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PRIME MINISTER

27 November 1985

THE BENEFIT REVIEWS

Norman Fowler's Cabinet Paper is a fair summary of the MISC 111 decisions. But you will want to reserve the right to comment in writing on the draft White Paper.

No  
follow in  
that.

Gainers and Losers

Poor working families are helped by the Family Credit. The new Housing Benefit régime helps people with low wages close to SB rates, but those higher up the scale lose.

Old people lose from the HB reforms because 3.5 million get rate rebates. Some will also lose from the abolition of various SB additions. As pensioners receive half the total benefits budget, savings are bound to affect them. But we don't break any pledges, and the increased pensioner premium has cut the number of losers.

Unemployed young single people are hit. They have a much tougher SB régime. Unemployed couples with families gain from the new Family Premium under SB, though - like all other SB recipients - they lose from the HB changes.

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The Critics

The Review will be attacked from both sides. The armchair radicals who want complete integration of tax and benefits will complain that it only registers 0.1 on the Richter Scale. But we want to pull tax and benefits apart, not bring them together.

The faint-hearted will be worried about losers. But these are not as politically awkward as they were and you can't cut benefit expenditure without cutting benefits.

What have we achieved from the Review?

There are seven bull points to get over:

- i. Getting people back to work by helping the family man with a low wage, and by reducing the benefit floor for many unemployed people without children.
- ii. Strengthening local democracy by exposing everybody to some of the cost of rates.
- iii. Spreading property ownership by encouraging private pension provision and reducing the attractions of the state scheme.

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- iv. A responsible Government saving money on the future cost of SERPS (£12 billion saved by 2033). Now its affordable and realistic. Before it was fool's gold.
- v. Making life more difficult for the scroungers and the claimants' unions by getting rid of some of the biggest loopholes, such as SB special payments and benefits for students.
- vi. Simplifying the system and saving DHSS staff. One entire means test - the separate HB assessment of needs - disappears. Several minor benefits go - death grant, maternity grant, FIS.
- vii. Some sensible, if modest, innovations in the benefit structure. The Social Fund is the first cash-limited area of Supplementary Benefit expenditure. And much of its spending will be loans not grants. The Family Credit paid through their pay packet is not part of Girocheque culture.

#### Presentation

Norman Fowler and other colleagues need to put these themes over vigorously. In particular there should be no [hints of any] concessions as the Bill goes through the House.

*David Willetts*

DAVID WILLETTS





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Prime Minister

*This will come to you  
again for the week-end, with  
any suggestions.*

WHITE PAPER ON SOCIAL SECURITY

*DRS  
27/11*

*IN FOLDER AT BACK.*

My paper for the Cabinet on the social security review (C(85)27) said that I would be circulating a draft of the White Paper. This is now attached.

Although discussion at tomorrow's meeting of the Cabinet will be of my memorandum, not the White Paper, I thought that colleagues might find it helpful to see a draft at this stage. It is still no more than a draft: I will want to make some changes in the presentation, but the substance will be unaltered.

I should, of course, welcome colleagues' comments on the draft. If I am to meet our publishing deadline of mid-December I must ask for them no later than next Tuesday 3 December.

I am copying this minute to the other members of the Cabinet and the Chief Whip, and to Sir Robert Armstrong.

N F

27 November 1985