally intended and the conditions attached to contracting out in the government's new pension plan were less demanding than those of the 1957 policy. However, it seems that the scheme would not have led to large scale contracting out and the occupational pension schemes of the lower paid and those in manual work were the ones most likely to close as a result.(100) Thus Marshall argued that whilst the new pensions policy was more accepting of occupational pensions, the contracting out terms were not favourable enough to provide an equal partnership between the two:

> "...the terms offered ...(were not) ... sufficiently favourable to encourage industries to use the option offered to them. It was not meant to be an equal partnership, still less a shift of responsibility from State to industry."(101)

Yet whilst the policy was not all the pensions industry would have wanted, it offered important concessions for occupational pension schemes. The conditions for contracting out were that the occupational pension scheme had to provide a pension of at least the same level as the employee would have received from the state scheme. They also had to preserve the pension rights of early leavers. The fact that occupational pension schemes could contract out of part of the contributions to the state pension and yet still benefit from a government guarantee to inflation proof these occupational pensions once they were in payment, was a valuable asset. Lynes argues that the government's acceptance of partial contracting out was:

"... a major political victory for the life offices."(102)

The TUC had argued that employers should inflation proof their own occupational pensions but the government declined to enforce this.[103] So the 1969 pensions plan was clearly more acceptable to the pensions industry than the Labour party's 1957 plan.

By December 1969 the pensions bill had been drawn up[104] and was at committee stage when a General Election was called in June 1970 and a Conservative government was elected. This meant that six years of Labour government had failed to introduce legislation for a new pensions policy. It had shown however that the Labour party had moderated its pensions policy to one which was more favourable to the occupational pensions sector.

SECTION TWO: STATE AND OCCUPATIONAL PENSIONS POLICY OF THE CONSERVATIVE GOVERNMENT 1970 TO 1974

The election of a Conservative government brought with it concern in the 1950's and 1960's about the low levels of the state retirement pension at that time. The Conservative government merely responded by setting up an enquiry into the income levels of elderly people. It is likely that public concern about the low levels of state pension would have been stronger and therefore of more influence on the government had all the population been faced with dependency on state pensions when they retired. By 1963, almost half of the working population were in an occupational pension scheme and this is likely to have divided interests.

The trade union movement supported the introduction of the new state retirement pension in 1946 but came to have divided interests regarding retirement pensions by the 1950's because of the development of occupational pension schemes. Whilst few trade unions had become actively involved in negotiation for occupational pension schemes in the 1945 to 1964 period, it seems that the growing access of some trade union members to these schemes weakened support for radical improvements to the state pension scheme. The trade union movement still supported increases to the state retirement pension (which were not introduced) but it was wary of any substantial increase in pension levels, for example through earnings related contributions and benefits, which would not allow contracting out for those who belonged to an occupational pension scheme. So in this sense private capital had been able to influence the trade union movement as it had influenced the public in general through the provision of occupational pensions which reduced support for a more radical state pension system.

There is little evidence of any action or influence by the poverty lobby on the retirement pensions policies of the eighty years of age who were too old to have benefited from the state retirement pension introduced in 1946. This new policy was set out in the National Insurance (Old persons and widows pensions and attendance allowance) Act 1970.(109) The National Insurance Act of 1971 increased the level of this non-contributory pension and extended it to cover those who were over eighty years of age but had paid limited contributions to the national insurance pension scheme so that they were receiving less than £3.85 per week from it.(110) This Act also introduced a 25p per week supplement to the state retirement pension and supplementary benefit of all those eighty years old and over.

Sir Keith Joseph claimed that the non-contributory pension was a significant benefit to older pensioners. He argued that it was a:

> "... real improvement for the one and a quarter million pensioners over eighty."(111)

However, Table 3.3 below shows that the level of pension it offered was very low - almost half that of the state retirement pension. The table also shows that the maximum number of pensioners claiming it between 1970 and 1973 was just 132,000 in 1971. Bradshaw estimated that nearly half of the pensioners eligible for it were already claiming supplementary benefit.(112) The non-contributory pension was only helpful to those who were eligible for supplementary benefit but not claiming it or those who were too affluent to claim supplementary benefit. The level of the pension was so low that most of those eligible but not claiming supplementary benefit would <u>still</u> have been eligible for supplementary benefit as well as the old persons pension. The only elderly people who really benefited were therefore those too affluent to be entitled to supplementary benefit. So the policy was of little help to the poorest groups of the elderly population.

Table 3.3

The rate of the old persons pension for a single person compared with the average gross earnings of manual, male, full-time workers and the numbers receiving it, 1970 to 1973

Date	Old persons pension		
	rate in £ per week for a single person	as a percentage of average gross male manual workers earnings*	the number of elderly people claiming it
Nov. 1970	3.00	10.6	123,000 (Dec)
Sept. 1971	3.60	11.7	132,000 (Dec)
Oct. 1972	4.05	11.3	125,000 (Nov)
Oct. 1973	4.65	11.5	112,000 (Nov)

* these percentages have been calculated from data in DHSS (1980) "Social Security Statistics 1980", Table 46.09, p.216. From this table the average earnings figures have been calculated as the following per week:
1970: £28.41, 1971: £30.69, 1972: £35.79, 1973: £40.39.

Sources: Department of Health and Social Security (1975) "Social Security Statistics 1973", HMSO, London, p.88, Table 13.03, p.90, Table 13.31.

Department of Health and Social Security (1980) "Social Security Statistics 1980", HMSO, London, p.216, Table 46.09.

Increases in the state retirement pension and in the supplementary benefit level were also marginal. Table 3.4 below shows that despite the Conservative government's decision from

1971 to raise the level of this pension every year instead of every two years, the pension level was no more generous because the increases were so small. The average level of the state retirement pension compared to average earnings of manual workers was 19 per cent, slightly less than the average figure of 20 per cent during the Labour governments of 1964 to 1970 (see Table 3.1). The level of supplementary benefit continued to be higher than the level of state retirement pension even before the payment of housing costs on top of the basic rate of supplementary benefit was taken into account.

Table 3.4

The rate of state retirement pension for a single pensioner compared with supplementary benefit levels and related to the gross average earnings of full-time, male, manual workers, 1970 to 1973

Date	National insurance retirement pension		Supplementary benefit	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding housing costs, including long term addition	as a percentage of average gross male manual workers earnings
Nov. 1970*	5.00	17.6**	5.70	20.1
Sept. 1971	6.00	19.5	6.30	20.5
Oct. 1972	6.75	18.9	7.15	20.0
Oct. 1973	7.75	19.2	8.15	20.2

Note: from 1971 all those pensioners over eighty years of age received a 25p a week addition to these rates.

* in 1970 there was no increase in national insurance;
** these percentages have been calculated from data in DHSS (1968) "Social Security Statistics 1985", Table 46.09. From this table the average earnings figures have been calculated as follows: (per week) 1970: £28,41, 1971: £30.69, 1972: £35.79, 1973: £40.39.
Sources - continued over

Sources: Department of Health and Social Security (1986) "Social Security Statistics 1985", pp.250-251, Tables 46.09 and 46.10.
Department of Health and Social Security (1975) "Social Security Statistics 1973", Table 34.01, p.148.

Table 3.5 shows that these low levels of state retirement pension left between 26 and 28 per cent of elderly people receiving supplementary benefit as well.

Table 3.5

The numbers of people over retirement age receiving national insurance retirement pension and the number receiving supplementary benefit in the United Kingdom, 1970 to 1973

in thousands

Date	Number of national insurance pensions in payment (including contributing old age pensions and widows pensions aged 60 to 64	Number of people over retirement age on supplementary benefit	Percentage of national insurance retirement pensioners including widows 60 to 64 years) on supplementary benefit
1970	7,693*	1,901*	28*
1971	7,982	1,919*	28
1972	8,123	1,969	28
1973	8,235	1,903	26

* refers to Great Britain.

Sources: Central Statistical Office (1972) "Social Trends 1972" no.3, p.91, Table 39.

Central Statistical Office (1975) "Social Trends 1975" no.6, Tables 5.23 and 5.24, p.113.

As far as non take-up of supplementary benefit was concerned, government figures estimated that in 1972, 760,000 elderly people were eligible but not claiming supplementary benefit and in 1973 this figure was 690,000.(113)

In October 1970, the National Federation of Old Aged Pensioners, asked the Secretary of State for Social Services to increase the state retirement pension from £5 to £7 per week, with an extra £1 per week for those pensioners living alone. However, Sir Keith Joseph argued that the suggested changes would cost £900 million a year and that half the pensioner population did not need such an increase anyway. He argued that occupational provision was the best way of increasing pension levels.(114) So the Conservative government failed to respond to the demands of the pensioners poverty lobby just as the previous Labour government had done.

Policy for future retirement pensioners - the white paper of 1971

The Conservative party was keen to introduce a new pensions policy which would give occupational pension schemes a larger role in pension provision; larger in fact than the occupational pensions industry itself desired. In its General Election manifesto for 1966, the Conservative party stated that it aimed to encourage the extension of occupational pension coverage to as many employees as possible and to restrict state pension provision to a low level flat rate minimum with no state earnings related pension at all. The aim was to:

> "... see that everyone has a good pension with their job on top of the State basic pension."(115)

So whilst the Conservative government had introduced an earnings related supplement to the state retirement pension through the 1959 Graduated Pensions Act, by the 1960's, leading Conservatives were arguing that there was no need for state earnings related pensions in any form and that private pension provision should be made compulsory.[116] However, the pensions industry did not favour this kind of pensions policy. Whilst they could see that it could be beneficial to them in the short term, it could lead to restrictive government regulations on the pensions industry if some smaller insurance companies abused the policy and provided unsatisfactory private pensions.[117] The pensions industry was also reluctant to take on the additional responsibility and administrative costs which would accompany compulsory private pensions as well as the problems involved in trying to provide private pensions for those in and out of work.[118] Thus the pensions industry had:

> "... real misgivings as to whether they would be able to tackle the administrative burden involved."(119)

Similarly the Institute of Actuaries was opposed to compulsory private provision. It preferred a partnership between the state and occupational sectors.[120]

The government decided to take the views of the pensions industry into account and introduced a pensions policy which provided a state earnings related pension on top of the flat rate state pension for those without access to an occupational pension. The proposals were published in a white paper, "Strategy for Pensions", in September 1971.[121] This white paper was published just fifteen months after the Conservative government had been elected - a much shorter period than the five years which it had taken the previous Labour government to produce its white paper.

The government's pension proposals were that there should be two elements to each person's pension: a low flat rate state minimum pension and an occupational pension or, for the minority without occupational pensions, there would be a state earnings related reserve scheme. The object was to expand occupational pension coverage to as many employees as possible. The proposals ensured that occupational provision was more attractive than the state earnings related scheme. Thus Fraser aptly comments:

> "Every encouragement is given by both stick and carrot to induce more people to have their own occupational pension."(122)

The white paper stated that occupational pensions were the best way to increase elderly peoples' incomes. The state pensions sector had a minimal role:

> "The essential role of the occupational pension scheme is to enable an employee to secure higher living standards for himself and his family in retirement by setting aside part of his earnings."(123)

The proposed state flat rate minimum pension was similar to the existing state retirement pension. The white paper admitted that it would provide a lower pension level than the supplementary benefit level including housing costs.[124] This flat rate pension would only be revalued every two years and only according to prices which generally rise at a slower rate than wages.[125] So those people with access to only minimal occupational pensions or a low level state earnings related pension, would have to depend on supplementary benefit. Titmuss argued that the pension scheme would do little to reduce the number of elderly needing to claim supplementary benefit on top of their state pension:

> "An increasing number of people - especially women - will for many years thus need to apply for means tested supplementary benefits. There is no forseeable limit to the growth in the number of claimants."(126)

In one respect the proposed state flat rate pension was very different from the existing state retirement pension - it was financed by earnings related contributions. Heclo comments that earnings related contributions for flat rate benefits had previously been thought politically impossible to introduce, because of the potential redistribution from such a policy.(127) However, the redistribution in the Conservative pension plan was negligible because the ceiling on the amount of earnings eligible for contribution was low - just one and a half times national average earnings. Other factors which limited the redistributive effect were the low level of the pension and the fact that higher income groups tend to live longer and so claim the pension longer.

The Conservative government defended this low level of flat rate pension by arguing that it was the role of occupational pensions to provide a higher income. State pensions were only needed to provide a minimum. So the government argued that their pension proposals provided for:

> "... a partnership in which the State scheme provides basic pensions and occupational schemes provide pensions related to earnings."(128)

It was estimated that the state earnings related pension

(73) T. Lynes (1963) op. cit., p.4.

(74) A.K. Maynard (1973) "Social Security", in M.H. Cooper (ed) "Social Policy - a survey of recent developments", Basil Blackwell, Oxford, p.185.

(75) A. Deacon and J. Bradshaw (1983) "Reserved for the Poor" Basil Blackwell and Martin Robertson, Oxford, p.100.

(76) HMSO (1965) op. cit.

(77) J. Harris (1977) op. cit., p.463.

(78) R.M. Titmuss (1960) "The Irresponsible Society", Fabian Society, London, p.8.

(79) R. Pryke (1963) "Public or Private Welfare", Socialist Commentary, September 1963,

refers to the following Gallop poll results:

1959: people were asked what a government surplus of £50 million should be used for - 45 per cent said it should go on increasing old age pensions, 17 per cent said it should be used on the health service, 12 per cent said it should be spent on schools, and 13 per cent that it should finance tax reductions.

1960: people were asked how money saved from arms spending should be spent - 33 per cent said it should be used to increase pensions, 14 per cent that it should be spent on hospitals, 7 per cent said it should be spent on schools and 28 per cent on tax cuts.

1961: asked how money saved by a reduction in government expenditure should be spent - 34 per cent said it should be spent on old age pensions, 16 per cent that it should be spent on hospitals, 6 per cent on schools, and 32 per cent that it should finance tax cuts.

The basic condition that occupational pension schemes had to meet in order for their members to be able to contract out was that the pension should be based on either 0.6 per cent of final salary for each year of service for males, or 0.4 per cent of final salary for females or the pension should be based on one per cent of all PAYE earnings. A third option was that the pension should be financed from at least 5 per cent of the combined contribution of employee and employer and invested at the same rate as the state reserve pension scheme. In addition, a widows pension of half the level of either of these three types of pension must be provided or a lump sum death benefit equivalent to one and a half years pay. However, if the pension was significantly above the required minimum level then a widows pension or lump sum death benefit were not required. Another condition which would be waived for those pensions sufficiently above the minimum was some of the inflation proofing requirements for the pension in payment.[133] The inflation proofing requirements were in fact very minimal.

A final condition laid down was that the occupational pension should allow all those over 26 years of age, with five years service, to have their pension rights preserved if they change jobs. There was no requirement to make the pensions transferable and neither did the preserved pension need to be increased to keep pace with inflation. These conditions would not only ensure the continuing development of occupational pensions, they would also ensure that many of these were of a low quality.

The state earnings related reserve pension scheme was modelled on occupational provision in several respects. Therefore the scheme would have no exchequer subsidy, no inflation proofing by the government, no credits for periods of unemployment or sickness. In this sense it was intended to be, as Heclo states:

> "... a discrete 'business', sharing the market with private insurance." (135)

However, the scheme was actually made inferior to occupational provision in two important ways. Firstly, whilst the contributions of 1.5 per cent of earnings by the employee and 2.5 per cent by the employer,(136) were invested in a state pension fund, this fund unlike occupational pension funds was not allowed to hold more than 5 to 10 per cent of voting rights in any one company.(137) Secondly, the contributions to the scheme would not attract tax relief and neither would the fund, although occupational pension schemes benefited from these tax concessions and the Finance Act of 1971 had increased the availability of this tax relief.(138) So whilst the state reserve scheme was modelled on the occupational pension system, it did not share its benefits and so as Walley mentioned, it was "not as good as the real thing".(139)

The seven million people, or 25 per cent of the workforce whom the government considered would need to use the state reserve scheme because they could not get access to an occupational pension, were those in inferior employment situations. Thus as Titmuss argued, the reserve scheme was designed for those on the margins of the labour force:

> "It is a "selectively" inferior scheme for women, the "bad industrial risks" in the private sector (including the disabled) and the "in-and-out" reserve labour force"(140)

Even after twenty years of contributions, the worker on below average earnings would receive a total pension (including flat rate pension) no higher than the existing supplementary benefit level.(141) The reserve scheme provided for no redistribution from higher to lower income groups.

So the pensions proposals set out in the white paper offered little improvement in the living standards of those without access to occupational pensions and for those in inferior occupational pensions. After the long contribution period of forty years for a full pension, the earnings related pension from either an occupational scheme or the state reserve scheme may have been enough to reduce the numbers of elderly people having to claim supplementary benefit, but a sizeable proportion would still have to depend on supplementary benefits because the levels of these pensions for some would be so low because redistribution from rich to poor was so small. It is also debatable whether the target of 75 per cent of employees in occupational pension schemes was realistic. Data on occupational pensions reveals that by 1971 there was a slight decline in the proportion of the workforce with an occupational pension. Whilst the proposals would have encouraged some development of occupational pensions, it is doubtful if this would be as large as the government intended simply because most of those employers who wanted to provide occupational pensions for their employees had already done so.

However, the plan was never introduced. The proposals of the white paper were set out in the Social Security Act of 1973 but the new pensions plan was not due to start until April 1975 to enable time for existing occupational pension schemes to adjust and new occupational schemes to be introduced. However, just as a new Conservative government had rejected the Crossman plan, so a new Labour government, elected in February 1974, rejected the Conservative pension plan.

On comparing the pension plans of the Labour and Conservative governments at this time, it is clear that the Conservative scheme was more supportive of occupational pensions than was the Labour scheme. The state earnings related pension provided by the Conservative scheme was much inferior to that in Labour's pension scheme. The Labour government's Crossman plan provided more effective inflation proofing, a full pension after twenty years rather than forty years as in the Joseph plan. The Crossman scheme was also more redistributive towards the lower paid and provided a higher level of pension so that after twenty years, someone who had been earning half the national average wage would receive a pension of 60 per cent of previous earnings. After twenty years the Joseph pension scheme would have paid out just 46 per cent of previous earnings to someone on that wage level and even after forty years would still have only paid out 56 per cent.(142)

So the Crossman scheme was clearly more beneficial to the lower paid but even so its capacity to help the lower paid and those outside the labour market was limited by the fact that the pension was earnings related and determined by contributions. Even though an element of redistribution towards the lower paid had been built into the scheme, it still meant that someone on half national average male earnings would receive a pension of just 30 per cent of this average wage whilst someone earning one and a half times this national average wage would receive a pension of 55 per cent of the average wage.(143)

The Crossman plan was less supportive of occupational pensions than the Joseph plan but more supportive to them than the Labour party's previous policy on pensions - the 1957 plan. The contracting out conditions in the Crossman scheme were more acceptable to the pensions industry than those in the 1957 plan. However the fact that contracting out was allowed at all reduced the responsibility of higher income earners to the state pension scheme and also reduced the income available to pay for this state pension. Whilst Labour's scheme would have reduced dependence on supplementary benefit more quickly and for more people than the Joseph scheme, the need for elderly people to claim supplementary benefit would still exist. Therefore, whilst Labour's scheme was more redistributive and generous than the Conservative scheme it could have been much more redistributive and generous and so it has been argued by George that the two schemes were more similar than they were different:

> "The similarities between the two schemes exceed their dissimilarities. They both accept that the state either through its own schemes or those of the employers should encourage the persistence and in some ways the growth of income inequality during retirement."(144)

Having outlined the pension policies of the Labour and Conservative governments, the next section sets out the data available on occupational pensions in this period.

SECTION THREE: THE DEVELOPMENT OF OCCUPATIONAL PENSIONS BETWEEN 1963 AND 1973

Data on occupational pensions at this time comes mainly from the third and fourth Government Actuary survey reports on occupational pensions. The third report was published in 1968 and refers to the year 1967,(145) and the fourth report was published in 1972 and relates to the year 1971.(146) Additional information from government sources consists of the New Earnings survey of 1970,(147) and data on employer expenditure on occupational pensions which was included in the Labour Cost surveys of 1964, 1968 and 1973.(148) Research by Wedderburn and Craig,(149) Craig,(150) and Townsend,(151) also provides some information on occupational pensions during this ten year period.

The third and fourth surveys of the Government Actuary were as comprehensive as the first two surveys of 1956 and 1963 and will therefore be used as the main sources of information in the description of occupational pensions that follows.(152) The other surveys will be used to supplement this data where appropriate. The structure of this section is similar to section three in the last chapter so that it discusses trends and changes in the development of occupational pensions, and gives some explanation as to why these trends and changes occurred.

Whilst the growth of occupational pensions continued between 1963 and 1967 so that by 1967, 12.2 million employees were in occupational pension schemes, the rate of growth in this period was slower than it had been in the 1950's and 1960's. Between 1967 and 1971 the number of employees in these schemes actually declined so that by 1971, 11.1 million employees were members of an occupational pension scheme. This was the same number as in 1963. Whilst the decrease was relatively small it is significant because from the data available it was clear that membership of occupational pension schemes had been steadily increasing between 1936 and 1967.

Table 3.6 also shows that the number of employees in the

Table 3.6

The number of employees in occupational pension schemes in relation to the total number of employees in the labour force, 1936 to 1971

note: occupational and employment data for 1936 and 1953/4 refers to Great Britain and it is not clear whether it includes part-time employees and/or employees in the armed forces. The rest of the data refers to the United Kingdom and does include part-time employees and employees in the armed forces - all the data excludes the unemployed.

in millions

Year	Total membership of occupational pension schemes	Percentage increase between surveys	Average increase per year	Total number of employees in the labour force	Percentage of employees in occupational pension schemes
1936	2.6			**21.0 (1931)	12
1936-1953/4		139	0.21		
1953/4	6.2*			20.9 (1953)	30
1953/4-1956		29	0.60		
1956	8.0			22.2	36
1956-1963		39	0.40		
1963	11.1			23.5	47
1963-1967		10	0.28		
1967	12.2			23.7	52
1967-1971		-9	-0.28		
1971	11.1			22.5	49

* This figure was 7.1 million in the Phillips report (1954a) but has been adjusted to 6.2 million by the Government Actuary (1977) which is likely to be more accurate.

** This figure relates to the Census of 1931 and is not directly comparable to the other figures - it includes the self-employed and employers and is therefore an over estimate.

Sources: 1936-1963: see Table 2.7 for detailed references.

re 1936: Ministry of Labour (1938), Government Actuary (1977), Council for Science and Society (1981).

re 1953/4: HMSO (1954a), Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), "Occupational Pension Schemes: Third Survey by the Government Actuary", HMSO, London, p.8, Table 3.
Central Statistical Office (1968) "Annual Abstract of Statistics"no.105, HMSO London, p.113, Table 128.

re 1971: Government Actuary (1972) "Occupational Pension Schemes 1971: Fourth survey by the Government Actuary" HMSO, London p.6, Table 1.
Central Statistical Office (1982) "Annual Abstract of Statistics"no.118, HMSO London, p.150, Table 6.1.

labour force also declined from 23.7 million in 1967 to 22.5 million in 1971. However the percentage of employees in occupational pension schemes still declined from 52 per cent in 1967 to 49 per cent in 1971. Despite this decline, the proportion of employees in an occupational pension scheme in 1971 was still slightly higher than the proportion covered in 1963 and there were still 65,000 occupational pension schemes in 1971, the same number as in 1967.(153) So it seems that the decline between 1964 and 1971 was due to some employees withdrawing from schemes rather than a reduction in the number of schemes in operation. Therefore it is likely that some employees remained in employment but lost their pension rights - probably because they changed jobs.

The slower rate of expansion of occupational pension membership between 1963 and 1967, compared with the 1950's could be due to the fact that those employees most eligible for occupational pension scheme membership were already in a scheme by 1963 and therefore the scope for further expansion was reduced. It could also be explained by the fact that by 1966, demand for labour was not as high as it had been in the 1950's and early 1960's. By 1966 unemployment had begun to rise.(154)

A government policy which may also have contributed to the limited expansion of occupational pension membership that did occur was that of incomes policies. In a situation of wage restraint trade unions are likely to bargain for occupational pension membership or occupational pension improvements as some compensation for limited wage rises. It seems that by the mid 1960's, trade unions were becoming increasingly involved in negotiation of occupational pension rights.(155) The continuing existence of a low level of state pension and a graduated supplement which encouraged occupational pension membership because of its terms for contracting out, must also have encouraged some further development of occupational provision.

As far as the decline in the number of employees in an occupational pension between 1967 and 1971 is concerned, the Government Actuary has acknowledged that there could have been some degree of over-estimation in 1967 which would account for some of the difference between the numbers recorded in the 1967 and 1971 surveys, but this would not have been large enough to account for all of the decline.(156) The New Earnings Survey of 1970, also suggests that there had been some decrease in coverage by 1970.(157)

The main reason which explains the lack of growth of occupational pension scheme membership in the 1967 to 1971 period, if not the decline in membership at this time, is the fall in the demand for labour. This took away the central force behind the development of occupational pension schemes - full employment. However two other explanations have been put forward; that the growth had reached its natural potential and that the Labour government's delays in presenting its new policy on pensions halted the growth.

The argument that coverage of occupational pension schemes had reached its potential once it had reached 50 per cent of the workforce is put by Chester. He cites the work of Kolubrubetz who found that in the U.S.A. it was difficult to expand occupational pension coverage beyond this level despite special efforts to cover the low paid who worked in small firms who were the main group excluded.(158)

Whilst the state pension remained low and tax concessions continued throughout the 1964 to 1970 period of Labour government, it has been argued that the Labour government's delays in introducing its expected reform of the pensions system prevented further development. The Conservative party were keen to use this argument(159) and even the Labour government itself seems to have acknowledged it, because it stated in its 1969 white paper on pensions that it hoped the development of occupational pensions would resume now that its policy was clear.(160) This delay may have discouraged trade unions from negotiating for occupational pensions because they needed to see whether their members would be better off contracting in to the new state scheme. However even if trade unions had been more actively negotiating for occupational pension provision it would depend on employers agreeing to introduce a scheme. It is quite feasible that employers' most valued employees had already been granted access to a scheme in the 1950's and early 1960's. So whilst an earlier presentation of policy by the Labour government, or indeed a policy clearly geared to encourage the development of occupational pensions such as the Conservative government's 1971 scheme, may have encouraged further growth of occupational pensions, it is likely that this would have been marginal rather than substantial. The main factors halting further development were that there had been a decline in the demand for labour and that employers had no need to extend occupational pension schemes to those employees excluded.

Social class differences in access to occupational pensions at this time are shown in Table 3.7. This table shows that 91 per cent of the increase in occupational pension scheme membership between 1963 and 1967, was due to an increase in the number of non-manual workers in these schemes. The decrease in membership between 1967 and 1971 was solely due to a fall in more detailed work on the idea or to overcome opposition from the Inland Revenue. The income guarantee would have involved a means test but from the Labour party's promises it seems that this would have been more acceptable to elderly people than the national assistance system and so abandoning the idea meant that many elderly people still had to claim national assistance.

The value of the state retirement pension declined after the 1965 increase as Table 3.1 shows, to between 19.6 and 21.1 per cent of the gross national average earnings of full-time manual male workers. In contrast, the basic rate of national assistance benefit (renamed supplementary benefit in 1966) was as high, if not slightly higher, than the rate of state retirement pension, even before the housing costs which were paid on top of this basic rate are taken into account.

The Minister for Social Security, Peggy Herbison, resigned in July 1967 because she considered the increase in the state retirement pension in 1967 to be too low. She felt that it should have been increased to keep pace with the rise in the average wage.(21) The National Old Age Pensioners Association sent a deputation to Judith Hart, the new Minister for Social Security, in September 1968 to protest against the low level of the national insurance pension. However, she argued that the economic situation was such that an increase was not feasible and also that it was difficult to get the higher paid to accept the level of contribution required to meet the cost of the suggested increase. The National Old Age Pensioners Association argued that the Exchequer should restore its former contribution to the pension scheme. They also argued that a reduction in expenditure on defence could finance an increase and indeed disputed whether in fact the higher paid would be reluctant to finance a more generous pension.(22)

the number of manual workers in occupational pension schemes. This slower rise in the number of manual employees in these schemes stands in contrast to the years 1956 to 1963 when the increase in occupational pension scheme membership was almost equally distributed between the two social classes.

The table also shows the percentage of non-manual compared with manual employees who were members of occupational pension schemes. These figures should be treated with some caution because the data relates to Great Britain but the data on occupational pensions relates to the United Kingdom. Also as the footnotes to the table show, the data on non-manual and manual employment has been taken from several sources. There is no single source available.(161)

These data problems aside, it seems that the percentage of non-manual employees covered by occupational pensions reached a peak of 67 per cent in 1967. By 1971 this percentage was reduced to 62 per cent because the total number of non-manual employees had increased. However, two-thirds of the growth in non-manual work between 1961 and 1971 was due to an increase in the number of female non-manual employees and two-thirds of female employees worked part-time in that period.(162) As will be discussed later, female and part-time employees are less likely to be covered by occupational pensions. Therefore the decline in the percentage of employees covered is more likely due to an increase in the proportion of female and part-time employees working in the non-manual sector rather than due to a decline in the proportion of male, full-time non-manual employees covered by occupational pensions.

As far as occupational pension scheme coverage for manual workers was concerned, the table shows that this decreased from

43 per cent in 1963 to 41 per cent in 1967 and by 1971 it had declined to 38 per cent. This meant that inequality in coverage between non-manual and manual employees in 1967 and 1971 was slightly higher than it had been in 1963. The table clearly shows that whilst the number of non-manual employees in the workforce had increased, the number of manual employees had declined. This decline in manual work could help to explain the decline in occupational pension provision in that demand for manual workers had been reduced and so employers had less need to extend occupational rights to more manual workers. Provision for non-manual workers continued to expand because of the increase in work requiring non-manual employees.

Other research relating to 1968, also illustrated the existence of inequalities of access to occupational pension scheme membership between non-manual and manual employees. In addition, it shows that there is not only inequality of access between the broad categories of non-manual and manual employee but also within the non-manual and manual categories. Wedderburn and Craig completed research on the work situation of male manufacturing workers in 1968. Their findings were that 96 per cent of senior and middle managers and 94 per cent of technicians and foremen were members of an occupational pension scheme but the proportion of clerical workers in these schemes was slightly lower at 90 per cent and the percentage of operatives in an occupational pension was significantly lower at 67 per cent.(163)

Townsend's large scale survey of poverty in the United Kingdom in 1968-1969 also included data on the inequalities of access to occupational pensions. This data has since been used by Smail, Green and Hadjimatheou (164) to show how access to an occupational pension relates to income level. Whilst income level is not the only indication of social class in society, it is an important aspect of it and so Smail et al's findings are useful and are set out in Table 3.8.

The table shows that in 1969, 45.8 per cent of those in the top 20 per cent income bracket were covered by occupational pension scheme membership but this percentage declines with income level. Therefore only 13.5 per cent of those in the bottom 20 per cent income bracket were covered. These percentages are all underestimates because of a number of people who did not know whether they would be getting an occupational pension and also because some did not reply to the question. However, the inequality of coverage is quite apparent.

Table 3.8

Membership of occupational pension schemes according to level of income in United Kingdom in 1969

Quintiles of household net income	Proportion of employees expecting an occupational pension from their employer*
Top 20 per cent	45.8
2nd 20 per cent	44.1
3rd 20 per cent	40.0
4th 20 per cent	31.5
Bottom 20 per cent	13.5

* these percentages are underestimates because there were a number of don't knows and no replies in the survey.

Source: R. Smail, F. Green and G. Hadjimathiou (1984) "Unequal Fringes", Low Pay Report no.15, February, Low Pay Unit, London, p.11, Table 5.

Other data which covered inequalities <u>within</u> the broad categories of non-manual and manual employees was that from the New Earnings Survey of 1970. Table 3.9 shows the results of this survey. Whilst 73.2 per cent of male non-manual workers were in occupational pension schemes, only 45.3 per cent of male manual workers were in an occupational pension scheme. There was also inequality of access to occupational pensions between female workers. Whilst 38.6 per cent of female non-manual workers were covered, only 11.9 per cent of female manual workers had access to an occupational pension. The footnote to the table shows that the breakdown of the manual category does not relate to all the industries included in the total manual category. However, the breakdown does show that whilst 47.3 per cent of skilled manual male employees were in occupational pension schemes, 44.4 per cent of semi-skilled workers in this category were covered and only 32.9 per cent of unskilled workers. The breakdown for female workers did not show a lower coverage for the least skilled manual employee but rather a figure of 13 per cent for both semi-skilled and unskilled employees which was higher than the percentage of skilled manual female workers. This could be because so few women were employed in the skilled manual category as compared to the other categories. Whatever the explanation, the results show a clear pattern of inequality of access to occupational pensions between non-manual and manual workers and between male and female workers.

Table 3.9

The percentage of non-manual and manual workers covered by occupational pension schemes in the New Earnings survey 1970 in Great Britain

Category of employee	Percentage of employees in occupational pension schemes males	females
All non-manual	73.2	38.6
All manual	45.3	11.9
skilled manual*	47.3	9.0
semi-skilled manual*	44.4	13.1
unskilled manual*	32.9	13.0

* these figures relate to the following industries within the manual category: building and engineering, textile, clothing and footwear and other occupations.

Source: Department of Employment (1971) "New Earnings Survey 1970" HMSO, London, p.198, Table 110.

Table 3.10 illustrates another aspect of the unequal coverage of occupational pension schemes - that between public and private sector employees. The Table shows that the increase in the number of employees in occupational pensions between 1963 and 1967 was mainly due to an increase in the number of private sector employees covered by an occupational pension. Therefore, 82 per cent of the increase in occupational pension membership was due to the private employment sector. This followed the trend of 1953/4 to 1963. However, the decline in the number of occupational pension scheme members between 1967 and 1971 was due to a decrease in the number of private sector employees in these schemes.

Table 3.10

The number of public and private sector employees in occupational pension schemes in relation to the total number of public and private sector employees in the labour force 1936 to 1971

note: occupational pension data relates to the UK and includes part-time employees and the armed forces except for 1936 and 1953/4 which relates to GB and it is not clear whether part-time employees and/or armed forces are included or not - employment data corresponds with these differences in all cases except 1953/4 where it relates to the total employed, not just employees and this is also the case for 1956. The 1956 employment data also refers to GB instead of the UK - all data excludes the unemployed.

in millions

Year	Public Sector Employees				Private Sector Employees			
	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector
1936**	1.0	-	-		1.6	-	-	
1936-1953/4				58				42
1953/4	3.1	6.3*	49*		3.1	16.3*	19*	
1953/4-1956				33				66
1956	3.7	6.0*	62*		4.3	17.9*	24*	
1956-1963				7				93
1963	3.9	5.9	66		7.2	17.2	42	
1963-1967				18				82
1967	4.1	6.4	64		8.1	16.8	48	
1967-1971				no change				-100
1971	4.1	6.6	62		7.0	15.9	45	

* These figures are slightly inaccurate because the base of the employment data does not match the base of the occupational pension data as the note above the table explains.
** Employment data is not available for this year.

Sources: for detailed references of 1936 to 1963 see Table 2.9.

re 1936: Ministry of Labour (1938), Government Actuary (1977).

re 1953/4: Government Actuary (1977), Central Statistical Office (1960)

re 1956: Government Actuary (1977), Government Actuary (1958).
Government Actuary (1966), Central Statistical Office (1960).

re 1963: Government Actuary (1966), Central Statistical Office (1979).

re 1967: Government Actuary (1968) "Occupational Pension Schemes: Third Survey by the Government Actuary, HMSO, London, p.8, Table 3.
Central Statistical Office (1979) "Employment in the public and private sectors 1961-1978" Economic Trends, no.313, HMSO, London, p.101, Table 2.

re 1971: Government Actuary (1972) "Occupational Pension Schemes 1971: Fourth Survey by the Government Actuary", HMSO, London, p.6, Table 1.
Central Statistical Office (1979) op. cit., p.102, Table 2.

The percentage of private sector employees in occupational pension schemes as the table shows, increased from 42 per cent in 1963 to 48 per cent in 1967. However, this percentage declined to 45 per cent by 1971. This shows that not only did the number of private sector employees in the labour force decline between 1967 and 1971 but so did the proportion who were in occupational pension schemes.

The percentage of public sector employees in occupational pension schemes remained higher than for private sector employees but did decline from 66 per cent in 1963 to 64 per cent in 1967. By 1971 there had been a further decline to 62 per cent. However, the number of public sector employees in the labour force increased during this period and so it is likely that the decline in the percentage of public sector employees in occupational pension schemes was due to the number of new employees entering public sector employment who did not have access to occupational pension schemes, rather than a withdrawal of coverage for those employees who had been in schemes in 1963.

It is likely that the increase in number of public sector employees in occupational pensions is directly related to the increase in public sector work - not only because new employees were entering this sector but because demand for public sector workers would have been higher. Similarly, the decline in private sector employment is related to a fall in the number of private sector workers in occupational pensions schemes. The reason for the lack of development in coverage for private sector workers is likely to be the fall in demand for workers in this sector. Therefore private sector employers did not need to provide occupational pension schemes in order to attract labour.

As far as the development of occupational pension coverage for male as compared with female employees is concerned, Table 3.11 shows that 55 per cent of the increase in membership of occupational pension schemes between 1963 and 1967, was due to an increase in the number of female employees gaining access to these schemes. Between 1967 and 1971 with the overall decline in the number of employees in these schemes, the number of female employees in an occupational pension scheme actually increased.

The previous chapter showed that between 1936 and 1963, most of the increase in occupational coverage had benefited male employees but between 1963 and 1971 this trend had reversed so that any increase in occupational pension coverage was benefiting female rather than male employees. The table also shows that this slightly reduced the inequality between the number of male and female employees in an occupational pension scheme. In 1963, 62 per cent of male employees were in an occupational pension compared with 21 per cent of females. By 1971, the percentage of male employees in a scheme had fallen from its peak of 66 per cent in 1967, to return to 62 per cent, whilst the proportion of females in a scheme had risen to 29 per cent. Whilst the number of female and male employees in the workforce declined between 1967 and 1971, the number of male employees in occupational pension schemes fell but the number of females in a scheme increased. The only explanation for this would be that the expansion of public sector employment benefited women more than men. Therefore it is likely that the females gaining access to occupational pension schemes in the 1967 to 1971 period were in public sector work.

Table 3.11

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1971

note: all occupational pension data refers to UK and includes part-time and armed forces except 1936 and 1953/4 figures which related to GB and it is not clear whether they include part-time or armed forces or not. Employment data has been used which matches these differences with the exception of 1936 which refers to the total employed not just employees.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	*14.8(1931)	14		0.5	*6.3(1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7(1953)	36		1.3	7.2(1953)	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	
1963-1967				45				55
1967	9.9	15.1	66		2.3	9.1	25	
1967-1971				-100				(+0.1m)
1971	8.7	14.1	62		2.4	8.4	29	

* These employment figures are from the Census of 1931 and are not directly comparable with the employment data for the other years because they include the self-employed and employers.

Sources: detailed references re 1936 to 1963, Table 2.10.

re 1936: Ministry of Labour (1938), Government Actuary (1977), M. Webb (1982).

re 1953/4: Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Government Actuary (1966), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), "Occupational Pensions Schemes: Third Survey by the Government Actuary", HMSO, London, p.8, Table 3. Central Statistical Office (1968) "Annual Abstract of Statistics", no.105, HMSO, London, p.113, Table 128.

re 1971: Government Actuary (1972) "Occupational Pension Schemes 1971: Fourth Survey by the Government Actuary", HMSO, London, p.6, Table 1. Central Statistical Office (1982) "Annual Abstract of Statistics", no.118, HMSO, London, p.150, Table 6.1.

As mentioned in the previous chapter, part of the reason for the unequal access of female and male employees to occupational pension schemes is that female employees are more likely than male employees to work part-time and so be less eligible for membership of a scheme. The Government Actuary surveys of occupational pension schemes do not distinguish between occupational pension coverage for part-time as compared with full-time workers. However, the New Earnings Survey for 1970 did separate these two categories and Table 3.12 contains data on this issue.

Table 3.12

The percentage of male and female employees in full and part-time work and in non-manual and manual work who were covered by occupational pension schemes in the New Earnings Survey 1970 in Great Britain

Percentages

	TOTAL	Non-manual employees			Manual employees		
		All	Full-time	Part-time	All	Full-time	Part-time
MALES	54.4	73.2	74.5	17.6	45.3	46.2	6.3
FEMALES	26.4	38.6	47.4	6.3	11.9	17.9	3.4

Source: Department of Employment (1971) "Occupational pension and sick pay schemes: some further results of the New Earnings Survey", Department of Employment Gazette, August 1971, Tables 3 and 4, pp.698-699.

It is clear from the table that even full-time female employees are less likely to be in occupational pension schemes than full-time male employees. Table 3.12 shows that 74.5 per cent of males in full-time, non-manual work were covered by an occupational pension compared with only 47.4 per cent of female employees in this category. The differences between male and female employees in full-time manual work is even more pronounced - 46.2 per cent of males compared with 17.9 per cent of females.

Men in part-time work were also more likely to be covered by an occupational pension scheme than women in part-time work. It is interesting to note that occupational pension coverage for non-manual female employees was roughly equivalent to occupational pension coverage for male full-time manual employees. This suggests that in 1970, sex as much as social class determined access to occupational pension membership.

From all this data on occupational pension scheme membership it can be concluded that the period 1963 to 1971 featured similar inequalities of coverage to that of the period 1936 to 1963 which was discussed in the last chapter. Therefore, full-time, public sector, male, non-manual employees were most likely to be members of an occupational pensions scheme. Those least likely to be covered were females, manual workers and those in the private sector and also part-time employees. Inequalities of access between non-manual and manual workers remained just as high in 1971 as they were in 1963 and in fact were slightly higher with 38 per cent of manual workers in occupational pension schemes compared with 62 per cent of non-manual workers. Inequalities between those employees in public sector as compared with private sector work were slightly less in 1971 than they had been in 1963 but they were still significant with 45 per cent of private sector employees in schemes compared with 62 per cent of public sector employees. Similarly, whilst the inequality of access to occupational pension schemes between male and female workers had been reduced by 1971, there were still only 29 per cent of female employees in schemes compared with 62 per cent of males. The 1.1 million decline in the total number in occupational pension schemes between 1967 and 1971 was mainly due to a decrease in the number of male, private sector, manual workers in these schemes.

Table 3.13 shows that some of those employees in the labour force who did not have access to an occupational pension scheme, were working for an employer who did provide a scheme for some of his or her employees. The table shows that the main reason why these employers excluded some employees from membership was that the type of work they did made them ineligible for membership. Unfortunately, the reasons why their employment made them ineligible are not defined in the surveys. In 1967, 36 per cent of private sector employees, and 77 per cent of public sector employees were excluded for this reason and by 1971, the proportion of private sector employees excluded on these grounds had risen to 46 per cent whilst the proportion of public sector employees excluded on these grounds had declined slightly to 76 per cent. Other reasons for exclusion which were not so significant were that the employee was too old or too young, had not been in the job long enough or had refused to join.

Occupational pensions are by their very nature work related and so those outside the labour market, whether through unemployment, illness, disability or family responsibilities have no access to these schemes. However, the data shows the clear inequalities of access to occupational pension coverage between those <u>in</u> employment, even between those working for the same firm.

Table 3.13

Reasons given by employers for exclusion of employees from the firm's occupational pension scheme, 1967 and 1971, UK

in millions

Reasons for exclusion	Employees excluded 1967				Employees excluded 1971			
	private sector		public sector		private sector		public sector	
	no.	per cent	no.	per cent	no.	per cent	no.	per cent
employment ineligible	2.8	36	1.7	77	3.7	46	1.3	76
service too short	1.9	25	-	-	1.6	20	0.1	6
too young	1.1	14	0.2	9	1.6	20	0.2	12
too old	0.3	4	-	-	0.3	4	-	-
refused to join*	-	-	-	-	0.7	9	0.1	6
other	1.6	21	0.3	14	0.1	1	-	-

* in 1967 the "refusing to join" category is included in "other reasons".

Sources: Government Actuary (1968) "Occupational Pension Schemes: Third Survey by the Government Actuary", HMSO, London, p.11, Table 6.
Government Actuary (1972) "Occupational Pension Schemes 1971: Fourth Survey by the Government Actuary", HMSO, London, p.9, Table 3.

Data shows the inequalities in the level of occupational pensions available to different types of employees. Data from the Labour cost surveys of 1964, 1968 and 1973 illustrate that in the period covered by this chapter, employers were spending more on the occupational pension schemes of administrative, state pension scheme by adjusting them in line with national average earnings increases, but it did not include revaluing the pension payment in line with a special price index for pensioners every year as the 1957 policy had done. Instead it proposed an increase every two years in line with the ordinary price index.[72]

The idea of a state pensions fund which had been strongly opposed by the pensions industry when included in the 1957 policy[73] was reduced to a shadow of its former self. The state pension fund outlined in the 1969 plan was small, reaching its maximum size after only 15 to 16 years and was restricted to investment in government securities.[74] The decision to drop the more radical version of a state pension fund was a reflection of the change in attitude towards the occupational pensions sector. Whilst the 1957 policy had aimed to contain the growth of occupational pensions, the 1969 policy was much more accommodating and viewed the relationship between the two sectors as a "working partnership".[75] The 1969 plan also recognised the importance of the pensions funds as a source of finance capital in the economy:

> "The Government welcome this growth in occupational provision and recognise the important role which occupational pension schemes now play not only in provision for old age... but as a source of the savings needed to finance investment." (76)

Indeed, one of the reasons given in the white paper for allowing occupational pension scheme members to pay a reduced contribution towards the state pension scheme was the importance of the occupational pension funds to the economy. If contracting out was not permitted then some occupational pension schemes

Sources: Department of Employment (1971) "Labour Costs in Great Britain 1968" HMSO, London, pp.56, Tables 30 and 31.
Department of Employment (1975) "Labour Costs in Great Britain 1973", Employment Gazette, October, p.1019, Table 11 and p.1015, Table 10.

Craig's research in 1968 also found that employers tended to provide more generous occupational pension schemes for non-manual workers than for manual workers. Only 31 per cent of the firms in her survey provided occupational pension schemes on the same terms for all grades of employee. Of those firms which provided more favourable terms to non-manual employees than to operatives, 52 per cent provided the same terms to all their non-manual employees and 10 per cent offered some grades of non-manual worker more favourable terms than others.(165)

Another important issue which needs to be mentioned is the percentage of pensioners in the 1967 to 1971 period who were receiving occupational pensions and the inequalities in the levels of occupational pensions they received. Table 3.15 shows that by 1967, the percentage of pensioners receiving an occupational pension had risen to 23 per cent and by 1971 it had risen still further so that 26 per cent of all pensioners were receiving an occupational pension. Clearly these figures are far lower than those relating to the number of employees in an occupational pension scheme but they reflect the fact that occupational pension membership was minimal until the 1950's and so the number of pensioners receiving an occupational pension was minimal until the 1960's when some of the employees of the 1950's had retired.

Table 3.15

The number of occupational pensions in payment compared with the number of elderly people, 1936 to 1971

note: occupational pension data for 1936 and 1953/4 refers to GB and for 1956 and 1971 refers to UK - data on the number of elderly people has been chosen to match these differences.

in millions

Year	Total number of occupational pensions in payment*	Total number of elderly people (males 65 years and over and females 60 years and over)	Percentage of elderly people receiving an occupational pension
1936	0.2	4.3 (1931)	5
1953/4	0.9	6.7 (1951)	13
1956	1.1	7.5 (1958)	15
1963	1.5	7.9	19
1967	1.9	8.5	23
1971	2.4	9.1	26

* very few pensioners receive more than one occupational pension.

Sources: all occupational pension data: Government Actuary (1981) "Occupational pension schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.12, Table 3.1
data on the number of elderly people in the population: (detailed references for 1936 to 1963 in Table 2.11)

re 1936: Central Statistical Office (1963)

re 1953/4: ibid.

re 1956: ibid.

re 1963: Central Statistical Office (1968)

re 1967: Central Statistical Office (1968) "Annual Abstract of Statistics", no.105, HMSO, London, p.10, Table 9.

re 1971: Central Statistical Office (1973) "Annual Abstract of Statistics", no.110, HMSO, London, p.10, Table 9.

The data in Table 3.16 shows the inequalities in the level of occupational pension in 1965. In each type of former occupation, women had a lower occupational pension than men. For example, former male teachers received an average of 205 shillings per week whereas former female teachers received an average of

Table 3.16

The average rates of occupational pension according to former occupation 1965

Employment Sector	Men non-manual	Men manual	Women non-manual	Women manual
Public sector				
teaching	205	-	155	-
police and fire services	130	-	-	-
other local authority service	125	65	120	-
civil service	145	80	165	-
armed forces	260	80	-	-
national health service	130	70	80	45
nationalised industry	105	35	95	-
average	140	45	130	40
Private sector				
agriculture, forestry and fishing	-	40	-	-
manufacturing	120	40	55	25
civil engineering and construction	70	40	-	-
distribution	70	55	60	-
insurance, banking and finance	220	85	100	-
domestic service (private)	-	-	-	45
other	110	45	55	-
average	125	40	70	30

Source: Ministry of Pensions and National Insurance (1966) "Financial and Other Circumstances of Retirement Pensioners", HMSO, London, p.160, Table G.

155 shillings per week. The unequal levels of occupational pension between non-manual and manual workers in the same sector of employment is also clear. Thus, former manual male workers in the National Health Service received an average of 70 shillings per week compared to 130 shillings for a former non-manual worker in this sector. A former female non-manual worker in this sector received an average of 80 shillings, just above the amount given to the male manual worker and a former female manual worker in this sector received an average of just 45 shillings per week. The value of these amounts can be judged by the fact that the rate of national insurance pension in 1965 was 80 shillings and the rate of national assistance was 76 shillings plus housing costs.(166) What these figures also suggest is that those on very small occupational pensions and average rents disqualified themselves from eligibility for supplementary benefit and were thus no better off than those without an occupational pension and in similar housing circumstances. In such a case, the only advantage of receiving a small occupational pension was that it would save the elderly person from having to claim supplementary benefit to bring their income up to the official poverty line - it did not give them a higher income.

One final issue is that the development of occupational pension scheme membership in this period, increased the value of occupational pension funds from £4847 million in 1964,(167) to £9216 million in 1974.(168) These figures exclude the pension business of life assurance companies which at the end of 1974, amounted to £5000 million, bringing the total assets of the occupational pensions industry to £13,216 million.(169) Occupational pension schemes were clearly becoming an increasingly important part of finance capital.

SECTION FOUR: AN EVALUATION OF RETIREMENT PENSION PROVISION BETWEEN 1964 AND 1974

This chapter has shown that the low levels of state retirement pension that had existed in the 1945 to 1964 period, persisted throughout the next decade so that the years 1964 to 1974, saw no decline in either the proportion of elderly people dependent on national assistance/supplementary benefit or the proportion living below this level. Both the Labour and Conservative governments produced new proposals for the retirement pensions system but neither party was in government long enough to implement them. If either plan had been introduced it would have been of no benefit to existing pensioners and would also have left some of the future elderly generation on supplementary benefit. Both plans accepted that occupational pension schemes had a valuable role in providing for retirement pensions. The development of occupational pension schemes themselves remained fairly static in these years with the inequalities in coverage and inequalities between those with access to a scheme still very evident. What follows is a brief outline of the factors which influenced the provision of retirement pensions at this time and so how far this was influenced by the power of private capital; or the power of government, trade unions, public opinion or of the poverty lobby.

The Labour governments 1964 to 1970, introduced only marginal increases to the state retirement pension, failed to introduce the promised income guarantee to lift pensioners of the need to claim national assistance and also failed to introduce the 1957 pensions policy. It did recast the national assistance system into supplementary benefit but this only marginally increased eligibility and only slightly increased the take-up of this benefit. The 1957 pensions policy, which had been so extensively prepared when the Labour party was in opposition, was abandoned and eventually replaced with the 1969 Crossman plan which offered less redistribution from higher to lower income groups and more concessions for occupational pension schemes.

In some ways, the Labour government's failure to introduce more radical pensions reform can be attributed to the power of private capital - in both the form of the occupational pensions industry and in the form of national and international finance capital in general. The expansion of occupational pension membership from 36 per cent of employees, when the Labour party was formulating its 1957 policy, to 47 per cent of employees by the time it was re-elected into government in 1964, made it more difficult for it to introduce the 1957 policy which had been so heavily criticised by the occupational pensions industry. Not only was the finance capital from the occupational pension funds rapidly increasing in value and so its importance to the economy rising, but a higher proportion of the electorate were members of an occupational scheme and had an interest in the continuing viability of these schemes. So these two factors gave private capital in the form of the occupational pensions industry, more power to influence policy.

International finance capital was also able to influence the kind of social policy (including that of pensions) which the Labour government pursued because the government had borrowed from international capital to cope with an economic crisis in 1964. How far the Labour government's decision to refuse to devalue the pound was responsible for this influence of international capital is debatable. If Wilson had pursued a more radical economic policy, so increasing state ownership of finance and industrial capital, then private capital's influence on policy would have been reduced, paving the way for a more generous, redistributive state pensions system to benefit both existing and future pensioners and therefore alleviating poverty in old age. However, the government was content to merely manage capitalism. In this sense the Labour government itself lacked the commitment to use its power to its potential - it was not simply that the government was in the hands of private capital. Moderating its pensions policies was in the interests of private capital but it also fitted with the moderate stance of the government anyway.

Another sense in which it is clear that the government did have some power to influence policy was that the Crossman pension plan of 1969, whilst more moderate than the 1957 policy, was less useful to private capital than the pensions policy which the subsequent Conservative government proposed in 1971. Crossman's 1969 scheme was far less conducive to the further development of occupational pension schemes than the 1971 Joseph scheme. Therefore, the ideology of the government did have an impact on the nature of the pensions policy pursued.

Conservative government policy on pensions was therefore more useful to private capital. The levels of retirement pension in the 1970 to 1974 period were even lower in relation to average earnings than at the time of the previous Labour government. The new pension introduced for those over eighty years of age was so low it was of very little help in alleviating poverty amongst the elderly. As already mentioned, the Joseph pension plan of 1971 required only minimal standards of occupational pension schemes in order for them to contract out of the state earnings related scheme and the proposed state scheme itself was less generous than the one in the Crossman plan.

Private capital had been able to persuade the Conservative government to provide a state earnings related scheme. The pensions industry did not want the responsibility for providing a private pension for all employees, including the low paid and those in and out of work which it would have been required to do had the Conservative party's idea of compulsory private pension provision been introduced. So the occupational pensions industry suceeded in influencing government policy on this issue.

The trade union movement's stance on the pensions issue was clearly divided. As the last chapter showed, it eventually accepted the Labour party's 1957 pension plan but by the late 1960's had moderated its policy so that some elements of the trade union movement even found the Crossman plan too radical and too restrictive towards the occupational pensions sector. The trade union movement as a whole, represented by the TUC, did support the Crossman plan. However, if it had retained support for the more radical 1957 policy, it may have influenced the Labour government to introduce rather than reject this policy. It seems that it was in the 1960's, in periods of wage restraint, that the trade unions began negotiating for occupational pension membership from employers. If occupational pension coverage had not divided trade union interests, then a more radical trade union stance and influence in pensions policy would have been feasible.

It is difficult to estimate the influence of public opinion on the nature of the pensions policies pursued by governments in this period. There was clearly public concern about poverty in society because the Child Poverty Action Group's revelations that poverty had increased under the Labour governments of 1964 to 1970 seems to have been one factor for the Labour party losing the 1970 General Election.(170) The Conservative government's decision to introduce the pension for the over eighties, though of little help to the elderly, seems to have served the purpose of indicating that the government was concerned about poverty amongst the elderly - indicating public concern on this issue. However, how far public opinion favoured a more redistributive state pensions system was no doubt influenced by the fact that opinion was divided by the development of occupational pension scheme membership - just as it had divided the trade union movement.

Another factor which indicated limited public support for the alleviation of poverty in old age was that the campaigns by pensioners organisations for an increase in the level of the state retirement pension had no effect on either the Labour or Conservative governments. With more public support, the pensioners poverty lobby would have had more influence but without it were essentially excluded from government negotiations on pensions policy.

So, to conclude, it is clear that private capital was able to exert influence on the pensions policies of both Labour and Conservative governments. The Labour government moderated its policies to offer more concessions to the occupational pensions sector and the Conservative government agreed to include a state reserve earnings related scheme in its plan after the occupational pensions industry had suggested this. Trade union and public opinion was divided on the issue because of the development of occupational pension schemes and so in this sense private capital, through the provision of these schemes was able to weaken support for a more generous state retirement pension. The poverty lobby seems to have had little or no influence on the government compared with private capital. However, as in chapter two, it is clear that private capital did not have the power to determine the content of pensions policy. The Labour government did not produce a plan which merely suited the pensions industry - government policy was not therefore simply dictated by private capital.

Notes and References

(1) Labour Party (1964) "Lets go with Labour for the New Britain", Labour Party, London, p.16.

(2) Labour Party (1963) "New Frontiers for Social Security", Labour Party, London, April, p.17.

(3) ibid, p.19.

(4) P. Townsend (1976) "Sociology and Social Policy", Penguin, Harmondsworth, p.281.

(5) Labour Party (1964) op. cit. p.16.

(6) R.H.S. Crossman (1975) "Diary of a Cabinet Minister: Volume One - Minister for Housing 1964-1966" Hamish Hamilton and Jonathan Cape, London, p.62 and pp.69-70.

(7) H. Wilson (1971) "The Labour Government 1964-1970: a personal record", Weidenfield and Nicholson and Joseph, London, p.53.

(8) T. Nairn (1965) "Labour Imperialism", New Left Review, July/August, no.33, p.13.

(9) H. Wilson (1971) op. cit., p.31.

(10) R. Miliband (1972) "Parliamentary Socialism : A study in the Politics of Labour", second edition, Merlin Press, London, p.355 and p.360.

(11) H. Wilson (1971) op. cit., p.31.

(12) A. Sked and R. Cook (1979) "Post War Britain: a political history", Penguin, Harmondsworth, p.230.

(13) H. Wilson (1971) op. cit., pp.125-126.

(14) HMSO (1965) "The National Plan", Cmnd. 2764, September 1965, HMSO, London, p.204, para.6.

(15) ibid., p.204, para.7.

(16) R.H.S. Crossman (1975) op. cit., pp.276-277.

(17) P. Townsend (1967) "Poverty, Socialism and Labour in Power", Fabian tract 371, Fabian Society, London, pp.22-23.
and
R.H.S. Crossman (1972) "The Politics of Pensions", Liverpool University Press, Liverpool, p.18.

(18) R.H.S. Crossman (1972) ibid., p.18.

(19) R.H.S. Crossman (1975) op. cit., p.118.

(20) A. Webb (1975) "The Abolition of National Assistance: Policy Changes in the Administration of Assistance Benefits" in P. Hall, H. Land, R. Parker and A. Webb (eds) "Change Choice and Conflict in Social Policy", Heinemann, London, p.448.

(21) R.H.S. Crossman (1976) "The Diary of a Cabinet Minister: Volume Two - Lord President of the Council and Leader of the House of Commons 1966-1968", Hamish Hamilton and Jonathan Cape, London, p.444
and
H. Wilson (1971) op. cit., pp.420-421.

(22) Letter from the General Council of the National Old Age Pensioners' Association of Scotland, Merseyside and Wales which refers to the delegation sent to the Minister of Social Security in September 1968, Labour Party Library.

(23) Trades Union Congress (1967) Report of 99th Annual Trades Union Congress, TUC, London, pp.476-478.

(24) R.H.S. Crossman (1977) "The Diaries of a Cabinet Minister: Volume Three - Secretary of State for Social Services 1968-1970", Hamish Hamilton and Jonathan Cape, London, p.176.

(25) HMSO (1965) "Report of the National Assistance Board for the year ending 31st December 1964", Cmnd. 2674, HMSO, London, Appendix V
and
see Chapter Two, Tables 2.1, 2.3 and 2.5.

(26) HMSO (1965) "Report of the committee into the impact of Rates on Households", Cmnd. 2582, February (the Allen Committee), HMSO, London, p.143, para.370.

(27) P. Townsend and D. Wedderburn (1965) "The Aged in the Welfare State", occasional papers in social administration no.14, Bell and Sons, p.126.

(28) ibid., p.77.

(29) Ministry of Pensions and National Insurance (1966) "Financial and Other Circumstances of retirement pensioners", HMSO, London, p.20 and pp.83-84.

(30) P. Townsend (1979) "Poverty in the United Kingdom", Penguin, Harmondswoth, p.832.

(31) Ministry of Pensions and National Insurance (1966), op. cit., pp.84-85.

(32) B. Watkin (1975) "Documents on Health and Social Services: 1834 to present day", Methuen and Co., London, p.105.

(33) P. Townsend (1976) op. cit., p.282.

(34) P. Townsend (1979) op. cit., p.825.

(35) R.H.S. Crossman (1972) op. cit., p.19.

(36) ibid.

(37) A.B. Atkinson (1969) "Poverty in Britain and the Reform of Social Security", Cambridge University Press, London, p.76.

(38) ibid.

(39) P. Townsend (1979) op. cit., p.832, Table 24.3

(40) ibid., pp.832-833.

(41) ibid., p.787, Table 23.1.

(42) A. Webb (1975) op. cit., p.415.

(43) H. Heclo (1974) "Modern Social Politics in Britain and Sweden", Yale University Press, London, p.274.

(44) J. Kincaid (1975) "Poverty and Equality in Britain", Penguin, Harmondsworth, p.118.

(45) R.H.S. Crossman (1975) op. cit., p.267.

(46) P. Townsend (1976) op. cit., p.300.

(47) R.H.S. Crossman (1972) op. cit., p.17.

(48) Government Actuary (1958) "Occupational Pension Schemes: a survey by the Government Actuary", HMSO, London, p.5.

Government Actuary (1966) "Occupational Pension Schemes: A New Survey by the Government Actuary", HMSO, London, p.11, Table 8.

Government Actuary (1968) "Occupational Pension Schemes: Third Survey by the Government Actuary", HMSO, London, p.8, Table 3.

(49) H. Heclo (1974) op. cit., p.275.

(50) R.H.S. Crossman (1967) "Socialism and Planning", Fabian Tract 375, Fabian Society, London, May, p.22.

(51) T. Lynes (1965) "Helping Mr. Hodge", 8th January, 1965 (press cutting - not clear which paper), Titmuss files, British Library of Political and Economic Science, London.

(52) P. Townsend (1976) op. cit., p.283.

(53) P. Townsend (1980) "Politics and Social Policy" in D. Adlam et al (eds) "Politics and Power 2 : Problems in Labour Politics", Routledge and Kegan Paul, London, p.101.

(54) J. Kincaid (1975) op. cit., p.119.

(55) R. Miliband (1972) op. cit., p.361.

(56) T. Lynes (1965) op. cit.

(57) F.W.S. Craig (1975) "British General Election Manifestos 1900-1974" Macmillan, London, p.330.
The Labour party's election manifesto for 1966 was called "Time for Decision".

(58) The Times (1966b)"Pensioneering", 4th March 1966.

(59) The Times (1966a) op. cit., p.277.

(60) V. George (1967) "Social Security : Beveridge and After" Routledge and Kegan Paul, London, p.240
refers to a letter from J. Hart to G. Woodcock (TUC General Secretary) in Guardian 1 September, 1967 stating: "The Labour Party is still committed to the state, universal, half pay in retirement scheme put forward in 1957 and hopes to have it on the statute book before the end of the present parliament".

(61) R.H.S. Crossman (1976) op. cit., p.197 (January 1967)

(62) ibid., p.251.

(63) ibid., p.341 (May 1967)

(64) R.H.S. Crossman (1972) op. cit., p.20.

(65) R.H.S. Crossman (1977) op. cit., pp.52-53.

(66) P. Townsend (1976) op. cit., p.236.

(67) HMSO (1969) "*National Superannuation and Social Insurance*" Cmnd. 3883, January, HMSO, London.
A further white paper in July 1969, set out the contribution and pension rates according to 1969 earnings levels:- HMSO (1969) "*Social Insurance*", Cmnd. 4124, July 1969, HMSO, London.

(68) T. Lynes (1969) "*Labour's Pension Plan*", Fabian Tract no.396, Fabian Society, London, p.1.

(69) HMSO (1969a) op. cit., p.19, para.55.

(70) Labour Party (1957) "*National Superannuation : Labour's Policy for Security in Old Age*" Labour Party, London, p.25.

(71) T. Lynes (1969) op. cit., p.21.

(72) Labour Party (1957) op. cit., p.72.

(73) H. Heclo (1974) op. cit., p.267.
Life Offices Association and Associated Scottish Life Offices (1957) "*The Pensions Problem : a statement of principle and a review of the Labour party's proposals*" Life Offices Association, London.

(74) T. Lynes (1969) op. cit., p.10.

by the government, no credits for periods of unemployment or sickness. In this sense it was intended to be, as Heclo states:

> "... a discrete 'business', sharing the market with private insurance." (135)

However, the scheme was actually made inferior to occupational provision in two important ways. Firstly, whilst the contributions of 1.5 per cent of earnings by the employee and 2.5 per cent by the employer,(136) were invested in a state pension fund, this fund unlike occupational pension funds was not allowed to hold more than 5 to 10 per cent of voting rights in any one company.(137) Secondly, the contributions to the scheme would not attract tax relief and neither would the fund, although occupational pension schemes benefited from these tax concessions and the Finance Act of 1971 had increased the availability of this tax relief.(138) So whilst the state reserve scheme was modelled on the occupational pension system, it did not share its benefits and so as Walley mentioned, it was "not as good as the real thing".(139)

The seven million people, or 25 per cent of the workforce whom the government considered would need to use the state reserve scheme because they could not get access to an occupational pension, were those in inferior employment situations. Thus as Titmuss argued, the reserve scheme was designed for those on the margins of the labour force:

> "It is a "selectively" inferior scheme for women, the "bad industrial risks" in the private sector (including the disabled) and the "in-and-out" reserve labour force"(140)

(90) Department of Health and Social Security (1980) "Social Security Statistics 1980", HMSO, London, p.216.
The percentage is calculated from the figure given here for the national insurance pension in September 1971 for a pensioner under eighty years of age.

(91) T. Lynes (1969) op. cit., p.1.

(92) A. Sampson (1971) "The New Anatomy of Britain", Hodder and Stoughton, London, p.528.

(93) D. Ashford (1981) "Policy and Politics in Britain" Basil Blackwell, Oxford, p.214.

(94) H. Heclo (1974) op. cit., p.278.

(95) R.H.S. Crossman (1972) op. cit., p.22,

(96) R. Undy, V. Ellis, W.E.J. McCarthy and A.M. Halmos (1981) "Change in the Trade Unions : The Development of the UK Trade Unions since 1960", Hutchinson, London, p.227.

(97) R.H.S. Crossman (1977) op. cit., p.632.

(98) A.K. Maynard (1973) "Social Security" in M.H. Cooper (ed) "Social Policy : a survey of recent developments", Basil Blackwell, Oxford
and
H. Heclo (1974) op. cit., p.278.

(99) HMSO (1969) "National Superannuation: terms for Partial Contracting out of the National Superannuation Scheme" Cmnd. 4195, November, HMSO, London.

(100) A. Parker (1969) article in
The Banker, Vol.119, no.526, December p.1265.

(101) T.H. Marshall (1975) "Social Policy" fourth edition, Hutchinson, London, p.114.

(102) T. Lynes (1969) op. cit., p.26.

(103) R.H.S. Crossman (1977) op. cit., p.481.
HMSO (1969c) op. cit., p.5.

(104) HMSO (1969) "Explanatory Memorandum on the National Superannuation and Social Insurance Bill", Cmnd. 4222 December 1969, HMSO, London.

(105) F.W.S. Craig (1975) op. cit., p.328.
The Conservative party's manifesto was called " A Better Tomorrow".

(106) ibid., p.339.

(107) ibid., p.338.

(108) P.J. Madjwick, D. Steads and L.J. Williams (1982) "Britain since 1945", Hutchinson, London, pp.20-22
and
A. Sked and C. Cook (1983) "Post War Britain: a political history", Penguin, Harmondsworth, pp.289-297.

(109) A. Harding-Boulton (1972) "The Law and Practice of Social Security", Jordan and Sons, Bristol, p.70.

(110) ibid. p.72.

(111) K. Joseph (1972) "A summary of some Conservative social strategies" in K. Jones (ed) "The Yearbook of Social Policy in Britain 1971", Routledge and Kegan Paul, London, p.115.

(112) J. Bradshaw (1972) "Social Security under the Tories" in K. Jones (ed) ibid., p.160.

(113) D. Jordan (1978) "Poverty and the elderly" in V. Carver and P. Liddiard (eds) "An Ageing Population", Hodder and Stoughton and Open University Press, London, p.169.
This states that these figures are taken from Hansard written answers 22nd November 1976, col.1001-2.

(114) Letter from the General Council of the National Association of Old Aged Pensioners which notes this meeting with the Secretary of State for Social Services, 21st October, 1970, Labour Party Library.

(115) F.W.S. Craig (1975) op. cit., p.287.

(116) H. Heclo (1971) "Pension Politics", New Society, 23rd September 1971, p.567.

(117) H. Heclo (1974) op. cit., p.280.

(118) The Times (1966) "Pensioneering" 4th March, 1966.

(119) ibid.,

(120) C.S.S. Lyon (1968) "Social Security and Occupational Pensions", Journal of the Institute of Actuaries, vol.94, p.223.

(121) HMSO (1971) "Strategy for Pensions: The Future Development of State and Occupational Provision", Cmnd., 4755, HMSO, London.

(122) D. Fraser (1973) "The Evolution of the British Welfare State", Macmillan, London, p.229.

(123) HMSO (1971) op. cit., p.4, para.10.

(124) ibid., p.5, para.13.

(125) ibid., p.11, para.33.

(126) R.M. Titmuss (1971) "Social Security and the Six", New Society, November 11th 1971, Vol.18, No.476, p.928.

(127) H. Heclo (1974) op. cit., p.281.

(128) HMSO (1971) op. cit., p.3, para.9.

(129) V. George (1973) "Social Security and Society" Routledge and Kegan Paul, London, p.122.

(130) percentage calculated from Table 3.7.

(131) HMSO (1971) op. cit., p.10, para.31.

(132) D. Gilling-Smith (1973) "Occupational pensions and the Social Security Act 1973", Industrial Law Journal, Vol.2, no.4, December, p.208.

(133) ibid., p.207-208.

(134) J. Kincaid (1975) op. cit., p.144.

(135) H. Heclo (1971) op. cit., p.567.

(136) HMSO (1971) op. cit., p.21, para.72.

(137) H. Heclo (1971) op. cit.,p.568.

(138) HMSO (1971) op. cit., p.20, para.70.

(139) Sir J. Walley (1972) "Social Security - Another British Failure?", Charles Knight and Co., London, p.173.

(140) R.M. Titmuss (1971) op. cit., p.928.

(141) J. Kincaid (1975) op. cit., p.145.

(142) New Society (1971) "Society at Work", New Society, 16th September 1971, Vol.18, no.468.

(143) T. Lynes (1969) op. cit., p.1.

(144) V. George (1973) op. cit., p.120.

(145) Government Actuary (1968) "Occupational Pension Schemes: third survey by the Government Actuary", HMSO, London.

(146) Government Actuary (1972) "Occupational Pension Schemes 1971: fourth survey by the Government Actuary", HMSO, London.

(147) Department of Employment (1971) "New Earnings Survey 1970", HMSO, London.

The Department of Employment published the results of this survey in the Department of Employment Gazette in February 1971 and August 1971. The first New Earnings Survey in 1968, did not contain information on occupational pension schemes and neither did the surveys of 1971, 1973 or 1974.

(148) Department of Employment and Productivity (1968) "Labour Costs in Great Britain in 1964", HMSO, London.

Department of Employment (1971) "Labour Costs in Great Britain in 1968", HMSO, London.

Department of Employment (1975) "Labour Costs in Great Britain 1973: analyses for operatives, administrative and technical and clerical workers", Department of Employment Gazette, October 1975.

(149) D. Wedderburn (1970) "Workplace Inequality", New Society 9th April 1970, Vol.15, no.393.

(150) D. Wedderburn and C. Craig (1974) "Relative Deprivation in Work", in D. Wedderburn (ed) "Poverty, Inequality and Class Structure", Cambridge University Press, London.

This mentions a study by C. Craig (1969) "Men in Manufacturing Industry" and a report by C. Craig (1971) "Terms and Conditions of Employment of Manual and Non-manual workers" final report to the SSRC.

(151) P. Townsend (1979) op. cit.
and work on the data from this survey by :
R. Smail, F. Green and G. Hadjimatheou (1984) "Unequal Fringes" Low Pay Unit - report no.15, Low Pay Unit, London.

(152) Government Actuary (1968) op. cit., p.2 - states the details of the survey method. There was a 65 per cent response rate.

Government Actuary (1972) op. cit., p.3 for details of the survey method. There was a 67 per cent response rate.

(153) Government Actuary (1972) ibid., p.16 - this does not include 'top-hat' pensions which are schemes restricted to directors and senior management.

(154) A.R. Thatcher (1986) "Labour Supply and Employment Trends" in F. Blackaby (ed) "De-Industrialisation" Economic Policy Papers 2, National Institute for Economic and Social Research, Gower, Aldershot, p.26.

(155) See chapter one and references (105), (110) and (111):-
Hawkesworth (1977)
T.E. Chester (1972)
Reid and Robertson (1965)

(156) Government Actuary (1972) op. cit., p.6.

(157) Department of Employment (1971) "Occupational Pension and sick pay schemes: some further results of the New Earnings Survey", Department of Employment Gazette, August 1971, p.691.

(158) T.E. Chester (1972) "Private Pensions or State Benefits?" National Westminster Bank Quarterly Review, August 1972, p.46.

(159) T.E. Chester (1972) ibid.

(160) HMSO (1969a) op. cit., p.18, para.48.

(161) So whilst the figures on non-manual and manual employment for 1961 are taken from the same source, the figure for 1966 is likely to be larger than the figure which would have emerged from the Department of Employment report had it included data for 1966. Social Trends has been used for the 1966 data but the figures for 1961 from this source are higher than the figures for that year in the Department of Employment survey, especially regarding manual employment.

(162) Department of Employment (1976) "The Changing Structure of the Labour Force" report of the Unit for Manpower Studies, Department of Employment, London, p.24, para.38.

(163) D. Wedderburn (1970) op. cit., p.593.

(164) P. Townsend (1979) op. cit., pp.457-458.

R. Smail et al (1984) Table 5, p.11.

(165) D. Wedderburn and C. Craig (1974) op. cit., p.146, table 7.2. These percentages do not add up to 100 per cent because some establishments could not be fitted into any of these three categories and so had to be left out.

(166) see Table 3.1 for the rate of national insurance pension.

(167) Central Statistical Office (1972) "Annual Abstract of Statistics 1972", no. 109, HMSO, London, p.358, Table 383.

(168) Central Statistical Office (1980) "Annual Abstract of Statistics 1980", no.116, HMSO, London, p.439, Table 17.27.

(169) Government Actuary (1978) "Occupational Pension Schemes 1975: fifth survey by the Government Actuary", HMSO, London.

(170) J. Bradshaw (1971) op. cit.
reference to the pamphlet produced by the Child Poverty Action Group (1970) "Poverty and the Labour Government" poverty pamphlet no.3, Child Poverty Action Group, London.

Chapter Four

THE DEVELOPMENT OF STATE AND OCCUPATIONAL RETIREMENT PENSIONS 1974 TO 1979

In February 1974, a Labour government was elected which had no overall majority in the House of Commons and a further general election in October of that year gave the Labour party an overall majority of only three seats. By 1977, losses in by-elections had removed this slender majority and rather than call another general election a pact was agreed between the Labour and Liberal parties in March 1977. So a Labour government managed to cling onto power from 1974 until 1979.

This chapter will discuss the pensions developments in this period in four sections. The first section looks at Labour government policy towards incomes for the existing elderly population. The second section discusses the legislation introduced in 1975 for a new pensions system for future pensioners and also includes the debates on pensions reform and nationalisation of the insurance and banking industries which occurred when the Labour party was in opposition in the years 1970 to 1974. The third section looks at the development of occupational pensions in the period 1971 to 1979. The fourth and final section relates the information in the chapter to a theory of power and the state.

SECTION ONE: LABOUR GOVERNMENT POLICY ON PENSIONS FOR THE EXISTING ELDERLY POPULATION 1974 TO 1979

The Labour party's general election manifesto in February

1974, had promised an increase in the state retirement pension for a single person to £10 per week and for a rise to £16 per week for a married couple - increases of 29 per cent and 28 per cent respectively. It also promised to increase these levels annually in line with the rise in national average earnings.[1] In July 1974, Barbara Castle, Secretary of State for Social Services, introduced this increase despite claims from the civil service that they could not administer an increase until September.[2] The increase formed part of the social contract drawn up between the Labour party and the trade union movement in 1973.[3] Table 4.1 shows that this increase took the level of the state retirement pension to 21.6 per cent of the average gross wages of male, full-time, manual workers.

Table 4.1 shows the levels of state retirement pension throughout this period of Labour government. Levels of pension were higher between 1974 and 1978 than they had ever been and reached a peak in 1977 when the level was equivalent to 23.1 per cent of average gross male manual workers earnings. The rates of state retirement pension in the previous Labour and Conservative governments had varied between 17.6 and 20.4 per cent.[4] The Labour government also honoured its election promise to peg increases in pensions to either prices or wage rises, whichever were higher. This was of considerable help in maintaining the real value of the state retirement pension, even though from 1976, the basis of these upratings was to be forecasts of wage and price rises rather than actual recorded figures.[5] However, whilst the 1974-1979 Labour government had increased this level it was still far short of the level advocated by pensioners' organisations. These groups were campaigning for pensions of a third of the average male earnings.[6

Table 4.1

The rate of state retirement pension for a single pensioner compared with the supplementary benefit level and related to the gross average earnings of full-time, male manual workers, 1974 to 1978

Date	National insurance retirement pension		Supplementary benefit	
	rate in £ per week	as a percentage of average gross male manual workers earnings	rate in £ per week excluding housing costs*	as a percentage of average gross male manual workers earnings **
July 1974	10.00	21.6	10.40	22.5
April 1975	11.60	20.8	12.00	21.5
Nov 1975	13.30	21.5	13.70	22.2
Nov 1976	15.30	22.1	15.70	22.7
Nov 1977	17.50	23.1	17.90	23.6
Nov 1978	19.50	22.3	19.90	22.8

* this rate includes the long term addition paid to pensioners.

** I have calculated this column of percentages by working out the rate of average gross wage from Table 46.09 in DHSS (1986) Social Security Statistics 1985. These average earnings figures I have calculated as: 1974 : £46.29, 1975 : £55.76 (April), 1975 : £61.86 (Nov), 1976 : £69.23, 1977 : £75.75, 1978 : £87.44

note: those pensioners eighty years and over received 25p a week extra on both national insurance retirement pension and supplementary benefit.

Source: Department of Health and Social Security (1986) "Social Security Statistics 1984", HMSO, London, pp.250-251, Tables 46.09 and 46.10, also Table 34.01, p.176 regarding long term rates of supplementary benefit.

The Table also shows that the level of the state retirement pension in relation to supplementary benefit was such that those without enough other income to supplement this state pension would have to claim supplementary benefit, if only to pay their housing costs. Indeed the proportion of state retirement pensioners having to claim supplementary benefit was between 22 per cent and 24.7 per cent in the 1974 to 1978 period as shown in Table 4.2. This proportion was lower than it had been during the previous Labour and Conservative governments of 1951 to 1974, when it had averaged between 26 and 28 per cent.(7) But it was still no lower than it had been in 1951.(8)

Table 4.2

The numbers of people over retirement age receiving state retirement pension and the number receiving supplementary benefit in the United Kingdom, 1974 to 1978

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions and pensions for widows aged 60 to 64 years)	Number of people over retirement age on supplementary benefit	Percentage of national insurance retirement pensioners (including widows 60 to 64 years) receiving supplementary benefit*
1974	8383	1867	24.7
1975	8426	1739	22.2
1976	8500	1743	22.0
1977	8637	1794	22.5
1978	8785	1795	22.5

Source: Central Statistical Office (1976) "Social Trends 1976" no.7, HMSO, London, p.120, Table 5.22.

Central Statistical Office (1978) "Social Trends 1979" no.9, HMSO, London, p.115, Table 6.31, Table 116, Table 6.31.

Central Statistical Office (1980) "Social Trends 1981" no.11, HMSO, London, p.89, Table 6.8.

Sources continued over .....

Sources: (continued)
*Department of Health and Social Security (1978) "Social Security Statistics 1976", HMSO, London, p.193, Table 34.9.

*Department of Health and Social Security (1983) "Social Security Statistics 1981", HMSO, London, p.213, Table 43.09.

It was estimated by Age Concern in 1974 that one million pensioners were eligible for supplementary benefit but not claiming it.[9] Table 4.3 below shows that Department of Health and Social Security statistics estimated that the take-up rate of supplementary benefit for pensioners was just 74 per cent.

Table 4.3

The level of take-up of supplementary benefit by pensioners and the average amount of unclaimed benefit, 1975 to 1977

Year	Estimated percentage of take-up by pensioners	Average weekly amount unclaimed
1975	74	£2.10
1976	74	£2.10
1977	74	£3.10

note: no figures are available for 1978.

Sources: Department of Health and Social Security (1978) "Social Security Statistics 1976", HMSO, London, p.162, Table 43.28.

Department of Health and Social Security (1979) "Social Security Statistics 1977", HMSO, London, p.138, Table 34.28.

Department of Health and Social Security (1980) "Social Security Statistics 1978", HMSO, London, p.155, Table 34.28.

So the Labour government did introduce a relative increase in the level of the state retirement pension but this was marginal and not enough to significantly reduce the numbers

Other data which covered inequalities <u>within</u> the broad categories of non-manual and manual employees was that from the New Earnings Survey of 1970. Table 3.9 shows the results of this survey. Whilst 73.2 per cent of male non-manual workers were in occupational pension schemes, only 45.3 per cent of male manual workers were in an occupational pension scheme. There was also inequality of access to occupational pensions between female workers. Whilst 38.6 per cent of female non-manual workers were covered, only 11.9 per cent of female manual workers had access to an occupational pension. The footnote to the table shows that the breakdown of the manual category does not relate to all the industries included in the total manual category. However, the breakdown does show that whilst 47.3 per cent of skilled manual male employees were in occupational pension schemes, 44.4 per cent of semi-skilled workers in this category were covered and only 32.9 per cent of unskilled workers. The breakdown for female workers did not show a lower coverage for the least skilled manual employee but rather a figure of 13 per cent for both semi-skilled and unskilled employees which was higher than the percentage of skilled manual female workers. This could be because so few women were employed in the skilled manual category as compared to the other categories. Whatever the explanation, the results show a clear pattern of inequality of access to occupational pensions between non-manual and manual workers and between male and female workers.

to take an active part in it, was dismayed because the report from this sub-committee was not radical enough. Therefore, in March 1972 he wrote to the secretary of the committee stating:-

> "As a Socialist, I would not wish my name to be associated with it."(13)

In line with the more accommodating attitude towards the occupational pensions sector, the idea of nationalising the insurance and also banking industries was raised but once again rejected by the Labour government. If nationalisation of these sections of finance capital had been introduced then the financial power of the occupational pensions industry and therefore its important influence over the Labour government would have been undermined.

The idea of nationalisation of insurance and banking was revived at the annual conference of the Labour party in 1971 with the passing of a resolution to this effect.(14) A working party was set up which eventually presented an interim report to the 1973 conference.(15) This report was left unsigned because whilst there was agreement that the building societies and insurance companies should be nationalised, there was controversy over nationalisation of the banks.(16) However, another National Executive Committee report in 1974 on an industrial strategy for the Labour government, also included a recommendation for nationalisation. It stated that the government should take a substantial stake in the banking industry.(17)

Whilst the Labour government rejected these proposals,(18) by 1976 the National Executive Committee had produced a further report, "Banking and Finance" which repeated the case for reducing the power of the financial institutions. It recommended the nationalisation of the top seven insurance companies and the top four banks.[19] This policy was accepted at the Labour party's annual conference of 1976 on condition that the N.E.C. consulted with the trade unions.[20] However, the Labour government, by then under the leadership of James Callaghan, merely responded by setting up an enquiry into the issue in 1977. This "Committee to Review the Functioning of Financial Institutions", under the Chairmanship of the previous Labour Prime Minister, Harold Wilson, ran for three years before it issued its last report in 1980.[21] This report was opposed to nationalisation and merely recommended that more information should be made available on occupational pension funds and that members should be represented on the boards governing these funds.[22]

Therefore, whilst the idea of nationalisation of financial institutions was debated in the 1970's, it failed to get further than acceptance at Labour party conference. So, just as in the 1940's, the idea of nationalisation of finance capital was raised, but rejected.

The white paper on pensions 1974 - the Castle plan

The Labour party's general election manifesto for February 1974 promised a new pensions policy which would replace the Conservative government's plans. This new pensions system would ensure that future pensioners would not need to claim means tested benefits and would provide for equality between men and women.[23]

Once elected to government, Barbara Castle, Secretary of State for Social Services and Brian O'Malley, Minister for Social Security, began sorting out the new pensions plan. In May 1974, the Labour government announced that the Conservative government's legislation on pensions, the Social Security Act of 1973, which had been due to start in April the following year, would not be implemented.(24) The Conservative party's immediate response was that this was disgraceful and it called for an all party select committee to discuss this action.(25) Yet once the Labour government had published its pension proposals, the Conservative party was quite supportive. It accepted the essentials of the scheme and merely argued that it might wish to amend the contracting out terms for occupational pension schemes if those terms did not satisfy the pensions industry.(26)

The Conservative party's approval of the Labour government's new pensions policy was explained by the fact that Labour's new scheme had been drawn up as a compromise between the previous Conservative government's pensions policy (the Keith Joseph plan) and that of the previous Labour government's pensions policy, (the Crossman plan).(27) The white paper itself, "Better Pensions", referred to this compromise. It stated that Labour's new plan:

> "...draws on the best features of each of the two previous plans..."(28)

The Prime Minister, Harold Wilson, argued that a basic premise of the new policy was that it should be acceptable to the Conservative party, thus securing the future of the plan in the event of a Conservative party return to office. In doing so it would end the political wrangling over pensions. He therefore stated that Castle and O'Malley had intended to:

> "...produce legislation which would endure for a political generation."(29)

In many ways the Labour government's new pension proposals were indeed a compromise between the Crossman and Joseph pension plans. The basic structure of Labour's new plan, - (which will be referred to as the Castle plan), consisted of two elements - a basic flat rate pension and an earnings related pension to supplement this.[(30)] In this sense it was similar to the Joseph scheme whereas the Crossman scheme had consisted of just one earnings related pension with redistribution built into it. However, the Castle scheme would pay out a full pension after twenty years of contributions[(31)] just as the Crossman scheme had envisaged, rather than the forty year maturity period in the Joseph scheme. Yet whilst the Castle scheme would mature earlier than the Joseph scheme it would still give no help to existing pensioners, or those retiring within a few years of the start of the scheme despite the fact that one of the reasons given in 1971 for drawing up a new pensions plan was to help these groups.

The essential difference between the state earnings related pension in the Castle scheme (also referred to as SERPS), and the one in the Joseph scheme, was that in the Castle scheme this was financed on a pay as you go basis rather than through a fund.[(32)] Contributions and benefits would be inflation proofed more effectively. Contributions would be

Table 3.11

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1971

note: all occupational pension data refers to UK and includes part-time and armed forces except 1936 and 1953/4 figures which related to GB and it is not clear whether they include part-time or armed forces or not. Employment data has been used which matches these differences with the exception of 1936 which refers to the total employed not just employees.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	*14.8(1931)	14		0.5	*6.3(1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7(1953)	36		1.3	7.2(1953)	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	
1963-1967				45				55
1967	9.9	15.1	66		2.3	9.1	25	
1967-1971				-100				(+0.1m)
1971	8.7	14.1	62		2.4	8.4	29	

* These employment figures are from the Census of 1931 and are not directly comparable with the employment data for the other years because they include the self-employed and employers.

Sources: detailed references re 1936 to 1963, Table 2.10.

re 1936: Ministry of Labour (1938), Government Actuary (1977), M. Webb (1982).

re 1953/4: Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Government Actuary (1966), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), "Occupational Pensions Schemes: Third Survey by the Government Actuary", HMSO, London, p.8, Table 3. Central Statistical Office (1968) "Annual Abstract of Statistics", no.105, HMSO, London, p.113, Table 128.

re 1971: Government Actuary ([illegible]) "Occupational Pension Schemes 1971: Fourth Survey by the Government Actuary", HMSO, London, p.6, Table 1. [illegible] (1981) "Annual Abstract of Statistics", no.118, HMSO, London, p.150, Table 6.1.

The fact that the Castle scheme based pension entitlement on the best twenty years contributions also helped women who were more likely than men to have variable earnings throughout their working lives because they left and rejoined the labour force at various intervals to cope with family responsibilities. Another feature of the Castle plan which differed from the other two plans was that it provided for equal access for women to occupational pension schemes. These schemes were required to provide the same conditions of entry for women as for men.[40]

As far as occupational pension schemes in general were concerned, the Castle scheme required higher standards for contracting out of SERPS than the Joseph scheme had done. Contracting out provisions in the Castle scheme were very similar to those in the Crossman scheme but the concessions offered to occupational pension schemes should these conditions be met, were higher than in the Crossman plan. In this sense the Castle scheme was more accommodating towards the occupational pensions sector than previous Labour party policy.

The conditions for contracting out in the Castle scheme were that the occupational pension should provide a pension based on final salary or various equivalents of this,[41] which was at a level at least equal to that which the employee would have received from full membership of SERPS.[42] The occupational pension scheme should also provide a widow's pension[43] and revalue past contributions or transfer these should an employee change jobs.[44] One feature retained from the Joseph scheme was the introduction of an Occupational Pensions Board which would vet occupational pension schemes for contracting out.[45]

The concessions offered in the white paper to those occupational pensions schemes meeting the required conditions were firstly a rebate on contributions to the state pension scheme so that those contracting out paid a joint employee and employer contribution of 10½ per cent compared with those contracted in who would pay the full 16½ per cent.(46) Secondly it stated that once the occupational pension was in payment, the state would ensure that the pension was equivalent to that amount of state pension which the individual would have received had he or she remained a full member of the state scheme. A third concession was that the state would inflation proof the occupational pension once in payment to at least the value of the SERPS scheme. Thus the white paper stated:

> "...there will be arrangements to ensure that at pension age their total pension is at least as much as if they had been fully in the state scheme throughout and that they receive comparable protection against inflation after pension age."(47)

Debate on the white paper

In the five months between the publication of the white paper and the drafting of the Social Security Pensions Bill in February 1975, a great deal of discussion on the proposals took place which resulted in increasing the concessions to the occupational pensions industry. Firstly, the contribution level for those contracted out of SERPS was reduced still further to 7 per cent of the combined contribution of employee and employer with the additional ½ per cent reduction going to the employer. Secondly a clause was included in the pensions bill which limited the employers'liability for inflation proofing the pension rights of former employees who left the occupational pension scheme before retirement, to just 5 per still only 29 per cent of female employees in schemes compared with 62 per cent of males. The 1.1 million decline in the total number in occupational pension schemes between 1967 and 1971 was mainly due to a decrease in the number of male, private sector, manual workers in these schemes.

Table 3.13 shows that some of those employees in the labour force who did not have access to an occupational pension scheme, were working for an employer who did provide a scheme for some of his or her employees. The table shows that the main reason why these employers excluded some employees from membership was that the type of work they did made them ineligible for membership. Unfortunately, the reasons why their employment made them ineligible are not defined in the surveys. In 1967, 36 per cent of private sector employees, and 77 per cent of public sector employees were excluded for this reason and by 1971, the proportion of private sector employees excluded on these grounds had risen to 46 per cent whilst the proportion of public sector employees excluded on these grounds had declined slightly to 76 per cent. Other reasons for exclusion which were not so significant were that the employee was too old or too young, had not been in the job long enough or had refused to join.

Occupational pensions are by their very nature work related and so those outside the labour market, whether through unemployment, illness, disability or family responsibilities have no access to these schemes. However, the data shows the clear inequalities of access to occupational pension coverage between those in employment, even between those working for the same firm.

since the Joseph scheme had been drawn up by the previous Conservative government, there had been large rises in the rate of inflation. Kincaid has made the point that the Labour government's new pension plan was valuable to the occupational pensions industry because the state would be taking on some responsibility for the inflation proofing of occupational pension schemes.(52) His argument is supported by a comment in the Economist in March 1975 which mentioned the threat which these high rates of inflation posed to occupational pension schemes. It stated that:

> "No genuinely funded scheme can cope with current levels of inflation."(53)

Similarly, an article in the Investor's Chronicle in February 1976 mentioned this inflation problem:

> "Personal and company pensions are uniquely dependent on a stable currency if they are to meet the needs for which they were designed... That dependency has now, as most people realise, reached a critical point."(54)

So whilst the Castle scheme put more stringent controls on occupational pensions than in the Joseph scheme, these controls were acceptable to the occupational pensions industry given the concessions that were also offered.

In contrast to the success of the pensions industry in securing valuable changes to the Labour government's pension proposals, the poverty lobby gained little. The only change made to the white paper which would benefit those without access to occupational pension schemes, was that the earnings rule was changed so that pensioners would be able to earn without losing any of their state earnings related pension. This brought SERPS in line with occupational pensions.

The poverty lobby had expressed concern that the Labour government's proposals would not help the one million people who through low pay, self-employment or incomplete contributions, would not qualify for a full pension, even after twenty years of contributions.(55) It was also critical of the fact that the scheme would give no help to existing pensioners:

> "Age Concern hopes that the government will amend its plan both to help the one million left below the poverty line after their plans are fully in operation and also to help those retired and retiring before the scheme pays full benefits in 1998."(56)

In a document called "Policy for a future state pension", published in 1974,(57) Age Concern called for a high flat rate level of state pension, financed by earnings related contributions but payable to all pensioners, regardless of contribution record. This would ensure that no pensioners would suffer poverty in old age.(58) Age Concern's demands were not incorporated into the Labour government's pension bill and neither were those on the left wing of the Labour party who demanded a more redistributive scheme.(59)

Surveys by Age Concern and by Piachaud indicated that the public were in favour of immediate increases in the level of the state retirement pension, but as already mentioned in this chapter, no such increases on this scale were introduced and the Castle pension scheme contained no help for existing pensioners.

The Age Concern survey in March 1974 found that most of the public felt that the state retirement pension for a single person should be raised from £7.75 per week to £12 per week.[60] The Labour government increased it to £10 per week. This survey also found that more than fifty per cent of those who expressed an opinion on pension levels were willing to pay 25p per week more in tax to pay for an increase. A clear majority wanted pensions of at least 75 per cent of pre-retirement income.[61]

Piachaud's survey of public attitudes on state pension levels found that 93 per cent of people in 1973 thought that it was inadequate and 40 per cent thought that it should be raised to £10 per week, (from £7.75) and 20 per cent thought that it should be raised to £20 per week.[62] He also found that 80 per cent of the sample were willing to pay more in tax to finance an increase.[63] Piachaud acknowledges that because there was only a 59 per cent response rate to the questionnaire then it could well be that the other 41 per cent would not have favoured an increase in pensions or indeed would not have favoured paying more tax to finance it.[64] However, the survey showed that a large proportion of the public were in favour of an increase in state pension level. So it is for this reason that Townsend has argued that governments have failed to provide the levels of old age pension which most of the public support:

> "Paradoxically, although public opinion often seems to favour substantial government intervention to guarantee more support for the elderly, the measures that are enacted are often delayed and do not match in generosity that opinion."(65)

As far as the TUC was concerned, it argued that the government should make some changes to the white paper so that the scheme reached maturity in a shorter period, that it gave help to existing pensioners and that the Exchequer contribution to the scheme should be increased. It was also concerned that the contracting out provisions for occupational pension schemes should not be too generous and that trade unions should be represented on the Occupational Pensions Board which supervised contracting out.(66) But whilst the TUC was critical of some elements of the Castle plan, it essentially supported it. In the words of the General Council it:

> "... welcomed the structure of the proposed scheme and in particular the Government's pledge to end the massive dependence on means tested supplementary benefit, the provision for full protection against inflation and the opportunity for women to take their place on an equal basis with men."(67)

The reason for the TUC's support for the scheme can be found in the very structure of the TUC. It is composed of both members in poorly paid work who would be unable to get access to occupational pensions, but also of members who were more affluent workers in both manual and white-collar occupations and who were either already in occupational pension schemes or could gain access to them if the government supported and subsidised the occupational pensions sector.

In this sense the TUC was representing divided interests. It would therefore be expected that the TUC would adopt a moderate line on the issue in order to cover this diversity in its membership.

Kincaid argues that it was the white-collar unions who were able to put most pressure on the Labour government. It was in their interests that the occupational pensions sector was treated favourably:

> "The Labour Party was put under strong pressure to adopt this position by the large white-collar unions which are affiliated to the Party, and provide a major source of its finance."(68)

The Castle plan was introduced by the Social Security Pensions Act 1975, which came into effect in 1978. It provided nothing for existing pensioners. It would lift most future pensioners off the need to claim supplementary benefit once it had reached maturity in 1998 but those with inadequate contribution records would still have to resort to claiming means tested benefits. Whilst its earnings related structure contained some redistribution towards the lower paid the value of this was undermined by the concessions it granted the occupational pensions sector. Not only were the tax concessions to this sector maintained, (which were costing the government more than its subsidy the whole of the national insurance fund),(69) but the government took on some of the cost of inflation proofing occupational pensions. The fact that those in approved occupational pension schemes could pay a reduced contribution to the state earnings related pension meant that those more affluent people who tended to have occupational pensions would have little concern about the standard of the state pension scheme. Thus as Reddin has stated:

> "Those outside the charmed circle will be left to look after themselves, the weak guardians of the residual social security system. The option to contract out of the state pension scheme just emphasizes this point."(70)

SECTION THREE: THE DEVELOPMENT OF OCCUPATIONAL PENSIONS BETWEEN 1971 AND 1979

The main sources of data on occupational pensions in this period are, as in the other chapters, the surveys by the Government Actuary. The Government Actuary's fifth survey was carried out in 1975 and published in 1978.(71) The sixth survey carried out in 1979 and was published in 1981.(72) Other useful sources are the British Institute of Management survey on fringe benefits in 1977,(73) and the General Household Survey(74) which is particularly useful because it relates occupational pension provision to social class - a variable which was not included in the Government Actuary survey in 1979.

The description of occupational pension schemes which follows is similar in format to that in other chapters - discussing the overall development of occupational pension schemes between 1971 and 1979, followed by a breakdown of this change according to non-manual and manual employees, public and private sector employees and also male and female employment. This will be followed by a discussion of changes in the quality of the occupational pension schemes and the number contracting out of the state earnings related pension scheme (SERPS) under the terms of the Social Security Pensions Act 1975.

Table 4.4 shows that the number of employees in occupational pension schemes increased from 11.1 million in 1971 to 11.6 million in 1979, despite the decrease that had occurred in the previous period of 1967 and 1971. However, the increase between 1971 and 1979 was not sufficient to reach the peak of 1967, when the total membership of occupational pension schemes was 12.2 million. In fact the rate of increase per year between

Table 4.4

The number of employees in occupational pension schemes in relation to the total number of employees in the labour force, 1936 to 1979

note: occupational pension data for 1936 and 1953/4 refers to Great Britain and it is not clear whether it includes part-time employees and/or employees in the armed forces. The rest of the occupational pension data refers to the United Kingdom and does include part-time employees and employees in the armed forces. Employment data has been chosen to match these differences - all data excludes the unemployed.

in millions

Year	Total membership of occupational pension schemes	Percentage increase between surveys	Average increase per year	Total number of employees in the labour force	Percentage of employees in occupational pension schemes
1936	2.6			**21.0 (1931)	12
1936-1953/4		139	0.21		
1953/4	6.2*			20.9 (1953)	30
1953/4-1956		29	0.60		
1956	8.0			22.2	36
1956-1963		39	0.40		
1963	11.1			23.5	47
1963-1967		10	0.28		
1967	12.2			23.7	52
1967-1971		-9	-0.28		
1971	11.1			22.5	49
1971-1975		3	0.08		
1975	11.4			23.1	49
1975-1979		4	0.10		
1979	11.6***			23.4	50

* This figure was 7.1m in the Phillips report - HMSO (1954a) but has been adjusted to 6.2m by the Government Actuary (1977) which is likely to be more accurate.

** This figure relates to the Census of 1931 and is not directly comparable to the other figures - it includes the self-employed and employers and is therefore an over estimate.

*** The figure excludes the 0.2 million employees who were in frozen schemes i.e. schemes which had covered them for past service but no longer covered them for current service. It is also a revision of the 11.5 million figure given in Government Actuary (1978) "Occupational Pension Schemes 1975: fifth survey by the Government Actuary", HMSO, London, p.8, Table 3.1.

For Sources see over page ...

Table 4.4

Sources: 1936-1971: detailed references see Tables 2.7 and 3.6.

re 1936: Ministry of Labour (1938), Government Actuary (1977), Council for Science and Society (1981).

re 1953/4: HMSO (1954a), Government Actuary (1977), Central Statistical Office (1956), Central Statistical Office (1963).

re 1956: Government Actuary (1958), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), Central Statistical Office (1968).

re 1971: Government Actuary (1972), Central Statistical Office (1982).

re 1975: Government Actuary (1981), "Occupational Pension Schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.6, Table 2.3.
Central Statistical Office (1982), "Annual Abstract of Statistics 1982", no.118, HMSO, London, p.150, Table 6.1.

re 1979: Government Actuary (1981) ibid, p.6, Table 2.3.
Central Statistical Office (1986), "Annual Abstract of Statistics 1986", no.122, HMSO, London, p.107, Table 6.1.

1971 and 1979 were the lowest rates of average annual increase since data was first recorded in 1936. (This of course excludes the period of decline between 1967 and 1971).

The table also shows that between 1971 and 1975, the percentage of employees in occupational pension schemes remained stable at 49 per cent. Between 1975 and 1979, there was also a very slight increase in coverage to 50 per cent. However, coverage in 1979 was still not as high as it had been in 1967 when 52 per cent of employees were members of an occupational pension scheme.

The slight increase in occupational pension scheme coverage that occurred in the period 1971 to 1979, seems to have been either due to the prospect of the introduction of the Conservative government's Keith Joseph plan for pensions, or to the actual introduction of the Labour government's new pensions scheme which took effect from 1978. This Social Security Pensions Act of 1975 did lay down many conditions which occupational pension schemes had to meet in order to be able to contract out of the state earnings related pension which it introduced, but it did offer valuable concessions to those occupational schemes which could meet these conditions. Another factor which may have encouraged the slight increase was wage restraint in the period which could have prompted trade unions to negotiate for occupational pension coverage in lieu of wage rises.

However, the expansion that did occur was marginal and whether it would have been larger had the Conservative government's proposals been introduced is debatable. It is likely this would have led to more expansion than occurred in response to the Labour government's legislation but unless the Conservative government had incorporated inflation proofing guarantees paid for by the government, some occupational pension schemes would not have survived the high inflation of the mid 1970's. There is also the point that was raised in the last chapter that the natural coverage of occupational pension schemes seems to be about 50 per cent of employees. How far government policies could push coverage beyond this figure is debatable.

As far as social class differences within this overall trend are concerned, data is only available from the Government Actuary for 1975 and not for 1979.(75) Therefore, data from the General Household Survey will be used in a later table because this survey did cover socio-economic group and access to occupational pensions in 1979.

Table 4.5 from the Government Actuary surveys, shows that the increase in the number of employees in occupational pension schemes between 1971 and 1975, was entirely due to an increase in the number of manual employees in these schemes. Therefore, the decrease in the number of manual workers in occupational pension schemes between 1967 and 1971 seems to have halted by 1975.

The table also shows that between 1971 and 1975 there was an increase in the percentage of manual employees covered by occupational pension schemes from 38 per cent to 43 per cent, although part of this increase is due to the fact that the number of manual employees declined between 1971 and 1975. The table also shows that there was a slight decline in the proportion of non-manual employees covered between 1971 and

Table 4.5

The number of non-manual and manual employees in occupational pension schemes in relation to the total number of non-manual and manual employees in the labour force, 1956 to 1979

note: occupational pension data refers to the United Kingdom and includes part-time employees and employees in the armed forces but employment data refers to Great Britain - see Table 3.7 for extensive notes on why the data on employment for the different years is not directly comparable - all data excludes the unemployed.

Year	Non-manual employees				Manual employees			
	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage change between occupational pension surveys due to non-manual employees	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage change between occupational pension surveys due to manual employees
1956	3.8	6.9 (1951)	55		4.2	15.7 (1951)	26	
1956-1963				52				48
1963	5.4	8.8 (1961)	61		5.7	13.4 (1961)	43	
1963-1967				91				9
1967	6.4	9.6 (1966)	67		5.8	14.0 (1966)	41	
1967-1971				no change				-100
1971	6.4	10.4	62		4.7	12.4	38	
1971-1975				(-0.1 million)				100
1975	6.3*	10.8**	58		5.2*	12.1**	43	

* This figure is from the total of 11.5 million given in the Government Actuary (1978) survey for 1975. As the note at the bottom of Table 4.4 explains, the Government Actuary (1981) survey for 1979 revised the 1975 figure to 11.4 but did not revise the manual and non-manual categories within it.

** These figures are taken from forecasts for 1975 and so are only approximate.

Sources: detailed references re 1956-1971 see Table 3.7.

re 1956: Government Actuary (1966), G. Routh (1980).

re 1963: Government Actuary (1966), Department of Employment (1976).

re 1967: Government Actuary (1968), Central Statistical Office (1971).

re 1971: Government Actuary (1972), Department of Employment (1976).

re 1975: Government Actuary (1978) "Occupational pension schemes 1975: fifth survey by the Government Actuary", HMSO, London, p.10, Table 3.3. Department of Employment (1976) "The Changing Structure of the Labour Force" Unit for Manpower Studies, Department of Employment, London, p.26, Table 6.

1975, from 62 per cent to 58 per cent. However, the inequality in coverage between the two social classes remained.

It must also be noted that the figures on non-manual and manual employment in 1975 are estimates(76) and also as stated in detail with reference to Table 3.7, in chapter three, the data on manual and non-manual employment for the other years in Table 4.5 relates to Great Britain whereas the occupational pension data relates to the United Kingdom. There is also the problem that the data for employment is taken from several sources . However, it does give some indication of the nature of the inequality of access to occupational pension schemes between the two social classes.

The lack of data on social class in the 1979 Government Actuary survey and also the lack of accurate data regarding non-manual and manual employment in 1975, means that the data from the General Household Survey for 1975 and 1979 is especially useful. Table 4.6 which sets out this data also includes male and female differences within each socio-economic group. All the data refers to full-time employees only. The table shows that in 1975, 69 per cent of non-manual employees were in occupational pension schemes, compared with 50 per cent of manual workers. By 1979, both of these percentages had increased so that 73 per cent of non-manual employees were covered compared with 54 per cent of manual employoyess, so the inequality between the two groups remained pretty constant.

The table also shows the inequality within the male and female categories according to socio-economic group. For example, 82 per cent of males in professional occupations were covered by an occupational pension scheme in both 1975 and 1979,

Table 4.6

The proportion of full-time employees who were members of their current employer's pension scheme by sex and socio-economic group, in the General Household Survey, 1975 and 1979 Great Britain

in percentages

Year	All*	Non-manual Employees					Manual Employees			
		Total*	Professional	Employers and Managers	Intermediate	Junior	Total*	Skilled and own account non-professional	Semi-skilled and personal service	Unskilled
1975										
Total*	59*	69*	81*	72*	81*	58*	50*	54*	45*	41*
Male	63	78*	82	75	87	73	54*	56	52	41
Female	47	56*	(27)	57	76	48	30*	24	30	(29)
1979										
Total	65*	73*	81*	71*	87*	66*	54*	56*	51*	51*
Male	68	77*	82	73	88	73	57*	58	57	51
Female	55	67*	(29)	56	86	60	37*	28	38	(23)

( ) indicates actual number not percentage because base is smaller than 50.

*These figures do not appear in Table 7.42 General Household Survey 1983 but have been calculated from the base figures that appear in that table.

Source: Office of Population Census and Surveys (1985) "General Household Survey 1983", Social Survey Division, HMSO, London, p.129, Table 7.42.

compared with 56 per cent of skilled manual male employees in 1975 and 58 per cent in 1979. The inequality between females in intermediate non-manual occupations compared to those in skilled manual work is also a clear example of differential access to occupational pension schemes. In 1975, 76 per cent of females in intermediate non-manual occupations were in occupational pension schemes and this rose to 86 per cent by 1979, yet for skilled manual female workers, the percentage in occupational pension schemes was just 24 per cent in 1975 and 28 per cent in 1979.

Because this data refers to full-time employees it helps to explain why the Government Actuary data for 1975, (which also includes part-time employees), shows a lower percentage of both non-manual and manual employees in occupational pension schemes than the General Household survey data. The two sets of data are not directly comparable but suggest that between 1971 and 1975, there was an increase in the percentage of manual employees covered, but no increase in the percentage of non-manual employees in these schemes and that from 1975 to 1979 there was an increase in both the proportions of non-manual and manual employees in occupational pension schemes.

The increase in the number of proportion of manual employees in an occupational pension scheme between 1971 and 1975 could have been due to the Conservative government's intention to introduce the Joseph pension scheme with its inferior state earnings related pension and encouragement to occupational pension schemes. There was no return to full employment in the 1970's and the number of manual employees in the workforce in this period continued to decline and so there was no advantage to employers, other than tax concessions, to offer manual workers greater access to occupational pension schemes. Therefore it is likely that trade union pressure would also have been important in this slight increase in coverage. As for the slight increase in both manual and non-manual employees in a scheme between 1975 and 1979 - it was probably due to the Social Security Pensions Act 1975 which offered valuable concessions to occupational pensions reaching the required standards.

Whilst on the subject of social class, of which income level is an important aspect, Table 4.7 shows the findings of Smail, Green and Hadjimatheou, who have re-worked the data from the General Household survey for 1976 into income groupings. It illustrates that whilst 87.3 per cent of those earning more than £6,000 per year in 1976 were in occupational pension schemes, only 17.3 per cent of those earning less than £1,000 per year had access to a scheme. The percentage of those in an occupational pension scheme clearly rose with income.

Table 4.7

Membership of occupational pension schemes according to level of income, General Household Survey 1976, Great Britain

Income grouping	Percentage of all employees covered by an occupational pension scheme
under £1000	17.3
£1000-£2000	28.9
£2000-£3500	63.4
£3500-£6000	80.2
over £6000	87.3

Source: (continued over)

Source: R. Smail, F. Green and G. Hadjmatheou (1984) "Unequal Fringes" Low Pay report No.15, February 1984, Low Pay Unit, London, p.10, Table 4 (from calculations on the data from the General Household Survey 1976- Office of Population Census and Surveys (1978), "General Household Survey 1976", social survey division, HMSO, London.

Although the Government Actuary survey of 1979 did not include details of social class and membership of occupational pension schemes, it did include details of coverage in the public and private sectors of employment. Table 4.8 shows that the number of employees working in the private sector who had access to a scheme, continued to decline in the 1971 and 1975 period, as it had also done between 1967 and 1971. However, between the years 1975 and 1979 the trend was reversed so that there was an increase in the numbers of private sector employees in occupational pension schemes. The number of public sector employees in occupational pension schemes continued to rise throughout the period.

The decline in the numbers of private sector employees in occupational pension schemes between 1971 and 1975 was reflected in a decline in the proportion of private sector employees in these schemes, from 45 to 38 per cent. However, the increase between 1975 and 1979 did not increase the proportion of private sector employees in a scheme because there was also an increase in the total number of private sector employees in the labour market. So by 1979 the percentage of private sector employees in occupational pension schemes was still 38 per cent.

The increase in the number of public sector employees in occupational pension schemes between 1971 and 1975 was

Table 4.8

The number of public and private sector employees in occupational pension schemes in relation to the total number of public and private sector employees in the labour force, 1936 to 1979

note: occupational pension data relates to the UK and includes part-time employees and the armed forces except for 1936 and 1953/4 which relate to GB and it is not clear whether part-time employees and/or armed forces are included or not - employment data corresponds with these differences in all cases except 1953/4 and 1956 where it relates to total employed and not just employees and so is an overestimate and the employment data for these two years relates to GB which is accurate for 1953/4 but not for 1956 - all data excludes the unemployed.

in millions

Year	Public Sector Employees				Private Sector Employees			
	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector
1936	1.0	-	-		1.6	-	-	
1936-1953/4				58				42
1953/4	3.1	6.3*	49*		3.1	16.3*	19	
1953/4-1956				33				66
1956	3.7	6.0*	62*		4.3	17.9*	24	
1956-1963				7				93
1963	3.9	5.9	66		7.2	17.2	42	
1963-1967				18				82
1967	4.1	6.4	64		8.1	16.8	48	
1967-1971				-				-100
1971	4.1	6.6	62		7.0	15.9	45	
1971-1975				100				(decrease of 0.1 million)
1975	5.4*	7.3	74		6.0*	15.8	38	
1975-1979				50				50
1979	5.5	7.4	74		6.1	16.1	38	

* Revised figures in Government Actuary (1981)

For Sources see over page

Table 4.8

Sources: detailed references 1936-1963 : Table 2.9, 1967-1971 : Table 3.10.

re 1936: Ministry of Labour (1938), Government Actuary (1977).

re 1953/4: Government Actuary (1977), Central Statistical Office (1960).

re 1956: Government Actuary (1977), Government Actuary (1958), Government Actuary (1966), Central Statistical Office (1960).

re 1963: Government Actuary (1966), Central Statistical Office (1979).

re 1967: Government Actuary (1968), Central Statistical Office (1979).

re 1971: Government Actuary (1972), Central Statistical Office (1979).

re 1975: Government Actuary (1981) "Occupational pension schemes 1979: sixth survey by Government Actuary", HMSO, London, p.6, Table 2.3, (the figures in Government Actuary (1978) "Occupational pension schemes 1975: fifth survey by the Government Actuary" HMSO, London, were revised in the report of this 1979 survey).

Central Statistical Office (1979) "Employment in the public and private sectors 1961-1978", Economic Trends, no.313, HMSO, London, p.103, Table 2.

re 1979: Government Actuary (1981) ibid., pp.5-6, Tables 2.2 and 2.3 (these figures exclude the frozen schemes)
Central Statistical Office (1984) "Employment in the public and private sectors 1977-1983" Economic Trends, no.365, March 1984, p.100, Table 2.

accompanied by a large increase in the percentage covered from 62 to 74 per cent. However, as with the private sector, the increase in the number between 1975 and 1979 did not increase the percentage covered because there was an increase in the number of public sector employees in the labour market. The inequality in coverage between the two sectors was therefore as wide in 1975 and 1979 as it had been in the 1960's.

An explanation for the further decline in the number and proportion of private sector employees in occupational pensions between 1971 and 1975 is difficult to find. The Conservative government's pension proposals of 1971 did not require a high standard in order for occupational pension schemes to contract out of the state earnings related pension which it intended to introduce. Private sector schemes tend to be of a lower quality than public sector schemes and so it would be expected that if anything private sector coverage would have declined in the 1975 to 1979 period due to the demands that the Labour government's pensions legislation made on occupational pension schemes wanting to contract out of SERPS. However the 1975 to 1979 period saw a slight increase in both public and private sector coverage. The only feasible explanation for the decline in private sector coverage between 1971 and 1975 could be the high rates of inflation in the 1974-1975 period which indeed made the Labour government's new pension scheme (with its help towards the inflation proofing of occupational pensions) so attractive. The expansion of public sector coverage in the 1971 to 1975 period is similarly difficult to explain. There was an increase in the size of public sector employment but this does not explain the increase in the proportion covered.

It could have been due to public sector trade unions pushing for more coverage.

As far as access to occupational pension schemes for male as compared with female employees was concerned, Table 4.9 shows that the overall increase in the number of employees in occupational pension schemes between 1971 and 1979 was entirely due to an increase in the number of female employees in these schemes and in contrast to this there was a decline in the number of male employees in occupational pension schemes. However, this decrease did not affect the percentage of male employees in a scheme between 1971 and 1975 because there was also a decrease in the number of male employees in the labour market at this time, but the decrease in numbers between 1975 and 1979 was accompanied by a slight decrease in the percentage of male employees in these schemes. It fell from 62 per cent in 1975 to 61 per cent in 1979. The increase in the number of female employees in occupational pensions schemes from 1971 to 1979 meant an increase in the percentage covered from 29 per cent in 1971 to 30 per cent in 1975 and by 1979 the percentage covered had risen to 34 per cent. Therefore the inequality between male and female access to occupational pension schemes had narrowed in the 1970's but it was still high. Male employees were still almost twice as likely to be in an occupational pension scheme as female employees.

As mentioned in previous chapters, it is likely that part of the reason for the inequality of access to occupational pension schemes between female and male employees is that more women than men work part-time and part-time workers are less likely to have access to these schemes. Data from the General

Table 4.9

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1979

note: all occupational pension data refers to the UK and includes part-time and armed forces employees except 1936 and 1953/4 figures which relate to GB and it is not clear whether they include part-time or armed forces employees or not. Employment data has been used which matches these differences with the exception of 1936 which refers to the total employed - not just employees. All the figures exclude the unemployed.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	14.8 (1931)	14		0.5	6.3 (1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7 (1953)	36		1.3	7.2 (1953)	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	
1963-1967				46				55
1967	9.9	15.1	66		2.3	9.1	25	
1967-1971				decrease 1.2m				+0.1m
1971	8.7	14.1	62		2.4	8.4	29	
1971-1975				decrease 0.1m				100
1975	8.6	13.9	62		2.8	9.2	30	
1975-1979				decrease 0.1m				+0.5m
1979	8.3	13.7	61		3.3	9.6	34	

For Sources see over page ...

Table 4.9

Sources: detailed references re 1936-1963 : Table 2.10, 1967-1971 : Table 3.11.

re 1936: Ministry of Labour (1938), Government Actuary (1977), M. Webb (1982).

re 1953/4: Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Government Actuary (1966), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), Central Statistical Office (1968).

re 1971: Government Actuary (1972), Central Statistical Office (1982).

re 1975: Government Actuary (1981) "Occupational Pension Schemes 1979: Sixth Survey by the Government Actuary", HMSO, London, p.6, Table 2.3 (revised figures re Government Actuary (1978)).

Central Statistical Office (1982) "Annual Abstract of Statistics", no.118, HMSO, London, p.150, Table 6.1.

re 1979: Government Actuary (1981) op. cit., p.5, Table 2.2 (excludes frozen schemes).
Central Statistical Office (1982) op. cit., p.150, Table 6.1.

Household Survey already presented in Table 4.6 is useful because it covers full-time employees only. It shows that there is still inequality of access between male and female employees who work full-time. In 1975, 63 per cent of full-time male employees were members of occupational pension schemes compared with 47 per cent of full-time female employees. By 1979 this difference had slightly narrowed to 68 per cent of male employees compared with 55 of female employees.(77) This supports the data from the Government Actuary in Table 4.9, which shows that whilst the percentage of women in occupational pension schemes between 1975 and 1979 increased more than for men, this increase was not enough to give them equal access to occupational pension schemes.

The slight increase in the proportion of female employees in an occupational pension scheme between 1975 and 1979 is likely to be due to the provisions of the Labour government's new pension scheme. The Social Security Pensions Act 1975 allowed for equality of access to occupational pension schemes for both men and women. It has also been argued that the legislation encouraged employers to extend coverage of occupational pensions to make the most of the new arrangements for contracting out:

> "... employers extended their pension arrangements beyond the traditional, largely male, categories (such as full-time permanent staff employees) in order to take the maximum advantage from the new contracting-out arrangements."(78)

So it seems that the Labour government's legislation could have been responsible for the increase in the percentage of women in occupational pension schemes. But the increase was not large, just a four per cent increase to 34 per cent.

The previous discussion in this section has shown that there were also slight increases in the coverage of manual and public sector employees but the overall trend was just a marginal increase in the proportion of all employees with access to an occupational pension. It seems that the main effect of the Social Security Pensions Act of 1975 was to improve the quality of existing schemes rather than encourage new schemes to be introduced. This issue will now be discussed.

The 1971 to 1979 period also saw important changes in the quality of occupational pension schemes. One change was the increase in the number of schemes based on final salary. These schemes have the advantage of keeping pace with inflation because the pensionable salary ends at or near retirement. However, this kind of scheme is of more benefit to non-manual employees who tend to reach their peak of earnings late in their working lives. Manual employees on the other hand, usually reach their peak of earnings earlier in their working lives, when they are fit enough to be able to work longer hours in order to supplement their basic wage with overtime pay.

Public sector occupational pension schemes were almost all based on final salary anyway throughout the period.(79) The picture is different for the private sector. In 1971, only 59 per cent of private sector occupational pension scheme members were in a final salary scheme; by 1975 this proportion had risen to 77 per cent and by 1979, 90 per cent of these occupational pension schemes were based on final salary.(80)

Another feature of occupational pension schemes which became increasingly common in the 1970's was the provision for a widow's pension for the widow of a man who died in service. In 1971, only 56 per cent of male employees were in occupational pension schemes which offered this benefit but by 1975 this had risen to 74 per cent and in 1979, 94 per cent of male employees in occupational pension schemes were in such a scheme.(81)

Both the increase in the number of occupational pension schemes offering widows pensions and those offering schemes based on final salary, can be directly attributed to the Labour government's pension legislation. This required occupational pension schemes to offer these benefits if they wished to contract out their members from the state earnings related pension scheme.(82)

Another factor which could have been responsible for the increase in the quality of schemes were the incomes policies pursued by the Labour govenment at this time. Ward mentions that whilst the July 1977 pay policy restricted wage rises, it did not restrict improvements to occupational pension schemes and so she argues that this encouraged trade unions to bargain for improvements in occupational pension schemes.(83)

As already stated, the new state earnings related pension was introduced in 1978. Table 4.10 shows that by 1979 10.3 million occupational pension scheme members had contracted out of it. This was equivalent to 89 per cent of occupational pension scheme members or 44 per cent of the labour force.(84) The rate of contracting out was highest for the public sector occupational pension scheme members where it stood at 99.6 per cent as compared with 78.9 per cent for private sector employees. There was also a higher proportion of female employees in occupational pension schemes who were contracted out, 92 per cent as compared with 88 per cent of male employees. These differences seem to suggest that women and public sector employees tended to be in higher quality occupational pension schemes which were more likely to meet the required conditions for contracting out.

Table 4.10

The percentage of employees in occupational pension schemes contracted out of the state earnings related pension by employment sector and sex, United Kingdom, 1979.

in percentages

Employee category		contracted out	contracted in
Private sector	Total	78.9	21.1
	Male	78.3	21.7
	Female	81.1	18.9
Public sector	Total	99.6	00.4
	Male	99.5	00.5
	Female	100.0	-
Male		87.7	12.3
Female		91.5	8.5
Total		88.8	11.2

Source: Government Actuary (1981) "Occupational pension schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.5, Table 2.2 (the percentages have been calculated from the figures in this table and exclude those employees in schemes that were frozen)

Social class differences in contracting out are provided by a British Institute of Management survey. The 400 companies in the survey were asked whether they planned to contract in or out of the state earnings related pension as a result of the

Table 4.11

Pension scheme changes planned in response to the Social Security Pensions Act 1975, by grade of employee

in percentages

Changes planned	Type of Decision taken: Same plans for all employees (N = 221)	Different plans according to grade of employee: (N = 71)					
		Directors	Senior Managers	Middle Managers	Junior Managers	Clerical employees	Manual employees
contract out of SERPS	79	66	66	66	66	54	-
contract into SERPS but provide a company topping up scheme	18	31	29	23	18	14	11
contract into SERPS with no topping up by company scheme	4	3	4	11	16	32	89

Source: British Institute of Management (1978) "Employee Benefits" by H. Murlis, Management Survey Report no. 37, British Institute of Management, London, Table 6, page 14.

Social Security Pensions Act 1975.(85) In 1977, at the time of the survey, 27 per cent of companies had not decided what to do. Table 4.11 shows the decisions made by the remaining 73 per cent.(86) A total of 221 companies in the survey decided to adopt the same strategy for all employees and in the vast majority of these cases, (79 per cent), this meant contracting out all employees from SERPS. Only 4 per cent of those adopting the same strategy for all employees decided to contract into SERPS with no additional occupational pension. The report states that this 4 per cent consisted of companies with occupational pension schemes for less than 500 people.(87)

The table also shows that where companies had decided to adopt different strategies according to type of employee (24 per cent of the companies who had made a decision), then 89 per cent intended to put manual workers into the SERPS with no occupational pension on top of this. In contrast the majority of non-manual employees were to be contracted out of the SERPS and if contracted in then they would still receive an occupational pension as well. Since this difference is not due to manual workers being in smaller occupational pension schemes,(88) it suggests that some companies discriminated against their lower grade employees.

However, whilst there was some variation in response to the Social Security Pensions Act 1975 it is clear that the majority of occupational pension schemes contracted out of SERPS.

The number of pensioners receiving occupational pension schemes by the 1970's is another important issue. Table 4.12 shows that this had risen from 26 per cent in 1971 to 30 per cent in 1975 and by 1979, 31 per cent of pensioners were receiving an occupational pension.

Table 4.12

The number of occupational pensions in payment compared with the total number of elderly people, 1936 to 1979

note: occupational pension data for 1936 and 1953/4 refers to Great Britain and the data on the number of elderly people for these years with all other data refers to the United Kingdom.

in millions

Year	Total number of occupational pensions in payment**	Total number of elderly people (males 65 years and over and females 60 years and over)	Percentage of elderly people receiving an occupational pension
1936	0.2	4.3 (1931)	5
1953/4	0.9	6.7 (1951)	13
1956	1.1	7.5 (1958)	15
1963	1.5	7.9	19
1967	1.9	8.5	23
1971	2.4	9.1	26
1975	2.8	9.4	30
1979	3.0	9.7	31

** very few pensioners receive more than one occupational pension.

Sources: all Occupational pension data in Government Actuary (1981) "Occupational pension schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.12, Table 3.1.
data on the number of elderly people in GB/UK:- (detailed references for 1936 to 1963 in Table 2.11, 1967-1971, Table 3.15)

re 1936 Central Statistical Office (1963)
re 1953/4 ibid.
re 1956 ibid.
re 1963 Central Statistical Office (1968)
re 1967 ibid.
re 1971 Central Statistical Office (1973)
re 1975 Central Statistical Office (1981) "Annual Abstract of Statistics 1981", no.171, HMSO, London, pp.13-14, Table 2.5
re 1979 ibid.

In 1975, the average amount of occupational pension received by these pensioners was £10.50 per week and the amount varied from £6 to £16 per week.[89] The rate of state retirement pension at this time was £11.60 per week. By 1979, the average occupational pension was £20 per week,[90] slightly more than the rate for national insurance pension which was then £19.50 per week. These occupational pensions would have been received on top of the state retirement pension and so for those pensioners with access to one it may have helped to lift some of them off the need to claim supplementary benefit, whether it did so or not would depend on both the level of the occupational pension and the level of their rent. The value of the pension funds accumulated as a result of contributions to occupational pension schemes, was £21 billion at the end of 1975 and rose to £53 billion by the end of 1979.[91] In 1975, pension funds owned 17 per cent of the ordinary shares of United Kingdom companies.[92] In 1979, 42.3 per cent of their assets were invested in company shares, 19.3 per cent in property and 22.3 per cent in government securities.[93] The value of their assets for investment continued to make pension funds a powerful section of finance capital in the 1974 to 1979 period.

To summarise the data in this section, it is apparent that between 1971 and 1979, there was a marginal increase in the number of employees and the proportion of employees who were members of occupational pension schemes.

This increase mainly benefited manual, female and public sector employees. There were also significant improvements in the quality of occupational pension schemes and significant increases in the value of pension funds.

SECTION FOUR: AN EVALUATION OF RETIREMENT PENSION PROVISION BETWEEN 1974 AND 1979

The record of this Labour government on retirement pension provision has shown that the levels of pension for existing pensioners remained low. Whilst there was a slight increase in the level of the pension in this period, it was still only equivalent to between 21 and 23 per cent of the gross average earnings of male manual workers. This low level meant that one in five pensioners receiving it were also receiving supplementary benefit and there were still one million elderly people not claiming this supplementary benefit although entitled to it and they were therefore living on incomes below the official poverty line.

Existing pensioners gained nothing from the Social Security Pensions Act 1975 which introduced the new pensions system to benefit the future generation of pensioners. However, even when fully operational, the new scheme would still leave some elderly people dependent on supplementary benefit. In contrast to this, the occupational pensions sector gained more from this pension plan than it would have from any previous Labour government pension proposal. The government promised to subsidise occupational pension schemes in the form of inflation proofing guarantees. This sustained the occupational pensions industry in a period of high inflation and without it some schemes would have collapsed. So the legislation sustained the occupational pensions sector and even helped to marginally increase the proportion of employees in an occupational pension scheme.

The Social Security Act 1975, introduced the third policy that the Labour party had formulated on pensions since the introduction of the National Insurance Act in 1946. The difference between these policies was a gradual shift of emphasis on both the role of occupational pensions and on the importance of vertical redistribution of income.

The Labour party's pension policy of 1957 was a clear break with the past because earnings related benefits were proposed for the first time but within this basic earnings related structure there was a significant amount of vertical redistribution. Occupational pension schemes were to be tolerated but not encouraged. By 1969, policy had changed to allow for less redistribution of income and for the first time, the idea of a partnership between the state and occupational pension sectors was suggested. By 1975 policy had changed again to offer even more concessions to the occupational pensions sector.

The Labour government's new pension plan was widely regarded as a compromise between previous Labour and Conservative party policies - a compromise which was necessary in order to end the political wrangling over pensions policy. The new pension plan was, at least at that time, supported by the Conservative party. It is useful to briefly discuss how far this compromise and the moderation of Labour party policy which it produced, was the result of the influence of private capital, government trade unions, public opinion or the poverty lobby.

Private capital, in the form of the occupational pensions industry clearly gained from the Labour government's decision to moderate its policy on pensions and in the debate which took place before the formulation of the pensions bill, the occupational pensions industry gained further concessions.

The power of private capital to influence the Labour government's pensions policy ultimately rested on the finance capital which occupational pension schemes produced. The Labour government had rejected renewed calls for the nationalisation of the banking and insurance industries from the Labour party itself and so was dependent on this finance capital to help stabilise the economy. The subsidies offered to the occupational pensions industry would help to ensure this stability. If the Labour government had decided to nationalise finance capital it would have aroused intense opposition from private capital but would have given the government more power to introduce more radical economic and social reform. Without such nationalisation, the Labour government was limited to compromising with the occupational pensions industry to a large extent. However, it can be argued that the government had the <u>potential</u> power to nationalise private capital <u>if</u> it had the commitment to do so.

Therefore, the government did have some power to influence the reform and so introduce a more radical policy but it chose not to. Admittedly the potential for radical reform was also limited by the fact that the Labour government only had a slender majority in parliament. In this situation more moderate policies which would gain the approval of the Conservative opposition party were obviously going to stand more chance of reaching the statute book. However, even if the Labour government had a much larger majority, it is doubtful whether it would have introduced a more radical policy because the roots of the moderation of its policy can be found in the debate on pensions which occurred when it was out of government between 1970 and 1974. It is likely that the change was prompted in order to avoid the conflict between the previous Labour government and the pensions industry which had occurred in 1969. Crossman had then given in to some pressure from the pensions industry and had moderated his pension plan accordingly but he had stood firm on parts of his policy which the pensions industry disliked.

The other point which shows that the government had potential power to influence the content of pensions policy was the fact that whilst the Labour government's pensions legislation was more acceptable to the occupational pensions industry than its previous plans, and indeed even the Conservative party approved of it, the policy was still more radical than the previous Conservative government's policy. The state pensions scheme which it introduced was more redistributive towards the lower paid and offered a higher level of state pension for those who did not have access to an occupational pension scheme.

The role of the trade union movement in determining the content of the Labour government's new pensions legislation seems to have been minimal. It did suggest improvements to the government's proposals but these were not introduced and there is no evidence of protest by the trade union movement as a result. Those white collar unions that had been opposed to the Crossman scheme because it did not offer occupational pension schemes enough concessions, did support Labour's new scheme. The development of occupational pension schemes could well have divided trade union interests and weakened the commitment to fight for the improvements to the pension plan that it had suggested to the government.

As far as public opinion was concerned, it seemed to favour a large increase in the pensions of the existing pensioner population but such an increase was not introduced. There is no clear evidence on public opinion towards the content of the 1975 Social Security Pensions Act. By 1975, there was no higher a proportion of the electorate in an occupational pension scheme than there had been in 1969 when the Labour government intended to introduce the more radical Crossman pension plan. Therefore it seems that pressure from public opinion played little part in the moderation of policy that occurred. Perhaps it was electorally popular to be ending the debate on pensions policy once and for all by introducing a more moderate policy but from the surveys of public opinion that were carried out, it is likely that it would have been just as popular for the government to have increased the level of state pension for the existing pensioner population. Therefore public opinion seems to have had little impact in determining the content of the Labour government's pension policy.

The poverty lobby did attempt to influence the Labour government's pensions policy, but unlike the occupational pension's industry, it failed to secure the changes it demanded. The only concession that it did secure was the abolition of the earnings rule for those in SERPS and perhaps this accounts for the fact that groups such as Age Concern and the National Federation of Old Aged Pensioners Associations, did consider that they had influenced the content of the 1975 Social Security Pensions Act.(94) However, Whiteley and Winyard's research found that the poverty lobby had little influence compared with the occupational pensions industry and were not even included in the negotiation of the policy. This was because the poverty lobby had no power to refuse to accept the legislation if it did not like it whereas the occupational pensions industry could do just this.(95) This is a clear example of the lack of power of the poverty lobby compared with private capital.

So it seems that the terms of the new pensions legislation produced by the Labour government were essentially, though not completely, those which suited the occupational pensions industry and those trade union members in occupational pensions schemes. The power of private capital in the form of the pensions industry, to influence the government, was far higher than that of the poverty lobby. But the reason that private capital had so much power was partly because the Labour government chose not to attempt to undermine this power by attempting to nationalise private capital. So in this sense it can be argued that the government was not forced to adopt a more moderate policy and indeed parts of the policy such as basing SERPS on the best twenty years of earnings and more equality for women in pension provision, were not directly in the interests of private capital. Therefore the government had some power to influence the policy and its moderate stance was a reflection of its policy of managing the capitalist economic system with all the inequalities it produced. In a sense this lack of commitment to more radical policy can be attributed to the ideological power of private capital. The provision of occupational pensions had divided support for a more radical policy within both the trade union movement and public opinion and so the government would have had limited support for a more radical policy even if it had favoured such radical change.

Notes and references

(1) F.W.S. Craig (1975) "British General Election Manifestos 1900-1974", compiled and edited by Craig, Macmillan, London, p.402.

The manifesto was called, "Lets work together - Labour's way out of the crisis".

(2) B. Castle (1980) "The Castle Diaries 1974-1976", Weidenfield and Nicholson, London, p.38.

(3) ibid. p.38n (states Jack Jones of the TGWU was important in securing this).

Also H. Wilson (1979) "Final Term: the Labour Government 1974-1976", Weidenfield and Nicholson, London, p.25.

(4) See Tables 3.1, p.149 and 3.4, p.173 in Chapter Three.

(5) New Society (1979) "The pension in your pocket" New Society, social trends section, 8th November 1979, Vol.50, no.892, p.321.

(6) Labour Research (1975) "Pensions: life at the bottom" Labour Research, August, Vol.64, no.8, p.169.

note: this article does not mention whether this proposed pension level of one third average male earnings would be supplemented by an amount for housing costs or not.

(7) Refer to Tables 3.2 and 3.5 in Chapter Three.

(8) See Chapter Two which states that in 1951 the percentage of national insurance retirement pensioners on supplementary benefit was 22 per cent.

(9) Age Concern (1975) "Pensions" letters page, The Economist, March 15th 1975, pp.4-5.

(10) This percentage has been calculated by comparing the one million figure from Age Concern (see reference (9)) and comparing it with the total number of men aged 65 years and over in the UK and the number of women aged 60 and over in 1974 which was 9.4 according to the Central Statistical Office (1981) Annual Abstract of Statistics, no.117, pp.13-14, table 2.5.

(11) Labour party social policy sub-committee minutes 13th December 1971 (Labour Party Library).

(12) Labour party social policy sub-committee - minutes for 6th March 1972 (Labour Party Library and the Titmuss files - British Library of Political and Economic Science)

(13) Letter from R.M. Titmuss to Mike Cantor, March 5th, 1972, Secretary of the Labour party's social policy sub-committee regarding the report of the working group on pensions, means-tests and poverty (this letter is contained in box 11 in the Titmuss files, file no.11, "Labour party social policy committee 1971 to 1973", manuscripts department, British Library of Political and Economic Science, London)

(14) Labour Party (1971) "Report of the 70th Annual Conference of the Labour Party", Brighton, 1971, Labour Party, London, p.298.

This resolution was passed with 3,519,000 votes for and 2,164,000 votes against.

(15) Labour Party (1973) "Report of the 72nd Annual Conference of the Labour Party", Blackpool, 1973, Labour Party, London, p.47.

(16) It is not clear whether this document is the same as that referred to by the NEC in its report to the 1974 Labour Party Annual Conference (p.65) as the "green paper on banking and insurance". It is likely that there were two separate documents as Minns states that this green paper not only recommended nationalising the insurance industry

(continued over)

but also the banking industry:- R. Minns (1982) "Take over the City: the case for public ownership of financial institutions", Pluto Press, London, p.41.

(17) R. Minns (1982) ibid., p.41.

This report by the NEC of the Labour party was called, "Labour and Industry: the next steps", 1974.

(18) R. Minns (1982) ibid., p.41-42.

(19) The Labour Party (1982) "The City: A Socialist Approach: report of the Labour Party Financial Institutions Study Group", September, Labour Party, London, p.92.

(20) ibid.

(21) HMSO (1980) "Report of the Committee to Review the Functioning of Financial Institutions", Cmnd. 7937, HMSO, London.

(22) R. Minns (1980) "Pension Funds and British Capitalism", Heinimann, London, p.vii.

(23) F.W.S. Craig (1975) op. cit., p.402.

(24) B. Castle (1980) op. cit., p.100.

(25) ibid., p.100n.

(26) Investor's Chronicle (1976) "Pensions: Facing up to the realities of the Castle Plan", Investor's Chronicle, February 27th 1976, p.ix.

(27) HMSO (1969) "National Superannuation and Social Insurance" Cmnd. 3883, January, HMSO, London.

HMSO (1971) "Strategy for Pensions: The Future Development of State and Occupational Provision", Cmnd. 4755, HMSO, London.

(28) HMSO (1974) "Better Pensions: fully protected against inflation", Cmnd. 5713, HMSO, London, p.24, para.91.

(29) H. Wilson (1979) op. cit., p.126.

(30) HMSO (1974) op. cit., p.5, para.13.

(31) ibid., p.5, para.18.

(32) ibid., p.4, para.11.

(33) ibid., p.5, para.14.

(34) ibid., p.5, para.14.

(35) ibid., p.10, para.36.

(36) New Society (1978) "Half pay in old age" New Society, January 25th, 1978, Vol.43, no.799, p.189.

The figures of £40/£80 and £120 are equivalent to ½ average, average and one and a half times average wages of manual workers at this time - see note re: Table 4.1 for average wage which was £87.54.

(37) See reference 68, Chapter Three.

(38) HMSO (1974) op. cit., p.12, para.45.

(39) ibid., p.12, para.45.

(40) ibid., p.21, para.75.

(41) ibid., p.16, para.59.

(42) ibid., p.17, paras.60-61.

(43) ibid., p.17, paras.62-63.

(44) ibid., p.19, para.68.

(45) ibid., p.19, para.70.

(46) ibid., p.19, para.67.

(47) ibid., p.16, para.58.

(48) N.A. Barr (1975) "Labour's Pension Plan - A Lost Opportunity?", British Tax Review, no.3, p.174.

(49) The Times (1976) "The Times 1000 leading companies in Britain and overseas 1976-1977", The Times, London, Table 19a, p.112.

This stated that the Prudential and Legal and General were the biggest Life companies at that time.

(50) The Prudential Assurance Company Ltd. (1976) 127th Annual Report, Prudential, London, p.6 (Chairman's Statement).

(51) Legal and General Assurance Society (1976) Report and Accounts 1975, Legal and General, London, p.6.

(52) J. Kincaid (1978) "The Politics of Pensions", New Society 16th February 1978, Vol.43, no.802, p.369.

(53) The Economist (1975) "A post-dated bill", The Economist March 1st, 1975, p.17.

(54) M. Peterson (1976) "Inflation and the problem of the pensions revaluation", Investor's Chronicle, February 1976, p.vii.

(55) Age Concern (1974a) "Policy for a future state pension", Age Concern, London, December 1974, p.2.

(56) Age Concern (1975) op. cit., p.5.

(57) Age Concern (1974b) "Memorandum on the White Paper - Better Pensions", quoted in R. Lister (1975) "Social Security: the case for reform", Child Poverty Action Group pamphlet no.22, CPAG, London.

(58) Age Concern (1974a) op. cit., p.2.

(59) T. Salter (1981) "Social Policy and Pensions" Benefits International, May 1981, p.26, note 40.

(60) Age Concern (1974c) "Public opinion on pensions", June 1974, Age Concern, London, p.3.

This survey was carried out in March 1974, using a two stage random sample, interviewing an elector in each of 105 constituencies selected.

(61) ibid., p.3.

(62) D. Piachaud (1974) "Attitudes to Pensions", Journal of Social Policy, April, Vol.3, part 2, pp.137-146, p.141.

This survey was carried out in 1973 using a postal questionnaire, sent to a random sample of men on the electoral register in England and Wales. The response rate was 59.1 per cent. The questionnaire was sent to 1,200 people.

(63) ibid., p.142.

(64) ibid., pp.143-144.
He also states on p.146 that the fact that people said they were willing to pay more tax to increase pension levels, does not mean that they would actually agree to do so in practice.

(65) P. Townsend (1979) "Poverty in the United Kingdom", Penguin, Harmondsworth, p.785.

(66) Trades Union Congress (1975) "Report of the 107th Annual Trades Union Congress" Blackpool, 1975, TUC, London, pp.118-119.

(67) ibid., p.118.

(68) J. Kincaid (1975) "Poverty and Equality in Britain: A Study of Social Security and Taxation", Penguin, Harmondsworth, p.143.

(69) A. Walker (1980) "The Social Creation of Poverty and Dependence in Old Age", Journal of Social Policy Vol.9, Part 1, January, p.65.

(70) M. Reddin (1982) "Occupational welfare and social division" in C. Jones and J. Stevenson (eds) "The Yearbook of Social Policy in Britain 1980/1981.", Routledge and Kegan Paul, London, p.147.

(71) Government Actuary (1978) "Occupational Pension Schemes 1975: Fifth survey by the Government Actuary", HMSO, London.

(72) Government Actuary (1981) "Occupational Pension Schemes 1979: Sixth survey by the Government Actuary", HMSO, London.

(73) British Institute of Management (1978) "Employee Benefits", by H. Murlis, Management Survey Report no.37, B.I.M., London.

(74) Office of Population Census and Surveys (1985) "General Household Survey 1983", Social Survey division, HMSO, London, Table 7.42, p.129 (contains information on the General Houshold Survey findings for 1975 and 1979 as well)

(75) Correspondence from the Government Actuary on this matter stated:

"Our 1979 survey did not ask questions to differentiate between manual and non-manual employee members of schemes because in recent years fewer and fewer employees make this distinction."

(76) Department of Employment (1976) "The changing structure of the labour force", Unit for Manpower Studies, Department of Employment, London, p.31, Table 7.

This shows that the average yearly forcasted decline from 1971 to 1981 was minus 70,000 manual workers and plus 109,000 non-manual workers. This gives a gain from 1971-1975 of 436,000 non-manual and loss of 280,000 manual employees.

(77) Calculations from the base figures given in Office of Population Census and Surveys (1985) "General Household Survey 1983" op. cit., Table 7.42.

(78) Government Actuary (1980) "Pension scheme membership in 1979", Employment Gazette, December, p.1209.

(79) Government Actuary (1981) op. cit., para.8.8, p.41.

(80) ibid., percentage calculations are mine from information in p.41, Table 8.4 and p.6, Table 2.3.

(81) Government Actuary (1978) op. cit., pp.64-65, Table 12.6.

(82) HMSO (1974) op. cit., para.59, p.16 and para.62, p.17.

(83) S. Ward (1978) "Controlling Pension Schemes", Workers Educational Association, London, p.5.

(84) Government Actuary (1981) op. cit., p.62, Table 11.4 percentage calculated from total employed 23.4 (Table4.4).

(85) British Institute of Management (1978) op. cit., p.15. I have calculated this number from the figure 73 per cent given as the percentage of companies having planned their response to the 1975 Act.

(86) ibid., p.14-15. I have calculated this percentage figure.

(87) ibid., p.15.

(88) Government Actuary (1978) op. cit., p.93, Table A 4.1.

(89) Government Actuary (1978) op. cit., p.93, Table A 4.1.

(90) Government Actuary (1981) op. cit., pp.13-14, para.3.4.

(91) Government Actuary (1978) op. cit., p.28, para.5.11, Table 5.4.

Government Actuary (1981) op. cit., p.19, para.4.8, Table 4.3.

(92) R. Minns (1980) op. cit., p.8.

(93) A.D. Bain (1981) "The Economics of the Financial System" Martin Robertson, Oxford, Table 11.1, p.178.

The statistics in this table are taken from Financial Statistics, April 1981, Tables 8.13 and 8.14.

(94) P. Whitely and S. Winyard (1983) "Influencing Social Policy: the effectiveness of the Poverty Lobby in Britain", Journal of Social Policy, Vol.12, part 1, January, p.103.

(95) ibid.

Chapter Five

THE DEVELOPMENT OF STATE AND OCCUPATIONAL RETIREMENT PENSIONS, 1979 TO 1986

The Labour party's struggle to stay in government from 1974, finally came to an end with the election of a Conservative government in 1979. This General Election gave the Conservative party a comfortable overall majority of 43 seats in the House of Commons and this was extended to 143 seats when they were elected for a second term of office in 1983.

The Conservative government of 1979 onwards was distinctly more right-wing than the other post second world war Conservative governments which have been discussed in earlier chapters. This shift to the right was reflected in the election of Margaret Thatcher as leader of the Conservative party in 1975 who acted as a strong advocate of monetarist economic theory. There was a corresponding shift in the party's social policy so that whilst the merits of voluntary and private welfare systems were praised, state welfare was attacked for being wasteful in its demands on public expenditure and in undermining individual effort and responsibility for welfare. This shift of emphasis was evident in the pensions policies introduced in this period of Conservative government.

The first section of this chapter looks at the policies of this government which affected the incomes of existing pensioners. The second section covers the proposal for a new pensions system for future pensioners which was part of the biggest attempt to overhaul the social security system since the Beveridge review of 1942. The third section examines the development of occupational pension membership and provision in this period and the fourth and final section relates these developments in pensions policy to a theory of power and the state.

SECTION ONE: CONSERVATIVE GOVERNMENT POLICY ON PENSIONS FOR THE EXISTING ELDERLY POPULATION 1979 TO 1986

The Conservative party's election manifesto for 1979, promised to introduce the increase in the state retirement pension which had been approved by the previous Labour government,[1] but other than this made only general statements regarding social security policy. Therefore it more vigorously stressed long standing ideas in Conservative party policy, for example that the social security system should be simplified, work incentives should be enhanced and help should be concentrated on those most in need. It was argued that social welfare expenditure should only increase if the nation could afford it and also that people should do more to promote their own welfare instead of relying on the state:

> "In the community we must do more to help people help themselves and families to look after their own."(2)

The increase in the state retirement pension was introduced in 1979, which brought the level of the pension to 22.5 per cent of average earnings of male manual workers as shown in Table 5.1. This table shows that the rates of state retirement pension throughout the 1979 to 1986 period ranged from

Table 5.1

The rate of state retirement pension for a single person compared with the supplementary benefit level, and related to the gross average earnings of full-time male manual workers, 1979 to 1986

Date	National insurance retirement pension		Supplementary benefit	
	Rate in £ per week	As a percentage of average gross male manual workers earnings	Rate in £ per week excluding housing costs*	As a percentage of average gross male manual workers earnings**
Nov 1979	23.30	22.5	23.70	22.9
Nov 1980	27.15	22.9	27.15	22.9
Nov 1981	29.60	22.9	29.85	23.1
Nov 1982	32.85	23.7	32.70	23.6
Nov 1983	34.05	23.1***	34.10	23.1***
Nov 1984	35.80	22.3***	35.70	22.2***
Nov 1985	38.30	22.8***	37.50	22.3***
July 1986	38.70	22.1***	37.90	21.6***

* Includes the long term addition paid to pensioners.

** I have calculated this column of percentages by working out rate of average gross wage from Table 46.09 in DHSS (1986) "Social Security Statistics 1985". These average earnings figures have been calculated as:

1979 : £103.56, 1980 : £118.56, 1981 : £129.26,
1982 : £138.49, 1983 : £147.40, 1984 : £160.53,
1985 : £167.98, 1986 : £175.11.

*** These figures are provisional.

note: Those pensioners eighty years of age and over received 25p a week extra on both national insurance retirement pension and supplementary benefit.

Sources: Department of Health and Social Security (1986) "Social Security Statistics 1985", HMSO, London, pp.250-251, Tables 46.09 and 46.10 and Table 34.01 (re long term rates).
The Guardian (1986) "Pension falling behind wages", The Guardian July 29th 1986, refers to Age Concern figures re 1985 and 1986.

22.1 per cent to 23.7 per cent of male manual average gross earnings, which was slightly higher than the rates paid during the 1974 to 1979 period of Labour government. However, an important change was introduced in 1980 which would gradually erode the value of this pension. This was the decision to only uprate the state pension in line with price rises, instead of in line with wages or price rises, whichever was higher. This change was included in the 1980 Social Security Act and the Government Actuary later estimated that the effect of the change would be to reduce the value of the state retirement pension to just 10 per cent of average earnings by the year 2021.(3) This was because prices tend to rise faster than wages over a long period of time. Table 5.1 does show that there was a very gradual decline in the value of the state retirement pension from 1982 onwards partly because price and wage rises have diverged only slightly.

The real value of the state retirement pension suffered from two further changes introduced by the Government. Firstly, in 1983, benefits were uprated in line with the price increase of the previous year rather than the forcast of price increase for the coming year. Therefore, in 1983, the level of state retirement pension was increased by just 3.75 per cent instead of by the forcast price rise of 6.5 per cent.(4) Secondly, in 1986, benefits were increased in July instead of November in order that the 1987 uprating could be introduced in April so allowing benefit and tax changes to take place at the same time. However, the July 1986 uprating produced an increase in benefit of just 1.2 per cent(5) because the price index on which it was based excluded the first few months of the year when there is usually a sharp increase in prices.(6)

Table 5.1 also shows that the basic rate of supplementary benefit remained very similar to the level of the state retirement pension and as housing costs were paid on top of this rate then the numbers needing to claim supplementary benefit to supplement their state pension remained high.

Table 5.2 shows that the low level of state retirement pension was responsible for the large numbers of elderly people still dependent on supplementary benefit. The new pensions legislation introduced by the Labour government which came into effect in 1975 only benefited those pensioners who had still been working at that date and so had been able to pay a few years contributions into the scheme before they retired. However, in 1984, six years after the start of the scheme, only 11 per cent of the pensioner population were receiving any state earnings related pension at all and of those that were, the average payment was just £2.82 per week.(7) The reform did little to bring those pensioners retiring within a few years of the start of the scheme off supplementary benefit.

Table 5.2

The numbers of people over retirement age receiving state retirement pension and the number receiving supplementary benefit in Great Britain 1979 to 1983

in thousands

Date	Number of national insurance retirement pensions in payment (including contributory old age pensions and pensions for widows aged 60 to 64 years)	Number of people over retirement age on supplementary benefit
1979	8750	1720
1980	8918	1690
1981	9098	1740
1982	9188	1780
1983	9285	1650

Sources: Department of Health and Social Security Statistics (1986) "Social Security Statistics 1985", HMSO, London, p.181, Table 34.30, p.86, Table 13.30.

Department of Health and Social Security (1982) "Social Security Statistics 1981", HMSO, London, p.78, Table 13.30.

As far as take-up of supplementary benefit was concerned, Table 5.3 shows that government figures estimated that only 67 per cent of those pensioners eligible for supplementary benefit in 1981 were claiming it as compared with 74 per cent in 1977. In terms of numbers, it is estimated that the number of pensioners not claiming the supplementary benefit that they were entitled to rose from 610,000 in 1977 to 810,000 in 1981.

It is not clear why the level of take-up of supplementary benefit declined by 1981. It is possible that the Conservative government's policy of employing more Department of Health and Social Security staff on fraud investigation,(8) although concentrated on the unemployed, could have deterred elderly people from claiming.

Table 5.3

The level of take-up of supplementary benefit by pensioners and the average amount of unclaimed benefit 1975 to 1981

Year	Estimated percentage of take-up by pensioners	Numbers not claiming their entitlement	Average weekly amount left unclaimed
1975	74	£2.10	600,000
1976	74	£2.10	600,000
1977	74	£3.10	610,000
1981*	67	£5.00	810,000

*1981 is the latest date for which figures are available so far

Sources: Department of Health and Social Security (1978) "Social Security Statistics 1976", HMSO, London, p.162, Table 34.28.

Department of Health and Social Security (1979) "Social Security Statistics 1977", HMSO, London, p.138, Table 34.28.

Department of Health and Social Security (1980) "Social Security Statistics 1978", HMSO, London, p.155, Table 34.28.

Department of Health and Social Security (1986) "Social Security Statistics 1985" , HMSO, London, p.61.

The government introduced three changes to the supplementary benefit system which affected those pensioners entitled to it. The first was the government's decision to replace the growing areas of discretion over the payment of additions to the basic supplementary benefit rate with regulations which in theory would clarify entitlement to benefit. In 1975 the Supplementary Benefits Commission had noted its concern about growing discretion in the supplementary benefit system[9] and this had prompted the previous Labour government to review the supplementary benefit system and a report was published on this review in 1978.[10]

The Conservative government readily took up the issue and by November 1979, had published a white paper outlining its proposed reform and a Social Security Act 1980 implemented these proposals. This legislation replaced the existing exceptional circumstances additions and exceptional needs payments with regulations governing what were to be called weekly additional payments and single payments.

It was estimated that the reform benefited 0.5 million claimants but that 1.75 million were worse off because of the change.(11) Lynes argues that the change did not radically reduce discretion in the system but did simplify the law so that the number of appeals on supplementary benefits decisions would be reduced and this gave officials more power at the expense of claimants.(12)

The second change was the decision to transfer payment of housing costs for supplementary benefit claimants from the Department of Health and Social Security to local authorities. This change was part of the reform of housing benefit system introduced by the Social Security and Housing Benefits Act of 1982(13) and implemented in 1982 and 1983.

Whilst this transfer of administration to the local authority did not alter the fact that those entitled to supplementary benefit would still get 100 per cent of their eligible housing costs paid, problems arose for those who had previously only been eligible for supplementary benefit to pay their housing costs. Many people in this category were pensioners whose state pension was high enough to cover basic living costs but not high enough to cover housing costs as well. The change meant that such people were taken off supplementary benefit and put onto rent and rate rebates which paid a maximum of only 60 per cent of their housing costs instead of the 100 per cent payment they had been receiving under the old system. To help bridge the gap a new benefit called housing benefit supplement was introduced but no more than 44 per cent of those eligible claimed it.(14) Unless a claimant first applied for supplementary benefit, it was unlikely that their eligibility for housing benefit supplement would be identified. The reform of housing benefits therefore complicated the claiming procedure for many pensioners and undoubtedly led to a loss of benefit for those not claiming the housing benefit supplement that they were entitled to claim.

The third change in the supplementary benefit system which affected pensioners, was the decision to cut the value of the weekly heating addition in 1984 which was received by 87 per cent of pensioners.(15) The government did extend eligibility for this weekly addition which cost £9 million a year but it cut the value of the heating addition by £1 per week and so saved £74 million a year.(16) This cut was made on the grounds that those claimants on the long term rate, which included pensioners, were already receiving extra help towards their heating in this long term rate.

Mack and Lansley have estimated that in the period of Conservative government from 1979 to 1983, social security benefits as a whole were cut by £1,600 million.(17) Existing pensioners incomes were not only affected by the de-indexing of the state retirement pension from wage rises, but by cuts in the value of supplementary benefit, on which many elderly people were dependent.

SECTION TWO: CONSERVATIVE GOVERNMENT POLICY ON PENSIONS FOR THE FUTURE ELDERLY POPULATION - THE SOCIAL SECURITY PENSIONS ACT 1986

Unlike the Labour party,[18] the Conservative party had called for no major review of the social security system in its General Election manifesto in 1983[19] and yet by April 1984 the Conservative government had done just this. In November 1983, it launched the first enquiry, which was into retirement provision and by April 1984 further enquiries had also been set up on the issues of children and young persons benefits, housing benefit and supplementary benefit.

In launching the enquiry into retirement provision, the Secretary of State for Social Services, Norman Fowler, stressed that the government did not intend to alter the essentials of the pensions system introduced by the previous Labour government, which had come into effect in 1978. Fowler's statement to this effect has since been often quoted because it stands in stark contrast to the pensions policy actually pursued by the Conservative government after this enquiry:

> "My aim in setting up an enquiry is not to call into question the fundamental pensions structure that was established in the 1970's with all party agreement and to which I was a party."(20)

The pensions enquiry was clearly not intended to produce a wide ranging debate on the issues. It was chaired by Fowler and consisted of six other government Ministers, three representatives from the insurance industry, and one academic with right of centre sympathies.

The first action of the pensions enquiry was the setting up of a sub-committee on the issue of personal pensions. Whilst previous Conservative governments had favoured extending private welfare through occupational pension provision, the idea of promoting personal pensions, whereby a person takes out a pension plan with an insurance company or other financial institution on a purely individual basis, had received little attention. However, the idea was favoured by those right-wing groups who had become an important influence on Conservative party policy since the election of Margaret Thatcher as leader of the party in 1975.

One of these organisations, the Adam Smith Institute, had argued in 1982 that the whole of the state pensions system should be abolished and replaced by personal pensions. It also stated that occupational pensions should be transformed into individual pension accounts which could be transferred when an employee changed employment.(21) Similarly, Seldon, of the Institute of Economic Affairs argued in 1981 that state pension provision had done a disservice to the elderly because it restricted their freedom to plan for their own retirement:

> "The freedom of 100 per cent of the British working people to save and invest for old age in the ways they prefer, much more suited to their requirements, has been unnecessarily restricted by government."(22)

Morgan, also from the Institute of Economic Affairs, reiterated Seldon's sentiment in his paper on pensions in 1984, in which he forcefully argued the case for personal pension provision.(23) In 1983, the Centre for Policy Studies, (which was set up in 1974 to provide the Conservative party with information for monetarist policies),(24) also recommended extending personal pensions.(25)

By July 1984 the personal pensions sub-committee from the pensions enquiry had produced a consultative document on this issue.(26) This document proposed to promote personal pensions for all employees by allowing those with a personal pension which met certain contribution conditions, to contract out of the state earnings related pension just as approved occupational pension scheme members were able to do. It also proposed allowing members of occupational pension schemes to opt into a personal pension.(27) The document admitted that some of the personal pensions which would be produced, would be of a low level and to prevent the government having to pay large additions to these pensions when the individual concerned had retired, a set level of government addition should be established which would assume the personal pension met a certain minimum standard even if it did not.(28)

The general reaction to these proposals was hostile. The Association of British Industry which represented the Life Offices Association and the Associated Scottish Life Offices and therefore those insurance industries with pension business, argued that it would be difficult to establish the contribution level which would be required for personal pensions. The value of the pension on retirement would depend on how well the contributions had been invested. There was no guaranteed benefit in line with the recipients final salary as in many occupational pension schemes.(29) Some insurance companies, for example Legal and General, had minor reservations but essentially supported the idea,(30) but the Prudential the other major insurance company, had more serious reservations about the proposal and launched a £400,000 advertising campaign to this effect.[31] It seems that in general it was the smaller insurance companies who supported the idea because they had less occupational pensions business and so would not suffer if the development of personal pensions undermined occupational pension schemes.[32]

Both the occupational pensions industry, represented by the National Association of Pension Funds[33] and employers, represented by the Confederation of British Industry,[34] as well as the TUC,[35] were opposed to the idea because it would undermine occupational pension schemes. The National Consumer Council was concerned that there would be no guaranteed minimum level of pension from a personal pension scheme[36] and Age Concern also expressed concern on this point.[37]

As far as public opinion was concerned, the government claimed that the survey commissioned by the personal pensions sub-committee had[38] found that three quarters of those who were not members of an occupational pension scheme, were interested in obtaining a personal pension. It also found that one third of those already in occupational pension schemes were interested in personal pensions.[39] However, the government did not acknowledge that this survey also showed that only 16 per cent of those without occupational pension provision had taken out a personal pension[40] and the Institute of Actuaries did not think that those presently excluded from occupational pension scheme membership would be very enthusiastic about obtaining a personal pension.[41] So whilst the government's survey did indicate support for personal pensions it is unlikely that this single survey was sufficient to judge public opinion on the issue.

Therefore support for the personal pensions outlined in the consultative document was limited to the right wing institutes that had promoted the idea in the first place and a section of the insurance industry. The employers, the occupational pensions industry, the trade unions and the poverty lobby were opposed to it. However, despite this limited support, the idea was incorporated in the green paper on social security which was eventually issued in June 1985.

The main enquiry into pensions provision received written evidence from 99 organisations and 923 individuals, along with oral evidence from 11 organisations. Few organisations recommended the abolition of the state earnings related pension (SERPS) introduced by the Labour government in 1978. Most organisations only called for modifications to the scheme or no changes at all.[42] A member of the enquiry team later revealed that Fowler had given the impression that abolition of SERPS was not a serious option and so it had not been considered in the enquiry.[43] However, by February 1985 Fowler's intention to abolish SERPS was made public.[44]

In April 1985, the Cabinet approved of this abolition along with the abolition of all single and additional weekly payments of supplementary benefit, a £2 billion cut in housing benefit and the abolition of the death and maternity grants.[45] The Treasury was also considering abolishing tax relief on occupational pension schemes which was costing the government £3,400 million in 1984/1985.[46] However, this idea was rejected after a vigorous campaign by the occupational pensions industry.[47] A survey commissioned by the insurance industry had found that if abolition of this tax relief led to just a

5 per cent increase in employers' pay roll costs then 27 per cent of employees might lose their occupational pension.[48] The problem was that if tax relief on occupational pension schemes was retained and membership of private pensions (either occupational or personal) was made compulsory with the abolition of SERPS, then the cost of this tax relief to the Exchequer would rise enormously - far higher than the Department of Health and Social Security had estimated, according to the Chancellor of the Exchequer.[49]

The Green Paper on the Reform of Social Security 1985

The green paper on the "Reform of Social Security" was published in three volumes in June 1985.[50] No detailed figures were included in it which would enable the real implications of the government's proposals to be assessed but the government eventually agreed to include figures in a later white paper. In the meantime, the only available figures were those leaked to the press by civil servants.[51]

The green paper proposed abolishing SERPS on the grounds that firstly, it would cost the government £23 billion by the year 2033[52] and secondly, it had hampered the development of occupational pension schemes by requiring these schemes to reach certain standards in order to be able to contract out of contributions to SERPS.[53] It was argued that merely modifying SERPS would not encourage people to acquire a private pension and it would also mean that contracting out would have to remain in some form.[54] Therefore it proposed abolishing SERPS replacing it with occupational or personal pension schemes:

> "... we propose to replace SERPS by a new partnership between state provision and occupational and personal provision."(55)

The only employees who would be allowed to continue in SERPS were those within fifteen years of retirement. Men aged 40 to 49 years and women aged 35 to 44 years, would have their rights to SERPS enhanced in order to prevent a sharp difference between those still able to continue in SERPS and those no longer eligible.(56) So all employees with more than fifteen years before retirement, would see their state earnings related pension phased out over a three year period and would have to contribute to a private pension unless they earned less than the level of income on which national insurance was paid.(57)

The green paper stated that if membership of a private pension was not compulsory then some employees would make no private provision at all and would be left with just the flat rate basic state pension.(58) Therefore, they would be required to pay at least 4 per cent of their earnings into either an occupational or a personal pension scheme and their employer would have to pay 2 per cent.(59) Employees could opt out of their occupational pension scheme to join a personal pension scheme if they wished.(60) Whilst this would encourage the development of personal pensions, the occupational pension sector would itself be encouraged to develop industry wide occupational pension schemes for those industries with little occupational pension coverage.(61)

The green paper reflected the government's concern to promote individualism above all else and to do so by making it compulsory for employees to have an occupational or personal pension. The green paper stated that the government's intention was to promote:

> "...greater freedom and choice to individuals... a nation in which everyone is saving through their job for a better retirement."(62)

Compulsory private pension provision would be of benefit to the financial institutions, especially insurance companies who stood to gain £2.5 billion in extra premiums if such a change were introduced. Thus the Investor's Chronicle welcomed the proposal:

> "The proposed scrapping of the state earnings related pension scheme would be a boon to insurer's pension business."(63)

Employers stood to lose both because of the extra costs involved in organising occupational or personal pensions for those employees without them[64] and because the new scheme would undermine the occupational pensions structure[65] which gave employers some control over attracting and shedding labour. However, the main losers would be the low paid who had benefited from the element of vertical redistribution that had been built into SERPS. The suggested compulsory minimum contribution of 4 per cent of earnings into an occupational or personal pension was too low to provide those on low incomes with a pension as good as they would have got in SERPS, but the figure had to be this low in order to enable small employers and low paid employees to enter the private pensions market.[66] They could not afford a higher contribution.

Whilst abolition of SERPS fitted with the government's ideology, it had little support from private capital (in the form of the employers and the occupational pensions industry), or from the trade union movement, the poverty lobby, other political parties or the public. One of the very few organisations that did support it was the Institute of Directors which represented a small section of employers:

> "We welcome the abolition (rather than reform) of SERPS ... The provision of an earnings related pension is no proper function of the state."(67)

The main employers' organisation, the Confederation of British Industry, was opposed to the abolition of SERPS and its replacement with compulsory private provision because it would cost employers £3 billion to administer the resulting occupational and personal pensions.[(68)] However, it did favour cuts to SERPS and therefore argued that it should be based on lifetime earnings rather than the best twenty years of earnings and that widow's benefits should be cut by half.[(69)] The National Association of Pension Funds and the Association of British Insurers, the two organisations which represented the occupational pensions industry, also recommended cuts to SERPS rather than abolition.[(70)] Thus the Association of British Insurers stated:

> "... we must express our disappointment that the alternative to the abolishment of SERPS, viz modification of the scheme to reduce costs, has been so lightly dismissed."(71)

Both organisations also argued that political consensus on the reform of the pensions system was necessary[72] and that the intention to introduce the changes in 1987 was impractical.[73] They argued that the government was over-rating the merits of personal pension schemes because these money purchase schemes could not guarantee the benefits offered in a final salary occupational pension scheme.[74] The Institute of Actuaries also expressed its concern on this point and stated that the government's proposals for private pensions were more ambitious than had been attempted anywhere else in the world.[75]

The TUC was not only opposed to any reduction, let alone the abolition of SERPS, but argued for improving it[76] by crediting in existing pensioners to SERPS and increasing the level of the flat rate component of the state pension as well so that existing pensioners incomes would be raised.[77] It defended SERPS for its benefits for widows and manual workers[78] and expressed its amazement that the government proposed to abolish the scheme:

> "The TUC is astounded at the proposal to phase out SERPS and to replace it with compulsory contributions to private pension arrangements."(79)

It claimed that the government had exaggerated the future costs of SERPS in order to try and get support for its abolition[80] and it called for a Royal Commission to examine the pensions system more rigorously.[81] The TUC set up a special campaign to publicise its opposition to the plan.[82]

Those groups lobbying on behalf of pensioners, such as Age Concern, the National Federation of Retirement Pensioners Associations and the British Pensioners Trade Union Action Association, were also opposed to the abolition of SERPS without a substantial increase in the level of the flat rate component of the state pension to one third of average earnings for a single pensioner and one half of this level for couples.[83] The National Federation of Retirement Pensioners Associations argued that this flat rate pension should have its link with earnings restored and it should be uprated every six months.[84]

None of the major opposition parties supported the green paper's proposals either. The Labour party defended SERPS and argued that it should not be abolished or modified.[85] It argued that the Conservative government was:

> "... sacrificing the future security of millions of today's workers for the sake of their passion for privatisation."(86)

The Liberal party supported the abolition of SERPS and in sharp contrast to the government argued that the state flat rate pension should be increased by 25 per cent.[87] The Social Democratic Party supported this Liberal party policy or the alternative of modifying SERPS to reduce its benefits for those on above average earnings.[88]

A public opinion poll carried out by MORI on behalf of the Action for Benefits campaign which had been set up by the poverty lobby and the trade union movement, found that 50 per cent of the public were opposed to the abolition of SERPS and 69 per cent were in favour of an increase to the flat rate state pension.[89]

The scale of this opposition to the abolition of SERPS, forced the government to abandon the idea. It set up an internal review and at the Conservative party conference in

October 1985, Fowler announced that the government had decided not to abolish SERPS after all.(90)

The White Paper on the Reform of Social Security 1985

The white paper containing the revised proposals was published in December 1985. It stated that the government still felt that abolition of SERPS would have been the best policy but agreed to modify the scheme instead because of the opposition to abolition:

> "The Government believe that the approach put forward in the Green Paper would have achieved the objectives of reform, by which we stand... However, the Government recognise the substantial body of opinion which favours modifying SERPS rather than abolishing it."(91)

The modifications which the government proposed for the SERPS scheme were substantial cuts in the benefits it provided so that by the year 2033, the cost of the scheme would be halved from £25.5 billion to just £13 billion.(92) These cuts would be achieved by cutting the value of SERPS from 25 per cent to 20 per cent of average earnings,(93) by basing the pension on average earnings over the whole working life of an individual rather than his or her best twenty years of earnings,(94) by cutting widows and widowers benefits so that they received half of the pension rights of their spouse rather than the whole amount,(95) and by getting occupational pension schemes to meet 3 per cent of the cost of inflation proofing for the minimum pension they must provide.(96)

The government retained its proposal to encourage the development of private pensions by allowing those without occupational pensions to join personal schemes and also by allowing those in occupational pension schemes to opt out into personal pension schemes. These personal pensions would qualify for both the contracted out national insurance rebate and tax relief on the same basis as occupational pension schemes.[97]

Having decided to keep SERPS, albeit in a modified form, the government could not require people to contribute to an occupational or personal pension as it had previously intended. However, it provided an added incentive for employees to join private pension schemes because it offered an additional 2 per cent rebate on national insurance contribution for those who contracted out of SERPS to join new personal or occupational pension schemes within the first five years of the reform.[98] It eased the administrative burden on employers by allowing the Department of Health and Social Security to pay any rebate on national insurance contribution directly into a personal pension plan.[99] It did not require employers to contribute to an employee's personal pension.

In order to ensure some minimal standards in private pension provision, occupational pensions would still be subject to approval by the Occupational Pensions Board,[100] but the standards for contracting out of SERPS would be lower because the quality of SERPS itself had been reduced. The government also proposed that the contracting out condition that all occupational pension schemes should provide a pension related to salary, should be dropped and replaced with one that merely required the scheme to have a guaranteed minimum level of contribution,[101] which would be merely the amount of contracted out rebate.[102] Personal pensions would be subject to the provisions of the financial services legislation[103] which not only allowed building societies, banks and unit trusts to provide personal pensions as well as insurance companies, but it laid down some minimal standards for these pensions.[104]

A further change made to occupational pension schemes was that all members would be entitled to make additional voluntary contributions in order to increase the value of their pension.[105] Also, all pension rights would have to be preserved after just two years membership of an occupational scheme rather than five years.[106]

The Social Security Act 1985 had already established that an employee would be entitled to a transfer value from their occupational pension scheme if they left that employment before retirement. This transfer value could either be used to purchase an annuity or a personal pension plan, or if these pension rights were to be frozen, they should be revalued in line with inflation up to five per cent a year.[107]

The white paper retained the green paper proposal that women should not receive a smaller private pension than men because they tended to live longer. If they paid the same amount of contributions, then they should receive the same amount of pension.[108] This equality of treatment would only apply to the minimum level of contribution to the personal pension or to an occupational pension which was based on contribution level of the individual rather than related to earnings. This policy of equal treatment was forced on the government by European Community Law.[109]

The changes contained in the white paper met the approval of the employers and the occupational pensions industry. The Confederation of British Industry still had some reservations and argued that the additional 2 per cent rebate for new occupational and personal pension schemes, the opportunity for employees to contract out of occupational pension schemes into personal pension schemes and the equal rebates on national insurance rates for both personal and occupational pensions, were all factors which would encourage younger occupational pension scheme members to switch to a personal pension.(110) This could lead to an unbalanced age distribution in occupational pension schemes so that some would have to contract back into SERPS.(111) It was also concerned that employer's costs could rise as a result of having to pay 3 per cent of the inflation proofing of the guaranteed minimum occupational pension in payment.(112) However, in general it welcomed the decision to cut the value of SERPS rather than abolish it(113) and so it stated:

> "On points of detail we will need to be sure that some apparent difficulties are addressed but in general the CBI responds positively towards the White Paper approach and will actively support the Government in helping to make these proposals work."(114)

The Association of British Insurers was critical of the idea of equal annuity rates for both men and women but in general it supported the proposals.(115) One of the largest insurance companies, the Prudential also welcomed the white paper as a distinct improvement on the proposals of the green paper.(116) The Institute of Actuaries had reservations about the equal annuity rates for men and women and was also critical of the fact that the 2 per cent additional national insurance rebate for new occupational and personal pension schemes, was unfair to those already in occupational pension schemes.(117) However, it still supported the white paper.(118)

The trade union movement was opposed to the new proposals. It argued that the cuts to SERPS would severly undermine provision for low income groups and for women. It was critical of the additional 2 per cent rebate on national insurance contributions for new occupational and personal pension schemes because it was an additional burden for the national insurance fund and for existing occupational pension schemes.(119) It was also opposed to the fact that occupational pension schemes would have to inflation proof their pensions up to 3 per cent a year yet personal pension schemes would not have this burden.(120)

Age Concern was also opposed to any cuts in SERPS and argued that the government's proposals would mean that nearly all those in SERPS would be worse off especially with the decision to base the pension on lifetime rather than the best twenty years of earnings.(121)

Social Security Act 1986

Despite criticism from the poverty lobby and the trade union movement, the proposals of the white paper were drawn up into a Social Security Bill in January 1986. There were objections to elements of the Bill in the House of Lords but it reached the statute book in July 1986 and so became the Social Security Act 1986. All the provisions on pensions which had been outlined in the white paper were included in this legislation which is due to take effect from April 1988 if there is not a change of government by then.

This Social Security Act also introduced important changes to the supplementary and housing benefit systems. These would affect pensioners from 1988 onwards when most of them would be introduced. Supplementary benefit was to be renamed "income support", which would pay out a level of benefit called a "personal allowance". This would be topped up by a premium for various categories of claimant such as pensioners, the unemployed, single parents and the sick and disabled.(122) Those over eighty years of age would receive a higher premium than those aged between sixty and eighty years, unless those under eighty years were disabled.(123) All weekly additions were to be abolished. All single payments were to be abolished and replaced by a social fund to deal with special needs such as funeral expenses, emergency needs and for items such as clothing and household goods. Money from this social fund would be loaned to claimants rather than given and there would be no formal right of appeal regarding payments from the fund.(124)

The housing benefit system was to be brought in line with the income support system so that those claiming housing benefit who were on incomes no higher than income support would receive as high a level of housing benefit as those on income support.(125) Whilst this would benefit some, the tapers would decrease at a faster rate so that some who had been receiving housing benefit would in future be disqualified.(126) Everyone would have to pay at least 20 per cent of their rates, even if they were on income support and had previously had a full rebate on their rates bill.[127]

The government's own figures revealed that 0.8 million pensioners would gain but 2.23 million would lose out from these changes. Of those who would gain, 0.17 million would do so by up to £3 per week and 0.64 million by more than £3 per week. Of those who would lose, 1.79 million would lose up to £3 per week and 0.46 million would lose more than £3 per week.[128] So the government not only introduced cuts which would affect the future pensioner population but also cuts which would affect existing pensioners.

Its decision to change the pensions system which had only just been introduced in 1978, destroyed the political consensus which the previous Labour government's legislation had secured. The 1975 legislation itself offered valuable concessions to the occupational pensions industry and to employers and provided only limited redistribution from higher to lower income groups. However, the Conservative government had decided that the state pension - both flat rate and earnings related components, was too generous. The value of both these elements of the state pension would eventually be reduced by half. This would both reduce public expenditure and more importantly, encourage the development of personal or occupational provision. The modifications to SERPS made the government's new proposals similar to those of Keith Joseph's scheme of 1971 in that a low quality state earnings related scheme was to be available for all those without access to occupational provision. However, the essential difference between Fowler's scheme and Joseph's scheme was the encouragement given to personal pensions and the way in which they were to be subsidised by the government and linked into the state pension system just as occupational pensions schemes had been since the second world war. Data on the development of occupational pensions in the 1979 to 1983 period now needs to be outlined.

SECTION THREE: THE DEVELOPMENT OF OCCUPATIONAL PENSION SCHEMES BETWEEN 1979 AND 1983

Data on occupational pension schemes in this period, consists of a Government Actuary survey in 1984(129) and the General Household Survey for 1983.(130) The Government Actuary survey varies from the previous six surveys from this source because it was mainly based on a questionnaire sent to the employers of respondants in the General Household survey of 1983 and so in this sense the two sets of data are linked. However, the Government Actuary survey also includes a separate survey on Northern Ireland so that the data was applicable to the UK, in keeping with all previous Government Actuary surveys. The report states that the results are subject to a margin of error of 5 per cent and in some cases of 10 per cent.(131)

This structure of this section is similar to that in other chapters so that data on overall coverage of occupational pension membership is followed by a breakdown according to social class, sex and public or private sector of employment.

Table 5.4 shows that between 1979 and 1983, the total number of employees in occupational pension schemes decreased from 11.6 to 11.1 million and it also shows that the main reason for this decline was, the steep rise in unemployment. In 1979 1.2 million people were unemployed in the United Kingdom, which was equivalent to 5 per cent of the workforce but by 1983,

Table 5.4

The number of employees in occupational pension schemes in relation to the total number of employees in the labour force, 1936 to 1983

note: occupational pension data for 1936 and 1953/4 refers to Great Britain and it is not clear whether it includes part-time employees and/or employees in the armed forces. The rest of the occupational pension data refers to the United Kingdom and does include part-time employees and employees in the armed forces. Employment data has been chosen to match these differences - all data excludes the unemployed.

in millions

Year	Total membership of occupational pension schemes	Percentage increase between surveys	Average increase per year	Total number of employees in the labour force	Percentage of employees in occupational pension schemes
1936	2.6			*21.0 (1931)	12
1936-1953/4		139	0.21		
1953/4	6.2			*20.9 (1953)	30
1953/4-1956		29	0.60		
1956	8.0			22.2	36
1956-1963		39	0.40		
1963	11.1			23.5	47
1963-1967		10	0.28		
1967	12.2			23 7	52
1967-1971		-9	-0.28		
1971	11.1			22.5	49
1971-1975		3	0.08		
1975	11.4			23.1	49
1975-1979		4	0.10		
1979	11.6			23.4	50
1979-1983		-4	-0.13		
1983	11.1			21.4	52

* This figure relates to the Census of 1931 and is not directly comparable to the other figures - it includes the self-employed and employers.

For Sources see over page ....

Table 5.4

Sources: (detailed references for 1936-1963 in Table 2.7, for 1967-1971 in Table 3.6 and for 1975-1979 in Table 4.4)

re 1936: Ministry of Labour (1938), Government Actuary (1977), Council for Science and Society (1981).

re 1953/4: HMSO (1954a), Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1967), Central Statistical Office (1968).

re 1971: Government Actuary (1972), Central Statistical Office (1982).

re 1975: Government Actuary (1981), Central Statistical Office (1982).

re 1979: ibid.

re 1983: Government Actuary (1986) "Occupational Pension Schemes 1983: Seventh Survey by the Government Actuary", HMSO, London, p.6, Table 2.1.
Central Statistical Office (1986) "Annual Abstract of Statistics 1986", no.122, HMSO, London, p.107, Table 6.7.

the unemployment figure was 3 million or 13 per cent of the workforce.[132] This rise in unemployment helped to increase the proportion of employees in an occupational pension scheme to 52 per cent in 1983 - as high as it had been in 1967 although there were 1.1 million less employees in occupational pension schemes in 1983 compared with 1967.

The increase in the proportion of employees in occupational pension schemes is therefore either accounted for by an expansion in the membership of occupational pension schemes amongst those left in the workforce or by the fact that more of the jobs lost since 1979 were those without occupational pension rights and so this fact alone increased the proportion of employees in a scheme. The second explanation seems to be more feasible because unemployment tends to affect those in lower status, less skilled occupations and these occupations tend to be those least likely to provide access to an occupational pension scheme. So essentially the period 1979 to 1985 saw no growth in occupational pension membership.

The Social Security Pensions Act of 1975 did set high standards for occupational pension schemes to meet in order to be allowed to contract out of the SERPS but it also offered valuable concessions to the schemes which met these conditions and so it is more likely that the lack of growth of occupational pension schemes was due to rising unemployment. Many employers would have already included their most valued employees in a scheme by the 1960's and by the 1980's, increasing unemployment reduced the need for employers to extend occupational pension coverage any further because there was no shortage of labour.

The Conservative government's enthusiasm for private personal pensions is likely to have been partly due to the fact that the potential for new growth of occupational pension coverage was limited because of rising unemployment. Employers no longer needed to provide a scheme to attract scarce labour. Therefore whilst the government's intended cut in the value of the state pension might not induce employers to extend occupational pension coverage, it might encourage employees without occupational pension cover to take out a personal pension and take advantage of the government's new policy to encourage these personal pensions.

The Government Actuary survey report for 1983 did not refer to social class differences in coverage but the General Household Survey for 1983 did cover this issue and its results are shown in Table 5.5. This shows that in 1983, 71 per cent of full-time non-manual employees were members of an occupational pension scheme compared with 54 per cent of manual employees. The data shows that between 1979 and 1983, the percentage of non-manual workers in these schemes had declined slightly, from 73 per cent to 71 per cent but, coverage for manual workers remained constant in this period so that the inequality between the coverage of manual and non-manual employees was marginally reduced.

The only categories where there had been an increase in coverage between 1979 and 1983, were the non-manual category of employers and managers where there was a slight rise in coverage from 71 to 72 per cent and the manual category of skilled and own account non-professional in which there was an increase from 56 per cent to 59 per cent. There was a decline in coverage not only amongst junior and intermediate

Table 5.5

The proportion of full-time employees who were members of their current employer's pension scheme by sex and socio-economic group, in the General Household Survey, in 1975, 1979 and 1983, Great Britain

in percentages

Year	All*	Non-manual Employees					Manual Employees			
		Total*	Professional	Employers and Managers	Intermediate	Junior	Total*	Skilled and own account non-professional	Semi-skilled and personal service	Unskilled
1975										
Total	59*	69*	81*	72*	81*	58*	50*	54*	45*	41*
Male	63	78*	82	75	87	73	54*	56	52	41
Female	47	56*	(27)	57	76	48	30*	24	30	(29)
1979										
Total	65*	73*	81*	71*	87*	66*	54*	56*	51*	51*
Male	68	77*	82	73	88	73	57*	58	57	51
Female	55	67*	(29)	56	86	60	37*	28	38	(23)
1983**										
Total	61*	71*	83*	72*	84*	59*	54*	59*	49*	48*
Male	66	79*	84	74	89	72	58*	60	55	51
Female	55	62*	(18)	59	79	52	36*	35	37	(13)

( ) indicates actual number not percentage because base is smaller than 50.

* These figures do not appear in Table 7.42 of the General Household Survey 1983 but have been calculated from the base figures that appear in that table.

** Data for 1983 includes a few people who were not sure if they were in a scheme but thought it possible.

Source: Office of Population Census and Surveys (1985) "General Household Survey 1983", Social Survey Division, HMSO, London, p.129, Table 7.42.

non-manual workers but also amongst semi and unskilled manual workers.

All of these changes were slight and the main trend was that the inequalities in occupational pension coverage recorded in 1979 had not been narrowed by 1983. Non-manual workers were still more likely to be in occupational pension schemes than manual workers. The table also shows that 62 per cent of female non-manual workers were covered by occupational pension schemes compared with 58 per cent of male manual workers. So as far as full-time employees were concerned, non-manual female workers had more of a chance of being in a scheme than manual male workers.

Table 5.6 shows the number of employees in public as compared to private sector employment who were in occupational pension schemes. It shows that the decrease in the number of occupational pension scheme members between 1979 and 1983, was caused by a fall in both the number of public sector and private sector employees in these schemes with slightly more of this decrease due to a decline in the number of private sector employees in these schemes. However, whilst the total number in private and public sector occupational pension schemes had declined between 1979 and 1983, the percentage of employees in occupational pension schemes in both sectors increased. In the public sector, the increase was from 74 per cent in 1979 to 77 per cent in 1983 so that it reached the highest percentage so far and in the private sector, the increase was from 38 per cent in 1979 to 40 per cent in 1983, which was still well below the peak of 48 per cent in 1967. Therefore inequality in coverage between private and public sector employees had not narrowed by 1983.

Table 5.6

The number of public and private sector employees in occupational pension schemes in relation to the total number of public and private sector employees in the labour force, 1936 to 1983

note: occupational pension data relates to the UK and includes part-time employees and employees in the armed forces except for 1936 and 1953/4 which relate to GB and it is not clear whether part-time employees and/or armed forces are included or not - employment data corresponds with these differences in all cases except 1953/4 and 1956 where it relates to the total employed and not just employees and so is an over-estimate and the employment data for these two years relates to GB which is accurate for 1953/4 but not for 1956 - all figures exclude the unemployed.

in millions

Year	Public Sector Employees				Private Sector Employees			
	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector
1936	1.0	-	-		1.6	-	-	
1936-1953/4				58				42
1953/4	3.1	6.3*	49*		3.1	16.3*	19*	
1953/4-1956				33				66
1956	3.7	6.0*	62*		4.3	17.9*	24*	
1956-1963				7				93
1963	3.9	5.9	66		7.2	17.2	42	
1963-1967				18				82
1967	4.1	6.4	64		8.1	16.8	48	
1967-1971				no change				-100
1971	4.1	6.6	62		7.0	15.9	45	
1971-1975				100				decrease
1975	5.4	7.3	74		6.0	15.8	38	
1975-1979				50				50
1979	5.5	7.4	74		6.1	16.1	38	
1979-1983				-40				-60
1983	5.3	6.9	77		5.8	14.4	40	

For Sources see over page

Table 5.6

Sources: detailed references for 1936-1963 : Table 2.9, 1967-1971 : Table 3.10 and 1975-1979 : Table 4.8.

re 1936: Ministry of Labour (1938), Government Actuary (1977)

re 1953/4: Government Actuary (1977), Central Statistical Office (1960)

re 1956: Government Actuary (1958), Government Actuary (1966), Government Actuary (1977), Central Statistical Office (1960).

re 1963: Government Actuary (1966), Central Statistical Office (1979).

re 1967: Government Actuary (1968), Central Statistical Office (1979).

re 1971: Government Actuary (1972), Central Statistical Office (1979).

re 1975: Government Actuary (1981), Central Statistical Office (1979).

re 1979: Government Actuary (1981), Central Statistical Office (1984).

re 1983: Government Actuary (1986) "Occupational Pension Schemes 1983: Seventh survey by the Government Actuary", HMSO, London, p.7, Table 2, Table 2.2.

Central Statistical Office (1985) "Employment in the public and private sectors 1979-1985", Economic Trends, December, HMSO, London, p.95, Table 2.

The decline in membership of occupational pension schemes between 1979 and 1983, was entirely due to a decline in the number of male employees in these schemes as Table 5.7 shows. The number of female employees in occupational pension schemes did not change in this period.

The table also shows that the decline in the number of male employees in occupational pension schemes between 1979 and 1983, was accompanied by a decline of 1.5 million in the total number of male employees in labour market and whilst the number of female employees also declined, it did so less dramatically by just 0.5 million. These changes meant that between 1979 and 1983, there was a slight increase in the proportion of male employees with membership of an occupational pension scheme, from 61 per cent in 1979 to 64 per cent in 1983. Whilst the number of females in occupational pension schemes remained constant throughout 1979 to 1983, the proportion covered rose from 34 per cent in 1979 to 36 per cent in 1983. This meant that for women, 1983 marked a peak in coverage, whilst for men, 1983 coverage was slightly lower than its peak of 66 per cent in 1967. Inequality between the sexes in access to occupational pension schemes had therefore narrowed slightly since 1979 but was still quite evident.

Table 5.7

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1983

note: all occupational pension data refers to the UK and includes part-time and armed forces employees except for 1936 and 1953/4 which refers to GB and it is not clear whether part-time and armed forces employees are included or not. Employment data has been used which corresponds with these differences with the exception of 1936 which relates to the total employed - not just employees. All figures exclude the unemployed.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	14.8 (1931)	14		0.5	6.3(1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7 (1953)	36		1.3	7.2(1953)	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	
1963-1967				46				55
1967	9.9	15.1	66		2.3	9.1	25	
1967-1971				decrease 1.2m				increase 0.1m
1971	8.7	14.1	62		2.4	8.4	29	
1971-1975				decrease 0.1m				100
1975	8.6	13.9	62		2.8	9.2	30	
1975-1979				decrease 0.1m				100
1979	8.3	13.7	61		3.3	9.6	34	
1979-1983				decrease 0.7m				no change
1983	7.8	12.2	64		3.3	9.1	36	

For Sources see over page ....

Table 5.7

Sources: detailed references re 1936-1971 : Table 2.10; 1967-1971 : Table 3.11; 1975-1979 : 4.9.

re 1936: Ministry of Labour (1938), Government Actuary (1977), M. Webb (1982).

re 1953/4: Government Actuary (1977), Central Statistical Office (1956).

re 1956: Government Actuary (1958), Government Actuary (1966), Central Statistical Office (1963).

re 1963: Government Actuary (1966), Central Statistical Office (1968).

re 1967: Government Actuary (1968), Central Statistical Office (1968).

re 1971: Government Actuary (1972), Central Statistical Office (1982).

re 1975: Government Actuary (1981), Central Statistical Office (1982).

re 1979: Government Actuary (1981), Central Statistical Office (1982).

re 1983: Government Actuary (1986) "Occupational Pension Schemes 1983: Seventh Survey by the Government Actuary", HMSO, London, p.7, Table 2.2.

Central Statistical Office (1986) "Annual Abstract of Statistics 1986", no.122, HMSO, London, p.107, Table 6.1.

The General Household Survey for 1983 is useful because it differentiates between full-time and part-time employees and access to occupational pension schemes. Table 5.8 shows that whilst 66 per cent of male employees in full-time work were members of occupational pension schemes, only 55 per cent of female employees had access to a scheme. Similarly, more male part-time employees were covered by occupational pension schemes - 22 per cent as compared with 13 per cent of females in part-time work. Therefore, the fact that women are less likely to be in occupational pension schemes cannot merely be explained by the fact that women are more likely to be in part-time work than men. Women are less likely to have occupational pension scheme membership whether they are in part-time or full-time work, though the degree of discrimination is higher in the case of part-time employment.

Table 5.8

Membership of a current employer's pension scheme by sex and whether working full-time or part-time, 1983, Great Britain

	Present employer has pension scheme			Present employer has no pension scheme	
	member*	not member	don't know	not member	don't know
Full-time workers:					
Males	66	10	1	22	2
Females	55	17	Ø	24	4
Part-time workers:					
Males	22	23	nil	47	8
Females	13	39	Ø	40	7

* Includes a few who thought they were members but were not sure.
Ø Less than 0.5%.

Source: OPCS (1985) "General Household Survey 1983", HMSO, London, p.129, Table 7.43.

Table 5.5 showed that type of occupation was an important factor in determining access to an occupational pension for both men and women. It showed that whilst 79 per cent of women in non-manual intermediate work were in an occupational pension scheme, only 37 per cent in semi-skilled and personal service work had access to a scheme. Whilst there is inequality between women according to their occupation, within each occupational group men are more likely to be in an occupational pension than women. Therefore 87 per cent of men in intermediate non-manual work were in an occupational pension scheme in 1983 compared with 79 per cent of women. In semi-skilled and personal service work, 55 per cent of men were in an occupational pension scheme compared with 37 per cent of women. The degree of discrimination against women increases at the lower end of the socio-economic ladder.

Table 5.9 shows the reasons given by employers for excluding some employees from the occupational pension schemes which they provide. The table shows that 31 per cent of men with no occupational pension compared to 46 per cent of women, were working for an employer who did run a scheme for some of his or her employees. The most common reason for male employees to be excluded from the scheme was that they had not worked for the firm for long enough. This accounted for 7 per cent of non-membership. For women, the main reason they were excluded was that their employment did not make them eligible for membership.(133) Even if part-time male and female employees alone are considered, male employees are less likely to be excluded on the grounds that their job made them ineligible. This indicates that either women tend to be in work with less chance of occupational pension scheme membership, or employers are less likely to offer women the chance to join the scheme.

Table 5.9

*Reasons for non-membership of an employer's occupational pension scheme G.B., 1983.

percentage

	No scheme run by employer	Scheme run by employer but excluded because:						
		Total	Too Young	Too new to firm	Too old	Job not eligible	Not interested	Other
Males								
full-time	69	31	4	8	1	5	6	7
part-time	67	33	nil	2	5	17	5	5
Total	69	31	4	7	1	6	6	7
Females								
full-time	58	42	9	8	1	7	9	8
part-time	51	49	Ø	2	1	35	5	5
Total	54	46	4	4	1	23	6	7

Ø Less than 0.5%.

* Includes some whose hours of work were not known.

Source: OPCS (1985) "General Household Survey 1983", p.133, Table 7.50, HMSO, London.

As regards contracting out of the state earnings related pension scheme that was introduced in 1978, there seems to have been no further contracting out between 1979 and 1983. Table 5.10 shows that in 1983, 88 per cent of occupational pension scheme members had contracted out of SERPS. This was just slightly below the figure of 89 per cent that had contracted out in 1979. As in 1979, the proportion of public sector scheme members contracted out was significantly higher than the proportion of private sector members who had done so. Therefore, whilst all public sector scheme members had contracted out, only 78 per cent of those members in the private sector had done so which meant that one in five of employees with occupational pension schemes who worked in the private sector, were still full members of the state pensions scheme. This would be because their pension schemes were not of a sufficient quality to permit contracting out under the Social Security Pensions Act 1975.

Table 5.10

The number of occupational pension scheme members contracted out of SERPS, by sector of employment, 1979 and 1983, U.K.

	Contracted out	Contracted in	Total in occupational pensions
Private sector			
1979	4.80 (79%)	1.28 (21%)	6.08 (100%)
1983	4.50 (78%)	1.30 (22%)	5.80 (100%)
Public sector			
1979	5.50 (99.6%)	0.02 (0.4%)	5.52 (100%)
1983	5.31 (100%)	-	5.30 (100%)
Total			
1979	10.30 (89%)	1.30 (11%)	11.60*(100%)
1983	9.80 (88%)	1.30 (12%)	11.1 (100%)

* Excludes 0.2 million frozen schemes which were of course contracted in.
Sources: see over

Sources: Government Actuary (1981) "Occupational Pension Schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.5, Table 2.2.

Government Actuary (1986) "Occupational Pension Schemes 1983: seventh survey by the Government Actuary", HMSO, London, p.26, Table 5.1.

Table 5.11 shows that between 1979 and 1983 the proportion of pensioners with an occupational pension continued to rise from 31 per cent to 39 per cent. This was due to the expansion of occupational pension scheme membership which had been particularly large in the 1950's and 1960's.

The average weekly occupational pension which former employees were receiving in 1983 was £22 for those who had been in private sector work and £38 for those who had worked in the public sector. The average pension was £31 per week.(134) This was just below the level of the state retirement pension which was £32.85 in 1983 which was also received by these pensioners.

As far as the assets of the occupational pension funds were concerned, the Government Actuary report states that at the end of 1983, their value was £118 billion with a net acquisition of £12.4 billion in 1983.(135) So the value of occupational pension funds as a source of finance capital continued to rise.

Table 5.11

The number of occupational pensions in payment compared with the number of elderly people in the population, 1936 to 1983

note: occupational pension data for 1936 and 1953/4 refers to Great Britain and the data on the number of elderly people has been chosen to match this - all the data refers to the United Kingdom.

in millions

Year	Total number of occupational pensions in payment**	Total number of elderly people	Percentage of elderly people with an occupational pension
1936	0.2	4.3	5
1953/4	0.9	6.7	13
1956	1.1	7.5	15
1963	1.5	7.9	19
1967	1.9	8.5	23
1971	2.4	9.1	26
1975	2.8	9.4	30
1979	3.0	9.7	31
1983	4.0	10.2	39

** Very few pensioners receive more than one occupational pension.

Sources: Government Actuary (1981) "Occupational Pension Schemes 1979: sixth survey by the Government Actuary", HMSO, London, p.12, Table 3.1.
re 1983: Government Actuary (1986)"Occupational Pension Schemes 1983: seventh survey by the Government Actuary", HMSO, London, p.13, Table 3.1.

data on the number of elderly people in th GB/UK: (detailed references re 1936-1963 : Table 2.11, 1967-1971 : Table 3.15, 1975-1979 : Table 4.12).

re 1936: Central Statistical Office (1963).
re 1953/4: ibid.
re 1956: ibid.
re 1963: Central Statistical Office (1968).
re 1967: ibid.
re 1971: Central Statistical Office (1973).
re 1975: Central Statistical Office (1981).
re 1979: ibid.
re 1983: Central Statistical Office (1986) Annual Abstract of Statistics 1986", no.122, HMSO, London, p.11, Table 2.4.

SECTION FOUR: AN EVALUATION OF RETIREMENT PENSION PROVISION BETWEEN 1979 AND 1985

The Conservative government of 1979 to 1986 not only initiated a gradual decline in the value of the state flat rate retirement pension by de-indexing it from any increase in wages but also introduced cuts to the supplementary benefit on which many elderly people were still dependant. The effects of the Social Security Act of 1986 will not only cut the value of this supplementary benefit still further but will also affect the future generation of pensioners by reducing the value of the state earnings related scheme introduced in 1978. Therefore the few elements of redistribution which the SERPS system would have provided will be undermined and the inequalities of the occupational and personal pensions systems will have an even greater role in pension provision. Whilst occupational pension coverage by 1983 remained fairly static the government aimed to increase the size of the private pension market with personal pension provision.

This undermining of state pension provision clearly suited private capital in the form of the occupational pension funds, insurance companies and employers to a large degree because it increased the market for private pensions provision. The financial benefits of this change were clearly noted by Labour Research. It marked a:

> "... profitable expansion of business for insurance firms and others ... a huge transfer of income away from pensioners and into the profits of financial institutions and others."(136)

The fact that the Conservative government pursued policies which suited business interests is not surprising given the close relationship between the two. In the general election year of 1983, finance capital donated £660,800 to the Conservative party.(137)

It is also clear from the discussion in this chapter that both the occupational pensions industry and employers were able to successfully put pressure on the government to withdraw its plan to abolish SERPS, so that it was modified but retained. Private capital had exerted similar pressure on the Conservative government in 1971 arguing that the government should provide some kind of state earnings related pension because the occupational pensions industry and employers did not want the burden of providing earnings related pensions for <u>all</u> employees. Therefore as Erskine notes, the government agreed to accept private capital's demand:

> "The government has listened to the pensions industry: Pension companies are to receive the most profitable pensions and the state is to be left with a residual scheme for the rest."(138)

However, whilst the reform did benefit private capital and the government did agree to retain SERPS, the reform did not fit <u>all</u> of the demands of the occupational pensions industry or of employers. These sections of private capital were still opposed to the government's policy of encouraging personal pensions by allowing employees to opt out of their occupational pension schemes into personal pension schemes. Likewise, they were opposed to the government's decision to allow new members of personal and occupational pension schemes an additional temporary rebate on their national insurance contributions. These aspects of the reform undermined existing occupational pension schemes. So the fact that the government pressed ahead with these proposals indicates that the government had some power to determine the nature of pension reform independent of the power of private capital. The reform was not simply the result of pressure by private capital to secure the policy most suited to its needs - it was also the result of the power of the government to influence this policy.

A related point is that the ideology of the government clearly had an impact on pensions policy in the sense that whilst the Labour government's introduction of SERPS in 1978 was clearly a moderate policy it was not moderate enough to satisfy the demands of the new style of Conservatism which dominated the Conservative government of 1979 onwards. If it had been moderate enough then the Conservative government would not have sought to change it. Similarly, whilst private capital clearly gained from SERPS introduced in 1978 and as discussed in the previous chapter was able to influence the reform, it had not been able to force that Labour government to introduce a policy which fitted all its needs. The Conservative government's reform of 1986 suited its interests to a greater degree albeit not totally.

As far as the trade union movement was concerned, it had no influence on the 1986 pensions legislation at all. It had demanded that the government retain SERPS and if possible it desired improvements to the scheme rather than the cuts which were imposed. The power of the trade union benefit and put onto rent and rate rebates which paid a maximum of only 60 per cent of their housing costs instead of the 100 per cent payment they had been receiving under the old system. To help bridge the gap a new benefit called housing benefit supplement was introduced but no more than 44 per cent of those eligible claimed it.(14) Unless a claimant first applied for supplementary benefit, it was unlikely that their eligibility for housing benefit supplement would be identified. The reform of housing benefits therefore complicated the claiming procedure for many pensioners and undoubtedly led to a loss of benefit for those not claiming the housing benefit supplement that they were entitled to claim.

The third change in the supplementary benefit system which affected pensioners, was the decision to cut the value of the weekly heating addition in 1984 which was received by 87 per cent of pensioners.(15) The government did extend eligibility for this weekly addition which cost £9 million a year but it cut the value of the heating addition by £1 per week and so saved £74 million a year.(16) This cut was made on the grounds that those claimants on the long term rate, which included pensioners, were already receiving extra help towards their heating in this long term rate.

Mack and Lansley have estimated that in the period of Conservative government from 1979 to 1983, social security benefits as a whole were cut by £1,600 million.(17) Existing pensioners incomes were not only affected by the de-indexing of the state retirement pension from wage rises, but by cuts in the value of supplementary benefit, on which many elderly people were dependent.

that more of the public were full members of the SERPS scheme then perhaps there would have been more public protest at the cuts introduced to the scheme.

In conclusion, it seems that private capital had the most influence on the pensions reform that was introduced by this Conservative government but the reform was also influenced by the attitudes of the government itself, and those of the public. The trade union movement and poverty lobby had little if any influence on the reform.

Notes and References

(1) The Times (1979) "The Times Guide to the House of Commons May 1979", Times Books Ltd., London, p.293.

(2) ibid., p.292.

(3) Government Actuary (1982) "National Insurance Fund: long term financial estimates", (Quinquiennial review), House of Commons paper 451, July, HMSO, London.

(4) C. Trinder (1983) "The pensions see saw", New Society 2 June 1983, p.342.

(5) The Guardian (1986) "Inflation keeps pension rise to under £1", 22nd February 1986, (D. Hencke).

(6) The Guardian (1985) "Pensioners 'will get no rise'" 31 July 1985, (A. Travis).

(7) Department of Health and Social Security (1986) "Social Security Statistics 1985", HMSO, London, p.181, Table 34.30.

(8) P. Lee (1983) "Banishing dark divisive clouds: welfare and the Conservative government 1979-1983" Critical Social Policy, no.8, Autumn, p.7.

This article mentions that 1000 more staff were drafted into fraud work in the Department of Health and Social Security by the Conservative government.

(9) HMSO (1976) "Supplementary Benefit Commission Annual Report 1975", Cmnd. 6615, September 1976, London, p.11-14.

(10) Department of Health and Social Security (1978) "Social Assistance: a review of the Supplementary Benefits scheme in Great Britain", July, HMSO, London.

(11) HMSO (1979) "The Reform of the Supplementary Benefits Scheme", Cmnd. 7773, HMSO, London.

(12) T. Lynes (1984) review article on C. Walker's book, "Changing Social Policy: The Case of the Supplementary Benefits Review", Journal of Social Policy, April 1984, Vol.13, part 2, p.228.

(13) this followed the Department of the Environment's consultative document "Assistance with Housing Costs", 1981.

(14) The Guardian (1984) "Housing benefit bill increase by £389 million", November 29th, 1984.

(15) Department of Health and Social Security (1986) op. cit., p.190, Table 34.45.

This table showed that in 1983, 1,441,000 heating additions were paid to elderly people - very few are entitled to more than one of these additions.

The percentage has been calculated by comparing it to the total number of pensioners on SB in 1983 - 1,650,000 see Table 5.2.

(16) Age Concern (1984) Information Bulletin, September 1984, Age Concern, Mitcham, p.1.

(17) J. Mack and S. Lansley (1985) "Poor Britain", George Allen and Unwin, London, p.6.

(18) The Times (1984) "The Times Guide to the House of Commons" revised edition 1984, Times Books Ltd., London, p.317.

The Labour party's manifesto was called "New Hope for Britain" and stated:

"Forty years have elapsed since the Beveridge report which led to the setting up of the national insurance scheme by the post war Labour government. We shall conduct a thorough review of the scheme in the light of today's circumstances".

(19) The Times (1984) ibid., p.295.

(20) The Guardian (1985) "State pension cut planned for 10 million", February 15th, 1985.

(21) Adam Smith Institute (1982) "Privatising Pensions: a report to the Secretary of State for Health and Social Security", Adam Smith Institute, London, p.19.

(22) A. Seldon (1981) "Wither the Welfare State", occasional paper no.60, Instutute of Economic Affairs, London, p.35.

(23) E.V. Morgan (1984) "Choice in Pensions: the political economy of saving for retirement", April 1984, Institute of Economic Affairs, Hobart paper no.100, London.

(24) D. Whitfield (1983) "Making it public: Evidence and action against privatisation", Pluto Press, London, p.46.

(25) Independent Pensions Research Group (1986) "Stealing our Future", Independent Pensions Research Group, London, p.5.

(26) Department of Health and Social Security (1984) "Personal Pensions: A Consultative Document", Department of Health and Social Security, London, July 1984.

(27) ibid., p.9, para.3.2.

(28) ibid., pp.14-15, para.3.18.

(29) Association of British Insurers (1984) "Memorandum on personal pensions submitted to the enquiry into provision for retirement", Association of British Insurers, London, para.6.

(30) The Guardian (1984) "Warning on pensions paperwork", July 18th, 1984.

Legal and General had some reservations about the idea of a clearing house to help administer the schemes and felt that the national insurance contribution rebate should be paid direct to the firm managing the personal pension.

(31) The Prudential Corporation (1985) "Annual report and Accounts 1984", Prudential Corporation, London, p.12.

This states that the Prudential launched a press campaign in the autumn of 1984 and a booklet "Let's get it right" was issued.

(32) The Guardian (1985) "Pack up your future in your old brief case", 19th October 1985, October 19th 1985.

(33) ibid.

(34) Confederation of British Industry (1984) "Summary of evidence to the Government's special enquiry into Pension Provision", CBI, London, para.12, p.2.

(35) The Guardian (1984) "Pensions Action worries Tories" 10th December 1984.

(36) The Times (1984) "Warning of pit falls in pension plan" The Times, 14th December 1984.

(37) Age Concern (1985) "Pensioners and the Reform of Social Security", second edition October, Age Concern, Mitcham, p.52.

(38) Social Surveys (Gallop Poll Ltd. 1984) "The Demand for Portable Pensions: Report of research carried out for the Inquiry into Provision for Retirement", mentioned in DHSS (1984) op. cit.

(39) Department of Health and Social Security (1984) op. cit., para.2.1, p.6.

(40) The Observer (1984) "Only 3% favour DIY pensions", The Observer, (C.Moir), 24th June 1984.

(41) Institute of Actuaries (1984) "Response to the Consultative Document on Personal Pensions", October 1984, Institute of Actuaries, London, p.3.

(42) Those who suggested cuts to SERPS included:-

Confederation of British Industry (1984) op. cit., p.1 and p.5.

Life Offices Association and Associated Scottish Life Offices (1984) "Summary of Memorandum submitted to the Inquiry into provision for retirement on aspects other than personal portable pensions", Life Offices/Associated Scottish Life Offices, London, p.1, para.4.

The TUC proposed improvements to SERPS:

Trades Union Congress (1984) "Evidence to the Inquiry into Provision for Retirement", TUC, London, para.3.21.

(43) The Guardian (1985) "Fowler ignored expert advice to keep SERPS", 13th June 1985.

Stewart Lyon, one of the members of the enquiry team made it clear that the idea of abolition of SERPS was not seriously considered by the enquiry team because Normal Fowler had ruled it out as an option.

(44) The Guardian (1985) "The concealed benefits of Mr. Norman Fowler", 17th January 1985,-

This stated that the government held a closed conference to discuss the social security reviews in January 1985.

The Guardian (1985) "State Pension cut planned for 10 million", February 15th 1985, -

This information was leaked to the press.

(45) The Guardian (1985) "Thatcher supports pensions cutback", April 19th 1985.

(46) The Sunday Times (1985) "The cost of tax relief scheme soars", January 27th 1985.

This refers to the white paper on public expenditure 1985.

(47) ibid.,
and The Sunday Times (1984) "Tax axe lets the big boys back in", March 18th 1984 - this stated that following the cut in life assurance business with the abolition of tax relief on new life assurance policies, many insurance companies were promoting more pensions business and so withdrawal of tax relief on pension schemes as well would be a particular blow to them.

(48) The Times (1985) "Pension funds tax could kill company schemes", February 12th 1985.

The Life Offices Association and the Scottish Life Offices had commissioned a Gallop Poll on this issue.

(49) The Guardian (1985) "Fowler close to winning social security battle", April 28th 1985.

(50) HMSO (1985a) "Reform of Social Security", Volume 1, Cmnd. 9517, June, HMSO, London.

HMSO (1985b) "Reform of Social Security: Programme for Change", Volume 2, Cmnd. 9518, June, HMSO, London.

HMSO (1985c) "Reform of Social Security: Background Papers", Cmnd. 9519, June, HMSO, London.

(51) The Guardian (1985) "Fowler vetoed benefit figures at last minute", June 14th 1985.

This stated that figures in the green paper were removed at the printers just before publication.

The Guardian (1985) "Thatcher silent on benefits review costing", June 5th 1985.

(51) continued ...
<u>The Guardian</u> (1985) "Thatcher retreats on Fowler figures", June 14th 1985.

<u>The Guardian</u> (1985) "Seven million face rates aid cut", June 6th 1985.

(52) HMSO (1985b) op. cit., p.4, para.1.30.

(53) ibid., p.4, para.1.33.

(54) ibid., p.5, para.1.38.

(55) ibid., p.5, para.1.39.

(56) ibid., p.5, para.1.41.

(57) ibid., p.6, para.1.45.

(58) ibid., p.4, para.1.36

(59) ibid., p.6, para.1.45.

(60) ibid., p.7, para.1.49.

(61) ibid., p.6, para.1.45.

(62) HMSO (1985a) op. cit., p.26, para.7.22.

(63) R. Lister (1985) "Why the giant of want will continue to stalk the land", The Guardian, 12th July, 1985.

Investor's Chronicle (1985) "This Week", <u>Investor's Chronicle</u>, 7th June, Vol.72, no.916.

(64) <u>The Guardian</u> (1985) "Punitive costs dull promise of Firm's pensions", 22nd August 1985.
This referred to a report by Leith Hopkinson of the Economist Intelligence Unit, "The Personal Pensions Revolution", special report no.210, 1985.

The Economist (1985) "Paying for Britain's Poor", <u>The Economist</u>, 21st December - 3rd January, p.15.

(65) National Association of Pension Funds (1985) "Comments by the National Association of Pension Funds on the Green Paper proposals: "Reform of Social Security", September 1985, NAPF, London, p.3, para.5a.

(66) Association of British Insurers (1985) "Response to the Green Paper, "Refomr of Social Security", September 1985, Association of British Insurers, London, para.4.

(67) Institute of Directors (1985) "Reform of Social Security: response to the Green Paper", Institute of Directors, London, p.4, para.15.

(68) The Guardian (1985) "Kinnock hits the spot on pension reform", May 1st 1985.

(69) Confederation of British Industry (1985) "CBI response to the Green Paper on the Reform of Social Security", CBI, London, p.3, para.9.

(70) Association of British Insurers (1985) op. cit.

National Association of Pension Funds (1985) op. cit.

(71) Association of British Insurers (1985) ibid., p.1, para.2.

(72) ibid., p.1, para.3.

National Association of Pension Funds (1985) p.2, para.2f.

(73) Association of British Insurers (1985) op. cit., para.23.

National Association of Pension Funds (1985) p.1, para.2a.

(74) Association of British Insurers (1985) op. cit., para.6-8.

National Association of Pension Funds (1985) op.cit., p.2, para.2c.

(75) Letter from the Institute of Actuaries to the Secretary of State for Health and Social Services, dated 12th September 1985, p.1, Institute of Actuaries, London.

(76) Trades Union Congress (1984) op. cit., para.3.21.

Trades Union Congress (1985b) "TUC Memorandum of Comments: Government review of Social Security", TUC, London, p.14, para.36, p.16, para.44-45.

(77) ibid.

(78) Trades Union Congress (1985b) op. cit., p.16, para.44-45.

(79) ibid., p.14, para.36.

(80) Trades Union Congress (1985a) "Pensions Briefing: The Government's pension proposals", no.1, August 1985, TUC, London, p.6, para.11.

(81) Trades Union Congress (1985b) op. cit., p.4, para.10.

(82) Trades Union Congress (1985b) op. cit., p.1.

(83) Age Concern (1985) op. cit., pp.4-5.

National Federation of Retirement Pensioners Associations (1985) Response to the reform proposals, 28th August, 1985, NFRPA Blackburn, p.2.

British Trade Union Action Association (1986) response of the General Secretary, Grey Power, January 25th 1986.

(84) National Federation of Retirement Pensioners Associations (1985) op. cit.

(85) The Labour Party (1985a) "Fowler Review Special", Campaign Briefing, Labour Party, London, p.5.

The Labour Party (1985b) "Statement by the NEC to Annual Conference 1985: The Tory attack on Pensions and Benefits" Labour Party, London, p.5.

(86) The Labour Party (1985b) op. cit., p.5, para.18.

(87) Liberal Party (1985) "A Liberal response to the Green Paper", August 1985, Liberal Party, London, p.2.

(88) Social Democratic Party (1985) "Pensions - An SDP point of view", press release of a speech by David Owen at the National Association of Pension Funds annual conference May 16th 1985, Social Democratic Party, London, pp.5-6.

(89) The Guardian (1985) "Concern on all sides at welfare review" May 27th 1985.

(90) The Guardian (1985) "Fowler backs down on abolishing SERPS", 9th October, 1985.

(91) HMSO (1985d) "Reform of Social Security: Programme for Action", Cmnd. 9691, December 1985, HMSO, London, p.12, para.2.14.

(92) ibid., p.4, para.1.17.

(93) ibid., p.13, para.2.15 and p.14, para.2.19.

(94) ibid., p.13, para.2.15.

(95) ibid., p.13, para.2.15.

(96) ibid., p.13, para.2.15.

(97) ibid., p.18, para.2.52.

(98) ibid., p.15, para.2.31.

(99) ibid., p.18, para.2.48.

(100) ibid., p.17, para.2.44.

(101) ibid., p.15, para.2.28.

October 1985, Fowler announced that the government had decided not to abolish SERPS after all.(90)

The White Paper on the Reform of Social Security 1985

The white paper containing the revised proposals was published in December 1985. It stated that the government still felt that abolition of SERPS would have been the best policy but agreed to modify the scheme instead because of the opposition to abolition:

> "The Government believe that the approach put forward in the Green Paper would have achieved the objectives of reform, by which we stand... However, the Government recognise the substantial body of opinion which favours modifying SERPS rather than abolishing it."(91)

The modifications which the government proposed for the SERPS scheme were substantial cuts in the benefits it provided so that by the year 2033, the cost of the scheme would be halved from £25.5 billion to just £13 billion.(92) These cuts would be achieved by cutting the value of SERPS from 25 per cent to 20 per cent of average earnings,(93) by basing the pension on average earnings over the whole working life of an individual rather than his or her best twenty years of earnings,(94) by cutting widows and widowers benefits so that they received half of the pension rights of their spouse rather than the whole amount,(95) and by getting occupational pension schemes to meet 3 per cent of the cost of inflation proofing for the minimum pension they must provide.(96)

The government retained its proposal to encourage the development of private pensions by allowing those without occupational pensions to join personal schemes and also by

(113) Confederation of British Industry (1985b) "CBI statement on social security White Paper", CBI, London.

(114) Confederation of British Industry (1985c) "The CBI welcomes the Pensions Proposals published in the White Paper today", 16th December 1985, press release, CBI, London, p.1.

(115) Association of British Insurers (1985) "White Paper-Reform of Social Security: Programme for Action", 16th December 1985, press release, ABI, London.

(116) Prudential Corporation (1986) "Annual reports and accounts 1985", Prudential, London, p.8.

(117) Institute of Actuaries (1986) letter to the Secretary of State for Social Services, 14th January 1986, Institute of Actuaries, London.

(118) Institute of Actuaries (1986) op. cit.

(119) Trades Union Congress (1986) "TUC Memorandum on the White Paper and the Bill", p.10, para.37.

(120) ibid., p.8, para.9 and 31, p.9, para.32 and 35.

(121) Age Concern (1985) "Reform of Social Security: Programme for Action", December 1985, p.11, Age Concern, Mitcham, p.11.

(122) HMSO (1985d) op. cit., p.22, para.3.8.

(123) ibid., p.23, para.3.18.

(124) ibid., p.44, para.4.51.

(125) ibid., p.28, para.3.48.

(126) ibid., p.30, para.3.58.

(127) ibid., pp.29-30, para.3.56.

(128) The Guardian (1985) "Changes will make 4 million worse off", December 17th 9185, p.3, David Hencke.

(129) Government Actuary (1986) "Occupational Pension Schemes 1983: Seventh survey by the Government Actuary", HMSO, London.

(130) Office of Population Census and Surveys (1985) "General Household Survey 1983", Social Survey Division, HMSO, London.

(131) Government Actuary (1986) op. cit., p.1, para.1.1.

(132) Central Statistical Office (1986) "Annual Abstract of Statistics 1986", HMSO, London, p.114, Table 6.6 and p.107, Table 6.1.

(133) There is no explanation in the General Household Survey (OPCS 1985 op. cit.) as to why the nature of their employment made them ineligible.

(134) Government Actuary (1986) op. cit., p.14.

(135) ibid., p.21, Table 4.4.

(136) Labour Research (1986) "Pensions at the mercy of the market", Labour Research, February 1986, p.20.

(137) Labour Research (1984) "Tory funds: political donations in election year", Labour Research, August 1984.

(138) A. Erskine (1986) "Fowler's foullplan", Capital and Class, no.28, Spring, p.18.

(139) The Guardian (1986) "The pension they all approved" editorial, May 2nd 1985.

Chapter Six

CONCLUSIONS

In the introduction to this thesis, it was stated that its aim was to make a four-fold contribution to knowledge about retirement pensions in Britain and to social policy in general. Firstly, it would clarify and bring together the data available on occupational pension schemes in Britain. Secondly, it would relate the development of state retirement pensions to the development of occupational pensions and so give a more comprehensive picture of retirement pension provision for the elderly. Thirdly, it would describe the influence of governments, political parties, private capital, trade unions, the public and the poverty lobby on the decisions made about retirement pensions policy. Finally it would relate this information to the wider issue of a theory of power and the state. This conclusion summarises the main points that emerged on these four issues.

(1) Data on occupational pensions 1936 to 1983

The previous chapters have shown that the main development of occupational pensions occurred within the years 1936 to 1963, when the number of employees in an occupational pension scheme rose from 2.6 million to 11.1 million so that the percentage of employees covered rose from 12 per cent to 47 per cent. This development continued, although at a slower pace from 1963, reaching a peak in 1967 when 12.2 million employees or 52 per cent of all employees were in a scheme. Between 1967 and 1971 the number and percentage of employees in a scheme declined to 11.1 million or 49 per cent and between 1971 and 1979, growth was only marginal leaving 11.6 million or 50 per cent of employees in a scheme by 1979.

The latest figures available relate to 1983 and reveal that by then there had been a decline in the number of employees in a scheme to 11.1 million although the proportion had risen to 52 per cent because of rising unemployment. Whilst the Conservative government's pension reform due to take effect in 1988, may well lead to an increase in the number of employees with a private personal pension, it is unlikely to lead to any siginificant growth in the number of employees with an occupational pension. Whilst occupational pension coverage has grown rapidly since comprehensive data on this issue was first recorded in 1936, it has failed to cover little more than half of all employees in the labour market because in essence employers do not see any need to extend this fringe benefit to those presently excluded from it.

Within this overall trend, the data has shown clear inequalities between categories of employee, both in terms of access to a scheme and in the quality of the schemes available. The details in the preceding chapters have shown that whilst there has been some lessening of inequalities for some categories of employee, for others the inequality has remained as high as ever.

Social class inequality of access to these schemes was highest in 1956 when just 26 per cent of manual compared with

55 per cent of non-manual employees were in a scheme. By 1975 this inequality had narrowed but was still evident with 43 per cent of manual compared with 58 per cent of non-manual employees in a scheme. The most recent data on this issue related to full-time employees only and shows that 54 per cent of manual compared with 71 per cent of non-manual employees were in a scheme in 1983.

There is also clear inequality of access to schemes between public and private sector employees which was highest in 1953-1954 when only 24 per cent of private sector compared with 49 per cent of public sector employees were in a scheme. By 1983 this inequality had only slightly narrowed so that 40 per cent of private compared with 70 per cent of public sector employees were in a scheme.

Inequality of access to occupational pension schemes between male and female employees also continued to be an important feature of occupational pension membership. This inequality was highest in 1963 when just 25 per cent of female employees were in a scheme compared with 64 per cent of male employees. By 1983 this inequality had narrowed but still left 36 per cent of female compared with 64 per cent of male employees in a scheme. Moreover, this degree of inequality cannot be simply attributed to the fact that women are more likely than men to be in part-time employment because data for full-time employees shows that in 1983, 55 per cent of female employees were in a scheme compared with 66 per cent of male employees. There is also the important point that within every socio-economic group, women were, and are, less likely than men to be in an occupational pension scheme and this sex inequality is wider in manual than in non-manual occupations.

Inequality exists also in the levels of pension available to former employees from these occupational schemes. For example in 1983, the average level of occupational pension given to former public sector employees was £38 compared with £22 for former private sector employees. So whilst the percentage of pensioners with an occupational pension has risen steadily since 1936 from 5 per cent to 39 per cent, in 1983 the value of the pension available to these pensioners varied greatly. So both coverage of occupational pension schemes and levels of occupational pension were, and are, unequal.

This thesis has also shown that the factors responsible for the development of occupational pension schemes are numerous. The main factor seems to have been full employment in the 1950's and 1960's but many other factors such as the growth in non-manual employment, relatively low levels of state pension, tax concessions and wage restraint, have played a part. Different combinations of factors have been responsible for the growth, or lack of growth, of these schemes at different times within the 1936 to 1983 period but the state of the economy appears to be the most significant.

(2) The relationship between state and occupational pension provision from 1945 to 1986

It has already been mentioned that the persistently low levels of state retirement pension encouraged the development of occupational pension schemes. The level of state retirement pension in relation to average male manual workers gross earnings was just 19.1 per cent in 1948 and thirty eight years later in 1986 it had only risen marginally to 22.1 per cent.

by the government and linked into the state pension system just as occupational pensions schemes had been since the second world war. Data on the development of occupational pensions in the 1979 to 1983 period now needs to be outlined.

SECTION THREE: THE DEVELOPMENT OF OCCUPATIONAL PENSION SCHEMES BETWEEN 1979 AND 1983

Data on occupational pension schemes in this period, consists of a Government Actuary survey in 1984[(129)] and the General Household Survey for 1983.[(130)] The Government Actuary survey varies from the previous six surveys from this source because it was mainly based on a questionnaire sent to the employers of respondants in the General Household survey of 1983 and so in this sense the two sets of data are linked. However, the Government Actuary survey also includes a separate survey on Northern Ireland so that the data was applicable to the UK, in keeping with all previous Government Actuary surveys. The report states that the results are subject to a margin of error of 5 per cent and in some cases of 10 per cent.[(131)]

This structure of this section is similar to that in other chapters so that data on overall coverage of occupational pension membership is followed by a breakdown according to social class, sex and public or private sector of employment.

Table 5.4 shows that between 1979 and 1983, the total number of employees in occupational pension schemes decreased from 11.6 to 11.1 million and it also shows that the main reason for this decline was, the steep rise in unemployment. In 1979 1.2 million people were unemployed in the United Kingdom, which was equivalent to 5 per cent of the workforce but by 1983, because those with access to occupational pensions tended to be more affluent and so more able to pay for a generous state pension than those without access to an occupational pension.

In return for allowing contracting out, governments were able to demand minimum standards for occupational pension schemes and in this way had some influence on the quality of occupational pension provision. The introduction of SERPS in 1978 is a clear example of this with the government allowing contracting out to those schemes reaching certain minimum standards. By 1979, 89 per cent of those in occupational pension schemes had contracted out of SERPS and standards of occupational pension schemes had improved. So by 1978, governments had accepted that pensions should be delivered using a partnership between the state and occupational pension sectors.

The retirement pensions system in Britain has therefore clearly produced the "two nations" in old age which Titmuss talked of in the 1950's. Those dependent solely on state pension provision have to depend on a low level of pension and often need to supplement this by applying for means tested supplementary benefit in order to lift their incomes to the official poverty line. Yet those with access to good quality occupational pensions can use these to supplement this low level of state pension to give them a generous retirement income. In effect, the development of occupational pension schemes has accentuated the way in which the social security system reflects the inequalities of the labour market. It has discouraged the development of more generous, vertically redistributive state pensions by dividing interests in and responsibilities for the state pension system.

(3) The role of governments, private capital, the trade union movement, public opinion and the poverty lobby in decisions made on pensions 1945 to 1986

As far as Labour governments were concerned, it was clear that the Labour party moderated its policy throughout the period. The state retirement pension which it introduced in 1946 provided a more generous pension than had been previously available but the level of this pension was still lower than the poverty line. It had no policy at this time on occupational pension schemes and failed to nationalise the insurance industry. By 1957 it had accepted the idea of earnings related state pensions and contracting out for occupational pension scheme members, although admittedly only on strict terms. After being elected to government again in 1964 it failed to substantially increase the levels of state pension for existing pensioners and intended to replace its 1957 policy for the reform of the pensions system for the benefit of future pensioners, with the less radical Crossman scheme of 1969. By the time it had been re-elected to government in 1974, it had moderated its pension policy still further and produced SERPS which was seen as a political compromise between the previous Labour and Conservative government policies. The Labour government once more rejected calls for the nationalisation of the insurance industry and also of the banking industry and its pensions policy offered valuable concessions to the occupational pensions industry but no help for the existing elderly population who were dependent on the poverty level state pension.

The Conservative government's commitment to improve the standards of the state pension system was even lower. In the 1950's it accepted the flat rate state retirement pension introduced by the previous Labour government but reduced its value in relation to earnings. By 1961 it had introduced an earnings related supplement to this which was geared to encouraging the development of occupational pensions through generous contracting out terms. Later, in the 1960's it favoured the idea of compulsory private pensions system with a low flat rate state pension but accepted the advice of the occupational pensions industry which was opposed to this and so in 1971 produced a plan which would encourage occupational pension provision by providing a minimal reserve state earnings related pension for those without an occupational pension. The idea of compulsory private pension provision was raised again in 1985 by the next Conservative government but was once more withdrawn in the face of opposition. However, this government intends to reduce the value of SERPS by half and has already begun to reduce the value of flat rate element of the state pension package by de-indexing it from wage increases so that by the year 2021, it too will have halved in value.

It was clear that those sections of private capital with an interest in retirement pensions policy, were influential in the moderation of Labour party policy on the issue. Conservative policy was also influenced at times but tended to be in keeping with the interests of employers and finance capital anyway.

The trade union movement and to some extent the public in general seemed to support more substantial increases to the state pension level than were ever granted but their support for such a change was weakened by the fact that the development of occupational pension schemes divided interests and weakened pressure for change. Those pressure groups lobbying for improvements to the state pension therefore had little support and little influence on the policies which emerged.

(4) An evaluation of the factors influencing the development of retirement pensions policy

The approach to policy development used in this thesis claims that on issues such as retirement pensions policy which have economic implications, private capital would tend to have most influence by virtue of its strong economic power base and its relatively more limited, but still significant, political power. However, this theory also claims that governments, the trade union movement, public opinion and to some extent the poverty lobby also have some capacity to influence such a policy.

The detailed discussion of retirement pensions policy in this thesis has shown this theory to be plausible. Sections of private capital with an interest in this area of policy, for example employers, the occupational pensions industry and finance capital in general, were able to secure concessions from governments. Clear examples are the Labour government's decision in the mid 1960's to abandon the policy for national superannuation which it had drawn up in 1957 and the decision to abandon the subsequent Crossman plan of 1969 replacing it with the less radical SERPS in the 1975 legislation. Private capital was also able to deter Conservative governments from making private pension provision compulsory. Besides this overt influence on policy, a more subtle influence was the way in which the occupational pensions system, itself a product of private capital, accentuated the way in which retirement pension provision reflected the inequalities of the labour market and weakened support for a more radical state pension system.

However, whilst private capital _was_ a very important influence on policy it would be wrong to say that it _determined_ policy per se. Other influences were important, albeit less so than private capital. For example, Labour governments were able to introduce pensions policies which were more redistributive and generous than those of Conservative governments. The Labour governments of 1945 to 1951 introduced a higher level of pension than a Conservative government was likely to have done at that time. In general, Labour governments gave more generous increases to the state pension. The reform of the national assistance system into supplementary benefit in 1966 was also of some help to pensioners in that it increased the numbers eligible to claim this means tested benefit although admittedly a substantial increase in the rate of the state pension would have been more help. Whilst SERPS was a compromise between previous Labour and Conservative government policies, it cannot simply be seen as the most effective policy to suit the interests of private capital. Indeed with the election of a new Conservative government since 1979, private capital has been able to secure promises of cuts to the value of SERPS which are in its interests. So whilst private capital clearly influenced the original SERPS scheme introduced in 1978, it would have preferred an even less generous pension scheme, similar to the one the Conservative government now intends to introduce. So in effect it can be argued that the degree to which private capital dominates retirement pensions policy depends on the degree of the commitment of governments to introduce policy against private capital's interests. However, without radical non-manual workers but also amongst semi and unskilled manual workers.

All of these changes were slight and the main trend was that the inequalities in occupational pension coverage recorded in 1979 had not been narrowed by 1983. Non-manual workers were still more likely to be in occupational pension schemes than manual workers. The table also shows that 62 per cent of female non-manual workers were covered by occupational pension schemes compared with 58 per cent of male manual workers. So as far as full-time employees were concerned, non-manual female workers had more of a chance of being in a scheme than manual male workers.

Table 5.6 shows the number of employees in public as compared to private sector employment who were in occupational pension schemes. It shows that the decrease in the number of occupational pension scheme members between 1979 and 1983, was caused by a fall in both the number of public sector and private sector employees in these schemes with slightly more of this decrease due to a decline in the number of private sector employees in these schemes. However, whilst the total number in private and public sector occupational pension schemes had declined between 1979 and 1983, the percentage of employees in occupational pension schemes in both sectors increased. In the public sector, the increase was from 74 per cent in 1979 to 77 per cent in 1983 so that it reached the highest percentage so far and in the private sector, the increase was from 38 per cent in 1979 to 40 per cent in 1983, which was still well below the peak of 48 per cent in 1967. Therefore inequality in coverage between private and public sector employees had not narrowed by 1983.

Table 5.6

The number of public and private sector employees in occupational pension schemes in relation to the total number of public and private sector employees in the labour force, 1936 to 1983

note: occupational pension data relates to the UK and includes part-time employees and employees in the armed forces except for 1936 and 1953/4 which relate to GB and it is not clear whether part-time employees and/or armed forces are included or not - employment data corresponds with these differences in all cases except 1953/4 and 1956 where it relates to the total employed and not just employees and so is an over-estimate and the employment data for these two years relates to GB which is accurate for 1953/4 but not for 1956 - all figures exclude the unemployed.

in millions

Year	Public Sector Employees				Private Sector Employees			
	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector	Number in occupational pension schemes	Number in employment	Percentage in occupational pension schemes	Percentage of change between occupational pension surveys due to this sector
1936	1.0	-	-		1.6	-	-	
1936-1953/4				58				42
1953/4	3.1	6.3*	49*		3.1	16.3*	19*	
1953/4-1956				33				66
1956	3.7	6.0*	62*		4.3	17.9*	24*	
1956-1963				7				93
1963	3.9	5.9	66		7.2	17.2	42	
1963-1967				18				82
1967	4.1	6.4	64		8.1	16.8	48	
1967-1971				no change				-100
1971	4.1	6.6	62		7.0	15.9	45	
1971-1975				100				decrease
1975	5.4	7.3	74		6.0	15.8	38	
1975-1979				50				50
1979	5.5	7.4	74		6.1	16.1	38	
1979-1983				-40				-60
1983	5.3	6.9	77		5.8	14.4	40	

Sources see over page

AGE CONCERN, "Pensioners and the Reform of Social Security", (2nd edn), Age Concern, Mitcham, October 1985.

ALTHUSSER, L., "Reading Capital", New Left Books, London, 1970.

ASHFORD, D., "Policy and Politics in Britain", Basil Blackwell, Oxford, 1981.

ASSOCIATION OF BRITISH INSURERS, "Memorandum on personal portable pensions submitted to the enquiry into provision on retirement", Association of British Insurers, London, 1984.

ASSOCIATION OF BRITISH INSURERS, "Response to the Green Paper: Reform of Social Security", Association of British Insurers, London, September 1985.

ASSOCIATION OF BRITISH INSURERS, "White paper - Reform of Social Security: Programme for Action", press release, 16th December 1985, Association of British Insurers, London, 1985.

ATKINSON, A.B., "Poverty and the Reform of Social Security", Cambridge University Press, London, 1969.

ATKINSON, A.B., "Inequality and Social Security" in Bosanquet, N., and Townsend, P., (eds) "Labour and Inequality", Fabian Society, London, 1972.

ATKINSON, A.B., MAYNARD, A.K., TRINDER, C.G., "National Assistance and Low Incomes in 1950", Social Policy and Administration, Vol.15, no.1, Spring, pp.19-31, 1981.

BACHRACH, P., "The Theory of Democratic Elitism", University of London Press, London, 1969.

BAIN, A.D., "The Economics of the Financial System", Martin Robertson, Oxford, 1981.

The decline in membership of occupational pension schemes between 1979 and 1983, was entirely due to a decline in the number of male employees in these schemes as Table 5.7 shows. The number of female employees in occupational pension schemes did not change in this period.

The table also shows that the decline in the number of male employees in occupational pension schemes between 1979 and 1983, was accompanied by a decline of 1.5 million in the total number of male employees in labour market and whilst the number of female employees also declined, it did so less dramatically by just 0.5 million. These changes meant that between 1979 and 1983, there was a slight increase in the proportion of male employees with membership of an occupational pension scheme, from 61 per cent in 1979 to 64 per cent in 1983. Whilst the number of females in occupational pension schemes remained constant throughout 1979 to 1983, the proportion covered rose from 34 per cent in 1979 to 36 per cent in 1983. This meant that for women, 1983 marked a peak in coverage, whilst for men, 1983 coverage was slightly lower than its peak of 66 per cent in 1967. Inequality between the sexes in access to occupational pension schemes had therefore narrowed slightly since 1979 but was still quite evident.

Table 5.7

The number of male and female employees in occupational pension schemes in relation to the total number of male and female employees in the labour force, 1936 to 1983

note: all occupational pension data refers to the UK and includes part-time and armed forces employees except for 1936 and 1953/4 which refers to GB and it is not clear whether part-time and armed forces employees are included or not. Employment data has been used which corresponds with these differences with the exception of 1936 which relates to the total employed - not just employees. All figures exclude the unemployed.

in millions

Year	Male Employees				Female Employees			
	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to male employees	Number in occupational pension schemes	Number in employment	Percentage covered by occupational pension schemes	Percentage of change between occupational pension surveys due to female employees
1936	2.1	14.8 (1931)	14		0.5	6.3(1931)	8	
1936-1953/4				77				24
1953/4	4.9	13.7 (1953)	36		1.3	7.2(1953)	18	
1953/4-1956				83				17
1956	6.4	14.4	44		1.6	7.8	21	
1956-1963				97				3
1963	9.4	15.2	62		1.7	8.3	21	
1963-1967				46				55
1967	9.9	15.1	66		2.3	9.1	25	
1967-1971				decrease 1.2m				increase 0.1m
1971	8.7	14.1	62		2.4	8.4	29	
1971-1975				decrease 0.1m				100
1975	8.6	13.9	62		2.8	9.2	30	
1975-1979				decrease 0.1m				100
1979	8.3	13.7	61		3.3	9.6	34	
1979-1983				decrease 0.7m				no change
1983	7.8	12.2	64		3.3	9.1	36	

For Sources see over page ....

CENTRAL STATISTICAL OFFICE, "Annual Abstract of Statistics 1981", no.117, HMSO, London, 1981.

CENTRAL STATISTICAL OFFICE, "Annual Abstract of Statistics 1982", no.118, HMSO, London, 1982.

CENTRAL STATISTICAL OFFICE, "Employment in the public and private sectors 1979-1985", Economic Trends, no.386, December 1985.

CENTRAL STATISTICAL OFFICE, "Annual Abstract of Statistics 1986", no.122, HMSO, London, 1986.

CHESTER, T.E., "Private Pensions or State Benefits?", National Westminster Bank Quarterley Review, August 1972.

CLAYTON, G., "British Insurance", Elek Books, London, 1971.

COAKLEY, J., AND HARRIS, L., "The City of Capital", Basil Blackwell, Oxford, 1983.

COLE WEDDERBURN, D., WITH UTTING, J., "The Economic Circumstances of Old People", occasional paper in social administration, no.4, Codicote Press, Welwyn, 1962.

COLE WEDDERBURN, D., "Financial Provision for the Aged" in Farndale, J. (ed.) "Trends in Social Welfare", Pergamon Press, Oxford, 1965.

CONFEDERATION OF BRITISH INDUSTRY, "Summary of evidence to the Government's special inquiry into Pension Provision", Confederation of British Industry, London, 1984.

CONFEDERATION OF BRITISH INDUSTRY, "CBI response to the Green Paper on the Reform of Social Security", Confederation of British Industry, London, 1985.

The General Household Survey for 1983 is useful because it differentiates between full-time and part-time employees and access to occupational pension schemes. Table 5.8 shows that whilst 66 per cent of male employees in full-time work were members of occupational pension schemes, only 55 per cent of female employees had access to a scheme. Similarly, more male part-time employees were covered by occupational pension schemes - 22 per cent as compared with 13 per cent of females in part-time work. Therefore, the fact that women are less likely to be in occupational pension schemes cannot merely be explained by the fact that women are more likely to be in part-time work than men. Women are less likely to have occupational pension scheme membership whether they are in part-time or full-time work, though the degree of discrimination is higher in the case of part-time employment.

Table 5.8

Membership of a current employer's pension scheme by sex and whether working full-time or part-time, 1983, Great Britain

	Present employer has pension scheme			Present employer has no pension scheme	
	member*	not member	don't know	not member	don't know
Full-time workers:					
Males	66	10	1	22	2
Females	55	17	∅	24	4
Part-time workers:					
Males	22	23	nil	47	8
Females	13	39	∅	40	7

* Includes a few who thought they were members but were not sure.
∅ Less than 0.5%.

Source: OPCS (1985) "General Household Survey 1983", HMSO, London, p.129, Table 7.43.

Table 5.5 showed that type of occupation was an important factor in determining access to an occupational pension for both men and women. It showed that whilst 79 per cent of women in non-manual intermediate work were in an occupational pension scheme, only 37 per cent in semi-skilled and personal service wor had access to a scheme. Whilst there is inequality between women according to their occupation, within each occupational group men are more likely to be in an occupational pension than women. Therefore 87 per cent of men in intermediate non-manual work were in an occupational pension scheme in 1983 compared with 79 per cent of women. In semi-skilled and personal service work, 55 per cent of men were in an occupational pension scheme compared with 37 per cent of women. The degree of discrimination against women increases at the lower end of the socio-economic ladder.

Table 5.9 shows the reasons given by employers for excluding some employees from the occupational pension schemes which they provide. The table shows that 31 per cent of men with no occupational pension compared to 46 per cent of women, were working for an employer who did run a scheme for some of his or her employees. The most common reason for male employees to be excluded from the scheme was that they had not worked for the firm for long enough. This accounted for 7 per cent of non-membership. For women, the main reason they were excluded was that their employment did not make them eligible for membership.(133) Even if part-time male and female employees alone are considered, male employees are less likely to be excluded on the grounds that their job made them ineligible. This indicates that either women tend to be in work with less chance of occupational pension scheme membership, or employers are less likely to offer women the chance to join the scheme.

DEACON, A., "An End to the Means Test? Social Security and the Attlee Government", Journal of Social Policy, Vol.11, Pt.3, pp.298-306, 1982.

DEACON, B., Review article in Journal of Social Policy, 14, 1 pp.101-104 on A. Walker, "Social Planning: A Strategy for Socialist Welfare", Basil Blackwell and Martin Robertson, Oxford, 1985.

DEACON, A., AND BRADSHAW, J., "Reserved for the Poor", Basil Blackwell and Martin Robertson, Oxford, 1983.

DEPARTMENT OF EMPLOYMENT, "New Earnings Survey 1970", HMSO, London, 1971.

DEPARTMENT OF EMPLOYMENT AND PRODUCTIVITY, "Labour Costs in Great Britain 1964", HMSO, London, 1968.

DEPARTMENT OF EMPLOYMENT, "Labour Costs in Great Britain 1968", HMSO, London, 1971.

DEPARTMENT OF EMPLOYMENT, "Occupational pension and sick pay schemes: some further results of the New Earnings Survey", Department of Employment Gazette, August, 1971.

DEPARTMENT OF EMPLOYMENT, "Labour Costs in Great Britain 1973: analyses for operatives, administrative and technical and clerical workers", Department of Employment Gazette, October, 1975.

DEPARTMENT OF EMPLOYMENT, "The Changing Structure of the Labour Force", project report by the Unit for Manpower Studies, Department of Employment, London,1976.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY, "Social Security Statistics 1973", HMSO, London, 1975.

As regards contracting out of the state earnings related pension scheme that was introduced in 1978, there seems to have been no further contracting between 1979 and 1983. Table 5.10 shows that in 1983, 88 per cent of occupational pension scheme members had contracted out of SERPS. This was just slightly below the figure of 89 per cent that had contracted out in 1979. As in 1979, the proportion of public sector scheme members contracted out was significantly higher than the proportion of private sector members who had done so. Therefore, whilst all public sector scheme members had contracted out, only 78 per cent of those members in the private sector had done so which meant that one in five of employees with occupational pension schemes who worked in the private sector, were still full members of the state pensions scheme. This would be because their pension schemes were not of a sufficient quality to permit contracting out under the Social Security Pensions Act 1975.

Table 5.10

The number of occupational pension scheme members contracted out of SERPS, by sector of employment, 1979 and 1983, U.K.

	Contracted out	Contracted in	Total in occupational pensions
Private sector			
1979	4.80 (79%)	1.28 (21%)	6.08 (100%)
1983	4.50 (78%)	1.30 (22%)	5.80 (100%)
Public sector			
1979	5.50 (99.6%)	0.02 (0.4%)	5.52 (100%)
1983	5.31 (100%)	-	5.30 (100%)
Total			
1979	10.30 (89%)	1.30 (11%)	11.60*(100%)
1983	9.80 (88%)	1.30 (12%)	11.1 (100%)

* Excludes 0.2 million frozen schemes which were of course contracted in.
Sources: see over

DUMBLETON, B., AND SHUTT, J., "Pensions, the capitalist trap", New Statesman, Vol.98, 7th September 1979.

DUNLEAVY, P., "Alternative theories of liberal-democratic politics: the pluralist-marxist debate in the 1980's" in Potter, D., (ed.) "Society and the Social Sciences", Open University Press/Routledge and Kegan Paul, London, 1981.

THE ECONOMIST, "A post-dated bill", The Economist, March 1st, 1975.

THE ECONOMIST, "Paying for Britain's Poor", The Economist, 21st December 1985 - 3rd January 1986, Vol.297, No.7425/7426, p.15.

ECONOMIST INTELLIGENCE UNIT, "Pension Funds in the UK", Economist Intelligence Unit special report no.43, London, 1977.

ELLISON, R., "Private and Occupational Pension Schemes: Volume 1", Oyez Publishing, London, 1979.

ERSKINE, A., "Fowler's foul plans", Capital and Class, no.28, pp.16-24, Spring 1986.

FOGARTY, M., "Undergoverned and overgoverned", Geoffrey Chapman, London, 1962.

FRASER, D., "The Evolution of the British Welfare State", Macmillan, London, 1975.

FRASER, D., "The Evolution of the British Welfare State", second edition, Macmillan, London, 1984.

GEORGE, V., "Social Security: Beveridge and after", Routledge and Kegan Paul, London, 1968.

GEORGE, V., "Social Security and Society", Routledge and Kegan Paul, London, 1973.

GEORGE, V., AND WILDING, P., "Ideology and Social Welfare", 2nd edition, Routledge and Kegan Paul, London, 1985.

GILLING-SMITH, D., "Occupational pensions and the Social Security Act 1973", Industrial Law Journal, Vol.2, no.4, 1973.

GINSBURG, N., "Class, Capital and Social Policy", Macmillan, London, 1979.

GOUGH, I., "The Political Economy of the Welfare State", Macmillan, London, 1979.

GOULD, A., "The Salaried Middle Class in the Corporatist Welfare State", Policy and Politics, Vol.9, no.4, pp.401-418, 1981.

GOVERNMENT ACTUARY, "Occupational Pension Schemes: a survey by the Government Actuary", HMSO, London, 1958.

GOVERNMENT ACTUARY, "Occupational Pension Schemes: A New Survey by the Government Actuary", HMSO, London, 1966.

GOVERNMENT ACTUARY, "Occupational Pension Schemes: Third Survey by the Government Actuary", HMSO, London, 1968.

GOVERNMENT ACTUARY, "Occupational Pension Schemes 1971: Fourth Survey by the Government Actuary", HMSO, London, 1972.

GOVERNMENT ACTUARY, "11.5m pension scheme members", Department of Employment Gazette, May 1977, pp.474-475.

GOVERNMENT ACTUARY, "Occupational Pension Schemes 1975: Fifth Survey by the Government Actuary", HMSO, London, 1978.

GOVERNMENT ACTUARY, "Pension scheme membership in 1979", Employment Gazette, December 1980.

GOVERNMENT ACTUARY, "Occupational pension schemes 1979: Sixth Survey by the Government Actuary", HMSO, London, 1981.

GOVERNMENT ACTUARY, "National Insurance Fund: long term financial estimates", (Quinquennial review), House of Commons paper 451, HMSO, London, July 1982.

GOVERNMENT ACTUARY, "Occupational Pension Schemes 1983: Seventh Survey by the Government Actuary", HMSO, London, 1986.

GREATER LONDON COUNCIL, "What Price Equality?", Greater London Council Housing Research and Policy Report, no.9, Greater London Council, London, 1986.

GROVES, D., "Members and Survivors: Women and Retirement Pensions Legislation" in Lewis, J., (ed.) "Women's welfare, women's rights", Croom Helm, London, 1983.

THE GUARDIAN, "Record savings by Life Assurance", by the financial editor, 8th April, 1963.

THE GUARDIAN, "Warning on pensions paperwork", The Guardian, July 18th, 1984.

THE GUARDIAN, "Housing benefit bill increase by £389m", The Guardian, 29th November, 1984.

THE GUARDIAN, "Pensions Action worries Tories", The Guardian, 10th December, 1984.

THE GUARDIAN, "The concealed benefits of Mr. Norman Fowler", The Guardian, 17th January, 1985.

THE GUARDIAN, "State pension cut planned for 10 million", The Guardian, 15th February, 1985.

THE GUARDIAN, "Thatcher supports pensions cutback", The Guardian, 19th April, 1985.

THE GUARDIAN, "Fowler close to winning social security battle", The Guardian, 28th April, 1985.

THE GUARDIAN, "Kinnock hits the spot on pension reform", The Guardian, 1st May, 1985.

THE GUARDIAN, "The pension they all approved", editorial, The Guardian, 2nd May, 1985.

THE GUARDIAN, "Concern on all sides at welfare reviews", The Guardian, 27th May, 1985.

THE GUARDIAN, "Thatcher silent on benefits review costing", The Guardian, 5th June, 1985.

THE GUARDIAN, "Seven million face rates aid cut", The Guardian, 6th June, 1985.

THE GUARDIAN, "Fowler ignored expert advice to keep SERPS", The Guardian, 13th June, 1985.

THE GUARDIAN, "Fowler vetoed benefit figures at last minute", The Guardian, 14th June, 1985.

THE GUARDIAN, "Punitive costs dull promise of firms' pensions", The Guardian, 22nd August, 1985, referred to report by Leith Hopkinson of the Economic Intelligence Unit, "The Personal Pensions Revolution", special report no.210, Economic Intelligence Unit, London, 1985.

THE GUARDIAN, "Fowler backs down on abolishing SERPS", The Guardian, 9th October, 1985.

THE GUARDIAN, "Pack up your future in your old brief case", The Guardian, 19th October, 1985.

THE GUARDIAN, "Changes will make 4 million worse off", The Guardian, 17th December, 1985.

THE GUARDIAN, "Inflation keeps pension rise to under £1", The Guardian, (Henke, D.,) 22nd February, 1986.

THE GUARDIAN, "Pension falling behind wages", The Guardian, 29th July, 1986.

HALL, P., LAND, H., PARKER, R., AND WEBB, A., "Change Choice and Conflict in Social Policy", Heinemann, London, 1975.

HAM, C., AND HILL, M., "The Policy Process in the Modern Capitalist State", Wheatsheaf Books Limited, Brighton, 1984.

HANNAH, L., "Inventing Retirement: the development of occupational pensions in Britain", Cambridge University Press, London, 1986.

HANSARD, Vol.418, col.1806, 6th February, 1946.

HARDING-BOULTON, A., "The Law and Practice of Social Security", Jordan and Sons, Bristol, 1972.

HARRIS, J., "Social Planning in wartime: some aspects of the Beveridge report" in Winter, J., (ed.) "War and Economic Development", Cambridge University Press, Cambridge, 1975.

HARRIS, J., "William Beveridge - a Biography", Clarendon Press, Oxford, 1977.

HARRIS, J., "Some aspects of social policy in Britain during the Second World War" in Mommsen, J.W. (ed.) "The Emergence of the Welfare State in Britain and Germany", Croom Helm, London, 1981.

HAWKESWORTH, R.J., "Fringe Benefits in British Industry", British Journal of Industrial Relations, Vol.XV, no.3, 1977.

HAWKINS, K., "Unemployment", Penguin, Harmondsworth, 1984.

HECLO, H., "Pension Politics", New Society, Vol.18, no.469, 23rd September, 1971.

HECLO, H., "Modern Social Politics in Britain and Sweden", Yale University Press, London, 1974.

HELD, D., "Central Perspectives on the modern state" in McLennan, G., Held, D., and Hall, S., (eds.) "The Idea of the Modern State", Open University Press, Milton Keynes, 1984.

HESS, J., "The Social Policy of the Attlee Government" in Mommsen, J.W., (ed.) "The Emergence of the Welfare State in Britain and Germany", Croom Helm, London, 1981.

HEWITT, C., "Elites and the distribution of power" in Potter, D., (ed.) "Society and the Social Sciences", Open University Press/Routledge and Kegan Paul, London, 1981.

HINDESS, B., "Debating the Future of Socialism", New Statesman, Vol.106, 5th August, 1983.

HMSO, "Social Insurance and Allied Services", Cmnd. 6404, (the Beveridge report), HMSO, London, 1942.

HMSO, "Report of the National Advisory Committee on the employment of older men and women", Cmnd. 8963, (the Watkinson report), HMSO, London, 1953.

HMSO, "The Economic and Financial problems of the provision for old age", Cmnd. 9333, (The Phillips report), HMSO, London, 1954.

HMSO, "Report of the Committee on the taxation treatment of pensioners", Cmnd. 9063, (the Millard-Tucker report), HMSO, London, 1954.

HMSO, "Provision for old age - the future development of the national insurance scheme", Cmnd. 538, HMSO, London, 1958.

HMSO, "Report of the Committee on the working of the Monetary System", Cmnd. 827, (the Radcliffe report), HMSO, London, 1959.

HMSO, "Report of the National Assistance Board for the year ending 31st December 1964", Cmnd. 2674, HMSO, London, 1965.

HMSO, "The National Plan", Cmnd. 2764, HMSO, London, September 1965.

HMSO, "Report of the Committee into the impact of Rates on Households", Cmnd. 2582, (the Allen Committee) HMSO, London, February 1965.

HMSO, "Financial and other circumstances of retirement pensioners", HMSO, London, 1966.

HMSO, "National Superannuation and Social Insurance", Cmnd.3883, HMSO, London, January 1969.

HMSO, "Social Insurance", Cmnd. 4124, HMSO, London, July 1969.

HMSO, "National Superannuation: Terms for Partial Contracting out of the National Superannuation Scheme", Cmnd.4195, HMSO, London, November 1969.

HMSO, "Explanatory Memorandum on the National Superannuation and Social Insurance Bill", Cmnd. 4222, HMSO, London, December 1969.

HMSO, "Strategy for Pensions: the Future Development of State and Occupational Provision", Cmnd.4755, HMSO, London, 1971.

HMSO, "Better Pensions: fully protected against inflation", Cmnd. 5713, HMSO, London, 1974.

Notes and References

(1) The Times (1979) *"The Times Guide to the House of Commons May 1979"*, Times Books Ltd., London, p.293.

(2) ibid., p.292.

(3) Government Actuary (1982) *"National Insurance Fund: long term financial estimates"*, (Quinquiennial review), House of Commons paper 451, July, HMSO, London.

(4) C. Trinder (1983) "The pensions see saw", *New Society* 2 June 1983, p.342.

(5) The Guardian (1986) "Inflation keeps pension rise to under £1", 22nd February 1986, (D. Hencke).

(6) The Guardian (1985) "Pensioners 'will get no rise'" 31 July 1985, (A. Travis).

(7) Department of Health and Social Security (1986) *"Social Security Statistics 1985"*, HMSO, London, p.181, Table 34.30.

(8) P. Lee (1983) "Banishing dark divisive clouds: welfare and the Conservative government 1979-1983" *Critical Social Policy,* no.8, Autumn, p.7.

This article mentions that 1000 more staff were drafted into fraud work in the Department of Health and Social Security by the Conservative government.

(9) HMSO (1976) *"Supplementary Benefit Commission Annual Report 1975"*, Cmnd. 6615, September 1976, London, p.11-14.

(10) Department of Health and Social Security (1978) *"Social Assistance: a review of the Supplementary Benefits scheme in Great Britain"*, July, HMSO, London.

INSTITUTE OF DIRECTORS, "Reform of Social Security: Response to the Green Paper", Institute of Directors, London, 1985.

INVESTOR'S CHRONICLE, "Pensions: Facing up to the realities of the Castle Plan", Investor's Chronicle, February 27th, 1976.

INVESTOR'S CHRONICLE, "This Week", Investor's Chronicle, Vol.72, no.916, p.6, June 7-13 1985.

JESSOP, B., "The Capitalist State", Martin Robertson, Oxford, 1982.

JORDAN, D., "Poverty and the elderly" in Carver, V., and Liddiard, P., (eds.) "An Ageing Population", Hodder Stoughton in association with Open University Press, London, 1978.

JOSEPH, K., "A summary of some Conservative social strategies", in Jones, K., (ed.) "The Yearbook of Social Policy in Britain 1971", Routledge and Kegan Paul, London, 1972.

KINCAID, J., "Poverty and Equality in Britain", Penguin, Harmondsworth, 1975.

KINCAID, J., "The Politics of Pensions", New Society, Vol.43, no.802, 16th February 1978.

KIRK, G.P., "Theoretical approaches to Urban Planning" in Blowers, A., Brook, C., Dunleavy, P. and McDowell, L., (eds.) "Urban Change and Conflict", Harper Row and Open University Press, London, 1982.

KOGAN, M., BOULE, E. AND CROSLAND, A., "The Politics of Education", Penguin, Harmondsworth, 1971.

LABOUR PARTY, "Report of the 45th Annual Conference of the Labour Party", Bournemouth 1946, Labour Party, London, 1946.

LABOUR PARTY, "Report of the 54th Annual Conference of the Labour Party", Margate 1955, Labour Party, London, 1955.

LABOUR PARTY, "National Superannuation: Labour's policy for security in old age", Labour Party, London, 1957.

LABOUR PARTY, "New Frontiers for Social Security", Labour Party, London, 1963.

LABOUR PARTY, "Lets go with Labour for the New Britain", Labour Party, London, 1964.

LABOUR PARTY, "Report of the 70th Annual Conference of the Labour Party", Brighton 1971, Labour Party, London, 1971.

LABOUR PARTY, "Report of the 72nd Annual Conference of the Labour Party", Blackpool 1973, Labour Party, London, 1973.

LABOUR PARTY, "The City: A Socialist Approach: report of the Labour Party Financial Institutions Study Group", Labour Party, London, 1982.

LABOUR PARTY, "Fowler Review Special", Campaign Briefing, Labour Party, London, 1985.

LABOUR PARTY, "Statement by the NEC to Annual Conference 1985: the Tory attack on Pensions and Benefits", Labour Party, London, 1985.

LABOUR RESEARCH, "Pensions: life at the bottom", Labour Research, Vol.64, no.8, August 1975.

LABOUR RESEARCH, "Tory funds: political donations in election year", Labour Research, Vol.73, no.8, p.204-207, August 1984.

LABOUR RESEARCH, "Pensions at the mercy of the market", Labour Research, Vol.75, no.2, pp.19-20, February 1986.

LAPPING, A., "Social Welfare and Housing", in McKie, D., and Cook, C., (eds.) "The Decade of Disillusion: British Politics in the sixties", Macmillan, London, 1972.

LEE, P., et al "Banishing dark divisive clouds: welfare and the Conservative government 1979-1983", Critical Social Policy, Issue 8, Autumn 1983.

LEGAL AND GENERAL ASSURANCE SOCIETY, "Report and Accounts 1975" Legal and General, London, 1976.

LIBERAL PARTY, "A Liberal Response to the Green Paper", Liberal Party, London, August 1985.

LIFE OFFICES ASSOCIATION AND ASSOCIATED SCOTTISH LIFE OFFICES, "The Pensions Problem: a statement of principle and a review of the Labour Party's proposals", Life Offices Association and Associated Scottish Life Offices, London, 1957.

LIFE OFFICES ASSOCIATION AND ASSOCIATED SCOTTISH LIFE OFFICES, "Summary of Memorandum submitted to the Inquiry into provision for retirement on aspects other than personal portable pensions", Life Offices Association and Associated Scottish Life Offices, London, 1984.

LINDBLOM, C., "Politics and Markets", Basic Books, New York, 1977.

LISTER, R., "Social Security: the case for reform", Child Poverty Action Group pamphlet, no.22, Child Poverty Action Group, London, 1975.

LISTER, R., "Why the giant of want will continue to stalk the land", The Guardian, July 12th 1985.

(39) Department of Health and Social Security (1984) op. cit., para.2.1, p.6.

(40) The Observer (1984) "Only 3% favour DIY pensions", The Observer, (C.Moir), 24th June 1984.

(41) Institute of Actuaries (1984) "Response to the Consultative Document on Personal Pensions", October 1984, Institute of Actuaries, London, p.3.

(42) Those who suggested cuts to SERPS included:-

Confederation of British Industry (1984) op. cit., p.1 and p.5.

Life Offices Association and Associated Scottish Life Offices (1984) "Summary of Memorandum submitted to the Inquiry into provision for retirement on aspects other than personal portable pensions", Life Offices/Associated Scottish Life Offices, London, p.1, para.4.

The TUC proposed improvements to SERPS:

Trades Union Congress (1984) "Evidence to the Inquiry into Provision for Retirement", TUC, London, para.3.21.

(43) The Guardian (1985) "Fowler ignored expert advice to keep SERPS", 13th June 1985.

Stewart Lyon, one of the members of the enquiry team made it clear that the idea of abolition of SERPS was not seriously considered by the enquiry team because Normal Fowler had ruled it out as an option.

(44) The Guardian (1985) "The concealed benefits of Mr. Norman Fowler", 17th January 1985,-

This stated that the government held a closed conference to discuss the social security reviews in January 1985.

The Guardian (1985) "State Pension cut planned for 10 million", February 15th 1985, -

This information was leaked to the press.

MADJWICK, P.J., STEADS, D., AND WILLIAMS, L.J., "Britain since 1945", Hutchinson, London, 1982.

MARAVALL, J.M., "The limits of reformism: parliamentary socialism and the marxist theory of the state", British Journal of Sociology, Vol.30, no.3, pp.267-290, September 1979.

MARPLES, W.F., "The effect of changed economic conditions and state insurance on private pensions funds benefits, contributions and valuations", Journal of Institute of Actuaries, LXXXIV, no.339, 1948.

MARSHALL, T.H., "Citizenship and Class", Cambridge University Press, London, 1946.

MARSHALL, T.H., "Social Policy", fourth edition, Hutchinson, London, 1975.

MARWICK, A., "The Labour Party and the Welfare State in Britain 1900-1948", American Historical Review, 73, 1967.

MAYNARD, A.K., "Social Security" in Cooper, M.H. (ed.) "Social Policy - a survey of recent developments", Basil Blackwell, Oxford, 1973.

MICHELS, R., "Political Parties", Constable, London, 1915.

MIDLAND BANK, "The history of retirement pensions: the background of the new proposals", Midland Bank Review, August 1957.

MIKARDO, I., "The Second Five Years: A Labour Programme for 1950", Fabian Research Series, no.124, Fabian Publications, London, 1948.

MILIBAND, R., "Parliamentary Socialism", second edition, Merlin Press, London, 1972.

MILIBAND, R., "The State in Capitalist Society", Quartet Books, London, 1973.

MILIBAND, R., "The Capitalist State: Two Exchanges with Nicos Poulantzas" in "Class Power and State Power" by Miliband, R., Verso, London 1983.

MILIBAND, R., "State Power and Class Interests", New Left Review, no.138, March/April 1983.

MILLS, C. WRIGHT, "The Power Elite", Oxford University Press, New York, 1956.

MINISTRY OF LABOUR, "Schemes providing for pensions for employees on retirement from work", Ministry of Labour Gazette, May 1938.

MINISTRY OF PENSIONS AND NATIONAL INSURANCE, "Financial and other circumstances of retirement pensioners", HMSO, London, 1966.

MINNS, R., "Pension Funds and British Capitalism", Heinemann Educational Books, London, 1980.

MINNS, R., "Take over the City: The case for public ownership of financial institutions", Pluto Press, London, 1982.

MORGAN, E. VICTOR, "Choice in Pensions: the political economy of saving for retirement", Hobart paper no.100, Institute of Economic Affairs, London, April 1984.

MORGAN, J. (ed.) "The backbench diaries of Richard Crossman", Hamish Hamilton and Cape, London, 1981.

MORGAN, K.O., "Labour in Power 1945-1951", Oxford University Press, Oxford, 1984.

MOSCA, G., "The Ruling Class", translation by H.D. Kahn, MaGraw Hill, London, 1939.

NAIRN, T., "Labour Imperialism", New Left Review, no.33, July/August 1965.

NATIONAL ASSOCIATION OF PENSION FUNDS, "Comments by the National Association of Pension Funds on the Green Paper proposals: Reform of Social Security", National Association of Pension Funds, London, September 1985.

NATIONAL FEDERATION OF RETIREMENT PENSIONERS ASSOCIATIONS, "Response to the reform proposals", National Federation of Retirement Pensioners Associations, Blackburn, August 1985.

NEW SOCIETY, "Society at Work", New Society, Vol.18, no.468, 16th September, 1971.

NEW SOCIETY, "Half Pay in Old Age", New Society, Vo.43, no.799, January 5th, 1978.

NEW SOCIETY, "The pension in your pocket", New Society, Vol.50, no.892, p.321, 8th November, 1980.

NEW STATESMAN, "Labour's new pension plan", New Statesman, 9th February, 1957.

NORRIS, P., "Do the capitalists rule?" in Elcock, H. (ed.) "What sort of society?", Martin Robertson, Oxford, 1982.

NUFFIELD FOUNDATION, "Old People: Report of a Survey Committee on the problems of ageing and the care of old people", Oxford University Press, London, 1947.

OBSERVER, "Only 3% Favour DIY pensions", (C. Moir), Observer, 24th June 1984.

OFFICE OF POPULATION CENSUS AND SURVEYS, "General Household Survey 1976", Social Survey Division, HMSO, London, 1978.

OFFICE OF POPULATION CENSUS AND SURVEYS, "General Household Survey 1983", Social Survey Division, HMSO, London, 1985.

PAHL, R.E., "Whose City?", Penguin, Harmondsworth, 1975.

PAHL, R.E., "Managers, technical experts and the State" in Harloe, M., (ed.) "Captive Cities", John Wiley, London, 1977.

PAHL, R.E., AND WINKLER, J.T., "The Coming Corporatism", New Society, Vol.30, no.627, pp.72-76, October 10th 1974.

PAISH, F., AND PEACOCK, A., "The Economics of Pension Funds", Lloyds Bank Review, October, 1954.

PARETO, V., "Sociological Writings", edited by Finer, S.E., Pall Mall, London, 1966.

PARKER, A., article in The Banker, Vol.119, no.526, December 1969.

PARKIN, F., "Class Inequality and Political Order: social stratification in capitalist and communist societies", MacGibbon and Kee, London, 1971.

PARKIN, F., "Max Weber", Tavistock Publications and Ellis Horwood, London, 1982.

PETERSON, M., "Inflation and the problem of the pensions revaluation", Investor's Chronicle, February 1976.

PHILLIPSON, C., "Capitalism and the Construction of Old Age", Macmillan, London, 1982.

PIACHAUD, D., "Attitudes to Pensions", Journal of Social Policy, Vol.3, part 2, pp.137-146, April 1974.

PILCH, M., AND WOOD, V., "Pension Schemes: a guide to principles and practice", Grover, Aldershot, 1979.

POLITICAL AND ECONOMIC PLANNING, "Planning for Social Security", Political and Economic Planning, July 14th 1942.

POLSBY, N., "Community Power and Political Theory", Yale University Press, New Haven and London, 1963.

POLSBY, N., "Community Power and Political Theory: a further look at the problems of evidence and inference", Yale University Press, New Haven and London, 1981.

PONTING, C., "Whitehall: Tragedy and Farce", Hamish Hamilton, London, 1986.

PONTUSSON, J., "Behind and Beyond Social Democracy in Sweden", New Left Review, no.143, pp.69-96, January/February 1984.

POULANTZAS, N., "Political Power and Social Classes", New Left Books, London, 1973.

PRUDENTIAL ASSURANCE COMPANY LIMITED, "127th Annual Report", Prudential Assurance Company Limited, London, 1976.

PRUDENTIAL CORPORATION, "Annual Report and Accounts 1984", Prudential Corporation, London, 1985.

PRUDENTIAL CORPORATION, "Annual Report and Accounts 1985", Prudential Corporation, London, 1986.

PRYKE, R., "Public or Private Welfare", Socialist Commentary, September 1963.

REDDIN, M., "National Insurance and private pensions" in Jones, K., Brown, M., and Baldwin, S. (eds.) "The Yearbook of Social Policy in Britain 1976", Routledge and Kegan Paul, London, 1977.

REDDIN, M., "Taxation and Pensions" in Sandford, C., Pond, C., and Walker, R. (eds.) "Taxation and Social Policy", Heinemann, London, 1980.

REDDIN, M., "Occupation, welfare and social division" in Jones, C., and Stevenson, J., (eds.) "The Yearbook of Social Policy in Britain 1980/81", Routledge and Kegan Paul, London, 1982.

REDDIN, M., "The future of occupational pension provision in Britain: comments" in Fogarty, M., (ed.) "Retirement Policy: the next Fifty Years", Heinemann, London, 1982.

REDDIN, M., "Pensions, wealth and the extension of inequality" in Field, F., (ed.) "The Wealth Report 2", Routledge and Kegan Paul, London, 1983.

REID, G., AND ROBERTSON, D., "Fringe Benefits, Labour Costs and Social Security", George, Allen and Unwin, London, 1965.

REX, J., AND MOORE, R., "Race, Community and Conflict", Oxford University Press, London, 1967.

RHODES, G., "Public Sector Pensions", George Allen and Unwin, London, 1965.

ROUTH, G., "Occupation and Pay in Great Britain 1906-1979", Macmillan, London, 1980.

ROWNTREE, B.S., AND LAVERS, G.R., "Poverty and the Welfare State", Longmans, London, 1951.

SALTER, T., "Social Policy and Pensions", Benefits International, May, 1981.

SAMPSON, A., "The New Anatomy of Britain", Hodder and Stoughton, London, 1971.

SAUNDERS, P., "Social Theory and the Urban Question", Hutchinson, London, 1981.

SELDON, A., "Wither the Welfare State", occasional paper no.60, Institute of Economic Affairs, London, 1981.

SHRAGGE, E., "The Development of State Retirement Pensions in Britain 1940-1975", Ph.D. thesis, University of Kent, January 1982.

SHRAGGE, E., "Pensions policy in Britain: a Socialist Analysis", Routledge and Kegan Paul, London, 1984.

SKED, A., AND COOK, C., "Post War Britain: a political history", Penguin, Harmondsworth, 1979.

SMAIL, R., GREEN, F., HADJIMATHIOU, G., "Unequal Fringes", Low Pay Report no.15, Lay Pay Unit, London, February 1984.

SOCIAL DEMOCRATIC PARTY, "Pensions - an SDP point of view" press release of a speech by David Owen at the National Association of Pension Funds Annual Conference, Social Democratic Party, London, May 1985.

STEPHENS, J.D., "The Transition from Capitalism to Socialism", Macmillan, London 1979.

SUNDAY TIMES, "Tax axe lets the big boys back in", The Sunday Times, March 18th 1984.

SUNDAY TIMES, "The cost of tax relief schemes soars", The Sunday Times, January 27th 1985.

SWEEZY, P., "Modern Capitalism and other essays", Monthly Review Press, New York and London, 1972.

TAWNEY, R.H., "Christianity and the Social Revolution" in "The Attack" edited by Tawney and quoted in Reisman, D., "State and Welfare: Tawney, Galbraith and Adam Smith", Macmillan, London 1982.

TAYLOR-GOOBY, P., "Two Cheers for the Welfare State: Public Opinion and Private Welfare", Journal of Public Policy, Vol.2, pt.4, pp.319-346, 1982.

TAYLOR-GOOBY,P., AND DALE, J., "Social Theory and Social Welfare", Edward Arnold, London, 1981.

THATCHER, A.R., "Labour Supply and Employment Trends" in Blackaby, F., (ed.) "De-Industrialisation", Economic Papers 2, National Institute for Economic and Social Research, Gower, Aldershot, 1986.

THE TIMES, "Pensioneering", The Times, 4th March 1966.

THE TIMES, "The Times 1000 leading companies in Britain and overseas 1976-1977", The Times, London, 1976.

THE TIMES, "The Times guide to the House of Commons - May 1979", London, Times Books Limited, 1979.

THE TIMES, "The Times Guide to the House of Commons - revised edition 1984", Times Books Limited, London, 1984.

THE TIMES, "Warning of pitfalls in pension plan", The Times, 14th December 1984.

TITMUSS FILES, file no.11, "Labour Party Social Policy Committee 1971 to 1973", manuscripts department, British Library of Political and Economic Science, London.

TITMUSS, R.M., "The Irresponsible Society", Fabian Society, London, 1960.

TITMUSS, R.M., "The Social Division of Welfare: some reflections on the search for equity", in "Essays on the Welfare State", by Titmuss, 2nd edition, George Allen and Unwin, London, 1963.

TITMUSS, R.M., "The Gift Relationship", George Allen and Unwin, London, 1970.

TITMUSS, R.M., "Social Security and the Six", New Society, Vol.18, no.476, November 11th, 1971.

TOWNSEND, P., "Poverty, Socialism and Labour in Power", Fabian tract 371, Fabian Society, London, 1967.

TOWNSEND, P., "Sociology and Social Policy", Penguin, Harmondsworth, 1976.

TOWNSEND, P., "Poverty in the United Kingdom", Penguin, Harmondsworth, 1979.

TOWNSEND, P., "Politics and Social Policy" in Adlam, D., et al (eds.) "Politics and Power 2: Problems in Labour Politics", Routledge and Kegan Paul, London, 1980.

TOWNSEND, P., AND WEDDERBURN, D., "The Aged in the Welfare State", occasional papers in social administration, no.14, Bell and Sons, London, 1965.

TRADES UNION CONGRESS, "Report of the 86th Annual Trades Union Congress", Trades Union Congress, London, 1954.

TRADES UNION CONGRESS,"Report of the 89th Annual Trades Union Congress", Blackpool 1957, Trades Union Congress, London, 1957.

TRADES UNION CONGRESS, "Report of the 99th Annual Trades Union Congress", Trades Union Congress, London, 1967.

TRADES UNION CONGRESS, "Report of the 107th Annual Trades Union Congress", Blackpool 1975, Trades Union Congress, London, 1975.

TRADES UNION CONGRESS, "Evidence to the Inquiry into Provision for Retirement", Trades Union Congress, London, 1984.

TRADES UNION CONGRESS, "Pensions Briefing: The Government's pension proposals", Trades Union Congress, London, August, 1985.

TRADES UNION CONGRESS, "TUC Memorandum of Comments: Government review of Social Security", Trades Union Congress, London, September 1985.

TRINDER, C., "The Pensions see-saw", New Society, Vol.64, no.1972, p.342, 2nd June 1983.

UNDY, R., ELLIS, V., MCCARTHY, W., HALMOS, A.M., "Change in the Trade Unions: The Development of the U.K. Trade Unions since 1960", Hutchinson, London, 1981.

WALKER, A., "The Social Creation of Poverty and Dependence in Old Age", Journal of Social Policy, Vol.9, pt.1, pp.49-75, 1980.

WALKER, A., "Social Planning: A Strategy for Socialist Welfare", Basil Blackwell and Martin Robertson, Oxford, 1984.

WALLEY, Sir J., "Social Security: Another British Failure?", Charles Knight and Co. Ltd., London, 1972.

WARD, S., "Controlling Pension Schemes", Workers Educational Association, London, 1978.

WATKIN, B., "Documents on Health and Social Services: 1834 to the present day", Methuen, London, 1975.

WEBB, A., "The Abolition of National Assistance: Policy Changes in the Administration of Assistance Benefits", in Hall, P., Land, H., Parker, R., and Webb, A., (eds.) "Change, Choice and Conflict in Social Policy", Heinemann, London, 1975.

WEBB, M., "The Labour Market" in Reid, I., and Wormald, E., (eds.) "Sex Differences in Britain", Grant McIntyre, London, 1982.

WEBER, M., "Economy and Society", edited by Roth, G., and Wittich, C., Bedminster Press, New York, 1968.

WEDDERBURN, D., "Pensions, Equality and Socialism", New Left Review, no.24, March/April, 1964.

WEDDERBURN, D., "Workplace Inequality", New Society, Vol.15, no.393, pp.593-595, 9th April, 1970.

WEDDERBURN, D., AND CRAIG, C., "Relative deprivation in work" in Wedderburn, D., (ed.) "Poverty, Equality and Class Structure", Cambridge University Press, London, 1974.

WESTERGAARD, J., AND RESLER, H., "Class in a Capitalist Society", Penguin, Harmondsworth, 1975.

WILLCOCKS, A., "The Creation of the National Health Service", Routledge and Kegan Paul, London, 1967.

WHITELEY, P., AND WINYARD, S., "Influencing Social Policy: the effectiveness of the poverty lobby in Britain", Journal of Social Policy, Vol.12, pt.1, pp.1-26, January, 1983.

WHITFIELD, D., "Making it public: Evidence and action against privatisation", Pluto Press, London, 1983.

WILSON, H., "The Labour Government 1964-1970: a personal record", Weidenfield and Nicholson and Joseph, London, 1971.

WILSON, H., "Final Term: the Labour Government 1974-1976", Weidenfield and Nicholson, London, 1979.

WISEMAN, J., "Occupational Pension Schemes" in Reid, G., and Robertson, D., (eds.) "Fringe Benefits and Labour Costs", George Allen and Unwin, London, 1965.

WITTAKER, A., "Pension Schemes" in Shirley, D., and Thornhill, A., (eds.) "Potter and Monroe's Tax Planning", Sweet and Maxwell, London, 1974.