

Consistent pensions reform policy needed



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For good or ill, the government is in danger of painting itself into a corner on public sector pensions. On one hand it wants to ensure that public sector pension liabilities are kept under control, but on the other, if it acts to reduce these pension benefits, it risks provoking opposition from public sector workers.

In addition, any actions to help particular groups, such as the judges, may lead to accusations of special treatment for favoured groups, while the entire issue of public sector pensions tends to rouse the ire of many in the private sector.

In short, a veritable hornets' nest is buzzing (or whatever hornet's nests do).

It used to be fairly simple. Public sector workers, it was generally recognised, were underpaid in relation to their equivalents in the private sector. In return, they enjoyed greater job

security and very good pensions. Now, with pensions in the private sector under great pressure, many are questioning the public sector's relative generosity on pensions.

How the government is handling this leads to a couple of observations.

In its policy making, the government should bear in the mind the advice of football manager Alex Ferguson to Ryder Cup captain Sam Torrance, that everyone on a team should be treated equally, with no preferential treatment for stars.

With its contrasting plans on judges' pensions and those for rank and file public sector workers, the government has breached this rule and scored an own goal. (This is without mentioning the members of parliament own pension arrangements).

The perception of unfairness makes it hard for the government to convince anyone that it really has firm grip on public sector pensions reform. Instead, the impression of policy driven by short-term expediency and special pleading is fostered.

Secondly, many of those rank and file public sector workers, particularly members of the local government pension scheme, retire on relatively modest amounts in many cases. Is there a danger that these workers could be unnecessarily penalised, if the government wants to show it can act tough?

Perceptions matter and if the government wants to be able sell pension reforms, whether in the public sector or elsewhere, it needs to act consistently.