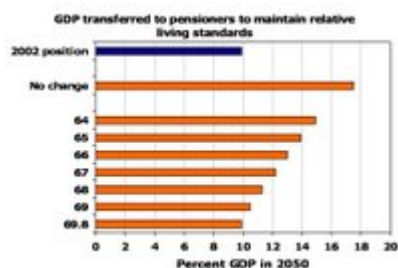


Greedy civil servants - stop robbing the young and work longer or pay more



More self-serving beefing today, as reports suggest that [“No 10 orders shock U-turn on pensions”](#). It looks like the government may try to repair the damage done by its craven pensions cave-in to the public sector unions last year. It is reportedly thinking of accepting that if pension age sticks at 60 then civil servants will have to contribute

more to their absurdly generous gilt-edged final salary pensions. Unfunded public sector pension liability stands at some £530 billion according to the government or £930 billion according to actuaries Watson Wyatt, that being about £40,000 per UK household ([see Lords debate](#)). What is going on?

As the populations age and dependency ratios worsen, the trend to later retirements and more saving during the working life is inevitable - otherwise its higher future tax or worse living standards. The chart is adapted from the [Pensions Commission](#) showing that for ordinary pensions, retirement age will need to increase to almost 70 to keep the share of national income transferred to pensioners at the current level of just under 10%.

The Civil Service appears to assume that it should be exempt from these broad trends. This unfunded liability will be a transfer from today’s young people to the retirees of a profession widely regarded to have failed to modernise and with endlessly falling productivity - and thus little justification for paying itself so comfortably (see, for example, Martin Wolf in the FT [“Why Whitehall needs a great leap forward”](#) and Ed Straw [“The Dead Generalist”](#) for scathing but fair critiques.)

The best way to deal with occupational pensions (especially the unfunded variety) is *not to have them at all* - just pay people the employers’ contributions as ordinary pay and let them decide how much to save - giving them a basic safety net, secure vehicles for long term saving and tax incentives to put money away for their retirement. That would avoid all kinds of perverse incentives and distortions that arise from incentivising people through pensions, and put a stop to the quiet

robbery of the workers of 2030 and beyond.