

SOCIAL SECURITY REVIEWS

We broadly support Norman Fowler's proposals. They have attractive political themes: rewarding individual thrift, cutting the number of benefits, simplifying and reducing means tests, encouraging people to get jobs. But you will want to press him on three key questions at MISC 111.

Will we save money?

There is no point in going through these major reforms - however sensible in their own right - unless we can cut spending. The whole appeal of these wide-ranging reviews is that they provide an opportunity to save money without just looking like a cuts exercise. A shopping list of savings is attached at Annex A. It omits two even bigger money-spinners:

- Child Benefit. This costs us over £4 billion. But unless the Chancellor can allow for the cost of children in the tax system (eg by a Family Tax Allowance) it is probably not politically feasible to save money here.

- Only meet 80% of the housing costs of people on Supplementary Benefit. This gets us large savings, and

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helps remind everyone of the costs of extravagant local authorities. But there will be more paperwork and some hard cases.

Benefit expenditure also tends to spring expensive and unpredictable leaks as claimants devise new ways of getting money, such as booming SB mortgage interest expenditure. Sweeping away Supplementary Benefit special payments, and restricting the scope of Housing Benefit, should help stop those leaks in future.

Will we save staff?

I also attach a shopping list, at Annex B, showing how we could save several thousand civil servants. The administrative costs of minor benefits, death grant and maternity grant, are now approaching the cost of the actual benefits. There are very useful staff savings here.

Are the reforms practical?

Norman Fowler is aware of the need to implement these changes carefully and efficiently. That is unfortunately why we won't get savings until 1987. You could press him for a timetable for implementation. This will ensure there is a feasible framework, as well as providing us with a benchmark against which to measure performance.

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ANNEX ABENEFIT SAVINGS BY 1987-88: A SHOPPING LIST

Supplementary Benefit special payments abolished	£150m
Supplementary Benefit for under-25s tightened up	£75m
Mortgage interest out of SB for first 6 months	£50m
Steepening Housing Benefit taper for rents	£150m
Housing Benefit rate rebates <u>curtailed</u> (helps PSBR, but not public expenditure) ?	£350m
Abolish One-Parent Benefit	£70m
Abolish Death Grant	£15m
Abolish Maternity Grant	£15m

ANNEX BSTAFF SAVINGS BY 1987-88: A SHOPPING LIST

SERPS abolished	-300
	(at least)
Supplementary Benefit reform	-2,500
Housing Benefit reform	-500
Abolition of Death Grant, Maternity Grant and Maternity Allowance	-1,000
Computerisation	-1,500