

Rough

SECRET

SHADOW CABINET CONFERENCE

Note of Fifth Session held at Selsdon
Park Hotel, Surrey, on Saturday,
31st January 1970, at 4.30 p.m.

Present: Mr. Heath (In the Chair)

Mr. Maudling

Sir Alec Douglas-Home, Mr. Macleod,
Mr. Hogg, Sir Keith Joseph, Mr. Godber,
Mr. Barber, Mr. Rippon, Mr. Walker,
Mr. Carr, Mrs. Thatcher, Lord Balniel,
Mr. Campbell, Lord Jellicoe

Sir Peter Rawlinson, Mr. Whitelaw,
Sir Gilmour Menzies Anderson,
Sir Michael Fraser, Mr. Gibson Watt,
Mr. Pym, Mr. Dean, Mr. Macmillan,
Mr. Cockfield, Mr. Webster, Mr. Kernohan,
Mr. Sewill, Mr. Tucker, Mr. Hurd, Mr. Wolff

Mr. Douglas, Mr. Hayhoe (Secretaries)

Note on Shadow Cabinet Conference at Selsdon Park Hotel,
Saturday, 31st January 1970, Fourth Session at 4.30 p.m.

Heath: Move over to Pensions and Health. One of the problems in Opposition: we have our own field in which we are involved but pressure of outside activities makes it always difficult to keep up to date in everyone else's field. Would help if Robin tells us what he is proposing. Voted against Crossman Bill which they will try and get through before the Election. What do we do about it? What precisely is it we propose we do ourselves? Problem of time-table and priorities. Having had decisions on tax proposals and industrial relations field, have Chief Whips warning in mind. Legislative problems going to be pretty considerable. Attempt of pensions bill either to deal with rights of existing pensioners or deal with Crossman as a whole, of considerable importance. Tell us (a) point of view on Bill, (b) our own proposals.

Balniel: by flat rate basic pension scheme, whole emphasis for your people on occupational schemes and reserve State graduated scheme from which contributors can contract out completely. Most important were occupational schemes and to introduce transferability. We are doing this as Back-bench effort: Joan Quennell is introducing a Bill to try out concept of transferability. Think it is essential we do this. Other question is of timing.

Heath: it is transfer and preservation? What is the difference between what you were proposing in speech in debate and what is in existence at the moment? What we have at the moment is Boyd-Carpenter scheme which is State scheme in which you put wage related benefits and have 12½ million pensioners. We want to see that this figure can be and still have residual scheme.

Balniel: basically it is no different. We just present it in a much more dramatic light. Of course there are graduated contributions - under Boyd-Carpenter basic contribution was flat rate - we have gone along with Crossman in accepting graduated all through.

Maudling: what do you get in return?

Balniel: a flat rate pension.

Maudling: thought that when we discussed it before it would be offensive to target people we are aiming at.

Balniel: of course we took decision to oppose graduated pension scheme.

Dean: main difference as it exists at present moment is that in first place we are proposing graduated contribution all the way up rather than existing flat-rate and graduated on top, which is in effect a payroll tax on employer and tax on earnings of employee. And that is one of the main differences we are ~~re~~ introducing between existing system.

In return we are not only proposing flat rate pension, but graduated benefits for short term sickness, unemployment, widowhood and to introduce pensions to which we are already committed: over 80s and higher level for older pensioners. Not really a question of offering a flat rate benefit for a graduated contribution. Second main difference - we are aiming here in basic State scheme to provide method of finance which will be sufficiently sound so that occupational scheme will have firm base on which to build. One of the proposals of the Boyd-Carpenter scheme is that contracting out contributions are based on comparability with State scheme. One is not comparing like with like. State as you know funded. This is what leads to complexity and swindle argument. We are proposing occupational schemes ~~shall have~~ which will stand on their own feet. If they are these they will be able to contract out completely of the reserve graduated element. Think this is our main difference. Fits in with themes of concentrating resources on those most in need and on the other hand of encouraging self-help among overwhelming proportion of population able and willing to save through occupational schemes.

Home: you say everyone pays graduated contribution, but if you are over 80 or sick you get graduated benefits. What section of contributors pay all the time and only get a flat rate.

Dean: all those not in receipt of benefit but at various stages - they will be available to widows, higher level of pension - entire population will be liable at some time or another for graduated pension.

Heath: separate them out. Over-80s - this is not in the present scheme because they were not in at the beginning. Have you announced any basis for dealing with this. Private Members Bill would have met pressure on contribution.

Dean: ~~been~~ careful not to commit ourselves in detail. Government view is that if you bring in those who could not join in 1948 you have to bring in other people who are not pensioners for various reasons. Total cost would be about £20-25 million - might have to give them half.

Balniel: ~~back~~-bench motion always referred to taxpayers' element of pension. Much wiser to say we would give full pension - numbers are falling.

Thatcher: would not do with lot of people getting reduced contributions. Would be ironic if those who had contributed got less.

Heath: all right. Second, higher pension for those over certain age. Committed ourselves in 1965. Got out of it in last Manifesto.

Balniel: not committed ourselves to higher level ~~ix~~ but to

Heath: was pensionable ^{feasible} [?] at one time but I have become less enthusiastic. Think it is awfully difficult to increase basic pension for certain age. I know highly intellectual arguments, but think for practical politics the less we say the better. As you put it in your speech it leaves door open.

Carr: if people paying graduated contribution, it is rather important to show that if you are not getting graduated pension you are looking forward to two-stage pension.

Heath: you said that as far as remaining benefits concerned, sickness benefit, etc., you will be getting wage related benefits. Then come back to original pension.

Balrael: my words very clear about the possibility of a varying level - it is completely open.

Heath: final thing is actual pension. When you say it is going to be wage related from the last level upwards - or are you going to have fixed rate below which you do not fall?

Balrael: yes.

Heath: everybody going to get basic pension, if you add occupational they get it on top. Boyd-Carpenter used part of your contributions in occupational [?] scheme to subsidise State scheme.

Balrael: will use money for graduated part will still be used to finance flat rate pension.

Heath: for those in scheme?

Dean: essential difference here is whereas Boyd-Carpenter depended for its financial viability from the money which comes in from the graduated scheme, our proposal does not depend for financial viability on that. Pension contributions [?] will be financed and financial viability of themselves. Reserve earnings related scheme for those not in occupational scheme still vary on money grounds [?] but we can still use contributions from that to assist in dealing with immediate commitment, but scheme will not depend on that.

Heath: chap in occupational scheme will treat basic pension from State occupational scheme and pension. Occupational pensioners will have wage related . . .

Balrael: it is that in occupational schemes they will pay wage related contributions and get wage related pensions. They will get flat rate pension plus State fall-back.

Rippon: isn't it wrong to call it a pension. It is really a social security tax. Graduation is not for basic pension but is a tax because they can afford to make a contribution towards others seriously ill outside.

Dean: fairest way of making existing because it has financial viability. We have firmer base base for contracting out, the more we have the more we would like - whereas in Boyd-Carpenter thing, the more contracting there is under scheme the more it will run into deficit and contributions be increased.

Heath: Treasury contribution of liability greater.

Dean: in Crossman scheme because Treasury contribution is kept ~~to~~ geared to money coming into fund, and because there will be more money particularly in the long term coming into the fund than under our scheme, the Treasury liability will grow much faster than under ours. This is one of the points we bear in mind.