

cc. Mr. Butler . 4
Mr. Scholar
Mr. Mount

PRIME MINISTER

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SEMINAR ON GOVERNMENT POLICIES FOR HEALTH, SOCIAL SERVICES
AND SOCIAL SECURITY

I welcome this opportunity to discuss the wide range of issues raised in the paper prepared by officials. Our main political objectives must set the context for the discussion. I thought it would be helpful if I summarised my own approach in a personal note to you and Nigel Lawson and Peter Rees.

Within the overall constraints of public expenditure we should judge our social services against four broad criteria:

- they should be directed towards the areas of greatest need;
- they should encourage individual and family responsibility and not penalise thrift;
- they should be simple to administer and efficiently managed;
- they should not duplicate or replace what can be better provided by the private sector.

Whilst these criteria appear quite straightforward the paper by officials demonstrates that they have proved very difficult to apply in practice. I hope that in the seminar we will find ways of tackling the more important deficiencies and achieving greater consistency of approach.

I have considered and rejected the option of a comprehensive review of the present structure of benefits and services of the kind undertaken by Beveridge. It would take too long, stifle much

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needed initiatives and would be difficult to mount in a way which kept a firm Ministerial grip on its work. Moreover, there is much in the existing structure which has stood the test of time and to which we remain committed. For example we remain committed to a National Health Service which will continue to be financed largely from taxation.

The right approach in my judgement is to define those specific areas where we can demonstrate that the existing benefits and services are not meeting our objectives. The main areas would be:

Provision for Old Age. The main questions here are the long term viability of an earnings related pensions scheme, the ratio of state and private sector pension provision and the way in which the needs of the frail elderly living in the community are met through a mixture of public, voluntary and private provision.

Supplementary Benefit. This has been the fastest growing benefit. It continues to be the most time consuming and complex area of social security provision despite the reforms carried through in 1980. Fundamental and radical change may be necessary particularly in relation to the unemployed. A review would need to tackle the question of incentives as well as the structure of the scheme and the needs of different groups.

Family Support. The problem on the social security side is meeting low income needs without destroying incentives. The existing instruments for this are child benefit which is very expensive and family income supplement which was never intended as a permanent measure and has the poverty trap as a consequence. The issues on the health side are first the continuing demand for more services for the whole family, from birth to very old age, accentuated by demographic change

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and also the open-ended costs of the family practitioner services.

A thorough study of each of these issues would be a formidable programme of work. I believe this would be worthwhile provided that each was precisely targetted, under Ministerial control and drawing on outside expertise. But this would require us to be open as far as possible about the area and content of our review. There are obvious risks in such a strategy but the risks of trying to conduct a review in secrecy and failing are much greater. The risks can be minimised by demonstrating that this is not just an exercise to reduce expenditure but a review to better the performance of the welfare state. Certainly excessive costs would be one of the reasons for review but equally so would be public dissatisfaction and concern about standards of care, inefficiency, consumer choice and over reliance on state provision. I feel that we should confront these important issues of social policy and public expenditure by taking and being seen to take such initiatives.

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