



Prime Minister

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To note at this stage.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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31/7

PRIME MINISTER

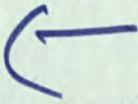
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BENEFIT LIMIT

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The Secretary of State for Social Services sent me a copy of his minute to you commenting on my minute of 15 July.

2. I have asked my officials to put in hand, in conjunction with officials of interested Departments, further work on the level of social security benefits notably in the context of work incentives, on the lines I suggested and you have endorsed. There is however one matter raised in the Secretary of State's minute which I should like to comment on now. This concerns the question of holding back supplementary benefit childrens scale rates. I appreciate the Secretary of State's concern. But it seems to me to be indefensible, in terms of the current economic position and particularly our work incentives policies to let the differential between the scale rates and child benefit continue to grow. Since we came to office, a combination of complete price protection of scale rates, restructuring of the scale rates themselves, and a 75p increase this November in child benefit has led to startling increases in the gap. Thus for 11 to 12 year olds, the excess in May 1979 was £2.55, while in November



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1981 - assuming a 10 per cent uprating of child benefit and of childrens scale rates - the excess will be £6.35 per week, an increase of £3.80. For under 5's the excess will go from 40p per week to £2.55 per week, an increase of £2.15 per week.

3. These are big differences and big increases. I note what the Secretary of State says about the need to preserve our record on the supplementary benefit scheme, and I am aware also that many of those on supplementary benefit are not in the "incentives" target area. But to my mind there is cause for concern in a system which produces growing differentials of this order, and this is one of the things which we must consider when we have the further work we have commissioned from officials.

4. Meanwhile, even if nothing else can be done, I think there would be a strong case in November 1981 for holding back the supplementary benefit scale rate increases at least so as to provide that the cash differential between these rates and child benefit which will exist at November 1980 does not increase.

5. I am copying this minute to Members of E Committee, the Secretary of State for Social Services, Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

G.H.

31 July 1980

31 JUL 1980



COMPUTER

Ann Amis Social Sec²



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This dispute with
has to be resolved
when the further studies
on work incentives
are finished in the
autumn.

PRIME MINISTER

BENEFIT LIMIT

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I am sorry to protract this three-cornered correspondence but I feel I must comment at once on what the Chancellor says in his minute of 31 July about supplementary benefit children's rates. The particular rates he has quoted are those which we are deliberately increasing as part of the Government's reform of the supplementary benefit scheme and were approved by colleagues last year. We are currently taking credit for giving this badly needed additional help to the poorest families, the great majority of them, as the Chancellor says, not in the "incentives" target area. For instance, two-thirds of the families concerned are one-parent families, and a significant number of the rest are families where the 'breadwinner' is disabled. Child poverty is a potent rallying cry, among our supporters as well as our opponents, and I think we must be very careful about anything that looks like attacking poor families with children.

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There are several reasons for the difference between child benefits and the supplementary benefit children's rates. Primarily, child benefit is intended only as a contribution towards the costs of bringing up a family. The SB children's rates are intended to cover the full cost. It must also be remembered that child benefit is a flat rate benefit (except for the lone parent premium), whereas the SB children's rates are age-related. One reason for the widening gap this November, of course, is that we have not been able to price-protect child benefits. We have price-protected the supplementary benefit rates, but even so there are serious professional doubts about their adequacy.



I am, of course, entirely ready to discuss these matters with the Chancellor when officials have carried out the studies on work incentives to which he refers, but I am quite sure that we should not come to any conclusions at this stage about what we should do with the supplementary benefit children's rates at the 1981 uprating.

I am copying this to members of E Committee, Sir Robert Armstrong and Mr Ibbs.

1 August 1980

PJ

Approved in draft by
the Secretary of State.
David Jenetz
1.8.80

CONQUEROR

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CONFIDENTIAL

Prime Minister 2

GC Holtshyn



PRIME MINISTER

BENEFIT LIMIT

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Mr Jenkins has reservations about the possibility of further measures to cut back short-term benefits.

Play A The Chancellor sent me a copy of his minute to you of 15 July. 12 2577

I agree with his conclusion that it is not possible to devise a satisfactory benefit limit which does not complicate matters and produce administrative expense. I also accept that we need to continue to examine this problem of work incentives. But may I just record a degree of reservation at the emphasis which the Chancellor places on this? Whatever further steps we consider, we must remember that we have already taken some pretty drastic steps, in the interest of sharpening incentives, over the level of short-term benefits and the abolition of earnings-related supplement. The impact of these has not yet been felt: but it will be biting pretty sharply by the time any further measures we might contemplate could come into effect. And this will be at a time when the level of unemployment is bound to be very high.

Against that background I should be particularly concerned over the suggestion that the supplementary benefit children's rates might be held back. I fear this would put us in the worst possible light, in terms of our commitment so far to maintain the supplementary benefit safety net, and our manifesto undertaking to bring more effective help to those in greatest need. The evidence is that it is families with children where the breadwinner is on benefit or getting very low wages that we should be most concerned about. We ought not to give our opponents any room to challenge our record on this score.

We should also bear in mind that by 1982, unemployment benefit will be taxed, including supplementary benefit paid to the unemployed. That will go a long way to meeting our objectives on the "Why Work?" syndrome.

I am copying this to members of E Committee, Sir Robert Armstrong and Mr Ibbs.

PJ

PJ

25.7.80

CONFIDENTIAL

25 JUL 1980

