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Prime Minister (2)To note how KJ sees
the problem of students
claiming SB & HBAT
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DEPARTMENT OF EDUCATION AND SCIENCE

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FROM THE SECRETARY OF STATE

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
London SW1

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17 January 1985

Dear David,

PROVISION FOR STUDENTS

Thank you for your letter of 21 December. I am glad to have your support for my proposal to increase the numbers of electronic engineers.

You refer to one possible source of funding to finance the proposal, namely a cut-back in the claims which students currently make for social security benefits. Students are, as you say, able to claim supplementary benefit (SB) during the long vacation. This is because there is no provision in their grants to cover that period. (Some students having requirements above the non-householder scale rate may also claim SB in the short vacations). Students are also able to claim housing benefit (HB) where there is a demonstrable need over and above the provision for accommodation costs which is included in their grants.

I do agree with you that there is a case for examining the present arrangements to see whether there is any scope for directing support more selectively to those students who are in real need of it. This is already in hand in an inter-departmental working party of officials under DHSS chairmanship. We must not however imagine that there is an easy answer, or one which will necessarily produce significant savings in public expenditure. Even under the present arrangements it is not the case that students can claim benefits indiscriminately: they have to show a genuine need, after their grant and any other income have been taken into account.

It is true that in the past decade there has been a sharp rise in the number of students claiming SB, and more recently HB. This may in part be due to students generally being better informed about their rights. But undoubtedly the most significant factors over the same period have been the drop in the number of employment

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opportunities available to students, especially in the long vacations; the growth in the number of students resulting from demographic change and increased participation in higher education; and the reduction in the real value of the grant itself. The combination of these factors has led to the increase in SB payments on which you remark. As to HB, part of the reason for an increase in payments to students on this account has undoubtedly been the growing scarcity and growing demand for part-time jobs, which has led to more students living away from home in the long vacation to seek work. ?

A move from grants to loans for students - something which I have made it clear that I personally favour - would of course change the whole framework. This would put students in much less of a privileged position than they occupy now. In general, though, whatever the main characteristics of student support, it is not apparent why students should be any less entitled to benefits than other members of the community. Of course we must aim to avoid abuses of the system. In this connexion I sympathise with the point which emerged from our recent talk - that HB should not be available in the long vacation to students in cases where they have a satisfactory parental home to go to. But in some cases students who need vacation jobs to supplement their grants may more sensibly seek these where they are studying rather than where they come from; and I think that we would need to be careful about reducing opportunities of this kind.

Despite the problems, I am hopeful that my review and Norman Fowler's will come up with a more rational, equitable and economic system of student support. But any yield from change will be long term, especially from a switch to loans. In the meantime it remains urgent to identify sufficient resources for universities to take action from 1985/86 to secure additional increases in the output of graduates in shortage areas. As you know, the Prime Minister has now agreed to hold a discussion shortly with those involved to take this matter further.

I am copying this letter to the Prime Minister, Nigel Lawson, Norman Fowler and Norman Tebbit, and also to George Younger, Douglas Hurd and Tom King.

Emman,
Ken

Education: Expenditure Pt 4.

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From the Secretary of State for Social Services

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
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LONDON
SW1A 2AS

10 January 1985

Dear David.

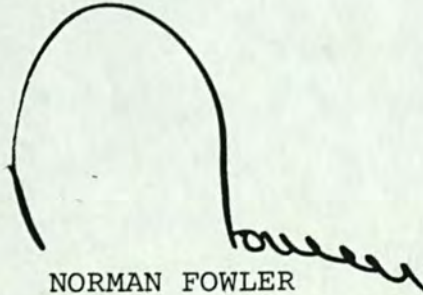
PROVISION FOR STUDENTS

Thank you for sending me a copy of your letter of 21 December to Keith Joseph.

You will not be surprised, I am sure, to find that the subject of benefit entitlements for students is one which has been under active consideration for some time in my social security review. Indeed, I raised it during the last public expenditure survey. I think we are all agreed on the principle and the implications of withdrawing benefit entitlement are now being examined by an official committee. The issue will have to be addressed both in the report of my review and in Keith's review of student support and we will need to consider its presentation carefully.

As far as finance is concerned, the effect of all changes flowing from my review will have to be considered together. The use of any savings which result from the decisions we reach on the review will, as I am sure Nigel Lawson would agree, have to be considered collectively. They certainly cannot be pre-empted now for quite unrelated purposes in different expenditure programmes.

I am copying this letter to the recipients of yours.

Yours etc.

NORMAN FOWLER

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EDUCATION
Expenditure Pt 4

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CABINET OFFICE

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From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Sir Keith Joseph Bt MP
Secretary of State for
Education and Science
Department of Education and Science
Elizabeth House
York Road
London SE1 7PH

21 December 1984

Yes Keith,

PROVISION FOR STUDENTS

As you know, I have been thinking about ways in which extra resources might be found to help finance your proposal for an increase in the numbers of electronic engineers. I regard such a move as critically important in gearing higher education to the needs of the changing world outside and I believe that even now we may still be underestimating the scale of the problem.

There is one possible source of funding, as yet untapped, that I think we should consider. I have believed for some time that it is wrong that the social security system should underpin student grants to the extent that it now does. I recognise the sensitivity of any move in this area in the light of recent events. It seems to me however that it should be possible to rewrite the rules so as to target help more closely on those students in real need of extra support during their time at university, rather than making virtually universal help available.

I understand, for example, that as many as 200,000 students might qualify during the long vacation for the non-housholder rate of supplementary benefit (SB) - that is £22.45 a week - and that provision for students within the SB scheme might amount to as much as £60 million a year. Nor does this drain on resources end there, for I gather also that students may be entitled to housing benefit (HB) in some circumstances - and indeed that as many as 150,000 of them might be claiming HB during the university term. Expenditure in this area may be a further £40 million or £50 million a year. This means, in effect, a supplement to the student grant, not explicitly approved by Parliament, of perhaps £2 or £3 a week in individual cases.

In today's economic climate, students' position as a privileged group who have in general greater expectations than their peers of occupying well paid jobs is thrown into sharp relief. Subject of course to Norman Fowler's views, I would be in favour of ending their SB entitlements. As to SB, I recognise that there would have to be cover for those with family responsibilities, and for students in the poorest families; but I believe the system should be re-designed with that objective in mind, and independent entitlement to SB curtailed for all others. I suggest that, for the majority, the model should be the college system in the United States, where a student is generally expected to enrich and add to his academic experience by working his way through college.

If there is anything in this it would go some way to providing the amount - rising to £44 million in 1987/88 - which you would need to finance "the switch". It seems to me that this is a move which is quite defensible politically in that it would be directed at increased resources for students elsewhere in the system. Moreover, the dramatic increase in the numbers of student claimants to SB did not come about until the 1970s, and it is clear that their HB entitlement is almost accidental. (I imagine that before HB was introduced in 1982, few students would have qualified for SB - and therefore an addition for their rent - during the university term.)

I am copying this to the Prime Minister, Nigel Lawson, Norman Fowler and Norman Tebbit.

Lawson
Nigel