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Home Affairs

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SUBJECT



Ferdinand Mount
John Vereker

10 DOWNING STREET

cc W Parkinson

From the Private Secretary

10 September 1982

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Dear Peter,

Family Policy Group

The Prime Minister took a meeting this morning to discuss the papers prepared for the family policy group. The Chancellor of the Exchequer, the Secretaries of State for Education and Science, the Environment, Industry, Transport, Health and Social Security, Employment, the Minister of State for Home Affairs, Sir Robert Armstrong, Mr. John Sparrow and Mr. Ferdinand Mount were present.

The Prime Minister thanked all those who had submitted papers for the meeting. These were most useful contributions towards the development of the Government's family policy. In fact, the Government would not have a family policy as such, but rather a number of policies which, taken together, made up a coherent policy towards the family. The Prime Minister said that the main thread which she discerned running through these papers was the need to return to consumers the power to make their own choices, to return them more of their own money to spend as they saw fit, and to pass to them control in many areas which at the moment were controlled by bureaucracies. This was as true in education as it was in health and housing and other areas.

In a discussion of taxation and social security policy and the family, the Chancellor of the Exchequer said that the Treasury would be bringing forward a paper following the Green Paper on taxation of Husband and Wife. This was a thorny subject, given that any change generated losers as well as gainers. There was a movement towards a proposal for the married man's allowance and wife's earned income allowance to be replaced by a similar allowance for both husband and wife whether working or not, transferable from one to the other. Arguably, this was a move away from a family-based allowance, although it was not in intention or practice an anti-family move.

In discussion it was suggested that there was a case for granting extra tax relief for women who remained at home, either caring for children or for elderly relatives. There was, however, a large deadweight in such an arrangement, and there was objection to assisting households where the women remain at home at the expense of working couples with children. There was widespread admiration for those who devoted themselves to caring for elderly relatives at home. The tax allowances available to them were very small, and even taking account of supplementary benefit which might be available

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to them, their total income was in many cases very small indeed. The notion that such people should be paid by the state for what they did was repugnant, yet it would be worthwhile to examine how they might be rewarded at a more appropriate level, with the hope of achieving also substantial public expenditure savings in the longer term. The dramatic growth in prospect in the numbers of the elderly over the next 20 years, and the high cost of maintaining old people in institutional care pointed strongly in this direction.

This was a complex area and it would be helpful if the Secretary of State for Health and Social Security would bring forward a paper with some proposals for action.

There was also some discussion about the possibility of varying the size of the married man's tax relief according to the number of children in the family. This would be a move back towards child tax allowances which were, arguably, more supportive of the family than the existing system of child benefits. It was for consideration whether more should be done in the taxation area to help widows, who very often had the responsibility of running a household. The widow's bereavement allowance had been a step in the right direction, although it was unfortunate that it lasted for only one year. The Chancellor of the Exchequer would be coming forward with proposals in the area of family taxation within, say, six weeks.

There followed some discussion of indexation. The Government was pledged on the indexation of retirement pensions and not on social service benefits generally. In practice, however, it was very difficult to differentiate between these. With falling inflation our present system of index linkage was greatly exacerbating the poverty trap. Cuts in direct taxation at the lower end of the scale were a top priority, and more important than other, very pressing priorities, for example the removal of the National Insurance Surcharge. Indexation was bound to lead to a drift towards public provision, since private savings could not compete with any index-linked public sector benefits. Arguably the best way of dealing with indexation was to bring down inflation, as the Government was doing. But this implied a rate of inflation nearer to 1% than 8 or 9% per annum. There was a case for an international initiative against indexation. Indeed, a number of other countries were already beginning to dismantle their indexation. But we could not wait for international action, and what was necessary was the political will to choose the right moment to dismantle our own indexation, and then to act when the time came.

In education, the way forward for restoring choice to the consumer lay in the introduction of a voucher scheme. But this would mean an immediate bulge in education expenditure, given the numbers of those who already pay for private education. The same expenditure problem arose if a voucher scheme was introduced for health, although in both cases the effect could be mitigated - with, however, undesirable consequences in other directions - by introducing a tax clawback for those on higher incomes. A voucher scheme in education would need to be introduced step by step beginning in, say, a chosen inner city district. There was a danger, however, of demoralising the State school sector, which would continue to educate the bulk of the school populace for many years to come, by prolonged

talk without action about the introduction of the voucher system. The Secretary of State for Education and Science said that he would soon be bringing forward his ideas on this subject to colleagues.

On law and order, it was noted that the Criminal Justice Bill was designed to be supportive of the family - in, for example, its measures to make parents responsible for the actions of their children. The new emphasis on community policing all pointed in the same direction. So too the action which had been taken on sex shops and, in the courts, on pornographic video tapes. There was concern that the introduction of cable TV would import pornographic film material on a large scale into the home. There would need to be carefully drafted advance regulation, and monitoring wherever possible; and tough penalties including the summary withdrawal of licences for offenders. There would, however, be problems of definition, and it would be important in designing regulation, to have regard for the concerns of the high-principled libertarian. It would be necessary to strike a balance between the desired commercial freedom and the need to maintain standards.

On race relations the development of the Government's policies must take account of the close family ties in the Asian community, and the opposite situation in many cases in the West Indian community. There were many strands in immigrant communities at large which had much in common with the Government's fundamental philosophy: the Asian corner shop open in the evenings and at the weekends was a case in point. The Government should look for ways of providing positive encouragement here, and also to make better known the upward social and economic movement already taking place for many immigrants.

There was some discussion of the link between different family patterns and crime. Work done by Mr. Michael Rutter usefully brought together research on the connection between family background and crime, and would point to the evidence which was available in support of the proposition that the two-parent family was more successful than the one-parent family in implanting desirable social values in children. In their follow-up work to the meeting, the CPRS might usefully consider whether this work needed to be brought together and summarised for Ministers. The Secretary of State for Education and Science said that there might be a case for convening a smaller meeting to discuss whether there was any role for the Government in improving preparation for parenthood. His own feeling was that a Government role here would be too intrusive, and that the Government in any case did not know how to achieve the desired result.

There followed a discussion about the sale of council houses. The extension of home ownership was, it was argued, transforming the inner cities. Much had been achieved in this area, but there was still much to be done.

The Prime Minister, concluding the discussion, asked the CPRS to go through the papers which had been submitted for the meeting, and make a list of proposals for action. All new proposals which

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involved additional expenditure should not be ruled out on that account, although the aim should be to minimise any addition to public expenditure or any reudction in revenue. The group would meet again in, say, November, to monitor progress. The aim was to ensure that the Government's policies took full account of its objectives for the family.

I am copying this letter to Imogen Wilde (DES), David Edmonds (DOE), Jonathan Spencer (Department of Industry), Richard Bird (Department of Transport), David Clark (DHSS), Barnaby Shaw (Department of Employment), Sarah Kippax (Home Office), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholar

Peter Jenkins, Esq.,
H.M. Treasury.

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