



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Public Service Pensions Bill:
Trade Union Briefing

22 May 2013

NORTHERN IRELAND ASSEMBLY

Committee for Finance and Personnel

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Members present for all or part of the proceedings:

Mr Dominic Bradley (Deputy Chairperson)
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

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| Mr Harry Baird | FDA |
| Mr Jim Quinn | Fire Brigades Union |
| Mr John O'Farrell | Irish Congress of Trade Unions |
| Ms Nuala O'Donnell | Irish National Teachers' Organisation |
| Mr Bumper Graham | NIPSA |
| Mr Brian Ferguson | UNISON |

The Deputy Chairperson: We have Bumper Graham from NIPSA, John O'Farrell from the Irish Congress of Trade Unions, Brian Ferguson from UNISON, Nuala O'Donnell from the Irish National Teachers' Organisation, Jim Quinn from the Fire Brigades Union and Harry Baird from the FDA. I welcome you all to the meeting and invite you to make an opening statement.

Mr Bumper Graham (NIPSA): Thank you, Chairman. I have a couple of quick points to make. We got the Department of Finance and Personnel (DFP) composite response only yesterday. We saw this morning the letter of 17 May to the Committee from the Finance Minister.

By way of introduction, given the comments about the Dracula film, if you wanted someone to make an argument for retaining blood banks, you would ask Dracula to do it; if you wanted someone to do the Treasury's dirty work, you would ask DFP to do it. Our initial view of the composite response is that, like much else in this process, it is wholly inadequate and glosses over a number of the key points. Of concern to us is that the response adds weight to points made by one or two individuals and to the Northern Ireland local government officers' superannuation committee (NILGOSC) response. However, the NILGOSC response did not deal with policy; it dealt only with the administrative impact of the changes in the scheme. There is the usual dismissal of trade unions' comments, but, most worrying in relation to the response, is the decision to screen out the equality impact assessment. We heard from what has been said this morning and what is in the response that you cannot leave it to the secondary stage for each of the schemes. The Bill will provide the pitch,

determine its dimensions and what game is played on it. Therefore, that needs to be properly and fully assessed. The team that you select for secondary regulations is important and that, too, needs to be assessed. However, it is critical that there be a full equality impact assessment at this stage.

We welcome the limited progress that has been made. The Department has now found some money to do further work that it has commissioned to the Government Actuary's Department (GAD) on the overall potential impact on the block. However, it seems to me that that is a gesture or nod towards the Committee's concerns and our own, because it will not be a detailed assessment; it will be another skimming of the surface. I am now thoroughly confused because contradictory evidence now comes from the Department as to how that will be baselined. Are the 2012 triennial evaluations happening or not? You can only truly base the cost when you know the full facts and figures; therefore, you must do the 2012 evaluations.

DFP conveniently misses the macroeconomic point. We have never argued that this will result in fewer jobs; rather, it is about displacement in the labour market. Even DFP officials should understand the simple notion that if you keep someone in work five years longer, someone else will not be getting that job for five years or until it becomes free. Youth unemployment costs Northern Ireland £300 million. Therefore, there is a correlation between youth employment and the wider macroeconomic issue of keeping people in work for a lot longer.

I turn to the letter from the Finance Minister. Fortunately, the Committee has picked up a number of the points that I would make. Who is the director of this film? Is it the Northern Ireland Assembly, with Members playing a key part, the Finance Minister or DFP officials? Or, as I suspect, is the real director — and perhaps the puppet master — the Treasury in London? I am not convinced, from what I have heard this morning, that there is any genuine attempt to engage trade unions properly in determining what those directions may be and consultation on how scheme evaluations should be done.

We have already covered the GAD assessment point. The letter is, to some degree, mischievous; it will not bring us to any better understanding. For instance, what we did not hear about, and what is not in the letter, is the health scheme that was used as the model for this. GAD based the current health scheme costs on 28%, although the Department of Health says that the scheme costs are 21%. That anomaly has yet to be addressed. Does the Department intend to revisit the health scheme when it comes to the GAD estimate?

Mitchell McLaughlin pressed the Department on the Hutton report. For my sins, I have met Hutton and read his interim and final reports. Hutton merely acknowledges that there are some macroeconomic outcomes from this, but he did not do an analysis, on a UK-wide or Northern Ireland basis, of the impact of his proposals. To be fair to him, he said that there will be an impact, but he has left it to others to assess what it may be.

We then turn to the economic priorities set by the Executive: dealing with youth unemployment and social deprivation. The Public Health Agency recently published figures showing that life expectancy for males varies from between 72.6 years and 80.1 years, depending on whether you live in a deprived area or in one of the most affluent areas. For women, the gap is slightly narrower: between 78.9 years and 83.4 years.

I assure you that of the hundreds of thousands of people whom we represent, not even 1% could be deemed to be living in the least deprived areas. When the average pension paid to a woman in the NILGOSC scheme is £2,800 a year, you can see that that puts them into the most deprived areas. Therefore, there are issues about inequalities around the age of retirement, but there are also inequalities in life expectancy and in the standard and quality of life that our retired members and citizens should expect.

I recommend the Institute of Economic Affairs report, 'Work Longer, Live Healthier' to you, but only if you are an incurable insomniac like me. It is probably one of the most turgid, inconclusive and inaccurate pieces of research that I have read in a long time. I noticed that the DFP officials —

Mr Mitchel McLaughlin: Is that why you recommend it to us? *[Laughter.]*

Mr Graham: It has not cured my insomnia. I noticed that the DFP officials were selective in their quotations, so I will be equally selective in mine. The report says:

"On the whole, it is found that poor health is likely to precipitate retirement, and that this is likely to lead to a finding of a "false negative" effect of retirement on health. In other words ... poor health can lead to retirement".

The point that we have been making about "cap and collar" is that if you make people work longer, there is more likely to be ill-health retirements. That is the most expensive cost in any pension scheme and, therefore, the cap will be exceeded. That is a direct consequence of the employer forcing people to work longer, which was not addressed in the DFP response to the consultation.

Those are the main points. The last session worried me slightly because it appears that there is a "race to the bottom" approach. Hutton said that he did not want this to be a race to the bottom. However, when the Pensions Policy Institute says that the totality of these pension reforms will reduce the value of pensions by 33%, you can hardly describe that as a rising tide lifting all ships. In effect, it will sink the value of public service pensions and put people in poverty for much longer.

I welcomed the point that was made that scheme valuations will be done by DFP. Will they be done by DFP or will DFP subcontract them to that very expensive outfit called GAD? We need to press DFP on whether it will be done in Northern Ireland or whether it will be merely subcontracted.

It seems to the trade unions that every time we appear before you and listen to DFP officials, and in our discussions with them, everything is built around this magic timeline. There is an indecent rush to meet the timeline rather than carry out a full and proper evaluation of the implications for the Northern Ireland economy and the impact on our members. DFP would rather tick boxes in its annual report to show that it has met timelines that have been set by a third party — the Treasury in London.

The Deputy Chairperson: Thank you, Bumper. Have you had any further engagement with DFP officials since our last meeting? If so, to what extent were your proposals examined by them?

Mr Graham: We have not had a meeting. I think that one is scheduled for the week after next, but there has been little or no progress. The only progress would be anything that is covered by what has been discussed this morning; the likes of asking GAD to do another skim on the £262 million.

The Deputy Chairperson: You mentioned the DFP response to the consultation and the equality impact assessments (EQIA). What other major issues do the trade unions have with the DFP response to the consultation?

Mr Graham: As I attempted to outline, it is not a weighted consultation response. DFP is paying as much attention to one person who says, "This is a good idea", as it does to the trade unions representing over 200,000 people affected by this.

The Deputy Chairperson: So, you are saying that there is an imbalance?

Mr Graham: Yes, and DFP is cherry-picking where it thinks there are positives for it, and there is a negation in not dealing with the issues identified in the composite response from the Irish Congress of Trade Unions and in the various individual trade union submissions.

The Deputy Chairperson: You said at the previous meeting that you would write to the Equality Commission to complain about the Department's equality screening exercise. Have you had a response to that letter? If so, will you share it with us?

Mr Graham: We did write to the commission, and we have had a response. The Equality Commission has taken the line that, rather than engage with us directly, we should seek to have an individual lodge a formal complaint, and it will follow it up through that methodology. We will share the correspondence with you.

The Deputy Chairperson: Thank you. How might the trade unions contribute further to establishing a full macroeconomic impact analysis of these policy proposals?

Mr Graham: We have done some work ourselves. At the previous meeting, we presented work done by the Nevin Economic Research Institute. I am conscious that DFP always wants to save money, so we are prepared to assist it in doing that. That is why we are suggesting a single review that would look at a wide range of issues, including the macroeconomic ones.

Also, rather than looking at it on a scheme-by-scheme basis, it would look at the impact of increasing the age of retirement. That should be a single examination. In England and Wales, the health scheme is looking at the impact on the health service of an increase in the age of retirement. That has been suggested to the Department of the Environment's review group here in relation to the NILGOSC scheme. We would be content for there to be a single holistic exercise embarked upon that looks at the totality of the issues, and we would assist DFP in its expenditure on such an exercise. We would contribute directly and also through the Nevin Economic Research Institute.

The Deputy Chairperson: What is your view on the move from the final salary pension scheme to the career average revalued earnings (CARE) option?

Mr Graham: It is fair to say that there are different views among the trade unions. Some people see it as a balancing of "high-flyers" and "low-flyers", as DFP calls them. I think we can find better terms; I would not seek to refer to workers delivering important public services as "low-flyers". It certainly provides equalisation to some degree, but I think you need to examine in great detail what it means for people in different case studies. Also, you have to look at the variable ages of retirement and the accrual rates in the different schemes. You cannot just pick an example from the Civil Service scheme and compare it directly to someone in the fire scheme, the teachers' scheme or the health scheme, because the age of retirement, the contribution rates that members pay and the accrual rates all differ.

The Deputy Chairperson: In your presentation, you criticised the Department for rushing too quickly with the whole process, but the Department would argue that delay is costly.

Mr Graham: I referred to that in the first evidence session, when the Public Service Pensions Bill was having its Second Reading in the House of Commons, and the Finance Minister asked Danny Alexander what would happen if, for technical or other reasons, as opposed to policy objections, we were unable to meet the deadline. The response was that it would be discussed at a forthcoming meeting of Finance Ministers. We have yet to hear whether it was discussed at that meeting, and, if so, what the outcome was. In any case, we question the figure of £262 million. I do not think that it is right, fair or proper to force the hands of the Assembly and to do detriment to our members on the basis of a timeline that was set not by anybody in Northern Ireland but by the British Treasury in London.

The Deputy Chairperson: In your view, what are the advantages of slowing down the process?

Mr Graham: Unless I say this, I will be accused of not being transparent. Anything that we can do to slow it down clearly assists our members in that they will not face the detriments. They might get this later, but if we can avoid them getting it sooner, that is a star for the trade unions.

To be fair, this is a devolved matter, and it is only right and proper that the Committee and the Assembly make a full and considered assessment of all the facts. Reference has been made to a decision of 8 March by the Executive, when they took the decision in principle. What detail did they have when coming to that decision? Likewise, we got the composite response yesterday. I am not sure when the Committee got it, but there is a letter of 17 May from the Finance Minister. How much detail did he have? Did he go through all the responses, or did he leave it to the inadequate composite response prepared by DFP officials before coming to the view that he is content?

Mr McQuillan: What research have you done into youth unemployment and the correlation with people retiring later?

Mr Graham: The last time we were before the Committee, we presented and forwarded on the quarterly economic review, which focused on youth unemployment in Northern Ireland. I made the point earlier that if you are keeping people in jobs for two, three, four, five or eight years longer, those job opportunities are closed off for that time.

One thing that we could ask of all the Departments and the NDPBs is this: what is the churn rate in respect of their employment, and what are the implications of people staying longer in jobs vis-à-vis the recruitment process? Anecdotally, we can say quite clearly that recruitment has slowed up across all our public services as a consequence of the imposition of the austerity measures. So, there are fewer jobs becoming available, and that has direct consequences for the labour market, and, particularly, for youth unemployment.

Mr McQuillan: Where do you suggest that the Executive find the cost for holding this up? Where do we take the money from?

Mr Graham: We first have to assess that cost. I think that Grace said that the £262 million could be 50% out. If it is that far out, it will, hopefully, come down considerably. However, it is a question of what price you put on the Assembly and Executive meeting their proper responsibilities in dealing with primary legislation for this part of the world, as opposed to being told, "If you don't do it, we are going to hit you with a penalty".

I think that the Treasury has to be told that what might have been its timeline for England and Wales, which was not the timeline that Scotland wanted but will probably be forced upon it as well, is not ours. This goes to the heart of asking what the point is of having a devolved Administration. Are the devolved Administration merely nodding ducks for London or are they serving the people of Northern Ireland?

Mr John O'Farrell (Irish Congress of Trade Unions): I will add a small point, Mr McQuillan. I am sure that this Committee, more than any other at Stormont, is fully aware that estimates of cost can vary widely and quickly, not least, for example, those on the varying rates of the potential cost of devolving corporation tax. In two months, those estimates went from around £200 million to £700 million. These things are variable.

From the word go, we have argued consistently that it is worth making an investment to make sure that the figures are right before we leap into something as substantial as this, which will have an impact on the labour market here for at least 50 years. You do not get a chance to do this every couple of years; it will have a major impact.

On the broad issue of information, I take this opportunity to clarify an error that I made in my most recent evidence to the Committee, which Mrs Nesbitt was kind enough to correct when she followed us in that session. If I recall correctly, I stated that the Executive took a decision in March last year to go ahead with this, based on a very limited — a one pager essentially — briefing document from DFP officials. Mrs Nesbitt clarified that the estimate was given to the Executive in November, and not March as I stated, for which I apologise. What she did reveal was:

"The decision taken by the Executive on 8 March last year was not actually a result of the three strikes."

That was a reference to Minister Wilson's insistence that this be discussed. She continued:

"Also, at that stage, and I think that it is apparent from the information" —

blah, blah, blah — and then, basically, about the GAD she said:

"the Executive, at that date in March, did not have any figures".

So, the ball got rolling at the Executive in March last year with no figures whatsoever. It was clarified when the Bill was introduced in the Assembly by the Minister, when he did have this figure, and the point about the £262 million is that we would like to have it seriously questioned. We believe that doing that and looking at the broader implications of the Bill is the role of a scrutiny Committee such as this.

Mr McQuillan: I have a great sympathy for the people who will be affected by the Bill going through, but the unions, and basically Bumper, with his pompous attitude towards the Committee and the Department, do their members a great deal of harm. I would just not like to be dealing with him on behalf of the Department. It has a hard job dealing with the unions.

The Deputy Chairperson: Well, that is your personal view —

Mr McQuillan: Yes, it certainly is.

The Deputy Chairperson: — and I could not possibly comment on that. *[Laughter.]*

Mr McQuillan: That is all right.

The Deputy Chairperson: I move on to Mitchel McLaughlin.

Mr Mitchel McLaughlin: On the broad macroeconomic reality, there is probably quite a lot of common ground between the parties in the Assembly and the workers and members that you represent. We are Members of a devolved Assembly that does not have fiscal controls, so we have limited ability to put our handprints on policies to make them just and equitable for everyone.

That is a given. There is not even agreement between us about what kind of fiscal powers we should go for. My party has a very firm view that we will not rebalance or rebuild the economy or deal with the inequities that already exist unless we have the tools in the toolbox. However, that has to be agreed by the parties. As we have seen with the corporation tax debacle, we also have to get the Treasury and the British Government to agree to hand over those powers. That is a given in this scenario, and it is the reason why I use it as a preamble.

Bumper, I thought, dealt head on with the attitude of the trade union movement to the reforms coming down the line. If they can be slowed up, fair enough. I would not expect you to say anything other than that. You gave a fairly forthright answer to Dominic's question about the new regime, or the replacement to the final salary scheme. The Executive cannot afford to disregard the implications of not adopting the scheme that Westminster will impose. Not doing so will bring a price tag. In those circumstances, the choice for the Assembly would be between which essential services should be sacrificed.

Your response gives me some encouragement that we could have a joint approach. If the trade union side formally works out its attitude to pension scheme reform and engages on that basis, I think that this scrutiny Committee would find it possible to lend its weight to a joint enterprise to work out the macroeconomic implications. The scheme has to be financed in some way. I am a trade unionist by background. Inequities have developed over the years. I am very good at dancing on the head of a pin at times, but I do not think that we can do that forever. There are issues that have to be addressed.

In my view, the Department is dancing on the head of a pin on this one. There is not an adequate information background to inform this decision. It is not good enough to say that we are being driven in this direction by others. If there is any logic to the devolved arrangements, it is that we say, "Let us take a look at this. Let us make decisions insofar as we can."

We will not resolve the fiscal issue. There has to be a reality check for all of us in respect of what can be done. We can argue the bit out, and it will happen anyway; or we can say, "We are going to sit down on the basis of our attitude to what you want to achieve. Let us work out the macro social and economic implications and come up with the most equitable solution." I think that you would bring the Assembly with you if that approach could be formalised in some way.

Mr O'Farrell: I will say something quickly on that, Mitchel, which will also address the point that Mr McQuillan made earlier. The Department is not proposing that £262 million be taken out of the block grant and that, therefore, the hit will be taken by the entire Executive. It has become quite clear from the "negotiations" as we call them and "consultations" as they call them, that we have held with the Department, that it will propose devolving the cost to each Department. Therefore, if changes are not made within the prescribed timetable, the Department of Health will take a hit on its scheme, but not the overall Executive. By the estimate of GAD, this will mean £100 million a year being taken out of the health budget. The estimate for education, which is extrapolated from the modelling based on the health scheme, is around £60 million. There will be a substantial hit for the Department of the Environment, which does not have a particularly big budget, especially when compared with Health or Education.

You can see what is going on here. The responsibility is essentially being shovelled down and down and down. It is going down from the Chancellor of the Exchequer to the Treasury, to the devolved Administration at Stormont, and to the Department. It keeps going down and down and down. Where does the responsibility stop? Who is going to pick up the tab in a real and meaningful way, not just fiscally but politically?

There is a curious and worrying level of unwillingness to take responsibility for this. It will also be intimidating for each individual Department, Minister and scrutiny Committee. When it comes to

negotiating the secondary legislation and the regulations, it will be made clear to Departments from a very early stage what it will mean for them. So, you can see that this Committee has a particularly important role to play, which is to try to extrapolate for the benefit of the whole Assembly and the whole Executive the bigger picture of what is going on.

Mr Mitchel McLaughlin: I am trying to make a point. I can make it only as an individual member; I am not speaking for the Committee. If you have a decision to make, a decision will be made. That decision could be to defend front line services as opposed to the current pension arrangements. I know that I, as a socialist, will vote to save the services. You have to take that into account. You have to find some way of having a meaningful negotiation and process.

Mr Graham: In response to that — and, to some degree, in response to Mr McQuillan — I will say that the job of trade union officials is not just to protect and promote the existing terms and conditions of our members but to enhance their terms and conditions. I would not like to be a trade union official who goes in and says openly, "My job is to do the workers down." In 2005-07, on the last set of reforms, the bulk of the unions, by and large, reluctantly accepted that you had to deal with costs going forward and agreed to enter into discussions on the cap issue on a scheme-by-scheme basis. We did not get a chance to engage in those negotiations, because Hutton came along and the rug was pulled out from under us. I make no qualms about saying, "If I can stop this; brilliant. If I can delay it; good." That is my job. That is the job that I will prosecute to the nth degree on behalf of my members. If that makes life difficult for politicians —

The Deputy Chairperson: May I interrupt there? When I asked you the question about slowing the process down, that was not just in relation to mitigating or delaying the effects on your members. What I had in mind is that a longer period may give us the opportunity to shape a scheme that is better for the place in which we live.

Mr Graham: I was going to come to that in the second part of my answer, Dominic. I make no apologies for doing what I am charged to do. Going back to 2005-07; that was a difficult pill to swallow, but we were prepared to swallow it. I think that there is still scope to do that.

The reason why we are suggesting that we take a much wider review and assessment is because of the serious question marks about the £262 million and, and more importantly, that other costs have not been factored in. If we can prove to the Treasury that the cost of keeping x hundred or x thousand people on the dole queue for two, three or four years longer is y, then y could be a saving from the social security budget. Public servants would retire at the ages that they previously held jobs, live off their pensions, and not be claiming other social security benefits, because they would probably not be entitled to claim them. It is about trying to deal with the totality of costs. If there is a big fault line in what Hutton did and what has happened subsequently, it is that they looked at only one side of the coin, namely the cost of paying for public service pensions. They did not flip the coin and look in detail at all the other costs.

Mr D McIlveen: I love the world in which the trade unions aspire to live. I want that world. I genuinely do. The problem is that we are not in it, and I think that we are a long way from it. Some comments have been made this morning that have been thrown out there to provoke conversation and debate, but some irresponsible terminologies have been used. I do not think that to delay something is good if we are delaying something that is inevitable. The term was used earlier that the Treasury is the puppet master. Unfortunately, as well as possibly being the puppet master, it is, more relevantly, the paymaster. It is the paymaster to the tune of £11 billion a year above and beyond what we are bringing in. As we all know, that is largely down to a public sector that is already fairly overinflated. I am not for one minute suggesting that there should be a radical cut or cull in the public sector, but we have to accept the facts as they are.

John, I have found in your evidence and in previous evidence sessions that your points are made very articulately, and I quite enjoy listening to them. You asked who picks up the tab, and the Department has kind of told you who picks up the tab. You were able to tell us, effectively, who picks up the tab. I have to ask that question to you, and I am yet to receive an answer. We have heard a list of problems and concerns this morning, and it is good for us to hear those. We need to hear those. Unfortunately, we have heard very little in the way of solutions. The bottom line is that if we are delaying the inevitable, we are delaying the inevitable at a financial penalty, which is not good for the economy of Northern Ireland as a whole. It puts us in a very difficult position where we then have to find somewhere to make those cuts accordingly. I accept that it is not a good position to be in, but I just do

not see how, with any degree of credibility, we can tell the Treasury that it will play by our rules when we are so financially dependent on it.

Someone asked: what is the point of devolution? The point of devolution is for us to make decisions and divide the block grant as fairly and responsibly as we possibly can for the benefit of everyone in Northern Ireland, in the private sector and the public sector.

Corporation tax has been spoken about this morning. Obviously, we are still fighting for that, but it is widely accepted that it will become a reality only if it can be argued that it is cost-neutral to the Treasury. The Treasury will not subsidise the private sector. It will allow this to happen only if it is not at a cost to it. Therefore, we have to ensure that we are arguing on that basis as well.

I do not want it to appear that this side of the table is completely against the unions and the public sector and very much in favour of the private sector over the public sector. That is not the case, because we are not arguing for something in the private sector that we would not also argue for the public sector. It should be fair, but I am yet to hear this morning or in any of the evidence sessions previous to this one where we pick up the tab. Once the penalties are imposed on us, we can blame the bankers and the private sector — we can blame everyone, including the cows in the field, for what has happened — but the bottom line is that it is there and we have to deal with it. So, I am looking for solutions. I have not heard them, unfortunately. If we can hear them, we can obviously take that back.

I am not sure what the motivation was behind what Bumper said, but it would be incredibly irresponsible to delay something that will impact on us with a huge financial penalty in the knowledge that it will bring us to where we are today anyway. I think that that would be morally redundant and incredibly irresponsible. If we can find solutions, let us hear them.

Mr O'Farrell: I agree with you, Mr McIlveen, that morality is an excellent place to start in politics. It is very important. We are presented with a bean-counting attitude in this. Mrs Nesbitt and Bumper both referred earlier to a document by the Institute of Economic Affairs, which is well worth a read. Essentially, it argues that it is a very good thing that people are forced to work longer and it cites some obscure statistical research that shows that people who retire get ill at some stage. So the argument is basically that if you can get people to work longer, they will not get ill later in life. It is like making the case for welfare reform along these lines: "Obesity is a public health problem that particularly affects poor people so, if we cut their benefits and wages, they may slim down a bit." That is an utterly weird way of looking at the world. The difficulty is that we tend to forget that this stuff is not just about bean counting; it is deeply ideological and there is a huge amount of spin going on.

Mrs Nesbitt referred earlier to a document produced by the Pensions Policy Institute. I saw how that was reported in the popular press. Unfortunately, I have to read the 'Daily Mail' every day. It was reported that that highly respected think tank — experts on pensions — stated that public sector pensions were worth way more than private sector pensions, so public sector workers deserve everything that is coming their way. I thought that that was a bit odd, so I rang up the author of the report in London. I can tell you that he was spitting tacks about the way the report was being covered. The report stated that the Hutton reforms on public sector pensions were cutting the value of pensions for public sector workers by one third, which is way more than the spin that was about two or three years previously. It was a serious report, written by serious researchers. The journalists had pulled one line from the report that said that public sector pensions were still better than private sector pensions, which are, unfortunately, even worse. The attitude was, "Well, that is all right then."

You can see what we are getting at. I am sorry to say that the issue is to do with ideology. That is the way the whole issue is being pushed. The generation of my parents and yours agreed that it was a good thing that people did not have to work until they dropped. There was an attitude that was a part of the great post-war consensus that people had a right to retire and enjoy their retirement, rather than be forced to work until they are 68. These proposals are seriously suggesting that, when your house is on fire, a 59-year-old firefighter should be shimmying up a ladder to rescue your family. They are suggesting that police officers up to the age of 60 should deal with God knows what in the streets, and that prison officers aged 66, 67 and 68 should deal with the consequences of what those police officers have to deal with. There is a broad ideological argument here that is well worth having, and it is to do with quality of life and how we respect older people and public sector workers. This whole debate has been essentially poisoned by people who could, at best, be described as bean counters and, at worst, as rather mean-spirited. That is a debate worth having.

Mr D McIlveen: Let us try to take it out of ideology and back to the facts that you have presented this morning. Let us argue that it is a good thing for someone to retire at the age that is set at the minute. People will inevitably get sick at some point in their retirement. I agree with you: I am sure that, whether you are retired or not, people will still get sick. How can it be argued that a £100 million reduction in the health budget is a good thing for those people?

Mr Graham: I will pick up a couple of points on that. If you follow some of the commentary that is in the research, you will see that, in essence, it is saying that people in retirement get sick, but the question is when they get sick. It is always going to be the case that, the older you are, the greater your propensity for ill health. We are saying that if that person is in a pension scheme, the most costly element of that scheme would be paying ill health early retirement benefits. Again, it is about having to look at the total costs and where those fall.

Likewise, as John and I have said, it is estimated that the totality of the impact of the pension reforms is to reduce the value of public service pensions by one third. Pluck a figure out of the sky. Say that £1 billion in Northern Ireland is spent on public service pensions. If that reduces to £666 million, where does the other £334 million go? It does not go into the Northern Ireland economy. It does not have the multiplier effect that money spent in the local economy has. That is the point we are trying to make about why there is a need for a full, comprehensive macroeconomic assessment. As I have said, to date, only one side of the equation has been addressed. The other side of the equation has not been looked at.

Mr D McIlveen: I completely accept that we are dealing with "what ifs", and that is why I would rather try to stick with the facts. The bottom line is that, whether we like it or not, if we do not meet the deadlines that are upon us, as things stand, we will be financially penalised.

Mr O'Farrell: With respect, Mr McIlveen, that is not a fact; that is a demand. What you are getting from the Treasury is a demand; you are not getting the full facts of the issue. We are saying that we should look at the full facts. There are serious questions to ask. If there is a cost, as Bumper referred to, where is that going to come from? You mentioned £100 million from the health budget. That money is devolved. However, other forms of government spending are not devolved. They come directly from Westminster, and it works both ways. The cost of the benefits system largely comes from the Treasury; it does not come from the Northern Ireland Assembly.

Mr Girvan: It might.

Mr O'Farrell: It might at some stage, but, at present, it does not. However, you cannot really calculate the impact of what we are talking about without bringing in the potential cost to the social welfare benefit system. Likewise, there is the issue of revenue raising. Lots of taxes are collected in Northern Ireland. One of the problems, as Mitchel pointed out — you may or may not agree with where he wants to take this, but you cannot deny the facts — is that the vast majority of taxes collected in Northern Ireland do not go anywhere near this Administration. They go straight to Her Majesty's Treasury in the form of VAT, income tax, etc. So there is a broader issue regarding the overall cost.

Although we disagree with the idea of cutting corporation tax, it is a good example to raise, because it was a revealing way of looking at the mindset that you are dealing with at HM Treasury. It would not take into account any increased tax revenues if there were greater employment as a result of cutting corporation tax. We disagree with that policy. However, the proponents of it said that you would have more people working and more people spending in shops. That means more income tax and more VAT going to Her Majesty's Treasury. The Treasury would not take that into consideration. It would just keep adding the cost of a cut in corporation tax, what it would not be collecting, and so forth. It is a stacked deck, and we need a deck that, at least in respect of the information we have, allows us to see the bigger picture and the facts of the situation, rather than a series of assertions from HM Treasury. My argument to all members of the Committee is that our job is to protect our members. Your job is to protect the taxpayers of Northern Ireland, who are being offered a bum deal by the Treasury. This Committee has a role in exposing that.

Mr D McIlveen: I always like to try to keep things simple and to deal with the facts as we have them. This is a devolved Assembly, and it is devolved from the UK Treasury when it comes to the financial side of things. I have said this once, and I will say it again: the Treasury is subsidising Northern Ireland to the sum of £11 billion a year. We do exceptionally well out of it, compared with where we would be if we were standing alone or in another jurisdiction.

Mr Graham: That must be a reference to Scotland. *[Laughter.]*

Mr Mitchel McLaughlin: Excuse me while I bite my nails. *[Laughter.]*

Mr D McIlveen: I asked how it benefits your members and the people we represent if budgets from other Departments are sliced. This is going to happen; I am absolutely sure of that. I cannot see a way in which it will not happen. We are trying to saw sawdust. It simply does not work. I asked how it benefits your members if £100 million is taken out of the health budget. I still have not received an answer.

Mr Graham: David, I accept the point that you make. In a variety of Committees that we appear in front of, we are asked, "If we do x, what is that going to do to y?" Those are hard decisions. We are saying two things. First, we do not believe that the information about the costs, and so on, is valid. We want to test that. In doing so, let us test it on the widest possible basis, including potential health costs of people working longer and social security costs of blocking employment opportunities. Remember what I said: we reached agreement with government and the employers five or six years ago on revised schemes that looked at things such as cap and collar, and some increased contributions from our members. That was not allowed to progress. We are prepared, in the context of Northern Ireland, to go back and enter into those negotiations in the hope that it produces a better deal for our members, which has to be our primary focus, and that it represents a better solution for Northern Ireland, rather than just taking what is being forced through from London.

Mr Harry Baird (FDA): For clarification on what David was saying, and picking up on what Mitchel has said, you have probably made the best case yet for a full macroeconomic assessment. At the start, you asked who pays, and you said the Treasury. From our point of view, the only people paying at the minute are our members. On the macroeconomic point, we have bandied figures about. It may well be, to the surprise to everybody, that there is a real saving. We all know that the £260 million figure is, essentially, rubbish. We do not know what the real figure is. You have quoted £100 million from the £260 million. In fact, we have no idea what the figure is. We certainly know that, at the minute, the only people who are paying are our members. We started to pay two years ago. The macroeconomic issue is absolutely critical. With respect, nobody can answer your question until that is clear.

Mr O'Farrell: In the last part of her evidence this morning, Mrs Nesbitt made it clear that the point of the whole exercise is to save money. Let us say that the figure is correct, and that you are going to have x amount taken out, Department by Department. Either way, it is going to happen: if it is not taken out of those Departments, it is still the same ballpark figure that is not going to end up in the private sector through discretionary spending, supporting local shops, and so on. The single most important economic fact about pensioners is this: they spend their money. They do not save it; they do not squirrel it away. That is always the best argument to make for increasing the pay of low-paid workers.

If I may finish with a short anecdote, a couple of years ago, I had the pleasure of having a little chat with a representative of the Bank of England, who I am sure you have all met at the Committee. At that time, I was involved with a trade union campaign on the state pension, which we were hoping would be increased to the level that it was at before Thatcher cut the link to earnings back in 1980. It had been calculated that if the link to earnings rather than to inflation had been kept, the state pension at that time would have been £180 a week instead of £95 a week.

I asked the representative of the Bank of England how quantitative easing worked. I said that it could be a very good way to pump more money into the economy without necessarily giving it to banks first so that they could take a massive cut. I said, "This is what you should do: double the state pension overnight." If you give it to pensioners, they will go out and put money into local shops and local pockets. They will spend it in the economy. Naturally, she looked at me as though I were completely mad. She said that the only way in which quantitative easing could work would be to give vast amounts to banks. Of course, as we all know, that has been a wonderful success. It has trickled down wonderfully.

The point is that, whether the figure of £262 million is right or wrong, it will come out of the economy either way. We are saying, first of all, let us study the figures and the facts to work out what the full economic costs and benefits are of proceeding. Let us deal with the facts as they actually are, not as some bean counter or wonk in the Treasury wants us to believe them to be.

Mr Jim Quinn (Fire Brigades Union): May I make a point?

The Deputy Chairperson: It would need to be very brief because members are waiting to ask questions.

Mr Quinn: A couple of very important points were raised. A question was asked earlier, and nobody has really answered or commented on it. It was about equality impact assessments and where they should sit in the whole process. The view of the Fire Brigades Union and, I am sure, that of my colleagues, is that it should be at primary legislation stage because, put very simply, if you leave it until secondary legislation or the setting up of the schemes themselves, it will be too late. For example, in our scheme, the age of 60 is part of the primary legislation. If you go to the EQIA after that — we know that that will impact adversely on females — all that you will be able to do is mitigate it by actuarially reducing pensions. In other words, female firefighters who join a pension scheme will never realise the full scheme. All that they will realise is a reduced pension. In our view, that is inherently unfair.

That needs to be dealt with at the primary legislation stage. That could be done around this table. It is not all about macroeconomics and Westminster. That is something that we could do locally. It should be done immediately, and cognisance should be taken of it. They have fudged the issue and put it on the back-burner. It will never see the light of day. For female firefighters in particular in Northern Ireland, the normal pension age of 60 will not be achievable. We urge you to consider that when you look at the process of how you actually get round to carrying out an EQIA.

The Deputy Chairperson: OK. Thank you very much. Leslie, I know that some members have to leave. Perhaps we could move along a bit more quickly.

Mr Cree: You have certainly been very generous, Chair, in allowing this social debate. I do not know whether we got much evidence from it. However, it has been stimulating. I will resist the temptation to get involved in that, apart from to tell Harry that the taxpayer pays into those funds as well. That is a very important point.

To be objective, we are talking about a change in a final salary pension scheme. The private sector cannot afford those schemes any more. That is the reality. Why should the public sector be able to do it? The second point, which is really the one on which I would like to see whether there is some accommodation, is this: if we eventually have to accept the fact that final salary schemes are gone, do we accept something like a career average or money purchase scheme, or whatever? Why do the unions not help us by coming out with a clear answer?

Mr Graham: On the issue of public versus private, the TUC issued a report last week on the state of pensions generally in the UK. They are at a lamentable point. Rather than improving, they are getting worse. Hutton said that he did not want his reforms to be a race to the bottom. There is an issue in that private sector employers have been fleeing away from final salary and other decent pension schemes. There is a much wider debate to be had about how we provide for decency in retirement for every worker. Lord Turner was mentioned in the DFP composite response. His report sets out levels of what he believed should be income thresholds based on a percentage of earnings. I think that that is a fair way to address decency in retirement for all workers. The Turner report should be looked at in that regard.

Looking forward, the trade unions did and do recognise that there are issues. We have sought to address the issues with regard to the most recent set of reforms. We are willing to continue with the negotiations that we said we would fully enter into. We did not close the door on those negotiations. In respect of those reforms, the door was slammed in our faces by the Government. They closed the door, not us.

Mr Cree: Why is there divided opinion from the unions on the type of pensions that we should have?

Mr Graham: Different unions represent different cadres of membership. As I hope I explained earlier, we are talking about an enabling Bill that sets certain parameters. The negotiations on each scheme then deal with the detail. That includes things like the accrual rate. There is a big difference if your accrual rate is one forty-ninth as opposed to one fifty-sixth. Equally, there is a big difference if your contribution rate is x% of your salary vis-à-vis y% of your salary. Therefore, even within one scheme, it is very difficult to say what the changes mean. It is much more complex to do an across-the-board analysis that compares one scheme with another because the variables in each of the schemes are so diverse. That is why there are different views.

One issue on which there is unanimity is the age of retirement. There is absolute unanimity on that. Other issues on which there is unanimity include looking forward to what the governance and negotiation arrangements should be in the schemes, etc. There are one or two issues, such as CARE, on which there are different views. However, I think that that is only natural, given the diversity of the schemes.

The Deputy Chairperson: OK. Thanks very much to all of you. No doubt, we will meet again.