

Prime Minister

Agree to write as proposed?

PRIME MINISTER

29 November 1985

DLW  
29/11

Modified - see comments

DRAFT SOCIAL SECURITY WHITE PAPER

Norman Fowler's White Paper reads better than most. I recommend that you read Chapter 1 and the opening sections of Chapters 2 and 3. If you have time, you could skim the remaining parts of the second and third Chapters. There is no need to read Chapters 4, 5 and 6. — *Para 6.16 is worth a glance.*

The main issue is whether to lead with the chin, or to soft-pedal on losers. The current draft is good on the structural changes, but hardly conveys any sense that we will be saving approximately £1 billion a year from 1988-89. Norman Fowler's political judgment is that the softly-softly approach will reduce the row. But the risk is that as the Bill goes through the House, arguments will intensify as the full implications of the measures become clear. And toughness will be popular with some of your supporters. *but not others*

*we are spreading an idea*  
*14/11*

There are four ways in which Norman Fowler could better prepare the ground:

*do not like the phraseology  
losers & gainers*

- The opening Chapter should at some point say: "There will be losers as well as gainers. No sensible reform of benefits is possible if nobody is to lose. But where there are losers, we believe that our measures are defensible. The new distribution of benefits will

*The language is too crude, but the thought is useful. Suggest the idea without the words.*

*There but we have to write words*



be better. Moreover, transitional provision will ensure that the poorest people on Supplementary Benefit do not suffer as the reforms are implemented."

- The discussion of benefits for young people in Chapter 3, paragraphs 3.21 and 3.22, should quite unashamedly argue that there are sound labour market arguments for lowering the benefit level for childless younger people. Shifting money from them to poor families is positively popular.
  
- Paragraph 3.77 should be more aggressive on Housing Benefit. It could point out that this has always been one of the least satisfactory benefits - even Beveridge found housing costs the most difficult to handle. It is wrong that it goes to almost one-third of all households, and stretches so far up the tax scale.
  
- The White Paper should question the assumption that Child Benefit will be updated annually in line with inflation. Norman Fowler could say quite clearly at about paragraph 3.87 that he wishes to finance better support for poor working families out of Child Benefit. This still leaves enough money for a generous Child Benefit which will still be updated on occasions - there is no question of doing a death grant.



## Pensions

Paragraph 2.31 covers information about people's pension rights, but not about the value of pension fund assets, which may be much greater. We should require funds to give information about the value of their assets. This will be popular with contributors, and would make it difficult for Roy Hattersley to waste the massive pension surpluses.

Paragraph 2.52 raises a tricky issue of equality between men and women. Norman Fowler proposes that equal contributions to provide pension schemes should buy equal annuities for men and women at the same age on retirement. But, on average, women live longer, so they are a different actuarial bet from men. Norman Fowler is going against the normal commercial logic of private pension provision. He should review this proposal, especially as there will be pressure on this as the Bill goes through Parliament.

Paragraph 2.65 says that all personal pension schemes will have to be approved by the Occupational Pensions Board. It then sets out what the Board's responsibilities will be. There should be a commitment to make these clearance arrangements as flexible, simple and straightforward as possible.

I suggest  
pleasing  
this as  
a question.  
Need not

But  
men's  
contributions  
usually  
purchase  
pension  
for  
dependent  
spouse  
or will



Figures

You will want to know what figures Norman Fowler proposes to publish in the White Paper.           

Recommendations

I recommend that David Norgrove write to Norman Fowler:

- suggesting the changes in presentational emphasis; and
- pursuing the three points on pensions policy.

David Willetts

DAVID WILLETTS

I suggest also congratulating  
Mr Fowler on a clear and  
well argued White Paper.

DW  
29/11