Pensions UPDATE

This message is immediately about TPS, thus primarily concerning FE and post-92 members, but is in fact of key importance to *ALL* UCU members since the outcome of the TPS campaign will have an enormous influence on the outcome of the USS campaign in pre-92 universities.

Colleagues will have heard about negotiations with the Government, and a Government announcement in Parliament, from Minister Danny Alexander, and statements from various trade unions. This message is intended to clarify where we are in the campaign as I see it, and the next steps. It has an assessment of the financial implications of the Government's latest offer on the TPS scheme (below), and attached is my assessment of the latest industrial and political situation, and the next steps in the UCU.

For those struggling to balance budgets, having lost a day's pay in November, the details of the financial implications of the Government's latest offer should be salutary, or at least reassuring, reading.

On reasonable assumptions about inflation, the losses to each of us remain potentially enormous. The 50% increase in contribution rates (from 6.4% to 9.6% of salary) would cost a lecturer on Ac3 an extra £56,240 over the qualifying period, and one on Ac4 an extra £62,695. The extra three years to qualify for a pension would cost an Ac3 lecturer £92,500, and an Ac4 lecturer £103,118. Adjusted for inflation, that means total losses for Ac3 of £148,740, and for Ac4 of £165,814.

Those are some of the sources for the Government aim, in the 'Heads of Agreement' document that was initially signed by some trade unions, of achieving cost "savings of £2.8bn over three years" on public sector pensions. Given that the TPS is not in deficit, and is not financially insecure, the reason for the 'savings' are relatively transparent: reducing running costs and the remains of Government liability (hence contributing to deficit reduction on the back of the banking crisis); and easing the process of privatisation in the FE and HE sectors, and the cost of running primary and secondary schools (in either LA control, or as quasi-privatised 'Academies').

Since, with sufficient determination and commitment, we can stop these changes, one interesting calculation is how many strike days those figures represent as investments against the future. I think the answer is approximately 830! Colleagues may want to check that figure.

The future of the campaign to avoid these costs has become unclear since the Government announcement on Tuesday, and in the light of statements released by different unions. My assessment of the situation (written 21st December) is in the appendix of this document.

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Appendix

Pensions: Where We Are Now?

On Monday local government and health unions signed up to a 'Heads of Agreement' document outlining the priorities for reform to their pension schemes and for further pension negotiations in January. Cabinet minister Danny Alexander then made a triumphalist statement to Parliament on Tuesday, emphasizing that there had been no concessions with any cost implications during negotiations with the trade unions (i.e. the 'concessions' merely represented a redistribution of the burden of the pension cuts).

There was little reference to the fact that the main teaching unions, NUT, NAS/UWT, and UCU, had 'reserved their positions' subject to meetings of their national executives, and a possible ballot of members. The ire of the Government was directed at the Public and Commercial Services (PCS), the largest union representing civil servants, for rejecting the deal out of hand.

Clearly, the hope was that the Government's apparent victory in local government and health would create an atmosphere in which the other unions would find it difficult to continue the struggle.

Within 24 hours, however, the agreement was beginning to unravel, and might yet do so completely. The local government unions reacted furiously on Tuesday afternoon to a letter from Minister Eric Pickles, which claimed that the deal included a cap on employers' pension contributions. Unison, the GMB and Unite suspended their agreement pending talks with the Government, accusing Ministers of a 'failure of trust'.

There has, in addition, been enormous pressure from branches and members. In the unions that had accepted the agreement, many want the negotiators to step back, and to continue to defend existing pension arrangements. These demands have been fuelled by the obvious success of the November 30th (N30) strike, and by the expectation, expressed in most if not all rallies on the day, that the action would recommence in January, and that compromise was not what the struggle was about.

Civil servants' and teachers' schemes – no deal!

Agreement had not been reached in either the civil servants' or the teachers' scheme talks. PCS rejected the proposals on the basis that there was nothing new on offer from the Government since before the mass strikes on November 30th.

The statements from the NUT, UCU, NAS/UWT and UCAC described these unions as 'reserving their position'. The UCU statement declared that, "following receipt of all documentation and further clarification the proposals will be considered by the NEC, and then all members in TPS will be balloted on whether to accept or reject the offer".

The future of the dispute

The PCS rejection, the fact that deals were not signed on Monday in the civil servants' and teachers' pensions schemes, and the on-going debate in the local government unions about the agreement over the deal among the local government unions means that the future of this dispute, and the securing of existing pensions arrangements, are still an open question.

There are already (in the three days after the proposed settlement) two and a half thousand signatures on the e-petition for rejecting the Government's offer (go to http://bit.ly/rJ8SGJ), including 16 members of the National Executive of Unite, and a large majority of National Executive members of UCU in the TPS.

There will be a series of NEC meetings and ballots across a variety of unions in the New Year. Millions of public sector employees did not strike on N30, merely to get a rebalancing of the Government's attempted cuts to pensions. The success of the day, and the fact that it was seen as the beginning of the fightback, will have caused many to wonder how a settlement could be announced, or a deal recommended, without any concessions from the Government.

It is clear that the current proposals on public sector pension reform continue to mean that public sector workers will be expected to work much longer, contribute much more, and receive much less from our pensions. Employee contributions remain set to rise by approximately 50% over the next three years. Indexation will remain linked to the lower CPI inflator, not RPI. Younger members, and those in mid-career, will be expected to work until 66, 67 or 68 until eligible. For those in TPS, there is still the transformation of the scheme from a 'final salary' to a 'career average' pension.

The Government's claim that no further changes will be sought for decades is, moreover, meaningless since no government can make such promises about the behaviour of future governments. A similar rhetorical undertaken was given when public sector pensions were reformed in 2006/7.

There is no affordability crisis!

The Government, as with the Hutton Report earlier this year, has failed to demonstrate the economic necessity for public sector pension reform. None of the pension schemes are in current or projected shortfall, and they are all demonstrably affordable at present contribution rates. This is an aspect of the dispute that is continually ignored in media coverage, an omission that statements from our side have not yet overcome. Indeed it is only the proposed 50% increase in monthly contributions which, in possibly driving younger or early career teachers out of the TPS, might threaten the scheme's future viability.

The NAS/UWT statement made the point succinctly*:*

The Coalition Government has still not provided any information on the need for reform to the TPS, and today's [Monday's] statement confirms that teachers will be expected to pay more, receive less and work longer for their pensions.

The Government's private rationale for the changes is easily discernible. Given that the changes are not financially necessary, there is a clear dual aim:

- to lower the cost to public sector employing departments, and thus to redirect funds in favour of the deficit created by the banking crisis, and to facilitate privatization in the post-16 education sector; and
- gradually to transform an expectation and tradition of collective provision for old age (through existing funded schemes with final salary provision) to resignation in accepting a move to individual responsibility for retirement (through the stock market wager on 'money-purchase' schemes).

The latter intent is why the Government is not excessively concerned about the future viability of schemes whose increased contributions might render them non-viable as a result of the deterrent effect.

What next for UCU, and the defence of TPS?

A special NEC meeting is to be called in early January. It will review the Government's proposals, and recommend acceptance or rejection in a ballot of members of the TPS. As a member of the NEC representing HE in the South Constituency, I will certainly urge members of the NEC to recommend rejection, and, in the ballot, will urge our local Committee at Brighton to urge members to reject the proposals.

The UCU campaign was:

- against any increase in contributions as financially unnecessary for the scheme and unaffordable for some at a time of declining real wages;
- against any increase in the retirement age, as financially unnecessary professionally ill-considered, and a breach of contract;
- against any cuts to pensions from a move to CPI as a contractual breach and a deferred wage cut;
- against the move to 'career average' as a breach of contract, and a worsening of pensions without a shift to an unattainable accrual rate.

This was the policy position adopted overwhelmingly at successive conferences, and reasserted by the NEC. None of these things have been achieved in the Government's 'final offer'. Hence the offer should be rejected, and the campaign of industrial action should recommence as soon as possible, and should escalate through the year. This is the position that the UCU should adopt in consultation with the other teaching unions and the PCS.

The UCU will then need to plan for further strike action, in conjunction with the other teaching unions and the PCS (and with those other unions whose members may yet reject the Government's amendment of the cuts).

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