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PRIME MINISTER

Supplementary Benefit: Earnings Disregard
for the Long-Term Enemployed
(MISC 111(85)10)

Flag A

BACKGROUND

Flag B.

1. At MISC 111(85)4th Meeting, the Group completed its discussion of Mr Fowler's proposals on supplementary benefit (SB) with the exception of his proposal to increase the earnings disregard for married couples who have been on benefit for more than a year from £4 a week each to £15 for their combined earnings; and to increase similarly the disregard for the long-term sick and disabled and one-parent families.

MAIN ISSUE

2. The issue for discussion is whether the earnings disregard should be increased in this way.
3. The case for the increase is that the present rules positively discourage wives from working if the husband is on SB. As a consequence the family loses all contact with the world of work. Mr Fowler argues that if this contact can be re-established by increasing the disregard then the chances of one or both of the couple finding full-time jobs is much increased. This is because much recruitment and job searching takes place through informal channels in the labour market.
4. There must be a question-mark over whether the increase proposed will be sufficient incentive to achieve the objective. There is also the risk that the concession will be abused. Mr Fowler has sought to counter-abuse by confining the change to married couples and to those who have already been on SB (with the lower level of



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disregard) for a year. He proposes also to monitor the effect of the change and to withdraw it if it is not effective. He expects the change to cost £30 million per annum; this is already taken into account in the £160-£170 million net savings from SB noted at the last meeting.

HANDLING

5. You will wish the Secretary of State for Social Services to introduce his memorandum. The Chief Secretary, the Secretary of State for Employment and the Minister without Portfolio may in particular wish to contribute.

CONCLUSION

6. You will wish the Group to decide -

- (i) whether the earnings disregard should be increased for
- married couples on benefit for more than a year
 - the long term sick and disabled
 - one-parent families

whether the increase should be up to £15 a week.

C J S BREARLEY

22 March 1985
Cabinet Office



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