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PRIME MINISTER

MISC 111

At tomorrow's MISC 111, it might be useful to distinguish between:

- structural reforms;
- new rates of benefit.

The structural changes are sensible. Norman Fowler is to be congratulated on taking a bold strategic look at the benefit system. He is proposing:

- abolishing SERPS; ✓
- massively simplifying Supplementary Benefit;
- abolishing the separate Housing Benefit means tests; *Pavelis*
6/2/85
- a purge of decaying minor benefits such as Death Grant and Maternity Grant;

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- abolishing Family Income Supplement and holding Child Benefit to finance a family credit for poor working men.

But after praising him for this achievement, we then want to press him to set tougher rates of benefit within the new structure so as to achieve expenditure savings. The structural changes enable us to achieve savings which would otherwise be politically impossible. And they offer the prospect of better control of spending in the future.

The current benefits system could have been designed by Heath Robinson. Norman Fowler is proposing a much better mechanism. The argument is about how it is to be calibrated.

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