



10 DOWNING STREET

Mr Turnbull

To note X - it might be worth mentioning to the PM if the subject comes up again.

And to note Y as a letter should be coming to you. I hope it was a sensible suggestion.

D. L. Willetts

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5 November 1984

NOTE FOR THE RECORD

MEETING WITH MR TONY NEWTON, MINISTER FOR SOCIAL SECURITY
THURSDAY, 1 NOVEMBER 1984

Strikers' Benefits

X | The Minister explained the background to his poor showing in the Panorama programme which revealed that miners were diverting Supplementary Benefits payments, intended to pay the costs of mortgage interest, to meet their immediate needs. Mr Newton had been led to believe that the Panorama programme would be an attack on the Government for the meanness of the benefit rules for strikers. He had recorded a 20-minute interview to meet this line of criticism: it had then been drastically cut and used out of context. This is yet another warning of how wary one has to be of Panorama.

We agreed that the neatest solution to the problem of miners' mortgage interest payments was the one which was now being implemented - changing the regulations so that mortgage interest payments for strikers were paid direct to the building society. We agreed that it would cause excessive administrative costs to change the arrangements for the 250,000 Supplementary Benefit claimants receiving mortgage interest payments. In the longer term, the DHSS

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would consider the idea of a loan scheme, as suggested by the Prime Minister. But he was sceptical about the ability of Benefit Offices to act as debt-collecting agents after a strike. Apparently the old Social Assistance system did operate by loans, and when the system was changed to straight grants in about 1947 a lot of loans outstanding from the General Strike had to be written off. We did not discuss the scope for reclaiming the debts through deductions from other benefit payments (notably Child Benefit) or even straight deductions from PAYE at source.

I suggested that one of the main reasons why the Prime Minister had been so irritated by the Panorama programme was that it was the first she had known of the issue. He said that it was also the first that the DHSS had known of the problem. I suggested it might be useful if DHSS were to send to Andrew Turnbull a note setting out the basic facts of benefit expenditure on striking miners' families, and listing the various points at which the system was being put under strain. It would go on to explain what action the DHSS was taking to cover any loopholes or tighten their procedures. A suitably exhaustive list should reduce the chances of a repetition of the fiasco.

MISC 107

He supported the work of MISC 107, which he hoped would complement the Children and Young Person's Review carried

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out by the DHSS. The CYPR was moving towards a considerable tightening of the benefit regime for young people, and it would be presentationally attractive to link this with extended MSC programmes and also the Passport for a Job scheme.

We agreed that the availability for work test was applied less rigorously in the benefit system than it had been. We identified two reasons for this:

- Staff cuts.
- The difficulty of getting useful evidence when there were so few vacancies relative to the number of the unemployed.

We agreed that an extensive benefits-plus scheme (which I floated in a speculative way) might be a good way of dealing with the second problem, and provide scope for greater stringency in applying the test of availability to work.

Review of benefits for children

Mr Newton confirmed that after the Seminar, they were encountering considerable difficulties in identifying any feasible reforms in this area. He was attracted by a simplification and rationalisation of the minor benefits for children - One-Parent Benefit, FIS and the child rates in

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Supplementary Benefit. But if Child Benefit remained fixed in real terms, there was no scope for raising the funds to finance such a new second-tier benefit. We agreed that there would be too many losers from a reduction in the level of Child Benefit to finance this new second-tier benefit within a given total of public expenditure. On the other hand, if such a new benefit could be established, it could be a vehicle for reducing public expenditure in total. Not uprating Child Benefit would be easier to defend if the least well off were being protected by uprating the second tier of the benefit; and savings might be generated for use in raising tax allowances if the reduction in expenditure outstripped the cost of the sweetener.

Tax

Mr Newton thought that the tax system was unfairly generous to two-earner families (a view also held by the Chancellor). For a given level of tax expenditure, he would prefer a family tax allowance rather than one for the married man which could then be supplemented by a wife's earned income allowance. He believed that it would be politically attractive to identify the family more explicitly in the tax system, and might also make it easier to cut back Child Benefit in the medium term.

We agreed that the IFS book had stimulated some rather ill-informed comment about the scope for merging the tax and

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benefit systems. I suggested that the Green Paper on Benefits would need to explain very clearly what was possible after computerisation, and what was being done to ensure that benefit computers should speak unto tax computers. But it would also have to explain why some of the wilder schemes for a total merger of the two systems were not feasible.

David Willetts

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