

Rough

SECRET

SHADOW CABINET CONFERENCE

Note of Fifth Session held at Selsdon
Park Hotel, Surrey, on Saturday,
31st January 1970, at 4.30 p.m.

Present: Mr. Heath (In the Chair)

Mr. Maudling

Sir Alec Douglas-Home, Mr. Macleod,
Mr. Hogg, Sir Keith Joseph, Mr. Godber,
Mr. Barber, Mr. Rippon, Mr. Walker,
Mr. Carr, Mrs. Thatcher, Lord Balniel,
Mr. Campbell, Lord Jellicoe

Sir Peter Rawlinson, Mr. Whitelaw,
Sir Gilmour Menzies Anderson,
Sir Michael Fraser, Mr. Gibson Watt,
Mr. Pym, Mr. Dean, Mr. Macmillan,
Mr. Cockfield, Mr. Webster, Mr. Kernohan,
Mr. Sewill, Mr. Tucker, Mr. Hurd, Mr. Wolff

Mr. Douglas, Mr. Hayhoe (Secretaries)

Note on Shadow Cabinet Conference at Selsdon Park Hotel,
Saturday, 31st January 1970, Fourth Session at 4.30 p.m.

Heath: Move over to Pensions and Health. One of the problems in Opposition: we have our own field in which we are involved but pressure of outside activities makes it always difficult to keep up to date in everyone else's field. Would help if Robin tells us what he is proposing. Voted against Crossman Bill which they will try and get through before the Election. What do we do about it? What precisely is it we propose we do ourselves? Problem of time-table and priorities. Having had decisions on tax proposals and industrial relations field, have Chief Whips warning in mind. Legislative problems going to be pretty considerable. Attempt of pensions bill either to deal with rights of existing pensioners or deal with Crossman as a whole, of considerable importance. Tell us (a) point of view on Bill, (b) our own proposals.

Balniel: by flat rate basic pension scheme, whole emphasis for your people on occupational schemes and reserve State graduated scheme from which contributors can contract out completely. Most important were occupational schemes and to introduce transferability. We are doing this as Back-bench effort: Joan Quennell is introducing a Bill to try out concept of transferability. Think it is essential we do this. Other question is of timing.

Heath: it is transfer and preservation? What is the difference between what you were proposing in speech in debate and what is in existence at the moment? What we have at the moment is Boyd-Carpenter scheme which is State scheme in which you put wage related benefits and have 12½ million pensioners. We want to see that this figure can be and still have residual scheme.

Balniel: basically it is no different. We just present it in a much more dramatic light. Of course there are graduated contributions - under Boyd-Carpenter basic contribution was flat rate - we have gone along with Crossman in accepting graduated all through.

Maudling: what do you get in return?

Balniel: a flat rate pension.

Maudling: thought that when we discussed it before it would be offensive to target people we are aiming at.

Balniel: of course we took decision to oppose graduated pension scheme.

Dean: main difference as it exists at present moment is that in first place we are proposing graduated contribution all the way up rather than existing flat-rate and graduated on top, which is in effect a payroll tax on employer and tax on earnings of employee. And that is one of the main differences we are ~~re~~ introducing between existing system.

In return we are not only proposing flat rate pension, but graduated benefits for short term sickness, unemployment, widowhood and to introduce pensions to which we are already committed: over 80s and higher level for older pensioners. Not really a question of offering a flat rate benefit for a graduated contribution. Second main difference - we are aiming here in basic State scheme to provide method of finance which will be sufficiently sound so that occupational scheme will have firm base on which to build. One of the proposals of the Boyd-Carpenter scheme is that contracting out contributions are based on comparability with State scheme. One is not comparing like with like. State as you know funded. This is what leads to complexity and swindle argument. We are proposing occupational schemes ~~shall have~~ which will stand on their own feet. If they are these they will be able to contract out completely of the reserve graduated element. Think this is our main difference. Fits in with themes of concentrating resources on those most in need and on the other hand of encouraging self-help among overwhelming proportion of population able and willing to save through occupational schemes.

Home: you say everyone pays graduated contribution, but if you are over 80 or sick you get graduated benefits. What section of contributors pay all the time and only get a flat rate.

Dean: all those not in receipt of benefit but at various stages - they will be available to widows, higher level of pension - entire population will be liable at some time or another for graduated pension.

Heath: separate them out. Over-80s - this is not in the present scheme because they were not in at the beginning. Have you announced any basis for dealing with this. Private Members Bill would have met pressure on contribution.

Dean: ~~been~~ careful not to commit ourselves in detail. Government view is that if you bring in those who could not join in 1948 you have to bring in other people who are not pensioners for various reasons. Total cost would be about £20-25 million - might have to give them half.

Balniel: ~~back~~ bench motion always referred to taxpayers' element of pension. Much wiser to say we would give full pension - numbers are falling.

Thatcher: would not do with lot of people getting reduced contributions. Would be ironic if those who had contributed got less.

Heath: all right. Second, higher pension for those over certain age. Committed ourselves in 1965. Got out of it in last Manifesto.

Balniel: not committed ourselves to higher level ~~ix~~ but to

Heath: was pensionable ^{feasible} [?] at one time but I have become less enthusiastic. Think it is awfully difficult to increase basic pension for certain age. I know highly intellectual arguments, but think for practical politics the less we say the better. As you put it in your speech it leaves door open.

Carr: if people paying graduated contribution, it is rather important to show that if you are not getting graduated pension you are looking forward to two-stage pension.

Heath: you said that as far as remaining benefits concerned, sickness benefit, etc., you will be getting wage related benefits. Then come back to original pension.

Balrael: my words very clear about the possibility of a varying level - it is completely open.

Heath: final thing is actual pension. When you say it is going to be wage related from the last level upwards - or are you going to have fixed rate below which you do not fall?

Balrael: yes.

Heath: everybody going to get basic pension, if you add occupational they get it on top. Boyd-Carpenter used part of your contributions in occupational [?] scheme to subsidise State scheme.

Balrael: will use money for graduated part will still be used to finance flat rate pension.

Heath: for those in scheme?

Dean: essential difference here is whereas Boyd-Carpenter depended for its financial viability from the money which comes in from the graduated scheme, our proposal does not depend for financial viability on that. Pension contributions [?] will be financed and financial viability of themselves. Reserve earnings related scheme for those not in occupational scheme still vary on money grounds [?] but we can still use contributions from that to assist in dealing with immediate commitment, but scheme will not depend on that.

Heath: chap in occupational scheme will treat basic pension from State occupational scheme and pension. Occupational pensioners will have wage related . .

Balrael: it is that in occupational schemes they will pay wage related contributions and get wage related pensions. They will get flat rate pension plus State fall-back.

Rippon: isn't it wrong to call it a pension. It is really a social security tax. Graduation is not for basic pension but is a tax because they can afford to make a contribution towards others seriously ill outside.

Dean: fairest way of making existing because it has financial viability. We have firmer base for contracting out, the more we have the more we would like - whereas in Boyd-Carpenter thing, the more contracting there is under scheme the more it will run into deficit and contributions be increased.

Heath: Treasury contribution of liability greater.

Dean: in Crossman scheme because Treasury contribution is kept ~~to~~ geared to money coming into fund, and because there will be more money particularly in the long term coming into the fund than under our scheme, the Treasury liability will grow much faster than under ours. This is one of the points we bear in mind.

Heath: how does future Treasury contribution compare with Boyd-Carpenter?

Dean: if one kept roughly the same percentage, it would not be significantly different.

Joseph: in our day contribution was exempt from tax, so Treasury had huge secondary burden. Callaghan changed that. Suppose we keep that? NI scheme not exempt but occupational is?

Heath: Iain wanted to get away

Macleod: thought we would keep present . .

Joseph: hard on middle earners - target voters.

Carr: what is meaning of Treasury contribution? Hangover from social insurance. It is all a tax. Is there any merit in

Balziel: Robert is basically right. Now we have moved on to earnings related contributions, nothing to stop us from moving whole thing on to earnings related.

Hogg: in fact general body of taxation bears part of cost.

Godber: chap who has contracted out has variable contribution. Is he in fact paying more for basic pension from the State than one who has not contracted out?

Dean: no, they are paying exactly the same, making the same contribution from earnings. Different from Boyd-Carpenter.

Joseph: so he is better off.

Carr: supplementary scheme is separate scheme of State scheme. Then all pay State scheme or occupational.

Dean: self-employed are left outside. The best way is to assist them through Mallard-Tucker [?] arrangements.

Thatcher: what happens to the benefits of those in State Graduated Scheme until now but also with occupational? At the moment, you can contribute to three: flat rate, graduated and occupational and graduated would be met by future graduated scheme.

Dean: think we shall have to have some interim arrangement. Might convert these contributions into money purchase value and allow people to take them out into occupational, or transfer to earnings related State scheme.

Barber: do you want to discuss basis of flat rate? As to whether it should in fact reflect increased cost of living?

Heath: is there anything more on alternative scheme.

Thatcher: are graduated contributions going to be continuous, strict percentage, or can they be in three

Dean: obviously, strict percentage, with cut-off point. Makes for simplicity.

Joseph: do you think buoyancy will make any difference?

Balrael: will transform it. Figures based on most optimistic for Crossman and pessimistic for us. If earnings go up by \$ 2-3 per cent more, then level of contribution under our scheme tends to go down, but under Crossman rises steeply because of new commitments he is taking on all the time.

Godber: why is Crossman unfair to occupational?

Dean: does not allow anything like full contracting out. He is saying I have decided what level everybody shall have; ~~occupational~~ if you happen to have occupational scheme and it fits into my arrangements, you can take on small element at top; (2) because of the level of contribution to the pension, it gives worse value as you go up income scale, and therefore within scheme itself in Treasury supplement, high earners are subsidising low earners, and tendency will be for subsidisers to contract out, and low earners to stay in and scheme will go into deficit. Almost inevitably, Crossman will find that if more people do contract out it would move into deficit and would make worse terms on which you can contract out.

Godber: so ^{as a result} man contracting out of fund will ~~be~~.

Joseph: think it is splendid. Present elderly very dependent on supplementary benefits, so if we want to help them, way is to move on to supplementary benefit funds. Think it is absolutely fine.

Carr: there will be obvious agreement on giving bad value because people will concentrate on flat rate for wage-linked contribution. But think Crossman scheme so unpopular and people frightened by higher contributions.

Heath: chap in occupational scheme, the amount he will pay will always be less than in Crossman?

Dean: in early years will be much the same but as after four years Crossman rate will tend to rise, ours will flatten and gap between the two will vanish. Would mean that certainly burden of employer and employee will be as great, but will not rise so steeply.

Carr: when do you begin to get pay off?

Dean: begin in first year, but not for twenty years until 1990 [?] First year you get 5 - 20 Crossman, fifth year 15 - 20 and occupational. [?]

Heath: no funds in this?

Dean: only in occupational. State part is not funded.

Joseph: are we watching Burden of contribution on last bit, so it won't be less for now?

Carr: will it be worse than under Crossman?

Dean: at bottom end will be very similar.

Thatcher: what happens to self-employed?

Dean: proposing to leave them out of the graduated part. They will pay their part towards basic and will get the

basic pension. Over and above that best way of handling them is through present Mark-Tucker [?] arrangements.

Thatcher: how do you collect their contribution?

Dean: think we may have to do what Crossman proposing - through stamp.

Hogg: why can't self employed pay it as part of their tax. Why do I have to buy stamps.

Thatcher: only way you are sure of getting the money.

Hogg: why can't I pay so much on income tax and when I am 65 get so much back in pension.

Dean: your tax would not be decided until well after the tax year and you might endanger your entitlement to benefit. Do agree it would be much better if we could link it to tax system and people are working on this.

Walker: think it is very good.

Heath: who is giving all the advice?

Dean: Eric Richards [?] who runs Unilever pension fund but also from all leading people. Most life-offices are not enthusiastic because they are virtually friends of Crossman scheme but all feel it is viable and will stand up, and agree it is simpler than Crossman and existing arrangements.

Balnel: all were in favour of Crossman and even life offices lost their nerve over Crossman. Weakness in our scheme: we are not getting transferability yet. Believe that having thrown the whole emphasis of early schemes for younger generation, not putting pressure on organisations for transferability. Arguments overwhelming for mobility of labour. Most improving their schemes and afraid it is coming slightly more expensive. But you will get such an expansion of early schemes, will amount to twice the cost. CBI now advise their members to use those schemes with preservation.

Barber: can we announce they should be compelled to do this.

Heath: committed ourselves to legislate on this in 1966 Manifesto. Said we would legislate for transferability or preservation.

Walker: would help tremendously if we could get one or two leaders in life assurance or industrial world. Most employers in original scheme to retain their employees. Now at cross roads, advantage may be in transferability: would help in present climate.

Hogg: supposing you transfer from an employment which ~~xxxx~~ has a relatively high pension scheme to one with a better pay and lower scheme - what happens to the transferability.

Dean: it is really preservation, not transferability you are talking about.

Dean: preservation normally means the ~~sum~~^{value} you have piled up up to the time of leaving being frozen in that

scheme and won't be up when you have left. Will probably be a much worse pension than if rights were transferred with you. They do not agree.

There is a difficulty in encouraging this through tax relief mechanism. Raises problem of what one does about employee contribution. He can withdraw when he leaves and goes to another job. He may want to put a mortgage down on a house, and if he had been in scheme for a short time, the occupational [?] value of his own contribution is worth more to him than having pension rights preserved. So have to be careful we do not put people into worse position.

Heath: if he can do that and can't get out of State scheme, you are then going to allow him to do that, and then he will get supplementary. Can't have him getting advantages and then . . .

Balniel: would suggest proportion would be way to do it.

Walker: should deduct from payment the amount he would have paid if he had stayed in State scheme.

Thatcher: employer pays top rate, so he has it up to State scheme. Would prefer to leave it in State scheme.

Joseph: is it viable?

Rippon: will we use same form of words as in 1966 Manifesto. Not very clear whether it is Conservative policy, would be better to talk about moving towards rather than tie ourselves to one or the other.

Dean: think we were meaning future rights. Not that thing could be done overnight. Got to move towards it gradually. Encourage through tax relief and can put a lot of onus on to employer. If we give him go-ahead for occupational scheme, can expect him to deal with some of these things in normal negotiating procedure.

Heath: sure you won't get fairness and mobility of labour unless you say man has right to have this. You won't get mobility. Employers must tell life offices to work out how this can be done. And they must get themselves out of rut.

Balniel: Philips Committee recommended it immediately after war.

Rippon: done it for government, local government.

Hogg: only requires good mathematician.

Barber: only raised it because Paul said that probably the best way is through tax mechanism. Inland Revenue turned us down and we never achieved it. Must know how we are going to do it.

Balniel would like to use Geoffrey's phrase of "moving towards transferability". Have Private Members Bill and speak very strongly to it. Then have meeting with CBI, life offices and say you have got to produce scheme. You would like something from

Heath: of course employers won't like it.

Heath: will cost money.

Carr: presumably only when a scheme . . . would it qualify for exemption.

Heath: then you have argument against having scheme at all.

Heath: I am in favour. Believe we are absolutely committed.

Rippon: better leave it like that.

Maudling: Woodcock, TUC, dead against transferability,

Heath: that's settled. How much do we reveal of this alternative? Right, a decision as to how much should be said.

Thatcher: hope we do not reveal any figures. Whole machinery of Social Security Department will be bent on shouting him down.

Heath: at least we ought to know ourselves. Attractive on the surface. Better find out whether on pensioner, employer, Treasury.

Everyone: employer

Heath: (2) what we put in Manifesto about existing ~~fixtures~~ pensioners: whether we say keep up with cost of living or share in increasing prosperity. For 14 years pensioners more than shared.

Macleod: hope we won't go beyond keeping up with cost of living, otherwise it comes within blank cheque when money is not in bank. Curious thing about commitment in sharing in increasing prosperity . . . people don't realise parties had done better than their word. Therefore think there is everything to be said for keeping to the latter . . . against rises in the cost of living.

Heath: if we were going to do that would it be good thing to say we will review every two years.

Macleod: yes.

Barber: think this is right.

Rippon: in 1966 Manifesto, but not in this. "Moving towards national disability pension" Think it is popular. Shows we are caring about people really in need. Don't think people mind so long as we care. Was a commitment in 1966 but not in today's draft.

Balnel: think we have to be rather careful. Speed at which we can move towards civil disability pension depends on cost. Cannot cost it at moment. Study being done on amount of disability in the country. Can't do anything until it is published.

Rippon: it was a simple concept and one people understand and want to see.

Carr: can say we would like to do it, don't know what it will cost, but will move towards it.

Thatcher: could be very expensive.

Macmillan: could soften it by linking to savings on . . . almost conditional on reorganisation of Health Service to bring people out of care.

Dean: could be estimated on large sum . . . existing Industrial Injuries Scheme. Unless based on 100 per cent, would cost £100 m to start. Crossman proposing constant attendance allowance would cost £100 m.

Joseph: if there were first scheme of £20 m would cost about 2d. a week.

Hogg: could not give it across the board for everybody with disability benefit under industrial scheme. Had a man the other day with 15 per cent disability benefit and he was earning exactly the same wage as before, only cost him extra spectacles to live. Real difference is where it costs you more to live. It is a very high level of disability which requires it.

Thatcher: think invalidity is better word. Disability can include almost anything. Only reason war pension and industrial pensions were, was because you are dealing with limited number of people.

Joseph: severely disabled already cost the State a lot of money.

Dean: DIG is asking for disability pension (at all levels). Start with high level. Would like to see severely disabled treated as industrial.

Cambell: we are thinking of those unable to do any work or only a little. Those disabled from birth, never worked, and therefore not in N.I. scheme, because they were not recorded, because they were not contributors. Think this must be limited to severely disabled. Had a Bill and had difficulty in producing definition.

Hogg: DIG people who came to see me would not be difficult to define.

Heath: same as Jim Prior's Bill. When will figures be out?

Macleod: generally sympathetic towards moving in this field. This is particular field which has broadly wide appeal. Of course we have undertaken to do Crossman pension, disability and implement that, would like to see on paper all the possible costs of DIG and of other schemes.

Hogg: terribly like to see something done for people critically disabled.

Joseph: this again is self balancing where industrial costs can bear it, not Treasury?

Macleod: disagreed. One of arguments of our scheme is how benefits compare with Crossman and ever 2d. added on makes it more difficult.

Home: people who are disabled from birth must have attention, if we could narrow this?

Campbell: so many of these people are just in hospital costing a great deal of money to the taxpayer and with less money many of them could be kept at home.

Heath: have accepted Crossman ones.

Balnel: have said we would like to bring it in earlier than 1972.

Thatcher: lot of old people become completely disabled, not in hospital, not hospital cases, and very difficult to say because you are 70 you won't get a disability pension. Would involve tremendous increase in outgoing.

Hogg: if you are old and have not made provision, I think you are to blame. Every person ought to recognise that by the time he is 70 he will have arthritis or something else. Man born without an arm, or as result of a motor accident has had infortuitous disaster and is maximally entitled.

Joseph: DIG field - Campbell and Prior.

Hogg: DIG are on the right line.

Thatcher: there is cut off at 65, retirement pension.

Heath: other point is priorities, that is timing. As I see it three ways

(1) whether it is due to be increased because of increase in cost of living can only be decided at the time, but presume it would be Bill on previous lines; (2) over-80s Bill on lines of Private Member's Bill would have to come in first session. Possibility of a general increase in basic pension; it would be difficult for them to obstruct, also the over-80s, when they are in Opposition. (3) Bill without undesirable part of Crossman and secondly substitutes our own scheme - that, you could not have in first session.

Balnel: would not be ready.

will certainly have to have it ready in autumn of 1971 if we have two-year revision; repeal of Crossman is tremendous undertaking, think you would want 1972-73. Politically, Labour Party is getting tremendous kudos because directly they get into office they do something dramatic. Therefore people think that they in fact care more for old people than we do. Would like to see in Bill, proposals for over 80s, which is to certain extent dramatic and bring forward Crossman proposals for widows (he was going to do in 1972), attendance allowance for disabled, invalidity, and if possible DIG proposals. Want to do something about Labour Party impression of doing more for . . .

Heath: so long as you don't upset balance of payments. Upgrading is what did them in 1964.

Balnel: only suggesting it in terms of real living [?]

Heath: can be decided at time. Peter could be looking at this complex of legislation and see how ~~intricate~~ ~~ixix~~ to extract for us thing draftsmen can get right.

Rawlinson: if we do proposals so far, Finance Bill, Industrial Relations Bill, would keep present office in state of turmoil.

Rippon: not a good office. Why don't we revert to old practice of giving someone £1,000 to draft Bill. Then you get good Bill.

Rawlinson: there is criticism, think considerable. They have recently become worse and worse.

Heath: instructions to draftsmen from this Government very bad.

Rawlinson: they say if they ~~can~~ getting clear instructions they can do it.

Heath: bring forward widows, over-80s - get them cleared.

Carr: this is immensely important, particularly with industrial relations, to get Bill which lays down clearly ^{and can be understood} I pick up this Act and find I can understand it.

Rawlinson: the more radical the change you are making, the easier. The difficulty is when you are tampering.

Rippon: that was the trouble with our own legislation. Can have too much of it. Many of them not competent. Then Ministers of advice of draftsmen turn down reasonable proposals. If we could produce reasonable, sensible legislation, would show. Isn't it worth paying large sum to draft Bill and give him 2-3 months to do it.

Hogg: I think there is a feeling for this, but think you are optimistic to think a good member of our profession really would be able to draft a good bill. Tried to draft a bill myself, spent two hours producing a good clause and Government did not leave in a word.

Whitelaw: one simple Parliamentary point about Bill about increasing pensions in short time. Look at the time between the pension increase announced and time it was paid. Order [?]. Tell Ministry of Pensions they have to do it inside that time; then say to Parliament here is our Bill, pension will be paid on that date if you get it through by that time. This Parliament got a lot of kudos because Peggy Herbison did this.

Heath: then you have trouble getting new pension books at higher rates printed. Then said you can get them over-printed. Then you get suggestion to print books before you start Bill.

Thatcher: her great argument was that she did order computers which could do it/in the future. Doubt it. But we might ask how much more equipment has been ordered for up-grading pensions.

Heath: well worth looking at Chief Whip.

Dean: the level of the NI pension and supplementary benefit - the supplementary benefit is of course above the level of NI. But as we are committing ourselves to price protection, could we have another look at the older pensioner? Capital scheme always used argument there is disincentive to save so long as supplementary higher than basic pension. But there are many more relying on it as you get up the age range. Would help to say, if there were additional resources we would concentrate on older pensioner.

Macleod: afraid it is another uncashed cheque. Would rather it was in speeches than in Manifesto. Would prefer Shadow Ministers to put it in speeches.

Heath: all right. Thank you very much Paul.

Health Service

Heath: one of the gaps in our policy, about which we have so far said almost nothing. Said very little in Make Life Better. Think it is one of the biggest problems we have to face as a Government from financial point of view. Think it is true to say public are reasonably satisfied, but realise it is top of ice-berg and lot that needs great expense to avoid dragging down.

Macmillan: committed to introducing Ombudsman and some form of inspectorate. Think proposals for possible reorganisation of structure, committed to encouraging group practice, health centres, in justification of use of small hospital, unfortunately involves investing in centres and their houses.

Heath: you mean capital grants?

Macmillan: or cheap loans. One of the things suggested, relatively minor, is tax relief on contributions, as on charities, to certain approved hospital schemes. The other is local or national lotteries - have my doubts about value of this considering how much of commitment met by football pools. Increase motor insurance to roughly more of what is spent by health service (about 10 per cent) - there are savings clearly to be made to improve hospital building.

Major problem is finance. Paper includes suggestion of tax relief on BUPA which I have already decided against. Difficult to justify in view of other things. Possibility of increasing contributions on the stamp which Crossman is going to do anyway.

Joseph: that will be proportion?

Macmillan: yes. .3 per cent employer up Crossman proposals to .6 per cent so that part of stamp going to Health. Would produce about £40 million. Think he will put it on to employer. Does have considerable effect on prices and think if we are going for this type of increase in contribution, great deal to be said for trying to go for contributory insurance scheme and look at proposals for pension, to divide Health service into two parts: that covered by insurance and that covered by taxation.

Health side is slightly different in that insurance scheme would be true insurance plan, but rest of it there

would be no . . . whereas health has had very small part of ~~the~~ what is social security tax. Proposal is that whole of pension side should whole of future wage related insurance scheme and health service is left with no money except general tax structure or increased contributory scheme. Need for more money Unfortunately, continuous ^{kind?} of wage related contribution is not likely to be enough. Health spending grew 12 per cent a year in ten years to 1968. Government projection to 1971 - 5.8 - in order to stay in same place need 15 per cent a year (including price rises).

What I am really saying, unless we can achieve rate of growth of economy of $4\frac{1}{2}$ per cent a year, there is no change of a stand still on the health service it is keeping same part of GNP devoted to health. No change at all. The suggestion ~~if~~ I have put forward, is not that we should have a contributory insurance scheme and ~~BMA~~ BMA have in fact produced a plan almost exactly the same. Health service itself to separate needs: cure the ill and mend the broken, and look after the incurable and ~~unmedicable~~ ^{unmedicable}. Cost is covered half each. Would propose that hospital in-patients, cardiac, chronic sick, special care, mental and long term mental are put on charge of taxation; also local government service, probably blood transfusion and research, education and training. Not sure about pharmaceutical. Strong argument for leaving them out. Think it would imply allowing private patients to have their drugs free. Capital spending so far as possible to come out of borrowing ^{and} not current.

Everything else except these factors would be covered by insurance cover by patient. BMA calculate that this at the moment would mean premium of something over £15 a year. Research Department paper says 7s. per wage earner per week: Geoffrey Howe estimates 6s. - about 15s. per insured worker. (roughly the same as 6s. each) This is potential charge as alternative to ^{raising} or increasing the tax bill.

Tax rise is considerable if we do nothing. Main point of difference between idea put forward in paper and BMA scheme is that BMA propose that ~~of~~ insurable part, whole cost should be covered by insurance and they accept this would involve premium too high for some and they propose to subsidise premium on Australian pattern. My objection is that it produces in twenty years same situation as we have now. Would prefer saying we will cover 80 per cent of total. This will leave average person with 20 per cent to pay himself. This cover charge should I think be subsidised according to the PAYE scale. The problem of escalation of the premium can be dealt with in two ways. First as everyone knows what they are paying and getting; second we can use tax concession to encourage insurance above minimum we believe necessary in private or public scheme. Further advantage is that since it would be genuine insurance plan, those who insured privately on as good terms or better could contract out.

The encouragement of the higher paid to insure for more would not put pressure on the lower paid, as by definition . . . This I am afraid is the only constructive suggestion as opposed to merely carrying on, that I have to put forward.

Think it is workable. Accept it puts considerable burden on weekly wage earner. Not sure how much. But

before such a concept is rejected outright, one might consider further link between this and Robin's pension plan, by regarding this as insurance for health and such reserve scheme for pensions as true insurance, and adding together the cost of what other pension schemes of the tax of the health service and then deciding on the proportion of that to be borne on general taxation and special wage related insurance tax, i.e. accepting this as ^{burden} on wage earner whether before or after he gets wage packet

and decide on rest of the proportion. Perhaps I should add that I do not envisage including Seebohm, Reports.

Macleod: think Maurice has huge problem and understand it very well and think proposals he puts forward are understandable. But come down flatly in favour of continuing broadly with present system. Accept what Maurice says about slow deterioration of present position. Only this becomes a cheque that we can meet. We are going, for reasons we have all accepted, to increase the percentage as it is at moment for defence, therefore we have to increase beyond Government's published expenditure figure on education, seems to be general desire we should put housing in front of everything, think we have proposal for reducing housing subsidy and can't ^{put} be much of the major items of expenditure into higher range as far as percentage they take of our resources. I think Maurice's scheme is out really for the reason you give. I can see all the attractions, but to make compulsory insurance estimated minimum contribution of 15s. I believe is quite unacceptable. I understand the logic and difficulty for Maurice, and that the alternative is to go on as we are. Logic we have to face, we can't increase percentage on defence, education, housing and other things and on health as well and with great reluctance, probably because I am first ~~house~~ to come to the view this ~~is~~ has got to be based on a percentage that we can maintain, and cannot be ^{amongst} ones we increase and should continue broadly with the present system as we have it.

Godber: with of doctors and nurses.

Macleod: will be bigger if we go broke.

Hogg: if you are costing £2,100 m for health service, and approximately £60 m spent to transform it £35 a year

could not put that on to the wage earner as an added cost on his cost of living if we are going to do any of the other things we say.

Joseph: quite apart from what Maurice says we did accept possibility of increase - the level of burden of health service

Rippon: what we say about reorganising and strengthening. Lot of feeling about way administration is closing down little hospitals before it can carry out building programme. We could say quite a lot in this field of administrative side.

Joseph: would it be possible to rentalise some of the expenditure? Supposing the Treasury rentalised expenditure on hospitals? . . . use of resources would be the same. Would get advantage of economies; hospital services would have to find rent to be renegotiated in, say, 14 years. Number of organisations would be willing to do it.

Maudling: cost per bed gone up dramatically.

Macmillan: would be able to build hospitals faster without putting same capital burden. Would enable you to get average age of hospitals below fifty before 2000. You are asking in any case for capital expenditure to come out of . . .

Carr: would give enormous encouragement to doctors and nurses.

Heath: let institutions do it.

Carr: would see improvement in hospitals.

Maudling: seen a little of hospital building - think it is very good already.

Carr: doing very well but not enough.

Joseph: I am suggesting no further use of resources.

Heath: has it been mentioned to the institutions? Have done this for swimming baths, etc. Always come back answer: will Government sign lease for 40 years with 14-year renewal.

Walker: wonder to what extent to what extent he feels priority in this sphere should be given to local government?

Balniel: Maurice has more attractive offer on administration. On this side he has the only possible alternatives. Charges born by tax and other by insurance. Agreed with Iain it was not on for Manifesto. But when we come to administration, devolution of powers, think we can produce something much more attractive.

Hogg: one thing - present Government has clamped down on charity. Minister would not allow a legacy for aiding a hospital because it was increasing amenity beds. He is restricting amount of money which can be raised voluntarily for health ~~services~~ purposes. Believe you would get millions if you allowed a more generous provision.

Jellicoe: wondering what is feeling about alternative 8(b) - seems to square with our philosophy that those who can afford it should do this and those who need help should get it. Does he not feel, is there not scope for structural changes, i.e. costs about £60 for keeping people in hospital, because of fragmentation of services there are a lot of people who are in hospitals who could be at home.

Macmillan: great deal to be saved - but nothing like enough. Going to be very difficult to continue justifying charging sufficient number of people for a health service they have hitherto regarded as free and is deteriorating rapidly before their eyes.

Heath: where do you see it becoming publicly evident?

Macmillan: doctors getting almost militant. Particularly GPs. Considerable sums to be found for nurses. Great dissatisfaction among auxiliaries and tendency of doctors to say they are not going to stay. An increase of private practice in working-class areas.

Hogg: and occasional scandals.

Macmillan: service being penalised by this, and public watched more closely.

Barber: although it would not save ^{and offer} to improve service, think we should look at Quintin's charity point. i.e. allow them to use the money. The money would pour in, as I understand it, to hospitals like Great Ormond Street: believe also because charitable contributions are being increased, industry would make considerable contributions.

Macmillan: only difficulty is that earmarked charitable contributions can increase running costs. But think it would be possible where conditions could be so made enabling authorities to devote part of bequest to investment to produce money.

Rippon supported Quintin. Know of money that goes into London University and think they would be much more willing to give it to this.

Joseph: this would only be agreements. Is there any move towards Australian system for drugs?

Macmillan: information I got - it does not in fact save anything because of way it is administered. One other factor on charity side. Think if it were possible to raise public money by loan it would help. Think people would be more willing to give to ~~permanent~~ Birmingham hospital than development. Would be great help.

Home: on Keith's institution proposal. Sickening thing is time people are on waiting lists. Does Keith mean there would be more accommodation.

Joseph: think it could be done on top of present building scheme.

Rippon: very silly thing for country to do. Better for country to build rather than rent buildings.

Joseph agreed.

Macmillan: limiting factor is labour for running hospitals, and nurses and doctors equipment and training.

Rippon: towards complaints in rural areas that apart from fact they are not being built fast enough, there are disadvantages in concentrating service in giant new hospitals and would like to see cottage hospitals continued with some minor works. Feel we have to dress shop window with as many things as possible attractive to doctors, nurses and patients, and stop closing children's wards in rural areas.

Macmillan: all for them, provided that people would accept it means old people in small hospital dying for lack of attention.

Barber: and accepting higher cost of running.

Home: operation which is because of lack of accommodation. Should we look at this against education expenditure?

Macmillan: if we could have charity move and investment, did not think ~~the xxxxxxxxxx~~ problem of getting hospitals built more quickly was a major one. Not a group in this country allowed to have full staff of nurases because of not being allowed to have money to pay them.

Balziel: Maurice's administrative arrangements whole point is that they should be given regional control so that they can spend their own money.

Macmillan: problem of administrative structure was to invent a method of implementing plan without knowing how much we wanted to and tie in hospital service generally with local government without knowing our policy on Maud and getting structure more effective and economic. Only suggestion I can make is a three-tier structure based on the hiving off of hospitals and allow the whole of the health service administration from the Departments of Health and Social Security and broadly establishing a structure of management at every level where the existing committee would become a Board of Directors. Advantage of method I have chosen, I think it could be introduced without anyone noticing and without legislation. Initially would be tied in with hospital service. First tier at regional board level - the existing hospital secretary can become group manager. Idea is to hive off hospital agency, ~~need a~~ ^{need a} department controlling it at regional level, a manager who is under the same relation to what was your regional board; at first stage it is purely hospitals administration which would require regional board have ^{unlike's} appoint of new doctors, local authority and professionals; at second stage this structure would take over what is now Executive Committee function and would still come under your Regional Board, but under the second stage (Crossman Green Paper) would run hospital function direct. Under third stage, management could take over what is now local authority function and committees or boards would end up with only representatives of local authorities and of professions, and think this system should be adopted in two-tier local government structure and should be brought in, I think, without legislation from what Crossman is likely to introduce from his Second Green Paper.

Joseph: will get money from where?

Macmillan: as now. Originally my idea was if we could get it from insurance.

Thatcher: can they still to build new hospitals?

Macmillan: try to see how this would operate.

Hogg: supposing we were to think of a regional structure of 10-15 regions. Supposing we gave whole of health service as a regional function and turned our Department of Health into a Board of Directors - wouldn't that solve a great many of our problems and save great incentive to regions local hospitals secure independent sources of local finance without burdening the taxpayer.

Macmillan: true if regions . . .

Hogg: thought great institutions, individual donors who give beds, if regions could do this, believe a lot of money would ~~earn~~ ^{be gained}. The ~~occasional~~ scandal comes right back on to central government every time. If you allow yourself to think in regional terms and responsibilities ^{allowed to buy & sell} you might get a much less difficult public to four hundred

Walker: applies now to education. You do have local education authority, does have considerable distinction [?] but in reality does not obtain great deal of benefit from local contribution. My query: local government itself would like to keep its health services and have hospitals - am told medical profession is opposed to this.

Balniel: what Crossman is proposing to do in Green Paper. To set up 20 regional boards and composition of these: he is appointing 51 per cent of membership as it is taxpayers' money, and remaining 49 per cent split between local authority representatives and appointed by the profession.

And under that he is appointing series of area boards - fits in with Maud Commission Report - with catchment area of a general district hospital; and I like what Quintin is saying, that we should do something like this - money should come basically from taxpayer, but they should be given opportunities for raising money locally and to keep it there and not keep on going back to Minister. Think something along these lines is right.

Heath: now getting into difficulty
Only thing one has to do is recognise that in certain circumstances changing structure is useful. For instance, what I said in St. Albans about arrangements for elderly - you can spend more in local government. Must not fall into error that by changing system it will make life of citizen better. As far as health service is concerned, that has been ^{around} so often and all that has happened is that it has got worse. Think more that local ^{councils} ~~companies~~ have to do with it the better.

Barber: one of the great troubles was that we had to appoint local government representatives; in the end we were nearly always that people got invitation.

Macmillan: if we could have actual board run by group secretary, but in practice by a manager overlooked by a board, this resolves the dilemma. Got local government representatives and non elected supervisory.

Carr: should not underestimate value of . . . administration. Get very top class people to take interest, surprising how many people who are prepared to go and waste their time because they want to be associated - but the frustration of not having any power.

Heath: accept this entirely. But enormous amount of that can be changed without Green Paper. Same as land - ~~in the way~~ no reason why Minister should not sanction . . .

no, no.

Macleod: entirely unfair. Suppose Muffield has 10 acres, should not be able to sell that, put a hospital there and then Minister has to run it, when great need might be for hospital at Stoke Newington. You cannot be sure expenditure on one hospital being but group it ---

Heath: Maurice pointed out one or two other gaps in our policy which we must look at: family allowances and rest of economic policy, and then remaining gaps, then East of Suez.

Adjourned 6.30 p.m.