# THE DEVELOPMENT OF RETIREMENT PENSION SCHEMES AND THEIR POSSIBLE RELATION TO THE MOBILITY OF PROFESSIONAL EMPLOYEES IN THE PUBLIC SECTOR

A Thesis

presented for the degree of

BACHELOR OF PHILOSOPHY

in the Faculty of Arts of the

University of St. Andrews

by

Joan Lee Schoff, B.A.

May, 1972

## DECLARATION

I declare that this thesis is my own composition, that the research of which it is a record has been carried out by me, and that it has not been submitted in any previous application for a Higher Degree.

This Thesis describes results of research carried out under the supervision of Professor J.W. Nisbet, Mr. J.A. Stewart, Mr. W.F. Morrison and Mr. W. V. Thomas since October, 1967.

JOAN L. SCHOFF

## CERTIFICATE

I hereby certify that Joan Schoff has spent three terms as a full time candidate and twelve terms as a part time candidate in research work under the Political Economy Department, has fulfilled the conditions of Ordinance 50 (St. Andrews) and is qualified to submit the accompanying thesis in application for the degree of Bachelor of Philosophy.

W.V. Thomas
Supervisor

## ACKNOWLEDGEMENTS

I would like to thank Professor J.W. Nisbet for his help and encouragement during my research and Mr. J.A. Stewart, Mr. W.F. Morrison and Mr. W.V. Thomas who successively acted as my supervisors after his retirement.

I am especially grateful for my husband, Cliff's, patience and encouragement during the past few years.

# CONTENTS

## LIST OF TABLES

# PREFACE

This research has been undertaken in order to study the development of retirement pensions in Britain with special reference to the established public sector schemes. The possible relationship between retirement pensions and the mobility of professional employees in the public sector also has been investigated.

This study begins with a short survey of the growth of the ranks of the professions from a small select group to the large numbers presently covered by the term professional. While many consider only those who have very high qualifications in recognized vocations to be professionals the State grants professional registration to a much wider group of occupations. Also, in the public sector and large private firms employees are often divided into just two categories, manual workers and staff employees, those receiving wages and salaries respectively. In this case, the salaried employees are often collectively considered professionals, probably the widest possible use of the term. Because statistics are collected along these lines of demarcation it has been necessary to use the widest definition of professional employees in this thesis.

Retirement provision for professional employees is made up of two parts, National Insurance and occupational pensions. In order to understand its present form a review of the development of National Insurance was essential. The provisions for and rates of benefits and contributions for National Insurance are constantly changing and while this research was underway, a Bill was introduced in Parliament which would have revised completely the present system. Due to a change of Government this Bill was not

passed, but it did bring the issue of adequate National Insurance benefits to the forefront of discussion and it is likely that the present Government will also introduce reforming legislation.

Occupational schemes have had a long history also, especially in the public sector where Civil Service Superannuation was introduced in 1839. The statutory public sector schemes were probably the first comprehensive ones to be introduced and they set a standard for private sector plans. However, as occupational schemes have developed those in the public sector have remained largely unchanged and are now found to give inadequate cover in many cases. This is especially true of death benefits and provision for widows and dependents. These are tied directly to length of service and are therefore inadequate for the younger employees. Many private sector schemes, on the other hand, have introduced separate life assurance schemes which ensure sufficient benefits for the young widow and dependents.

After examining the types of pensions provided for professionals in the public sector, the relationship between pensions and the mobility of professional employees was considered. There are many things which influence the mobility of the labour force and these were examined in general terms before the specific role of pensions was investigated. Unfortunately detailed statistics were available for only two public service schemes. These data were used to determine the actual amount of mobility of specific groups in the two services. The possible effects of preservation of pension credits also has been considered as this is presently an important issue in the discussion of future pensions.

The thesis examines the importance of retirement pension provision to professional employees and its possible affect on their mobility. It also considers the significance of the preservation of pension credits in ensuring that retirement pensions are adequate and that they do not hinder the mobility of employees.

# CHAPTER I

## THE PROFESSIONS

### Introduction

During the twentieth century in Britain there has been a great transformation in the economic structure of the population. There has been a rise in the living standards of virtually everyone and through the introduction of the Social Services the position of the poor has been at least partially improved. However, the rise in living standard has been accompanied by inflation. Therefore while salaries and wages are much higher than they were fifty years ago, real incomes have not grown nearly as much. And recent statistics have shown that between 1955-1966 prices increased by 4.3% more for those at the lowest levels of income than they did for those at the highest levels[1]. This was due mainly to increased rents and the costs of fuel and light which form a higher proportion of the expenditure of low income groups than of high income groups. Therefore, the real rise in living standards for these people has been less than that of people already in the high income groups. One of the groups of people who generally have low incomes are those who have retired from work and are living on pensions or past savings. As inflation has proceeded, the importance of State and occupational retirement pensions has increased for it is through these that poverty may be avoided by many of the elderly. For those who have sufficient resources for basic needs, pensions help prevent a drop in living standards after retirement. It is important, therefore, that provision for pensions should be made more comprehensive to ensure that retired people have a sufficient income in the future.

An industrial nation needs an experienced and well trained labour force; one in which new ideas and initiative are abundant.

To obtain experience and new training, the labour force must be mobile. This is important for all levels of employment, unskilled manual workers as well as the highest executives. It is especially important at the higher levels - managers, specialists, executives - for it is these employees who may bring fresh ideas and initiative to the running of a company.

However, employers do not usually favour very high rates of turnover, especially among the higher skilled positions, as training can be expensive. And, of course, a very high rate of turnover could be disruptive to the smooth running of a firm. The desire of employers to retain their more experienced and skilled employees has led to the introduction of many fringe benefits. Those which are most effective are the ones which increase with the length of service given. A retirement pension scheme is probably one of the most important examples of this type of fringe benefit. Some retirement pension schemes, usually for manual workers, only provide for a flat rate benefit which probably has little actual effect on the mobility of the employees concerned. Most schemes for staff, or salaried employees, however, are related to both salary and length of service. They should, therefore, have a much greater effect on the older and more experienced employees. The holding power of such schemes becomes greater as the employee earns more credits towards his final pension. The natural result of this process is that there is little mobility among older professional employees, especially those who have remained with one company for a long time. And those who do change their jobs often find that their pensions at retirement are completely inadequate.

Where the balance lies between the needs of an industrial society for mobility; of an employer for some stability in his work force, and of the employee for comprehensive retirement pension cover would probably be very difficult to determine. The problem involved,

however, gives rise to the desirability of preservation of pension rights for employees who have been with the same employer for a number of years. There are many suggestions as to how many years service should be given before preservation is provided, but the most common suggestion is five years. An age limit of between 30 and 40 is also often suggested. There are already schemes in both the public and private sectors which do provide for some form of preservation of pension rights, but a comprehensive system would be necessary to make preservation effective. At the moment, the public sector schemes generally provide for the transfer of pension credits between jobs within the public sector while most provisions in the private sector are for deferred pensions, or a vested benefit.

This study is predominently interested in professional employees and the effect of retirement pension schemes on their mobility. The effectiveness of all sections of the economy may be influenced to varying degrees by the experience and initiative of the employees involved. This is especially true where professional people are concerned. Many professional people are self-employed and make their own arrangements for retirement. Therefore they will not be included in the study. Most professional people, however, are employees of companies, Government Agencies and so on, and it is these who are affected by provisions for occupational retirement pensions.

Origins of the Professions

The professional organizations of today have grown from the concepts and principles of the three ancient professions - the church, medicine, and law. Their present form and aims, however, are a Victorian phenomenon. They have grown up to fill the needs of an industrial society and yet have modelled themselves on the early gentlemen's professions.

Until the early middle ages almost all men of learning were church clerks. Writing and accounting were seldom found outside the

church, especially since Latin was the language used. Thus, almost all of the early professions were part of the church, the members of which had merely begun to specialize. Likewise, promotion and maintenance within a profession was usually through ecclesiastical preferment[2]. Many country parsons were also the schoolmaster or doctor and some began to specialize in these callings and emphasize them rather than their pastoral duties. Hence the growth of medicine and teaching within the church and their gradual drifting away from it until they became independent. The doctors became separated from the church quite early, with the growth of the universities, where they were able to obtain a good education without actually taking orders[3].

With the reign of Henry VIII and the change in the status of the church, many more laymen could enter the professions. It was no longer necessary to take minor orders to have an opportunity to learn. And as science advanced, medicine especially drew away from church influence. The College of Physicians was founded in 1518 and though it did not have formal educational facilities at that time, it did provide an association where its members could exchange ideas and techniques. Teaching was the only vocation, that was later to be considered a profession, that remained tied to the church until long after the Reformation.

By the beginning of the 18th century and the industrial revolution the three ancient professions were fairly well established and were the only occupations considered fit for gentlemen except for careers in the Armed Forces and Civil Service. This was because the professions were based on a "liberal" education, received in England at either Oxford or Cambridge. A liberal education did not prepare one for a specific profession, but produced a man with wide knowledge andabase from which he could learn anything else that he

might wish. It was assumed by many that if a man had had a liberal education, he would be a true gentleman and would not practice unless he was completely capable.

This idea developed from the social system existent in the 17th and 18th centuries, traces of which are still found today. Possession of land was the foundation of the British hierarchy in the 18th century, politically, legally, and socially. The landed family was the central unit as property gave independence by breaking the connection between work and income. An estate was used to support the family and when it gave enough monetary support, the family could concentrate on improving its social and political connections so that it became an important institution locally. Belonging to a landed family gave a young man access to patronage, the wealth of church and state. With social prestige, one could be wealthy with little work or industry of one's own[4].

Though patronage was the accepted way of maintaining one's position, the range of employment, especially income giving employment, was very narrow for the gentleman. The only positions fit for gentlemen, besides the three liberal professions, were in Government and the Armed Forces. Since there was no salary attached to them at that time, they were available only to those with an independent income. Some people in these positions were granted 'places' or specific properties and their income would consist of whatever amount could be drawn from these. For example, ministers of public funds were allowed to invest them for their own profit until the funds were needed and Officers of the Army might maintain themselves from any booty collected. Army positions were bought, though partially based on a system of seniority, so it was essential to have independent wealth in order to achieve promotion. The Government positions and Armed Forces did not demand a liberal university education, as

the three professions did, but they did demand wealth and interest and were thus open only to the upper classes. Though the professions did not offer high monetary rewards at this time, they did offer a safe niche in the social hierarchy and thus were sought after as gentlemens' vocations

The 19th Century - New Professions

It was the 19th century, with the influence of the maturing industrial revolution and its Victorian reforms, that fostered the emergence of most of the professions of today, and it was the lower branches of the major professions that saw the greatest activity during this century.

The demands for examinations first arose in the newer professions. These groups came from the middle classes where a liberal education was not expected and would be much too expensive. Their organization was closer to that of the craft gilds and education was by apprenticeship rather than schooling. An apprentice studied his subject only and his liberal education was left for his spare time. There were many more people in the lower branches of the professions and they were spread out over the provinces as well as in London making it much harder for everyone to know each other. This made it more difficult to organize and guard against unqualified practitioners. With their practical view of education and organizational methods, the lower branches realized that their advancement lay in having formal qualifications that could be impartially assessed and universally recognized. This would give them a helpful shield in their fight against the unqualified and would force the superior professions to recognize their quality and thus grant them the status and social standing to which they aspired. A set of qualifications regulated by their association would also give the lower professions the beginnings of self-government, which the established

professions already had.

For example, the Apothecaries, who were the third order of the medical profession and were allowed to prescribe drugs and visit patients in their homes, but were usually not consulted for the more serious diseases, gained recognition during the century. The Society of Apothecaries made its greatest gains after the passing of the Apothecaries Act of 1815 which gave the Society the power to examine all Apothecaries in England and Wales. Thus, the Apothecaries were the first to set up a system for qualification and registration on modern lines. Those to be examined had to have served as an apprentice for five years beforehand and since the examinations were strict, their standards, and thus their status, increased rapidly.

With the passage of the Apothecaries Act, a model for the 19th century professional association was established. It gave self-government and power over the qualified. And it gave statutory force to the idea of formal professional education before qualification and forbade those who were not qualified to use the name, apothecary. The apothecaries' educational system was taken seriously from the beginning though standards initially were not high. By 1834, however, the apothecaries' system was admired by most other professions.

There were three important points of principle that the aspiring professionals were aiming at, and finally achieved in the 19th century. First was the recognition of the importance of education tested by set examinations. Second was the exercise of professional discipline through powers of registration and striking off. (The general practitioners gained this through the Medical Acts of 1858 and 1886 which created the General Medical Council as a registration authority.) The third principle was statutory recognition of the rights of the duly qualified practitioners with severe sanctions for the unqualified. This would create, in essence, a closed shop[5].

Growth and Reform

As the middle classes were trying to raise the status of the lower professions, they were also trying to break into the domains of the aristocratic officials in other fields. They did not feel that one deserved to be a high Army or Civil Service official just because one was born into the upper class. They felt that these positions should be open to anyone who had the ability.

The Civil Service was perhaps the worst offender in the system of patronage and received the strongest of the reformers' attacks. Admission to the Civil Service was sought by those of the upper class who wished a comfortable living with little labour and no risk. The work was uninteresting, but the hours were short and the pay adequate. And most important, one's position was secure.

As Government became more complicated in Victorian times, demanding higher qualifications, the higher positions were granted to men who had already made their name elsewhere and who could draw on a great deal of experience. The reformers, however, resented having their own chances of promotion curtailed. Thus by the middle of the century a great deal of pressure was building up to make the Civil Service competitive. In 1854 the Administrative Reform Association was founded to organize pressure groups[6].

By this time, however, the reformers had already won their first victory. In 1853 a competitive entry system to the India Civil Service had been passed. Those in the middle class who were well educated saw this as a shattering blow to aristocratic prestige and privilege. The middle classes were now to have as much chance as the privileged to obtain the most interesting posts in the India Civil Service.

Though the competitive system was a great improvement, it entailed problems of its own. In many cases the subjects tested

were not actually pertinent to the job to be done. This was especially true in such cases as infantry and cavalry where technical knowledge would be necessary and where a course and examination in physical fitness would have been very important. These were eventually included.

The British Civil Service Commission was set up in 1855 though only a few departments were brought under it immediately and its first duties were merely to test those who had already been nominated for certain positions[7]. The first competitions revealed a low level of education in general in Britain. Often, none of the competitors would obtain a passing mark on an examination. In some ways, the examinations helped to improve educational standards, but they also encouraged cramming and many university students began to leave university early in order to study the specific subjects required by the Civil Service. When the upper age limit for admission to the Service was lowered to 21 years, this problem became acute as the student did not have time to prepare for both university and Civil Service examinations at the same time. Also training time was short after entrance to the Civil Service was obtained[8].

Though there were many faults in the competitive system, it was an improvement on the system of patronage, and the problems created were constantly being met. By 1870, open competition was the method of entry to nearly all departments of the Civil Service. The Foreign Office resisted the change for a long time, but it did initiate a form of limited competition and finally conformed to the general pattern.

Money, even more than connections, however, was still useful to the young man aspiring to professional status, especially outside the Civil Service. A professional education, even in the lower branches, was still very expensive and capital was necessary in

order to set up a practice in those professions where practitioners did not become salaried employees.

By the last quarter of the 19th century most of the professions had become fairly well established. Though the status of the lower branches had not reached its present levels, they had risen much above the status of the tradesmen. In 1841, the census included only the clergy, lawyers and medical practitioners as professionals, though it did catagorize most of the lower professionals as "other educated people". By 1881 the list of professional people had grown tremendously: clergy and theological students, barristers and solicitors, law students, physicians, surgeons, general practitioners, dentists, medical students and assistants, midwives, army and navy officers, schoolmasters and teachers, authors, editors, journalists, artists, actors, musicians, architects, engineers, surveyors, and persons engaged in other scientific pursuits. Though this list included many who had not yet been recognized as professionals, it did indicate the trends at the time.

Twentieth Century

Increased industrialization in the twentieth century has caused an even more rapid growth in the number of professional associations and in their importance. As more specialization was needed the specialist became more numerous and powerful. In 1966 there were about 160 professional associations as compared to 50 in 1900, and the professions now number over a million members, or 5% of the labour force, while in 1900 there were only 100,000 members, less than 1% of the labour force[9]. Dentists were granted registration in 1921, and their monopoly was consolidated in the 1950's as was that of the solicitors. Opticians received a monopoly in 1958 while the medical auxilaries received registration in 1960. Even the hairdressers were granted registration in 1963[10]. In the past

ten years alone about twenty-four new associations have been formed.

The scientist who had been obscure in the 19th century suddenly became a man of influence during the 20th. Chemistry was not taught in schools and universities as a career subject until the 20th century and physics was not important in industry until the 1920's and 1930's. And even then both were used mostly in research laboratories and scientific instrument firms. Currently scientific experts are in demand throughout industry.

With the increase in scientific knowledge, the doctors also specialized more and became internally divided. Hospitals increased the division by providing a place where the patient could be brought to the specialist. And the costs of the specialist's equipment could be spread over many patients. This spreading of costs along with the establishment of nurses in hospitals enabled the poor to obtain treatment that they never would have been able to afford otherwise[11].

The new profession of social worker was also formed to take care of the mentally and emotionally sick. They took over a portion of the doctor's and clergy's former duties. The management profession did not begin to grow until the beginning of the century when the size of firms became so large that special men had to be hired to oversee and coordinate procedures. Book-keeping and cost accounting paved the way for specialization within firms and for vast growth in size. As accounting methods developed, the need for managers to relay the central command also grew.

Present Situation

The reasons for the existence of professional associations are three fold: to increase or at least maintain social status through a code of ethics and honourable service; to ensure competence within the profession and draw a line of demarcation between

the qualified and unqualified; and to obtain economic affluence[12]. This thesis is primarily concerned with one aspect of the last of these, but the others are also very important.

Carr-Saunders has described the associations as a spontaneous coming together of practitioners to further their own ends with a subsequent intervention by the State for regulative purposes[13]. The association provides the framework and sanctions for the complex of obligations and responsibilities of professional people. It has a disciplinary function in maintaining a moral code; an educational function in supporting institutes and universities that train its members and in promoting additional study by members; and it has the functions of a trade union in trying to maintain a high, or fair, level of remuneration for its members. Each profession is organized on a craft basis with different associations within a profession being formed with different motives. Other than economic protection, a desire to mark the competent and increase study are perhaps the most important motives for the formation of associations.

Internal organization may have a great effect on the vitality and efficiency of an organization. The ruling council of many associations is small and may be divided into executive and legislative branches. This is especially convenient where a professional association draws members from all over the country and legislative representatives can be chosen from each area. Both the British Medical Association and the National Union of Teachers employ this method.

The State has used the Registration Authority as a means of controlling the professional bodies. Likewise, the professions wish State registration because it often gives them an effective monopoly, as many employers hire only practitioners who are registered, thus eliminating competition by the unqualified.

The chief duty of the registration authority is to control entry into the profession and the State's purpose in giving this

authority is to mark the qualified. If a client knows that a practitioner is registered, he should be able to infer that he is competent and have full confidence in him.

As the registration authority has the power to admit to the register, it also has the power to strike off. This is usually done for "infamous conduct in a professional respect", which is more often interpreted as socially or morally infamous rather than as incompetence. If a practitioner has obtained membership in an association, his competence is assumed.

Where there is a register, some monopoly other than that legally given usually accrues to the profession. Specific functions are often reserved for the qualified - only registered medical practitioners can sign a valid death certificate - and these sometimes grant an effective monopoly. Institutional advantages are also derived from restrictive ordinances of employers, who decide that they will hire only registered practitioners[14]. For example, the National Health Service will hire only registered nurses and doctors on an established basis, and this gives them an effective monopoly.

The Civil Service as a profession is an entity unto itself since it is controlled by the Civil Service Commission which is made up of Civil Servants and is responsible solely to the Crown. It is not a registration authority in the true sense, and one is not a member of this profession until one is actually a Civil Servant, and one leaves the profession upon leaving Government service[15].

With nationalization and the growth of the State as an employer, there has been an increased trend for professional associations to act like trade unions. Previously a professional had been able to negotiate an individual and private contract with his employer and terms varied according to his abilities and any special attributes he might have. With the State as employer or in the nationalized industries this is often impossible and everyone is treated very much the same.

Thus the professional associations are turning to collective bargaining to try to obtain better conditions for all employees. Most professionals have not, however, had to resort to strike methods though the teachers did strike in 1969.

Nationalization has also encouraged the rapid growth of the administrative professions. Large firms are making individual specialists into salaried employees and are placing other salaried employees, the managers, in charge of them to co-ordinate their activities. The manager is sometimes a member of the specialist class that he supervises, but he is frequently an accountant who may be more involved with economic efficiency than with promoting scientific advancement. This sometimes creates a conflict of interests between the specialists and their non-specialist managers, and many professional associations are recommending that members, or prospective members, take courses in managerial subjects and accounting in order to ensure that the profession will be managed by fellow members who understand their problems[16].

Perhaps the most beneficial function of the professional association is to maintain the high qualifications of its members and to ensure competent service to the general public. In some instances this may mean that a professional association keeps the necessary qualifications for membership high by requiring prospective members to attend approved institutions or universities and to take specific courses. Church ministers are just one example. Students aspiring to be ministers in the Church of Scotland must normally acquire a university degree followed by a degree in theology, or receive a B.D. degree and then a diploma in one of three fields before being licensed. And then they serve a training period, usually at least one year, before ordination. There are special courses for applicants over the age of 40.

Practical training is demanded by many associations though some do not supervise this training. Doctors, dentists and nurses receive their practical training within their educational institution or in

an associated hospital. The training is usually directly regulated by the institution. Teachers also do their practical training under the supervision of their educating institution though outside of it. Training for those who are salaried employees is often provided by the firm or agency concerned. For example, Civil Service and Local Government employees receive training only after they have joined the service and therefore have no specific professional training before that time.

Examinations for the Professional Civil Service and the Foreign Service are very competitive with many more applicants than positions available. Extensive interviews and discussions are held with applicants for some positions. This is all part of an efficient screening system which finds the most suitable candidates for the Service.

The aspect of the professions that has probably interested the layman most is their social status and codes of ethics. High social status is one thing that the professions aspire to in payment for high quality service, and this still applies to those who are self-employed. Professional employees, on the other hand are often allowed the same amount of social recognition irrespective of the level of their qualifications. Professional codes of conduct date back to the beginnings of the professions and their ancient codes: the Hippocratic Oath, the inviolability of the confessional, the devotion of a lawyer to the interests of his client. In many of the professions, however, most of the members are not private practitioners, but salaried employees. Any employer expects consciencious work from his salaried employees and it is not just those with a professional code of ethics that are included in this, though professionals are often in positions of substantial responsibility. Professionals in the Churches and in the National Health Service really combine both aspects of professionalism. They are salaried employees and are therefore accountable to an employer

and at the same time their job is to serve individual people to whom they must have a sense of responsibility. Consequently their ethical standards are just as important as those of private practitioners.

Charges for the professional services of private practitioners are usually set amounts though they often differ between practitioners or specific assignments. Practitioners are not allowed to receive commissions, share in profits or receive gifts or discounts from clients or third parties, that might have a definite interest in their practice. They are also usually forbidden to become directors or controlling shareholders of a related company without informing clients, in writing, of the connection.

There is little information available on actual earnings of the self-employed though most indicators show that they are fairly prosperous in comparison to the national average. The salaries of professionals cover a wide range of incomes. Many professional people start their careers with higher than average earnings, but these do not always increase proportionately as age and experience increase. However, as salaried employees their incomes do not generally decrease with age as some wages do, through shorter hours worked or the slowing down of work, and fringe benefits are often a substantial part of real income.

Professionals do not usually compete with each other. Advertising, price-cutting, and other competitive business practices are often forbidden. Some professionals, for instance pharmacists, do advertise, however, and in that way they are similar to other shopkeepers. Opticians may also work in shop premises and advertise through window displays. Group advertising is provided for by some professions, but little takes place as the association has little power to demand contributions from members and few volunteer funds. Group advertising could help the professions as a whole at the same time that it gave consumers valuable information about what to expect. This type of advertising would be more helpful than individual advertising which

gives the more experienced practitioner a definite advantage. Advertising by individuals could also lead to competition among members of the association which is contrary to accepted policy.

Though the State has regulated the training and qualifications of the professions for many years, it has employed large numbers of them, with the exception of the Civil Service and armed forces, only with the growth of its powers and responsibilities in the twentieth century. With the growth of the public services, nationalization, and government research centers, the State now employs a large number of professionals. And with this increase in the size of the employer and with the use of collective bargaining, the policy of promotion by seniority has become wide-spread. Formerly brilliant and hardworking young professionals had risen to executive positions quickly, but the present trend toward promotion through seniority has made this more difficult[17].

The number of socialized professions has not increased substantially from the 1930's when doctors, Civil Service employees, and teachers were the only professions socialized at all. The extent of socialization of these professions, however, has increased as over 90% of doctors are under the National Health Service and nearly all teachers are employed by the State. Lewis and Maude define a socialized profession as "a profession, the provision by whose members of direct service to individual members of the public, is organized and financed by the State"[18]. It is not necessary that all or even most of the members of a profession be working in the State organized service though in most cases the majority of members are employed by the Government Services.

Socialization does not necessarily mean a decrease in income for the average professional. Indeed, at one point, dentists were receiving very inflated incomes because of the system of payment that socialization had introduced. It may be argued that professional

employees receive more fringe benefits for the work they do, than most other workers. This may be true of professionals employed by large companies or by the public services and educational authorities. Most of the professional groups in this study have a large number of members who would fall into this category. There are certain non-pecuniary benefits gained by a University lecturer that may make the relatively low salary worth while. Among these are the academic atmosphere, freedom to choose ones topics of research, and the absence of the regimentation of working hours and so on which are often found in industry and Government. One of the most important fringe benefits for the University lecturer is the pension scheme for staff members, FSSU, which currently gives some of the most flexible pension provisions.

Since the initiation of the National Health Service, doctors and nurses have been given a comprehensive pension plan also where formerly, when in private practice, they had to set aside money for their own retirement. This meant, of course, that some doctors set asside a great deal while others saved very little and therefore often had to delay their final retirement and perhaps take a drop in living standards when they did retire. Many feel that church ministers have a large number of fringe benefits, such as free houses and transport, though ministers also receive relatively low salaries or stipends. It must also be remembered that a minister's free house, allowance for his car, and so on are only provided for him while he is in active duty. When a minister retires, he no longer has a manse to live in and must pay for all his car's repairs and petrol used, and this comes out of a vastly reduced salary, his pension. This varies from church to church, but the amount given is usually much less than the minister's former stipend.

Along with other fringe benefits, retirement pension schemes have become increasingly important and this importance has been

especially recognized in the latter part of the century. It is with the pension schemes of the professional people and their effects on the mobility of these people that this study is primarily concerned. The development of State provision for old age is intrinsically linked with the growth and present form of occupational schemes, especially those covering public service employees.

REFERENCES

1. "Problems of social growth" The Times. 9 March, 1971. p.14.

2. A.M. Carr-Saunders & P.A. Wilson, The Professions. Oxford:1933. p.11.

3. R. Lewis & A. Maude, Professional People. London: 1952. p.14-15.

4. W.J. Reader, Professional Men. London: 1966. p.4-5.

5. Ibid. p.67-68.

6. Ibid. p.84.

7. Ibid. p.90.

8. Ibid. p.94.

9. D.S. Lees, Economic Consequences of the Professions. London: 1966. p.3.

10. Ibid.

11. R. Lewis & A. Maude, Op. Cit. p.39.

12. G. Millerson, The Qualifying Associations. London: 1964. p.28-31.

13. A.M. Carr-Saunders & P.A. Wilson, Op. Cit. p.319.

14. G. Millerson, Op. Cit. p.358.

15. Ibid. p.351.

16. R. Lewis & A. Maude, Op. Cit. p.223.

17. A.I. Harris, Labour Mobility in Great Britain, 1953-1963. HMSO: 1966.

18. R. Lewis & A. Maude, Op. Cit. p.175.

# CHAPTER II

## STATE PENSION SCHEMES

### Introduction

Concern with the ageing of the population in Britain has risen rapidly as sociologists and economists have drawn more attention to the problems of old age. Social policies and provisions for old age have become a matter of concern for the Government, employers, professional associations, trade unions, and employees alike as more and more of the responsibility for care of the elderly or incapable has been given up by the individual or private authority. The elderly, in the past, had usually been cared for by their children or other close relatives with whom they lived and whose wellbeing, or poverty, they had shared.

As the community became more complex, Governments began to encourage the adult members of the population to contribute to charities and then encouraged the formation of almshouses and workhouses where the poor, who had no where else to go, could receive aid. The gilds made provision to help maintain members who could not take care of themselves, and the Friendly Societies of the 18th century were often specifically set up for this purpose. Members contributed to the Society funds while they were able and were taken care of by the Society when they became sick, disabled, or too old to be productive. The Government encouraged these societies as they enabled people to rely on themselves rather than on the Government, and the poor preferred them since the workhouses, as a means of relief, were often degrading. All of these different societies and provisions, however, did not do enough to stem the growth in the number of poverty-stricken people, both young and old, who were in need of help.

As society has become more impersonal and industrialized and as the standard of living of some parts of society has increased, the relative poverty of others has become more noticeable and concern with its alleviation has increased. In turn the State has taken upon itself more responsibility for improving the conditions of the masses. Pension schemes, or provision for the aged, are only a part of the many social services that have developed, especially during the past century.

The purpose of all social services is to improve the conditions of life for the individual in the setting of family and group relationships[1]. Retirement, or pension, provisions are aimed at improving the living conditions of those who have ended their working life and therefore receive little or no income of their own, unless they have earned enough to set something aside for old age, or worked for a company which has made provision for its retired employees.

One of the most important aims of social policies must be the relief of poverty. The relief of primary poverty is the removal of want, or the provision of the absolute, basic necessities of life. If primary poverty is to be removed, or relieved, by Government, someone must decide where the poverty line is to be drawn, who is below it, and what is necessary to bring these people up to or above the poverty line. National Insurance has identified the poor by certain categories - sickness, old age, large families, and so on - and relieves everyone within these categories, thereby relieving some who do not need it and missing others who may be well below the set line. The Government have set a financial subsistance minimum below which no person can be expected to live and this minimum has been provided for by National Assistance, now renamed Supplementary Benefits. The Supplementary Benefits scheme sets out a basic scale of benefits for various cases of needy people and this is the official Government set poverty line[2]. The basic scale in use in November 1969 is set out in Table 2.1.

Table 2.1

Supplementary Benefits - Basic Scale
(November 1969)

| | Long Term Cases £ | Other £ |
|---|---|---|
| Householders: | | |
| Single Person | 5.30 | 4.80 |
| Married Couple | 8.35 | 7.85 |
| Children: | | |
| Aged - under 5 | | 1.40 |
| 5 - 10 | | 1.65 |
| 11 - 12 | | 2.05 |
| 13 - 15 | | 2.20 |

Source: Annual Report of the Department of Health and Social Security for the year 1969, HMSO. 1970. Cmnd. 4462. p. 120-121.

This scale does not include housing expenditure which varies considerably in different localities and is thus calculated for individual cases. The poverty line shown here is therefore the amount needed after housing has been provided. Rents average £1.85 for a single person and £2.03 for a couple.

Secondary poverty is not concerned with the basic needs for survival alone, but with the needs for a more comfortable standard of living. It gives rise to the need for State provision of comprehensive health, education and welfare services[3]. These services are provided for everyone on an equal basis in order to ensure that the poor, who might otherwise do without, are able to obtain them. An example of the need for this kind of service was demonstrated by the great demand for dental treatment when that service became socialized and the poor could afford it. The great increase in dental treatment, of course, was largely caused by the fact that poor people, who previously consulted the dentist only when something major happened, had many treatments, for fillings and so on, to catch up on.

Besides relieving poverty, there are three other possible uses of the social services as such. The first is to promote greater equality of incomes in general. To effect this, all taxes or contributions from individuals would have to be proportional or progressive, while benefits would be weighted toward the poor. This should redistribute income quite effectively. The second idea is that of using the social services to socialize the National Income by providing free, universal and equal social benefits to all irrespective of means or needs. Those paying higher contributions would be subsidizing the poor who might not have received the benefits otherwise. The third idea is that the social services could be used in support of general economic policies. This would be done by setting contributions and benefits in such a way as to increase or decrease the amount of money in circulation, which should affect consummer demand. Thus if benefits were raised substantially without raising contributions, pensioners and other recipients would be able to spend a greater amount without a corresponding decrease in spending by contributors. Naturally this policy could become very complicated and it would be possible for the main purposes of having social services to be overshadowed by the needs of general economic policies.

If the purpose of the social services is to remove poverty, Beveridge suggested that it be done in such a way that the most extreme forms of relief are self liquidating and would be able to be discontinued after a certain period when everyone had been brought above the basic poverty line. This should be true of such things as the Supplementary Retirement Pensions that are granted now to those whose regular pension does not bring them up to the poverty line. There is a difference between providing people with enough to live on and providing their entire retirement allowance. If the Government were to provide a pension for everyone of half of their salary before

retirement, this would still not end all poverty in old age, as it would not help greatly the man whose salary before retirement was already below, or just slightly above the poverty level. It is questionable whether there is a need to provide everyone with a service, or pension of above subsistence level just to make sure that the minority who deed it, will receive it, but the exact way to provide relief for poverty often becomes a political issue in which this paper should not become involved[4].

As the system now stands, provision for old age is made by the State, occupational pension schemes, and in some instances private schemes of one sort or another. In order to study the possible relationship of occupational pension schemes and the mobility of professional or staff employees, we must first study the environment in which these occupational schemes are operating. This could entail a study of the entire social service system as it has developed, but since the main emphasis is to be on the retirement provisions within occupational pension schemes, it is that part of the social services which will be emphasized.

Development of National Insurance

The State, under Henry VIII, assumed that the old or incapable would be taken care of by family or voluntary alms from individuals and it was left to the church to urge the rich to give charity to those who had nothing. By the reign of Elizabeth, however, society was already becoming too complex to rely on voluntary charity alone and the State responded to the need by passing the first Poor Laws in 1597 and 1601. These were administered by the local authorities who were responsible for providing relief in cash or kind when and where it was needed. After the passage of the Elizabethan Acts, almshouses and colleges for old people became more numerous in proportion to the increase in public concern for the care of the aged. The Acts, however, were not fully implemented until the reign of

Charles I who, after 1630, set up special committees which developed specialized systems of work and poor relief though even these seem to have been only partially successful. The Poor Law allowed the compulsory collection in each parish of Poor Rates which were then used to assist the poor in that parish. In 1789 an Act was passed which allowed the appointment of Guardians of the Poor[5]. These Guardians were empowered to grant outdoor relief, which meant that the poor could remain in their own homes and did not have to enter workhouses in order to obtain help. In many areas outdoor relief was used in an attempt to aid poorly paid agriculteral workers and this developed to such an extent in some areas that farm owners were deliberately paying poor wages to workers who were then subsidized by the parish.

In 1832 a Commission was set up to examine the Poor Law system. A new approach to poverty was recommended by the commission such that the workhouses should be looked upon as a last resort for able-bodied workers. Outdoor relief should not be given to these people and yet they should be discouraged from entering the workhouses. These principles were incorporated in the Poor Law Amendment Act of 1834[6]. This Act also provided for the appointment of three Poor Law Commissioners to supervise the administration of relief throughout the country, bringing central control of relief under the State, but leaving actual administration to the local Guardians.

Another important Act relating to the provision for old age was the Act of 1833[7] which allowed the purchase of annuities. These were either immediate or deferred and could be purchased through savings banks, or societies, to a maximum of £20 and a minimum of £4. Other bills were proposed and debated, showing the recognition of need, but non became law.

This period also saw a great increase in Friendly Societies and other societies whose purpose was to provide for mishaps of all

kinds. In these, people joined together voluntarily, made contributions while they were working, and received certain benefits when they became ill or too old to work. The Government realized the importance of these by the middle of the 18th century and were inclined to encourage them through special legislation[8] and general attitude, but by the end of that century they were suspected of being trade unions since they were 'combinations of men' and were declared illegal and forbidden to raise funds. These laws were repealed in 1824 and the Government became increasingly in favour of their advancement. Even so, there were a large number of failures and administrative costs were sometimes as much as 50% of the total funds collected. Between 1793 and 1867, of 38,315 Friendly Societies in England and Wales, 13,935, or more than a third collapsed and took the savings of many people with them[9].

To help prevent this, Gladstone, when Chancellor of the Exchequer, in 1864, introduced the Government's Annuities Bill which became law that same year[10]. The Law provided for the purchase of life assurance and annuities from the Post Office. The minimum and maximum for life assurance were £20 and £100 and for annuities, £4 and £50 per year respectively. The funds would be invested in Government securities and thus would be safe from the bankruptcy of many Friendly Societies. The purchase of the annuities, however, was voluntary and since they were never advertized or pressed upon the public, the number held was never large. The most important reason for this failure was that those for whom the law was meant, were often too poor to take advantage of it or not thrifty enough to put money aside for the future unless forced to do so.

The passage of this law and its consequential failure show that the Government and public were becoming increasingly concerned with the problems of old age, but that schemes to provide for old age could not be popularized on a voluntary basis. Though the public were concerned with the issues, they were not yet concerned to the point of

making extreme demands or even taking advantage of benefits when they were offered. On the other hand, the Government saw the needs which presented themselves, but were deterred from meeting them as, in order to do so, it would have had to impinge on vested interests in the area. Thus the whole matter was delayed with public interest not being great enough to force the Government to take any action against the vested interests of the Friendly Societies and Insurance Offices.

Reforms by other Governments were watched closely in Britain and both Tories and Liberals approved of the new policies. The issue was to cross all party lines at various stages of its development. The success in other countries started an independant movement for Statutory Old Age Pensions in Britain. One of its first and greatest advocates was William Blackley, an educated Irishman who used his education to study the social reforms abroad and how they might be applied to Britain[11]. Other leaders of the reform movement were J. Chamberlain, the Rev. Moore Ede, Dr. Hunter, M.P., and Charles Booth. They started campaigning and by 1885 Chamberlain and Booth especially, were to be noted for their constant work toward the passage of Old Age Pension legislation. Chamberlain became the political champion of Old Age Pensions from 1890 onwards and as leader of the Liberal Unionist Party, he was in a good position to watch developments and influence policies.

A Select Committee was set up in 1885 by the House of Commons to study the best system of national provident insurance against pauperism. The committee sat intermittently for three years while it gathered data and then reported that the Government should wait until public opinion had developed further before taking action. Developments in other countries should also be watched in order to benefit from their experience and not make the same mistakes if and when Britain decided to initiate such a plan.

Friendly Societies and other cooperative societies and Insurance Companies opposed National Insurance and became vociforous about it in the 1890's. It was to their own interest to keep National Insurance from being established as it would take away their young members and leave them to pay the aged with little new investment. It would also mean that they would have to decrease their administrative costs which were often up to 60% of total funds by this time. When public and Government opinion first became favourable to Old Age Pensions, it was felt that opposition by the Friendly Societies and the Industrial Assurance Companies would be enough to prevent legislation. It was not until 1900 that public feeling was strong enough to influence the Government. The high rate of failure among Friendly Societies also contributed to pressure for legislation[12].

Before this time, however, two further commissions were set up to study the possibilities of Old Age Pensions. The first, the Aberdare Commission, set up in 1893, was the result of an unofficial committee chaired by Chamberlain. This commission was to see if any change was needed in the current programs. The commission reported in 1895 that though they felt there should be continued study they were not able to recommend any of the new schemes that had been put before them. So in 1896 another committee was appointed which differed from the previous ones since its members were Civil Servants and experts in the field rather than politicians. However even this committee recommended that nothing be done at that time.

The next committee was set up in 1899, to consider the best means of improving the conditions of the aged and deserving poor, invalids, etc. This committee surprised everyone by sitting for only three months. At the end of that time it had studied the Danish and New Zealand schemes and developed a scheme for Britain. It was true that every item in the report was controversial, but at least the report had been made, in a short time, and gave some concrete suggestions

from which to work. The report recommended that: every male and female subject of age 65 should be entitled to a pension if he or she qualified under all of the following provisions during the last 20 years to age 65.

1. had not been sentenced to penal servitude or imprisonment without the option of a fine,
2. had not received poor relief other than medical relief,
3. did not have an income, from any source, of over 50p per week,
4. had done his best to provide for himself and his dependants.[13]

The amount of pension suggested was not less than 25p and not more than 35p per week, the actual amount depending on the cost of living in the locality. Payment would be made through the post office and the Pension Authority would be the local Poor Law Authority. Pensions would be awarded for at least three years after which time they would be subject to renewal. Half of the cost of pensions would be refunded to the localities by the Exchequer.

The Committee report was accepted by the Government and a Bill based upon it was ready for presentation in 1900. But as it was presented to Parliament, the Boer War broke out in South Africa and the Government felt that the war's finance was too important to allow the beginning of any such venture as Old Age Pensions. The Bill was discussed in Parliament, but was subsequently shelved and was not produced again until just before the General Election of 1906 when the House of Commons resolved that some measure was urgently needed for the provision of pensions for the aged. However, again nothing was done and in the Election of 1906 the Liberals were elected with a large majority, and though they had not promised to introduce a pension's Bill, they decided to follow up the 1904 resolution of the House. It was not until 1908, however, that Sir Campbell Bannerman's Government finally introduced the Old Age Pensions Bill.

The Old Age Pension Act of 1908[14] provided for a pension of from 10p to 25p per week for all people over 70 years of age who proved

themselves, by a means test, to be unable to provide enough for themselves - whose income was otherwise under 60p or 40p per week respectively. This pension was noncontributory, paid for entirely out of general taxation, and was administered by H.M. Customs and Excise, the only Government Office big enough at that time to take over the task[15]. The Pensions were for only the deserving poor. The Act had a residence requirement of 20 years as a British subject living in the United Kingdom. The applicant must not have been imprisoned during the past 10 years and must have worked continuously to maintain himself and his dependants. Monetary means were checked quite carefully and since administration was in the hands of local committees there could be little hiding of possible income. Appeals could be made to the Local Government Board, but its decisions were final. Even with all these conditions the Government had effectively taken over the task of ensuring a subsistance level of living to at least part of the poor.

The 1908 Act did not remain unchanged for long. The first amending Act was passed in 1911[16] when certain conditions for awarding pensions were modified. The residence requirement was lowered to 12 out of the 20 preceding years and regulations concerning it were made more lenient. Disqualification for imprisonment was reduced from ten to two years as long as the sentence had not been more than six weeks. Payments of pensions were not to be paid while the pensioner was outside the United Kingdom. This would prevent people from retiring outside of Britain while still being paid by the State[17].

The 1919 Act[18] increased the maximum pension payable from 25p to 50p and increased the maximum means one could have and still qualify to £49.87½ per year or 96p per week. A pensioner could receive the maximum amount as long as his means were less than 50p per week and the amount of pension was varied by 10p rather than the former 5p. Residence and citizenship requirements were again made more lenient

and many disqualifications were removed or relaxed. The 1924 Act[19] made the calculation of means more lenient by excluding the first £39 of indirect means. The 1936 Act[20] was a consolidating Act of all the other noncontributory Acts passed up to that time.

Concurrently the Poor Law remained in existance and was also changing. In 1905 a Royal Commission was appointed to examine the Poor Law policies. It completed its investigation in 1909 and recommended many changes including the provision of Old Age Pension, Labour Exchanges, and National Insurance against Unemployment and Ill Health. All of these were provided for by 1911 which meant that Poor Relief itself actually became a residual service to be applied for as a last resort[21].

The Poor Law Act of 1927 repealed previous Acts and established a Public Assistance service and in 1930 another Poor Law Act was passed which consolidated other acts and made the care of the poor the direct responsibility of the Local Authorities, who established Public Assistance Departments. Despite the increase in benefits to the needy in various forms, a substantial number of people still needed assistance in the 1940's and a National Assistance Board was provided for in the National Insurance Act of 1946. In the Ministry of Social Security Act of 1966 the name of National Assistance was changed to Supplementary Benefits, but its coverage remained about the same.

A new series of Acts was started in 1911 with the passage of the National Insurance Act, though this was suggested by the Commission on the Poor Law which reported in 1909. The purpose of the 1911 Act was "to provide for insurance against loss of health, and for the prevention and cure of sickness, and for insurance against unemployment, and for purposes incidental thereto."[22] Members would be entitled to financial aid when out of work due to sickness; there would be a medical service; and financial assistance for those who became unemployed. Under the scheme, all manual workers would be compulsorily insured as

would non-manual workers whose income was less than £160 per year. Workers had to be between the ages of 16 and 65 to become members. Other than those compulsorily covered, persons whose total income was less than £160 per year and who were in regular employment, or self employed, could become voluntary contributors as could those who had been compulsory members but who had ceased to be employed. All members had to contribute to the scheme as did employers. The State also contributed a set amount besides making up any deficit in the scheme and paying for its administration. About 14 million workers became compulsory members and an additional one million became voluntary members[23].

The scheme was largely run through a system of Approved Societies. These were created mainly to overcome the opposition of private organizations already providing some of the benefits involved. If existing societies established a separate section to deal with the State Health Insurance scheme, they could become Approved Societies. Thus many Friendly Societies, Trade Unions, Collecting Societies, and Industrial Insurance Companies became Approved Societies and collected contributions to and provided benefits from the National Insurance Scheme. Those who were not members of Approved Societies were called deposit members and paid their contributions to and received benefits from the Post Office.

There were two types of benefits available: minimum and additional. Only those who were members of Approved Societies could receive additional benefits and these depended completely on the amount of funds available to the Society. Minimum benefits were available to all members and these consisted of:[24]

1. Medical benefit - treatment and medicine
2. Sanatorium benefit - for treatment of specified diseases
3. Sickness payments - while absent from work - 26 weeks
4. Disabilement benefit - a continuation of sick pay for an indefinite period
5. Maternity benefit - paid at the birth of a child
6. Financial assistance during temporary unemployment.

Additional benefits which might be available to society members included dental treatment, medical care for dependents and increased benefits under the minimum benefits list.

Although many modifying Acts were passed between 1911 and 1946, the principles of the scheme remained unchanged and formed the bases of the National Insurance Acts of 1946. In 1924 an Act was passed which separated the Health Insurance and Unemployment parts of the scheme and these then developed separately.

In 1925 a Widows', Orphans', and Old Age Contributory Pensions Act[25] was passed covering those who were already covered by the compulsory National Insurance Act of 1911 and connected to that scheme. Employee, employer, and Exchequer contributed, as to the 1911 scheme, and a pension was provided at age 65 as of right, and without a means test. The pension was a flat rate, as were the contributions. At the time of the consolidating Act of 1936, the contributions were set at 4p for men, employer and employee each paying half, and 2p for women, employer paying slightly less than employee. Benefits were 50p per week. By 1942 contributions were 5½p for men and 3½p for women. Benefits were unchanged in amount though the scope of the scheme had widened[26]. At the age of 70, when a pensioner became eligible for a pension under the 1908-24 Acts, he was technically subject to a means test, but in practice, anyone who had received a pension at age 65 was granted a non-contributory pension at age 70. A small pension was also provided under this act for a man's widow and this was increased if there were any dependent children. Also some provision was made for dependent orphaned children. In 1937 the scope of the Act was again extended to include many who were not covered by compulsory insurance.

The Old Age and Widow's Pension Act of 1940 reduced the pensionable age for women to 60. This gave women five more years to draw a pension in their own right and it also allowed a widow to draw her part of her late husbands allowance sooner. Since women have a

longer life expectancy than men anyway, this added to the burden on the Exchequer and any attempt at actuarially calculated benefits for women was made difficult. To offset this consequence, the 1940 Act also gave the Assistance Board power to pay supplementary allowances to pensioners in accordance with their needs.

With the passage of each successive pensions Act before 1940, the piecemeal nature of legislation was increased and though a few consolidating Acts were passed, social legislation was still a conglomeration that was increased each time some new need arose, or was recognized. Finally, pressure began to increase in an attempt to find some way of consolidating all previous Acts and in June 1941 an Inter-departmental Committee on Social Insurance and Allied Services was set up in order to "undertake, with special reference to the inter-relation of the schemes, a survey of the existing National schemes of social insurance and allied services, including workman's compensation and to make recommendations."[27] The chairman of this committee was Lord (then Sir) William Beveridge and the other members were representatives from the various Governmental Departments. It was hoped that the committee would be able to find a way of coordinating the services so that they could be more beneficial at less cost.

When Beveridge submitted his report in November, 1942, he presented a plan for a system of social insurance which he explained should be part of a comprehensive policy of social progress to be achieved by cooperation between State and individual. This insurance would provide a subsistence minimum which would enable the ending of poor relief: the numbers receiving poor relief had not gone down by 1940 despite the ever increasing numbers who received another form of State grant.[28]

The scheme of Social Insurance depended on the success of three assumptions. These were: the provision of children's allowances for all but the first child up to age 15; the provision of a comprehensive health and rehabilitation service for the prevention and cure of disease;

and the maintenance of a high rate of employment or avoidance of mass unemployment. If these assumptions were met, Beveridge felt that his scheme for National Insurance would be able to maintain the desired subsistence minimum.

The aim of National Insurance would be to secure this minimum income to take the place of interrupted earnings along with treatment to bring the interruption to an end as quickly as possible. Earnings might be interrupted by unemployment, sickness, accident, retirement in old age, or death of another person, and all of these should be guarded against. The plan should also provide help for exceptional expenditure such as birth, death and marriage. The natural way to guard against an interruption of earnings would be with a type of insurance in which the individual would pay premiums, or actually contributions, towards his benefits. As long as this principle of individual contributions was kept, the scheme could be described as insurance. Social Insurance was very different from voluntary insurance in that it ignored many essentials of voluntary insurance. For example, premiums must be adjusted to risk in normal insurance so that those with a high risk must pay more, for the same coverage, than those with little risk. The State can make its Insurance compulsory for all with the same contributions and benefits for all. Actuarial risks in voluntary insurance make funding essential while the State can guarantee benefits without funding since it has the power to compel contributions, or levy taxes. The State has, however, created a fund for National Insurance in order to help maintain its insurance image.

Beveridge introduced twenty-three changes to the system existing in 1940 to bring about his own scheme of National Insurance[29].

1. Unification of contributions. Both individuals and employers should make one contribution only to cover all aspects of National Insurance. This would simplify the system for both parties and decrease the costs to the employers.

2. Unification of administration under a Ministry of Social Security.

A single administrative authority for all benefits would decrease costs considerably and should also ensure that all benefits were coordinated.

3. End the system of Approved Societies for Health Insurance which allowed different benefits to be given for similar contributions. Since these Approved Societies were independant agencies, they had different administrative costs and invested funds differently. Thus some were able to give larger benefits than others.

4. Combination of workmen's compensation with the social insurance system with special provision for meeting costs and for pensions for prolonged disability etc.

5. Establishment of a comprehensive medical service that was not connected with social insurance. The cash benefits for sickness that were received from National Insurance should be independant of any treatment by the National Health Service.

6. Recognition of housewives as being occupied with special provisions made for their needs.

7. Extention of disability benefits to all occupied people whether in manual or white collar work, and extention of retirement insurance to all of working age whether working or not. This would cover the housewife who was not otherwise employed and would also make sure that independant workers and shopkeepers would not be left without a subsistence minimum when they were no longer able to earn.

8. Training benefit provided for all in order to facilitate change to a new occupation by those who lost a former position for any reason.

9. Make the benefit for unemployment or disability or other long absence from work uniform as the amount of need in each case would be the same.

10. Make the waiting time before benefits were granted the same for unemployment and disability.

11. Unify the conditions for contributions for unemployment and disability benefits in order to simplify matters and revise the contribution conditions for pensions to make the qualifying period longer.

12. Make unemployment benefit payable at the full rate for an indefinite period of time with the qualification only that the recipient attended a training center after a certain period of time.

13. Full rate of disability benefit should be given for an indefinite time. Behavior conditions might be imposed to make sure that the individual was actually disabled.

14. Make actual retirement from work a condition for receiving a pension. It would be too expensive to pay a pension to everyone at a certain age even if they were working. On the other hand, the pension should be

increased for each year over the retirement age that was worked and for which contributions were paid. This should give an incentive for people to remain at work as long as possible.

15. Unification of all forms of unemployment insurance under the general national insurance.

16. There should be no exceptions from insurance - for any occupations or for those whose earnings were over £420 per year in non-manual occupations, as was allowed in 1940.

17. Improvement of widow's benefit with special consideration for special needs.

18. Inclusion of a funeral grant within national insurance.

19. Unification of all public assistence under the Ministry of Social Security so that benefits could be more uniform and administration made easier.

20. Responsibility for the maintenance of blind people should be given to the Ministry of Social Security, again to make administration of all benefits easier.

21. Functions of the Assistence Board and the Customs and Excise department that were concerned with pensions should be given to the Ministry of Social Security.

22. Substitution for the Unemployment Insurance Statutory Committee with a Social Insurance Statutory Committee with similar but extended powers.

23. Conversion of the business of Industrial Assurance into a public service under a special board.

Although this was a long list of changes which Beveridge wished to be made, the basics of the 1940 system were retained as were many of its principles and administrative forms.

Before actually describing his Plan for Social Security, Beveridge examined three special problems of the scheme. The first was the attempt to set a flat rate benefit that would somehow take into consideration the discrepancies within the country of the cost of living and especially of rents. The benefit should be adequate for subsistance in the normal case and special assistance should be available for unusual cases. Voluntary insurance and savings should be encouraged so that it could be used to supplement the normal benefit before extra

assistance would have to be requested. There should be an allowance for all, but the first, dependent children. This was part of Beveridge's three assumptions that were needed to make the plan successful. As far as the normal benefit is concerned, it is easy to see that without a children's benefit it would be impossible to expect a flat rate benefit to be sufficient for a wide variety of families. Even with everything considered and carefully calculated it would be difficult to set a satisfactory rate and Beveridge felt that there would have to be a certain element of judgement in the amount set. He set his estimate at 25% above 1938 prices as he was sure that prices would not decrease substantially after the War. For a single person he suggested a subsistence level benefit of £1.20 per week and for a couple, £2 per week.

Because Beveridge wished to maintain the contributory principle and the idea that National Insurance was insurance rather than a tax, he recommended that there be a transitional period during which the benefit slowly rose to its maximum level. The first reason for this period was to establish National Insurance before full benefits would have to be paid. The build up of a Fund would reiterate the idea that there must be contributions before benefits could be paid. Another, and perhaps more valid reason for a transitional period, was so that private and occupational schemes would have a chance to adjust to the new State Scheme. Some employers might wish to adjust their own benefits or make other provision for pensions. The third reason for having a transition period was to ensure that the best rate of subsistence could be worked out and applied. During the transitional period, if it was found that the final rate would not be large enough, it would still be necessary to change many of the rates. The transition period suggested by Beveridge was 20 years though he said that the actual time period used was not important. Beveridge suggested a beginning rate

of pension of £1.20 for a couple and 70p for a single person. These could then be raised gradually to the maximum level over whatever period of transition was chosen. For those who were affected by the transitional period and were granted only partial benefit, there would be extra assistance determined by need. As a supplementary pension, one with a means test was acceptable for a short period of time, though it should not be brought in on a permanent basis and the need for public assistance should be reduced slowly.

It was not until 1946, after the War, that the Labour Government, spurred on by the Beveridge Report of 1942 and by its quest toward socialism and a "Welfare State", passed the National Insurance Act and the National Insurance (Industrial Injuries) Act. In these two Acts, a unified Social Insurance scheme for all of Britain, based on the report, was introduced.

Insurance was compulsory for all, self-employed, employed, and non-employed, who had not reached pensionable age on 5 July, 1948. The new levels of insurance were made available to all, after a very short qualifying period, regardless of when they had started contributing. This was contrary to the recommendations of the Beveridge Report which suggested that benefits be introduced over a transitional period so that the full benefit would not be paid until the late 1960's. The immediate introduction of full benefits from the National Insurance scheme caused a large deficit in the fund that the Exchequer had to pay out of general taxation. This deficit was not made up until a few years after graduated pensions were introduced in 1959.

The 1946 Act provided that employer and employee contributions be supplemented by a contribution from the Exchequer, which was a set amount in each case. The liabilities of the Exchequer, however, were not limited to this amount. A capital deficiency was created at the outset for each person over age 16 who was brought into the scheme

since they would never be able to fullfil the actuarial demands of the scheme. Likewise, provision had to be made for rising costs of higher pensions which created further capital deficiencies in respect of both contributors and beneficiaries in the scheme. These liabilities were shown as an excess of expenditure over income from normal contributions and had to be paid for by special grants from the Exchequer. The 1946 Act set out a scale of grants for the first few years of the scheme but after that they were allowed to vary as needed. In general the amount was expected to increase[30], though changes in the Act increased the proportion of Exchequer supplement from 16% to 18%, and then 25%, and also changed benefits and contributions. Table 2.2 gives figures for the amount of Exchequer grants from 1948 to 1961, in both current and constant (1962) prices.

Table 2.2

Exchequer Grants for Deficit in National Insurance
1948 - 1961

| | £ millions | |
|---|---|---|
| Year | Current Prices | 1962 Prices |
| 1948-49 | 26.6 | 43.18 |
| 49-50 | 40.0 | 63.29 |
| 50-51 | 44.0 | 63.40 |
| 51-52 | 24.0 | 31.79 |
| 53-58 | grants suspended | |
| 58-59 | 39.0 | 41.80 |
| 59-60 | 46.0 | 48.83 |
| 60-61 | 43.6 | 44.76 |

Source: Government Actuary Report on quinquennial Reviews of the National Insurance Scheme, 1954 - 1964.

Between 1946 and 1959 National Insurance remained basically unchanged except for increases in contributions and benefits. The original benefit in the 1946 Act was £1.30 for a single person and £2.10 for a couple. By 1969 these had been raised to £5.00 and £8.10 respectively. Thus it would appear that the benefit had more than trebled in just over 20 years, but in equivalent money values in 1969,

the benefits had actually increased by only £1.90 for a single and £3.11 for a couple[31]. Pensions paid with their 1969 equivalents are given in Table 2.3.

Table 2.3

Weekly National Insurance Pensions from 1946 to 1969 in current and 1969 values. (£)

| | Single | | Married | |
|---|---|---|---|---|
| Year | Current | 1969 Values | Current | 1969 Values |
| 1946 | 1.30 | 3.09 | 2.10 | 4.99 |
| 1951 | 1.50 | 2.85 | 2.50 | 4.75 |
| 1952 | 1.62½ | 2.84 | 2.70 | 4.72 |
| 1955 | 2.00 | 3.19 | 3.25 | 5.18 |
| 1958 | 2.50 | 3.55 | 4.00 | 5.68 |
| 1961 | 2.87½ | 3.87 | 4.62½ | 6.26 |
| 1963 | 3.37½ | 4.29 | 5.45 | 6.93 |
| 1965 | 4.00 | 4.70 | 6.50 | 7.67 |
| 1967 | 4.50 | 4.97 | 7.30 | 8.06 |
| 1969 | 5.00 | 5.00 | 8.10 | 8.10 |

Source: Annual Abstract of Statistics; Monthly Digest of Statistics.

Earnings limits for retired workers between 65 and 70 were also raised during that time to £4.25. In 1948 a consolidating Act was passed which brought all previous Acts under one authority and created the National Assistance Board to take over the paying of non-contributory pensions which had formerly been done by H.M. Customs and Excise.

The next important step in the development of National Insurance was the Act of 1959, introduced by a Conservative Government, which initiated State Graduated Pensions. The 1959 Act completed the structure of National Insurance as it is today.

Benefits under the graduated scheme are based on the contributions made and are partly related to wages. The plan is slightly redistributive, being biased against the wellpaid, single worker as he receives his own personal benefits, but no widows benefits. When compared to an occupational scheme, in many instances, higher benefits could be obtained from the occupational scheme for the same contributions, which is why many employers decided to contract-out of the scheme.

The creation of State Graduated Pensions was to fulfil three main purposes: 1. To place the National Insurance system as a whole on a sound financial basis. 2. To make some provision for employed persons who were not covered by any kind of an occupational scheme. 3. To preserve and develop the occupational schemes[32].

Between 1959 and 1966 only minor changes were made to this scheme. In 1961 the contributions and benefits of the flat rate part of National Insurance were increased as they were again in 1963. At the same time, the range of incomes covered by the graduated part of the scheme was increased from £9 - £15 to £9 - £18 per week. Thus the 1963 Act in two ways raised the earnable amount of pension. Even with this increase, however, the maximum earnable pension would not bring a retired person's income up to subsistance levels[33].

Another important addition to be made was the Ministry of Social Security Act of 1966. This Act enabled the Ministry of Social Security to take over the functions of the Ministry of Pensions and National Insurance and the National Assistance Board. It also established, within the Ministry, a Supplementary Benefits Commission to pay non-contributory benefits. These are actually the same as National Assistance payments, but have been given a new name.

Perhaps the most important part of the 1966 Act was the introduction of earnings-related unemployment, sickness, and industrial injuries benefits. These are also slightly redistributive in nature. Table 2.4 gives the estimated numbers of contributors and those receiving retirement benefits from National Insurance from 1950 to 1967.

Description of Present National Insurance Scheme

The National Insurance Retirement pension consists of both a flat rate and a graduated pension. Coverage by this insurance is compulsory for all people, employed, self-employed, and non-employed. When a man(woman) takes his first job, he becomes a member of the scheme

Table 2.4

Estimated Number of Contributors and Pensioners in the National Insurance Scheme. (1950-1967).

| Year | Contributors (millions) | Pensioners (thousands) |
|---|---|---|
| 1950 | 23.81 | 4,229 |
| 1951 | 23.96 | 4,223 |
| 1952 | 23.96 | 4,263 |
| 1953 | 24.04 | 4,389 |
| 1954 | 24.28 | 4,519 |
| 1955 | 24.60 | 4,633 |
| 1956 | 24.73 | 4,741 |
| 1957 | 24.74 | 4,845 |
| 1958 | 24.58 | 5,426 |
| 1959 | 24.53 | 5,556 |
| 1960 | 25.03 | 5,676 |
| 1961 | 25.23 | 5,793 |
| 1962 | 25.36 | 5,935 |
| 1963 | 25.42 | 6,107 |
| 1964 | 25.65 | 6,286 |
| 1965 | 25.82 | 6,493 |
| 1966 | 25.85 | 6,677 |
| 1967 | 25.68 | 6,921 |

Source: Annual Abstract of Statistics.

and when he finally retires, he receives a retirement pension from it. If he becomes unemployed or sick, he receives aid from it, and when he has children, his national program will aid him in bringing them up.

The National Insurance scheme is administered by a single authority, the Ministry of Social Security. The investment of funds, however, is controlled by the Treasury and graduated contributions are paid directly to the Treasury as part of P.A.Y.E. taxes. The National Debt Commission within the Treasury controls the investment of all funds contributed toward National Insurance. Since a quorum within this Commission could consist of the Chancellor of the Exchequer and the Governor and Deputy Governor of the Bank of England, National Insurance policy is not completely separate from the Government and its funds are liable to be used as an instrument of the Government's monetary policy. A result of this is that the fund is largely made up of securities which are held against themselves[34].

The National Insurance scheme is primarily a transfer mechanism in that it taxes the working man to supply an income to the old, through their pensions, to the unemployed, the sick, to widows, and to dependent children who have no earnings of their own. The redistribution of income is greatest where pensions and benefits are paid for by general taxation, the Exchequer's contribution. Since general taxation is progressive the poor person is getting relatively more for his own contribution. He also receives a comparatively higher benefit when a flat rate pension is paid for by graduated contributions, which are proportional. Beveridge had been very concerned that his scheme maintain the contributory principle though a good deal of the benefits would be paid through general taxation which would be redistributory. He felt that the people themselves would want to pay contributions and in order to maintain the principle of insurance, contributions paid would have to be set according to benefits to be received rather than to ability to pay[35]. If taken as a tax, flat rate contributions are distinctly regressive since they take away a much higher percentage of the lower than of the higher income.

The proper name for old age provision in National Insurance is the National Insurance Retirement Pension. This name includes both the flat rate pension and the graduated pension. Since these must be examined separately, for the purposes of this paper they will be called the State flat rate pension and State graduated pension respectively.

State Flat Rate Pension

The normal retirement age under the flat rate scheme is 65 for men and 60 for women. There is no provision for early retirement except in the case of ill health. If an employee leaves service because of ill health, he will be retired on a pension equal to his full retirement pension, but in order to qualify for a retirement pension at the age of 65, he must continue to pay his National Insurance contributions.

If an employee wishes to retire early from his occupational scheme he must continue his contributions to the State flat rate scheme in order to get that pension at age 65. Or, if he retires one or two years early, he can register at the employment exchange as being unemployed and he will then receive flat rate unemployment benefits and have his contributions credited to him. However, if a suitable job is offered, he must accept it or remove his name from the register and pay contributions again.

If an employee wishes, he may delay his retirement date by as much as five years. This is theoretically encouraged by the system. When an employee delays his retirement, his pension is increased by 5p per week for every 9 flat rate contributions that are paid after the age of 65(60). If the employee is married, his wife's part of the joint pension is increased by 2½p per week for every 9 contributions that he makes. If retirement is delayed for the full five years, the increased pension is paid with no restrictions on further earnings. When a man who has worked until age 70 dies, his widow's pension will be increased by the full 5p per week rather than by the 2½p that the wife would normally receive.

If an employee retires at the normal retirement age he is hampered by two rulings, the retirement condition and the earnings rule. The retirement condition states that once retired, a man may not re-enter any full time regular employment and still receive his pension. He may do part time work, but he may not do anything that means he is continuing to be an employee in the sense of the ruling. The earnings rule applies to pensioners between the ages of 65 and 70 (60-65). Under this rule, the pension is reduced 2½p for each 5p that is earned in excess of £7.50, and is further reduced 5p for every 5p that is earned over £9.50. This applies to the £5 or single portion of the retirement pension only. If the pensioner's wife earns more than £7.50, the same earnings rule

applies. The earnings rule does not apply to unearned income or to benefits received from an occupational pension scheme[36]. These two rulings combined with the higher pension paid for retirement at age 70 may encourage employees to work until age 70.

In order to qualify for a flat rate pension, a man must have contributed for at least 156 weeks, or three years, and, for a full pension, he must have averaged a minimum of 50 weekly contributions per year during the whole period in which he has been a contributor. Contributions have been compulsory for all employees, self-employed and non-employed since 1948 so anyone who was not over the age of 70 by 1951 should be eligible to receive a flat rate benefit at the full rate.

The actual flat rate benefit at the end of 1969 from National Insurance was £8.10 for a married couple or £5 for a single man or woman. If there were dependent children, there was a further £1.51 granted for each. The pension would be £10.25 per week for a couple and £6.45 for a single person for retirement at age 70. The same amounts are paid for dependent children as for retirement at age 65.

The State flat rate scheme also provides sickness and unemployment benefits. While receiving these benefits, a member is credited with National Insurance contributions even though none have been made by him.

Contributions are compulsory for all members of the scheme with different rates set for employees, self-employed and non-employed members and for men and women. Weekly contributions for male employees total 88½p, women 75p, which include payments for National Insurance, Industrial Injuries, and the National Health Service. The employer pays a similar contribution, 89½p and 77p respectively, which also includes a Redundancy Payments levy, and the Exchequer adds his contributions besides making up any existing deficit in the scheme.

If an employee is contracted-out of the graduated portion of National Insurance, he must pay an additional 11p(7½p) in contribution to the flat rate. The employer must also contribute this additional amount. This contribution is used for graduated unemployment and

sickness benefits.

Self-employed people pay a higher contribution because there is no employer to share the cost with them. Also, the self-employed may not be members of the graduated scheme. Contributions for the self-employed total £1.24(£1.03½) which cover National Insurance and the National Health Service. They are not eligible for redundancy payments or for Industrial Injuries payments. Only the Exchequer supplements their contributions.

The non-employed, those who live off of interest payments from stocks and bonds and so on, are not eligible to become members unless their income is below £260 per year. They are not entitled to the sickness part of National Insurance benefits; nor are they entitled to redundancy or industrial injuries payments. The total of their contributions comes to 99p(78½p) and this includes payment for National Insurance plus the National Health Service. The Exchequer supplements these contributions also.

The overall formula for the Exchequer supplements are as follows:

1. 1/4th of the flat rage contributions paid by both employee and employer. (for non-contracted-out members).
2. 1/3rd of the contributions paid by the self employed and non-employed.
3. 1/4th of the contributions that contracted-out employees and employers would have paid if they were full members.

The most important aspect of the Exchequer's contribution is that this is actually a minimum. If any more money is needed to pay all benefits, this must also come from the Exchequer.

The State flat rate pension is compulsory for all workers and can not be contracted-out of as can the graduated scheme. No matter how many times a man changes his occupation, or his geographical area of employment, he will be a member of the scheme and will have to pay contributions and accumulate benefits. Thus the flat rate pension should only encourage the mobility of labour by making it as easy as possible for both the employee, and employer.

State Graduated Pension

Under the graduated scheme the normal retirement age is 65(60), and there is no provision for early retirement. If a man retires early, he will have his State pension saved until he is 65 and then he will receive that amount which he earned to his actual retirement date, or to the time that he stopped paying contributions. Often an occupational scheme will arrange to give an employee a higher pension while he is not receiving the State pension and then he will accept a slightly smaller occupational pension after the age of 65. Thus his income over the entire period is equalized.

The maximum deferral for late retirement is again five years or to age 70(65). In the graduated scheme, a larger pension is earned in two ways: (1.) by the normal accumulation of five, or less, years service at a certain salary and (2.) the pension that would normally have been paid to the employee, had he retired, is considered as extra graduated contribution and therefore earns extra pension. Each £15(£19) of pension that is foregone, earns another 2½p per week when the final pension is calculated. Thus, theoretically, work beyond the normal retirement date is encouraged by both the flat rate and graduated pensions, especially in combination with the earnings rule discussed earlier which applies to the graduated pension in the same way as to the flat rate.

The State graduated pension scheme does not apply to either self-employed or non-employed individuals. Only employees with P.A.Y.E. taxation arrangements are eligible for membership.

It is up to individual firms to decide whether or not to contract-out of the State graduated scheme. An employee may not do so on his own. Also if an individual joins a company with a qualifying period before he may become a member of the company scheme, the individual must pay graduated contributions to the State scheme for that period.

In order to contract its employees out of the State scheme, a firm's scheme must meet three general qualifications:

1. It must be financially sound and guarantee members' benefits, to the maximum that they could have earned as members of the State scheme.

2. A pension for life must commence at age 65(60) and if retirement is delayed, an increased pension must be payable.

3. The pension for all members must be equivalent to the maximum that could be earned under the State graduated scheme. This means that an individual who would normally get only half the maximum under the State scheme, would be increasing his possible pension under a contracted-out scheme.

The company must also give assurance to an employee who leaves its service, that he will receive a pension at retirement equal to the maximum pension under the State scheme. This may be done in three ways:

1. By giving the employee a legally enforceable right to an equivalent pension payable immediately or at age 65(60).

2. By transferring to another employer, enough money to guarantee the maximum State pension for past service. The new company must agree to pay this pension as though it had been earned in its own service.

3. By making a "payment-in-lieu" to the National Insurance Fund. This would have to be large enough to guarantee the maximum State pension for the period of time for which the employee was contracted-out.

In this way the State graduated scheme provides for a certainty of transferability or vested rights for a least part of every individual's pension. However, many companies grant only this amount and individuals whose occupational pension would be much above the State maximum may still be discouraged from moving.

The benefit from the State graduated scheme was actually divided into two parts. The main part provided pensions and the contribution for this was set at $4\frac{1}{4}\%$ of earnings between £9 and £18 per week. The second part, or supplementary part was used to provide wage related sickness, unemployment and widows' benefits. The contribution for this part was $\frac{1}{2}\%$ of earnings between £9 and £30 per week. This contribution also earned a small amount of supplementary pension, but it was so small as to be insignificant. Employees may be contracted-out of the main

scheme, but may not be contracted-out of the supplementary scheme. Therefore an employee who has been contracted-out of the main scheme for his entire working life will still receive a very small State graduated pension. The total rates of contribution were increased in 1969 to 4.75% of earnings between £9-£18 plus 3.25 of earnings between £18-£30. In 1971 the second part was again increased to 4.35% of earnings between £18-£42 per week.

The benefit from the main graduated scheme is equal to 2½p per week for every £7.50(£9) paid by the employee in graduated contribution. So far this scheme has given very limited pensions, but it has been operating for only 10 years. And in that time the basis of the contributions paid has been changed at least three times, making the calculation of future benefits very complicated. It has been estimated, however, that the total State benefit is only about 37% of that amount of salary up to £18 per week.

A man's contribution to the graduated scheme also entitles his widow to a pension of one half of what his pension was, or would have been had he retired at the time he died. The widow may draw his pension when she reaches age 60 or, if later, when she begins to draw her own flat rate pension.

A married woman must pay contributions and earn benefits in her own right. Married or single men or women are entitled to the same benefit. If a family is to receive more than the man's benefit, the wife must earn her own benefit to be added to his. Men's benefits are, however, higher than women's benefits for the same contribution. In both cases the increased amount paid in contributions and received as benefit are directly proportional to the increase in salary that is being considered, up to £18. Since flat rate contributions are a regressive tax, the part of National Insurance that is redistributive is that financed through graduated contributions as a proportional tax and the Exchequer through general taxation.

Due to the few retired people drawing a graduated pension, there is a large surplus in the Fund from graduated contributions. Since 1960, when contributions began, the surplus has passed £1,139 million[37]. Some of this surplus is being used to finance the large deficit in the flat rate portion of the scheme. While there are not enough graduated pensions being paid to utilize all the contributions, this system is useful. However, when more people are receiving graduated pensions, the problem of the flat rate deficit may arise again.

Calculations of a member's benefit are unaffected by any movements he has made in or out of employment or by whether this employment has been contracted-out or not. The individual is paid for the time during which he made contributions to the scheme only.

Supplementary Scheme

Besides the flat rate and graduated parts of the State pension scheme, there is a Supplementary State Pension. This pension is awarded by the Supplementary Benefits Commission, successor to the National Assistance Board. The benefit is non-contributory and subject to a means test. The purpose of these benefits is to bring all people up to a subsistence minimum standard of living. If a retired couple or individual is not receiving enough in pensions from the two other State schemes and his occupational scheme, he may be eligible to receive a Supplementary pension, which is really a grant from National Assistance. In 1965 the National Assistance Board paid out over £120 million to 1,422,000 men and women over the pensionable age[38].

Recent Proposals

The National Insurance flat rate scheme has been in operation for over 20 years, but is is generally agreed to be completely inadequate. This was recognized just 10 years after the scheme began when the Labour Party published its policy for pensions[39], and the Conservatives introduced their graduated State pensions. As the graduated

scheme benefits are directly related to the amount contributed, it would take until the end of the century to build up a significant benefit and this would amount to less than £3 per week[40]. Even with this addition the National Insurance pension is barely above subsistance level. All that the graduated scheme has accomplished is to delay the growth in the deficit of the National Insurance Fund.

By 1969 some two million pensioners, about 30% of the total, were dependent to some extent on supplementary benefits[41], and there is some evidence that there are about 500,000 to 800,000 others who are eligible for supplementation but who have not applied for it[42]. When Beveridge recommended his scheme for National Insurance in 1942 his aim was to provide a subsistance minimum for all pensioners which would eventually make National Assistance or Supplementary Benefits unnecessary. The extent to which this has failed is shown by the fact that in order to maintain the spending power of pensioners, supplementary payments to them have doubled in the 1960's alone[43]. With the number of elderly people receiving National Insurance benefits increasing rapidly from the present 8,600,000 to more than 9,300,000 by 1980, contributions to the fund will have to be raised considerably in order to maintain present living standards and provide for the increased numbers involved[44].

In January 1969 the Secretary of State for Social Services presented a White Paper on new proposals for earnings related Social Security, National Superannuation and Social Insurance. This White Paper was based on Labour's 1957 proposals for National Superannuation.

A National Superannuation Bill based on the paper, was published in December 1969, but it was not passed due to the change of Government in June 1970. Because the Bill introduced new principles and concepts into the National Insurance field, it will be discussed breifly here.

The National Superannuation Bill, 1969 had eight basic objectives or principles. These were meant to provide a philosophy upon which the specific provisions of the Bill were built[45]. These were:

1. "Rights to benefit must be earned by the payment of contributions." This is the same as one of Beveridge's most important principles. The Government felt that individuals are willing to pay more in specific contributions for their own benefit than they would be in general taxation.

2. "Benefits and contributions must be related to the contributor's earnings." This principle is directly opposite that of Beveridge and the present flat rate scheme. This change was made because the Government felt that when a flat rate minimum only was provided, those who had higher salaries, but no private pension would have a large drop in their living standards at retirement and this should be avoided.

3. "Benefits must normally be sufficient to live on without other means." Here the Government argued that pensions should be graduated in order to provide varying standards for different people though the graduation should be weighted toward the lower income groups.

4. "Benefits must take into account changes both in price levels and in general living standards." One of the reasons for the failure of the Beveridge scheme was that it did not provide in any way for increases in the cost and standard of living. The Crossman scheme provided for periodic reviews and automatic increases in benefit and contributions to offset both inflation and rising standards.

5. "Women will contribute on the same basis as men and earn similar benefits" Under the present scheme women often receive an unfavourable return on contributions they pay and therefore are given a choice as to whether or not they pay the flat rate contribution at all. Under the suggested scheme with its proportional contributions women would pay contributions in the same way as men.

6. "The scheme will be run on the 'pay-as-you-go' principle." As at present, contributions would be used to meet current benefit expenditure.

7. "The State scheme will work in partnership with occupational pension schemes." Many of those currently receiving occupational pensions have a much higher total pension than do those receiving National Insurance alone. Since the pension in the proposed scheme was weighted toward the low income groups, it was hoped that the range in the proportion of total income received in retirement would be decreased.

8. "People changing their employment will be legally entitled to have their pension rights from their employer's scheme preserved." Preservation would have to take the form of either a transfer value being paid to the new company or the guarantee of a deferred pension equal to the pension rights accumulated to the time of departure. Employees would, however, still have the right to withdraw their own contributions to the scheme and thus forego any preservation.

Provisions of the Proposed Scheme

Contributions to the scheme would be a certain percentage of gross income up to one and one half time the national average income and would be deducted from earnings in the same way as PAYE taxes, thus ending the stamp system presently used for the flat rate scheme.

The initial rates of contribution to the proposed scheme were set at 6.75% of gross income up to 1½ times the national average income for employees and 7% of the total payroll for employers[46]. The Exchequer would contribute to the scheme also, at the same rate as at present, about 18% of the total of employers' and employees' contributions.

Retirement pensions would be paid at age 65(60 for women) if the employee had retired from full employment. The earnings rule would still apply up to age 70(65). The scheme's retirement benefits would be brought in gradually over a transitional period of 20 years. During the transition period, a pension would be made up of elements from both the new scheme and the present flat rate scheme. Pension rights earned under the present graduated scheme would be deferred until retirement and paid on top of the new scheme benefits[47].

The present scheme requires an average of 13 contributions per year in order to qualify for any pension under National Insurance. The proposed scheme would have a similar qualifying period plus an earnings condition, set at £325 in each of ten income tax years, before any pension would be payable[48].

Pensions under the proposed scheme would be calculated by a formula which is weighted in favour of the lower paid. The pension would be equal to 60% of life average earnings, inflated to current wage levels, up to one half of the national average at the time of retirement (630 at April, 1969 values) plus 25% of average earnings above that up to 1½ times the national average (£1,900). Average earnings would be the same proportion of the national average wage in the year

of retirement as in the year earned. If during some of his working years, a man was not at work because of sickness or unemployment, and was receiving sickness or unemployment benefit, he would be credited with having paid contributions for wages of up to one half of the national average.

Women would be able to have their pension benefits calculated in one of two ways. If they had worked most of their lives and had had fairly high earnings, their pension could be calculated by the usual 60%/25% formula. A married or widowed woman, however, could earn a flat rate pension on her husband's record, plus an additon of 25% of her own life averag earnings. The flat rate benefit, at present rates, would be £3.10 per week and of course this would be received by all completely dependent wives who either had not worked at all or who had not contributed enough to earn any benefit. Widows' benefits would also be improved under the proposed scheme.

Social Insurance benefits from the proposed scheme would also be substantially improved. There would be both short and long term sickness benefit. The first, an earnings related benefit, would be granted for the first six months of sickness. After six months a long term sickness benefit, which in many cases could actually be an invalidity pension, would be calculated in the same way as a normal pension with each year's earnings to age 65 being credited as one half of national average earnings.

The first six months of unemployment would be covered by the same earnings related benefit as that for short term sickness. After that, however, a flat rate benefit would be paid for a further six months.

A new flat rate Attendance Allowance would also be introduced. This would be an allowance for severely disabled people and would be meant to compensate where a relative had to give up work and stay at home to care for a disabled person.

Other benefits that would be included in the scheme are flat rate death, maternity, and industrial injuries benefits.

A very important provision in the Bill was that which provided for a review of pensions and other benefits every two years. At that time the Government of the day would be bound by statute to increase all benefits at least enough to keep them in line with any rise in price levels since the last review (The present Government have also endorsed this policy). However, the Government intended that benefits should be increased beyond mere inflation proofing so that pensioners might share in the nation's prosperity. Pension and other benefits being paid at present would also be included in this review.

Possible effects of the proposed scheme

A great deal has been said about the possible effect of the proposed scheme on the level of private savings. At present occupational scheme funds account for about 40% of all private savings. In 1967 savings through occupational schemes amounted to £810 million[49] and by 1971 they exceeded £1,000 million[50]. Investment of the funds of the self administered schemes gives a great deal of support to industry. About 12% of the funds are invested in U.K. Government and Local Authority securities, 59% in company securities and 29% in other types of securities[51]. These self administered funds account for about two thirds of all funds and give a good indication of investment in general.

The Government had speculated that because of the higher contributions necessary to the proposed scheme there might be some cut back in private savings though as far as occupational pension funds were concerned this would be a decrease in the growth of savings rather than a decrease in actual savings[52]. The scheme was geared to have a fairly large surplus in its early years and this might have a slight deflationary effect on the economy as a whole as people were forced to save through the State and were not allowed to consume as much as they might otherwise. If consumption rose anyway and the difference was

taken as a decrease in private savings, this might cause a slowing down of investment and expansion. With demand continuing at a high rate there might be a possiblility of inflation, which the Government would have to try to check by increasing taxes or reducing other expenditure.

After 20 years when the proposed State scheme matured, the average pension would be about 45% of the national average earnings at that time. If occupational pension provision stayed at present levels, the total income of the average pensioner would approach 80% of that of the working population[53].

This projected increase to pensioners could bring their share of total consumption up to 12%, from their present 10%, which would mean a corresponding decrease in the level of consumption of the working population. Since this decrease would be spread over 20 years it should have very little real effect and might be considered a decrease in the prospective rise in living standards of the workers.

One of the most confusing aspects of the proposed State scheme and one which might have the greatest effect on the occupational schemes was the provision for abatement or contracting-out. If a scheme decided to partially contract-out of the State plan, both employer and employee would be allowed a reduction, or abatement, in their contributions of 1.3% of the employee's earnings up to 1½ times national average earnings. In return for this the employee would have his State pension at retirement reduced by 1%(o.55% for women) of his earnings on which contributions at the abated rate were payable during that employment[54]. An example of exactly how this would work is given in the Explanatory Memorandum on the National Superannuation and Socail Insurance Bill 1969[55]. An employee who worked in contracted-out employment for four years and earned £1,300 per year would have his eventual pension under National Superannuation reduced by 1% of £5,200; that is £52 per year or £1 per week. Thus his pension from the State would be reduced by 1% of his total aggregate earnings up to 1½ times national average earnings.

The employer would have to provide this amount of pension for him.

If we were to carry this example to a logical end we could assume that the employee worked for the same salary, or proportion of the national average salary in the same type of contracted-out employment for his whole working career, or 40 years instead of just 4 years as given in the above example. This would give hime total earnings of 40 times £1,300 per year or £52,000. To find his abatement of the State pension we take 1% of this which gives us £520 per year. If we calculate the amount of pension which the employee would have received from the State scheme if he had not contracted-out we find that it would be only £25 greater than that which his abatement has earned or £545.50. Thus he would receive only £25.50 per year from the State during his retirement. If the employee were earning the maximum salary for State pension purposes, his actual pension from the State could theoretically become a negative amount and his employer would be guaranteeing to him a higher pension than he could have received from the State[56]. However, he would also be entitled to receive State pensions' increases based on the pension he would have received if he had not contracted-out. Likewise, when he died, his widow would receive a pension from the State equal to this total rather than the mere £25.50 or less that he was actually receiving from the State[57]. Without this provision the proposed State scheme could have been a disaster for any employee who was contracted-out for most of his working life and earned above the maximum set by the State.

In order to contract-out of the State scheme, the employer would have to have a guarantee in his pension scheme to provide a pension of 1% of total earnings, up to the maximum, to all members who wished to leave his employment after being contracted-out for five or more years and after the operative date. He could guarantee this pension by granting an immediate or deferred pension, by making a transfer arrangement with the member's new employer, or by making a

a payment-in-lieu to the State scheme which must equal the amount of abated contributions.

The proposed State scheme also contained a provision which would require occupational schemes to make rules such that they provided a deferred pension or other preservation (in respect of service after the operative date) for any withdrawing employee who had attained the age of 30 and had been a member of the scheme for five years or more. The employee could, however, exercise his perogative and ask for a return of his contributions rather than a guarantee of his pension. If he did so he would forfeit all of his rights to the pension, other than any abated part, and the employer would be released from his guarantee.

The possible effects of this part of the Bill on the occupational schemes is difficult to calculate. The cost to the companies would depend on the reaction of the employees. In the past, of those given the opportunity to have pension rights preserved, less than 50% took advantage of that opportunity though the older employees or those with a greater number of years service tended to opt for preservation more often than the younger workers[58]. If employees continued to choose a return of their own contributions after the introduction of the proposed scheme, the additional expense to the employer could be relatively small. However, to meet this provision of the proposed scheme, companies would have to change their methods of calculating contributions and benefits for the future and also might have to make special provisions to cover some claims on pensions earned in the past.

Perhaps the most important question about the proposed scheme would be its effect on the mobility of the individual employee. And here the scope of the scheme and the provisions for preservation of rights within the occupational schemes are most significent. As at present, the scheme would cover almost all employees and cover would remain with the employee no matter how many job changes he made. Since the suggested plan would provide a substantial pension for those

in the lower income groups, occupational pensions might become less important to them. In this case mobility should be hindered very little by any occupational scheme provided. The State scheme would provide a much lower proportion of retirement income for those in the upper income groups. Their occupational scheme would therefore remain important. As a result of the proposed preservation provisions an employee aged 30 or above and with five or more years of service could expect to have a deferred pension or a transfer payment to cover the pension rights he earned while with any one company. Therefore any hindering effect that pensions have had in the past on older employees should be ended and more experienced employees would be able to change their jobs and still maintain their pension provisions. The actual amount of mobility among the middle aged and professional sectors of the labour force would be especially indicative of the extent to which pensions restrict movement at present. Under the proposed scheme, employees would, of course, still have the option to ask for a return of their own contributions instead of preservation. The reactions of those receiving preservation for the first time would also be indicative of the present effects of pensions.

While this particular scheme will not be implemented at present, it is one indication of a possible future trend of State schemes and regulations for occupational schemes. The present Government has indicated that it favours a flat rate State scheme to complement occupational schemes, which it feels should be encouraged to make the main provision for retirement pensions. Any graduated scheme run by the State should be for those who were not members of any occupational scheme only.

In the 1971 White Paper on pensions[59] the Government set out a scheme in which contributions would be related to earnings, up to 1½ times the national average, but benefits would be at a flat rate.

The paper stresses that contributions should be considered a social tax to be used to pay for current benefits. By having earnings-related contributions this obligation would be met fairly and efficiently.

Besides the basic flat rate scheme the Government would have a State reserve scheme with graduated pensions for those who are not members of a recognised occupational scheme. Occupational pension schemes which were recognised would be completely exempt from the reserve scheme. Two qualifications for recognition which would be very important for mobile employees are (1) that occupational pensions credits would have to be preserved, for those age 26 or over and with at least five years service, when that service was terminated and (2) that the same employee's right to ask for a return of his own contribution on withdrawal would be curtailed. These two qualifications alone could produce great changes in the attitudes of employees towards mobility and in the actual amounts of pension paid at retirement.

With a background of a National Insurance scheme which makes provision for and encourages the transferability of pensions we must look at the private sector to examine what effect occupational pension schemes might have on the mobility of labour. As indicated above this relationship might change considerably in the future, but the present system will continue to have an effect, especially on older employees, for some time.

REFERENCES

1. R.M. Titmuss, Essays on the Welfare State. London: 1958. p. 14.

2. A.B. Atkinson, Poverty in Britain and the Reform of Social Security. London: 1969. p. 15-16.

3. W. Hagenbuch, "The Rationale of the Social Services" Lloyds Bank Review. July, 1953. No. 29.

4. G.L. Reid and N.J. Robertson, eds., Fringe Benefits, Labour Costs and Social Security. London: 1965. p. 191.

5. D.C. Marsh, National Insurance and Assistance in Great Britain. London: 1950. p. 18.

6. (4 & 5 Will. IV, c.40.)

7. (3 & 4 Will. IV, c.43.)

8. (31 Geo. II, c.76.) and (10 Geo. III, c.53.)

9. A. Wilson and G.S. Mackay, Old Age Pensions. London: 1941. p. 6.

10. (27 & 28 Vic., c.43.)

11. A. Wilson, Op. Cit. p. 15.

12. Ibid. p. 24.

13. Ibid. p. 34.

14. (8 Edw. VII, ch.40.)

15. G.D. Gilling-Smith, The Complete Guide to Pensions and Superannuation. London: 1967. p. 14.

16. (1 & 2 Geo. V, ch.70.)

17. A. Wilson, Op. Cit. p. 49.

18. (9 & 10 Geo. V, ch.102.)

19. (14 & 15 Geo. V, ch.33.)

20. (26 Geo. V, and 1 Edw. VIII, ch.31.)

21. D.C. Marsh, Op. Cit. p. 22.

22. as quoted in T. Smith, Everybody's Guide to the Insurance Act. London: 1912. p. 1.

23. T. Smith, Op. Cit. p. 11. and D.C. Marsh, Op. Cit. p. 30.

24. D.C. Marsh, Op. Cit. p. 32 & 40.

25. (15 & 16 Geo. V, ch.70)

26. Sir W. Beveridge, Social Insurance and Allied Services. Cmd. 6404 London: HMSO. 1942. p. 227.

27. Ibid. p. 5.

28. Ibid. p. 217.

29. Ibid. p. 15-17.

30. Treasury Chambers, National Insurance Act, 1946. Report by the Government Actuary on the First Quinquenial Review. London: HMSO. 1954. p. 6.

31. G.D. Gilling-Smith, Op. Cit. p. 21. & Statistical Abstracts. 1946 - 1970.

32. G.D. Gilling-Smith, Op. Cit. p. 25.

33. G. Rhodes, Public Sector Pensions. London: 1965.

34. A.T. Peacock, The Economics of National Insurance. London: 1952. p. 50.

35. W. Beveridge, Op. Cit. p. 107-109.

36. G.D. Gilling-Smith, Op. Cit. p. 33. & Annual Report of the Department of Health and Social Security for the Year 1969. London: HMSO. 1970. Cmnd. 4462.

37. D. Houghton, Paying for the Social Services. London: 1967. p.8.

38. G.D. Gilling-Smith, Op. Cit. p. 61.

39. The Labour Party, National Superannuation: Labour's Policy for Security in Old Age. London: 1957.

40. J. Vassie, "Pensions & the Public" The Scotsman. 28 January, 1969

41. Department of Health and Social Security, National Superannuation and Social Insurance, Proposals for Earnings Related Social Security. Cmnd. 3883. London: HMSO. 1969. p. 5.

42. Ministry of Pensions and National Insurance, Financial and Other Circumstances of Retirement Pensioners. London: HMSO. 1966.

43. J. Vassie, Op. Cit.

44. Cmnd. 3883 Op. Cit. p. 10.

45. Ibid. p. 12-18.

46. Department of Health and Social Security, National Superannuation and Social Insurance Bill 1969. Report by the Government Actuary on the Financial Provisions of the Bill. Cmnd 4223. London: HMSO. 1969. p. 5.

47. Cmnd. 3883. Op. Cit. p. 22.

48. J. Vassie, "Labour's New Pension Scheme" Financial Scotsman. 12 November, 1969.

49. Cmnd. 3883. Op. Cit. p. 37.

50. A. Seldon, The Great Pensions 'Swindle'. London: 1970. p. 117.

51. Cmnd. 3883. Op. Cit. p. 37

52. The Times. 6 November, 1969.

53. Cmnd. 3883. Op. Cit. p. 49.

54. The Times. 6 November, 1969.

55. Department of Health and Social Security, Explanatory Memorandum on the National Superannuation and Social Insurance Bill 1969. Cmnd. 4222. London: HMSO. 1969. p. 16-17.

56. The Scotsman. 15 July, 1969. p. 10.

57. Cmnd. 4222. Op. Cit. p. 18.

58. Ministry of Labour, Preservation of Pension Rights. Report of a Committee of the National Joint Advisory Council. London: HMSO. 1966. p. 20.

59. Department of Health and Social Security, Strategy for Pensions. The Future Development of State and Occupational Provision. Cmnd. 4755. London: HMSO. 1971.

# CHAPTER III

## OCCUPATIONAL PENSION SCHEMES

### Introduction

The first occupational pensions were granted in the 19th century with the growth of the industrial revolution. They were purely benevolent grants for "long and faithful service." Many companies granted these pensions to get a slow and inefficient worker out of the factory without just discharging him and impairing goodwill.

By 1899 Charles Booth, in his Old Age Pensions and the Aged Poor, could discuss provision for pensions for the aged by "all industrial or commercial undertakings of character and long standing." Of course, not all retiring workers received pensions; in fact the majority probably did not. But some provision was made and that was the important step forward. Even today, though over 12 million workers, or about half the labour force, are covered by some type of pension scheme, many will never receive an occupational pension or will receive one so small as to be insignificant.

Why should a company begin a pension scheme? The main purpose behind it is to provide some income for those who have worked and are retiring from choice or necessity. This motive is shared by companies who initiate the schemes, by unions and employees who urge them to do so, and by the State which allows favourable tax concessions for them. But the employer must also have some other purpose before he will commit himself to spend a great deal of money on pensions. An important incentive to the employer is to promote economy and efficiency by replacing older and slower employees with younger and more efficient ones. It is not always true that a younger man will be better than an older one, but in general, in both manual and non-manual work, it has been found that there is a point at which efficiency declines; and it is much easier to retire an inefficient worker than simply to discharge him or find some

kind of work which he can handle. It may also be less expensive to give a pension than to allow inefficiency and perhaps a delay in the line of promotion. Another reason for introducing a retirement scheme is to attract or hold employees to the company. In this respect, pensions are one of many fringe benefits which employers use. Before pension schemes had become fairly common in the private sector, a company that had a scheme could expect that it might have some attracting force on prospective employees, especially older, more responsible men. Most companies, however, now have retirement pension schemes of one type or another and these must often counter balance each other as attracting forces.

The motive of retaining labour is probably one of the strongest as far as the employer is concerned. This is especially true where schemes are introduced unilaterally by the employer. Turnover costs in some companies may be very high, especially where there is a great deal of training involved and if an employer can hold its experienced and skilled workers, its overall costs may be less even with a pension scheme and other fringe benefits. The purpose of age and service limitations in pension schemes is to keep the company's long term costs down by disqualifying all workers who either do not enter the scheme soon enough or leave before a long period of service[1]. Employers also feel that if they can hold their more experienced workers, stability in the labour market in general might be increased. To what extent this is desirable is open to debate as workers develop more skills and experience as they change jobs and in many ways the employers wish to encourage this also. Just where these two objectives should meet might be a problem.

In small companies, pension schemes very quickly became Top Hat schemes. Eligibility requirements were such that most rank and file workers would not qualify. Since pensions accrued to executives or owners only, they became a form of untaxed savings for these people. An effective increase in salary could thus be made without a higher rate of tax being paid on it.

Unions may also press for pension schemes as part of bettering the overall position of their members. Especially in times of wages controls by Government, unions realize that pensions may actually be considered as deferred wages. The fact that some employees will not actually receive these wages is another point which must be bargained. Some unions ask for high benefits and strict eligibility requirements since this means that long term members of both the union and company will benefit most. In this case the pension is a deferred wage given on the condition that the employee stays with the same employer, making it similar to a retaining fee.

Individual employees do not seem to worry about retirement income until they get close to retirement. The majority of employees in pension schemes, when offered the choice between a return of their own contributions or a vested benefit, a right to a frozen pension which includes both the employee's and employer's contributions, from the company before retirement, will take the return of contributions. It may be that the company encourages them to take the return of contributions and refrains from explaining the entire amount of benefit that the employee will receive from a vested benefit. Even if this were not true, most employees would probably choose an immediate cash payment over a possibly greater benefit at retirement. This, of course, also depends on the age of the employee and his short-term commitments.

As far as the interest of the community as a whole is concerned, pensions are greatly beneficial since they give spending money to the aged and thus help to maintain a reasonable standard of comfort. They also tend to diminish reliance on public assistance. Though taxation may be slightly decreased in this way, the community as a whole still pays for the pensions in higher prices and contributions. However, pensions may be considered a better way to transfer income to the aged than public assistance. Occupational schemes, that are funded, also

account for over a third of all private savings and therefore increase the capital available for investment. They also tend to increase the propensity to save by the public, decreasing further the necessity for taxation and forced savings.

General Description of Occupational Plans

In 1958 the Government published a survey of occupational pension schemes relating to the year 1956. Since then, because of the great increase in interest, the Government have published two more Surveys by the Government Actuary, one in 1966 relevant to 1963 and the latest in 1968 which refers to the end of 1967[2]. The latest survey gives the most recent, uniform information available on the present situation in pensions and will therefore be used as a main source for this description.

It is estimated that the total number of occupational pension schemes, excluding "top hat" schemes is 65,000, 5,000 more than in 1963, and that these schemes are provided by about 56,000 employers. The total number of employees in these firms is about 22.1 million which means that only 1.5 million of the total of 23.6 million employees at the end of 1967 were not employed by firms having pension schemes. However, the picture is not actually as favourable as these figures might suggest at first glance. Of the 22.1 million employees in firms with pension plans, only 12.2 million are actually members of those plans. These include about 65% of male and 25% of female employees, or about half of the total working population. If one takes the private sector alone, the 8.1 million employees who are covered are a vast improvement over the 4.3 million who were members of private schemes in 1956. The highest percentage of pensionable employees is found in the public sector where 90% of non-manual male employees and 70% of non-manual females are members of the schemes, while the lowest percentages are in the private sector where 60% of manual male employees and only 15% of female manual employees are pensionable. Manual female workers are given least coverage under pension schemes in both private and public sectors. Of the

non-members in firms with schemes, 3.2 million are non-members because they are too young or because their period of service is too short. Thus, if one assumes that these employees will remain in that firm, they will eventually become members and could be counted as potential members rather than as completely ineligible. This would mean that at the time given another 13.6% of the persons in these firms were potentially pensionable.

The majority of schemes contain both qualifying periods and minimum ages of entry. Qualifying periods range from one month to over five years, but most are between one and five years of service. The usual minimum age for men is between 19 and 24. Women have to be between 19 and 29 before being eligible, with 25 being the most common age.

Normal retirement ages match, to a large extent, those set by National Insurance, 65 for men and 60 for women. The few schemes that provide for earlier retirement ages are usually in dangerous or extremely strenuous occupations, such as mining, the police, or fire-fighting. Few schemes, in the 1963 or 1968 surveys, made any mention of a compulsory retirement age though where it was mentioned, in the 1963 survey, the ages were 65 for men and 60 for women. An absense of compulsory retirement provisions may indicate that there is some leniency and flexibility in the retirement of each individual. However, most indications are that the vast majority of workers actually retire within the year in which they reach age 65(60). Having no compulsory retirement age, however, may allow a firm to retain an employee who is doing exceptional work. In the public sector, the most common minimum retirement age is 60 for both men and women.

About 30% of private sector schemes are non-contributory, and these cover about 35% of employees. This indicates that larger schemes are often non-contributory, though Top Hat schemes, or schemes for a few selected executives are almost always non-contributory also. In

the public sector, the proportion of members covered by non-contributory schemes is about 26%[3].

About 70% of schemes are contributory, with contributions dependent on "salary range", a "percentage of salary" or a "uniform sum independent of pay", being most common. Of these, the "percentage of salary" basis has become the most common. The larger the scheme, the more often this method is found, resulting in a higher proportion of members of such schemes than the actual proportion of schemes. The percentage of salary paid as contribution has increased since 1963 though only 5% of members pay 6% or over while 50% of members pay under 4% of their salary in contributions. Total amounts paid will be discussed later[4].

Contributions per member by employers also vary greatly, with public sector employers contributing more, in general, than those in the private sector. About 50% of members of private sector schemes had less than £50 per year contributed by the employer for them while in the public sector, 80% of members had between £50 and £150 contributed for them[5]. Employer contributions tend to be higher where there are no contributions from employees. Contributions toward flat-rate schemes tend to be less than those toward graduated schemes. Also, average contributions toward benefits for non-manual employees tend to be higher than those for manual employees.

Benefits from pension schemes take many forms. Some schemes do not actually provide a pension at retirement, but only give death benefits or other such benefits during service. Most companies with these schemes, however, also have another scheme which does provide retirement benefits.

In the public sector, the majority of members are covered by schemes which provide both a pension and lump sum at retirement. Where this provision exists in the private sector, and it is quite rare,

it is often up to the employee to choose to take part of his benefit as a lump sum. The whole benefit is prevented from being taken as a lump sum by Income Tax regulations unless the scheme has been exempted. The number of schemes and members covered by schemes in which the benefit is determined as a "fraction of salary for each year of service" has grown greatly in the past few years. More than 50% of all members of private sector schemes, in 25% of schemes, are covered by this kind of benefit. The next most common method of determining benefits is the "fixed amount per year of service" which covers 20% of members. This type of benefit would most often be found in a scheme for manual employees or in schemes where the range of salary is limited[6].

In the public sector, the percentage of members covered by schemes whose pensions are assessed as a fraction of salary for each year of service was up to 88% in 1967. Combined with the addition of a lump sum benefit for about 74% of the members, these public sector schemes would appear to be relatively good ones[7].

The way that benefits and contributions are calculated do not necessarily correspond to each other, though often rule books will show that there should be some correspondance. This is common in schemes where contributions and benefits are determined as a percentage of salary for each year of service, the second percentage, of course, being much smaller than the first. Many times the two do not correspond in method but the pension is assessed on the basis of contributions paid.

Rates of benefit vary widely in the private sector, both with the type of scheme and the amount of salary earned. In the salary-range schemes, the pension accruing for each year of service to a man earning £1,000 per year is between £15 and £19 for 65% of members. About 15% of members earn £20 or over and the rest earn less than £15. If the average man worked at this salary for 20 years he would have earned a pension of between £300 and £380 and if he worked in the

scheme for 40 years, this pension would be doubled, bringing it up to two thirds of his annual working life salary. It must be remembered that the amount of salary earned per salary range usually increases as the salary increases, which means that a man earning less than £1,000 per year might not be able to acquire as much as two thirds of his salary for the maximum 40 years service.

For schemes where the pension is expressed as a fraction of salary for each year of service, the most common fractions used are 60ths and 80ths. About 40% of members of this type of scheme are covered by each of these, there being a slight increase in the incidence of 60ths and a decrease in that of 80ths. Here again if an employee is covered by 60ths and remains with the company for 40 years he will receive two thirds of his salary as a pension. However, 40 years under an 80ths scheme will allow a pension of one half of salary. In this type of scheme if life average salary is used, even the man earning £2,000 or £3,000 per year may receive a relatively low benefit since it is unlikely that he would have reached his highest salary very early in his career. It has been most usual, however, for terminal salary or average salary during the last three or five years to be used to determine the amount of benefits rather than the average life salary.

In schemes where the rate of accrual is at a flat rate, only 10% of members acquire £9 or over per year and the most common rate of accrual is between £3 and £4.50 per year; 50% of members fall into this category. At this rate, all employees' pensions after 20 years service would be between £60 and £89 per year, or after 40 years service, between £120 and £178. This is a fairly small pension when compared to the others given for a man earning £1,000. In this case, since the pension is a flat rate, it would be very small indeed for the man earning £1,000 and would prove to be two thirds of salary only for

someone earning a very small salary, about £225. However, many schemes that have this type of benefit have been initiated merely to be able to contract the employees out of the graduated State scheme and for this purpose they are sufficient.

Other types of benefit available from some occupational schemes are early retirement pensions for ill health, augmentation of pensions at or after retirement, and death benefits.

In the public services and in some firms in the private sector early retirement, other than for ill health, is allowed within the last few years before retirement normally occurs, with preservation of accrued rights. In some instances a pension is deferred until the normal retirement date when the actual pension is then calculated on the amount of service given and salary at time of retirement. In others a pension is granted when the employee actually retires; in a few instances the pension will be a full one, but usually it has been actuarially reduced to take age at retirement and longer life expectancy into account.

Most public sector schemes grant an immediate pension on ill health retirement and most non-insured private sector schemes do also. Only about 8% of these schemes, however, provide a pension which is assessed in the same way as a normal retirement benefit. In other cases the pension is reduced, as in early retirement from choice.

Sick pay for employees during service, usually for fairly short periods of time, is often covered by a plan other than the pension plan. Though it is an important fringe benefit for employees and may have an effect on the mobility of workers, it can not be thoroughly discussed here. One must point out, however, that security and help in sickness may be an important aspect in holding an employee to a particular company[8]. As many sickness benefit schemes have a service requirement, usually of 6 months or one year, and benefits often discriminate in favour of the longer term employee, they may influence

the older workers especially.

Augmentation of normal retirement pensions has become quite common though it is normally not provided for in the rules of the scheme itself. About 80% of all members are in schemes which have given augmentation to pensioners either at retirement, after retirement or at both times. Most decisions to augment pensions were made at the time of augmentation and the money for augmentation came from sources other than the scheme fund itself. The amount of augmentation ranged from 15% to 35% of the original pension after ten years of retirement. Augmentation after ten years for a pension of £300 or over might be as high as £200. In the public sector, augmentation is provided for by Pensions (Increases) Acts for the Public Services, and these are generally followed in the rest of the public sector. Increases here are generally higher than those in the private sector being 35% to 40% after ten years of retirement.

Death benefits in service and after retirement are also often a part of pension schemes. These benefits may take the form of a pension for widows or other dependents or may be a lump sum benefit. Unconditional widows' pensions on death in service or after retirement were found in about 10% of private sector schemes covering about 33% of male members. The benefit is often expressed as a proportion of the member's pension, if retired or the pension he would have had if he had retired on the day he died. In about 80% of private sector schemes, members have the option to forego a part of their pension in order to provide payments for a widow or other dependent. Though this option is available in many schemes it does not seem to have been used to any great extent. The same is true in the public sector where the option is generally available. One reason for this in the public sector might be that at least 90% of male workers are covered by unconditional widows' pensions.

Other types of death benefit found for in-service death were a lump sum benefit or a return of a member's contributions. Only 5% of schemes covering 10% of members do not have any death benefit at all while 80% of schemes covering 70% of members provide a lump sum, and 15% of schemes, covering 20% of members provide a return of the member's contributions. Size of lump sum benefits varied greatly, from £500 to £5,000 with an average fixed sum of about £1,500. Some lump sum benefits were related to salary. The type of benefit available for death after retirement was usually a balancing item in which the difference between an employee's contributions and the amount of pension already received would be paid. Thus death would have to occur fairly soon after retirement before any payment would be made at all.

Preservation of Pension Rights

One of the most interesting current issues concerning pension schemes is to what extent they are, or should be, preserved when an employee voluntarily leaves his employment or is dismissed. When pensions were first given they were considered a grant from the company out of kindness and concern for the employees. Before 1959, the Inland Revenue had often refused to approve a scheme under which an unequivocal right to the benefit in any circumstances was given to an employee[9]. Since the war years, however, when wages were frozen and employers, under pressure from the unions, introduced greater fringe benefits as a form of compensation, retirement pensions have come to be considered a kind of deferred wage. Wages are relatively lower now than they might have been, but the employer promises to continue to pay a kind of wage to the employee after he has finished his working life. In contributory schemes this is taken one step further as the employee is asked to contribute a part of his current wage to help pay for his deferred wage.

According to the latest Government Actuary's Survey[10], at present only 10% of schemes covering 20% of members in the private sector provide no benefit at all on voluntary withdrawal from the scheme. In 35% of schemes covering 40% of members, a refund of personal contributions or an equivalent deferred pension is provided; in 35% of schemes covering only 15% of members a benefit from the employers contributions are provided at the discretion of the employer; and in 20% of schemes covering 25% of members a benefit from the employer's contribution is given in all cases. Thus only one fourth of all members are actually given the right to all of their deferred pay while another fifth of members receive no benefit at all.

In the public sector, provision for some preservation of pension rights seems more wide spread though mostly at the discretion of the employer. Here the benefit was more often the payment of a transfer value than a deferred pension.

The 1963 Survey included an account of the actual details of preservation as opposed to that provided in the rules. It was found that the actual rate of preservation both in the private and public sectors was much lower than that provided for. This is because of the number of plans that provide for pensions at the discretion of the employer; the employer may seldom exercise that discretion. This is especially true in the public service, where, if an employee transfers to the private sector, a transfer or deferred pension is almost never given. Another reason for this low rate is that where an employee had a choice of benefits, the vast majority chose to take a refund of contributions rather than a deferred benefit. This was true even where the contributions to be returned were those of the employee only and the deferred benefits were to include both the employee's and the employer's contributions. If preservation is to be improved, many argue that the right of the

employee to chose to take a return of contributions instead of a deferred benefit might have to be curtailed.

What are the actual provisions for preservation of pension rights? All benefits from National Insurance are completely preserved no matter how many times an employee changes his job. Flat rate contributions are paid with the use of National Insurance Cards and when an employee changes jobs, his card is passed along with him. Rights under the graduated scheme are also preserved and if an employee is contracted-out of this part, his employer must guarantee that a pension equal to the maximum under the graduated scheme will be preserved for him. Contributions to that amount may be transferred to the new employment; a deferred benefit to the maximum amount may be preserved for him until his normal retirement date; or the company may make a payment-in-lieu to the graduated scheme which will purchase the maxumum benefit in the graduated scheme. Many employers guarantee only the amount required by the graduated scheme even though the actual accruing pension of the employee is much higher. The withholding of these extra pension benefits may be almost as restricting to the older, well paid worker in a good retirement scheme as the withholding of all benefits would have been.

Within the public sector, nearly all employees are covered by a pension plan and up to 70% of these are provided with preservation of their pension rights, of more than a return of their own contributions, at the discretion of the employer. Each part of the public service has its own specific provisions which will be discussed later, but a few examples will be given here. When an employee in the public service wishes to change his employment from one section to another within the public sector, transfer arrangements are almost always available. When a Civil Servant changes employment, his accrued pension may be preserved in two ways. A reciprocal

arrangement may exist between his new and old employers such that his service before the transfer will be reckoned as pensionable service with the new employer. In another instance the accrued pension may be frozen until the employee would normally retire[11]. These provisions are made at the discretion of the department of the employee and may, in theory, be made with both the public and private sectors. However, it is very seldom that a transfer or frozen pension will be granted if the employee is entering the private sector. On the rare occasion that preservation is granted, it is usually because the responsible Minister had decided that the public will be best served by the individual in this particular private sector employment.

A deferred pension is also granted to any Civil Servant who leaves voluntarily after reaching age 50. The pension is payable at age 60 whether or not the former member has retired from his present employment. A pension does not, in this instance, depend on the department's approval of any new employment and it is guaranteed even if this new employment is in the private sector[12]. Transfer or deferred arrangements can also be made if the employee goes to employment outside of the United Kingdom, depending on approval by the Treasury. If the employee then returns to the Civil Service, his former service may be aggregated with his later service in the calculation of his final pension. If a Civil Servant leaves for a known period of time in an approved position, his pension accumulation may not be stopped at all and he may be credeted with service for the years he was away, especially if he is willing to make substitute contributions to the scheme.

In Local Government, preservation of pension rights is provided by specific Acts of transfer between Local Government and other specific entities and by Local Government Superannuation

(Transfer Values) Regulations[13]. Regulations exist for the transfer of benefits between all Local Government Authorities and between them and most other sections of the public service. There are no provisions, however, for a transfer to or from the private sector. Deferred pensions are granted to Local Government Officers who serve overseas for a period of time. These are paid at normal retirement age. All of the provisions, again, depend on the discretion of each specific Local Government Authority.

Superannuation rights for those employed by the National Health Service are fully transferable to other public services and to a number of private, or independent bodies providing health services. As long as an employment is approved and has transfer arrangements, provision can be made. If an employee goes to approved employment that does not have transfer arrangements, he may be given a right to a deferred pension and if the employee returns to the National Health Service his two, or more, periods of service will be aggregated when his final pension is calculated.

Because of the sporadic nature of many teaching careers, teachers have always had the right to leave their contributions in the fund and aggregate all periods of work at the time of retirement[14]. A qualifying period of between 20 and 30 years must be accumulated before any pension will be paid at retirement, though special provisions are made for late entrants. Service overseas or in other parts of the public sector may also be counted toward qualification for a pension. Transfer arrangements exist with other public services but these are at the discretion of the employer.

In the private sector, there are many different ways in which pensions may be preserved and there are varying amounts preserved. There is a much higher tendency for pensions to be frozen and then

paid at retirement age than for transfer payments to be made. Only a minority of companies have facilities for both granting and receiving transfer payments and more will accept than give them. Preservation in many instances merely means a return of the employee's contributions. Only 20% of schemes in the private sector give a guaranteed right to both employee's and employer's contributions in a vested pension on voluntary withdrawal[15]. This right is in turn dependent on certain qualifications and also on the employee's choice. In about half of the companies giving vested rights, the employee must fulfil a period of qualifying service before his rights are vested. This period of service varies from five years to 20 years and sometimes includes an age limit: e.g. after age 45 with 15 years of service. Where a company provides for vesting of benefits, after the qualifying period has been met, the pension which has accrued to a withdrawing employee is usually calculated from both employee and employer contributions. This benefit may be frozen as it is until the normal retirement date or, in some cases the invested money may accumulate interest at a set amount. If an employee chooses to take a return of his own contributions, the employer will not then grant him a deferred or frozen pension from the employer's contributions alone. There is some arguement, however, that on withdrawal, an employee should be entitled to both his and the employer's contributions since these contributions are, in essence, a form of deferred pay. So far, to the author's knowledge, this idea has not been implemented in the private sector.

In schemes where a transfer value is provided, the new employer must have arrangements for accepting a transfer of pension credits for this back service. Here also, if an employee elects to take a return of his own contributions instead, it is unlikely

that the employer will be willing to make a transfer payment consisting of the company contributions and interest earned.

Some employers in the private sector make provision for partial preservation of pensions. If the scheme is contracted out of the State Graduated Scheme, the company must make provision for preservation of the maximum amount earnable under the State Scheme, or if this provision is not made, when an employee leaves the company, a "payment-in-lieu" must be made to the Graduated Scheme which will pruchase the maximum benefit. If an employee chooses a return of his contributions rather than a deferred benefit from his company, this "payment-in-lieu" must still be paid. In this case, most companies subtract half of the amount necessary from any return made. Thus, in many cases, the return of an employee's contributions is much less than the value that would have been provided had the employee chosen a deferred pension. This, of course, depends on many things, including the amount of the employer's contributions and the amount of inflation between the time that the employee leaves the company and finally receives his benefit.

In some insured schemes, where policies are taken out for each individual employee, at withdrawal the employee may receive a benefit of his paid up policies or may take the surrender value of the policies as a lump sum. In other cases he may have the choice of continuing the policy as private insurance, or perhaps his new employer will agree to continue the policy for him. Where an insurance policy covers all employees, however, it is more common to have only a return of contributions made on withdrawal.

The loss of pension rights does not seem to affect the younger employee's mobility to any great extent and it is this employee who is most likely to lose all benefits on withdrawal. If there is a

qualifying period for vesting of benefits, it is usually between 5 and 20 years of service. And if an employee has this amount of service, the vested benefit he will receive if he leaves his contributions in the fund, should remove this hindrance to his mobility. It is the employee who has not yet had his benefits vested, and perhaps has only a few more years to serve before he has fulfilled the qualifications whose mobility his hindered most. In many cases this employee might decide to stay in his present company until he has fulfilled his qualifying period and then the opportunity to leave might have passed.

In the case of redundancy, the pensions benefit granted is usually the same as that for voluntary withdrawal or it is better. Here again, 10% of schemes covering 20% of employees do not provide any benefit at all, but in 60% of schemes covering 50% of members a benefit of both employee's and employer's contribution is given. Most often this benefit is granted as a deferred pension rather than as a transfer payment. Benefit at the employer's discretion covers another 10% of members in 20% of schemes and 10% of schemes covering 20% of members guarantee a return of employee contributions or an equivalent deferred pension[16]. These benefits, of course, are only as far as the pension schemes are concerned and are on top of whatever redundancy or other payments that the employer might pay.

Types of Plans

Occupational pension schemes take many different forms though certain basic types must be followed so that a scheme will meet Inland Revenue approval. The statutory aspects of approval of pension schemes will be discussed later, while the actual types most prevalent will be discussed here.

Unfunded Schemes

Pensions under these schemes were probably the first ever given, in the private sector, to long and faithful employees when they finally gave up working. There would be relatively few now and those in existence would be in small, private firms with years of sound trading. Pensions are paid out of current profits and therefore depend completely on the prosperity of the company. If management changes or the company declines, pensions may be discontinued. If the company is small and there are only a few elderly employees, such a scheme as this may be practical, but once started, the number of retired employees might grow to the extent that payment becomes a large burden on current revenue. This type of scheme might be adequate for female employees where there are few who reach retirement age. It can be flexible, since there are usually no binding rules, and for limited use, it may be adequate. However, this type of scheme gives little sense of security and has no members except those who are already retired. Since there is no fund, there is no tax relief until pensions are actually paid. Also, since there is no insured death benefit provided for, the scheme is not at all suitable for men. In many cases, an unfunded scheme is not a formal scheme at all and benefits under it are usually decided by the company as each individual employee retires. In 1963, 0.2 million employees in the private sector were covered by such schemes[17].

In the public sector the position of an unfunded scheme is very different. Pensions for the Armed Forces and part of the Civil Service are provided by the pay-as-you-go method that is also used for National Insurance Pensions. In this case, however, there is no insecurity from the absence of funding as the Government have taken the responsibility of providing the pensions. The accumulation of credits is kept as a bookkeeping entry and transfer or frozen

benefits are granted in many instances of withdrawal from these services. There are over 0.6 million employees covered by unfunded schemes in the public sector[18].

Privately Administered Fund

This type is usually found in large companies where the number of employees covered allows the company to take advantage of economies of scale. About 2.7 million employees in the private sector and 3.3 million in the public sector are members of this type of scheme[19]. Trustees are usually appointed who invest the funds and pay pensions. The scheme is often non-contributory and the benefit is a normal, taxable pension at retirement. This type of scheme can often be more flexible than an insured scheme and may give generous benefits on ill-health and other early retirement. However, there is often no death benefit under the scheme though a separate Life Insurance scheme may be provided. If the scheme is large enough and if investment policy is good, it is worth while for a company to administer its own fund. However, it does take up a lot of time of senior executives and the costs of advisors is high. Therefore, unless a company is making a profit on its investments, it may be better for it to consider an insured scheme.

Insured Schemes

There are many types of Insured Schemes, giving many different benefits and advantages to the employer or employee. Most of the administration of all of these schemes is in the hands of the Insurance Company and thus the employer has few administrative costs. However, since the Insurance Company is trying to make a profit, the employer's actual contributions, or premiums, to the fund will probably be higher than those he would have had to contribute to his own fund, depending again, on the size of the company.

This type of scheme is not usually found in the public sector. About 4.3 million employees in the private sector belong to wholly or partially insured schemes[20].

A Group Life and Pension Scheme is probably the most convenient for the Insurance Company and least so for the employer. The scheme is usually contributory and benefits, which can be taken as a pension only, are related to average wages during the employee's service. The tax free accumulation of funds allows the Insurance Company to give favourable premiums to both employer and employee. The employee must pay normal taxes, however, on benefits. Death benefits under this type of scheme are usually small and employees receive only a refund of their own contributions on withdrawal. If the number leaving is high, the Insurance Company may credit the employer with the amount contributed for employees who have left. If this happens the employer's premiums are usually decreased and the cost to him of the scheme is made correspondingly less.

An Endowment Assurance Scheme is most often initiated for non-manual staff and executives. Since there is only partial tax relief on employee's contributions, these schemes are often non-contributory. The company pays premiums annually which also increases the simplicity of the scheme. When an employee enters the scheme, an endowment policy is purchased for him and when he retires, this policy is used to provide a lump sum and/or pension benefit. A lump sum death benefit, which is comparatively high in the early years of employment, is provided before retirement. If an employee withdraws from the company, his policy may be continued by another company, the benefits taken as a paid-up policy, or, if the employee wishes, he may take the surrender value of the policy as a cash payment. There is also a great deal of flexibility in the range of benefits which can be provided under this scheme. This is one

of two types of schemes used by F.S.S.U.

An Excepted Provident Fund may or may not be insured. If it is not insured, employees will not get tax relief on their contributions, but the employer does on his. Separate policies, in an insured scheme, are issued to employer and employee and a new policy is issued every time an employee receives a rise. When an employee withdraws, he may take his own policy with him or take its surrender value. He receives a benefit from the employer's contributions if he is redundant only. Benefits at death or retirement are in the form of a lump sum with which, at retirement, the employee may purchase an annuity. Since death benefits are high, this scheme is attractive to younger men, but it does not provide an adequate pension for older men as set contributions are used to purchase as much benefit as possible at the particular employee's age, and this is naturally less for the older than the younger employee.

These are only a few of the types of pension schemes which an employer may use to provide benefits. An employer may use two types of schemes to cover the same employees in order to obtain the best advantage of both. Thus, the scheme may be partially insured and the other part of the scheme may not be approved by Inland Revenue regulations and thus may not receive tax relief. All these possibilities may be used in order to provide the best benefits for employees at the least cost to both employer and employees.

Legal Regulations

The type of scheme initiated may depend to a certain extent upon Inland Revenue regulations. In order to obtain complete tax relief, a pension scheme must be approved under certain sections of the Income Tax Act 1952, the Finance Act 1956, the 1970 Finance Act and other financial Acts. The 1952 Income Tax Act combined the relevent parts of previous Income Tax and Finance Acts for

relief on savings toward retirement benefits of all kinds and for death benefits. The two sections of the 1952 Act most relevent to pensions are sections 379 and 388 (these became sections 208 and 222 respectively in the Finance Act 1970). A superannuation fund will be approved under section 379 of the 1952 Act if:

1. the fund is established under irrevocable trusts in connection with a trade or undertaking carried on in the United Kingdom by a person residing therein;

2. its sole purpose is the provision of annuities for employees on retirement at a specified age (or earlier through incapacity) and/or their widows or dependents on their death;

3. the employer contributes to the fund;

4. the fund is recognized by both employer and employed persons in the trade.

The Revenue are, however given discretion to approve a fund (or part of a fund), subject to such conditions as they think fit, notwithstanding that:

1. the fund's rules provide in certain contingencies for the return of employee's contributions;

2. the provision of annuities is the main but not the sole purpose of the fund;

3. notwithstanding that the trade in connection with which the fund is established is carried on only partly in the United Kingdom and by a person not residing therein[21].

Schemes wholly approved under section 379 must be governed by a trust deed and rules. The benefit must be taken as a pension as no tax free lump sum is allowed and the limit on a pension is £3,000 if the fund is contributory. A limited lump sum death benefit is allowed but other than this, the benefit must take the form of a pension for the widow or other dependent. Any refund of employees' contributions is subject to tax at one fourth of the standard rate of tax, on the net amount. If the fund is insured, any direct refund to the company by the insurance company is liable to full taxation.

Once the scheme has received approval under section 379, the policy is that as long as all benefit payments from the fund are taxed in a normal way, there is no need to tax money going into the fund. Thus, both employer and employee ordinary contributions are tax free though employee contributions must not be more than 15% of salary. Employer's contributions that are not part of ordinary contributions, if spread over a period of time, are also allowed. Extra employee contributions, however, are included in taxable income. Interest on the investment of the fund is also exempted from tax and the fund itself is exempt from capital gains tax. The employers contributions are treated as a company expense rather than as employee income.

Pension benefits under a section 379 scheme are taxed as normal income and the tax is usually deducted by trustees on a P.A.Y.E. basis. In cases where the pension is very small, arrangements can be made such that taxes are paid as a lump sum. The maximum pension payable under section 379 approval is two thirds of final salary with 20 years of service, with no set monetary maximum for non-contributory schemes but with a maximum of £3,000 for contributory ones. Though there is no special maximum set for non-contributory schemes, the Revenue may require that it be consulted in cases where a pension exceeds 1/60th of salary for each year of service. For service beyond the normal retirement date, a pension may be increased to its actuarial equivalent even though it is above the set maximum. In 1963, 38% of schemes covering 72% of members were wholly approved under section 379 of the 1952 Act. About 2% of schemes covering another 11% of members were partly approved under section 379 and partly unapproved and 3% of schemes covering 6% of members were approved jointly under sections 379

and 388. Thus 43% of schemes covering 89% of members were approved, at least partially, under section 379. The types of schemes usually found under this section are private funds, retirement endowment funds and some deferred annuity schemes.

Section 388 of the 1952 Act provides that the Inland Revenue will approve a scheme unless its main benefit is not a pension for the life of a member of if it fails to satisfy one of the following:

1. that the benefit will accrue only on retirement at a specified age (or earlier on incapacity) or on death;

2. that the proportion between the non-commutable pension and the value of all other benefits provided is reasonable - is similar to what a normal statutory superannuation scheme would provide;

3. that the aggregate value of all benefits is reasonably comparable to those usually given by statutory superannuation schemes;

4. that the pension is not assignable.[22]

Once a scheme is approved under this section, though employee contributions are not fully tax free, the employee is saved from paying taxes on the employer's contributions and investment income is largely tax free. The employer's contributions are considered a company expense and refunds of contribution are also free of tax. If the scheme is insured and in the form of a life insurance policy, the employer may be given tax relief on contributions also. A trust deed is not obligatory for a section 388 scheme though many have regulations anyway. Benefits at retirement do not have a maximum figure and up to one fourth of the total benefit may be taken as a tax free lump sum. Tax is deducted from pensions as from normal salary with the same provision for small benefits as under section 379 schemes. On death in service, a lump sum equivalent to the capital value of the members accrued pension may be paid. The most common types of schemes to be approved under section 388 are

endowment assurance schemes, unfunded schemes, and some deferred annuity schemes. About 36% of schemes covering only 7% of members are approved wholly under section 388 though another 6% of members in under 3% of total schemes are covered by schemes approved under a combination of sections 379 and 388[23]. Where a scheme is partially approved under each section, it is most common that one fourth of the total benefit will be approved under section 388 in order that that amount may be taken as a lump sum. If there are any employee contributions, these will be made to the part under section 379 in order to get complete tax relief and the one fourth of the scheme under section 388 will be paid for by company contributions. These arrangements may be made under either an insured or private fund.

Unless a pension scheme is approved or exempted under some section of the 1952 Act, section 386 provides that any sum paid to secure a retirement benefit for a director or employee will be liable for taxation on the director or employee in the year of payment. Thus even the employer's contribution might be considered as current payment to the employee and he might be taxed on that amount. This would be a heavy penalty on the employees and would reduce considerably the value of any benefits from the scheme.

The 1956 Finance Act contained sections, 22 and 23, to deal with policies and schemes that were not mentioned in the 1952 Act. These give an individual providing for retirement the same privileges as those whose schemes are approved under section 379 of the 1952 Act. Under these sections, an individual may make contributions from taxable earnings, that are not already covered by a pension plan, to secure pensions for himself. Most of the same rules apply as to those under section 379.

The Finance Act 1970, with provisions relating to the Superannuation Bill, was passed in the spring of 1970. It was to come

into effect in 1972 and unless it is repealed, it could cause great changes in occupational pensions schemes as they would have to receive renewed approval from the Inland Revenue. The Act would combine the two sections of the Finance Act 1952 under which schemes are presently approved and would extend to all schemes the advantages under each of the present sections[24]. Thus employees would be able to deduct their contributions to their occupational scheme before calculating their taxable income and would also be able to commute up to one fourth of their pension at retirement. All except statutory schemes would have to obtain Inland Revenue approval again in order to qualify for the new tax reliefs. This would give many schemes a chance to make changes to enable them to take full advantage of both parts of the new provision, but it might also change the shape of many long standing schemes like FSSU which received its particular tax consessions before 1952 and has held a privileged position as far as commutation is concerned. If the FSSU must seek renewed approval, it is doubtful that it would be allowed to maintain those privileges.

The Act also proposed that the maximum pension payable by occupational schemes be reduced from two thirds of final salary to one half of final salary[25]. Since the State scheme would be providing substantial benefits, the Government reasoned that occupational schemes must be restricted or some people would be getting a larger income during their retirement than they were while they were working. What the effect of this proposal would be on savings generated by the schemes can only be guessed. Many schemes now base their calculations on a pension of two thirds of salary at retirement after 40 years of service and contributions are set accordingly. If the maximum amount were reduced to one half of salary these schemes would have to change the basis of their

calculations. It is obvious that lower contributions would be needed to earn a pension of one half of salary than are necessary to earn one of two thirds of salary. If fewer contributions were coming into the schemes' funds there would be a lower surplus of income over expenditure during the first few years. Thus this small part of the Finance Act which received almost no notice from the opponents of the Superannuation Bill, could have a much more profound effect on occupational plans and the amount of personal savings in the future than the Superannuation Bill would have had. If the exact amount of pension payable is lowered, fewer savings would be needed to earn the necessary interest to pay pensions and savings would be at a lower level than they are at present. This does not necessarily mean that the actual amount of savings would be decreased, but the growth of funds would be much less and the level of private savings would decrease as a proportion of the total.

Costs and Financing

The costs of a pension scheme considered by a company are much more than contributions to be paid in and benefits and pensions to be paid out of the scheme. In deciding to administer its own scheme a company must consider the cost of extra salaries, advisors' and actuaries' fees and even some overhead costs. If a plan is insured, however, the firm pays premiums to the insurance company and administrative costs within the firm are kept to a minimum, though they may still be significant. Also since the insurance company must pay administrative costs and make a profit, the employer's premiums will be higher than contributions to its own fund might have been. There is naturally a point at which it pays an employer to administer his own pension scheme.

Besides the administrative costs of the scheme, there are three main items which must be considered in determining the cost of a scheme[26]. The first of these is what benefits are to be provided and to whome they are to be given. There is a great variety of benefits which may be given to members and the company must decide which ones and how much it can afford. In some schemes, only a pension on retirement is given while in others early retirement, death benefits, widows' benefits, and sickness benefits may be included. The company must also decide what the relationship of its scheme with National Insurance should be. Before 1959, flat rate benefits under the National scheme were quite small and an employer who wished to provide fairly adequate pensions could ignore the State scheme and just build on top of it. With the beginning of the Graduated Scheme and higher contributions to the State and benefits from the State a new element was introduced and many companies felt that they should decrease their pension by what a member received from the State. Many others contracted-out of the Graduated Scheme since they found that they could provide better pensions for their members at less cost to both employee and employer. If the Government's new proposals for pensions had been introduced, the companies would again have had to reconsider just what benefits they would provide in light of the new State scheme and any provisions it had for contracting out.

The second determinant of cost is what premiums are to be used and what their exchange value will be in terms of pensions purchased. This is especially important for an insured scheme, but it is also essential for a privately funded scheme to calculate how much pension the present contributions to the fund will be able to purchase at times of retirement. The insurance company must make certain assumptions before it can quote premiums, as the

employer in a privately funded scheme must do before deciding on contributions to be made. These assumptions include: the number of members who will die before reaching retirement age, the length of life of those who finally draw pensions, the number who will leave the service of the company before reaching retirement age or a time when pensions become vested, the number of members who will retire early for various reasons, the pattern of future wage and salary increases, and the interest yield and capital loss or gain on the capital to be invested. Once these assumptions are made and the amount of benefits to be made are calculated, it will be possible to decide how much contributions to the fund will have to be. Of course, some of the assumptions may be inaccurate, causing costs to be higher or lower than expected. In the case of an insured scheme, this is the insurance company's problem since it undertakes to provide certain benefits for set premiums. In a privately funded scheme, however, it is the employer who must make up any deficit in cost or who, as the case may be, reaps the benefits of any surplus.

The third problem is how the incidence of costs should be determined. The employer has a choice between an initially high cost with a rapid build-up of assets and then a decreasing of costs as the plan matures, or an initially low cost with a slow build-up of reserves and thus a slow rise in cost, perhaps leveling out when a certain amount is reached. Of course, the actual method could well be somewhere in between these two extremes. The final choice should depend on the circumstances of the company involved. If the company is young and has few reserves, it may wish to save the worst of the cost of pensions to a later period when it hopes to be better able to pay high contributions. On the other hand, if the company has extra reserves at the beginning of the scheme, it

may wish to pay higher contributions initially and then let the invested funds help pay their own way as the scheme matures.

After all these decisions have been made there are three basic methods of costing a scheme: with level annual premiums; with a single premium or current costing; or with controlled funding or stabilized costing[27]. The first two are found mostly in insured schemes while the third was originally found in privately funded schemes. Because of the control this type gave as far as incidence of the scheme was concerned, however, it is now often found in insured schemes also.

In the level annual premium method, a certain amount is paid each year for a certain number of years in order to purchase a set benefit at the end of that time. Though the name implies a set cost, it is subject to fluctuations with the inclusion of new members, granting of any additional benefits and other variables that have been assumed. The trend in this type of scheme is for the cost to decrease as older members retire and are replaced by younger employees as it is less expensive to purchase the same benefit for a younger employee.

Under the single premium or current costing method, the amount of benefits accruing in a single year are purchased in a separate premium for that year alone. Thus the cost of the scheme will increase as the age of its members increases. If the benefit is a pension, the greatest amount of it will be purchases at the later stages of employment which will also tend to increase the costs. This type of costing could be appropriate where the main benefit is to be an in-service death benefit where a high benefit may be purchased for younger employees. This may also be a good method for a new company which needs a low initial cost.

Controlled funding or stabilized costing is an attempt to average out the cost of a scheme over the years. Thus the employer may invest more capital than is necessary to purchase benefits for a young employee and then not have to pay as much as normally when the employee ages. In a private fund the trustees invest all contributions together and no employee has a claim to a particular part of the fund. If investment interest is high, the employer may retain the entire benefit himself or he may pass the benefit on to his employees. With this type of scheme, the employer has complete control over the incidence of the cost of the scheme. This is extremely useful to the employer since it means he can change his contributions within a wide range as he finds it necessary or convenient.

Once a method of funding has been decided, the employer, or insurance company, must decide where he will place his capital. The private fund often has more choice since it may take more risks than an insurance company. Insurance companies are, however, beginning to invest in risk stocks rather than in Government and similar securities, but they must still be careful. The security of capital is, of course, more important to both the private and insured funds than is a high yield. Investment in 1967 reached £800 million which was over one third of the total of personal savings for that year. Thus pensions funds are contributing greatly to the investment capital of industry[28].

In 1967 also, the total income of public and private sector pension schemes was £1,745 million while expenses reached £935 million. Therefore these schemes were bringing in more money than was necessary for benefits. Net interest earnings in 1967 were £480 million, over half of the cost of benefits and administration[29].

With employers alone contributing over £920 million to funds each year, the amount of savings available for investment should increase even further.

REFERENCES

1. M.C. Bernstein, The Future of Private Pensions. London: 1964. p. 10.

2. Government Actuary, Occupational Pension Schemes. London: 1958, 1966 & 1968.

3. Government Actuary, Occupational Pension Schemes. London: 1968. par. 3.

4. Ibid. Table 10.

5. Ibid. Table 11.

6. Ibid. Table 12 and 13.

7. Ibid. par. 48. and Government Actuary, Occupational Pension Schemes. London: 1966. par. 69.

8. G.L. Reid & N.J. Robertson, eds., Fringe Benefits, Labour Costs and Social Security. London: 1965. p. 226.

9. M. Pilch & V. Wood, Pension Schemes. London: 1960. p.44

10. Government Actuary, Op. Cit. (1968). Table 14 p. 31.

11. Treasury Chambers, Civil Service Superannuation Scheme. M.K.242.

12. Ibid. par. 9.

13. H. Keast, Knight's Local Government Superannuation. 2nd edition. London: 1955. p. 144.

14. Department of Education and Science, Pensions Board, Teacher's Superannuation. Explanatory Memorandum. 1968.

15. Government Actuary, Op. Cit. (1968). p. 31.

16. Ibid. Table 15 p. 32.

17. Government Actuary, Op. Cit. (1966). Table 4 p. 9.

18. Ibid. p. 9.

19. Ibid. p.9.

20. Ibid. p. 9.

21. G.A. Hosking, Pension Schemes and Retirement Benefits. London: 1960. p. 157.

22. Ministry of Labour, Preservation of Pension Rights. Report of the Committee of the National Joint Advisory Council. London: 1966. p. 11-12.

23. Ibid. p. 12.

24. M. Stone & H. Stephenson, "Pensions tax code shake-up proposed," The Times. 27 February, 1970. p. 17.

25. Ibid.

26. M. Pilch & V. Wood, New Trends in Pensions. London: 1964. p. 100.

27. Ibid. p. 101.

28. "Who pays for pensions," The Economist. 1 February, 1969. p. 11.

29. Government Actuary, Op. Cit. (1968). p. 12.

# CHAPTER IV

## OCCUPATIONAL SCHEMES FOR PROFESSIONAL EMPLOYEES IN THE PUBLIC SECTOR

Many of those in recognized Professions, such as solicitors, archetects, surveyors, and accountants, are precluded from membership of occupational pension schemes as they practice on their own account or in small partnerships. Although private schemes of various assurance agencies are available and widely used by these professional classes to provide their own pensions, they will not be discussed here as they should not affect an individual's mobility.

Those in the executive class and those who are "staff" workers as opposed to "manual" workers often seem very much concerned with retirement pensions and their preservation, since without this pension, the drop in their standard of living at retirement would be marked. A larger proportion of employers have schemes covering their staff employees than have schemes covering manual employees. In 1967, of employees in organizations with pension schemes 75% of non-manual men workers as opposed to 60% of manual men workers were covered by pensions. Figures for women showed an even greater difference with 40% of non-manual women covered and only 15% of manual women workers covered[1]. It has been suggested by studies of occupational schemes that some schemes, often those covering manual workers, have been set up or expanded in order to be able to contract-out of the State Graduated Scheme[2]. This is especially true of schemes providing modest flat-rate pension benefits.

Many staff pensions are related to final salary as well as the number of years of service and the loss of such a pension could be significant in deterring a change of employment. Pilch and Wood found in their survey of pensions that 43% of all schemes were related

to final salary while 51% were related to average salary[3]. Depending on the actual percentage of salary earned in these schemes, a loss of accumulated pension rights could represent a substantial amount, especially after ten or more years of service.

At younger ages or when only a few years of accumulated service are involved, a loss of pension rights does not usually influence an employee substantially. Depending on the circumstances, the employee may well prefer a cash refund of his own contributions to a small, deferred pension from the company. A pension assumes a greater degree of importance as an employee approaches the age of 40 and has been working for the same firm for a number of years. After this age a pension usually becomes increasingly important though there are still many cases where a return of contributions is taken in preference to a deferred pension.

Under normal Inland Revenue regulations, if an employee has a minimum of 20 years service, he may be provided with a pension of up to two thirds of his final salary minus any pension from other employers. For example a person may enter a retirement scheme at the age of 45 and still retire at the normal retirement age of 65 with the maximum amount of pension allowed by the Inland Revenue. He would earn 2/60ths of his final salary in each year of employment. An employee joining the scheme after this age, however, could not be provided with a pension of this amount which would still attract normal tax relief, and the Inland Revenue specifies the number of sixtieths that may be accumulated each year when there are less than 20 years to the normal retirement age. These decrease from the maximum of 40/60ths of salary with 20 or more years of service to only 10/60ths with nine years of possible service. The actual number of 60ths allowed are shown in Table 4.1. These figures have serious implications for employees who wish to change their jobs after they have reached the age of 45. If they lose all

their rights to a pension from their first employer, their chances of receiving an adequate pension on retirement are automatically limited by the Inland Revenue. For example, if an individual joins a new company at the age of 50, the employer may give him a retirement pension of only 24/60ths or 40% of his final salary as opposed to the 66% he could have received if he had moved just five years earlier. Special arrangements may, of course, be made but these are probably limited to pensions for top executives.

Table 4.1

Number of 60ths of Salary Allowed by Inland Revenue Rules with Less Than 20 Years to Normal Retirement Age

| Years Service to Normal Retirement Age | Sixtieths Allowed | Allowable Added Years |
|---|---|---|
| 20 | 40 | 20 |
| 19 | 36 | 17 |
| 18 | 33 | 15 |
| 17 | 30 | 13 |
| 16 | 27 | 11 |
| 15 | 24 | 9 |
| 14 | 21 | 7 |
| 13 | 18 | 5 |
| 12 | 16 | 4 |
| 11 | 14 | 3 |
| 10 | 12 | 2 |
| 9 | 10 | 1 |

Source: W. Phillips, "Making pension scheme benefits fully transferable," British Tax Review. Jan.-Feb. 1964. p.27-28.

These requirements by the Inland Revenue are likewise limiting to those employees of age 45 or over who move from one employer to another and are allowed a transfer value. The credit the new employer is able to give for a transfer value is directly related to the amount of total pension accumulation allowed. For example, if the employee transfers at the age of 50, the new employer is allowed to give him credit for only nine additional years of service, if he complies with Inland Revenue rules. Even if the employee had served more than nine years with the first company, and was given full credit for this in a transfer value, the new company would not be able to credit him with

the total value of the transfer. Therefore the Inland Revenue rules make full transferability impossible for those over 45 in an n/60ths scheme. This assumes also that the new scheme is an n/60ths scheme where a pension of two thirds of salary is the object. In any scheme actual credit given would depend on the way the pension was calculated but the actual amount would be in the same proportion as in the illustrated n/60ths scheme. Most staff schemes, especially in the Public Sector, are calculated on an accumulation rate of 1/60ths or even 1/80ths of salary per year of service, increasing the number of years before a pension of two thirds of salary is earned to at least 40, and often making it completely impossible. Even in these schemes, however, the Inland Revenue rules might have a restricting affect on the transferability of pension credits for those within twenty years of normal retirement.

If an executive has reached the realms of top management, he may be in a position where he is sought after by different companies which value his expertise and experience. In this case, it is natural that the companies should try to attract the executive to them. This may be done in many ways; larger salary, longer vacations, company car, or other benefits, but it is likely that the retirement pension will be of great interest as there may be a substantial amount left behind in the former employment. Depending on the age of the employee, it may be impossible to guarantee him a regular pension of two thirds of salary at normal retirement. With an employee in this position, however, it is not too difficult to find a solution as he may be appointed, on formal retirement, to an advisory post, or even be granted a seat on the board of directors.

It is the next level of executive and professional people in normal staff employment who need protection of their pension rights on a change of employment. It has been suggested by a study of

Industrial Supervisors in the United States that higher educational attainment may lead to more exploration of the occupational environment and that this entails greater risk-taking which accounts for the downward mobility of this particular group[4]. A study of Labour Mobility within Britain between 1953 and 1963 also indicated that those with a greater amount of education tended to be more mobile geographically than the national average and tended to move because of employment considerations rather than for other reasons[5]. This type of mobility brings education and experience to different employers at a fairly high level. A young executive who has reached these levels and who decides to change his job, may have been with his present employer for a considerable time. Therefore he would have completed all training staged and contributed something to the earning capacity of the company. The pension rights accruing to him during this period are increasingly considered to be deferred salary to be paid after the age of 65 and to lose this supplementation on a change of employment could influence his decision to change his employment. However, there is another factor - that, in a contributory scheme, where there is no preservation of pension rights, a return of the employees' contributions, plus interest, but minus half of any amount paid to National Insurance as a "payment-in-lieu" for contracted-out benefits, are often given. Depending on the circumstances, this lump sum payment might be much more useful to the individual than the prospect of receiving a small addition to his retirement pension. Where there is preservation of pension rights available, the younger employee will often prefer to have the return of contributions instead. However, the older individual, and especially those who have worked for a company for a long time, often prefer to have their pension rights saved for them.

In 1963, 95.0% or 798,000 of all cessations of employment in both public and private sectors were voluntary withdrawals[6]. Only 68,000 leavers had 10 or more years of pensionable service. Thirty-

four thousand, or just 50% of these had an opportunity to have at least partial preservation of their pension rights, but only half of them took it. The other half chose to take a return of their own contributions rather than any other available benefit.

Of the 730,000 withdrawals by members with less than ten years pensionable service 270.000 or 39% had an opportunity to have their rights preserved, but less than one sixth chose to do so. The remaining five out of six chose to have a return of their own contributions instead. These figures indicate that a much larger proportion of those leaving with less than ten years service than of those with more than ten years service chose to take a return of their own contributions rather than some other benefit, but there is still a very large number of those with more than ten years of service who chose to have a return of their own contributions on their withdrawal.

The above figures applied to both manual and staff employees in both the private and public sectors. If we become more selective, a difference may be noticed between the two levels of workers and this is demonstrated in Table 4.2. In this Local Government Superannuation

Table 4.2

Withdrawals of Males from Local Government Scheme
Over Five Year Period

| Age | Officers | Servants |
|---|---|---|
| 18-25 | 215 | 275 |
| 25-30 | 31 | 176 |
| 30-35 | 22 | 153 |
| 35-40 | 14 | 161 |

Source: Actuary's Report for Cheshire County Council

scheme[7], the number of male officers who withdrew from membership and asked for a return of their contributions, dropped from 215, over a five year period, for those between the ages of 18 and 25, to 14 for those aged 35 to 40. The withdrawal pattern of male servants was significantly different. They began with 275 withdrawing between the

ages of 18 and 25, but this dropped to only 161 for those between 35 and 40. When one considers the fact that the total number of male officers employed during the period was about 3/5th the number of male servants these figures become even more significant. The proportion of male officers in the age group of 18 to 25 who withdrew was actually greater, though only by 3%, than that of male servants. In the age group 35 to 40, however, the proportion of male servants leaving was greater than that of officers by 5.5%. A comparison of the withdrawals of femal officers and servants gives an even more pronounced difference which is largely due to the fact that many famale servants joined the Authority after they had reached age 30 (see Table 4.3). This caused the number of withdrawals to increase substantially after this age also. Female officers and male employees had a higher rate of recruitment at earlier ages which slowly decreased as age increased and therefore allow a better comparison.

Table 4.3

Withdrawals from Local Government Scheme
Over Five Year Period - Females

| Age | Officers | Servants |
|---|---|---|
| 18-25 | 429 | 87 |
| 25-30 | 206 | 38 |
| 30-35 | 88 | 69 |
| 35-40 | 57 | 119 |
| 40-45 | 41 | 129 |

Source: Actuary's Report of Cheshire County Council

The importance of pensions in general in the private and public sectors may also be seen in the growth of funds and interest on these funds in the 1960's. Table 4.4 gives estimates of income and expenditure by schemes in 1963 and 1967. Net growth in the funds of schemes may be used for future investment which provides capital for industry and earns more interest for the fund.

Table 4.4

Estimates of Income and Expenditure
by Private and Public Sector Schemes, 1963 & 1967
(£ million)

| | 1963 | | | 1967 | | |
|---|---|---|---|---|---|---|
| | Private | Public | Total | Private | Public | Total |
| Contributions | | | | | | |
| Members | 120 | 110 | 230 | 190 | 155 | 345 |
| Employers | 335 | 285 | 620 | 525 | 395 | 920 |
| Net interest earnings | 240 | 85 | 325 | 365 | 115 | 480 |
| Total Income | 695 | 480 | 1175 | 1080 | 665 | 1745 |
| Pensions | 125 | 240 | 365 | 250 | 320 | 570 |
| Other benefits & expenses | 140 | 110 | 250 | 210 | 155 | 360 |
| Net growth in Funds | 430 | 130 | 560 | 620 | 190 | 810 |

Source: Government Actuary. Occupational Pension Schemes. HMSO. 1968.

Some public sector schemes, however, have nominal funds only, as does National Insurance, and are really pay-as-you-go schemes. Any amounts actually accumulated in these schemes are usually invested in Government Securities and actually support Government expenditure rather than private industry.

There can be no statistics, however, that indicate the average man's attitude toward his company's superannuation scheme and its importance in his decisions on a change in employment. One must judge from the actions of those given a choice of preservation or a return of their own contributions or some other lump sum payment. And even then there are a number of other factors in making a decision. If a move from one area to another is to be expensive and difficult, the employee may feel he has no choice, but to take a return of contributions because of his need for cash. And in another instance, an employee may decide to change his employment partly to obtain a return of his contributions in order to be able to use the cash now rather than wait until he is 65.

Attitude of Professional Associations

Though most individuals vary greatly in their attitude towards their retirement pension and its preservation, the professional associations are unanimous in their concern for the improvement of many aspects of their member's superannuation benefits, as well as the improvement of other conditions of employment. Pension schemes are regularly discussed at Annual Meetings and Conferences and many motions have been passed recommending that various policies be taken up with the Government agency or employer concerned. The British Medical Association, in its Annual Reports of Council makes frequent requests for the extention of transfers and preservation in the National Health Service Scheme. They would also like to see a shortening of the period over which a substantial pension could be earned[8]. In the NHS scheme at present, it takes 40 years to earn a pension equal to half of salary and one cannot start earning, in many cases, until age 24. Thus one must spend one's entire career in the NHS, or related Public Services, to earn a significant pension. The BMA would like to see a faster accumulation of benefits so that late entrants would have an adequate pension at retirement.

Employees who are members of the National Health Service Scheme have full transferability within the public sector on the whole and there is a great deal of transfer between the NHS and Local Government schemes. This is due to the fact that many Mental Health Officers are employed by Local Government Authorities. There are also several privately run institutions for the mentally ill and other handicapped people which are considered approved employment for superannuation purposes. This obviously increases the opportunity for mobility among National Health Service employees. There are no transfer arrangements, however, with several other privately operated institutions and this is

sometimes restricting. The B.M.A. therefore have asked that either transfer arrangements be extended with the private sector or that a system of frozen and deferred pensions be set up for NHS employees.

The National Association of Schoolmasters has been concerned with the improvement of teachers' retirement pensions and has passed several resolutions calling for the creation of a non-contributory scheme for teachers, faster accumulation of rights to a pension, and for pensions to be related to current salary scales with appropriate increases to keep them in line with increased salaries[9]. The teachers' pension position is similar to that of National Health Service employees. The National Association of Schoolmasters would also like pensions to be augmented after they have been awarded to keep them in line with current salaries in teaching. These are similar proposals to those included in the Superannuation Bill 1969 for National Insurance Pensions. Though the cost of such a scheme for teachers would have to be considered it is the principles and possibilities involved which were discussed at the conferences.

The Institution of Professional Civil Servants, on the other hand, has found disadvantages in their non-contributory scheme and are looking at the possibility of having a contributory scheme. It would also like to have pension rights made fully transferable for all employees and within both the private and public sectors[10]. Many other motions concerning pensions have been made over the past few years concerning the improvement of the Civil Service Pension Scheme including a motion to provide all established Civil Servants, with ten or more years service, with a lump sum plus frozen pension on voluntary withdrawal from the scheme, unless a transfer payment was provided[11].

The National Federation of Professional Workers has been working toward the preservation of pension rights since 1936 when a subcommittee studying occupational pensions recommended that they be required to

provide a transfer of benefits so that workers would not be tied to a particular employer[12]. In their pamphlet, Protect Your Pension, written in 1964, they also suggest the formation of industry-wide pension schemes so that an employee could move from one employer to another and would not even need a transfer value. This would make pension schemes like limited National Insurance schemes, but it would not solve the problems involved when an employee changed his employment from one industry to another. It also disregards the fact that one of the strongest motives for having a retirement scheme at all is to attract or hold employees. Having any preservation of pension rights decreases the effectiveness of this motive though there may still be a vast difference in the amount of benefits supplied and their type.

At their 1968 Annual Conference, the N.F.P.W. again passed a motion asking that the Government introduce "effective arrangements for the preservation of occupational superannuation rights on transfer of employment." It calls on the Government to introduce legislation which would enable superannuation rights to be preserved on a change of employment[13]. As most members of unions associated with the N.F.P.W. are members of occupational pension schemes, it is natural that the Federation is especially interested in this subject. The Federation has also passed motions asking for a regular review of public service pensions and the automatic increase of pensions by a factor related to the cost of living index. There are periodic reviews of public service pensions at present, but there is often a long time between reviews and pensions are not always increased as much as the Federation would like.

These are just examples of the concern about members' retirement pensions shown by various associations. Pension schemes are, of course, only one of the many fringe benefits that employee associations would like to see improved, but they are becoming more important for the future. This has become especially true recently as more concern has

been expressed about the seemingly unending and increasing inflation. Many people who retired several years ago on what seemed to be adaquate pensions are finding their value steadily decreasing and both private and public sector schemes have often attempted to augment their members pensions. If inflation continues at its present rate or even increases, this aspect of pension provision may also become increasingly important. And, of course, any inflationary situation gives even more importance to the preservation of all pension rights and the accumulation of an adaquate pension.

Retirement Pensions of Professions Studied

The rapid growth in the number of retirement pension schemes and in their coverage is making them increasingly important in the working life and post working life of more and more people. There effect on the economy in general and on the individual must be considered before many decisions by both individuals and employers can be taken.

To judge from present studies and statistics it seems unlikely that the majority of employees covered by retirement schemes actually do consider their importance before making a decision on employment possibilities[14], though theoreticians often feel that retirement pensions must have a significant effect in holding employees to a particular employer. A large proportion of professional or executive employees are covered by occupational retirement pensions schemes, and since their salaries are generally high, one might expect that they would be more concerned about pensions than anyone else. The tendency towards the use of terminal salary schemes for non-manual employees should also be a factor in making retirement pensions attractive to them.

This study is interested in the professional or executive employee in the public services. Retirement schemes have probably been in existence longer here than in the private sector and they are often

considered to give substantial benefits. One would assume from this that the public servant, realizing the large benefits that he is likely to receive when he retires from the public service, would be most inclined to remain in the service. The public services, in general, also have more elaborate and liberal arrangements than the private sector for the transfer of pension rights from one service to another or for the maintenance of pension rights during a period of absence from a particular employment. Detailed information about public sector schemes is also more easily obtained than are statistics for private sector schemes, largely because statistics are collected for analysis and presentation to the public or Parliament. The schemes within the public sector which are studied here in detail are: the Civil Service, Local Government, National Health Service, The Teachers, University Teachers and others covered by FSSU, and the four main denominational churches in England and Scotland - the Church of England, Presbyterian Church of England, Church of Scotland and Episcopalian Church in Scotland. Because of their special nature, the Churches do not experience a great deal of mobility by their members. While most make provisions for preservation of pensions, these are seldom used and the schemes are included here largely because of interest in the different schemes involved.

Information on each of the above schemes has been obtained from the agencies concerned, in the form of pamphlets as well as correspondence, and from Government and other publications[15].

The first four of these schemes are very similar in form, but have special attributes which make them convenient for their particular service. The FSSU is completely different from all the others as it is based on individual assurance policies rather than a group fund. It was established in 1913 and has not been substantially changed since.

Thus it still incorporates privileged benefits for its members which are not ordinarily provided because of taxation regulations. The churches are all different again with each having its own arrangements. Because of these differences, it is not possible to compare the schemes directly though all but FSSU may be expressed in fairly similar form. The schemes are presented in a tabulated form in Apendix 1. The main retirement provisions of the various schemes will be described in a more general form here.

Table 4.5 a & b present the general retirement provisions of each scheme. Many differences may be observed here and these will be expanded upon as it is often these individual aspects of the schemes which are most important to the employees.

First let us consider the schemes of the four churches: the Church of England, Church of Scotland, Presbyterian Chruch of England, and the Episcopalian Church in Scotland.

The retirement pension schemes for the four churches vary greatly from each other and in doing so demonstrate different principles of pension scheme planning. The Church of England's Clergy scheme is a statutory scheme set up by Parliament and supported by the State. The scheme is unfunded and no contributions are necessary, except in special cases when the Board may ask for a particular amount. Since there is no specific fund or contributions, benefits may be set arbitrarially, with the amount of pension varying with rank at retirement. All of the other schemes are funded and supported by contributions, by ministers and/or congregations and general Church Boards.

The normal retirement benefit is geared to the completion of specific eligibility requirements which include age and length of service requirements, except in the Presbyterian Church of England which has no particular service requirement. Though the other three schemes also

Table 4.5a

Retirement and Preservation Provisions

| Service Retirement | Church of England | Episcopal Church in Scotland | Church of Scotland | Presbyterian Church of England | F.S.S.U. |
|---|---|---|---|---|---|
| Eligibility: | | | | | |
| Age | 70 | 65 or 70 | 65 | 67, 62(women) | 60 or 65 |
| Years Service | 40 | 35 | 15 | | |
| Special | | 2 yrs. in mission = 3 yrs. in regular church work | ordained minister | ordained minister or elder | |
| Minimum period | 10 yrs - at discretion of board | 10 yrs. | 15 yrs. - at discretion of board | | |
| Contributions: | none - board may request some | 3% of income minimum £15 | 5% of stipend paid by congre. | 5% of sal.-minister 5% by committee | 5% of salary employer - 10% |
| Normal Ret. Age: | 70 or over | 70 | 65 | 67, 62 | 60 or 65 |
| Retirement Benefit: Pension | set amt. by rank + lump sum-max. £1.000 at age 70 w/ 40 yrs. ser. Min. inc. from all sources-£835. | Priests- £385 at 70 w/ 35 yr. ser. Inc. or dec. w/ more or less ser. Bishops receive twice this amount | 1/40 x standard annuity x yrs. ser. 1969 annuity-£600 min. £800(married) or £770 | 1% x basic min. stipend x yrs. ser. to 31.12.63 + 1/80 x bms. x yrs. ser. after that date | depends on policies taken-have lump sum to work from |
| Early Retirement: | | | | | |
| Age | 65 | 65 | | 65 | |
| Service | | 10yrs. | 15 yrs. | | |
| Benefit | normal reduced by 5% for each yr. under age 70. | set % of normal to be paid at age 70 | normal-deferred | normal-deferred | |
| Late Retirement | | | | | |
| Age | no special provision | no special provision | to 70 | after age 67 | prof.-70 lecturers-65 |

| | | | | | |
|---|---|---|---|---|---|
| Benefit | | | normal-max. 45/40 of annuity | Contri.stop-inc. by service only | policies accumulate |
| Relationship with Nat. Ins. | In addition to | In addition to | In addition to | In addition to | In addition to |
| Termination of Ser. Voluntary: Ret. of Contri. | | | | where member passes outside approved employment | if new employer does not accept policies, may take total surrender value. |
| Transfer Value | w/in Anglican communion & pub. ser. | w/ Churches in communion | | | automatic to 276 member institutes & to pub. ser. Any employer may accept policies |
| Cold Storage | | | if to church w/ comity agreement, pension frozen til retirement | same as in Church of Scotland | paid up policy may be retained by inst. as frozen pension-at choice of employee |
| Re-employment: Contri. w/drawn | no special provision | no special provision | | treated as new member | |
| Contri. left in | | | all per. of ser. aggregated | same as Church of Scotland | kept up policies may be brought back in |
| Other Benefits: details in appendix. | Health retirement Death benefits Widows scheme | Health retirement | Health retirement Widows scheme | Health retirement Death benefits Widows scheme | All depend on policies and member's choice |

Table 4.5b

Retirement and Preservation Provisions

| Service Retirement | Civil Service | Local Government | Teachers Superannuation | National Health Service* |
|---|---|---|---|---|
| Eligibility: | | | | |
| Age | 60 | 60 65 55(special) | 60 | 60 55(special) |
| Years service | 10 | 40 10 10 | 30-10 contributory | 10 |
| Special | permanent & established Unest. ser. counts toward eligibility & benefits | As in NHS | Woman counts 10 yrs. absence during marriage toward qualification | Both Contri. & non-contri. count toward qualification |
| Minimum period | 10 yrs. | 10 yrs. | 10 contri. Min. 2/3 of time from entry to retirement | 10 yrs. |
| Contributions: | none | Officers-6% of sal. Servants-5% of sal. employer-same | 6% of salary employer - 8% | 6%, 5%-manual workers employer - 8% & 6% |
| Normal Retirement Age: | 60 | 65,60(special) | 60, w/30 yrs. service | 65, 60(special) |
| Retirement Benefit: | | | | |
| Pension | 1/80th x FAS(3) x years service | 1/80th x FAS(3) x years ser. + 1/160th x FAS(3) x yrs. non-contri. ser. Max. 45/80ths. | As in Civil Service | As in Local Government |
| Lump Sum | 3/80th x FAS(3) x yrs. ser. | 3/80th & 3/160ths substituted in above Reduced 1/3rd for married men. | 3/80th x FAS(3) x yrs. ser. after 30.9.56 + 1/30th x FAS(3) x yrs. ser. to that date. | as in Civil Service |
| Early Retirement: | | | | |
| Age | 50 | 60 | | 60 |
| Service | 10 yrs. | 10 yrs. | 30 yrs. | 10 yrs. |
| Benefit | Normal-deferred | Normal reduced by set percentage | Normal-deferred til 60 | Normal |
| Late Retirement: | | | | |
| Age | | no set limit | 70 | |
| Benefit | | same formula-age 70 or 45 yrs. service | Normal to 45 yrs. ser. | |
| Relationship with National Insurance | Modified; established staff contracted-out | Modified; those earning over £14 contracted-out | Modified; contracted-out | Modified; contracted-out |
| Termination of Service: | | | | |
| Voluntary: | | | | |
| Return of Contri. | none | Employee's only-tax & payment-in-lieu deducted | As in Local Government after 3 mos. absence | As in Local Government |
| Transfer Value | w/in public sector | As in Civil Service & to approved employ. | As in Civil Service & to approved employ. | As in Civil Service & to approved employ. |
| Cold Storage | rights frozen if move to approved employ. & then paid at normal ret. age. Also if leave at age 50 w/ 10 yrs. service. | If move to commonwealth pub. ser. & expect to return-at discretion of Local Gov't. | as for early ret.- w/30 yrs. ser. | if move to approved employ. or study & return w/in 1 yr. of leaving that employment |
| Re-employment: | | | | |
| Contri. w/drawn | | treated as new member | may pay back w/interest (3%) & service will be aggregated | if return w/in 1 yr. of leaving, may return contri. & ser. will be counted. |
| Contri. left in | | break of less than 1 yr. does not disqualify. In practice most ser. after age 18 counted at least as non-contri. ser. | may leave and re-enter ser. as many times as wish. | automatically returned |
| Other Benefits: details in appendix. | Health retirement<br>Death Benefits<br>Marriage Gratuities | Health retirement<br>Death Benefits<br>Injury Allowance<br>Widows Scheme | Health retirement<br>Death Benefits<br>Widows Scheme | Health retirement<br>Death Benefits<br>Injury Allowance<br>Widows Scheme |

* Terms for doctors and dentists given in text.

set a minimum period of service, there is provision that in exceptional circumstances the pensions board may use its discretion to grant a pension for any amount of service. In the Church of England service does not have to be continuous and breaks of up to three months are counted as continuous service.

Each scheme expects that its members will retire when they first become eligible for a pension or shortly after that time, though they also make provision for early or late retirement. Though each scheme has a different system, retirement is planned for between age 60 and 70. If a member retires before the normal age, his pension is either reduced or deferred until that age, and if he choses to stay in service past the normal age the amount of extra pension he may earn is usually small.

The normal retirement benefit is calculated differently in each of the schemes. In the Church of England, benefits are an amount set according to rank in the heirarchy of the Church[16]. This amount is reduced for retirement before the age of 70 or with less than 40 years of service, as is the lump sum benefit. Both Churches in Scotland set a standard annuity for all members and the actual retirement benefit is calculated from this. The Presbyterian Church of England's scheme, on the other hand, provides for a calculation of benefits along the same lines as the public services, And the pensioners benefit from each increase in the basic minimum stipend for active ministers.

Besides the main retirement scheme the Church of Scotland also has a Pension Fund for Ministers and the Life Assurance Scheme. This unit is made up of the following schemes: Contributors Pension Fund, Capital Pension Fund, Early Disablement Fund and Life Assurance Scheme. Ministers age 50 or under are eligible for the scheme if they are being admitted for the first time to a qualifying charge, after 1st January, 1969.

Those who were members before this date may continue to be members and may pay slightly different contributions. The contributions are in three parts: those for the pension - £3 per year, and two different ones for Life Assurance - £18 per year for Endowment Assurance and £12 per year for a convertible policy for widows and dependents, giving a total contribution of £33 per year to be paid by the minister.

For this contribution the minister receives the following benefits: from the Contributors' Pension Fund, a pension at age 65 which varies according to the age at which the minister joined the scheme, and the number of years he has peid contributions. If he joined the scheme at age 26 he would receive a pension of £34.20 at age 65, and if he joined at age 46, his pension would be £9.25. The pension is also increased if the minister retires after age 65. The pension from the Capital Pension Fund depends on age at retirement, The pension at age 65 is £30.50 and at age 70 it is £54 per year; providing an incentive for longer service. However, the total income from all of these pensions may not exceed two thirds of the minister's final average salary if he has 20 or more years of service.

If a minister is receiving an ill health or disability pension from the Aged and Infirm Ministers' Fund, he is also eligible to recieve a pension from the Early Disablement Fund. The Assurance Fund provides a lump sum death benefit when death occurs before age 55. This scheme was voluntary until 1961 when the General Assembly decided that it should be made compulsory to ensure that all the eligible clergy would make the best possible provision for their future.

All four of the schemes in the Churches are in addition to National Insurance and there is no reduction in either pension or contributions in relation to either the flat rate or graduated parts of National Insurance.

All four of the churches have provisions to deal with the termination of service of individual ministers, but because of the special nature of the ministry there are relatively few cases involved. All four churches have transfer arrangements with other churches with which they are in communion. These usually provide for all of a minister's service to be calculated as if it had been rendered in the second, or last, church he served, except in the Church of Scotland where the minister receives part of his pension from each church or institute involved. The Presbyterian Church of England has arranged to return a member's contributions plus 3% or 3½% interest if the minister passes outside approved church service. The member then loses all claims for a pension. Besides making arrangements with other churches the Church of England has extensive arrangements for transfers with branches of the public services. These are the same as arrangements between the other services.

As in the public services all of the churches make some provision for benefits other than retirement pensions and again these vary greatly. As these are not directly relevant to this paper they will not be discussed here but details of benefits provided by the retirement schemes may be found in Appendix 1. Other schemes providing Health and Death benefits are also mentioned.

The four Public Service Schemes being studied are the Civil Service, Local Government Service, National Health Service and the Teachers.

Each of these is a terminal salary scheme and is designed to provide a total retirement benefit at normal retirement age of two thirds of final salary with 40 years of service. The benefit in each case is divided into two parts, a pension and a lump sum. The pension, except for general practitioners and dentists on the

Executive Council lists, is calculated as 1/80th of final average salary (an average of the last three years) for each year of credited service, with each scheme having its own definition of credited service and special eligibility requirements. That for general practitioners and dentists is calculated on a percentage basis ranging from 1½% to 2½% of remuneration and related to successive ten year periods of practice.

The normal lump sum in each scheme is calculated as 3/80ths of final average salary for each year of credited service, the salary and service being calculated as for a pension. This lump sum may be used in any way that the member wishes. If it is used to provide additional pension for the member, it should purchase enough to bring his total pension, if he has 40 years service, to about two thirds of his final salary, or 1/60th of final average salary for each year of service. Thus, while the scheme provides a set pension of one half of salary with 40 years service, conversion of the lump sum to pension will bring total benefits to two thirds of salary, the maximum set by Inland Revenue regulations.

In order to be eligible to receive a benefit from any of these schemes an employee must be in a permanent position at his retirement date. Other types of service may also be counted, however, when years of credited service are calculated.

To qualify for a service pension, an employee must have reached age 60 in all schemes, though the Local Government and National Health Service schemes have an eligibility age of 55 for some employees, e.g. mental health officers and some nurses. Each scheme has a set service requirement though the type of service may vary. For example, of the 30 years service normally required by the teachers' scheme, only ten must be contributory and married women teachers are allowed to count ten years of absence, during their

married life, as qualifying service. Further concessions are made for the late entrant to teaching in that their normal period of service must amount to two thirds of the time between their entry and their 65th birthday.

Service may continue beyond the normal retirement age in all cases. Teachers are usually expected to retire sometime between the ages of 60 and 70 while Local Government employees may continue to work after age 65 by extending their service for periods of twelve months or less. This keeps their decision to continue to work constantly under review. None of these four schemes has an irrevocable compulsory retirement date. However they all provide that service over the age of 70 and after 45 years of service may not be used in the calculation of benefits.

All but the National Health Service Scheme provide for some early retirement though benefits are withheld until the pensioner reaches the normal retirement age, 60, in the Civil Service and Teachers' schemes.

The funding of the schemes and contributions to them also vary. The Civil Service Scheme is non-contributory and is unfunded. Benefits are paid on a psy-as-you-go basis from general funds and the accumulation of benefits is a bookkeeping function. On the other end of the scale are the Local Government Schemes. Contributions of 6% of salary by officers and 5% by other employees are payable to a specific fund, invested in various properties and stocks and bonds, which is used to pay the actual pensions earned.

The National Health Service and Teachers' schemes are also contributory with employees in each paying 6% of salary or remuneration (manual workers in the NHS pay 5%) and employers paying 8% (6% for manual workers in NHS). The Executive Council of the National Health Service pays 8% of the remuneration of general

practitioners and dentists on its lists. Both of these funds are nominal funds only and there is no attempt to ensure that amounts in the fund will be enough to pay future pensions. Contributions are used to pay present pensions and accumulation of benefits is mostly a bookkeeping entry.

Retirement benefits from all of these schemes and contributions, where applicable, are modified to take National Insurance into account. This reduction in contributions and benefits is in relation to the flat rate part of National Insurance only. Most salaried employees covered by the schemes are contracted-out of the graduated scheme and will not recieve a retirement benefit from it. In general, those employees who began work after 1948 and the introduction of the flat rate National Insurance Scheme are required to pay modified contributions and to receive modified benefits. Contributions are reduced by 1% or 6p per week(men) or 6½p per week(women) and benefits are reduced by £1.70 for each year of contributory service and £.85 for non-contributory service. In the Local Government Service after 1961, the reduction in benefits was expressed as 1/240ths of final average salary for each year of contributory service plus 1/480ths of salary for each year of non-contributory service. Civil Service Pensions are also modified even though employees pay no contributions. Thus public service employees receive the same amount of pension as they would have if there were no National Insurance benefits.

As each of these schemes is within the public service, each has provision for transfer payments to other branches of the public services. This usually entails the paying of a transfer value to the new scheme which is a specific amount per £100 of remuneration, for each year of completed service. The rates are different for contributory and non-contributory service and for officers and

other employees. When an employee transfers from one service to another, the transfer value is not paid automatically as in FSSU but must be requested by the employee. If he has removed his own contributions from the first fund, no transfer value would be payable.

When an employee leaves his job to go to employment outside the public service, various provisions are made. Provision is made within the Civil Service Superannuation Regulations for a transfer value or a frozen pension to be made when an established Servant leaves the Service to take up employment outside the immediate public service, but this is at the discretion of the head of the employee's department. If he feels that the public interest will be served by the employee joining a particular employment, he may arrange to make a transfer payment to that employer or, if this is not possible, he may decide to have the employee's pension rights frozen and paid to him on his final retirement, or aggregated with any other pension rights which he might earn in the public service. It is most likely that these provisions would be used when a member became employed by the public service of one of the Commonwealth countries or by a semi-public agency within the United Kingdom, rather than in the private sector. As Civil Servants do not pay contributions, there is no payment made to them if they leave the Service and are ineligible for a transfer payment or a frozen pension. However, if a woman with six or more years of service leaves to get married, she may receive a marriage gratuity of one months pay for each year of service with a maximum of one year's salary.

Because of the sporadic nature of many teaching careers, special consideration is given to maintain adaquate benefits. Teachers are encouraged to leave their contributions in the fund when they leave the service, though they may be removed after three

months of continuous absence from teaching. If a teacher leaves his contributions in the fund, and returns to teaching later in life, his two, or more, periods of service are aggregated when benefits are calculated. If he withdraws his contributions, up to 20 years of this service may be counted as qualifying service, but it is not used in the calculation of benefits unless the contributions are repaid to the fund with 3% interest. Virtually no benefits are lost if a teacher transfers his service between England, Wales, Scotland or Northern Ireland and arrangements are made with many Commonwealth countries which enable them to pay contributions to the British scheme on behalf of a teacher who is on tour, or teaching for a limited time within their country.

In both the Health Service Scheme and Local Government Superannuation, the general rule is that if an employee who leaves the service, returns within one year, he will not be considered to have had a disqualifying break of service. If he goes to approved employment, for further education, or to the Armed Forces, he is usually allowed one year between that position and returning to Local Government or National Health Service employment before he is considered to have had a disqualifying break of service. If an employee has had a disqualifying break in service and has taken a return of his contributions, he may still be able to buy back some of his past service. In Local Government Superannuation this service may be reckoned as non-contributory service even if there has been a disqualifying break in service. Exactly how the rules are applied is usually at the discretion of each Local Authority and some allow all periods of service to be aggregated while others are very strict about whether or not there has been a disqualifying break in service.

Other than straight service retirement benefits, most of the schemes do make some provision for Ill-Health or Disability retirement and for Death Benefits. These are explained further in Appendix 1.

The Federated Superannuation System for Universities is completely different from any of the other schemes. It is not a group scheme where individual members contribute to a fund which is invested and then used to pay pensions as they come due. FSSU is a scheme of individual assurance policies where the member may chose the type of assurance he wishes to have and this is purchased through his University or Institute.

Policies generally mature at age 60 and a member may retire at this time though the normal retirement age is 65. Between age 60 when the policies mature and age 65 when the member retires, his policies continue to accumulate and increase in value. The actual amount of benefit depends entirely on the type of policies invested in and the financial history of the company(s) involved. If a member decided to take out Endowment Policies, which give large benefits for in-service death, his final annuity on survival to age 65 would probably be slightly less than if he had invested in a deferred annuity policy. However, the only benefit from the deferred annuity on death in service is a return of premiums plus any interest accumulated or the surrender value of the policies. The death benefits from endowment policies may be up to five years salary at age 25 decreasing to three years salary at age 40 and continuing to decrease steadily until maturity.

At the maturity of all of the policies, the member is given a lump sum value that his policies have accumulated and it is then up to him to decide what he would like to do with this sum. If he

wishes he may use this largely tax free lump sum to help purchase a house or take a trip around the world. But he may also purchase with it an annuity for his lifetime or for his wife or for both of them and there are several varieties of pension for him to chose from. If his policies had been deferred annuity policies there may be a difference in the amounts available for a cash option and for the purchase of an annuity. By purchasing an annuity the member may have the use of more money than if he wished to take a straight cash option. This is because the company can use the capital value of the annuity for a longer period for its own investment. A member must consider the many points involved before he chooses the type of policy he wishes to purchase and the company from whom he wishes to purchase it. There are at least thirteen assurance companies on the panel and each one has slightly different policies. In some cases only a few companies provide a specific type of policy while in other cases almost all the companies provide at least one option for a particular type of policy.

In order to purchase his policies, a member contributes 5% of his salary while his institute contributes another 10%. This money is used by the institute to pay the premiums on the policies the member has chosen. When a member receives an increase in salary and the amount of money available for purchasing policies is increased, he must make another decision as to the type of policy to buy. He may purchase more of the type he has had in the past or he may decide to cover himself in another way. For instance, if he bought endowment policies while he was young and needed the extra coverage in case of death, he may later decide to start an annuity policy which will give him a higher income when he retires.

If a member must retire early for reasons of ill health or disability there are no special arrangements made. He may arrange for a small annuity based on the premiums already paid or he may take his policies' surrender value as a tax free lump sum or he may try to continue the policies by himself until maturity when a number of options are available. If he does this, of course, he will have to pay in premiums an amount equal to 15% of what his salary had been. The instances of sickness retirement, however, seem to be very few and they are often provided for by ex-gratia payments from the institute concerned.

When a member leaves the institution, there are a number of courses open to him. If he transfers to a University or to any one of the 276 institutions covered by FSSU, his policies will automatically follow him and the premiums will then be paid through his new institute. If he transfers to another branch of the public service his policies may be kept up by the new branch or the capital value of the policies may be used to purchase back credit in the fund. This often depends on whether or not the move is expected to be a permanent one.

If the member moves outwith the system and the public service he still receives full credit for accrued benefits produced by his own and his employers contributions. This is probably one of the most important aspects to the employee of provision in the FSSU for voluntary termination of service, that the employee may take with him both his own and his employers contributions, even if he is not going to employment to which his policies may be directly transferred. If a member moves to employment which will not accept a transfer value, he may convert his policies into completely personal ones and pay the premiums himself, though, as mentioned

earlier, this would mean paying 15% of his last salary in insurance. If he cannot afford to do this, the policies may be retained by his former institute and converted to paid-up policies, similar to a frozen pension. Otherwise they may be released to the member endorsed in such a way as to prevent their being cashed until he retires or they may be just released to him to do with as he wishes. In this case he may maintain them himself, cash them, or try to transfer them to his new employer.

Connected to FSSU is a scheme for the Supplementation of Superannuation Benefits. This scheme guarantees to the member a pension equal to 1/75th of his final average salary (an average of three years) for each year of service. If the lump sum from his policies will purchase an annuity smaller than one calculated by this formula, the member's pension will be increased to the guaranteed amount at the expense of the employer. If the lump sum will purchase more than the guaranteed amount, the member's pension is naturally the larger amount. In 1966 80% of the retiring university staff needed supplementation of their pensions on an average of £370 per year[17].

Because FSSU did not seem to be generating high enough benefits a working party was established in 1964 to study the situation and to make suggestions[18]. The committee reported in 1968 and suggested the setting up of a terminal salary scheme, Universities Superannuation Scheme (USS), to replace FSSU. This scheme would be very similar to those in the other branches of the public services and though it might generate larter pensions for many members, it would not have certain other advantages of FSSU. Probably the most disputed change will be that which ends the option available to members to take the capital value of their

accrued benefits as an untaxed lump sum on retirement. Inland Revenue rules allow only one fourth of the final capital value to be taken as a lump sum at retirement and this is the amount presently provided for by the public service statutory schemes. The rest must be taken as an annuity or pension. While the actual pension received from the proposed USS will be slightly larger, in most cases, than that obtainable under FSSU, many members will feel that the scheme's greatest asset has been removed.

Under the proposed USS an employee could ask for a return of his own contributions only on termination of service, where under the present scheme the employee receives a return of both his own and the employer's contributions. Transfer arrangements would be improved under the new scheme. On a change of employment a transfer value would be paid at the request of the employee to any scheme in the public or private sector which was approved by the Inland Revenue and which would accept payment. If the 1970 Finance Act is not amended this will undoubtedly include most occupational pension schemes in both sectors of the economy. However, if a transfer value cannot be paid, the scheme also provides for a deferred pension for those with at least ten years of service (this will probably be reduced to five years in view of the 1970 Act). This provision will depend, of course, on whether or not the employee leaves his contributions in the fund.

As in the Teachers' scheme, the new plan provides that successive periods of membership may be aggregated when final retirement benefits are calculated if contributions have been left in the fund. On the whole, the proposed USS scheme provides more for the mobile employee though young, short-term employees may be unhappy that they will not be able to take a return of both their own and their employer's contributions when they change their

employment. A decision has not been taken to date as to whether or not the new scheme should be introduced or perhaps changed again.

Though all of these scheme are very different from each other in many aspects they also have similarities in their form, in their provisions and in their purpose. All of them were introduced with the purpose of providing an income for those who had finished their working life. To make the provision as complete as possible, all of the schemes discussed included arrangements for the preservation of an employee's pension rights when his service with the employer involved was terminated. As the public service schemes are similar in form and in the way that benefits are calculated, it has been possible for them to provide transfer values for transfer within the public services without any loss in benefit accumulation. However, this has not been true with schemes outside this system where there are often large variations in the amounts of benefit paid and in the types of funds and administrations used.

It is obvious from these few schemes that there is no ideal scheme for the entire working population and each scheme has its own advantages and disadvantages. Many schemes have no provision at all for the preservation of pension rights on termination of service, and it is this type of scheme which may be hindering mobility of workers the most. All the schemes in this study have at least some provision for preservation and the mobility of employees in relation to this provision should theoretically be more than among other schemes. Chapter V discusses the mobility of workers in general and examines the use made of preservation provisions in the retirement schemes of employees in the public services.

REFERENCES

1. Government Actuary, Occupational Pension Schemes. London:1968. Table 4 p. 9.

2. Ibid. p. 13. and M. Pilch & V. Wood, New Trends in Pensions. London: 1964. p. 27.

3. M. Pilch & V. Wood, Op. Cit. p. 39.

4. J.G. Maurer, "The Downward-mobile Industrial Supervisor: Characteristics and Attitudes" Sociology and Social Research. Vol. 53 no. 3. April, 1969. p. 3.

5. A.I. Harris, Labour Mobility in Great Britain 1953-1963. London: 1966. p. 11 & 19.

6. Ministry of Labour, Preservation of Pension Rights. Report of a Committee of the National Joint Advisory Council. London: 1966 p. 20.

7. Cheshire County Council Superannuation Fund. Report on the Quinquennial Actuarial Valuation of the Fund as at 31st March, 1964.

8. "Superannuation for Hospital Medical and Dental Staff" British Medical Journal. Vol. 2. Supplement 3298 Appendix VI. 1968. p. 18.

9. National Association of Schoolmasters, Conference Reports and Reports on Superannuation.

10. Institution of Professional Civil Servants, Correspondence and Final Agenda, 1968 Conference. p. 22.

11. Ibid. p. 23.

12. J. Fryd, Protect Your Pension. N.F.P.W. 1964. p. 2.

13. National Federation of Professional Workers, 49th Annual Report. 1969. p. 5.

14. Ministry of Labour, Op. Cit.

R.W. Abbott, "Preservation of Pension Rights" British Tax Review. Jan.-Feb. 1964. p. 29-37.

G.S. Palmer, H.S. Parnes, et. al., The Reluctant Job Changer. Phil.: 1962.

H. Rubin, Pensions and Employee Mobility in the Public Service. New York: 1965.

15. Government Actuary, Occupational Pension Schemes. London: 1966.

Ministry of Labour, Op. Cit.

G.D. Gilling-Smith, The Complete Guide to Pensions and Superannuation. London: 1967.

G. Rhodes, Public Sector Pensions. London: 1965

15. Church of England, correspondence and
Clergy Pensions Measure, 1961. no. 3
Clergy Pensions (Amendment) Measure, 1967. no. 1.
Explanatory Memorandum of the Pension Scheme for the Clergy and Their Families. 1968.

Episcopal Church in Scotland, correspondence and
Digest of Resolutions. no. 65. p. 32-35.

Church of Scotland, correspondence and
Annual Reports to the General Assembly with Legislative Acts, 1968 & 1969.
Regulations of the Aged and Infirm Ministers' Fund and the Pension Fund and Life Assurance Scheme for Ministers, 1961.

Presbyterian Church of England, correspondence and
Ministers and Widows and Orphans Pension Fund, Constitution and Rules, 1963.

F.S.S.U., correspondence with Secretariat.
Federated Superannuation System for Universities. Grey Books. Parts 1 & 2. 1968.
"Superannuation" AUT Bulletin. no. 32. April, 1970.
FSSU Secretariat, University Teachers' Superannuation, A Guide to the Choice of Pension Schemes for University Teachers. 1968
Department of Education and Science, University Teachers' Superannuation. London: 1968.

Civil Service, correspondence and leaflet from Treasury Chambers
Statistics Division, Civil Service Manpower. 1967 & 1969.
Lord Fulton, The Civil Service. Vol. 1 & 4. Report of the Committee 1966 - 1968. Cmnd. 3638. London: 1968.

Local Government
E.S. Hartnoll, Local Government Superannuation. Institute of Municipal Treasurers and Accountants, 1968.
H. Keast, Knight's Local Government Superannuation. 2nd ed. London: 1955.
Cardiff Council, correspondence
Cheshire County Council, correspondence and
T. Hales, Superannuation, A Summary of the Law of Local Government Pensions.
City and County Borough of Bath, correspondence and
City of Bath, Local Government Superannuation. 1968.
County of Lanark, correspondence.
Durham County Council, correspondence.
Fife County Council, Guide to Superannuation Scheme. 1969.

Teachers
Scottish Education Department, Teachers Superannuation (Scotland) Regulations, 1969. Circular 704. Edinburgh: 1969.
—— You and Your Pension, A Guide for Teachers. 1967.
—— A Short Guide to the Superannuation Scheme for Teachers in Scotland. 1967.
—— Guide to the Widows Scheme. 1965.
—— Guide to the Dependents Scheme. 1965.
—— The Teachers Superannuation (Scotland) Regulations and Rules. Allocation of Pension, Explanatory Memorandum. Edinburgh: 1957.
—— Short Guide to Teachers' Superannuation Scheme in Scotland. 1969.

15. Teachers

Scottish Educational Statistics. 1967 - 1969.

Department of Education and Science, Teachers Superannuation, Esplanatory Memorandum. 1968.

National Association of Schoolmasters, Superannuation, A Summary, 1964.

—— Report on Pensions to be Presented to the Annual Conference, Hastings. 1960.

National Health Service

H. Barry, Superannuation for the General Medical Practitioner. London: 1955.

Scottish Home and Health Department, The Health Service Superannuation Scheme in Scotland. Edinburgh: 1968.

16. See Appendix 1 for standard pensions.

17. Department of Education and Science, University Teachers Superannuation. London: 1968. par. 93.

18. Ibid.

# CHAPTER V

## ANALYSIS OF MOBILITY AND PRESERVATION

### Introduction

The importance of labour mobility to the economy of an industrial nation has been increasingly recognized in recent years though the extent to which it should be encouraged is still debated. Some sections of the economy already have very high rates of labour turnover. Much of this is accounted for by a small minority of employees who change jobs many times while other employees, usually older, more experienced people, have very stable careers.

Researchers into mobility must decide which aspects or types of mobility will be measured and in what context. There are three general aspects which are usually investigated, 1) The extent and character of labour mobility, 2) The determinants of mobility, and 3) Mobility in relation to the market mechanism and labour allocation[1]. If the extent and character of labour mobility is studied, the amount measured will depend on the number of occupational, job, or industrial groups used and their character. For example, many studies into social mobility use the occupational prestige values of different jobs held over a period of time to measure vertical mobility, and the amount taking place often depends on categories used. If the researcher limits the occupational categories to manual and non-manual he will automatically find less mobility than if he were using many more categories.

Research into the determinants of labour mobility often includes interviews with workers who have changed their job in some way, either within the same company or between different firms. This type takes into account both vertical and horizontal movement and encompasses all the different types of economic mobility:

job, occupational, industrial, and geographic. The researcher usually tries to determine the reasons for a particular move or the factors which might hinder movement through discussions with a sample of workers or through the use of company records of reasons given when an employee leaves. To find the barriers to mobility the researcher often asks his sample for their opinion of what characterizes a good job or firm. The prominence of specific characteristics, e.g. wages, sick pay, pensions, determines their importance in holding employees to a specific employer. There are, of course, social factors which may also hold an employee to a specific geographic area and thus indirectly to his employer, unless there is alternative employment in that area. This is especially true of the older worker who may have property commitments and a strong social attachment to his area[2].

Research into the allocation of labour among competing firms or industries deals with mobility as it is affected by general changes in the economy and the efficiency of the market mechanism. Pigou stresses this type of mobility when he discusses his three major causes of insufficient mobility, ignorance, cost of movement, and artificial restrictions[3]. Bernstein discusses the effect of economic changes in both foreign and domestic markets in determining rates of labour mobility in specific sectors of the economy[4]. The emphasis in such studies is on mobility's effect on maximizing the National Product. Where there are barriers to mobility the allocation of labour within the country will be imperfect and therefore the National Product will not be maximized.

A discussion of mobility and its effect on the economy becomes even more complicated when it is also concerned with the employee and repercussions on him of opportunities for or barriers to mobility.

It is this aspect of mobility which is investigated in this paper with specific emphasis on the possible effects of retirement pensions as a barrier to mobility.

Factors Affecting Mobility

When considering the factors which affect the mobility of individual people we must deal with barriers or inducements as these individuals are likely to see them. And yet we must also examine the basic economic background and its effect on any decisions being made.

The current economic conditions both within and outwith a trading country create a climate within which industry works. Swings in demand and in the prospects of individual companies or particular industries will influence the attitudes of the workers in that industry and this will in turn influence their reactions to various employment opportunities.

If the economy is expanding so that there are many employment opportunities, the decline of a particular company or industry will see voluntary resignations of employees who can find better conditions elsewhere. Those left behind may cling to their positions because they lack training for a new position or because they feel they are too old to move and wish to retain pensions credits already earned. On the other hand, if the economy is not expanding and there are few opportunities elsewhere, only a few of the employees in the industry will be able to take the initiative to move to a better, or similar position elsewhere. An example of this type of problem in Britain today is the mining industry. The coal mines have slowly been closed down as other less expensive and more practical fuels have been found and used. And this has caused a real problem for the miners who see their livelihood disappearing.

Mining communities are often isolated with little other industry near by so when a mine is closed there is nowhere for the miner to go without a complete break with everything he has known. Mining requires few slills that could be applicable to another industry. Consequently the miners have fought the closing of the mines in every way possible. One result of this is that the Government ordered some power stations to burn coal rather than oil to produce electricity, which results in higher prices to the consumer of electricity and less efficiency in the economy as a whole. More recently this situation has changed as the price of oil and other fuels has increased. There is presently the threat of a shortage of some types of coal. Therefore there is a possibility that some mines will be reopened and modernized. This type of fluctuation in the demand for labour will naturally have an effect on the mobility and general prospects of the workers involved.

There are many barriers to labour mobility, some that are mostly economic and others that are social or administrative, usually outside the control of the individual concerned. Economic security is probably the most common reason for an employee remaining in a job with which he is not satisfied. Seniority rights are effective deterrents to the mobility of both wage and salary earners, especially where promotion is influenced by years of service. Security also covers social factors which affect mobility. After a few years of working for one company a worker develops ties to his workmates and to the job itself. He will also feel at home in the community, making a move which entailed geographic mobility more difficult.

One reason for the introduction of retirement pensions by employers has been to decrease mobility and turnover rates. This same reason has led them to introduce other long-term fringe benefits such as sick pay, health insurance and holidays with pay plus the welfare benefits often found in factories: a canteen, playing fields and sports clubs, social clubs, luncheon vouchers, and so on. All of these hinder mobility because they end with separation from the employer. And those which increase with age or length of service, like pensions and sick pay, tend to be even more restricting to the employees involved[5].

Of the fringe benefits listed above, the younger or new employee would probably be concerned most with the welfare benefits and the holidays with pay. There is usually an eligibility period of service before he would receive any benefit from sickness insurance or begin to earn retirement pension credits so for his first year at least these would have no affect on him. Most job changes, especially by blue collar workers, are made by those who have less than one year of service with the company. About one third of those changing jobs in any one year account for over half of the total changes in that year[6]. These workers would be little affected by pension plans and sick pay.

It is the older man with longer service who is generally more affected by restrictions of all kinds to mobility. Also, as the level of skills needed for a job increases, more training may be required for a new job which makes it that much more difficult for an individual employee to change jobs. This is often the case until we reach the professional level where it really depends on the type of training involved. Many professionals may use their training for a number of different jobs but some, like doctors or chemists, would need extensive retraining to change their job or

occupation, but, of course, they could still be mobile without an occupational change.

There are barriers to geographic mobility also. Two of the most important are housing and cost. For the married worker the costs of moving are much greater than for the single man or woman as he must move his whole family. A geographic move may also entail the loss of the wife's wages. Another, often important, barrier to geographical mobility is the social problem of having to leave friends, relatives and familiar haunts. This will naturally vary with each individual. A consideration that is often important for professional people is the local educational system. Here again the younger worker with fewer responsibilities would be able to be more mobile than the older worker.

Pigou felt that one of the big deterrents to mobility was ignorance or imperfect knowledge of opportunities and conditions elsewhere[7]. If a worker knew what to expect if he moved to another job or area he might be much more inclined to move. This applies to all the other barriers to mobility also. If the worker was well informed as to the fringe benefits etc. that he could expect at other companies, he would be able to make a better choice. In such a situation it would be only those benefits that increased with the number of years service that would effectively hold an employee to a particular company, except where that company was one of high standing for many employment considerations.

Possible Effect of Pensions

A number of studies have been done on labour turnover and mobility in general and on pensions schemes and other fringe benefits. Unfortunately those on pension schemes usually discuss everything but their possible effect on employee mobility. Let us first discuss the findings of a few studies on mobility and labour turnover.

A study of factory workers of all levels in Battersea and Dagenham in the early 1950's to find the relationships between different types of mobility and the amount of actual turnover largely supports the OECD's findings that the majority of changes are made by a small minority of workers[8]. The study found that 50% of the workers had not changed their job at all since World War II, a period of eight years. A job changed, from one employer to another, but with the same occupation and within the same industry and region, is the most simple type of change and is almost always included in any other type of labour mobility. Of the men who had changed their jobs, 3% had changed six times or more in the post War period, 1945-1953, and accounted for 20% of the total changes made. The authors felt that this indicated a problem of workers who drift from one employer to another, remaining for only short periods of time.

Many of the job changes also involved other types of change. Thus, 55% also involved an occupational change, a change in the general nature of the work done or the tools used; 75% involved an industry change, from one to another of the industries in the Governments' classification list; and 71% included a district change, either from one to another district within London or between London and the provinces. Over 33% of the changes made involved all four types of change at the same time. One very interesting factor which came out in their study of occupational mobility was that for every two workers who increased the status of their occupations, one would decrease his status. The authors found a willingness in the workers to tackle unaccustomed work which, they felt, largely accounted for this. Workers were interested in the type of job rather than just remuneration or status.

It was found that the younger workers tended to change jobs much more often than the older ones, see Table 5.1. While 70% of the 20-24 year olds made at least one job change during the eight year period, only 29% of those 45 and over changed. Many of the older workers could remember making more moves in their youth than they would ever think of doing at present. A higher proportion of the changes by older men were involuntary while most changes by young workers were voluntary. It was also found that unskilled or semi-skilled workers tended to be more mobile than skilled or clerical workers, which also relates to age, since older workers are often in more skilled positions.

Table 5.1

Rate of Job Change, by Age (1945-1953)

| Age | % Changing at Least Once |
|---|---|
| 20-24 | 70 |
| 25-34 | 67 |
| 35-44 | 50 |
| 45 & over | 29 |

Source: M. Jeffreys, Mobility in the Labour Market, London: 1954. p. 61.

When asked why they had made voluntary moves, most workers mentioned occupational preference, improved working conditions and the economic incentive, the last being most important to the younger workers. Very few mentioned welfare benefits of any type at all. And the authors concluded that no employment consideration other than work and wages seemed to have an influence on the younger workers.

While this study dealt primarily with non-professional people, it does indicate overall trends of mobility which are found within the economy, and which are also shown by a general survey in Great Britain that was completed in 1963[9].

This enquiry was undertaken for the Ministry of Labour and National Service to record the work history and physical movement

of all persons age 15 and over for a period of ten years, 1953-63. The sample was drawn from areas throughout the country and was weighted according to population. The total number of people in the final sample was 19,975.

The study investigated job, occupational, industrial, and geographic mobility. Thus the economic aspects of mobility were completely covered for those of all ages and economic status.

The geographic movement of the sample for all reasons was discussed first. It was found that over half of the people had lived at their present address for ten years or more. The largest number of recent movers were those aged 25-30; 86% had moved in the last ten years. Over 50% of these people had moved two or more times as compared with less than 10% for those age 55 and over. It was also found that a greater proportion of those with higher qualifications and education moved than did those with less education. Just over 70% of those who had attended University had moved while less than 50% of those who had only finished secondary modern or comprehensive school had move. In general those with higher education also moved more times than others. The main reason for movement was found to be for better housing or because of slum clearence and only 17% of the total moves were because of work. In relation to this it was found that 64% of all moves were within ten miles of the original place of residence. However, long distance moves were usually due to work rather than other reasons. For example, 56% of those moving over a hundred miles moved for work reasons. The higher qualified were generally more likely to move for a job, see Table 5.2. Over half of those with a degree had changed for this reason while this was true for only about 23% of the skilled and unskilled workers.

Table 5.2

Proportions of Qualified People
Who Moved for Job Reasons

| Qualifications Obtained | Percentage |
|---|---|
| Degree | 55 |
| Diploma/ Membership of Professional Body | 47 |
| Minor Professional (Teachers, Nurses, HNC/D) | 42 |
| "A" Level & Equivalent | 37 |
| "O" Level & Equivalent | 35 |
| Minor Technical (ONC/D, City & Guilds, etc.) | 24 |
| Commercial & RSA | 33 |
| Served Recognised Apprenticeship | 23 |
| Serving Recognised Apprenticeship | 12 |
| Skilled, not Apprenticed | 22 |
| No Qualifications or Skills | 24 |
| All Informants | 24 |

Source: A.I. Harris, Labour Mobility in Great Britain, 1953-63. London: 1966. p. 19.

The number of different jobs held by both men and women during the ten year period was also studied. Just over 50% of the sample had had only one job during the period. When the number of job changes made was related to age at the end of the period, it was found that those aged 25-30 tended to move most often while almost 70% of those aged 55 or more had had only one job. The number of jobs held was also related to the occupational status of the present job. Over 60% of those in managerial positions had had only one job as had 54% of professional people and 55% of skilled manual workers. Unskilled men made the most changes with 41% making three or more changes in the ten year period. The length of employment in each job was also related to the occupational status of jobs. Again, men in managerial and executive jobs showed the least mobility with 15% remaining in the same job for 30 years or more and 12% remaining 15 to 29 years. Almost 60% of the jobs in this group had been held for over four years. Generally speaking the higher the status of the job, the more likely it would be held for a long period of time. This is true for both men and women.

In comparison, 49% of the unskilled jobs were held for less than one year while only 18% of managerial and 21% of professional jobs were held for less than one year.

When length of employment of men was related to qualifications it was found that those with degrees, diplomas or minor professional qualifications had a lower proportion of jobs which ended within one year, than did those having 'O' levels or less - around 20% as opposed to 36%. About 38% of those with the higher qualifications held their jobs for four years or longer while only 29% of those with the lower qualifications did so. Length of employment of women did not appear to vary with qualifications.

Reasons for changing jobs were also related to the occupational status of the last job. It was found that 23% of those of professional status left in order to obtain better security and prospects. The next most important reason for leaving was to increase pay, 16%. While managerial workers often changed jobs for these reasons, those of lower levels tended to change jobs more because of a dislike of the work than to gain further security or good prospects. A similar proportion of all occupational statuses, however, changed for better pay.

When the occupational mobility of the sample over the last ten years was investigated, it was found that the higher the original status, the less movement occured. Thus 93% of those in the professional and administrative levels remained there over the ten year period while only 69% of unskilled workers remained in that occupational position. Those in the managerial, professional and skilled manual groups tended to have more downward than upward mobility while non-manual, semi-skilled manual, and unskilled workers had more upward than downward mobility, as well as a higher rate of occupational mobility in general. The vast majority of changes in

occupational status were accompanied by a change of employer. Nearly 98% of men and 99% of women retained the same occupational status while they worked for a particular employer. The proportion of people who had "risen through the ranks" was very small and these were usually found to have originally been of unskilled or non-manual skilled status.

It would appear from the study that there was a great deal of industrial mobility over the ten year period. Industries were ranked according to the proportions of people who were in the same industry at both the beginning and end of the ten year period. Mining and Quarrying and Professional and Scientific Services each had 80% of the same employees at the beginning and end of the period. Only one of the industrial categories, Public Administration and Defence, had less than 50% of the same staff. While the proportion of people in the same industry was relatively high when the beginning and end of the period were considered, the situation was very different when the present and previous jobs were considered, see Table 5.3. Here Construction had the highest proportion of job changes within the industry, 56%. The Professional and Scientific Services with 53% was the only other industry which retained more than half of those making job changes. The industry which seemed to gain the highest proportions of people from other industries was the Manufacture of Engineering and Electrical Goods. This industry acquired 23% of those in the Vehicle Industry who had changed their jobs, 17% of those who left the metals industries, and 15% of those changing jobs in the Insurance, Banking and Finance industry.

Because this study covers the entire population and illustrates the mobility of professionals within the population, it may be used as a basis for investigating mobility in the professions themselves and for comparison with the mobility of others.

Table 5.3

Percentage in Same Industry
Before and After Last Job Change

| Present Industry | % Previously in Same Industry |
|---|---|
| Agriculture, Forestry, Fishing | 45 |
| Mining & Quarrying | 31 |
| Manuf. & Processing of Food, Drink, Tobacco | 17 |
| Manuf. & Processing of Chemicals | 16 |
| Manuf. of Metals | 19 |
| Manuf. of Engineering and Electrical Goods | 31 |
| Shipbuilding and Marine Engineering | (11) |
| Vehicles | 17 |
| Manuf. of Metal Goods | 21 |
| Manuf. & Processing of all Textiles | 35 |
| Processing of Leather & Fur | (6) |
| Manuf. of Clothing and Footwear | 49 |
| Manuf. of Bricks, Pottery, Glass | (17) |
| Manuf. & Processing of Timber, Furniture | 16 |
| Manuf. of Paper and Publishing Materials | 33 |
| All Other Manuf. Industries | 16 |
| Construction | 56 |
| Production & Distribution of Gas, Electricity & Water | (4) |
| Transport & Communications | 24 |
| Wholesale & Retail Distribution Trades | 42 |
| Insurance, Banking, Finance | 27 |
| Professional and Scientific | 53 |
| Other Miscellaneous Services | 43 |
| Public Administration and Defence | 16 |

() Numbers
Source: A.I. Harris, Labour Mobility in Great Britain, 1953-63. London: 1966. p.78.

Studies which have dealt with the professional classes alone indicate that education is often an important factor in mobility. Some of these studies are predominently concerned with occupational mobility, as they are interested in the social aspects of mobility and in how individuals may increase their social status through their occupations.

One study speculated that higher educational attainment may lead to a pattern of fluctuating occupational mobility with a large amount of downward movement in relation to occupational prestige[10]. The study found that the better educated were willing to take more risks and tended to change jobs more frequently than others. Their

knowledge of employment possibilities was also much better than that of lesser educated people. The educated employee was often more interested in what a job offered on a social or intellectual level than just through salary. Therefore they were willing to take a job with lower status in order to fulfill other ideals.

A very important study by Lipset and Bendix[11] into social mobility and how it is related to occupational career patterns in the United States found that the sample had had very unstable work careers, though most of the mobility was within either the manual or non-manual classification. The work histories of 935 heads of families in Oakland, Calif. were collected and analysed. It was found that mobility decreases with age, but that only 30% of the sample had had relatively stable careers, 0-1.9 changes per ten year period. The study calculated the percentage of time spent by each individual in his present and other occupational groups[12]. The professionals had spent the majority of their time, 80.2%, in their present group as had the semi-professionals, 69.2%. Those below this level in occupational status, however, had spent nearly as much, or even more, time in other occupational groups as in their present group.

Perhaps the most important finding of the Lipset study was the number of men who had worked in occupational groups other than their present groups. This tabulation shows a staggering variety of occupational experiences and indicates a large amount of mobility, especially when the usual divisions of manual and non-manual are broken down into actual occupational groups[13]. The percentage of professional men who worked in each of eleven occupational groups other than his own is a good example of the vast range of work experiences, expecially as the professionals were the most stable of the groups. (See Table 5.4). Even if most of these positions

Table 5.4

Percentage of Professional Men Who Worked in Occupational Groups Other Than Their Own

| Occupational Groups | Percentage |
|---|---|
| Semi-professional | 8.7 |
| Own Business | 8.7 |
| Upper White-collar | 13.0 |
| Lower White-collar | 26.1 |
| Sales | 8.7 |
| Skilled Manual | 8.7 |
| Semi-skilled Manual | 21.7 |
| Unskilled | 17.4 |
| Odd Jobs & Unemployed | 13.0 |
| Farm Owners & Labourers | 0.0 |

Source: S.M. Lipset & R. Bendix, American Journal of Sociology. Vol. 57. p. 371.

were held for a relatively short time, the figures show a great variety in the types of jobs formerly held by those in the professional occupational groups. Figures for other occupational groups show an even greater variety in work histories.

Professional employees have different occupational status levels among themselves, and there may be movement between them. Carr-Saunders differentiates the four main categories of professions in industrial societies: the old established professions which are based on a particular traditional department of learning and include medicine, law, and religion; the new professions, based also upon fundamental studies and including chemists, social scientists, and engineers; the semi-professions which replace theoretical study by the acquisition of particular technical skills and which include nursing, pharmacy and social work; and the would-be-professions which include those groups which aspire to professional status. Members of this group are involved with modern practices in business and government and usually include business councellors, managers and personnel directors[14]. A study conducted in four cities in the United States to determine the mobility between the professional

groups described by Carr-Saunders, also included another group, the marginal professions which is made up of those technically related to and working with the professions, such as medical technicians, draftsmen, and interpreters[15]. Some of these groups have earned, in recent years, Government recognition of their professional status.

Those covered by the study were males of age 25 or over who had held a professional job at some time between 1940 and 1950. The average age of the men was 43 and 83% of them were married and had families. The median number of years of education ranged from 10.5 for the marginal professions to 16.4 for the established professions. The object of this study was to describe the occupational mobility patterns of men in the professional groups and to analyse factors related to that mobility. Occupational mobility was defined as a change in assignment in the decade, 1940-50, which involved a shift in the prestige level of the assignment[16]. A person's work history could be stable, could have proximate or distant upward mobility, or downward or fluctuating mobility. Fluctuating mobility was found where an individual moved two or more times and had gone both up and down in the prestige scale. Almost 13% of those studied showed this type of mobility. A move to self-employment was considered upward mobility and from self-employment, downward mobility.

The study defines two major barriers to occupational mobility within the professions which are particularly effective in controlling movement. These are the qualitative nature of the different kinds of work being done and the different skills and training that are needed, and the artificial barriers such as the numbers accepted for training, educational history, civil service ratings, apprenticeship and so on. The author was not able to determine the extent

to which these factors inhibited occupational mobility and he did not consider other barriers such as fringe benefits.

The study found that the established professions had the highest degree of stability, 71%, which seems only natural since they are already at the top of the scale and would only be able to move slightly upward or to self employment, or of course, downward, which 6% did. Of the other groups only the new professions showed relative stability, 54% remaining in the same catagory. The three other groups had more than 50% mobility. Indeed, 65% of the would-be-professionals were mobile. This group also had the highest percentage of fluctuating and downward mobility and of distant upward mobility. The new professions, semi-professions and marginal professions show less opportunity for distant mobility, but more for proximate upward mobility and they tend to insure against a drop in status with little downward mobility. The study found that the amount of mobility was quite high within the professions and that it seemed to be only the kind of mobility which was limited.

Because of differences in the educational and social systems of the two countries these studies can not be considered indicative of the situation in Britain, but general implications can probably be applied to all the western industrial countries to some extent. The main implication involved here is that dispite the barriers to occupational mobility, there appears to be a fairly large amount of mobility to and within the professions already. While these studies do not include industrial and geographic mobility, job mobility is almost always included in an occupational change and is therefore at least partially covered.

We have looked at some of the factors, in general other than pensions, which influence workers in their career decisions and at the mobility which results from these. It is obvious that there

are a great many factors which must be considered before any conclusions on the effect of pensions themselves may be made. We will next consider some of the possible effects, both theoretical and actual, of pension schemes on mobility within the labour force, and reasons for the recent push toward greater preservation of pensions on a change of employment.

One of the main reasons for the introduction of pension schemes by employers has been to attract or hold employees. If an employer is able to hold his more experienced and skilled employees, his turnover costs will be decreased. And by using strict eligibility provisions for the pension scheme, costs here may be held down also[17]. If an employer was the first in his area to introduce a pension scheme, it might have attracted employees to his company, especially those in higher staff positions who tend to be more aware of fringe benefits. It is also likely that he would be considered a good employer anyway. It has been found that firms with good pension schemes often also have better fringe benefits and higher wages in general than other firms[18]. However, in a situation where all companies have similar fringe benefits, with slight variations in each type, it would be difficult to say which benefit, or combinations thereof actually influenced an employee to stay with or leave an employer. Because retirement benefits begin to accrue only after a minimum period of time, newer workers - those who tend to have the highest mobility anyway - would not be affected by the scheme. It is only after benefits have begun to accumulate that the pension might affect an employee at all[19]. If there are any vesting or transfer arrangements within the scheme, the stabilizing effect of pensions would theoretically last from the time that pensions began to accrue until eligibility requirements for vesting or a transfer were fulfilled. One would assume that the vesting or

transfer provisions would be taken advantage of once eligibility for them was established. It has been found, however, that the opposite is often true. Of employees with five or more years of service at Unilever, and thus eligibile for preservation of their accrued benefits, 78% took a return of their own contributions on withdrawal instead of preservation, even though the company tried to persuade them otherwise[20]. In a Government report on the preservation of pension rights, it was also found that the mobility of the "majority of employees was not in practice inhibited by pension arrangements"[21]. Statistics in that report showed that about half of those who could have had preservation chose to take a return of their contributions instead. Also there is no evidence of a lower rate of mobility among young workers covered by pensions as compared to that of those not covered.

One study with the specific purpose of finding the effect of pension plans on employees' attitudes to job changing came to the conclusion that while pensions did not seem to have an appreciable effect on attitudes toward job changes, they were important in their own right when employees thought of retirement[22].

A study of the effect of retirement pension schemes on the mobility of public service employees in the United States was completed in 1965[23]. The data collected covered University teachers in four States and graduate employees of six different Governmental agencies in the five largest States and cities. It was felt that these agencies would be most concerned with mobility and that because of the high benefit rates involved, pension would probably have a greater influence here than in the rest of the public services. In general the pension schemes involved were more liberal than average and many already had liberal vesting (frozen benefits) and transferability provisions.

The data collected indicated that there was already a considerable amount of mobility in the public services. Rates of turnover ranged from 12% to over 40% in the various agencies. It was shown that almost half of the new employees with prior experience had come from other governmental services. Some of these had been able to transfer their rights but many had lost pension rights on their change of employment.

No significant relationship was found between turnover rates and vesting provisions available. For example, turnover in government agencies surveyed in California and New York was about 20% in 1963. While pension reciprocity is extensive in both States the difference in vesting requirements is great - a maximum of five years service in California and a minimum of 15 years in New York. The turnover in Illinois, which has a ten year vesting period, was three times that in Ohio which allows vesting after five years.

As in Britain few employees chose to take advantage of the vesting privileges which were available. The New York State Teachers Retirement System instituted vesting after 15 years service in 1961. As of June 1963 only 85 of the 117,000 members had taken advantage of vesting privileges. The majority of employees who left other agencies also voluntarily surrendered their rights and took a return of their contributions. Individual cases were found however where long service employees ineligible for vesting did not move because they had only a few years to go before they would become eligible.

Intrastate transfer provisions in the services in the five States studied were more comprehensive than average and yet relatively few employees transfered between the systems. However comments by the respondents indicated that because of the high caliber of employees who had used the provisions they were considered to be important in the recruitment of employees.

Although almost 75% of the respondents felt that mobility would not be substantially affected by liberalizing vesting and transfer provisions, over 90% favoured such action. Apparently they felt that liberalization would be worth while if only a few selected individuals took advantage of the new opportunity to change their job.

Arguments for Preservation

One of the main arguments for the preservation of pension rights on a change of employment has been related to the mobility of employees, especially those in positions of responsibility. There are other reasons for encouraging preservation which are also important in the view of the employee himself and the employment situation as a whole.

One of these is that pension schemes that do not provide for some kind of preservation are unfair to the employee and that they work to the advantage of the employer[24]. When an employee leaves a company with only a return of his contributions or with no benefit at all, the employers contributions will remain in the fund and thus be of benefit to the employer. Some feel that this money should not revert back to the employer, but should go to the employee[25]. In fact, once money has been paid into the pension scheme fund it is alienated from the company itself and is subject to tax if withdrawn. So the employer may not use the contribution, that he has made for a withdrawing employee, in any way he wishes without first paying taxes on it. It is very unusual, however, for this money to be withdrawn from the fund. When an actuary costs a scheme he usually takes into consideration the number of people who are likely to leave the fund without receiving a pension. Since the fund may then be smaller than would normally be expected, the actuary may set total contributions at a fairly low level for both employer

and employee. If the number of withdrawals is greater than expected, the contributions will prove higher than required, but it is also possible that the number of withdrawals will be less than expected and then, in an uninsured scheme, it is up to the employer to make any additional contributions necessary. Thus any surplus in the scheme due to employees withdrawing from it without benefit from the employers' contributions does not revert directly back to the employer but is actually to the benefit of all those who remain in the scheme.

As far as the withdrawing employee is concerned there is still unfairness here, especially if it is argued that pensions are a form of deferred pay. This concept has become important recently as more retirement benefits have been negotiated with employees[26]. A good example of this is the Civil Service where "real money wages" are calculated by adding current wages and an estimated value of a pension. Current wages are then kept low on the grounds that total wages are still good[27]. If a Civil Servant leaves the public sector before age 50 he loses completely this deferred pay which has accumulated for him. This is just one case of unfairness to the employee. In many other retirement schemes, however, especially those initiated unilaterally by the employer, there is no definite agreement that pensions are deferred pay. And it is usually true that an employer who gives high wages will also have a good pension scheme which is more liberal with benefits on withdrawal than most. However, as pension schemes become more general it is likely that their terms will be negotiated and that the idea of pensions as deferred pay will become more common. If this happens there will be little justification for the employer to refuse to return to the employee, in some way, both his and the employee's contributions when an employee withdraws from the scheme.

Another argument for the need of preservation or the return of both employee and employer contributions on withdrawal, is that through tax relief, the employer's contributions are receiving a subsidy from general taxation[28]. The reasoning on this is that the employer's contributions are tax free and the interest earned from the fund is tax free and thus a large portion of any benefits given is paid for by a hidden State contribution. Therefore, the employee should get the full benefit of any contributions made on his behalf as it is he and his fellow taxpayers who have paid for most of them. A Government report on Provision for Old Age[29] has pointed out, however, that the tax relief that is given is actually an allowance for tax purposes of a business expense. An employer receives tax relief on wages and other expenses and if he wished to pay pansions from current profits these would be treated as a business expense also. Since most employers decide to create pension funds to which they then contribute, and since these funds earn interest, the actual amount needed to pay the same pensions will be less than if those pensions were paid directly out of profits. Thus, if anything, the tax relief given should be less with a fund than it would be otherwise. Also the relief in respect of each individual employee will be received sooner but this should not make any difference to the overall situation. The employer is not then, as some suggest, getting a subsidy from the taxpayer by having a pension fund. Therefore, this argument should not be used as a reason for transferability or preservation.

Many arguments for preservation, as shown above, are not entirely convincing with close scrutiny. But the best reason for preservation probably lies in the basic reason for having pension schemes in the first place, to provide a retirement income for those who can no longer work to earn a living[30]. The State has

provided a basic, subsistance level of pension which must be supplemented by private savings, insurance or occupational pension schemes. The employer is looked to more and more to bring the pension level up to that needed for a decent living. Since the employer is relied on for this help, it does not seem logical that the employee's retirement pension should depend on the length of his service with the last employer or on how many times he has changed his employer. An employee usually must join his firm's retirement scheme, as a condition of employment, and he must agree to the policies of that scheme. It would seem, therefore, even if on social grounds alone, that he should be entitled to a right to the pension benefits which accrue to him while he is working for that firm. If the purpose of retirement pension schemes is to provide pensions, it seems logical that after a certain period of service, an employee should be guaranteed a right to those benefits which have been accruing for him. And these rights should be preserved for him or transferred with him when he loses or leaves his present employment.

It must be noted here that a discussion of preservation or transferability usually indicates that it should be restricted to those with substantial service. Five or ten years are most often mentioned as the amount of service an employee should have given before his rights to a pension are preserved[31]. As most mobility takes place among those with only a few years service it would not be affected by retirement pensions or their preservation anyway. There is often a year of eligibility service before an employee becomes a member of a scheme and if he is going to leave the company he is most likely to do it during that year or diring the first year of his membership. He will have accumulated very few benefits during this time and it would not be worth his while, or the company's

to have them preserved for him. When an employee has remained five or more years with one firm, however, he will have accumulated a fairly substantial amount of pension credits and he will have become an established employee.

A plan which gives preservation of rights to those with five or more years of service will not help the employee who keeps moving from job to job throughout his working life, but they are rare as most employees settle down as they get older, especially those in white collar and executive positions.

It has been suggested[32] that where preservation of a pension is available, there should be a restriction on an employee's ability to choose a return of his own contributions when he leaves the employment concerned. This would probably be unpopular with the employees themselves as a majority take a return of their own contributions even when preservation is available, but it would prevent much of the inequality of pensions received now which is caused by individual employee decisions, and would make a system of preservation workable. There can be a great inequality in pension just because one employee feels that he should withdraw his contributions on leaving while another can afford to leave his in the scheme. The two people may have given similar service at the same salary and yet one would not receive a pension and the other would. To make preservation compulsory, where a significant amount of service has been given would eliminate this present inequality and would make sure that each individual with substantial service in an occupational scheme would receive the best possible pension for his total service.

Effect of Preservation on Mobility

If preservation or transferability of pension rights for those with five or more years of service were initiated, what would the effect be on labour mobility? This must be asked both in circumstances where an employee may request a return of his contributions on leaving and where this option is restricted.

At present, only about 10% of all pension schemes covering about 20% of members provide no benefit at all on a voluntary withdrawal from the scheme. These are generally non-contributory schemes which cover about a half of all members in such schemes[33]. Contributory schemes usually give at least a return of the employee's contributions on withdrawal; 35% of all schemes covering 40% of members give only a return of contributions, or a deferred pension purchased by the employee's contributions only while 55% give a benefit which includes the employers contributions, either at the discretion of the employer or in all cases[34].

As stated earlier, schemes which provide some some form of preservation other than a return of contributions often find that their employees prefer a return of their own contributions to the other benefit[35]. Unilever reported in 1958 that of those employees eligible for preservation of their pension rights in respect of the employer's contributions as well as their own, a large majority chose to take a return of their own contributions instead: male office staff - 65%, female office staff - 73%, and male works staff - 95%[36]. In an electrical manufacturing firm, 71% of male staff who were eligible for a transfer or preservation were found to choose a return of their own contributions[37].

A Government study of Preservation of Pensions found that of total withdrawals in 1963, 31.1% of those involved in separations

received a return of their contributions over other possible benefits[38]. Of those who withdrew voluntarily and were eligible for either a preserved pension or transfer, 79.4% chose to take a return of their contributions[39]. Thus they relinquished their right to a benefit which would have included their employer's contribution also. This same tendency of the majority of workers to take a return of their own contributions when given a choice was found in the United States Civil Service where 75% of those eligible for vesting gave up their rights[40]. When these figures were broken down it was found that the withdrawal rate for older workers was less but still substantial, 58% of 50-59 year olds and 52% of 60-62 year olds. It was also found that those with higher salaries were more inclined to leave their contributions in the fund, though a third of those in the highest salary groups still withdrew their contributions. Likewise, of 274 persons in the New York State Retirement System who left their jobs over a four year period and were eligible for a vested pension only 16 or 8% kept their contributions in the fund[41].

What do these figures indicate? Here are pension schemes which provide for a preservation of pension rights and which encourage their employees to take advantage of this provision, and yet the vast majority of the members themselves choose to take the immediate cash benefit of a return of their own contributions. By doing so they have often left a substantial amount of money in the scheme which could have been used to their benefit. Each of the schemes mentioned above demanded a period of service of at least five years before preservation was provided, and the last scheme demanded at least fifteen years service before vesting. It may be expected, therefore, that many of the employees concerned had accumulated a substantial amount of pension credits before

they decided to leave their employment. The fact that they had not taken advantage of these provisions indicated a lack of interest in pensions, which was also found elsewhere[42], and/or a lack of appreciation of the value of the benefits which they were giving up. This last factor may be a result of the continuous inflation which quickly decreases the value of a set amount of money, and also the way in which the employer has presented the possibilities to the employee. The employee knows how much he has contributed to his retirement scheme and the refund he will receive is not too difficult to calculate. However, he is not often aware of the actual value of his employer's contributions on his behalf and thus of the capital value of a deferred pension. It may be argued that the employer should be encouraged to make sure that the employee realizes the minimum amount of deferred pension that will be due him and the actual capital value of that pension as compared to the amount of his potential refund. The capital value would usually be more than twice as much as the refund when payment-in-lieu and any taxes are taken into account and even with inflation this amount could be substantial. If an employee is fully aware of the possibilities open to him, and still chooses to take a return of his own contributions rather than a deferred pension or a transfer benefit, this raises serious doubts about the holding power of pensions in general. For here, where employees are allowed to keep their pension and also leave the employer and the scheme, they have chosen to reject the pension in favour of immediate cash. For some reason a lump sum cash benefit became more important to these employees than a future retirement pension. If the majority of those who have earned substantial retirement rights are not interested in keeping these rights on a change of employment, it is highly unlikely that employees with fewer benefits or who are

not allowed a preserved right, would be held to their jobs because of their pensions. However, there are undoubtedly many people who do not change their employment, especially in later life, because they do not wish to lose their retirement pensions. Likewise there are undoubtedly instances where the provision of preservation of a pension has enabled an employee, who would not otherwise have done so, to change his employment in his later years. But the evidence suggests that this is not true in the majority of cases. Most employees do not realize the importance of their pensions and take a return of their own contributions quite happily even where preservation is offered.

Because employees so often chose to take a return of their own contributions rather than a deferred pension, some promoters of preservation feel that an employee's option to ask for a return of his contributions should be restricted[43]. They feel that where preservation is available, it should be automatic and that there should be no choice on the part of the employee. Thus an employee who was not eligible for preservation, had not given enough service, would automatically receive a return of his contributions only while the employee who was eligible, e.g. had given five or more years of service, would automatically receive a deferred pension or a transfer value.

It would be difficult to say just how this would affect mobility, especially of the majority who are now offered preservation and prefer a return of their own contributions. This may depend on the individual's reasons for withdrawing his own contributions. If it was because he did not realize the value of the benefits that he could have had preserved and simply withdrew his contributions to enjoy the cash value, automatic preservation should not influence his decision. On the other hand, if the employee had weighed the

advantages under both possibilities and had decided to withdraw his contributions for a specific purpose, e.g. to purchase a home in the area to which he was moving, automatic preservation may be just the opposit of what he wants. And it is possible that in some cases automatic preservation could actually hinder rather than encourage mobility. However, for the majority of these people, automatic preservation would not be likely to make any difference to their employment decisions.

Preservation and Mobility in the Public Sector

There is, theoretically, a great deal of preservation of pension rights in the public sector retirement pension schemes and in the University and school teachers' schemes. Though they are in a somewhat special position because of their public service nature, it should be possible to use their experience as an example of the possible effects on labour mobility of some form of universal preservation. A comparison of the Civil Service scheme with other schemes in the public sector, especially Local Government schemes, should be very interesting for the Civil Service has a scheme which grants preservation in many instances, but, being a non-contributory scheme, does not give a return of contributions. On the other hand, Local Government schemes are contributory and fully funded schemes which while giving some transfer benefits, also allow a refund of contributions and no preservation if the employee so chooses.

The main problem with an analysis of preservation and mobility in the public services is that preservation of pensions is only offered where mobility is confined to the public services. Where an employee wishes to leave the public sector, unless to approved employment, he is not usually eligible for preservation. Thus the situation arises where an employee, who might normally opt to have his pension preserved, finds that he is forced to take a

return of his own contributions, or in the case of the Civil Service, he might not receive any benefit at all. Of course, if the pension were important to the employee, this fact might influence him to remain in employment within the public sector.

The services within the public sector which have been studied are the Civil Service, National Health Service, Local Government, and Teachers in Schools and Universities. A sample of six Local Government Authorities, four county councils and two borough councils, have been chosen to attempt to determine the amount of preservation, that actually takes place in these schemes. This study is most interested in the movement of Local Government officers rather than servants as these will correspond most closely with non-industrial Civil Servants, teachers and others of professional class in the public sector. The movement within Local Government should be able to be compared with that in the Civil Service, the National Health Service and among teachers. However, there is a difficulty in this comparison. Because each Local Government Authority has its own individual, though identical, scheme with its own fund, movement between Local Government Authorities is included in any account of transfers taking place. Also because of the individuality of schemes there do not seem to be any general statistics available. All of the other public sector schemes, on the other hand, are national in character. When a teacher transfers from one school to another, a bookkeeping entry is made at the national level, but there is technically no transfer as he is still covered by the same scheme. It is only when a teacher transfers to another service within the public sector, that a transfer value is paid. Thus, only transfers out of the specific service are counted where in the Local Government schemes, both transfers out of and between individual authorities are included. From this, one would automatically expect

that the rate of turnover in Local Government would be greater than that in the other services. One thing which may be sucessfully compared, however, is the number of members who withdraw from the scheme and the public sector each year.

The information available on movement within the public sector is probably far from complete as detailed statistics are either not kept or are difficult to collect. The same amount of statistics has not been available in each of the services, meaning that not all services can be compared on every point. Statistics on Local Government schemes have been optained from the Actuary's reports on the quinquenial reviews of the schemes; for the Civil Service statistics have been obtained from Civil Service Manpower for 1967 and 1969, and for these as well as other agencies, statistics have been supplied by the departments or institutes in question. Some overall statistics have also been obtained from Government publications[44].

All superannuable employees are covered by these statistics in the case of the National Health Service, Scotland - 54,500, England and Wales - 379,550; the teachers scheme, Scotland - 42,421, England and Wales - 349,978; and FSSU - 33,378. Only permanent non-industrial Civil Servants are included - a total of 623,952, and a sample of Local Government officers - 13,864. Judging from this sample, officers seem to make up almost half, or 300,000 of total superannuable Local Government employees. The Local Government sample included about 5% of all officers. A total of about 1,783,780 non-manual employees are covered by the schemes being discussed.

Because only general statistics were available for most schemes these will be used to try to give a general picture of mobility and turnover in the public sector. The Civil Service

and Local Government schemes will then be investigated and compared to determine more distinct patterns of mobility, especially in relation to the age of employees. Unfortunately statistics are not available as to the length of service of individual employees and it is therefore impossible to determine the difference in the effects of pensions on employees as their length of service increases. However, as explained earlier, it has been found in other studies of mobility that older workers tend to move less often than younger employees and therefore accumulate longer periods of service. It may be assumed from this that the older an employee is when he decides to leave his employment, the more pension credits he will have accumulated.

Table 5.5(a & b) gives some general statistics for the schemes studied for the years 1959-65 for Local Government schemes, and 1963-67 for other schemes. Because Local Government statistics were presented on a five year basis, yearly averages had to be calculated.

The two sets of statistics for teachers show a definite difference. This is because of the differing amounts of statistics available. Those for teachers in England and Wales do not include the number of teachers who leave teaching employment each year, but leave their contributions in the fund. It was found in Scotland that twice as many teachers left their contributions in the scheme when leaving as asked for their return and the inclusion of these members accounts for the higher turnover rates in Scotland in general. It also accounts for the discrepancy in the proportion of transfers made. When a teacher leaves one country within the United Kingdom to teach in another, he leaves his contributions in the first scheme and when he retires he receives a pension from that scheme as well as from the new scheme. Both countries take

Table 5.5a

General Mobility Statistics

| | Local Government | Permanent Non-Industrial Civil Service | Teachers(Scotland) | Teachers(England & Wales) |
|---|---|---|---|---|
| Type of Preservation Provided | Transfer on request within public sector or return of own contri. Frozen pension at the discretion of Local Authority. | transfer on request within public sector or rights frozen if move to approved employment or leave after age 50 with 10 years service. | transfer on request within public sector or frozen benefit if move to other teaching or return of employee's contributions on request. | |
| No. of superannuable employees (1964-1965) | 13,864 | 623,952 | 42,421 | 349,978 |
| Total Average Yearly Turnover (%) (a) | 15.0 | 6.8 | 13.7 | 5.7 |
| Turnover with Death & Retirement Excluded (%) | 12.7 | 4.1 | 9.9 | (c) 4.0 |
| Withdrawals as % of Total Employed (b) | 8.7 | 3.6 | 9.0 | (c) 3.6 |
| Transfers as % of Total Employed | 4.0 | 0.4 | 0.9 | (c) 0.3 |
| Transfers as % of Total Losses with Death & Retirement Excluded | 31.9 | 9.0 | 9.7 | 3.7 |

(a) Turnover = Number of separations / average number of employees during the period

(b) Withdrawals = Number of employees leaving without transfer / average number of employees during period

(c) Includes only those who withdrew own contributions or transfered to another public service.

Table 5.5b

General Mobility Statistics

| | National Health Service (Scotland) | National Health Service (England & Wales) | Federated Superannuation System for Universities |
|---|---|---|---|
| Type of Preservation Provided | Transfer within public sector or frozen pension if move to approved employment or return within one year. Return of employee contributions on request. | | Automatic transfer within system or surrender of policies to employee moving outside system to do with as he pleases. |
| No. of Superannuable Employees (1964-1965) | 54,500 | 379,550 @ | 33,378 |
| Total Average Yearly Turnover (%) (a) | 21.8 | 10.3 | 10.0 |
| Turnover with Death & Retirement Excluded (%) | 19.6 | 9.8 | 9.0 |
| Withdrawals as % of Total Employed (b) | 16.0 (10)[e] | 9.0 | 5.3 |
| Transfers as % of Total Employed | 3.5 | 1.0 | (d) 3.9 |
| Transfers as % of Total Losses with Death and Retirement Excluded | 19.6 | 9.8 | (d) 42.0 |

(a) Turnover = Number of separations / average number of employees during the period

(b) Withdrawals = Number of employees leaving without transfer / average number of employees during period

(c) Includes only those who withdrew own contributions or transfered to another public service.

(d) Includes transfers to member institutes only.

(e) Withdrawals by doctors, dentists and nurses only.

service in the other into account when calculating benefits and the employee normally receives the same amount of pension as he would have if he had stayed in one country the whole time. Both sets of statistics are included in the table to show the differences between the proportion who leave teaching with the intention of making a permanent break and those who leave while still maintaining an interest in the scheme.

The similarly marked differences in NHS statistics may be explained by the differences in statistics available in that only doctors, dentists and nurses were included in the English and Welsh scheme data.

The statistics in Table 5.5 show a great variety in the rates of turnover in the various public services with a high of 19.6% in the NHS (Scotland) and a low of 4.1% in the Civil Service. From this one would expect that the Civil Service offered the most stable employment, or hindered mobility the most.

This is reaffirmed when statistics on withdrawals are studied alone. In each case, except FSSU, withdrawals include those who have not been able to obtain a transfer value to their new employment and have left the service voluntarily. In FSSU withdrawals include all those who have had their insurance policies assigned to themselves and some of these people will have moved to other services in the public sector where their policies will be continued by the new employer. The rate of withdrawals in FSSU therefore, includes some employees who should normally be included with those transferring.

The NHS (Scotland) had the highest rate of withdrawals by all employees at 16%. Doctors, dentists and nurses withdrew at a rate of 10% of total employees and all of these received a refund of their own contributions. Nurses were by far the most mobile of

this group. The Civil Service had the lowest rate of withdrawal. None of the employees included here received any benefit at all from the scheme when they withdrew from the Civil Service.

As mentioned earlier, the rate of withdrawal from each scheme is probably the most comparable statistic. The range of proportions withdrawing is surprisingly large with the highest being about four and a half times the lowest. The teachers, NHS, and Local Government officers have very similar proportions leaving though many of the teachers have left their contributions in the scheme fund. Local Government officers and NHS employees do not have the same option concerning their contributions.

The statistics also show that there are generally many more people withdrawing from the public sector all together than transferring between services. The rate of withdrawal is at least twice that of transfer except in FSSU where the proportions are very similar. If we knew the number of withdrawing FSSU employees who subsequently joined other public services, the proportions would undoubtedly be even closer. The relatively high rate of transfers by FSSU members is probably because of the large number of research institutes covered by FSSU and the tendency of academics to remain in such institutions. In a similar manner transfers by Local Government officers reflect changes between Local Government Authorities as well as to other branches of the public sector. Those in the NHS (Scotland) tend to move more often than others in general and this accounts for their relatively high rate of transfer. Withdrawals here were still very much greater than transfers.

When transfers are taken as a percentage of losses when death and retirement are excluded the differences in the Local Government and FSSU schemes become more noticable. Almost 32% of losses of Local Government officers and 42% of FSSU members are

accounted for by transfers as opposed to less than 20% of NHS (Scotland) losses and under 10% from the other schemes. Even so, the majority of losses from all schemes are accounted for by withdrawals. While the Civil Service has the lowest overall rate of turnover it also had the highest proportion of losses due to withdrawals from the public sector.

While the proportion of losses due to withdrawals seems high it must be remembered that total turnover in the public sector is relatively low, with the exception of the NHS (Scotland) where a fifth of the employees leave each year. Because of its special nature and restrictions, preservation within the public sector can not be directly compared with that in the private sector. However, it may be noted that the percentage leaving the public sector and thus chosing not to have their pensions preserved, is similar to that of private sector professional employees who received a return of their own contributions where preservation was also available, see pp. 159-160.

Though a study of general turnover rates in the public sector is of interest in determining the extent of mobility and preservation, it is also important to determine which employees are the most mobile. In this context, the Civil Service will be investigated first and then the Local Government Authorities will be studied, Table 5.6. A comparison of the various schemes will then be able to be made. In studying these two services the greatest range of mobility experience is examined and the trends found here may be indicative of the public sector as a whole.

The most recent statistics available for the Civil Service were from 1968[45]. These exclude all Post Office staff, which were included in previous statistics, but this should not affect

Table 5.6

Mobility Statistics

| | Permanent Non-industrial Civil Service (a) | Local Government Officers A | B | C | D | E | F | Average |
|---|---|---|---|---|---|---|---|---|
| Total No. of Employees in Schemes | 697,800 | 1,048 | 4,157 | 7,069 | 6,381 | 3,491 | 4,988 | |
| No. of Officers(1960-65) or Non-Industrial Servants(1968) | 338,840 | 506 | 1,857 | 3,300 | 3,365 | 1,508 | 2,331 | |
| Turnover Rate - All Employees (%) | | 12.0 | 13.0 | 15.0 | 11.0 | 11.0 | 15.0 | 12.8 |
| Turnover Rate - Officers (%) | 7.0 | 14.0 | 16.0 | 13.0 | 13.0 | 15.0 | 17.0 | 14.7 |
| Turnover of Separate Age Groups | | | | | | | | |
| 18-24 (17-26) | 14.2 | 30.0 | 33.8 | 28.0 | 23.9 | 26.0 | 29.2 | 28.5 |
| 25-29 (27-31) | 9.9 | 19.0 | 27.3 | 22.8 | 17.8 | 27.4 | 28.1 | 23.7 |
| 30-34 (32-36) | 5.5 | 13.1 | 16.0 | 13.8 | 11.6 | 14.4 | 17.1 | 14.3 |
| 35-39 (37-41) | 2.9 | 9.6 | 9.1 | 9.1 | 6.9 | 10.9 | 10.0 | 9.3 |
| 40-44 (42-46) | 1.8 | 7.1 | 5.6 | 6.5 | 5.7 | 8.2 | 7.2 | 6.8 |
| 45-49 (47-51) | 1.4 | 5.6 | 6.4 | 5.0 | 3.6 | 5.5 | 5.0 | 5.2 |
| 50-54 (52-56) | 1.9 | 3.6 | 2.9 | 4.1 | 3.7 | 4.0 | 4.7 | 3.8 |
| 55-59 (57-61) | 2.9 | 4.5 | 2.9 | 6.3 | 4.9 | 4.1 | 4.0 | 4.5 |
| 60- (62- ) | 22.0 | 20.0 | 22.4 | 23.9 | 24.2 | 15.5 | 21.1 | 21.2 |
| Total No. of Separations | 23,659 | 381 | 1,435 | 2,145 | 2,149 | 1,096 | 1,961 | 1,528 |
| % of Total by Age Groups | | | | | | | | |
| 18-24 (17-26) | 35.2 | 42.0 | 42.6 | 37.3 | 48.5 | 45.7 | 41.0 | 42.9 |
| 25-29 (27-31) | 11.0 | 16.0 | 18.9 | 17.4 | 15.5 | 16,6 | 21.3 | 17.6 |
| 30-34 (32-36) | 4.6 | 9.0 | 9.2 | 9.5 | 8.7 | 9.1 | 11.4 | 9.5 |
| 35-39 (37-41) | 2.9 | 6.8 | 6.0 | 8.3 | 5.4 | 7.9 | 7.0 | 6.9 |
| 40-44 (42-46) | 2.8 | 7.0 | 3.8 | 7.0 | 4.5 | 6.3 | 4.8 | 5.6 |
| 45-49 (47-51) | 3.2 | 5.8 | 4.2 | 5.4 | 3.0 | 4.5 | 3.1 | 4.3 |
| 50-54 (52-56) | 3.5 | 2.8 | 2.2 | 3.8 | 3.0 | 3.0 | 2.8 | 2.9 |
| 55-59 (57-61) | 5.4 | 2.4 | 2.0 | 3.8 | 3.0 | 2.2 | 1.9 | 2.6 |
| 60- (62- ) | 31.7 | 7.9 | 11.0 | 7.5 | 8.4 | 4.7 | 6.6 | 7.7 |

Table 5.6 - Con't.

| | Permanent Non-industrial Civil Service (a) | Local Government Officers A | B | C | D | E | F | Average |
|---|---|---|---|---|---|---|---|---|
| Withdrawals as % of Total Losses | 55.2 | 50.0 | 55.0 | 61.0 | 65.0 | 67.0 | 72.0 | 61.7 |
| Transfers as % of Total Losses | 4.5 | 38.0 | 31.0 | 28.0 | 23.0 | 28.0 | 19.0 | 27.8 |
| Withdrawals as % of Total Officers | 2.7 | 6.8 | 8.0 | 8.0 | 8.0 | 9.6 | 12.0 | 8.7 |
| Transfers as % of Total Officers | 0.2 | 5.2 | 4.8 | 3.6 | 3.0 | 4.0 | 3.2 | 4.0 |
| % of Withdrawals Effected by Those Age 30 or Over | | 27.0 | 24.0 | 30.0 | 22.0 | 26.0 | 24.0 | 25.5 |
| % of Transfers Effedted by Those Age 30 and Over | | 47.0 | 36.0 | 58.0 | 44.0 | 54.0 | 58.0 | 49.5 |

Source: Civil Service Manpower, 1969.
Actuary's Reports for the Quinquennial Reviews of the Sample Schemes

(a) Figures for the Civil Service in this Table Exclude Post Office Employees.

comparisons to a great extent as it seems that the same patterns of movement appear for both Post Office and other staff.

One of the largest numbers of employees to leave the Civil Service in a particular age group were those over the age of 60 who retired from work. Over 7,000 employees in this age group left the Civil Service, almost 32% of total losses for that year and 22% of all staff in that age group. The greatest number of leavers is found among those under the age of 26 where 8,323 employees left, 35% of all losses. In this case, however, the employees represent only about 14% of the total staff in their age group. If this is compared to the general rate of turnover for 1968, 7%, it is obvious that younger staff members make up a great deal of total turnover. The only other age group to have such a high rate of turnover was the 27-31 age group of female staff who had a turnover rate of 17.3%. A large number of these women have undoubtedly left the service to get married and have families. In contrast to this, the turnover for males of the same age group dropped to 5.6%

Throughout all ages women have a higher turnover rate than men though fewer people are involved in most cases. For both men and women, the number of employees leaving the Civil Service slowly declines and the age group 42-46 sees the lowest number of employees leaving. However the lowest rate of turnover was shown by the 47-51 year olds where only 1.2%(men) and 2.1%(women) left during the year. After this age, the rate and actual number of employees leaving increase again though the rate is only 2.9% for the age group 57-61. The rate of leaving employees then jumps to 22% for those aged 62-66. This is obviously due to the retirement of many members. The fact that the Civil Service allows its employees to leave after age 50 with pension rights preserved, accounts for

some of the increase after age 50 and before age 60. A total of 403 people left the Civil Service under this system in 1968. This is 19% of the total who left between ages 52-61 and about 0.4% of the total number of staff in that age group. Thus even in this age group most employees who leave the Civil Service either use the transfer mechanism or leave the public sector all together.

Voluntary resignations by men from the Civil Service account for 41.3% of total male losses while transfer within the public sector and to approved employment account for only 3.6% and withdrawal after age 50 with preservation account for 1.5% of total losses. Almost as many men retired in 1968, 38.7% as withdrew without pension rights. The picture for women is quite different. Here withdrawals without pensions account for 73.1% of all losses, transfer 1.8% and retirement after age 50 with pension accounts for 1.9%. The difference stems mostly from the fact that only 17.5% of total losses are accounted for by retirement.

Though we do not know the proportion in each age group who leave the Civil Service for each particular reason we may make a few broad comparisons. Normal retirement accounted for about 29.4% of total losses from the service in 1968 and employees over the age of 60 accounted for almost 32% of total losses. On the other hand voluntary resignations, without pension rights, accounted for about 55.2% of total losses from the service and 35% of losses were accounted for by employees under the age of 26. Forty-six percent of all losses were accounted for by those younger than 32. Thus between losses of employees under the age of 32 and over the age of 60, 78% of total losses are accounted for. This means that those between the ages of 32 and 60 are responsible for only 22% of total losses. This is still a significant number of people, 5,300 and it is unfortunate that we can not determine how many

of them use the transfer system and how many leave public sector service completely.

Table 5.6 also contains statistics for the six Local Authorities. They will be referred to as schemes A,B,C, etc. to preserve the anonymity of the particular schemes. The statistics refer to the five year period 1959-64 or 1960-65, depending on the period for which the last quinquennial review was done.

The smallest of the schemes had only 500 officer members while the largest had over 3.300 and yet the pattern of mobility was fairly consistent throughout. The rate of turnover of officers ranged from 13% to 17% with no apparent relationship to the size of the scheme. One interesting point is that in all but one of the schemes the rate of turnover for officers was greater than that for all employees. It is usually found that manual workers have a higher rate of turnover than do non-manual employees and in the private sector at least, the often very high rates of turnover among manual workers is amply shown[46]. It would be interesting, though not relavent to this thesis, to determine which trend is actually more prevalent in the Local Government service and in the rest of the public sector.

An average of 8.7% of Local Government officers withdrew from the public services each year taking a return of their own contributions with them. The range of percentages here, however, was quite high unlike that in the percentage of officers who transferred each year within the public sector. The average number transferring was 4%, just under half of those withdrawing. The differences in each scheme between the proportion of those withdrawing and those transferring also proved interesting: only 1.6% in one scheme compared to 8.8% in another.

As in the Civil Service, the greatest number of employees leaving each scheme was in the first age group, under 25. Up to a third of the age group left their jobs. This compares with 14% turnover for the same age group of Civil Servants. A higher proportion of total losses, about 43%, was also accounted for by this age group in the Local Government schemes. This difference is largely due to the number of employees who finally retire from the schemes. In the Civil Service 31.7% of total losses was accounted for by those aged 62 or over, most of whom retired. Only about 7.6% of the losses from Local Government schemes were accounted for by those aged 60 or over. Judging from this it would appear that the Civil Service was more of a career employment than Local Government.

Total separations by the 25-30 age group were less than half of those in the first group in each of the schemes. However, the turnover rate for that age group was not halved but was about the same as that for the scheme as a whole. One scheme actually had a higher rate of turnover for the second age group than it had for the first. When the first two age groups were considered together they accounted for over half of the total withdrawals in all but one of the schemes.

Both the rate of turnover for and the proportion of total losses found in each age group continued to decrease after the age of 30. The lowest rate of turnover was found in the 50-54 year old group while the lowest proportion of total losses was effected by the 55-59 year old group. The lowest number of losses from the Civil Service was found among 40-44 year olds.

As in the Civil Service, withdrawals from the Local Government schemes accounted for over 50% of total losses. In one scheme they accounted for over 70% of total losses. On the other hand, an

average of 28% of total losses was accounted for by transfers within the public sector or to approved employment. The percentage here varied considerably, from 19% to 38%. The corresponding figure in the Civil Service was only 4.5%. This large difference is partially due to the inclusion of transfers within Local Government in those schemes. It may also be due to the fact that the Civil Service is considered a career employment.

While over 50% of total losses from all the schemes were due to withdrawals, this was not consistent throughout the schemes. In scheme A, male officers had a very different pattern with twice as many transfers as withdrawals and these were spread fairly evenly over all age groups. Most of the scheme's withdrawals, however, were accounted for by female officers, especially those under the age of 30.

While over 50% of losses in general were accounted for by those under the age of 30, this was not true when withdrawals and transfers were considered separately. In all the schemes at least 70% of withdrawals took place before age 30, but in three schemes over 50% of transfers took place after age 30. In all schemes a higher proportion of transfers than of withdrawals were accounted for by those age 30 or older. This indicates that many older employees, who take advantage of new job opportunities, do so where they are allowed to take a transfer value with them rather than where they must withdraw from the scheme all together. This may well be due to the effect of the pension scheme.

This tendency was further illustrated when each scheme was investigated alone. While the number of withdrawals from scheme B was twice the number of transfers, female officers with a pensionable age of 55 had twice as many transfers as withdrawals. Male officers had only slightly more withdrawals than transfers and over half

the withdrawals were effected by those in the first age group while only 24% of transfers were effected by this group. In later age groups the number of withdrawals and transfers by male officers were very similar. The vast majority of withdrawals from scheme B were effected by female officers with a pensionable age of 65. Withdrawals by this group were almost four times as numerous as transfers and most were accounted for by the first two age groups.

The difference between transfers and withdrawals from scheme C was especially significant in demonstrating the willingness of male employees over 30 years old to take a new job when they could take their pensions with them. The proportion of withdrawals by male officers over 30 was only 25% while 57% of transfers took place after that age and 42% of transfers were accounted for by those over 35. Thus transfers are made throughout the working life of employees while withdrawals are usually made by the younger employees who have not had a chance to accumulate substantial pension credits.

Unfortunately statistics on the actual length of employment of individual members is not available. This would have helped to determine which employees were withdrawing from the public service all together and which were transferring between branches. This may be estimated, in general terms, from the amount of expenditure by specific schemes for refunds of contributions and transfer values, Table 5.7.

There is a large difference between the amounts paid as transfer values and refunds of contribution in these schemes. If we assume that the employer contributes the same amount to the scheme as the employee about half of the transfer value paid represents the employee's contributions, or the amount he would

Table 5.7

Average Expenditure for
Transfers and Withdrawals

| | Scheme C (£'s) | Scheme D (£'s) |
|---|---|---|
| Average transfer value paid | 745.75 | 651.70 |
| Estimated amount of employee contribution | 372.87 | 325.85 |
| Average refund of contribution on withdrawal | 143.65 | 116.90 |

Source: Actuary's reports for schemes C and D.

have received if he had left the public sector. It is obvious from these figures that the transferring employees had at least twice as much service as those withdrawing. If we assume that the employees concerned earned an average of £1,000 per year, the contributions shown would represent about two years service for the withdrawing employees compared with five and a half or six years service for those transferring. The capital value of the pensions of those with six years service is a substantial amount and it is likely that this had some influence on the movement of the employees concerned. By moving to employment within the public sector their pension credits were maintained.

The fact that a much higher proportion of those who transfer do so after they have reached age 30 than do those who withdraw, indicated that the transfer mechanism available allows them to be quite mobile. The statistics are particularly significant in those schemes where the number of employees, especially males, who transfer after age 30 is greater than the number who withdraw. If we assume that older employees have a longer period of service than do younger employees, as indicated above, the fact that older employees tend to transfer rather than withdraw, may indicate that they are generally affected by pension's consideration when making mobility decisions.

As male employees are generally considered to be following a career and are therefore in more stable employment than females, the mobility of the male employees on their own was studied. These employees formed the most distinct patterns of transfer and withdrawal from the various Local Government schemes.

Table 5.8 gives statistics concerning the transfers and withdrawals accounted for by males only in the six Local Government schemes.

In all but one of the schemes the number of men transferring after the age of thirty was greater than that of men withdrawing. In contrast to this the total number transferring rather than withdrawing was smaller in four of the six schemes and in scheme C the numbers concerned in each case were almost the same. This is a definite indication that it was the younger men who tended to leave public sector employment all together while the more experienced men preferred to transfer between jobs within the services. This was supported further when the percentage of total transfers and withdrawals made by men aged 30 or over was investigated. At least 50% of all transfers were accounted for by those over age 30 in all of the schemes while substantially less than half of all withdrawals were effected by the same age group.

The same pattern was found when the mobility of men aged 40 or over was examined. While the percentages were naturally smaller, those of transfers made were generally larger than percentages of withdrawals made by the same age group.

While the sample represented here is too small a part of the public services to be able to generalize from about the mobility patterns of all men in the services, the patterns found here may be repeated elsewhere, and if this is so, then a strong tendency for older men to transfer to new employment rather than to withdraw

Table 5.8

Transfers and Withdrawals of Male Officers

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| Total No. Transferring | 80 | 201 | 339 | 231 | 174 | 196 |
| Total No. Withdrawing | 37 | 241 | 332 | 400 | 219 | 567 |
| No. Transferring After Age 30 | 40 | 109 | 194 | 134 | 109 | 126 |
| No. Withdrawing After Abe 30 | 10 | 84 | 86 | 90 | 104 | 149 |
| % of Total Transfers by Men Aged 30 Or Over | 50 | 54 | 57 | 58 | 63 | 64 |
| % of Total Withdrawals by Men Aged 30 Or Over | 27 | 35 | 26 | 23 | 47 | 26 |
| % of Total Transfers by Men Aged 40 Or Over | 29 | 19 | 23 | 18 | 26 | 23 |
| % of Total Withdrawals by Men Aged 40 Or Over | 8 | 13 | 15 | 9 | 23 | 8 |

Source: Actuary's Reports for the Local Government Sample Schemes.

from the services all together may be seen. Women employees, on the other hand, seem to have much more erratic mobility behavior with no particular pattern emerging.

While there are no statistics available to indicate the exact reasons for the pattern of mobility found for men in the Local Government schemes, it is likely that the availability of preservation of pension rights for moves within the services had some influence on the decisions of those with a greater amount of service or who were closer to retirement.

Though it has been found that pensions may have some effect on the mobility decisions of older workers in Local Government, statistics available are not detailed enough to allow definite conclusions to be made. While preservation of pensions on a large scale would undoubtedly increase the possibility of mobility, especially among older workers, it is impossible to predict exactly how much affect it would have. For those who were mobile, universal preservation would certainly increase the amount of pension that an employee received when he finally retired. And in the long term, this is perhaps the most important reason for advocating an increase in the scope of preservation arrangement.

REFERENCES

1. H.S. Parnes, Research on Labour Mobility. New York: 1954. p. 257.

2. OECD, Wages and Labour Mobility. Paris: 1965. p. 55-58.

3. A.C. Pigou, The Economics of Welfare. London: 1929. p. 489.

4. M.C. Bernstein, The Future of Private Pensions. London: 1964. p. 71-76.

5. A. Rubner, Fringe Benefits. London: 1962. p. 194-197.

6. OECD, Op. Cit. p. 20-25.

7. A.C. Pigou, Op. Cit. p. 489.

8. OECD, Op. Cit.

9. A.I. Harris, Labour Mobility in Great Britain, 1953-1963. London: 1966.

10. J.G. Maurer, "The Downward-mobile Industrial Supervisor: Characteristics and Attitudes," Sociology and Social Research. Vol. 53. 1969. p. 311-322.

11. S.M. Lipset, & R. Bendix, "Social Mobility and Occupational Career Patterns," I & II, American Journal of Sociology. Vol. 57. 1951-52. p. 366-374 & p. 494-504.

12. Ibid. p. 369.

13. Ibid. p. 371.

14. Sir A.M. Carr-Saunders, "Metropolitan Conditions and Traditional Professional Relationships," In R.M. Fisher, ed., The Metropolis in Modern Life. New York: 1955. p. 280-281.

15. A.J. Reiss, "Occupational Mobility of Professional Workers," American Sociological Review. Vol. 20. 1955. p. 693-700.

16. Ibid. p. 694.

17. M.C. Bernstein, Op. Cit. p. 10.

18. OECD, Op. Cit. p. 59.

19. G.L. Reid, & N.J. Robertson, eds., Fringe Benefits, Labour Costs and Social Security. London: 1965. p. 197-198.

20. M. Pilch, & V. Wood, Pension Scheme Practice. London: 1967. p. 78.

21. Ministry of Labour, Preservation of Pension Rights, London: 1966. par. 53.

22. G.L. Palmer, et. al. The Reluctant Job Changer. Philadelphia: 1962. p. 77.

23. H. Rubin, Pensions and Employee Mobility in the Public Service. New York: 1965.

24. Ministry of Labour, Op. Cit. par. 53.

25. "Workers Bound by Pension Chains," The Times. 30 April, 1968. p. 7.

26. H. Rubin, New York State's Retirement Program: A Critical Analysis. Dissertation for Ph.D., 1963. Syracuse University. p. 156.

27. R.W. Abbott, "Preservation of Pension Rights," British Tax Review. Jan-Feb. 1964. p. 33.

28. G.L. Reid, Op. Cit. p. 196.

29. Ministry of Pensions and National Insurance, Provision for Old Age. Cmnd. 538. London: 1958.

30. Ministry of Labour, Op. Cit. p. 24-25.
R.W. Abbott, Op. Cit. p. 39.

31. Ministry of Labour, Op. Cit. par. 59.
F.H. Spratling, F.W. Bacon, & A.E. Bromfield, "Preservation of Pension Rights," Journal of the Institute of Actuaries. Vol. 83. 1957. p. 175.

32. F.H. Spratling, et. al. Op. Cit. p. 182.

33. Government Actuary, Occupational Pension Schemes. London: 1968. par. 88. Table 14.

34. Ibid.

35. See: Ministry of Labour, Op. Cit.
R.W. Abbot, Op. Cit. p. 29-37.
H. Rubin, Pensions and Employee Mobility in the Public Service. New York: 1965.

36. R.W. Abbot, Op. Cit. p. 31.

37. Ibid.

38. Ministry of Labour, Op. Cit. Table 3.

39. Ibid.

40. H. Rubin. Op. Cit. 1965. p. 16.

41. Ibid. p. 66.

42. G.L. Palmer, et. al. Op. Cit. p. 54-70.

43. F.A. Spratling, et. al. Op. Cit. p. 182.
Ministry of Labour, Op. Cit. par. 73.

44. Scottish Educational Statistics. 1967 and 1969.

45. Civil Service Manpower. 1969.

46. British Institute of Management, Cost of Labour Turnover. Personnel Management Series no. 9. London: 1959.

# CHAPTER VI

## SUMMARY

The development of provisions for retirement pensions has been studied in order to determine the level and source of income received by retired people and to consider changes that might be made in the future. Special reference has been made to the provisions made by the public service schemes and the effect which occupational provisions might have on the mobility of employees between various employment opportunities. In the past the amount of income received in retirement often depended upon the number of times an employee changed his job, thus theoretically making a desire for an adequate pension a deterrent to labour mobility. Because it was felt that employees with fairly high qualifications would tend to be more aware of fringe benefits than other workers, this investigation has emphasised provisions for salaried employees and their mobility decisions. Some comparison with the mobility of wage earners has been made, however, and studies of the population as a whole have been used as background to the situation among professionals.

A study of the development of the National Insurance Retirement Pensions Scheme was necessary for the understanding of occupational pension schemes and their possible relation to the mobility of employees. This was especially true for the public service schemes as many of them take into consideration the benefits available under the State Scheme when calculating employee benefits. As far as mobility of employees is concerned, the State Scheme does not hinder movement in any way. Both the flat rate and graduated schemes are fully transferable and benefits depend on the total number of weeks worked and contributions made rather than the length of service with any particular employer.

Besides exploring the development of the State and occupational schemes it was hoped to examine their relationship to the mobility patterns of staff employees. It was recognized that the large number of factors affecting mobility would make it difficult to determine a precise relationship between pensions and labour mobility, but it was hoped that detailed statistics concerning the age and length of service of employees who moved would show a pattern of mobility in the various schemes. Unfortunately the most detailed statistics available did not include the length of service of the employees who left a particular scheme. Information on age groups was available and this was used in conjunction with the various amounts paid as returns of contributions and transfer values to show that those most likely to have left were those with shorter periods of service. The only schemes where detailed statistics were available were the Civil Service Scheme and the Local Government Schemes. Information from the Local Government Schemes was particularly useful although statistics were given for five year periods and yearly averages had to be calculated. On the whole the lack of detailed statistics hindered the drawing of strong conclusions concerning the relation of the provision of pensions and labour mobility. However, those statistics which are available show a strong correlation between age and the tendency to withdraw or transfer. Considering the importance placed on retirement pensions and their potential impact on employees' career decisions it is unfortunate that greater details are not kept and made available for analysis.

While the Government have undertaken many studies of the provisions of occupational pensions they have generally had to depend for information, as has this author, on the rules and regulations of various schemes rather than on details of how

the regulations have been put into effect. Where discretionary provisions have been made, often the case where the preservation of pension credits is concerned, it is important to ascertain how these provisions are actually carried out. As discussed in previous chapters, plans have been put forward to change National Insurance and the laws relating to occupational pensions. It would be unfortunate if these changes were made before the impact of current State and occupational pensions on employees' career decisions and retirement incomes is more fully understood.

Past development of the National Insurance and occupational schemes has seen an expansion of benefits for employees, both in the amounts earned and the scope of coverage. The number of employees covered by occupational schemes has increased considerably since 1945 and presently over half of the working force belongs to some occupational scheme. Almost all professional or salaried employees are covered by occupational plans though the forms these take vary considerably.

Public sector schemes have probably changed less than those in the private sector. This is especially true of the plans which were patterned after the Civil Service Scheme of 1839. These have retained the same basic form with only slight changes being made to adapt to the particular needs of each service. When first started these schemes were more comprehensive than those in the private sector and, indeed, the security offered by the services was one of their greatest attractions. However, private sector plans have recently become more imaginative and the better ones are now superior to the public service schemes, especially in terms of the length of time needed to accumulate the maximum benefit. This takes only twenty years in the best private sector

plans while it takes twice that in the service schemes. Also, while the public service schemes were probably the first to allow some preservation of pension rights, this preservation was limited to movement within the public sector and was therefore restrictive. The fact that the number of withdrawals from public sector schemes is generally greater than the number of transfers indicates that a greater degree of preservation would be useful. However, it is impossible to calculate how many of those who do withdraw would take advantage of preservation if it were available more widely. By moving outside the public sector employees are often making a career choice which entails much more than a simple job change. Those private sector schemes which provide preservation do not restrict in any way the employee's mobility decisions.

Theoretically the provision of retirement benefits should hold employees to their present employer. This was one of the main reasons for the introduction of retirement pension plans in the private sector. At that time, of course, only a few companies offered retirement pensions and they probably did have an advantage over other companies in retaining their highly trained employees. However, most staff or professional employees are now covered by retirement provisions and any advantage accruing to the company would be due to particular aspects and benefits provided by a scheme. In theory these advantages would be taken into consideration by a prospective employee when he decided for which employer he wished to work. Retirement pension benefits are undoubtedly considered by some employees when they make employment decisions, but there are also many other conditions of employment to be considered. Correspondence with recruitment agencies and personnel departments of several private enterprises has indicated that retirement pensions

are, in practice, seldom considered by employees contemplating a change of job. However, a difference in attitude was found among many over the age of 40 who were more concerned with future pensions.

If a person were considering a change of employment he should try to calculate his pension position before deciding whether to preserve the benefits or to take a return of his contributions when leaving. One way of doing this is to discount the capital value of the prospective pension to obtain its current value and to compare this to the amount of contributions to be returned. Where the refund is greater than the discounted capital value of a future pension it would be logical for the employee to take the return of his contributions especially since he is not completely sure of survival until retirement. This method treats contributions to the pension fund as an investment and after certain assumptions are made the prospects of this investment may be estimated.

The general formula[1] for the calculation of the present value of any sum, P, due to be received in 'n' years time is $\frac{P}{(1+r)^n}$ where 'r' is the rate of discount. For example, if the discount rate were 10%, £100 in the present year, or year 0, would be the discounted value of £110 due in one year, £121 due to be paid in two years time or £314 due in 11 years time. Likewise £100 is the present value of £90.90 spent last year. In all these calculations it is assumed, for simplicity, that the sums involved are due or paid on the same day of the year or spread evenly throughout the year. The exact calculations for individual employees wishing to change their employment would depend on the type of scheme the employee belonged to and the assumptions which

he made. As examples the Local Government and Teachers' Schemes will be used.

Only one set of assumptions will be made for the two schemes. While a 10% discount rate may be reasonable for a firm to use when deciding the profitability of an investment, it is unlikely that the average employee would find investments yielding that large a return. A more reasonable expectation would be about 5% which also corresponds to the amount of interest earned by the Local Government Scheme Funds studied. If an employee took a return of his own contributions and invested them he could probably expect them to accumulate at an average of 5% interest each year. Having decided on a discount rate we may calculate the discount factor, Table 6.1, which represents the discounted value of the future sum as a percentage of that sum. The percentage depends on the number of years before the sum is due, or the number of years to retirement.

Table 6.1

Discount Factor - 5%

| Years to Retirement | Discount Factor |
|---|---|
| 0 | 1.0000 |
| 1 | 0.9524 |
| 2 | .9071 |
| 4 | .8228 |
| 6 | .7463 |
| 8 | .6769 |
| 10 | .6140 |
| 12 | .5570 |
| 14 | .5052 |
| 15 | .4812 |
| 16 | .4583 |
| 18 | .4157 |
| 20 | .3770 |
| 25 | .2954 |
| 30 | .2315 |
| 35 | .1814 |
| 40 | .1422 |

Two individual's pensions prospects were calculated. Employee 'A' was assumed to have earned an average of £2,000 per year during his present employment and employee 'B' earned £1,000 per year. Employee 'A' worked for his present employer for ten years while the other, 'B', had been with the service for 20 years. Employee 'A' had a further 30 years to work before reaching normal retirement age and employee 'B' had 15 years until normal retirement. This would indicate that 'B' would not have earned the full pension available from the services schemes unless he had worked until age 70. In the calculations of the employees' return of contributions a flat 10% of the employees' total contributions was subtracted to account for deductions made from the refund by the employer for taxes and half of the payment-in-lieu to be made to National Insurance. Tables 6.2 and 6.3 show the results of calculations which would be made by 'A' and 'B' for the Local Government Scheme and the Teachers Scheme. The discount factor in each case was taken from Table 6.1.

Table 6.2

Local Government Scheme

| | 'A' | 'B' |
|---|---|---|
| Average Yearly Salary | £2,000 | £1,000 |
| Years Service | 10 | 20 |
| Years to Normal Retirement | 30 | 15 |
| Total Employee Contributions - 5% | £1,000 | £1,000 |
| Total Employer Contributions - 5% | £1,000 | £1,000 |
| Total Capital Value of Pension | £2,000 | £2,000 |
| Discount Factor | .2315 | .4812 |
| Capital Value Discounted to Year 0 | £ 464 | £ 962 |
| Probable Return of Employee Contributions | £ 900 | £ 900 |

Table 6.3

Teachers' Superannuation Scheme

| | 'A' | 'B' |
|---|---|---|
| Average Yearly Salary | £2,000 | £1,000 |
| Years Service | 10 | 20 |
| Years to Normal Retirement | 30 | 15 |
| Total Employee Contributions - 6% | £1,200 | £1,200 |
| Total Employer Contributions - 8% | £1,600 | £1,600 |
| Total Capital Value of Pension | £2,800 | £2,800 |
| Discount Factor | .2315 | .4812 |
| Capital Value Discounted to Year 0 | £ 650 | £1,347 |
| Probable Return of Employee Contributions | £1,080 | £1,080 |

Despite the fact that employee 'A' had ten years of service, the tables indicate that he should have chosen a refund of contributions in both schemes. This was because of the number of years left until his retirement. When the capital value of his Local Government pension was discounted to the current year it was equal to only £464, or 23% of the actual amount involved. In contrast, his probable refund was £900. By investing just over half of his refund 'A' could provide himself with an equivalent pension in 30 years time and have £400 for current expenditure.

Again using the Local Government plan as an example, the situation for employee 'B' was entirely different. While the capital value of his pension was the same as employee 'A's, the discounted value was almost twice as much, £962. Since the length of time until 'B's retirement was only 15 years the discount rate was 48%. As his probable refund was the same as employee 'A's, £900, he would have decided to leave his contributions in the fund and receive a deferred benefit.

The calculations show that the decision between a refund and a deferred pension is largely dependent upon the number of years left until retirement. When using a 5% discount factor the cut off point for leaving the contributions in the Local Government

Scheme will be between 14 and 15 years before normal retirement. With longer than this until retirement, the refund would be greater than the present value of the capital. If the employer contributes more than the employee, as in the Teachers' Scheme, the cut off point should be correspondingly earlier, and the employee would chose to leave his contributions in the fund even though he had more than 15 years left until the normal retirement age. For example, if employee 'A' had 18 years to retirement the discounted capital value of his pension would have been about £1,148. Therefore he would have chosen a deferred pension.

The data shown here represent fairly typical examples, especially in the public sector schemes. They certainly give a strong basis for the actions of employees who prefer a refund of their own contributions on changing employers. They give a theoretical and logical explanation for the lack of interest in the preservation of pensions found among those below the age of 40 or 45. These employees have 20 years or more before they will reach their normal retirement age and unless their pension is paid for predominantly by their employer, the discounted capital value of their prospective pension would be less than a return of their own contributions. Therefore, if they are interested in changing their employment and a transfer value is not available to them, taking a return of their own contributions would be a logical action, especially if they intended to invest the sum in securities which would give a return of 5% or more per year. Whether or not the decisions of employees interested in changing their employment are influenced by calculations similar to the above is open to question, but the employees seem to come to the same conclusions.

The attitude towards preservation and towards discounting the capital value of a pension should also depend on the type of preservation under consideration. A deferred pension purchased solely by the capital value may be worth much less than a transfer value of the same amount paid into a scheme which will continue to grow. However, the situation where the discounted value of a future sum is used would generally be that where the only choices offered are a deferred pension or a return of employee contributions. In the public sector this situation occurs only where the employee is leaving the services. Transfer values are available when the employee moves to another service within the public sector. In the private sector where the employee might have to chose between all three possibilities, deferred pension, transfer value, or return of contributions, extra consideration would have to be given to the treatment of the transfer value by the new employer. Under most conditions it is likely that the transfer value would give the highest return on the employee's investment.

Actual employee attitudes towards preservation were demonstrated when the public sector schemes in the sample were studied more closely, in Chapter V. Especially in the Local Government Scheme it was found that a large number of those who left the scheme had relatively few years of service and were in the younger age groups. This was especially pronounced when those withdrawing were isolated. Up to 75% of total withdrawals had been effected by employees below the age of thirty and those below the age of 40 accounted for up to 90% of total withdrawals. The rate of withdrawal fell very rapidly as the age of the employees increased. When transfers were considered alone, however, this rate of decrease in the number leaving was not nearly as pronounced. In fact, there sometimes were a larger number of transfers among older men.

In a few of the sample schemes there was a definite tendency for more men aged 35 and above to transfer between schemes rather than to withdraw from the services all together. As shown in Table 5.8, p. 181, though the total number of male officers withdrawing was usually greater than those transferring, the number withdrawing after the age of 30 was usually less than those transferring. The fact that so many of the older men tend to transfer rather than withdraw indicated a desire on their part to change their jobs while at the same time remaining within the public sector. While some of these men will consciously be making a career of public service work, many others must also be considering the preservation of their pension rights and other fringe benefits. It is probable that both have been considered. Figures provided by two schemes on expenditure for transfers and withdrawals, p. 179, also indicated that those who transferred had more years of service than did those who withdrew.

It would appear from the statistics available that there are many employees who choose a preserved pension rather than a refund of contributions when they change their jobs. These tend to have a greater length of service and more experience. It is these people with which this thesis has been most concerned. While the rate of mobility of all employees is quite high, and indicates a substantial turnover of workers, the turnover rate among more experienced and highly qualified employees is much lower. The institution of universal preservation of pension credits might increase the mobility of these employees and would definitely ensure that those who did move would receive adequate pensions on final retirement.

A movement toward universal preservation of pension credits is being made. The Finance Bill of 1970 provided for a change in the requirements for Inland Revenue approval of occupational pension schemes and required all schemes to be reapproved by 1972. However, in the new Government's 1971 Budget it was announced that more time would be given for the transition, at least until 1974 and perhaps until 1978, and that some further amendments would be made in the rules. One of the most important regulations, as far as mobility is concerned, is that occupational schemes must provide for preservation of pension credits for employees who leave the scheme after 5 years of service. Under the 1970 Act, the employer is released from this requirement only if the employee asks for a return of his contributions instead of a vested benefit. As well over half of those leaving in the past have chosen a refund, this rule may have little effect at first. However, it does ensure that those who are concerned with their pensions, will be able to have them preserved. Once all employers have provided for preservation, it is likely that there also will be a trend towards more provision for the payment and receipt of transfer values. If this happens it should mean that mobile employees would be able to carry their pension credits with them as they move and therefore receive the maximum possible benefit. This could develop into automatic transfer mechanisms being instituted between groups of schemes, especially non-contributory ones.

One occupational scheme in the public sector which will be substantially changed is F.S.S.U. This scheme received its approval before World War II and has been exempted from subsequent Inland Revenue rules which would have changed its structure. But the 1970 Finance Act did not make any exception for F.S.S.U.,

which means that it will have to meet current requirements in order to be reapproved. In its present form the scheme has several points which would not meet approval, the most important of which is the ability of retiring members to take their entire benefit as a tax free lump sum. Because of this and other difficulties, a new scheme, The Universities Superannuation Scheme, see pp. 128-129, is being planned along the lines of other public sector plans. In accordance with the 1970 Act this scheme provides that only 1/4th of the total benefit may be taken as a lump sum. The latest proposals for U.S.S. also meet most of the law's guidelines concerning provisions made on termination of service. Arrangements are made for either a transfer value to be paid to a new employer or a deferred pension to be guaranteed. Therefore, if an employee with at least 5 years service leaves his contributions in the scheme he will eventually receive a benefit from total contributions. While the retirement provisions of the proposed U.S.S. scheme are not as liberal or imaginative as those in some schemes in the private sector, the provisions for preservation are very good and should remove any barrier that pension considerations might have been to employees in the past.

When other schemes, in both the public and private sectors, make plans to change their rules to comply with the 1970 Act, they may use the proposed U.S.S. as a model for preservation provisions. These are comprehensive and if similar provisions were instituted in other schemes an important hindrance to mobility would no longer exist. Problems in the amounts of transfer might still arise due to the difference in benefits provided by different schemes, but at least the highest possible pension would be secured for all employees, and not only those who remain with one employer throughout their careers.

It is surprising that legislation concerning occupational pension plans has been introduced before comprehensive statistics on the current situation have been produced. This applies particularly to policies for the preservation of pension credits. Substantial modifications in private and public sector schemes may be required by the new regulations, but we are still unsure of the influence pensions presently have on mobility decisions.

Because of the insufficient amount of primary statistics available from the public services, the drawing of detailed conclusions concerning labour mobility within them and the possible effect of retirement pension provisions on this mobility was nearly impossible. Only the Local Government schemes supplied enough statistics for a pattern of mobility to be discerned and these were incomplete also as few statistics were available as to the exact length of service of those who left. While basic turnover figures were available, they gave little indication as to the possible causes of that turnover and the relationship which it had with pension provision. The general information available from most of the public service schemes indicated that there was a steady decrease in the number of employees moving from the schemes as age increased. However, in the Local Government schemes studied, where separate statistics for withdrawals and transfers were available, the number of withdrawals decreased much more rapidly with age than the number of transfers which were relatively constant.

When pensions were treated as a normal investment, as in the discussion on pp. 190-194, a surprisingly consistent correlation was found between the theoretical economic analysis made and the actual decisions of employees in the public sector schemes studied. Up to a certain age, or number of years before retirement, employees tended to take a return of their contributions in preference to

a deferred pension or transfer. But after that age, between 45 and 50, the majority of those who moved decided to transfer within the services rather than to withdraw all together. While it is not possible to generalize from the statistics available, the fact that transfers were more frequent than withdrawals among the older employees, might indicate that the preservation of pension credits had been considered when a change of employment was contemplated. To the extent that this is true the plans of the Government to make preservation compulsory for those with at least five years service and who are over age 26 is to be welcomed. Regulations currently being discussed would also prevent the refund of employee contributions which presently releases employers from their obligation to preserve pension credits. If these plans are initiated, any influence which pension plans might presently have on mobility decisions would be modified since future pension credits earned would be virtually guaranteed. If pensions were to have any effect on mobility after the introduction of these regulations it would be due to the type of provision made only and it is highly unlikely that differences between various schemes would be great enough to influence an employee.

The most likely outcome of the new regulations and those to be introduced would be a slight increase in the number of mobile employees in the older age groups and greatly improved retirement benefits for all those over age 26 who decide to change their employment.

1. J.L. Carr, Investment Economics. London: 1969. p. 20

   J.T.S. Porterfield, Investment Decisions and Capital Costs. New Jersey: 1965. p. 23.

# APPENDIX

## RETIREMENT PENSION SCHEMES STUDIED

### CHURCH OF ENGLAND - CLERGY

#### Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 70 |
| Years Service | 40 |
| Special | Service does not have to be continuous |
| Minimum Period of Service | 10 years - or less at discretion of Board |
| Contributions: | |
| Normal | None |
| Extra | Board may ask for some under certain circumstances - amount set for each particular person |
| Normal Retirement Age: | 70 or over |
| Normal Retirement Benefit: | |
| Pension | Set amount according to rank |

| | |
|---|---|
| Archbishops of Canterbury & York | £2,050 |
| Bishops of London, Durham & Winchester | 1,800 |
| Other Diocesan Bishops | 1,300 |
| Suffragan Bishops | 1,000 |
| Deans & Provosts of Cathedral Churches & the Deans of Westminster & Windsor | 800 |
| Archdeacons | 700 |
| Other Clergy | 600 |

With less than 40 years service, the rate is calculated by taking 1/40th of the appropriate amount for each year of service actually rendered.

Where age is less than 70, the normal rate is calculated and then 5% is deducted for each year by which age is less than the retiring age.

| | |
|---|---|
| Lump Sum | Maximum, £1,000. Actual sum is in same proportion to maximum as actual pension is to total pension that could have been paid. |

Minimum income from all sources will be £835.

| | |
|---|---|
| Early Retirement: | |
| Age | 65 |
| Benefit | Calculated as for Normal Retirement. |
| Compulsory Retirement Age: | None |
| Late Retirement: | No special benefit. |

| | |
|---|---|
| Relationship to National Insurance: | In addition to |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Transfer Value | Have transfer arrangements with members of Anglican Communion and have option to make transfer arrangements with other organizations in the Public Services. |
| Cold Storage | None |
| Re-employment: | |
| After Retirement | Pension is suspended for those under 70. For those over, suspension depends on the position undertaken. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service: | None |
| Long Service: | |
| Age | before age 70 |
| Benefit | Pension receivable at age 70 less 1% for each year that age is less than 70, or pension payable at age 70 with actual service rendered. |
| Death Benefits: | |
| In Service | On or after reaching age 70 - lump sum based on the amount of pension that would have been payable if he had retired on date of death. Clergy ordained before 1948, will have paid to their estate a return of his contributions plus 2½% interest. |
| After Retirement | If dies before receiving full years pension, the balance is paid to the estate. |
| Widows or Dependents Scheme: | Clerk may surrender up to one half of his pension in order to obtain an actuarially calculated pension for widow. If married five years and member had ten years service widow receives one half of pension he was receiving or one half or pension that he would have received at age 70 with actual amount of service at death. If widow's total income is less than £525, it will be made up to that amount. |

EPISCOPAL CHURCH IN SCOTLAND

AGED AND INFIRM CLERGY FUND FOR BISHIPS AND PRIESTS

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 65 or 70 |
| Years Service | 35 |
| Special | Every two years service in Mission Field shall count as three years in regular church work. |
| Minimum Period of Service | 10 |
| Contributions: | 3% of gross income, Minimum £15 per annum. |
| Normal Retirement Age: | 70 |
| Normal Retirement Benefit: | Priests |
| Pension | Standard of £385 at age 70 with 35 years service. Increased by 2% per year for each year of service over 35 with maximum of 10%. Decreased by 3% per year of service less than 35 at ate 70 - to minimum of 10 years service (Pension garanteed for 2 years) |
| | Bishops<br>Twice the benefit paid to preists for comparable service. |
| Early Retirement: | |
| Age | 65 |
| Years Service | At least 10 years |
| Benefit | % of normal that would have been paid at age 70. Age 69 - 91%, 68 - 82%, 67 - 73%, 66 - 64%, 65 - 55%.<br>This rate is not increased when pensioner reaches age 70. |
| Compulsory Retirement Age: | None |
| Late Retirement: | No special benefit. |
| Relationship to National Insurance: | In addition to |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Transfer value | Reciprocal arrangements are made with Church of England and other churches in communion with. Priest who transfers is deemed to have served all of his service in the last church served. |
| Cold Storage | None |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | On application of Priest or Bishop, at discretion of Fund Committee. |
| Benefit | Maximum pension is that amount that would have been payable had Priest or Bishop retired normally at the age of 70 with an equivalent amount of service. |
| Death Benefits: | |
| In Service | None |
| After Retirement | Retirement pension is garanteed for two years. If pensioner dies within that time, the remaining funds will go to his estate. |

CHURCH OF SCOTLAND

AGED AND INFIRM MINISTER'S FUND AND PENSION FUND

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 65 |
| Years Service | 15 |
| Special | Ordained minister in Church of Scotland |
| Minimum Period of Service | 15 years - less at discretion of Committee |
| Contributions: | 5% of stipend (paid by congregation) |
| Normal Retirement Age: | 65 |
| Normal Retirement Benefit: | |
| Pension | 1/40th x standard annuity x years service. Committee sets amount of standard annuity- £600 for 1969. Congregation may augment the normal pension. Church provides supplementation so that the minimum total income of pensioners from all sources is £880 (married) or £770 (bachelor or widow). |
| Early Retirement: | |
| Service | 15 years |
| Benefit | Deferred until age 65 when application for normal pension may be made. |
| Compulsory Retirement Age: | None |
| Late Retirement: | |
| Age | to 70 |
| Benefit | Normal benefit - increased by longer service. Maximum- 45/40ths of the standard annuity. |
| Relationship to National Insurance: | In addition to. |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Cold Storage | If transfer to church with comity agreements with Church of Scotland, may apply for pension for years service with Church of Scotland after having served a total of 40 years service and reached age 65. |
| Re-employment: | |
| After Retirement | Committee may use its discretion - may continue, withdraw, reduce or suspend the member's annuity. |

Other Benefits Included Under Retirement Scheme

Ill Health or Disability Retirement:

| | |
|---|---|
| Short Service | |
| Service | less than 15 years |
| Benefit | Same as normal benefit with years service calculated as 15 years. |
| Long Service | |
| Service | 15 years or more |
| Benefit | Same as normal |

| | |
|---|---|
| Widows or Dependents Scheme: | Minister may surrender a portion of his pension in favour of wife or next of kin. Amount to be surrendered is determined on an actuarial basis according to the ages of the annuitant and wife or next of kin. |

Schemes Available Outside the Main Retirement Scheme

Pension Fund for Ministers & the Life Assurance Scheme
Consists of:
- Contributors Pension Fund
- Capital Pension Fund
- Early Disablement Fund
- Life Assurance Scheme

| | |
|---|---|
| Eligibility: | |
| Age | Under 50 |
| Special | Ministers admitted to qualifying charge after 1.1.69 for first time. |
| Contributions: | |
| Pension | £3 per annum |
| Life Assurance | £18 per annum |
| Convertible Policy for Widows & Dependants | £12 per annum |
| Normal Retirement Benefit: | Contributors Pension Fund<br>Amount set by age at which member joins fund.<br>e.g. 26 or undeer £34.20<br>36 18.80<br>46 9.25<br>This is for retirement at age 65<br><br>Capital Pension Fund<br>Pension depends on age at retirement.<br>65 £30.50<br>66 34.00<br>67 37.80<br>68 42.40<br>69 47.80<br>70 54.00<br>Total income may not be more than 2/3rds of FAS(3/10) or 1/60th of FAS(3/10) for each year of service if less than 20. |

| | |
|---|---|
| Early Disablement: | |
| Age | Under 65 |
| Special | In receipt of an ill health pension from Aged and Infirm Minister's Fund. |
| Benefit | Amount of pension shall be set by Committee on the advice of the actuary. |
| Termination of Service: | Contributor in above schemes who leaves service of Church of Scotland and goes outside approved employment, ceases to be a contributor, but is entitled to a pension at age 65 in respect of the contributions that were paid while he was in service. |

PRESBYTERIAN CHURCH OF ENGLAND

MINISTERS AND WIDOWS AND ORPHANS PENSION FUND 1964 & 1966

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 67 (men) 62 (women) |
| Special | Ordained Minister or Elder |
| Minimum Period of Service | None |
| Contributions: | 5% of salary, paid by Minister<br>5% of salary, paid by Committee or Congregation |
| Normal Retirement Age: | 67 (62) |
| Normal Retirement Benefit: | |
| Pension | 1% x basic minimum stipend x years service to 31.12.63 plus 1/80th x basic minimum stipend x years service after that date<br>Pensioner will benefit from each increase in the basic minimum stipend after he retires and his pension will be correspondingly increased. |
| Early Retirement: | |
| Age | 65 |
| Benefit | Deferred - same as normal<br>Allowed at discretion of committee |
| Compulsory Retirement Age: | None |
| Late Retirement: | |
| Age | After age 67 |
| Benefit | Contributions are stopped at age 67 and pension is increased by longer service. |
| Relationship to National Insurance: | In addition to |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Return of Contributions | Where member passes outside approved church service, contributions are automatically returned plus 3% interest. Looses all claims to pension for that service. |
| Cold Storage | Where member transfers to a related church or demonimation, he will become a non-contributing member and will be eligible for benefits calculated in normal way at final retirement. |
| Re-employment: | |
| Contributions Withdrawn | Treated as new member of scheme and receives no credit for former service. |

| | |
|---|---|
| Re-employment: | |
| Contributions not Withdrawn | If have transferred to approved church, is deemed to be a non-contributing member and can start contributing again with no loss of credit. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service | |
| Service | less than 20 years. |
| Benefit | Same as normal with number of years service as 20 or number between entry and age 67 if less. |
| Long Service | |
| Service | 20 or more |
| Benefit | Same as normal - payable immediately |
| Death Benefits: | |
| In Service | One years salary or 1/10th of a years salary for each year of service if entered service after age 56. For death of non-contributing member 2/3rds of contributions he had paid or had been paid for him up to 31.12.63 are returned plus 1/2 of contributions paid after that date plus 3½% interest. |
| After Retirement | Difference between pension received and in-service benefit as calculated above |
| Widows or Dependents Scheme: | Widow receives one half of pension member received or would have received if retired on day he died, or £150 per annum plus £50 if not entitled to National Insurance. Each child will receive £50 per annum until age 18. Member may also allocate part of his pension to provide one for his widow. |

## FEDERATED SUPERANNUATION SCHEME FOR UNIVERSITIES

(SCHEME OF INDIVIDUAL INSURANCE POLICIES)

### Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 60 or 65 (depends on maturing date of policies) |
| Minimum Period of Service | None |
| Contributions: | 5% of salary by member<br>10% of salary by employer |
| Normal Retirement Age: | 60 or 65 |
| Normal Retirement Benefit: | |
| Pension | Depends entirely on policies taken Annuity policies usually give slightly higher pensions than Endowment policies. |
| Lump Sum | Entire benefit may be taken as a lump sum which may then be used to purchase an annuity or for any other purpose. |
| Early Retirement: | No special provisions |
| Compulsory Retirement Age: | Professors 70, Lecturers 65. |
| Late Retirement: | |
| Age | 70, 65 |
| Benefit | Policies continue to accumulated after maturity. |
| Relationship to National Insurance: | In addition to |

### Provisions On Termination Of Service

| | |
|---|---|
| Voluntary: | |
| Return of Contributions | Policies may be released to employee who may surrender them for cash. Receives both his and the employer's contributions. |
| Transfer Value | Transfer arrangements are made within the system - 276 institutions, and with the rest of the public service. Outside the system, member receives full credit for accrued benefits produced by his own and employer's contributions. |
| Cold Storage | Policies may be 1) retained by institute and converted to paid-up policies as a frozen pension or 2) released to member being endorsed to prevent cashing before retirement or 3) released to member free of restrictions and he may convert them to paid-up policies or maintain them as private policies or transfer them to another employer. |

| | |
|---|---|
| Re-employment: Contributions not Withdrawn | If policies have been kept up outside system, they may be brought back in and continued. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: Benefit | Depends on circumstances: Member may arrange for a small annuity, take the surrender value as tax free lump sum, or try to continue the policies to retirement age when various annuities may be purchased, including one for wife.<br>Sickness benefits are often taken care of by ex-gratia payments from the institution concerned. |
| Death Benefits: In Service | With endowment policies - up to 5 years salary at age 25, 4½ years salary at age 30 and 3 years at age 40 - then decreases steadily until maturity.<br>With annuity - return of premiums plus interest.<br>Actual amount depends on choice of policies by member. |
| After Retirement | This is up to member and what he wishes to purchase with his lump sum at retirement. May purchase annuity for wife or a whole life assurance, the funds of which could be used by wife, etc. |
| Widows and Dependents Scheme: | Depends entirely on choice by member of benefits from lump sum. |

Schemes Available Outside the Main Retirement Scheme

Scheme for Supplementation of Superannuation Benefits

| | |
|---|---|
| Benefit: | 1/75th x FAS(3) x years service.<br>Supplementation is meant to increase the benefit received from the Insurance Scheme to a hypothetical rate of terminal salary pension. 80% of retiring university teachers in 1966 needed supplementation of benefits on an average of £370 per year. |

CIVIL SERVICE

CIVIL SERVICE SUPERANNUATION ACTS

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 60 |
| Years Service | 10 |
| Special | Must be permanent & established though unestablished service does count toward eligibility. |
| Excluded Service | Over 40 years if retire at age 60 and otherwise over 45 years. |
| Minimum Period of Service | 10 |
| Contributions: | None |
| Normal Retirement Age: | 60 |
| Normal Retirement Benefit: | |
| Pension | 1/80th x FAS(3) x years service |
| Lump Sum | 3/80th x FAS(3) x years service |
| Early Retirement: | |
| Age | 50 |
| Service | 10 |
| Benefit | Normal deferred until normal retirement age unless member is retired in interests of effeciency and Minister decides that pension should be granted immediately. |
| Compulsory Retirement Age: | None |
| Relationship to National Insurance: | Established staff contracted-out of graduated scheme<br>Modified to take flat rate benefits into consideration - Benefit reduced by amount of flat rate pension received. |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Transfer Value | Special arrangements for transfers are made with other public services.<br>Amount of transfer value made is calculated by age and class, per £100 of remuneration in respect of completed periods of service as established and unestablished staff. |
| Cold Storage | Pension may be frozen if go to approved employment and is then paid at final retirement. |
| Redundancy: | If retired as consequence of the abolition of his office, may receive immediately any benefits that his service would entitle him to. |

| | |
|---|---|
| Re-employment: | |
| After Retirement | Pension is liable to be reduced or suspended depending on salary, for duration of new employment & pension is re-assessed on final retirement if re-employment continues for at least one year. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service Gratuity | If retired before qualification for pension gratuity of 1/12th x salary x years service plus, if more than two years service, additional lump sum of 3/80th x salary x years service. |
| Long Service | |
| Service | 10 or more years |
| Benefit | Normal benefit payable immediately with years service increased to 20 or number reached by age 65 if less. |
| Death Benefits: | |
| In Service | With 5 or more years service<br>One years salary or lump sum he would have received if he had retired on day he died, whichever is greater. |
| After Retirement | Any difference between benefits already paid and one years salary. |
| Widows or Dependents Scheme: | Member may allocate up to 1/3rd of pension to provide one for wife or next of kin. |
| Marriage Gratuities: | Women with 6 years established service receive one months salary x years established service if leave to get married. Maximum: one years salary. |

Schemes Available Outside the Main Retirement Scheme

| | |
|---|---|
| Widows and Dependents Scheme: | Compulsory for all married male servants. |
| Contribution | Deduction of $1\frac{1}{4}\%$ of salary each year or reduction by 1/3rd in amount of final lump sum or death gratuity payable. |
| Benefit | 1/3rd of pension he receives or would have received if retired on day he died. |

LOCAL GOVERNMENT

LOCAL GOVERNMENT SUPERANNUATION ACTS 1937-

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 60 65 55(nurses & other special) |
| Years Service | 40 10 10 |
| Excluded Service | Under age 18 and over age 70, years service over 45. |
| Minimum Period Of Service | 10 years |
| Contributions: | |
| Normal | Officers - 6% of salary<br>Servants - 5% of salary<br>Both reduced by 1% as consideration for National Insurance<br>Employer pays similar amount. |
| Normal Retirement Age: | 65 60(nurses & other special) |
| Normal Retirement Benefit: | |
| Pension | 1/80th x FAS(3) x years contributing service plus 1/160th x FAS(3) x years non-contributory service.<br>Maximum: 45/80ths |
| Lump Sum | 3/80ths and 3/160ths substituted in above formula. Fractions for married member reduced to 1/80th & 1/160th respectively. Member may forgo lump sum for a larger pension. |
| Early Retirement: | Women only |
| Age | 60 |
| Service | 10 |
| Benefit | Normal benefit reduced by percentage as set out in regulations.<br>e.g. age at leaving - 61<br>normal retirement - 65<br>reduction - 28%<br><br>age at leaving - 62<br>normal retirement - 63<br>reduction - 8% |
| Compulsory Retirement Age: | 65 - may be extended for 12 month periods at discretion of employer though service beyond age 70 is not included in the calculation of benefits. |
| Late Retirement: | |
| Age | No limit |
| Benefit | Service over 45 years and over age 70 may not be included in calculation of benefits. Formula same as for normal benefit. |

| | |
|---|---|
| Relationship to National Insurance: Reduction | Modified in relation to flat rate benefit £1.70 x years contributory service plus £.85 x years non-contributory service for service before 3.4.61 and after that - 1/240ths x FAS(3) x years contributory service plus 1/480ths x FAS(3) x years non-contributory service.<br><br>Some employees contracted-out of graduated scheme - usually men with salary over £14.50 per week and women with salary over £13.50 per week. |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Return of Contributions | Payable if member is not eligible for a transfer payment or frozen benefit. Income tax and payment-in-lieu deducted. |
| Transfer Value | Special arrangements for transfers made with other local authorities and institutions within the public sector. Amount of transfer value calculated by age and class: e.g. for Officers - Transfer per £100 of remuneration in respect of each completed period of Contributory Service: Age under 35 - £ 9.00<br>45-46 - 10.45<br>54-55 12.80<br>For Non-contributory Service<br>Age under 35 - £ 4.50<br>45-46 - 4.95<br>54-55 - 5.90 |
| Cold Storage | Sometimes provided when a member moves to public service overseas and is expected to return to the British public service. If retires from the overseas service, a pension is payable on past service in Britain at normal retirement age. |
| Re-employment: | |
| Contributions not Withdrawn | Break of less than 1 year does not disqualify. In practice, most service in local authority after age 18 is reckonable. |
| After Retirement | Pension suspended or reduced so that present salary is not greater than salary just before retirement. Final pension may be recalculated completely or supplemented to take account of extra service. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service | |
| Service | 5 years but less than 10 years |
| Benefit | A lump sum equal to average remuneration, may be taken as pension instead |
| Long Service | |
| Service | 10 or more years |
| Benefit | Calculated same as normal except that where years service is less than 20, benefit will be calculated as if they were 20, or the number of years possible before age 65, if less. |
| Injury Allowance | Awarded for incapacity from injury or disease resulting from duty. Pension of up to 2/3rds FAS(3) is payable at discretion of employer. |
| Death Benefits: | |
| In Service | With 5 or more years service<br>Lump sum payable - calculated as if member had retired on day he died. |
| After Retirement | As above, minus any amount already paid as pension. |
| Widows or Dependents Scheme: | Widows pension payable on member's death of not less than 1/3rd of his pension or the pension he would have received if he had retired on the day he died.<br>At retirement, the member may also surrender up to 1/3rd of his pension to secure additional pension for his widow. |

Schemes Available Outside Main Retirement Scheme

| | |
|---|---|
| Gratuities: | There is no contribution for these<br>Payable at discretion of authority and are payable only to an employee, or his dependents, who is not entitled to any benefit under superannuation scheme other than return of contributions. May be in form of annuity, lump sum or periodical payments and used to assist hardship cases. Funds for the gratuity may not be taken from the superannuation fund. |

TEACHERS

TEACHERS (SUPERANNUATION) ACTS

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 60 |
| Years Service | 30 - 10 years must be contributory |
| Special | Women may count 10 years of absence during marriage toward qualifying service |
| Minimum Period of Service | 10 years or 2/3rds of time from entry to age 65 for late entrant |
| Contributions: | |
| Normal | 6% of salary (Those entering service after 1.7.48 pay modified contributions - reduced by £2.40 men and £2.95 women) Contributions cease to be payable after 45 years service. |
| Extra | Where teacher suffers decline in salary at end of service, may chose to pay contributions based on his higher salary and have benefit calculated on that salary. |
| Normal Retirement Age: | 60-70 |
| Normal Retirement Benefit: | |
| Pension | 1/80th x FAS(3) x years reckonable service. Reduced for those entering after 1.7.48 by £1.70 per year of service to take National Insurance into account. |
| Lump Sum | 3/80th x FAS(3) x years service after 30.9.56 plus 1/30th x FAS(3) x years service to 30.9.56. Maximum: 1 1/2 x average salary for service up to age 60. |
| Early Retirement: | |
| Service | 30 years from age 18 or over |
| Benefit | Same as normal - pension frozen and deferred until age 60. |
| Compulsory Retirement Age: | 70 |
| Late Retirement: | |
| Age | Reckonable service may continue to age 70 or 45 years service. |
| Benefit | Same as normal - increased by fact of greater service. |
| Relationship to National Insurance: | Both contributions and pension are modified as in Local Government to take the flat rate scheme into account. Members contracted-out of graduated scheme. |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Return of Contributions | If have not qualified for another benefit, contributions, minus payment-in-lieu and Income Tax, may be returned on application by employee after 3 months continuous absence.<br>Service in respect of these contributions will still be reckonable as qualifying service. |
| Transfer Value | Provided where teacher goes to other public sector employment or to teach in another part of the country or to some overseas teaching employment. |
| Cold Storage | With 30 years service - as at early retirement, benefits will be deferred until age 60. |
| Re-employment: | |
| Contributions Withdrawn | May repay gross amount plus 3½% interest and have service reinstated as pensionable. |
| Contributions not Withdrawn | May leave and rejoin service as many times as wish and all periods of service are aggregated for pension purposes. |
| After Retirement | Pension is withheld in period when salary is same or greater than former salary, otherwise it is reduced to the difference between the two salaries. If on temporary employment, receive pension for days not actually employed. |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service | |
| Service | 1 - 10 years |
| Benefit | Gratuity at rate of 1/12th x FAS(3) x years service. |
| Long Service | |
| Service | 11 or more years |
| Benefit | Normal lump sum and pension figured as for 20 years service or for period to age 65 if less.<br>With 20 years service, normal benefit is payable immediately. |

| | |
|---|---|
| Death Benefits: | |
| In Service | With 5 or more years service, the greatest of: FAS(3), or amount equal to lump sum payable if retired on day he died, or return of contributions plus 3% interest. |
| After Retirement | Gratuity not exceeding the difference between FAS(3) and amount already received as pension and lump sum. |
| Widows or Dependents Scheme: | May allocate up to 1/3rd of pension to provide pension for wife or dependent. Amount of pension will depend on age and sex of all concerned. |

Schemes Available Outside the Main Retirement Scheme

| | |
|---|---|
| Family Benefits Scheme: | |
| Contributions | 2% of Salary<br>Member must by in back service of up to 10 years<br>Contributions are refunded if teacher dies before eligible for benefit or is unmarried when retires. |
| Benefit | Death after retirement - widow receives 1/3rd of his pension. In service death- receives proportional pension according to years of service with minimum of £115 per year.<br>Flat rate children's benefits also available. |
| Scheme of Pensions For Dependents: | Participation is voluntary<br>Contributions depend on amount of pension to be bought - in multiples of £10 with a minimum of £30. May nominate 1 adult and 1 child for life pensions and up to 3 children for temporary pensions.<br>Pensions may not total more than 1/6th of salary at nomination - rate is 1/3rd for woman teacher providing for husband and children.<br>On withdrawal of contributions from main scheme, 1/2 of contributions from this scheme plus interest also refunded.<br>Total contributions to all schemes may not be over 15% of salary. |

NATIONAL HEALTH SERVICE

HEALTH SERVICE SUPERANNUATION SCHEME
(Nurses, General Practitioners & Other Staff)

Service Retirement

| | |
|---|---|
| Eligibility: | |
| Age | 60 (55 for Mental Health Officers) |
| Years Service | 10 |
| Special | Both non-contributory & contributory count towards eligibility. (Mental Health Officers - service after age 50 or 20 years counts double in calculation of benefits) |
| Excluded Service | Over 45 years, or over 40 years if retire at age 60. |
| Contributions: | 6%<br>5% for manual<br>Employer pays 8% and 6% respectively |
| Normal Retirement Age: | 65 (60 or 55 with 20 years service for special) |
| Normal Retirement Benefit: | |
| Pension | 1/80th x FAS(3) x years contributory service plus 1/160th x FAS(3) x years non-contributory service.<br>(Doctors and Dentists - % applied to superannuable remuneration -<br>$1\frac{1}{2}$% x remuneration during 1st 10 years service<br>$1\frac{3}{4}$% x " " 2nd " " "<br>2% x " " 3rd " " "<br>$2\frac{1}{4}$% x " " 4th " " "<br>$2\frac{1}{2}$% x " " all years in excess of 40. ) |
| Lump Sum | (with 5 years service) 3/80th x FAS(3) x years service for single person. 1/80th x FAS(3) x years service for man with wife eligible for widows pension. May also forego this so that wife's pension is one half of that of member.<br>(Doctors and Dentists - 3 x annual amount of pension - reduced to 1 x annual amount if practitioner has wife eligible for widow's pension.) |
| Early Retirement: | |
| Age | 60 |
| Service | 10 |
| Benefit | Same as normal |
| Compulsory Retirement Age: | None |
| Relationship to National Insurance: | Contributions and benefits may be modified as in Local Government. |

Provisions on Termination of Service

| | |
|---|---|
| Voluntary: | |
| Return of Contributions | Made unless member is eligible for a transfer payment. |
| Transfer Value | Arrangements made with other public services as in Local Government. |
| Cold Storage | May go to approved employment or study in which case a year may elapse between time of leaving that employment and returning to NHS without disqualification. |
| Redundancy: | At age 55 with 10 years service - retirement benefits are payable immediately. Before age 55 or less than 10 years service benefits are frozen until normal pensionable age. |
| Re-employment: | |
| Contributions Withdrawn | If return within 1 year of leaving, may return contributions and count former service. After 1 years absence, may be able to buy back some of former service. |
| After Retirement | Pension reduced or suspended so that new remuneration plus pension will be no greater than remuneration just before retirement (not more than three consecutive highest years for Doctors and Dentists). |

Other Benefits Included Under Retirement Scheme

| | |
|---|---|
| Ill Health or Disability Retirement: | |
| Short Service | |
| Service | 5 to 9 years |
| Benefit | Gratuity - FAS(3) or return of contributions plus interest, or normally calculated lump sum, whichever is greatest. |
| Long Service | |
| Service | 10 or more years |
| Benefit | Normally calculated lump sum and pension with years service increased to 20, or number to age 65, if had less than that. |
| Injury Allowance: | For incapacity due to injury or disease sustained in discharge of duty. Awarded at discretion of Secretary of State - up to 2/3rds of FAS(3) when all aspects considered. |

| | |
|---|---|
| Death Benefits: | |
| In Service | With 5 years service - return of contributions plus interest, or normal lump sum or 1 x FAS(3), whichever is greatest. |
| After Retirement | With 5 years service and within 12 months of retirement. As above. Benefit may be foregone by widow to earn pension of up to $\frac{1}{2}$ of members. |
| Widows or Dependents Scheme: | With 10 years service, Widows pension is 1/3rd or 1/2 of member's or the one he would have received if he had retired on the day he died.<br>Child allowance also payable - rate of 1/12th of pension for 1st child, 1/6th for 2 children & 1/4th for 3 or more. Rates are doubled if both parents are dead. Are paid to age 16 or older where in full time education. |

# BIBLIOGRAPHY

## Books

Atkinson, A.B. Poverty in Britain and the Reform of Social Security. London: Cambridge University Press. 1969.

Barry, H. Superannuation for the General Medical Practitioner. London: William Heineman Medical Books Ltd. 1955.

Bernstein, M.C. The Future of Private Pensions. London: Collier-Macmillan Ltd. 1964.

Beveridge, Lord W. Voluntary Action: A Report on Methods of Social Advance. London: George Allen & Unwin Ltd. 1948.

B.I.M. The Cost of Labour Turnover. Personnel Management Series No. 9. London: British Institute of Management. 1959.

Bruce, M. The Coming of the Welfare State. London: B.T. Batsford Ltd. 1961.

Carr, J.L. Investment Economics. London: Routledge & Kegan Paul. 1969.

Carr-Saunders, Sir A.M. "Metropolitan Conditions & Traditional Professional Relationships," In Fisher, R.M. ed. The Metropolis in Modern Life. New York: Doubleday & Co. Inc. 1955.

Carr-Saunders, Sir A.M. & Wilson, P.A. The Professions. Oxford: Oxford University Press. 1933

Carr-Saunders, Sir A.M. Professions, Their Organization and Place in Society. Oxford: The Clarendon Press. 1928.

Chisholm, C. The £sd of Retirement. London: Phoenix House Ltd. 1957.

Christopher, A., Polangi, G., Seldon, A., & Shenfield, B. Policy for Poverty. Research Monograph No. 20. London: Institute of Economic Affairs. 1970.

Corina, J. The Development of Incomes Policy. London: IPM Industrial Relations Series. 1966.

Fischer, C.H. Vesting and Termination Provisions in Private Pension Plans. Washington: American Enterprise Institute for Public Policy Research. 1970.

Gelbert, B.B. The Evolution of National Insurance in Great Britain. London: Michael Joseph Ltd. 1966.

George, V. Social Security: Beveridge and After. London: Routledge & Kegan Paul. 1968.

Gilling-Smith, G.D. The Complete Guide to Pensions and Superannuation. London: Cox & Wyman Ltd. 1967.

Glass, D.V. ed. Social Mobility in Britain. London: Routledge & Kegan Paul Ltd. 1954.

Hackett, J. & Hackett, A. The British Economy: Problems & Prospects. London: George Allen & Unwin Ltd. 1967.

Harris, A.I. Labour Mobility in Great Britain 1953-1963. Survey for the Ministry of Labour & National Service. London: HMSO. 1966.

Hirshleifer, J. Investment, Interest & Capital. New Jersey: Prentice Hall Inc. 1970.

Hosking, G.A. Pension Schemes & Retirement Benefits. London: Sweet & Maxwell Ltd. 1960.

Houghton, D. Paying for the Social Services. London: The Institute of Economic Affairs. 1967.

Jefferys, M. Mobility in the Labour Market: Employment Changes in Battersea & Dagenham. London: Routledge & Kegan Paul Ltd. 1954.

Keast, H. Knight's Local Government Superannuation. 2nd ed. London: Charles Knight & Co. Ltd. 1955.

Katona, G. Private Pensions and Individual Saving. Monograph No. 40 Michigan: Institute for Social Research. 1965.

Lees, D.S. Economic Consequences of the Professions. London: Institute of Economic Affairs. 1966.

Lewis, R. & Maude, A. The English Middle Classes. London: Phoenix House. 1949.

_____. Professional People. London: Phoenix House. 1952.

Lipset, S.M. & Bendix, R. Social Mobility in Industrial Society. Berkeley: University of California Press. 1959.

Marsh, D.C. National Insurance and Assistance in Great Britain. London: Sir Isaac Pitman & Sons Ltd. 1950.

Millerson, G. The Qualifying Associations. London: Routledge & Kegan Paul. 1964.

Murray, R.F. Economic Aspects of Pensions, A Summary Report. New York: National Bureau of Economic Research. 1968.

National Superannuation. Labour's Policy for Security in Old Age. London: Labour Party. 1957.

Nisbet, J.W., Gridley, Sir A. & Benn, Sir E.J.P. The Beveridge Plan, A Symposium. London: The Individualist Bookshop Ltd. 1943.

Nursaw, W.G. Principles of Pension Fund Investment. London: Hutchison & Co. 1966.

Palmer, G.L., Parnes, H.S., Wilcock, R.C., Herman, M.W., & Brainerd, C.P. The Reluctant Job Changer. Philadelphia: University of Pennsylvania Press. 1962.

Parnes, H.S. Research on Labour Mobility. New York: Social Science Research Council. 1954.

Peacock, A.T. The Economics of National Insurance. London: Williams Hodge & Co. Ltd. 1952.

Pigou, A.C. The Economics of Welfare. London: Macmillan & Co. 1929.

_____. Wealth and Welfare. London: Macmillan & Co. 1912.

Pilch, M. & Wood, V. Company Pension Schemes. London: Gower Press Ltd. 1971.

_____. New Trends in Pensions. London: Hutchinson & Co. Ltd. 1964.

_____. Pension Scheme Practice. London: Hutchinson & Co. Ltd. 1967.

_____. Pension Schemes. London: Hutchinson & Co. Ltd. 1960.

Porterfield, J.T.S. Investment Decisions and Capital Costs. New Jersey: Prentice-Hall, Inc. 1965.

Prandy, K. Professional Employees. A Study of Scientists and Engineers. London: Faber & Faber Ltd. 1965.

Reader, W.J. Professional Men. London: Weidenfeld & Nicolson. 1966.

Reid, G.L. & Robertson, N.J. eds. Fringe Benefits, Labour Costs and Social Security. London: George Allen & Unwin Ltd. 1965.

Reiss, A.J. Occupations and Social Status. New York: Free Press of Glencoe Inc. 1961.

Retirement, A Study of Current Attitudes and Practices. London: The Acton Society Trust. 1960.

Rhodes, G. Public Sector Pensions. London: George Allen & Unwin Ltd. 1965.

Richardson, J.H. Economic and Financial Aspects of Social Security. London: George Allen & Unwin Ltd. 1960.

Robertson, D.J. A Market for Labour. London: Institute of Economic Affairs. 1961.

Rogoff, N. Recent Trends in Occupational Mobility. Illinois: The Free Press of Glencoe. 1953.

Rowley, C.K. The British Monopolies Commission. London: George Allen & Unwin Ltd. 1966.

Rubin, H. New York State's Retirement Program: A Critical Analysis. Ph.D. Dissertation, Syracuse University. 1963.

Rubin, H. Pensions and Employee Mobility in the Public Service. New York: Twentieth Century Fund. 1965.

Rubner, A. Fringe Benefits. London: Putnam. 1962.

Seldon, A. The Great Pensions 'Swindle'. London: Tom Stacey Ltd. 1970.

_____. Pensions for Prosperity. Hobart Paper No. 4. London: Hutchinson & Co. Ltd. 1960.

_____. Pensions in a Free Society. London Institute of Economic Affairs. 1957.

_____, & Gray, H. Universal or Selective Social Benefits. London: Institute of Economic Affairs. 1967.

Shenfield, B.E. Social Policies for Old Age. London: Routledge & Kegan Paul Ltd. 1957.

Smelser, N.J. & Lipset, S.M. eds. Social Structure and Mobility in Economic Development. London: Routledge & Kegan Paul Ltd. 1966.

Shister, J. Economics of the Labor Market. New York: J.B. Lippincott Co. 1956.

Smith, T. Everybody's Guide to the Insurance Act. London: Charles Knight & Co. Ltd. 1912.

Sumner, G. & Smith, R. Planning Local Authority Services for the Elderly. London: George Allen & Unwin Ltd. 1969.

Titmuss, R.M. Essays on 'The Welfare State'. London: George Allen & Unwin Ltd. 1958.

_____. Income Distribution and Social Change. London: George Allen & Unwin Ltd. 1962.

Toward a Welfare Society. Report of an IEA Study Group. London: Institute of Economic Affairs. 1967.

Tronchin-James, N. Arbitrary Retirement. London: Cassel & Co. Ltd. 1962.

Wages and Labour Mobility. Paris: Organization for Economic Cooperation and Development. 1965.

Wilson, A. & Mackay, G.S. Old Age Pensions. London: Oxford University Press. 1941.

Woodcock, G. ed. Report of the 100th Annual Trades Union Congress. London: Cooperative Printing Society Ltd. 1968.

## Government Publications

Annual Report of the Department of Health and Social Security for the Year 1969. Cmnd. 4462. HMSO. 1970.

Beveridge, Sir W. Social Insurance and Allied Services. Cmd. 6404. HMSO. 1942.

Central Statistical Office. National Income and Expenditure. HMSO. 1968.

Clergy Pensions Measure, 1961. HMSO.

Clergy Pensions (Amendment) Measure, 1967. No. 1. HMSO.

Department of Health and Social Security. Explanatory Memorandum on the National Superannuation and Social Insurance Bill 1969. Cmnd. 4222. HMSO. 1969.

_____. National Health Service Superannuation Scheme (England and Wales). HMSO. 1969.

_____. National Superannuation & Social Insurance Bill 1969. Report by the Government Actuary on the Financial Provisions of the Bill. Cmnd. 4223. HMSO. 1969.

_____. National Superannuation and Social Insurance. Cmnd. 3883. HMSO. 1969.

_____. National Superannuation. Terms for Partial Contracting Out of the National Superannuation Scheme. Cmnd. 4195. HMSO. 1969.

_____. Pensions, The Way Forward. HMSO. 1969.

_____. Strategy for Pensions. The Future Development of State and Occupational Provision. Cmnd. 4755. HMSO. 1971.

Lord Fulton. The Civil Service. Vol. 1 & 4. Report of the Committee 1966-1968. Cmnd. 3638. HMSO. 1968.

Government Actuary. Occupational Pension Schemes. A New Survey by the Government Actuary. HMSO. 1966.

_____. Occupational Pension Schemes. A Survey by the Government Actuary. HMSO. 1958.

_____. Occupational Pension Schemes. Third Survey by the Government Actuary. HMSO. 1968.

Ministry of Labour. Preservation of Pension Rights. Report of a Committee of the National Joint Advisory Council. HMSO. 1966.

Ministry of Pensions and National Insurance, Financial and Other Circumstances of Retirement Pensioners. HMSO. 1966.

_____. Provision for Old Age. The Future Development of the National Insurance Scheme. Cmnd. 538. HMSO. 1958.

Pensions (Increase) Bill 1969. HMSO. 1969

Phillips, T. Report of the Committee on the Economic and Financial Problems of the Provision for Old Age. Cmd. 9333. HMSO. 1954.

Report by the Government Actuary on the Teachers Superannuation Scheme (England & Wales) 1961-1966. HC 128. HMSO. 1969.

Scottish Education Department. Allocation of Pension, Explanatory Memorandum. HMSO. 1957.

_____. Teachers Superannuation (Scotland) Regulations 1969. Circular No. 704. HMSO. 1969.

_____. Scottish Educational Statistics. 1967.

Scottish Home & Health Department. The Health Service Superannuation Scheme in Scotland. HMSO. 1968.

Treasury Chambers. Civil Service Manpower. 1967 and 1969.

Treasury Chambers. National Insurance Act, 1946. Report by the Government Actuary on the 1st, 2nd, & 3rd. Quinquenial Review. HMSO. 1954, 1960, & 1964.

## Journals

Abbott, R.W. "Preservation of Pension Rights," British Tax Review. Jan.-Feb. 1964. pp. 29-37.

"Annual Report of Council 1967-1968," British Medical Journal Supplement. Vol. 2 1968. pp. 49-112.

Chinoy, Ely. "The Tradition of Opportunity and the Aspirations of Automobile Workers," American Journal of Sociology. Vol. 57. 1951-52. pp. 453-459.

Gallaway, L.E. "Labour Mobility, Resource Allocation, and Structural Unemployment," American Economic Review. Vol. 53. 1963. pp. 694-716.

Hagenbuch, W. "The Rationale of the Social Services," Lloyds Bank Review. July, 1953. No. 29.

"The Incidence of Taxes and Social Service Benefits in 1963 & 1964," Economic Trends. No. 154. August 1966. pp. ii-xxii.

"The Incidence of Taxes and Social Service Benefits in 1967," Economic Trends. No. 184. February 1969. pp. xi-xxxix.

Lipset, S.M. & Bendix, R. "Social Mobility & Occupational Career Patterns, I. Stability of Jobholding," American Journal of Sociology Vol. 57. 1951-52. pp. 366-374.

_____. "Social Mobility and Occupational Career Patterns, II. Social Mobility," American Journal of Sociology. Vol. 57. 1951-52. pp. 494-504.

Maurer, J.G. "The Downward-Mobile Industrial Supervisor: Characteristics and Attitudes," Sociology and Social Research. Vol. 53. 1969. pp.311-322.

"National Superannuation and Social Insurance Bill, Order for the Second Reading," Hansard. 19 January, 1970. pp. 52-84.

New, P.K. New, M.L. & May, J.T. "Postgraduate Education and Career Mobility: A Case From Hospital Administration," Human Organization Vol. 28. 1969. pp. 11-21.

Phillips, W. "Making Pension Scheme Benefits Fully Transferable," British Tax Review. Jan. - Feb. 1964. pp. 16-28.

Porter, J. "The Future of Upward Mobility," American Sociological Review. Vol. 33. 1968. pp. 5-19.

Reiss, A.J. "Occupational Mobility of Professional Workers," American Sociological Review. Vol. 20. 1955. pp. 693-700.

Rose, A.M. "Social Mobility and Social Values," European Journal of Sociology. Vol. 5. 1964. pp. 324-330.

Seldon, A. "State Pensions: Epitome of Political Impotence," Economic Age. Vol. 1. 1969. pp. 7-10.

Severn, A.K. "Upward Labor Mobility, Opportunity or Incentive?" The Quarterly Journal of Economics. Vol. 82. 1968. pp. 143-151.

Spratling, F.H., Bacon, F.W., & Bromfield, A.E. "Preservation of Pension Rights," Journal of the Institute of Actuaries. Vol. 83. 1957. pp. 173-224.

"Superannuation for Hospital Medical and Dental Staff," British Medical Journal, Supplement. Appendix VI. Vol. 2. 1968. pp. 18-20.

"Superannuation," AUT Bulletin. No. 32. 1970. p. 4.

"Threat to F.S.S.U. Pensions," Nature. Vol. 226. 1970. p. 786.

Walley, Sir J. "Pensions Reform in Great Britain," The Political Quarterly. Vol. 40. 1969. pp. 66-78.

## Newspapers


The Courier.

"Graded Rises to Pay Pensions," 16 May, 1969. p. 11.

The Daily Telegraph.

Boyne, H.B. "New Pension Scheme Explained," 3 December, 1969.

Seldon, A. "The Great Pension Swindle," 5 February, 1970. p.18.

The Economist.

"Alternatives for Pension Rights," Vol. 212. 24 July, 1964. p. xxx.

"How Mobile a Labour Force," Vol. 210. 18 January, 1964. p. 206.

"Loosing the Golden Chains," Vol. 211. 20 June, 1964. pp. 1386-1388.

"The Poor Stay Poor," Vol. 230. 1 February, 1969.

"Who Pays for Pensions?" Vol. 230. 1 February, 1969. pp. 11-13.

The Financial Times.

Bolter, H. "State Pensions and Social Security," 29 January, 1969. p. 10.

Gilling-Smith, D. "Pensions, The Tory Alternative,"
1) 3 February, 1970. p. 13.
2) 17 February, 1970. p. 17.
3) 3 March, 1970. p. 13.

_____. "Pension Transferability, The Mathematics of Moving," 30 March, 1971. p. 17.

_____, et. al. "Survey of Pensions," 25 February, 1971. pp. 27-32.

"Tory Line on Pensions," 21 January, 1970. p. 14.

"White Paper on Pensions," 6 November, 1969. p. 8.

The Guardian.

Fiddick, P. "The Choice Offered in Pensions," 9 February, 1970. p. 10.

The Observer.

"Pensions: What You Need to Know," 9 November, 1969. p. 9.

The Scotsman.

"Pension Proposals Attacked," 15 July, 1969. p. 10.

"Tory Pension Plan a 'Swindle', Says Mr. Crossman," 23 February, 1970.

Vassie, J. "Labour's New Pension Scheme," 12 November, 1969.

_____. "Pensions and The Public," 28 January, 1969.

The Sunday Times.

Rhys Williams, Sir B. "State Pensions, The Tory Alternative," 7 December, 1969. p. 9.

The Times.

Atkinson, T. "Pensions: the Savings Issue," 4 December, 1969. p. 27.

"Five Advantages of State Pension Scheme: Meeting Social Challenge," 7 March, 1969. p. 14.

Healy, P. "Gaps Remain in New Pensions Bill," 19 January, 1970. p. 8.

Lomax, D. "Pensions: the Major Economic Issues," 17 November 1969. p. 27.

Morrison, I. "Doubts Raised on Pension Rights Proposals," 29 April, 1970. p. 25.

"New Pension Rights: Giving Executives More Mobility," 29 November, 1970. p. 31.

"Problems of Social Growth," 9 March, 1971. p. 14.

"Social Aims Justify Complexity of Pensions Bill," 20 January, 1970. p. 4.

Stone, M & Stephenson, H. "Pensions Tax Code Shake-up Proposed," 27 February, 1970.

"The Tory Pensions Plan," 21 January, 1970. p. 9.

"Workers Bound by Pension Chains," 30 April 1968. p. 7.

## Pamphlets and Unpublished Material


Church of England

Church Assembly. Amendments to Measures and Rules, 1967.

Explanatory Memorandum of the Pensions Scheme for the Clergy and Their Families. January, 1968.

Church of Scotland

Reports to the General Assembly with the Legislative Acts. 1968 and 1969.

Regulations of the Aged and Infirm Ministers Fund and The Pension Fund and Life Assurance Scheme for Ministers.

Civil Service

Treasury Chambers. Civil Service Superannuation Scheme.

Institution of Professional Civil Servants. Final Agenda of the 1968 Conference.

Episcopal Church in Scotland

Digest of Resolutions. No. 65. pp. 32-35.

Federated Superannuation System for Universities

Federated Superannuation System for Universities. Grey Book. Part 1 and 2. October, 1968.

FSSU Secretariat. University Teachers' Superannuation, A Guide to the Choice of Pension Scheme for University Teachers. 1968.

Local Government

Bath, City of. Local Government Superannuation. 1968.

Bath Corporation Superannuation Fund. Report of the Actuary on the Valuation Made as at 31st March, 1965.
Form C: Statistics Relating to the Members of the Fund Who Were in Employment at Any Time During the Accounting Period.
Form D: Statistics Relating to the Pensioners of the Fund During the Accounting Period.

Cardiff Corporation Superannuation Fund. Report of the Actuary on the Valuation Made as at 31st March, 1964.
Form C and Form D.

Cheshire County Superannuation Fund. Report of the Actuary on the Valuation Made as at 31st March, 1964.
Form C and Form D.

Durham County Council Superannuation Fund. Report of the Actuary on the Valuation Made as at 31st March, 1964. Form C and Form D.

Fife County Council. Guide to Superannuation Scheme. 1969.

Fife County Superannuation Fund. Report of the Actuary on the Valuation Made as at 15th May, 1965. Form C and Form D.

Hales, T. Superannuation. A Summary of the Law of Local Government Pensions. Cheshire County Council.

Hartnoll, E.S. Local Government Superannuation. Joint Committee of Students' Societies & the Institute of Municipal Treasurers and Accountants.

County of Lanark Superannuation Fund. Report of the Actuary on the Valuation Made as at 15th May, 1964.

Presbyterian Church of England

Executive Commission of the General Assembly. Ministers and Widows and Orphans Pension Fund. Constitution and Rules. 1964.

Teachers

Department of Education and Science. Teachers' Superannuation. Explanatory Memorandum. 1968.

National Association of Schoolmasters. Agenda of 1969 Conference.

_____. Report on Pensions to be Presented to the Annual Conference at Hastings. 1960.

_____. Superannuation, A Summary. 1964.

National Union of Teachers. Teachers' Superannuation. 1966.

Scottish Education Department. Guide to the Dependant's Scheme. 1965.

_____. Guide to the Widows' Scheme. 1965.

_____. A Short Guide to the Superannuation Scheme for Teachers in Scotland. 1967.

_____. You and Your Pension. A Guide for Teachers. 1967.

Miscellaneous

Fryd, J. Protect Your Pension. National Federation of Professional Workers. 1964.

IBM Pension Plan (The 'N' Plan). IBM United Kingdom Limited. 1971.

Imperial Chemicals Staff Pension Fund. Summary of the Scheme, 1967 Rules. ICI Ltd. 1969.

Report of the Trustees and Statement of Accounts for the Year Ended 31st March 1970. Imperial Chemicals Staff Pension Fund. ICI Ltd. 1970.

Life Offices Association. Progress by Partnership. The Pensions Debate. 1969.

_____. Would You Count His Chickens? 1970.

NCR Pension Plan. National Cash Register Company Ltd. 1971.

National Federation of Professional Workers. 49th Annual Report. 1969.