



# Thatcher's Pension Reforms

## Project Briefing no. 3, January 2016

### Latest findings

- Portable personal pensions embodied an assault not just on the State Earnings Related Pension (SERPS) but on occupational schemes and insurers.
- Occupational pensions, traditionally viewed with approval by Conservatives, were for the 'new right' paternalistic and antithetical to individual freedom.
- The actuarial profession was highly concerned about the government's proposals to abolish SERPS – warning that the public lacked the necessary financial planning skills and would be at risk of misselling.
- The actuarial profession resented the way in which its views were ignored.
- The Government Actuary's Department was pushed to the limit of its preparedness to cooperate by the assumptions it was asked to embody in its projections.

It has been rather longer since our last briefing than intended due to the departure of Prof Middleton, the project's co-investigator. Roger decided to retire in September. Subsequently, in consultation with our funders, we reconfigured and extended the project (to July 2018).

### New co-investigator appointed

We are pleased to announce a new CI. Dr James Freeman, Lecturer in Digital Humanities, is an expert in the use of digital technologies in the study of modern British political history, being interested in particular in the changing nature of political rhetoric.



Despite our organisational re-configuration the project's researchers have been working hard.

### The Politics of Pensions in the 1980s

Aled Davies has undertaken very extensive research in the official government files held at the National Archive in Kew.

In these files, which proved even more extensive than expected, Aled has uncovered a rich seam of material relating to the formation of pension policy under the Thatcher governments. That process of information gathering is now almost complete and over the next few months we intend to analyse these records in great detail.

It has been particularly interesting to look at the consultation process undertaken on behalf of the government through Norman Fowler's inquiry into provision for retirement, and to start to evaluate how this process interacted with the government's political and ideological agenda.

One of the most interesting aspects of the Thatcher government's reform of pensions in the 1980s is its complex and uncertain attitude towards occupational pension schemes. On one hand, the post-war extension of occupational pensions had demonstrated the capability of the market to provide welfare in place of the State, and had given millions of workers a stake in the private economy.

Yet some of the most influential groups and individuals involved with the government's pension reforms – notably Nigel Vinson and Philip Chappell (Centre for Policy Studies), Walter Goldsmith (Director General, Institute of Directors), and John Redwood (Downing Street Policy Unit) – believed that this institutionalisation of pensions

*The only possible outcome of any substance ... is a shift towards more individual responsibility*

Redwood to Thatcher, 3 May 1985

saving and investment obscured the direct relationship between the individual and the private economy.

Occupational pensions were seen as paternalistic gifts from employers which insulated the individual from the responsibility of making their own choices and managing their own risks, and thus constraining individual freedom. From this perspective, personal pensions were the means by which occupational pensions could be gradually replaced with mass individual provision and individual freedom enhanced.

These findings challenge the notion that Thatcherism was simply an attempt to 'roll-back' the State, and demonstrates that contained within the 'Thatcher project' was a radical liberal commitment to dismantling *all* coercive, collective institutions in both the public and private sector.

However, such radicalism conflicted with the traditional Conservative championing of good occupational schemes as an alternative to State provision, as well as a pensions 'industry' committed to employer-based schemes. This tension is a fascinating case study of the ideological and practical tensions within the Thatcherite political project – even more so than we had dared to hope.

## The Actuarial Profession

Our doctoral student, Tom Gould completed his examination of the Institute and Faculty of Actuaries' (IFOA) archive, and moved onto the files of the Government Actuary's Department (GAD) in the National Archive. His work confirms our perception of two main phases to the reforms.

### Phase 1 – 1979-1983

A period in which policy was essentially reactive, conditioned by the difficult economic environment, the legislation of the 1970s, and inherited issues such as the 'early-leaver problem'. A by-product of policy was a marked increase in expert understanding of the pensions environment.

### Phase 2 – After 1983

*This government is not asking 'whether', it is asking 'how'*

Eric Short, *Transactions of the Faculty of Actuaries*, 39 (1984-6)

With the 1983 election out of the way came a political determination to confront the consensus on pensions that had been established in the 1970s. That determination, and the unwillingness of the government to listen to objections was the subject of alarm in the profession.

## ABOUT THE PROJECT

This 4-year AHRC-funded project began work in September 2015. It is exploring reforms to Britain's pension system implemented by the Conservatives in the 1980s and assessing their longer-term consequences.

## FOR MORE INFORMATION

Details of the project team, the project blog and publications can be found online at [www.thatchers-pension-reforms.uk](http://www.thatchers-pension-reforms.uk)

The project's Principal Investigator, Dr [Hugh Pemberton](#), can provide further information. Email: [h.pemberton@bristol.ac.uk](mailto:h.pemberton@bristol.ac.uk)

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Many actuaries saw the proposals as unnecessarily ideological, likely to provoke a political backlash, and so incompatible with long-term stability. They warned that personal pensions, however attractive they might be in theory, presupposed a public much better educated in financial planning than was in fact the case; and they highlighted the potential for misselling.

*Political generals [are] oblivious to the large number of private pensioners likely to be left as financial casualties*

R. K. Sloan, *Transactions of the Faculty of Actuaries*, 40 (1985-7)

Actuaries within and without government also complained bitterly about the government's 'misuse' of statistics as it developed its proposals, with GAD at one point threatening to demand a 'letter of direction' if it was to be forced to forecast on the basis demanded.

## FUTURE WORK

In the next 6 months we will begin to generate more detailed results from our archival analysis. We plan to begin to present initial findings starting at Easter