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Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG  
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23 December 1981

The Rt. Hon. Norman Fowler, MP  
Secretary of State for Social Services  
Department of Health and Social Security  
Alexander Fleming House  
Elephant & Castle  
LONDON SE1 6BY

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*Dear Norman*

You sent me a copy of your letter of 14 December to Michael Jopling about the issue of the 2 per cent shortfall on unpledged benefits.

I agree that we probably ought to continue to take the line that the exact size of the uprating of benefits in November 1982 will be decided at the time of the Budget. Since you wrote, the situation has become rather easier since it now looks as if the Opposition will not force the issue until the Report stage of the Social Security Bill, which will probably not be reached until March. But I am sure that we should continue to watch the situation closely, because, as you point out, an ambush is not to be excluded; and we may indeed have to reassure our own backbenchers that there will be an opportunity for a full discussion on the floor of the House.

I should however make one point on the exact words we should use. You say that on 8 December we gave an undertaking "that we would look further at the possibility of making good the 2 per cent shortfall". In fact Leon Brittan and I were both careful to avoid referring explicitly to the shortfall in that debate. We said that the size of the uprating had still to be decided, but did not specify which of the matters affecting it was still open. I think that it is better to keep to this formulation for the future.

Copies of this letter go to the other recipients of yours, and to Francis Pym.

*[Handwritten signature]*

GEOFFREY HOWE

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DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
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Prime Minister

The Rt Hon Michael Jopling MP  
Chief Whip  
12 Downing Street  
LONDON SW1

KWJ

14 December 1981

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Dear Michael. MB

You sent me a note to say that 25 of our backbenchers can be expected to vote against us when we come to debate the issue of unemployment and supplementary benefit and the 2 per cent shortfall.

There is no operational requirement to debate this issue until we table the appropriate uprating Orders next summer. And we have already given an undertaking, in last Tuesday's debate, that we would look further at the possibility of making good the 2 per cent shortfall and would announce a decision when the actual rates of benefits are settled at the time of the Budget. I had hoped that this assurance would satisfy our supporters, and it remains my view that this is the correct stance to adopt. So far as our own people are concerned, we should hold this line.

There is, of course, a real risk of an ambush by the Opposition which will precipitate a debate on this issue, and therein lies our problem. The Social Security (Contributions) Bill, due for Second Reading tomorrow and remaining stages on Thursday, provides the first opportunity for such an ambush. Although the Bill does not lend itself to an amendment about benefits as such - since its scope is limited to contributions - I would expect the Opposition to argue that an increase in contributions should not be sanctioned without some assurance that all shortfalls will be made good. More specifically, they can be expected to argue in Committee Stage that Clause 2 of the Bill, which sanctions a reduction in the Exchequer contribution to the National Insurance Fund, should at the very least be amended to provide for an Exchequer contribution large enough to cover the cost of making the shortfalls good.

We may also find ourselves in difficulties over the Social Security and Housing Benefit Bill, currently in Standing Committee. Unlike the Contributions Bill, the SSHB Bill does provide ample opportunity for the Opposition to table an amendment which will put the issue of shortfall directly before the House, and we should assume that they will do so. If, as you and I judge, our backbenchers are ready to vote against us on this issue, then clearly we would like to urgently consider our position. However, I repeat that this matter is still best dealt with, in my view, by sticking to the line we took in the economic debate.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and the Chief Secretary.

Yours

NORMAN FOWLER

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