

Study shows clear winners and losers of public-sector pension reforms

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Credit: Ijubaphoto

Radical reforms have boosted the value of government pensions by 40 per cent but have halved those of police and firefighters, new research shows.

The study - co-authored by economists at the University of Sussex and the National Institute of Economic and Social Research (NIESR) - shows that moving public-sector workers from final-salary pensions to schemes based on career-average earnings has created striking winners and losers.

Local-government employees and civil servants are the 'winners' having

secured an increase in the value of their pension of up to 40 per cent. This is in sharp contrast to the police and firefighters, who have lost around half, and teachers and NHS workers, who have lost more than a quarter of the value of their pensions.

In today's money, this means an average non-graduate policeman or fireman has lost £100-115k; a graduate teacher has lost around £60k; and an average graduate nurse has lost around £50k. But an average non-graduate local government employee has gained around £35k; and a non-graduate civil servant has gained around £16k.

The radical changes to pension schemes across the UK public sector from April 2015 followed the Independent Public Service Pensions Commission Final Report in the UK, chaired by Lord Hutton (2011).

Presented today (Friday 11 December 2015) at the NIESR conference, this research simulated how these changes will affect pensions across six public-sector schemes, namely: the NHS; the civil service; teachers; local government; police; and firefighters.

Each scheme has retained its 'defined benefit' structure – meaning pensions are still linked to earnings – but this is now calculated based on average earnings over a career, rather than on the employee's final salary.

The authors simulated how much pension wealth a representative employee in each occupation could expect to accumulate under these new conditions across their working life.

Co-author Professor Peter Dolton, an economist at the University of Sussex, says: "The implications of our findings are potentially wide-ranging and pose many important questions, such as whether it was fair to impose these changes retrospectively, whether the [government](#) meant

to redistribute wealth so dramatically away from key workers, and the knock-on impact on recruitment into these occupations."

Provided by University of Sussex

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