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C(79) 14

29 May 1979

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CABINET

SOCIAL SECURITY UPDATINGS

Memorandum by the Secretary of State for Social Services

INTRODUCTION

1. In approving my proposals for this year's updating of social security benefits, colleagues asked me to consider further two points (CC(79) 3rd Conclusions). These are dealt with below; I seek approval for going ahead without the changes discussed.

RESTRICTION TO LONG-TERM BENEFICIARIES OF TAKING ACCOUNT OF THE "SHORTFALL" IN LAST YEAR'S UPDATING

2. It was agreed that the November updating should correct, from November 1979, the 1.9 per cent underestimate of the earnings rise up to November 1978, which gave pensioners a lower updating last year than they should have had. I was asked to consider not giving short-term beneficiaries (eg those getting sickness or unemployment benefit) corresponding compensation for the 1 per cent they lost at the same time because the prices forecast was too low.

3. This restriction would save £10 million in 1979-80 and £30 million in 1980-81. However, on reflection, I am sure that it would be wrong to take this course: the additional savings would not justify the controversy. Socially, it would mean that the short-term rates could not have their 1977 value restored until the end of 1980 at the earliest. Presentationally, it might well be seen as inconsistent with the Prime Minister's undertaking before the Election and again on 22 May to take account of the shortfall. It would make the change to prices only updating across the board that much more difficult. It would also rub salt in the wounds already likely to be opened by my proposal to the Chief Secretary to save around £40 million this year by extending the "waiting days" from three to six.

AN EARLIER DATE FOR THE UPDATING

4. It was suggested that the gap between the Budget announcement of the new rates and their introduction should be shortened. To bring the whole updating forward by, say, four weeks (even if it were operationally possible) would cost £160 million in 1979-80. If the forecast for the shorter period

enabled the uprating to be reduced by as much as $1\frac{1}{2}$ per cent, the additional cost of an earlier uprating would still be about £65 million in 1979-80. I suggest we cannot afford this.

5. It was suggested that it might be possible to bring forward, say, payment of the long-term contributory benefits uprating, leaving the short-term and supplementary benefits (it is the manual operation on the latter which takes the time) to follow later. This, though attractive, leaves out of account the $1\frac{3}{4}$ million pensioners and other long-term beneficiaries whose contributory benefits are topped up by supplementary benefit (SB). To increase contributory benefits before supplementary benefits would mean that the latter were first decreased (as what they supplemented rose) and then increased. This would revive all the anger and misunderstandings which, colleagues will remember, used to be aroused when national insurance benefits were increased and SB cut at the same time.

6. Even if all this were politically acceptable, I have to tell colleagues that it would not be possible operationally. As it is, we are not going to be able to pay all the SB increases by the due date, because the date of the uprating announcement is much later this year than usual. To add a double operation for $1\frac{3}{4}$ million beneficiaries would risk serious breakdown and would arouse fierce staff opposition.

7. I shall ensure that everything possible is done to get the increases into payment from 12 November, and that is the best we can do this year. For the future, colleagues will know that simplification of the SB system is in hand, as well as progress on the computerisation of the social security system generally. While I cannot promise radical changes quickly, I shall be seeking more flexibility for the future, and will keep colleagues informed of progress.

CONCLUSION

8. I seek agreement to the November uprating proposals set out in C(79) 9, with the 1978 "shortfall" taken into account for both short and long-term beneficiaries.

P J

Department of Health and Social Security

29 May 1979