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PRIME MINISTER

Social Security Reviews - Remaining Issues  
(MISC 111(85)1; Appendices 5 to 12)

Tomorrow's meeting ought to try to deal with all the specific issues which have not yet been considered, ie -

- i. PROVISION FOR YOUNG PEOPLE AND STUDENTS
- ii. UNEMPLOYMENT BENEFIT
- iii. DEATH GRANT
- iv. MATERNITY GRANT
- v. MATERNITY ALLOWANCE AND MATERNITY PAY
- vi. INDUSTRIAL INJURIES BENEFITS
- vii. WIDOWS BENEFITS
- viii. NATIONAL INSURANCE CONTRIBUTIONS

A series of briefs on each of these areas is attached. All of the proposals will probably be of interest to the public at large or important groups; but insofar as time is short you will probably wish to spend most time on those proposals which touch on the areas of highest public expenditure and seem likely to attract greatest interest -ie. unemployment benefit, industrial injuries benefits and widows' benefits.

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26 March 1985



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(i) Provision for Young People and Students  
(MISC 111(85)1; Appendix 5)

The proposals about entitlement to supplementary benefit (SB) for unemployed 16 and 17 year olds were discussed in the context of the proposals for expanding the Youth Training Scheme. As you know, it was concluded by the Ministerial Sub-Committee on Economic Affairs that decisions on the withdrawal of entitlement could only be taken once the new training scheme was fully in operation (E(A)(85)6th meeting).

2. There is however a separate proposal for withdrawing entitlement of students to SB and housing benefit (HB), making them the responsibility of their parents and whatever student support arrangements emerge from Sir Keith Joseph's review of student grants. Savings could be £100 million and 200 staff. There would be offsets in DES budgets.

HANDLING

3. The Secretary of State for Social Services should introduce. The Secretary of State for Education and Science and the Chief Secretary, Treasury will have views.

CONCLUSIONS

4. It would seem premature to reach decisions on the benefit entitlement of students until the review of student grants (and loans) has been completed, but views on the principle of withdrawing SB and HB might be recorded.

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ii. Unemployment Benefit  
(MISC 111(85)1; Appendix 6)

BACKGROUND

1. The proposal is to replace the present 12 month unemployment benefit (UB) with a higher contributory 6-month benefit (slightly higher than the new SB rates to avoid overlap). Eligibility would be based as at present on a contributions test, an earnings test or period in work test. There would be a more generous limit on spouses' earnings. This scheme is intended to provide more adequate income for the short-term unemployed in order to avoid overlap between UB and SB and simplify administration; to help families with children more and single people less; and to assist job-searches and labour mobility more in the first (important) 6 months of unemployment. There is expected to be nil net effect on expenditure (which currently totals £6,400 million including related SB and HB) and DHSS staff savings of up to 500.

MAIN ISSUES

2. (a) The level and appropriateness of the differential between UB and SB

(b) Means testing. Some people will have substantial savings, but it can be argued that savings of all job-seekers should be protected for a period.

(c) Whether 6 months equates with 'short-term unemployment' About 17% of the registered unemployed are unemployed for between 6 and 12 months and will be forced on to SB. Presentation may be difficult.

HANDLING

3. The Secretary of State for Social Services to introduce.



The Secretary of State for Employment and the Chief Secretary will wish to comment.

#### CONCLUSIONS

4. You will wish the Group to reach conclusions on whether to replace the present contributory scheme with one

- (i) giving benefit for 6 months
- (ii) with slightly higher rates than SB to avoid overlap
- (iii) and an increased earnings disregard for spouses
- (iv) with no net change in expenditure.

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(iii) Death Grant  
(MISC 111(85)1; Appendix 7)

BACKGROUND

1. At present a £30 death grant is paid in respect of people covered by the national insurance scheme. Even a simple funeral now costs about £350. £17 million is paid in benefit; administration costs £12 million and needs 690 staff. The proposal is to abolish the grant, leaving most people to provide entirely for themselves. Those relatives who could not afford a funeral would receive immediate help under the new (cash limited) social aid scheme which would then be recovered from the estate or any resources available to the claimant. Annual benefits would cost some £2 million, and £15 million and 500-600 staff would be saved.

MAIN ISSUES

2.(a) Whether to abolish the existing grant. Its current level is derisory and administration costs will soon overtake benefit spending. One principle of the Review is that people should make their own provision wherever possible.

(b) Whether to make fallback 'social aid' payments. This would be consistent with the twin pillar approach; but can expenditure be confined to £2 million and will recovery procedures complicate administration and lead to unfavourable publicity?

HANDLING

3. The Secretary of State for Social Services to introduce. The Chief Secretary may wish to comment on financial implications, and the Paymaster-General and Chief Whip on public and Parliamentary reaction.



## CONCLUSIONS

4. You will wish the Group to reach conclusions on -

- (i) whether the death grant should be abolished
- (ii) whether there should be fallback payments from the social aid scheme and whether these should be recovered from the estate or other resources of the claimant.



iv. Maternity Grant  
(MISC 111(85)1 Appendix 8)

BACKGROUND

1. At present there is a standard non-contributory (since 1982) maternity grant of £25. It meets only a very small part of the costs of having a baby. Mothers on SB receive additional help; those in low-income families do not.

The proposal is to abolish the general benefit, and introduce a \$75 grant for mothers in receipt of SB or family credit. The aim is to concentrate help on poor families, whether in or not in work; remove a minor benefit from the majority who ought to make their own provision for parenthood; and achieve modest expenditure savings (about £10 million) and manpower savings (unspecified).

MAIN ISSUES

2(a) Abolition of the standard grant. This is already unrealistically low and the general principle is that people should make their own provision wherever possible.

(b) Help for the poor. This would be consistent with the twin pillar approach. Linking eligibility to receipt of SB or family credit, and maintenance of a standard level of payment, would appear logical and administratively straightforward.

HANDLING

3. The Secretary of State for Social Services should be invited to introduce his proposal briefly. The Chief Secretary may wish to comment on financial implications.

CONCLUSION

4. You will wish to reach conclusions on
- (i) whether to abolish universal maternity grant
  - (ii) whether to replace it with a grant of £75 for those on SB or Family Credit.

v. Maternity Allowance and Maternity Pay  
(MISC 111(85)1; Appendix 9)

## BACKGROUND

1. At present expectant mothers who were recently regularly employed may receive maternity allowance (MA) of £27.25 a week for 18 weeks from DHSS (total cost £169 million a year). If employed full-time for 2 years or part-time for 5 years they may also receive maternity pay (MP) from employers for 6 weeks at a rate of 90% of pay less £27.25 (whether or not MA is also received). Employers contribute to and draw as necessary from the MP Fund; the total cost is £63 million a year. The proposal is to introduce a single system of statutory maternity pay (SMP) of similar level and with similar operating arrangements to statutory sick pay (£28.55 to £42.25 a week depending on earnings). The period of payment would be flexible. Employers' contributions would be reduced though their caseload would double. Benefits would be taxed.

2. The aim would be to reduce wasteful overlap between MA and MP; and gear support more towards the needs of expectant mothers who give up work in good time; over 500 staff would be saved. There would be quite large public expenditure savings (£220 million pa) but this is because the funding arrangements are different - there would be no change in the PSBR.

## MAIN ISSUES

3. (a) The proposal is a substantial rationalisation but would it be possible to be less generous and make some real savings?

(b) Employers will have to deal with double the present number of cases. Is this a reasonable burden, and will they accept it?





## HANDLING

4. The Secretary of State for Social Services to introduce. The Secretaries of State for Employment and Trade and Industry and the Minister without Portfolio may wish to comment, especially on employers' attitudes. The Chief Secretary will wish to speak on the public expenditure aspect.

## CONCLUSION

5. You will wish the Group to reach a conclusion on

whether to replace the present arrangements for maternity allowance and maternity pay with a single statutory maternity pay scheme administered by employers.

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vi. Industrial Injuries Benefits  
(MISC 111(85)1; Appendix 10)

BACKGROUND

1. Under the scheme established in 1948, there are 3 broad groups of benefit:

(i) Industrial disablement benefit, of £58.40 a week for 100% disablement, down to £11.68 a week for 20% disablement. Below that lump sum gratuities are paid: £3880 for 19%, £388 for 1% and smaller amounts for temporary disablement. Total recipients 185,000; total cost £377 million.

(ii) Industrial death benefit for widows of £50.10 for 26 weeks, then £36.35 or £10.74 depending on age and children. Total recipients 30,000, total cost £56 million.

(iii) Other benefits. 5,000 recipients; cost £5 million.

2. The proposal is now to implement - at nil net cost - most of a 1981 White Paper scheme, involving:

← (i) Streamlining, through abolition of industrial death benefit (leaving widows to rely on national insurance widows' benefits) and of hospital treatment and constant attendance allowances (the latter being covered by the attendance allowance available to those in need of care and attention).

(ii) Concentrating help on those in greatest need, by removing disablement benefit for minor, temporary disabilities but extending the special hardships allowance (compensation for loss of earnings) to more severely disabled.

(iii) removing minor anomalies eg by covering accidents abroad.

Additionally (iv) a further study is proposed of the need for the remaining provisions of the scheme including the special needs of the occupationally disabled and the scope for transferring more responsibility to employers.

#### MAIN ISSUES

3. The main issue is the acceptability of the proposals. There will be up to 100,000 losers of relatively small amounts. They will be the less disabled but they are likely to evoke a good deal of sympathy. Is it worth making the changes for broadly no savings? It might be better to defer conclusions in this area until the further study is complete.

#### HANDLING

4. Secretary of State for Social Services to introduce. The Chief Secretary and the Secretary of State for Employment may wish to comment.

#### CONCLUSION

5. You will wish the Group to reach conclusions on

(i) the abolition of industrial death benefit and the special allowances for hospital treatment and constant attendance.

(ii) concentrating help on those in greatest need

(iii) whether a further study of the remainder of the industrial injuries scheme should be undertaken.



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vii. Widows Benefits  
(MISC 111(85)1; Appendix 11)

BACKGROUND

1. At present there is a widows' allowance of £50.10 for 26 weeks (total cost £89 million). For those with children there is then a widowed mother's allowance of £35.80 (cost £228 million). Childless widows aged 50 or more receive a £35.80 widows pension and those aged 40 to 50 receive reduced rates. (Cost £477 million). Benefits are taxable but not subject to an earnings rule.

2. The proposals concern only widows under 60. They are to:

(i) replace the widows' allowance worth about £1300 with a lump sum of up to £1,000. (possibly payable also to widowers with children).

(ii) raise the qualifying age for widows' pensions (ie. for those without children) from 40 to 45.

(iii) pay reduced-rate widows pensions from 45 to 55 instead of 40 to 50.

They take account of the facts that nowadays more married women, and widows work; that more lone parents are now divorced or separated people; and that over 90% of occupational pension schemes now provide widows' pensions and about half provide them for widowers. The aim would be to reduce the state's role and increase that of the private sector; concentrate help on widows over 45 and those with children; provide more immediate help through the lump sum; and minimise difficulties and costs if the EC Equal Treatment Directive is extended to cover male and female survivors. Public expenditure growth should be halted and possibly reversed in the future; and DHSS manpower should be saved.



## MAIN ISSUES

3.(i) Should the widows' allowance be turned into a lump sum and at what level? A lump sum to deal with immediate problems seems a welcome innovation, and might make the other changes more acceptable.

(ii) Higher age thresholds for (childless) widows' pensions. How much will these save and do they fairly reflect present employment prospects? Would higher benefits and an earnings rule be more appropriate?

(iii) To what extent should widowers receive benefits? The suggestion is that they might qualify for the lump sum - no doubt because they too face immediate costs which the new death grant will not generally cover - whilst more general comparability would be too expensive.

## HANDLING

4. The Secretary of State for Social Services to introduce. The Chief Secretary and the Secretary of State for Employment may wish to comment. The Lord President, the Paymaster-General and the Chief Whip will have views on how the changes would be received publicly and in Parliament.

## CONCLUSIONS

5. You will wish the Group to reach conclusions on:
- i. whether the widows allowance should be replaced by a lump sum;
  - ii. whether the age thresholds for childless widow's pensions should be raised;
  - iii. whether any of the benefits should be extended to widowers.



viii. National Insurance Contributions  
(MISC 111(85)1; Appendix 12)

BACKGROUND

1. The review concluded that the contributory principle is widely accepted and should continue (notwithstanding that future benefits are not funded) but that the structure could be improved. The main proposals in Appendix 12 are:

(i) to separate employers' and employees' contributions entirely

(ii) to levy employees' contributions on earnings above a threshold (say £20 a week)

(iii) greater alignment between assessment for NI contributions and PAYE

(iv) phasing out of the upper earnings limit (UEL) for employees

2. In his budget speech last week, the Chancellor of the Exchequer announced significant changes in this area affecting the self-employed, employers contributions, and contributions paid by employees at the lower earnings levels. These proposals effectively overtake those in the Appendix. Two important principles have been established - that all contributors do not need to be treated equally, and that employees and employers do not have to be treated alike.

MAIN ISSUE

3. It should be sufficient to note the developments in the Budget.

HANDLING

4. Secretary of State for Social Services and Chancellor of the

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Exchequer to introduce. Other Ministers may have views.

CONCLUSION

5. You will wish the Group to note the present position.