

SUBJECT  
C. MASTER SET

NOTE FOR THE RECORD

VAIZEY/CPS STUDY OF WELFARE STATE

Lords Thomas, Harris and Vaizey came to see the Prime Minister yesterday to talk about the study which the latter was proposing to make into the social security system and poverty. Lord Vaizey explained that he wanted to conduct a study which was independent of Government, and which would as a result not cause embarrassment to the Prime Minister, but whose results the Government could draw upon in formulating policy. He wanted the study to reflect the judgement of a single individual rather than be a compromise of the views of a working group. Although he would call on others for help, his report would be his own responsibility. The CPS would fund the work and act as publisher. His aim was to show the inadequacies of the present provision for helping the poor and to set out ways in which this could be done more effectively. He would put forward options rather than issue a single blueprint.

He was proposing to exclude the Health Service from the study as he had already written a book on this recently. He noted that the low percentage of GDP devoted to health care in this country was an indication that there were obstacles preventing private individuals from devoting their own resources to health care other than in rather marginal ways such as pay beds.

He would need help from Government in providing facts and in checking his material. As a member of the House of Lords he was entitled to use the mechanism of Parliamentary Questions but it would be much better if he could deal direct with departments through correspondence. The Chancellor and the Secretary of State for Social Services were aware of the proposed study and were sympathetic to the idea of providing factual information.

The Prime Minister said she very much welcomed the project. It would be raising very relevant issues. She was particularly concerned about the growing liability represented by the State Earnings Related Pensions Scheme which was to be financed entirely

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on a pay-as-you-go basis. She thought it would be interesting to discuss the way in which thinking about pensions had shifted from flat-rate entitlement to earnings-related entitlement via the graduated pensions scheme. Lord Vaizey suggested that this change in thinking had come about on account of the growth of occupational pension schemes in the private sector, fuelled by tax incentives, and of the growth of public sector pension schemes. This created irresistible pressures to raise the standard of pension provision for those not covered by occupational pensions.

Lord Harris supported the project and offered, through the IEA, to provide any intellectual support which Lord Vaizey required. He commended an IEA paper which was to appear shortly by Victor Morgan on the history and future of pensions. Lord Thomas was happy to support the project through the CPS. He thought it would make a greater impact if published as one report rather than a series of documents though some of the results might be published as the study progressed.

The discussion then turned to timing. It was suggested that Lord Vaizey should aim to complete the study within two years which would allow it to be published in the middle of the Parliament. This would keep it clear of the next Election and would avoid conflict with Mr. Fowler's review of pensions which should be completed earlier.

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