

Mr PATTISON

na
MAP 26/25

PRIME MINISTER'S VISIT TO DE ON 26 NOVEMBER

This supplements Sir Derek Rayner's minute of 16 November to the Prime Minister with some data on incentives to work and notes on the DE Group's proposals for the scrutiny programme (cf Mr Fair's letter to me of 16 November which I copied to you).

Incentives to work

2. The attached memorandum to Sir DR from within Marks & Spencer was sent to me by him just before going abroad last Friday. He had intended to make use of it in his note on Labour Market Problems.
3. The note is based on talks with M&S suppliers in the textile industry and is self-explanatory. It shows the narrowness of the margin between net take-home pay for a single girl and two married men at work and not at work respectively, but suggests that the aim should be "to increase productivity so that pay levels can be raised to provide a real incentive to work".

The scrutiny programme

4. My comments on the proposals are these:

- a. DE (jointly with DHSS)

"Whether the organisation and methods by which Unemployment and Supplement Benefits for unemployed people are delivered can be further simplified."

This is a good-looking project as it stands. It also opens up the question of the separation of the Unemployment Benefit Service from the Social Security Service and it would be as well to register this. There is also the question of the UBS's other frontage, that with the MSC's Employment Service (see paras. 5-10 of Sir DR's note on the UBS), which it might also be useful to register.

- b. MSC

"Present practices in relation to energy conservation throughout the MSC."

This is not good. The "Rayner project" included the Property Services Agency's policy and practice on energy conservation. In any case, the use of fuel

ought to be dealt with as a matter of normal management by a repayment body like the MSC. Although the MSC can take credit for two good subjects in the "Rayner project" (the Skillcentre network and training allowances), they could do another substantial subject, eg frontage with the UBS; or regional organisation; or Saturday closure of Jobcentres; or balance of training under TOPS. Of these, I think that Sir DR's preference would be regional organisation (cf para. 9 of his covering minute to the PM).

c. HSE

"Ways of estimating the costs and benefits of new proposals for health and safety regulations, approved Codes of Practice, etc."

This is another good-looking project. It follows on very aptly from paras. 7 - 17 of Sir Leo Pliatzky's note on the HSE/E sent you with his minute of 19 November.

Cp

C PRIESTLEY
21 November 1979

Enc: Internal M&S memorandum from Mr Bullock to Sir Derek Rayner on incentives to work.

21 NOV 1979

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GROUP 5

HOME FURNISHINGS

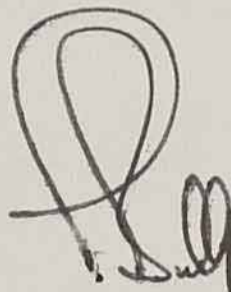
TO : SIR DEREK RAYNER

At your Priority Meeting we discussed how the level of Social Security payments removed incentives to work and you asked me to investigate further and prepare a note.

Following discussions with Mr. Stuart Elliott of the Suppliers' Services Department, I have set out in the Appendix the situation of four typical employees in the Textile Industry.

The figures show that in themselves the Social Security payments offer little incentive to stay home unless "moon-lighting" work is available. However, as unlike wages, the benefits are not taxed, the total amount received by the single girl and by the married men vary little whether they are working or not.

I have discussed the issue with several of our suppliers and although it was felt that adjustments should be made to the present schemes, either by taxing benefits or by replacing the existing system with some form of negative Income Tax, the general comment was that our aim should be to increase productivity so that pay levels can be raised to provide a real incentive to work.


P.J. BULLOCK

Copy to :

Mr. David D. Sieff
Mr. M. Wilcockson
Mr. S. Elliott

PJB/LG
1st November 1979

APPENDIX

1. SINGLE GIRL EARNING £45.00. P.W. GROSS (27% of full-time women over 18 on manual work earn less than this)

a) Working	- Net Take Home Pay	- £36.00
b) Not Working	- Unemployment Benefit	£18.50
	Earnings Related	£ 6.90
	Total Social Security	<u>£25.40</u>
	Income Tax Rebate	£ 6.00
	Total Receipts	£31.40
c) Average weekly pay based on working 6 months and staying home 6 months each year		£32.00

2. MARRIED WOMAN

Irrespective of earnings, a woman in this category would be unlikely to benefit financially from unemployment, since reduced rate National Insurance Contributions would render her ineligible for earnings related/unemployment/sickness benefits.

3. MARRIED MAN - 2 CHILDREN - £60.00. P.W. GROSS (10% of full-time manual workers aged 21 or over earn less than this)

a) Working	- Net Take Home Pay	- £49.35
b) Not Working	- Unemployment Benefit	£18.50
	Dependants Benefit	£11.45
	Earnings Related	£ 8.95
	Total Social Security	<u>£38.95</u>
	Income Tax Rebate	£ 6.75
	Total Received	£45.65
c) Average weekly pay based on working 6 months and staying home 6 months each year		£45.25

4. MARRIED MAN - 2 CHILDREN - £75.00. P.W. GROSS (25% of full-time manual workers aged 21 or over earn less than this)

a) Working	- Net Take Home Pay	- £58.00
b) Not Working	- Unemployment Benefit	£18.50
	Dependants Benefit	£11.45
	Earnings Related	£11.12
	Total Social Security	<u>£41.07</u>
	Income Tax Rebate	£11.25
	Total Received	£52.32

- c) Average weekly pay based on working 6 months and staying home 6 months each year £52.31

NOTES :-

1. EARNINGS RELATED BENEFIT

- a) The figures assume that there was no significant absence in the previous year and that a wage increase of 10% was received.
- b) If only 6 months are worked in each year, this benefit is halved.
- c) The benefit is paid for 6 months.

2. INCOME TAX REBATE

This assumes 6 months work in the Financial Year.

3. In examples '3' and '4' Rent and Rate Rebates may be available, closing the income gap between working and not working still further.