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From the Principal Private Secretary

19 November 1982

Dear David,

ABATEMENT OF UNEMPLOYMENT BENEFIT

Your Secretary of State called on the Prime Minister this evening to report on the discussions which he had had with the Chancellor of the Exchequer and Chief Whip about the tactics to be followed in the debate on the Opposition Motion about the abatement of unemployment benefit on Monday, 22 November. Your Secretary of State said that Ministers had concluded that the option of saying that the unemployment benefit would be higher by some 2½% following this November's uprating and that this over-payment would be maintained was not a viable way of winning support in the House. It would immediately lead to the proposition that if the over-payment to the unemployed was to be maintained, it should also be maintained for the old age pensioners and recipients of other benefits. The choice was therefore between persuading the House to reject the Motion on the grounds that it would be better to keep the options open until the time of the budget or to indicate, directly or indirectly, that the Government would be announcing an uprating in the budget which would restore the 5% in full. The difficulty about the first option, which in your Secretary of State's view distinguished unemployment benefit from the old age pension and other benefits, was that there was an explicit pledge to make good the 5%: the natural interpretation of such a pledge was that it would be fulfilled in the life-time of the Government and, since the 1983 uprating would be the last before the General Election, it was difficult to avoid conceding that the 5% would be restored at that uprating.

The Prime Minister said that she would greatly prefer to hold to the position agreed at the time of the public expenditure discussions, which was that the options should be kept open until the time of the next budget. There was £190 million in a full year (£70 million in 1983/84) available as a contingency margin in the social security programme. This money could not be spent twice. If part of it were committed now it would not be available for other uses, particularly the old age pension. It was essential to get across to those Members of the Government party who wished to commit the Government now to restore the 5% abatement that the money could not be spent twice. Unless they were prepared to accept the implication that a commitment to make good the 5% abatement of unemployment benefit would reduce the amount available for the old age pension, the only remaining

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option would be to increase the employees contribution to the National Insurance Fund.

The conclusion of the discussion was that the Chief Whip should be asked to put the issues squarely to those Members of the party who were known to be hesitating about whether they could vote against the Opposition's Motion. It should be made clear to those Members that if they preferred that the Government now committed itself to making good the 5% unemployment benefit, they were thereby choosing that less funds should be available for the old age pension or other benefits. The Government might have to make clear that Ministers would have preferred to keep this option open until the time of the budget. The Prime Minister asked your Secretary of State to let her know during the weekend what was the outcome of the Whips enquiries, so that in the light of that the line to be taken in the debate could be further considered.

I am copying this letter to John Halliday (Home Office), John Kerr (HM Treasury), David Heyhoe (Lord President's Office), John Gieve (Chief Secretary's Office), and Murdo Maclean (Chief Whip's Office).

Yours sincerely,

Robin Butler

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Department of Health and Social Security.

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