

BBC News

Budget: David Cameron warns over public sector pensions

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David Cameron has warned public sector workers they can expect less generous pensions in future as he defended the coalition Budget unveiled on Tuesday.

The prime minister said the UK public pensions bill was too high and signalled schemes for existing - as well as new - staff had to change.

He also agreed the public sector pay freeze was a real terms pay cut because of the impact of inflation.

He was answering questions from the public in a special BBC programme.

Ministers have been defending the Budget, featuring the toughest package of spending cuts and tax increases in a generation, in the face of Labour attacks that it would cost jobs and hit pensioners and other vulnerable groups.

But they have been forced to admit that families with incomes of £30,000 will lose tax credits from 2012-13 onwards.

What I would say is that is we basically have a choice. We either have to have pay restraint or we are going to lose jobs

David Cameron Prime Minister

[BBC - Nick Robinson's Newslog Cameron and Clegg face the audience](http://www.bbc.co.uk/blogs/nickrobinson/2010/06/cameron_and_cle.html)

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Mr Cameron and his deputy Nick Clegg were questioned about their Budget proposals - which include a rise in VAT and a two-year pay freeze for public sector workers earning over £21,000 - by the public in a programme broadcast on the BBC News Channel.

In Britain's economy: Cameron & Clegg Face the Audience - chaired by the BBC's Political Editor Nick Robinson - the prime minister acknowledged that the Budget contained "difficult" decisions and said the alternative to a VAT rise were rises in income tax or national insurance or further cuts in spending.

Mr Cameron said reform of public pensions was necessary as part of efforts to save billions in order to reduce the record deficit.

He warned that the total bill for public sector pensions was becoming unaffordable and insisted that he wanted to start by limiting the pensions of those on highest salaries whose pensions, he said, could be worth £60-£70,000.

Pension schemes

While guaranteeing entitlements which people have already accrued would "of course be maintained", he warned that major changes would be needed for the future.

He suggested that public sector organisations would need to follow the lead of private companies which have altered their arrangements for both future and existing members, such as closing their final salary schemes.

"The rights you have accrued so far, of course, no-one is going to touch those," he said.

MAIN BUDGET MEASURES

- VAT increase
- Public sector pay freeze
- Child benefit frozen
- Housing benefit cuts
- Disability Living Allowance cuts
- Tax cut for lowest paid
- Two year council tax freeze
- Capital Gains Tax increased
- Bank levy
- NI tax holiday for job creation outside South-East of England

Budget key points: At-a-glance (<http://news.bbc.co.uk/2/hi/politics/10374475.stm>)

Shoppers split over VAT rise (<http://news.bbc.co.uk/2/hi/uk/10381844.stm>)

Cuts 'worst since World War II' (<http://news.bbc.co.uk/2/hi/business/10393585.stm>)

Be straight over Budget - Harman (<http://news.bbc.co.uk/2/hi/politics/10391081.stm>)

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(http://www.bbc.co.uk/blogs/haveyoursay/2010/06/live_now_osbornes_first_budget.html)

"But it does for the future mean pensions have to be affordable. For the future there might be changes to pension arrangements affecting existing employees."

Nick Robinson asked whether he was saying "contributions may be higher, you may get less back... is that right?"

Mr Cameron replied: "Yeh... what's happened in the private sector... many people's pensions have changed - no longer final salary schemes or having to put more money in... it's those things."

Mr Cameron also confirmed he would not be accepting the annual £68,000 pension he is entitled to when he stands down as prime minister, following on from his

predecessor Gordon Brown who also declined it.

Asked whether he accepted that the proposed two-year pay freeze for workers earning more than £21,000 was effectively a pay cut because of the effects of rising inflation, Mr Cameron said he agreed.

"It is and it is tough. I totally accept that and I am not trying to hide it from you. What I would say is that is we basically have a choice. We either have to have pay restraint or we are going to lose jobs."

'Not honest'

Chancellor George Osborne has said the "tough but fair measures" mean the UK can "look to a brighter future" but Budget calculations suggest that the package will leave households on average £400 a year worse off.

Government departments - excluding health and international aid - face an average 25% real terms squeeze in their budgets over the course of the Parliament but Mr Osborne said this might be lower if further welfare savings could be found.

Labour have accused the government of not being truthful about the impact of the Budget on pensioners and families on low incomes.

At prime minister's questions, acting leader Harriet Harman said the government had hidden in the small print of the Budget that families with incomes as low as £30,000 would lose tax credits from 2012-13 - not £40,000 as previously indicated.

For Labour, shadow work and pensions secretary Yvette Cooper said the coalition's claim that the Budget was "progressive" was untrue since pensioners and families with children would be left worse off.

"They [the government] want to make these big cuts because that is what they believe in," she said. "You don't need to do this for economic reasons."

"Britain's economy - Cameron & Clegg Face the Audience" on tonight's Six and Ten O'Clock news or the whole half hour at 7pm on the BBC News Channel or 11.25pm on BBC2.

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