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Treasury Chambers, Parliament Street, SW1P 3AG
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23 April 1985

The Rt. Hon. Norman Fowler MP
Secretary of State for Social Services

STUDY OF TAX AND SOCIAL SECURITY SYSTEMS

on backup

I am sorry not to have replied before to your letter of 4 March.

I entirely agree with you that we need to take full advantage of the opportunities which may exist for closer co-operation between the tax and social security systems where these would result in greater efficiency, improved operations and better service to the public. The four areas which you identify in particular - assessment of title, payment of benefit, taxation of benefits and collection of revenue - represent a very useful categorisation of areas where we should look for closer links.

However, I am not convinced that it would be right to set up a study group as you propose, and in particular I suspect it would be unwise to announce that such a study was in progress. It would lead to unwarranted public expectations of the scope of the exercise and create demands for publication of the conclusions. As I see it, what we have in mind is essentially a further development of the kind of close co-operation in the development of working methods which already exists between your department, the Treasury and the Inland Revenue. This will be important in the run up to my own Green Paper on Personal Taxation, but will need to continue as a regular feature of relations between the Inland Revenue and DHSS over the next few years, as computerisation of both systems advances and as you prepare for implementation of your Social Security Reviews.

I hope you will think this a sensible way of taking the necessary work forward. If we can agree on this, it would follow that your own Green Paper should not announce any formal study of links between the social security and tax systems, but should say that full account will be taken of opportunities for greater links between the two systems. My officials have suggested to yours a form of words.

I am copying this letter to the Prime Minister and to other members of MISC 111.

NIGEL LAWSON

MISC III : SOCIAL SERVICES
P+Z.

24 APR 1985



Opposition Day

[10TH ALLOTTED DAY]

The Welfare State

3.35 pm

Mr. Michael Meacher (Oldham, West): I beg to move,

That this House calls upon the Government to withdraw its plans to abolish the State Earnings Related Pension Scheme and its proposals to cut back other key benefits as part of its callous dismantling of the welfare state designed to provide even bigger tax handouts for the rich.

Mr. Deputy Speaker (Mr. Harold Walker): Order. I have to tell the House that I have selected the amendment in the name of the Prime Minister.

Mr. Meacher: The motion sets out the demand that we place before the House on behalf of 10 million pensioners, 3.5 million unemployed, 3 million disabled persons and millions of others who may suffer sickness, bereavement or other misfortune.

The welfare state, while it needs genuine reform and improvement, remains for the British people the ideal of dignity and security against want in the face of economic and other adversity over which the individual has no control. It is against the destruction of that ideal, the intensification of the means-test state without dignity and the dismantled security that we raise our voice today.

In reply to our motion the Government's amendment is astonishing, not only in its unbounded smugness, but in being demonstrably inaccurate and false from start to finish. It begins by noting

"the Government's commitment to improving the . . . Health care systems in this country as shown by increased spending on the National Health Service".

I have news for the Government. Spending is going down, and that is official. Sir Kenneth Stowe, the permanent Secretary at the DHSS, confirmed last week to the Select Committee that current expenditure on the NHS in the last year fell.

The Government's amendment continues its self-congratulation by noting

"increased benefit levels for pensioners and others".

The truth is that by ending the earnings link in the uprating of pensions the Government have lowered the pension for a married couple by £5 a week, every week, below what it would have been if Labour's formula had been continued.

The Government's amendment then refers to their "reducing the burden of taxation and National Insurance contributions".

That is a rum one. In fact, under this Government, the rate of national insurance contribution has increased by 50 per cent. and the burden of taxation has increased by the equivalent of about 9p in the pound on average for the whole population, except those earnings over £20,000 a year.

The Government's amendment, obviously unable to find anything to say about the Government's social security and health policies that is both positive and truthful, falls back on the Goebbels lie by referring to "the Opposition's plans to end mortgage tax relief".

As I made unequivocally clear at the time, and since, the paper that I presented last week was a discussion document

and not a Labour party policy document. It is only malicious and fabricated press reporting that has implied otherwise. For the Prime Minister to reiterate such scurrilous misrepresentation is despicable, and it demeans her office.

It ill becomes the Tory Government to raise hackles about mortgage tax relief when, in the so-called Fowler reviews, they are about to abolish not only housing benefit for almost everyone in employment but all supplementary benefit mortgage payments for the poorest families struggling to buy a home. There could be no better proof that the Tory party was founded by the rich, of the rich and for the rich.

Mrs. Elaine Kellett-Bowman (Lancaster): Is the hon. Gentleman aware that many low wage earners in my constituency are buying their houses with mortgages? What can possibly be scurrilous about the Prime Minister drawing attention to the hon. Gentleman's outrageous suggestions even though he did not particularly want them published?

Mr. Meacher: I made it absolutely clear that we would continue with a system of housing aid, both for those in rented accommodation and for owner-occupiers struggling to buy a house. The only difference between our two parties is that the Labour party would aim to improve the level of housing aid for the poorest families, while the Tory party is apparently determined to abolish supplementary benefit mortgage aid.

Mr. Tony Marlow (Northampton, North): The House would not want the hon. Gentleman to be misrepresented. He has a wonderful opportunity to set the record entirely right. Can he tell the House that under no circumstances whatever would a Labour Government tamper with mortgage interest relief, particularly for those on above average incomes?

Mr. Meacher: That is a remarkable statement. The hon. Gentleman has some gall in raising that point when we know that because of the recent, 4 per cent. rise in interest rates monthly payments for those with a £30,000 mortgage increased by £57.60 a month. If the hon. Gentleman wants to assist owner-occupiers he should have a word with the Government Front Bench and the Chancellor of the Exchequer. I have made it absolutely clear that we would continue the system of housing aid both for those in rented accommodation and for owner-occupiers.

The Secretary of State for Social Services (Mr. Norman Fowler): I am not sure that the hon. Gentleman has entirely answered the point made by my hon. Friend the Member for Northampton, North (Mr. Marlow). What precisely was the status of the considered report which the hon. Gentleman put forward? What is the hon. Gentleman's personal position? Does he actually support the proposals that he put forward a week ago?

Mr. Meacher: The status of the document has been made absolutely clear, as the right hon. Gentleman would know if he had listened to what I have said, as opposed to listening to what has been said by certain members of the press, who have been determined to misrepresent my statement because of their hostility to the Labour party. —That is scarcely new. I have made it absolutely clear

[Mr. Meacher]

that it was a Green Paper, a discussion document, for serious discussion of a serious issue. I put the document in that vein, and I hope that it will be treated in that vein.

Mr. Frank Field (Birkenhead): Does my hon. Friend realise that there is considerable support from the Labour party for the ideas that he outlines in that discussion document?

Mr. Meacher: I believe that that is so. I believe that, when people know the purpose of that document, which is to take 8 million people who have been reduced to means tested poverty out of that degrading system, and realise all its implications—anyone is free to see that document, and I hope that it will be treated seriously—they will take a different view. I believe that electorally it has substantial vote winning potential.

Mr. John Butterfill (Bournemouth, West) *rose*—

Mr. Ralph Howell (Norfolk, North) *rose*—

Mr. Meacher: I shall not give way, except to the right hon. Gentleman.

Mr. Fowler: Does that mean that the hon. Gentleman stands by the proposals that he made a week ago? From what he has just said, he does.

Mr. Meacher: The Secretary of State should listen to my words. I should like to know whether he intends to abolish supplementary benefit mortgage payments for the poorest families struggling to buy houses and who are on supplementary benefit. That is a rather important question for millions of people who may otherwise lose their homes.

Mr. Dave Nellist (Coventry, South-East): Will my hon. Friend give way?

Mr. Meacher: I shall not give way, as I would rather get on.

Mr. Nellist *rose*—

Mr. Deputy Speaker: Order. The hon. Member for Oldham, West (Mr. Meacher) has said that he will not give way. I hope that the hon. Member for Coventry, South-East (Mr. Nellist) heard that.

Mr. Meacher: The Government have sought to justify this attack on the welfare state on the ground that the social security budget is growing out of control. It is growing, but not because of higher benefits—quite the reverse—but because the Government's other policies are forcing huge numbers of people into dependency. There are now more than 8 million people in supplementary benefit poverty in Britain, which is double the number in 1979. Nearly half of the increase in costs comes from the trebling of unemployment. Huge cuts in housing investment have greatly increased homelessness.

Mr. Butterfill: Will the hon. Gentleman give way?

Mr. Meacher: I shall not give way at the moment. Homelessness has swelled the budget for board and lodging payments. Supplementary benefit board and lodging payments have also been used improperly, and on a substantial scale, to finance an explosion of private sector homes for the elderly. The administration of all these and other claims has added a further £250 million to the budget.

The real answer to the growing social security budget is not to cut benefits. Indeed, the hon. Member for Derbyshire, West (Mr. Parris) could not even live for a week on supplementary benefit, and that is before it is cut even further. The real answer is to change the Government's policies which cause the poverty in the first place and which are multiplying the number in poverty every year. Nor need there be a lack of funding for the welfare state if the Government were so minded. Public expenditure constraints did not prevent the Government from finding another £2.5 billion with which to fight the miners, from finding £3 billion for the Falklands, or from finding another £12 billion over this decade for the defence budget, for Trident. It is all a matter of priorities—

Mr. Charles Kennedy (Ross, Cromarty and Skye): Will the hon. Gentleman give way?

Mr. Meacher: For this Government, perhaps for more than any other Tory Government, the welfare state and the abolition of poverty always come near the bottom of their list of priorities. Nor, contrary to the Government's constant propaganda, is Britain even a high social spender. Indeed, according to a parliamentary answer on 19 November 1984, it is, with the exception of Greece, by far the lowest social spender on health care and social security in the whole of the EC. Moreover, a recent OECD report also shows that the growth rate in welfare spending overall in this country has been one of the lowest of all the 24 countries that make up the OECD.

The real motivation behind the Fowler reviews is the obsession with redistribution from poor to rich, which is the indelible hallmark of the Tory hard Right gathered round the Prime Minister. Two months ago I asked the Library to calculate the total value of the social security cuts since 1979. I have its letter with me. It estimated the value at £8,200 million. In addition, by taxing unemployment benefit for the first time, the Government have clawed back another £2,700 million from the unemployed since 1982. Therefore, since 1979 social security has been cut altogether by no less than a staggering £10,900 million—enough to provide every pensioner with an extra £22 a week every week this year and to provide every unemployed family with an extra £62 a week every week this year.

The money did not go to the pensioners or the unemployed. It went to the rich. In every Tory Budget since 1979 the higher rate tax band has been raised disproportionately, capital gains tax and capital transfer tax have been eased and the investment income surcharge, a tax exclusively on those with Stock Exchange holdings in excess of £100,000, has been reduced and has now been abolished.

Using the Chancellor's Budget statement Red Books—any hon. Member can do the same exercise as I have done—it is clear that the cumulative value of the tax handouts, almost exclusively concentrated on the richest 5 per cent. of the population, can be calculated at £12.9 billion. The closeness of that figure to the total of social security cuts is no accident. Pensioners, the unemployed, the sick, widows and the disabled, all the have nots, have been squeezed to provide further enrichment, on a truly massive scale, for the haves, who were already rich. It is a despicable philosophy, of which the Conservative party should be ashamed.

Mr. Kennedy: There will be much sympathy among the poorest groups in society for the hon. Gentleman's attack on the Government in that respect. Will he clarify a point on the question of finance, as he is arguing that money is available to alleviate poverty? Why was the shadow Chancellor of the Exchequer unable to come out with a costed, agreed programme on behalf of the Labour party at the time of the Budget, and why did the hon. Gentleman not provide a costed programme when he launched his semi-official document last week? How much would his programme cost?

Mr. Meacher: My right hon. Friend the Member for Birmingham, Sparkbrook (Mr. Hattersley) produced a far more detailed alternative Budget than is traditional. It was provided in very considerable detail indeed, and the hon. Gentleman might care to study it. I wonder whether he has even read it. As for my statement, I presented as a consultative document a 50-page paper, and detailed costings will certainly be presented. If the hon. Gentleman wants independent costings, he can find them this week in *The Economist*. The costings are not entirely accurate, but they are approximately right—a subject to which I shall return.

The Prime Minister, far from being ashamed, is no more capable of shame than she is of compassion. That is why this anti-welfare state drive of robbing the poor to pay the rich is now being brought to a climax. The Treasury wants £3 billion to £4 billion of tax cuts out of these reviews, and it will get them. The Secretary of State has been about as effective in defending the welfare state as General Custer was in his last stand. The Chancellor wants £4 billion to dole out as tax reliefs in the run-up to the next election. That is the whole purpose of the Fowler reviews, and the Secretary of State has been a pushover in letting the Chancellor have exactly what he wants.

The reviews were fixed from the word go. Three of the four major reviews were chaired by Government Ministers. So much for independence. The fourth was led by the chairman of the London Brick Company—presumably chosen because of his intimate knowledge of housing benefit. Of the so-called two independent members of the review into children and young persons benefits, Mr. Parry Rogers, of the Institute of Directors, was forced to declare an interest when the institute gave evidence recommending the abolition of child benefit. The other, Mrs. Barbara Shenfield, just happened to have contributed to an Adam Smith Institute pamphlet opposing the welfare state. The Institute of Directors features again in providing one of the two so-called independents on the supplementary benefit review—presumably chosen because of his vast experience of poverty.

So much for independent reviews. They were packed with Tory members. The nil extra cost constraint imposed by the Treasury enforced a pure cost cutting exercise and the short time scale precluded serious analysis.

We do not know how hard the Secretary of State fought in the Cabinet committee, but we know that he has lost every battle down the line. The leaks that I have established from journalists are undoubtedly authentic—[HON. MEMBERS: "Oh."] The Secretary of State is entitled to deny any of the points that I am about to make, and I look forward to hearing whether he denies any of them. From these leaks it is clear that the state earnings related pension scheme, which would have doubled pensions in real terms by 1998, is to be abolished, with the result that

at least 2 million pensioners will remain in means-tested poverty. All the supplementary benefit additional payment for diet and heating are to be abolished, including the £5 heating allowance for the over-85s, and all the supplementary benefit single payments for clothing and furniture are to be ended. Housing benefit, which has already been cut by this Government by £200 million, is now to be cut by up to a further £2,000 million, which will literally double the rents of hundreds of thousands of occupational pensioners and low-paid families.

Supplementary benefit mortgage interest payments are to be abolished for the poorest families struggling to buy a house, which can only have the effect of forcing thousands of unemployed claimants and one-parent families out of their homes and on to the streets. There can be no other consequence of that action. Unemployment benefit, which has already been taxed by the Government, and where the earnings-related supplement has already been abolished, at an average loss to the unemployed of £16 a week, is now to be reduced from 12 to six months, although 1.25 million claimants have already been deprived of it because they have been unemployed for more than a year.

Sixteen to 18-year-olds are now to be denied supplementary benefit in order to conscript them on to youth training schemes, even though the employers are opposed to the idea because they do not want to train reluctant trainees. The death grant is to be axed, the maternity grant is to be axed—except for the very poorest—and the maternity allowance is to be means-tested for the first time. Family income supplement is to be ended and replaced by family credits, which will reduce the benefit for many families by up to £10 a week and transfer the benefit from the wife to the husband.

This is not a review of the welfare state. It is a massacre of the welfare state. It represents the ending of the principle of entitlement, it represents an intensification of poverty on an unprecedented scale, and it represents a deterioration back to the means-test state of the 1930s. This is not a new Beveridge. These reviews represent the revival of the mass unemployment, mass poverty and mass dependence on means-tested benefits from which the Beveridge report was intended to rescue this country. It is not a radical reconstruction of the welfare state that is about to be carried through by the Government. It is a radical dismantling of the welfare state. It is the new poor law.

Nowhere is that more unmistakable than in the Government's plan to axe the state earnings related pension scheme, and nowhere is it more dishonest or cynical. On 20 May 1983, conveniently just a few days before the last general election, the Prime Minister gave a solemn and binding pledge in a letter to my hon. Friend the Member for Pontypridd (Mr. John), when she said:

"Nor are there any plans to change the earnings-related component of the state pension."

That pledge is now being betrayed.

No less binding, however, was the pledge given by the Secretary of State, when he said:

"My aim in setting up an inquiry is not to call into question the fundamental pensions structure that was established in the 1970s with all-party agreement, and to which I was a party." —[*Official Report*, 23 November 1983; Vol. 49, c. 360.]

I am glad to see that the right hon. Gentleman nods his assent. How he can renege on such a clear and unequivocal promise without resigning, I do not know.

[Mr. Meacher]

The arguments that the Government have given for the abolition of the scheme simply do not hold water. They claim that the scheme cannot be afforded because of the growing number of pensions. The truth is that that number will fall steadily over the years into the next century. The worker-pensioner ratio will improve over the next 30 years. The Government's independent adviser, the Social Security Advisory Committee, recently said:

"At this distance in time we do not think there can be solid grounds for altering the scheme now for fear of all the worst outcomes occurring steadily for 40 years."

The scheme could only not be afforded if economic stagnation continued uninterrupted for the next 40 years. Perhaps, for all I know, that, privately, is the expectation in the minds of some Ministers. It is not consistent for the Secretary of State, when he is trying to convince the nation of the burden of pensions, to assume, as he did in his recent paper "Population, pension costs and pensioners' incomes", an economic growth rate of 1.5 per cent. a year, while at the same time — the Chancellor of the Exchequer, when he wants to preen himself, as he so often does, on the Government's economic success, speaks, as he did on 31 January and in the Budget debate, of growth "continuing at 3 per cent. a year". — [Official Report, 31 January 1985; Vol. 72, c. 499.] That is simply not consistent.

The truth is that the Government want to destroy Labour's state earnings related pension scheme—which I repeat, is the best deal that pensioners have ever had — because of the Prime Minister's obsession with increasing the private sector and limiting the role of the state. As the hon. Member for Brentwood and Ongar (Mr. McCrindle)—I am glad that he is present—has rightly pointed out, those on low incomes, who predominate in the state earnings related pension scheme, are precisely those who are least able to make adequate provision for themselves in the private sector. Indeed, I go further than the hon. Gentleman. The state earnings related pension scheme came into being in the 1970s precisely because of the failure of the private sector in the 1950s and the 1960s to provide pensions above the poverty line for over half the population.

This act of ideological vandalism against the state earnings related pension scheme ignores the fact that the state pension scheme is inherently better than any private scheme could ever be, because only the state, unlike any private scheme, can give a proper copper-bottomed guarantee against inflation. Only the state scheme, and no private scheme, can ensure that job mobility is not impeded and that insuperable problems of pension transferability do not arise.

Anyone who destroys the earnings related pension scheme is the enemy of the pensioner. I vow that the Labour party will fight to preserve that scheme and will take that fight to the country. If the Tory wreckers do destroy it, I give this pledge: because the scheme is the best yet devised for the low-paid, for women and widows, and for guaranteeing protection against inflation, the Labour party will restore it as one of our foremost priorities on winning the next election.

Mr. Tim Yeo (Suffolk, South): As the scheme, unlike private schemes, is not a funded scheme, will the hon. Gentleman tell the House and country whether he proposes to meet its colossal costs after the year 2000 by raising

income tax to 50p in the pound, by doubling the rate of national insurance contributions, or by raising VAT to 25 per cent.?

Mr. Meacher: The best calculation that the Government Actuary can make—I recommend that the hon. Gentleman should look at this independent source—is that there might be an increase in the level of employers' and employees' contributions to 16 to 20 per cent. The present level is 17.6 per cent. In other words, there will be a small difference between even the maximum increase in the level of contributions and that which exists now. It is perfectly affordable.

The real issue is whether Britain has a Government who can ensure an adequate level of economic growth, not continuing economic stagnation, and the expenditure of £20 billion a year on keeping 3.5 million people unemployed. If we can change the Government, there is no reason why we cannot afford the scheme.

What we are seeing in the Fowler reviews is the ugly face of welfare capitalism. It is camouflaged by the right hon. Gentleman's claim that his objectives, as he will no doubt say again today, are the targeting of aid, simplification and improving work incentives. Each of those conceals a different reality.

"Targeting" is a Tory code word for more means testing and for taking more money from the not quite so poor working class to give it to the very poor in the working class, while the rich on £40,000 a year sweep up the increased tax handouts.

"Simplification" is a euphemism for more cuts and more rough justice. It does not even overcome the fundamental drawbacks of means-tested benefits which the Secretary of State identified in a letter to the Child Poverty Action Group on 30 May 1984 as being "complicated to legislate for, administer and understand, and generally the most expensive benefits in terms of manpower needed to administer them."

"Improving work incentives" is Fowler-speak for saying that the poor need the spur of their poverty in order to escape it, while for the rich it is the rate for the job and no amount of handout is too much.

Like the rampaging Federation of Conservative Students, these reviews are stained with the goose-step of the new Right. For them—they are well represented in the higher reaches of the Tory party and Parliament—the only acceptable recipients of welfare are the destitute and the deranged and even the most meagre of state benefits fosters irresponsibility. For them to be unemployed is to be workshy. For them, child benefit encourages feckless breeding, and teenage benefits erode traditional parental controls. It is an ugly philosophy, put forward by an increasingly authoritarian party. It is a callous and compassionless view of society which is rejected by the great majority of the British people.

The Labour party has a different philosophy of care and compassion, of dignity and security against want without stigma. For the pensioners we would restore the link with earnings which the Government so meanly took away—

Mr. Patrick Nicholls (Teignbridge) *rose*—

Mr. Meacher: No, I shall not give way.

We would preserve and strengthen the state earnings related pension scheme to ensure that the lower paid get the best possible deal in retirement, which otherwise they will not get. For families, we would retain and improve

child benefit as the single most important protection against family poverty and against the poverty trap. For the growing army, brought below the state poverty line by Tory policies—it is a growing army of 8 million—we would seek to bring to an end the present degrading supplementary benefit system whereby millions of claimants are herded into offices every week to be dealt with by overworked and underpaid staff in a bureaucratic system fraught with complexity, delays and frustrations on all sides.

For both tenants and owner-occupiers struggling to buy their houses we would consolidate the provision of housing aid, not decimate it as the Government are planning to do. For the disabled, a vital but all too often forgotten group, a new component is needed—a disability costs allowance—to compensate for the extra costs of living arising from disability. But it will inevitably be expensive and its implementation, as for other objectives, must depend on our economic success in reducing the over-swollen army of the unemployed, which is our highest priority.

None of that will be brought about by a Government who regard the welfare state with disdain, or by a Prime Minister who has made it clear that she regards claimants as scroungers and the unemployed as workshy. That is why the Tory dismantling of the welfare state has now become not just a major political issue, but a fundamental reason why the Labour party, which believes in the welfare state, will be returned to power at the next election.

4.9 pm

The Secretary of State for Social Services (Mr. Norman Fowler): I beg to move, to leave out from "House" to the end of the Question and to add instead thereof:

"...notes the Government's commitment to improving the Social Security and Health care systems in this country as shown by increased spending on the National Health Service and increased benefit levels for pensioners and others; supports the Government's aim of reducing the burden of taxation and National Insurance contributions especially for the lower paid; notes the Opposition's plans to end mortgage tax relief and increase income tax and National Insurance contributions; and congratulates the Government on having set in hand the most thorough review of the Social Security system for 40 years'."

One of the endearing features of the hon. Member for Oldham, West (Mr. Meacher) is that the weaker his case, the more strident he becomes. There is one difference about his speech today. Normally, he sets up a smoke-screen to disguise the fact that the Opposition have no policy. Today, he has set up a smoke-screen to disguise the fact that the Opposition have found a policy, and that is the policy that he put forward last Monday. I shall come to it in a moment.

First, I shall set out the facts of the Government's policies? On social security, we are paying higher pensions to more pensioners than ever before. We have increased benefits for the long-term sick and disabled by 30 per cent. We have raised child benefit and one-parent benefit to the highest real value. In the Health Service, more patients are being treated than at any stage in its history. The hospital building programme has been restored after the Labour Government's savage cuts in the capital programme. New forms of treatment are being made available.

Today, I am publishing a report that shows that the cost of heart transplants, for example, are lower and the

benefits greater than had previously seemed likely. I shall be seeking expert advice on how the Health Service should approach the issue of expanding transplantation in the light of that report.

In terms of cash provided, the Government are spending over £40 billion a year on social security; over £17 billion a year on the National Health Service and, with local government, some £3 billion on personal social services. In addition, the increased efficiency of the National Health Service is now releasing substantial extra resources for patient care. Last year, health authorities in England, by managing their activities more effectively, were able to release £100 million for developing patient services. I have approved plans for health authorities for the coming year which will release a further £150 million for patient services.

My Department alone uses over 40 per cent. of total public spending. Against that background, it is ludicrous for the hon. Gentleman to charge that in some way the Government are presiding over the dismantling of the welfare state. We are committing record resources to the welfare state, but, what is more, we are seeking to ensure that those resources are used to more effect than ever before.

The Government are prepared to have their achievements in office and their policy proposals compared with the previous Labour Government's record and with the plans which are now coming forward from the Labour party.

Mr. Jack Dormand (Easington): I am grateful to the Secretary of State for giving way so early in his speech. As the picture that he has painted is so different from our experiences in our constituencies, despite what he has said, does he feel that there are any weaknesses or deficiencies in the National Health Service, and, if so, what are they?

Mr. Fowler: All Governments face incredible problems in the Health Service. Unlike the hon. Member for Oldham, West, it has never been part of my case to pretend that by waving a financial wand all the problems of the Health Service—new forms of treatment, waiting lists and hospital building—magically will be resolved at once.

The Government are now putting to effect more resources than ever before. We are also seeking to ensure that the Health Service uses those resources to better effect. It is a question of the practical policies needed to fulfil the ideals that the hon. Member for Easington (Mr. Dormand) and I share.

The same charges were made in 1982, 1983 and 1984, in the Opposition's almost annual debate on the dismantling of the welfare state. Until now, the only distinction of the hon. Member for Oldham, West is the rather unlikely one of sounding even more hysterical than the hon. Member for Crewe and Nantwich (Mrs. Dunwoody). Now, for the first time, the Opposition have put forward their policies. For the first time, we are dealing not just with generalities from the Opposition—the hon. Gentleman has set out the policies that he would like to see a Labour Government adopt. Last Monday an official statement said:

"Michael Meacher 'Shadow Secretary of State for Health and Social Security' produced his 'considered response' to the Government's review of social security and published two chapters of a full scale book which he intends to publish."

[Mr. Fowler]

Nothing that I say should be taken as dissuading the hon. Gentleman from following his published plans. To be fair, the press has been rather hard on the hon. Gentleman, because it takes considerable character to produce the kind of report that he published last Monday. The hon. Gentleman has exposed, clearly and frankly, the ambitions and aspirations of a future Labour Government. The direction of their policy is now clear, and, to put it in language that the hon. Gentleman has used time and time before, he has lifted the veil on Labour's secret manifesto. He has set out what Labour would do in power, in contrast to the evasive generalities with which we have had to deal until now.

In the light of that, let me take the hon. Gentleman's comparison. Let us compare what the Government are doing with what the hon. Gentleman wants to do. The Government take the view that control of public spending is essential on economic and social grounds. Economic collapse and high inflation affect most the weakest in our society. If one needs any proof and establishment of that, one has only to return to the period between 1974 and 1979 when prices increased by 110 per cent. That was disastrous news for thousands of pensioners.

The hon. Gentleman has set out a plan for social security which he estimates would cost £7 billion a year. Even on the information that he has provided, it is clear that the cost would be at least twice that—an addition of well over £15 billion to public spending. His plan for the disability costs allowance, which he repeated again in his speech, would cost upwards of £4 billion. His plan to give an educational maintenance allowance to all those aged over 16 still at school would cost up to £1 billion. His income maintenance benefit could involve spending billions of pounds—£2 billion extra on benefits for the unemployed and £1 billion more for single parents. Even on the hon. Gentleman's own costings, the inevitable consequence of his policies would be a massive increase in income tax and national insurance contributions.

Mr. Meacher: I am sure that it gives the right hon. Gentleman great pleasure to indulge in references to handouts from Conservative Central Office, but I assure him that most people are likely to take a great deal more seriously the kinds of independent costings made by *The Economist*, which is in no way a Left magazine. Its view is that the total costings would be under £7 billion, of which £4 billion would be accounted for by the abolition, under the consultative document—as a Green Paper proposal—of the married man's tax allowance and the switching of that into a substantial increase in child benefit.

The disability costs allowance, which we have costed very carefully at between £1.5 billion and £2 billion, is indeed a big extension of the social security system, and I have made it absolutely clear that it could be achieved only if we were to make substantial inroads into the £20 billion that the Government are now spending on keeping 3.5 million people unemployed.

The remainder of the package—about £1 billion—is easily accounted for by the fact that tax reliefs given to the rich over the past six years are estimated now to have an annual running cost of £3 billion. All that I was modestly suggesting was that we take back, for the purpose of the proposals, one third of that amount.

Mr. Fowler: The public will decide which of the figures is correct. As the hon. Gentleman well knows, the report in *The Economist*, to which he refers, takes his own estimates of the figures and makes that quite clear. If the hon. Gentleman's plans are put into the Library, I shall be content to give detailed costings of them. It is clear from the press, from politicians and from all kinds of other commentators that the hon. Gentleman has not done the work on the costings that needs to be done. When he has done that work, he will find that the figure is over £15 billion.

The hon. Gentleman's plan has been attacked in relation to its effect on mortgage tax relief, and rightly so. Let us not beat about the bush. The hon. Gentleman wants to reduce mortgage tax relief. That is what my hon. Friends said, and they are right. In his consultative document—to which, presumably, at least the hon. Gentleman is committed—he favours a housing allowance. He repeated that this afternoon in the debate. A cash benefit would be payable towards housing costs, whether rented or owner-occupied, and whether the claimant was in or out of work. The level of benefit would relate directly to income, but only those on over one and a half times average earnings would receive less assistance from housing allowance than they do now from mortgage interest tax relief. In other words, the hon. Gentleman has confirmed today that all those on over one and a half times average earnings will be worse off under his plan. [Interruption.] I understand that the hon. Gentleman is standing by the proposals, but the official Opposition are trying to distance themselves from them. I think that the time has come to ask what are the Opposition's policies.

Mr. Meacher: Will the right hon. Gentleman tell the House whether he defends a system under which those on £30,000 a year receive according to a parliamentary answer, £32 a week in mortgage interest tax relief, while those on £5,000 a year get only £7 a week? Does he or does he not believe that that is right?

Mr. Fowler: I believe that the present mortgage tax relief system is broadly right, and I am entirely frank about that. It seems to be common ground now that the hon. Gentleman has confirmed that he is seeking to reduce the amount of tax relief going to all those earning over one and a half times average earnings. That is the message that should go out from the debate this afternoon.

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I do not wish to interrupt the right hon. Gentleman's sport in baiting the official Opposition, but it would be helpful to other Opposition Members if he would address himself to the question whether he is considering the abolition of the state earnings related pension scheme.

Mr. Fowler: If the hon. Member for Roxburgh and Berwickshire (Mr. Kirkwood) will wait for a few seconds, I shall be dealing directly with the social security review.

If the hon. Member for Oldham, West wants to have a serious debate about social security, it is important for us to know what he is proposing. He says in his report that he wishes to end the upper earnings limit on national insurance contributions and to bring in higher rates of contribution for high earners. That would mean extra contributions, probably averaging between £20 and £30 a week, for about 3 million people. As I have said, his costings are hopelessly optimistic. To carry out his

proposals would mean an increase in the basic rate of income tax of as much as 15p in the pound. It is no good the hon. Gentleman seeking to deny it. He must face the full impact of his proposals. He cannot put up a series of ideas without any thought for the cost, as I am sure his shadow Cabinet colleagues will agree.

Mr. Dennis Canavan (Falkirk, West): Will the right hon. Gentleman give way?

Mr. Fowler: I should like to continue, if I may.

I am asked about our policy. It is to control public spending and to bring down inflation. It is to encourage industrial investment. [Interruption.] Compared with inflation of 110 per cent. between 1974 and 1979, the Government's achievement on inflation stands very good comparison with that of the previous Labour Government.

Mr. Canavan: Will the right hon. Gentleman give way?

Mr. Fowler: Not for the moment.

The Government's policy is to encourage industrial recovery and to create new wealth, which is essential in dealing with our social programmes. It is to reduce the tax burden, and in particular the tax burden on the lower paid. It is to encourage home ownership with tax relief on mortgages.

Mr. Meacher: Will the right hon. Gentleman give way?

Mr. Fowler: Not for the moment.

It is to continue with our policy of committing resources to our social programme and to ensure that the money is being used to best effect.

As for social security, the most significant aspect is the new agreement which now exists between the parties, as I understand it, that there is a need for reform. There is no point in the hon. Member for Oldham, West publishing a book if he does not feel that there is any need for change. It is precisely for that reason that the Government set up their review of social security. Since then there has been an unprecedented debate on the future of social security. We have received about 4,500 pieces of evidence.

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Fowler: No, I will not give way. The Member for Oldham, West would not give way, so I do not see why I should.

On the question of personal pensions alone, we have distributed over 30,000 consultation documents. We have held almost 20 public hearings of evidence, in which 70 organisations took part.

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Fowler: No, I will not.

Mr. Nellist rose—

Mr. Deputy Speaker (Sir Paul Dean): Order. The hon. Gentleman must not persist when the Secretary of State has made it clear that he is not giving way.

Mr. Fowler: I have given way several times previously, and the hon. Member for Coventry, South-East (Mr. Nellist) is the last person in this House to whom I am prepared to give way.

Let me be clear—

Mr. Nellist rose—

Mr. Fowler: I shall not give way. [HON. MEMBERS: "Why?"] Because of the various actions that the hon. Gentleman has taken.

Let me be clear that, despite all the predictions and forecasts that have been made about the outcome of the social security review, the Government have not yet reached conclusions. When decisions are made—

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Fowler:—they will be published and there will be a proper opportunity for public consideration.

I recognise that scarcely a day goes by without someone suggesting a new change in social security that I have in mind. Some of those so-called disclosures have a rather curious ring—

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Fowler: The hon. Member for Oldham, West quoted in his speech one report—

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Fowler: I shall not give way.

The hon. Member for Oldham, West quoted one report in *The Guardian* in which he suggested that the Government were going to save more in one area of housing benefit than we spend on housing benefit. If the hon. Gentleman looks at the report, he will see that what is being suggested is that we are going to end housing benefit for all those over supplementary benefit. That is the gist of the report. The *Daily Telegraph* suggested that I was going to abolish the state earnings related pension scheme. Only a few weeks earlier, on 28 February, the same paper carried a report that the Government were expected to stand firm on their commitment to the state earnings related pension scheme.

Mr. Nellist: Will the right hon. Gentleman give way?

Mr. Deputy Speaker: Order. I have already said to the hon. Gentleman that he must not persist if the Secretary of State is not giving way, and it is clear that he is not.

Mr. Fowler: In a spirit of enormous generosity, I shall give way to the hon. Gentleman.

Mr. Nellist: It works if one persists, Mr. Deputy Speaker.

Is it not the height of irony, if not hypocrisy, for the Secretary of State to defend with pride the reduction of inflation under this Government when the price that has been paid is 5 million people without work, 6 million people living in damp houses, 8 million people living on poverty wages, 9.7 million people who cannot afford a week's holiday away from home and an estimated 15 million people living on or below supplementary benefit levels? Is not the real message that the Secretary of State is giving today that, in his Government's understanding, the poor are not yet poor enough for unemployment to fall and the rich are not yet rich enough for investment to take place?

Mr. Fowler: I know that the hon. Gentleman has been having some reselection problems in his constituency, but that is going a little far.

It is unlikely that we shall reach a consensus during the debate, but I shall do my best. Surely the hon. Gentleman will accept that the control and reduction of inflation makes sense from not just an economic but a social and industrial point of view. The fact is that if inflation is out

[Mr. Fowler]

of control, the people who suffer most are those on fixed incomes, pensioners and those who are most in need. That is why I say, and that is why the Government say, that it is essential, on economic and industrial and social grounds, to control inflation. As far as the Government and I are concerned, we stand entirely by that policy.

The response to the stories that have been circulated must be to wait and see. Let me be absolutely clear. The Government are looking at all the options in terms of social security reform. The Government are reviewing the entire social security system. We are considering all the options in child benefit and supplementary benefit. We are also considering all the options in retirement pensions. That is what the review is about. There is no point in carrying out such a review if I am not prepared to consider all the options that are put to me.

The Government are carrying out a review that should have been carried out years ago. It should have been conducted long before now, 40 years after Beveridge.

"It is absurd for the hon. Gentleman to believe that he can try to tie my hands as to what I should consider." — [Official Report, 8 November 1984; Vol. 67, c. 231.]

I used those words in the debate on 8 November, and I stand by them.

What is significant is that there is now a consensus that change is needed. There is a consensus for three main reasons. The first is the sheer scale of the social security system. By any standards, it is an enormous undertaking, now consuming nearly one third of all public spending and also involving my Department in dealing with well over three quarters of the population as either contributors or beneficiaries. We have a total of some 30 different benefits with their own rules of entitlement and payment. That, I suspect, is why policy reviews in the past have been narrowly focused on one benefit or one small part of the machine. The aim in our review has been to pull all the strands together into a consistent plan. It has demonstrated that there is, it seems to me, a consensus on one point—that virtually everybody regards the present system as too complicated and too difficult for people to understand and for the staff to work. Indeed, the complexity is such that parts of the social security system—here I agree with what the hon. Member for Oldham West said—

Mr. Canavan: Will the right hon. Gentleman give way?

Mr. David Winnick (Walsall, North): Will the right hon. Gentleman give way?

Mr. Fowler: Let me finish the sentence.

Parts of the social security system are in danger of becoming impossible to operate.

I give way to the hon. Member for Walsall, North (Mr. Winnick).

Mr. Winnick: The Secretary of State was not willing to comment on the state earnings related pension scheme other than to tell us about the review. Is it not a fact that, according to a reply that I received from the Parliamentary Under-Secretary, in 10 years' time someone on average earnings will receive an additional £31, and someone on three quarters of average earnings will receive an additional £21? Are not those significant sums? They demonstrate what my hon. Friend the Member for Oldham, West (Mr. Meacher) was saying—that if the

scheme is allowed to continue, a large number of people will be able to live in retirement without poverty. Is not that all the more reason why the scheme should remain in existence?

Mr. Fowler: I shall have to ask the hon. Gentleman to wait and see the proposals. Of course, I am conscious of the points that he puts forward as well as of the need to prevent people in old age sinking into poverty. None of us wants that. However, in this debate I cannot pre-empt the proposals that I shall make.

Mr. Kennedy: I appreciate what the Secretary of State says about not pre-empting the outcome of the review. In November, the right hon. Gentleman said in the House that he did not intend

"to call into question the fundamental pensions structure that was established in the 1970's with all-party agreement, and to which I was a party." — [Official Report, 23 November 1983; Vol. 49, c. 360.]

Does that statement still have the categoric ring that it had when the right hon. Gentleman delivered it in November, or is it now open to doubt?

Mr. Fowler: I think that the hon. Gentleman is getting his years wrong. He will have to judge all the statements that I and any of my right hon. Friends have made against the criterion of what is proposed. It is ludicrous to try to seek this afternoon to define what that is because the hon. Gentleman cannot see the whole picture.

Much of the complication in the social security system flows from the piecemeal development and augmentation of the system over the past 40 years. If we are going to get rid of as much of the complication as possible, we shall have to decide what is really needed now. That means a reshaping of the system, not a tinkering at the edges. For the review to be a real review, it had to look at all the options—and that is what we have done. There is no point in having a review if every part of the existing structure is regarded as sacrosanct. I am prepared to be held to my commitment to meet social need; I am not prepared to be a prisoner of the existing structure.

Mr. Robert McCrindle (Brentwood and Ongar): Will the Secretary of State give way?

Mr. Fowler: Secondly, when we talk about need, we should be absolutely clear what we mean. Beveridge was talking about poverty against a very different background. There have been enormous increases in the material prosperity of this country since then. There has been a real increase in GDP per head of about 115 per cent. since 1948. That growth in general prosperity has been reflected in the level of all the main social security benefits.

Mr. Nellist: What about the last six years?

Mr. Fowler: The basic rate of supplementary benefit has more than doubled since that time and long-term benefits, especially pensions, have improved substantially more.

Mr. Canavan: Will the right hon. Gentleman give way?

Mr. Fowler: No, I shall not give way.

Nevertheless, no one can doubt that need exists in this country, and one of our aims must be to target the help available more effectively to meet that need. There are also changes in balance between different groups within the population in need. For example, I think that few

would disagree with my diagnosis that one of the areas which today gives most concern is the position of poor families with children—working families and unemployed families. I think that even the Opposition will agree with me about that.

Thirdly, social security is not somehow isolated from the rest of Government policy. In approaching our review of social security I have sought to avoid the straitjacket of focusing only on the social security system. I have been concerned with how social security relates not just to our social policy and objectives, but to our economic objectives and employment policies. I do not define social objectives merely as greater spending on social security or higher rates of unemployment benefit. I am much more concerned to see people taken off social security benefits and able to support themselves through productive employment.

Mr. Canavan: The Government have to find the jobs first.

Mr. Fowler: Yes. Our social policy objectives are the same as our overall policy—to achieve a stronger economy and to tackle unemployment.

Mr. McCrindle rose—

Mr. Fowler: The review, therefore, has a number of different objectives—to simplify the elaborate tangle of benefits and entitlements which have built up in the past 40 years, to ensure that the new structure meets today's needs, and to achieve the right relationship between our objectives for social security and our economic and employment policies.

Mr. Canavan: Will the right hon. Gentleman give way?

Mr. Fowler: No, I shall not give way.

For the past 40 years we have reacted to the emergence of various needs, adding to or subtracting from the system until it is difficult to see what the system seeks to achieve. I want a simpler system which is easier for people to understand, a better administered system with more use of computers rather than the filing cabinets to which the hon. Member for Oldham, West referred, a system which places more trust and responsibility with the individual rather than the all-providing state and which places the fewest possible obstacles in the way of employment and economic activity.

The Government have shown their commitment to the welfare state, but we want a modern welfare state. We want a modern social security system which uses today's methods to meet today's needs and a modern Health Service which uses its resources to maximum effect to meet the varying needs. That is the kind of welfare state that we want, and our proposals will be directed to that end.

4.44 pm

Mrs. Renée Short (Wolverhampton, North-East): The Secretary of State ended with a splendid peroration, but he did not say how he expected to achieve the golden age that he described. We have to contend with the situation as it is now.

Let us cast our minds back to the words of the Conservative party in the general election of 1979—the black day that marked Britain's decline from a caring society seeking to overcome many of the problems that

faced us then to the present level of despair and the ever-increasing problems that we now experience. I wonder whether the Secretary of State remembers the commitments that his party made at that time. It promised to rebuild our economy—ha, ha!—and to reunite a divided and disillusioned people. In fact, the Government have created more divisions in society than any of us can remember in our entire political lives. Even their most ardent supporters, if there are any left, cannot claim that they have achieved that commitment. Lord Stockton himself said in another place five months ago

"it breaks my heart to see what is happening in our country today." — [Official Report, House of Lords, 13 November 1984; Vol. 457, c. 240.]

I am sure that that sentiment is echoed in the hearts and minds of the overwhelming majority of people today.

As my hon. Friend the Member for Oldham, West (Mr. Meacher) said, there is enormous wealth for the minority while the majority of families suffer massive, degrading and soul-destroying unemployment, with all the physical and psychological ills that stem from it. When my constituents ask why we are in such a hell of a mess when the Tories promised so much in 1979 and again in 1983, I cannot explain the reasons. We all remember the Prime Minister's cynicism on the steps of No. 10, and I make no apology for reminding the House of it because it will never be forgotten. Then we had North sea oil, which was supposed to be such a splendid stroke of good fortune to revitalise the economy, to allow us to invest in new products and industries and to improve massively the standard of living of our people. Yet rotten housing remains the lot of thousands of families. That is certainly true in the west midlands. Thousands are still homeless and millions are out of work. The young are condemned to despair and the rest now realise what a massive confidence trick the Prime Minister perpetrated on them and what massive damage she has done to the country in the past five and a half years.

I also cannot explain to my constituents the utter folly of it all. They ask how anyone can claim that there is no money to invest in new jobs or to pull down the ancient, boarded-up houses in my constituency and build new ones. Three and three quarter million homes are still unfit or seriously affected by dry rot, but fewer than 40,000 new local authority homes were started last year. That is a wretched total. Yet there is massive unemployment among building workers, whose skills remain unused while building firms try desperately to find work and to re-employ their former work force. My constituents point out that the Prime Minister found £38 million for the Falklands affair, and I have to agree, but I cannot explain why she was able to find money for that purpose but not for the decent homes and jobs that my constituents and others throughout the country so desperately need.

When my doctors tell me that we cannot afford to appoint the surgeons and nurses needed for the Health Service and the staff needed to care for the elderly, I have to agree that it is appalling that those skills are being wasted, but I also point out that the people who complain of these things have the power to get rid of the Conservatives in the next general election. I hope that they will all take my good advice.

It is clear, in spite of what the Secretary of State said, that the NHS needs more resources. The Government's policy of high unemployment and growing poverty places ever-increasing demands on the NHS. The privatisation of

[Mrs. Renée Short]

catering and cleaning is a massive irrelevancy. It creates unemployment among hospital staff—among ancillary workers, many of whom have given unstinting service to the hospital service over many years—in order to enable the Government's pals in private firms to make a profit. Private firms can only make their profits by using the minimum number of staff and providing a restricted service for a reduced number of hours. That is what is happening to services in the hospitals. Private firms could not make their profits otherwise.

Who would have imagined that we would see the day when trained doctors and nurses would be unemployed? That day has arrived. The Secretary of State should pay some attention to that problem, but he has not even mentioned it. Who would ever have thought that thousands of kidney, heart and cancer patients would die each year because of a lack of facilities for adequate care and treatment? Is the Prime Minister concerned about the fact that the rate of death from cervical and breast cancer is rising in this country, while in America, Canada and Sweden the rates are falling dramatically because the Governments of those countries are determined to support a proper, national well-resourced service.

The Prime Minister does not trust the NHS. She does not permit it to deal with her own health problems, when they arise. However, she should visit some of the NHS hospitals, including some of the teaching hospitals. I know that the staff would very much like her to see the conditions in which they have to work, and the extent to which they suffer from overwork. The Prime Minister should see the Victorian hospitals with their unending corridors. She should see the huge Victorian wards that provide no privacy for patients or doctors. Any hospital in the country could tell the right hon. Lady that although the Select Committee recommended that more patients should be treated by fully trained doctors, consultants—although they are being trained—are not being appointed. If that situation could be improved, there could be better care for patients, better diagnoses and probably shorter stays in hospital. Those improvements could well save money and enable better use to be made of existing resources.

The Prime Minister prefers to turn to private hospitals for her own care, but it must have been embarrassing for her when the press uncovered the dreadful story of how the equipment for the latest treatment on her eye had to be borrowed from an NHS hospital. One might have expected the right hon. Lady to declare an allegiance to the NHS from that point on.

New technology in the NHS needs resources. Caring for the increasing number of elderly patients in more congenial conditions, preferably at home, or in the community, and caring for mentally ill and handicapped patients in the community rather than in massive hospitals, also requires resources.

The NHS has suffered as a result of the Chancellor's public expenditure cuts. If it is simply to respond to the technological and demographic pressures alone, it requires a growth in funding of at least 1.5 per cent. each year. Yet the health authorities have had to find £48 million from a reduced budget in order to meet part of a pay settlement that the Government refused to meet. Levels of staffing have been cut or frozen, and nurses sacked.

Mr. Roy Galley (Halifax): Will the hon. Lady give way?

Mrs. Short: The Royal College of Nursing has drawn attention to the inadequate number of nurses in the wards in many areas, which places a strain on the remaining staff, and can be dangerous for the patients.

Mr. Galley: The hon. Lady claims that numbers of staff have been cut. How can she say that, when during the last six years more than 40,000 extra nurses and more than 5,000 extra doctors and dentists have been provided? The hon. Lady claims that resources are inadequate. As she knows, the Select Committee last year investigated the matter and found that the NHS had received extra resources of 17 per cent., which at least kept pace with changing demand. The hon. Lady was a party to the production of the Select Committee's document. She accepted the fact that there had been a growth in available resources.

Mrs. Short: Nonetheless, nurses and doctors are unemployed. Consultants tell one that they are understaffed and that they have long waiting lists. The hon. Member for Halifax (Mr. Galley) is a valued member of the Select Committee, and I enjoy his company. However, there still remains the fact that disadvantaged patients are suffering. Elderly people are waiting not weeks but years for, for example, hip replacement operations. Despite the fact that resources have been allocated to the NHS, these problems remain.

We cannot gloss over the facts. Staff are being sacked, wards are being closed and as a result waiting lists are lengthening. The Government are obsessed with reducing taxation for the well off. The Prime Minister's values and social beliefs are those that determine Government policy. In her view, there are masses of people who are scroungers who enjoy living on Government handouts. She wishes to reduce social security benefits and to introduce means tests for many more people. The right hon. Lady even believes that it might be possible to introduce a means test for maternity benefits. That is one of the latest ideas. The Select Committee made it clear that expectant mothers in the poorer sections of the community—those living in the inner cities—require more rather than less support. Better diet and proper rest and care would reduce the perinatal mortality rate of such mothers. The overall rate has fallen, and we are pleased about that, but in some of the industrial areas the perinatal mortality rate is still too high. Many general practitioners tell me that they are in despair about how to reduce the rate.

Mr. Galley: Will the hon. Lady give way?

Mrs. Short: I have to believe the letters that I receive from general practitioners working in cities such as Manchester and Liverpool, where conditions are very difficult. Those doctors are not receiving any support in the form of more staff, partners, nurses or community social workers. The situation is bound to affect patient care.

The Opposition believe firmly in the abolition of poverty. The Government, on the contrary, are creating ever larger areas of poverty and acute distress. They are placing a dreadful burden on our people. The Government insist on managing poverty. Our intention is to eliminate it.

4.58 pm

Mr. Robert McCrindle (Brentwood and Ongar): It was correct and timely for the Government to engage in a wide-ranging review of social security, the results of which we look forward to seeing soon. For far too long, like Topsy, our social security system has grown. We have a massively complicated system and cannot always be sure that benefits are directed to those in greatest need. I hope that when the review is enacted in legislation there will be evidence of some streamlining and updating. At the risk of upsetting the hon. Member for Oldham, West (Mr. Meacher), might I add that I hope that benefits will be targeted at those in greatest need.

Ever since I came to the House there has been a debate across the Floor of the Chamber between those who believe in the universality of benefits and those who, like me, recognise the limits of what we can expect from the taxpayer to finance benefits. I have always taken the view that some selectivity or targeting of benefits to those in greatest need should be the order of the day.

If economies can be identified during the reviews, that is all to the good. I am even prepared to accept, as a starting point, the requirement that the reviews should result in no extra cost to the Exchequer. There is a good deal of misdirected benefit in the present system, just as there are many people in considerable need who do not receive the assistance which we all want to extend to them.

I accept that in our present economic circumstances there should be no major increase in the amount of money that we devote to social security, but I hope that I should not be alone in not being happy if the reviews were an attempt massively to save on the present outlay, at the risk of reducing the amount of benefits targeted at those in greatest need.

The language which the Labour party has employed in these matters in the past few weeks has been excessive to the point at which its credibility, and especially that of its spokesman, has been brought into severe doubt. The Labour party has failed to cost its proposals, in so far as they can be called proposals. Television viewers will have noticed the Opposition spokesman's remarkably slippery performance on "Newsnight" on Friday evening, and again today he was unable to tell us what it would cost to introduce the no doubt desirable benefits which Labour proposes. The hon. Gentleman's failure to do that must lead us to question his credibility. Although I shall have some critical questions to direct to my right hon. and hon. Friends on the Front Bench, the motion employs extravagant terms and will, I hope, be treated with contempt.

Mr. Frank Field: The hon. Gentleman always listens carefully to these debates, but he is being unfair to my hon. Friend the Member for Oldham, West (Mr. Meacher). My hon. Friend costed his proposals today. The Secretary of State also costed them and reached a figure double that quoted by my hon. Friend. Although there is dispute as to their cost, it is unfair to say that my hon. Friend's proposals have not been costed.

Mr. McCrindle: I heard my right hon. Friend the Secretary of State, and I heard the hon. Member for Oldham, West on Friday evening and again today. I accept that he has moved since Friday, when he gave no estimate, but that which he gave today was immediately questioned by this side of the House and does not begin to persuade me that I should pay attention to what he says.

Although this is a debate between the two sides of the House, there is a need for debate within the political parties on the future of social security. If my line is not completely acceptable to some of my right hon. and hon. Friends, I hope it will be accepted that only by exploring different means of achieving the same ends will we be able to target benefits more cost effectively. I must await the final reports, and a good deal of what I shall say is based upon press reports. I have no alternative, as I am not privy to information about the authenticity of those reports.

I am worried about reports on the state earnings related pension scheme, which have been widespread in the past few days. On the basis of the wish being the father to the thought, the Treasury might assiduously have been peddling to newspapers likely to take its line the thought that there will be a winding up or a substantial revision of the state earnings related pension scheme. For the sake of this debate, I must assume that there is a prospect of some change. I shall react when the proposals are known fully, but there are a few facts of which it would be appropriate for me to remind my right hon. and hon. Friends.

Before they moved on to higher things, my right hon. Friend the Secretary of State and my right hon. and learned Friend the Minister for Health were, like me, responsible during the passage of what is now the Social Security Pensions Act 1975 for saying that we all wanted to end what was called pensioning—the tendency for the Labour party to accentuate state pensions when in office, only to find that trend reversed when the Conservatives were in office, when there was emphasis on the desirability of occupational pension schemes. Many of us, including my right hon. Friend and my right hon. and learned Friend, were aware of the damage that that was doing, not least to the future of occupational pension schemes, with which, as the House knows, I have a long association.

If there is material alteration of the state earnings related pension scheme, the effect on the development of good occupational pension schemes cannot be advantageous. The two systems have co-existed for some 10 years and it would be unfortunate if we were forced to return to pensioning, of which there was a good deal of evidence in the speeches of my right hon. Friend the Secretary of State and of the hon. Member for Oldham, West.

People in the state earnings related pension scheme are for the most part lower-paid. I have long professional and political experience of these matters, and such people are the least likely to make pension provision for themselves through private schemes. The pensions industry, to which my right hon. Friend and I look for a massive upsurge of development when decisions on a personal portable pension are announced, is not equipped or especially keen to attract pensions business from such people.

If SERPS is wound up, and if the encouragement which will no doubt be given is not taken up by those who are principally concerned, I fear that those people will reach retirement age having made no additional provision, as a result of which they will be forced on to supplementary benefit. Before the Government put the final seal of approval on the SERPS proposals, they should make quite sure that that fact has been taken into account and that supplementary benefit is costed just as carefully as the amount necessary to keep SERPS in existence into the 21st century.

I appreciate the point about the burden on the future working population, but I wonder whether it has not been

[Mr. McCrindle]

projected—perhaps because of an inspired leak from the Treasury—on the basis of the worst possible scenario, with virtually no growth anticipated in the economy. SERPS is not a state charity, which recent press reports may have led some people to believe. What comes out of SERPS is related to what the contributors put in. The economics of SERPS must be immune to population statistics and the projected problems of 20 to 40 years hence.

If the Government decide to take the action which has been widely suggested, I should require much more information about the costing on which such a decision is based. Am I correct in saying that SERPS is effectively a self-financing scheme? How likely is it that personal pensions will be taken up by those manual workers who for the most part are not attractive to pensions interests? Would it not be grossly unfair to give continuing tax concessions to those in occupational pension schemes—which I welcome—and to continue the index-linking of pensions in the public sector at the same time as removing the only basis upon the people to whom I have referred can build up their basic old-age pensions? The Government must address their mind carefully to these questions before any decision is taken to introduce a move in the direction which has been suggested.

The hon. Member for Oldham, West was anxious to tell us — it seems that he knew more about the Government's plans than even the Government did—that child benefit now paid to the woman would in future be paid to the man. I have no idea how accurate that is, but one of the advantages of the existing system is that, regardless of the circumstances, the woman can at least rely on a basic income. A fairly strong case would have to be argued before any change took place.

As one who has supported disproportionate benefit to one-parent families, I am beginning to wonder whether residual poverty in 1985 does not exist within families irrespective of whether they are one-parent. To that extent, when the review emerges, I hope to see a reassessment of where we pay the disproportionate benefit. We cannot continue to assume that the deserving cases of 1970 to 1980 will necessarily be the deserving cases as we move into the 1990s.

I have long taken the view that to pay out paltry sums in death grant and maternity allowance to everyone, irrespective of need, is an insult to the great majority of us who do not require them, and a disservice to those who require them at a considerably higher level. There is a case for abolishing these as specific grants and for merging them into supplementary benefit. If that were possible, I hope that the amounts paid would be considerably higher than at present and that they would go only to those with a considerable need.

Mr. Frank Field: Is the hon. Gentleman aware that if his proposal were implemented, and these grants made part of the supplementary benefit scheme, the poor in work would be prevented from claiming?

Mr. McCrindle: Such facts must be taken into account. However, the hon. Gentleman will be aware that the supplementary benefit scheme is said to be under consideration in the light of family income supplement. There have been reports that FIS might be merged with supplementary benefit. I am not opposed to that idea, and

I say that as a long-term supporter of FIS. If that happened, the problem to which the hon. Gentleman drew my attention would, to say the least, be minimised.

There has been much difficulty with heating allowances, particularly in the last two or three years when there has been a three-tier system. It is my hope that the system of heating allowances will be scrapped, absorbed yet again into the supplementary benefit system and payable to those old-age pensioners who already qualify for supplementary benefit.

I am not persuaded that the housing benefits scheme meets the needs of those whom it was intended to assist. Therefore, I am prepared to concede that there is scope for considerable rationalisation. Beyond that I would not wish to go today, but those of us who are interested in these matters will look closely at any proposed changes in housing benefits. For the moment, I concede that this is a far from perfect system and that there may well be an argument for changing its direction.

I am with the Government over a pretty wide area of the revision of benefits. I am with them in their aim for greater simplification. I am with them as they seek to achieve economy while targeting the benefits to those who need them most. But I hope I shall be forgiven for urging caution over the state earnings related pension scheme, because the Government might succeed merely in transferring the problem to supplementary benefit, and that surely cannot be their aim.

5.18 pm

Mr. Donald Stewart (Western Isles): I am glad to follow the hon. Member for Brentwood and Ongar (Mr. McCrindle), not least because of his expertise in pensions and other aspects of the welfare state. The hon. Gentleman made some points with which I disagree, but on the whole he delivered a well-argued and well-informed speech which was different from many of those we hear from the Conservative Benches, which merely say "Amen" to the case advanced by the Government.

The hon. Member for Brentwood and Ongar said that there was a limit on the extent to which funds could be allocated. We must all have regard to that, but many Conservative Members do not accept any limitation on defence expenditure. We are all aware of the astronomical sums spent on Trident, and the abolition of Trident could to a considerable extent alleviate the problems faced by the Secretary of State for Social Services. The right hon. Gentleman spoke with horror of suggestions that taxation might increase. That took some nerve, bearing in mind that he belongs to a party which, since it came to power, has clamped 15 per cent. on practically every transaction.

Over 40 years ago the Beveridge report foresaw a time when poverty in the United Kingdom would cease to exist. All the major causes of poverty—old age, unemployment, disablement and sickness—were taken care of by a scheme of national insurance with a safety net of national assistance. Although the foundations of the welfare state were laid shortly afterwards, Beveridge's recommendations were never fully implemented. The rot set in right away with the post-war Labour Government. Beveridge had proposed a single rate for retirement pensions, unemployment and sickness benefits of 27 per cent. of average earnings for a single person and 45 per cent. for a couple. These figures would, Beveridge stated, guarantee the minimum income needed for subsistence. However, when the scheme was introduced in 1948,

retirement pensions were set at 18.9 per cent. of average earnings for a single person, and 30.5 per cent. for a couple. Flat rate unemployment benefit and sickness benefit were set at much the same rates—a far cry from those originally proposed by Beveridge.

Any review of the social security system should begin with the acknowledgement that the existing system has never attained the objectives set by its founder. The hon. Member for Wolverhampton, North-East (Mrs. Short) referred to the Secretary of State's peroration. I am afraid that the decoded message of his speech means farewell to the welfare state.

In theory, the welfare state has looked after its recipients from the cradle to the grave. A quick look at what has happened to the two benefits at each end of the life cycle reveals the ineffectiveness of the system in doing that. I am referring to the maternity grant and the death grant, to which the hon. Member for Brentwood and Ongar referred. The former has remained at £25 for many years, and should be pitched at a higher level, and the death grant of £30 is a poor joke in the worst possible taste. It has not been increased since 1967. Its declining value has been recognised by successive Governments, but none have sought to increase the level of the grant. It should now be around £350 to cover the average cost of a funeral.

I take issue with the hon. Member for Brentwood and Ongar, who thought that the maternity grant and the death grant should be abolished. When we talk about abolishing such benefits, we should bear in mind that insurance contributions are based on people receiving such benefit. It would be wrong for the benefits to disappear while the level of national insurance contributions is maintained.

These are far from being the only benefits that are inadequate or have been under attack in recent years. The effects of inflation and the failures of Governments have resulted in a serious erosion of most of the benefits and has brought about a situation in which, far from the supplementary benefit system being a safety net for a relatively small number of people, has become a necessity for 4.5 million people, of whom three quarters are in Scotland. These are the 1983 figures, and no doubt the position has worsened in the meantime.

Between 1979 and 1983, more than £2,000 million was cut by the Government from the social security budget. Last year benefits rose between 4.7 and 5.1 per cent., but the real increases received by many people did not even reach the level necessary to keep benefits in line with inflation. This was because of new regulations which came into force; for example, the changes in "available scale margin", which did many pensioners out of £1 a week for their heating allowance.

Since then we have seen a large increase in dental charges, and a massive increase in prescription charges. The changes in the regulations covering board and lodging payments, which are especially damaging in Scotland, will mean an average loss of £13 a week for thousands of unemployed persons in lodgings. Many of them have no homes to which to return and will end up homeless.

In Scotland, apart from the housing welfare organisations, which one would expect to be concerned about this, the Churches and the Royal Society for the Prevention of Cruelty to Children have expressed grave disquiet, and no wonder, for Government policies will deliberately put people on to the streets. We have now learnt that eight out of the 21 DHSS resettlement and re-establishment centres are to close within three years,

including the only one in Scotland, at Bishopbriggs near Glasgow. The Glasgow resettlement unit caters for homeless men and is a vital lifeline for those who find themselves in that unfortunate position. It is typical of the Government to make cuts which affect the weakest and most vulnerable in our society.

When one looks at the situation in the wider context, the extent to which benefits have been eroded can be clearly seen. Three decades ago our welfare system was the envy of the world. Today, our levels of spending on both health and social security are far lower than those of most other Western nations. Let us consider unemployment benefit as an example. The United Nations Economic Commission for Europe carried out a study which showed that in 1972 unemployment benefit stood at 75 per cent. of earnings, but by 1982 it had dropped to 47 per cent. Most other European countries, by comparison, have improved on the 1972 position—West Germany from 70 to 75 per cent., France from 85 to 90 per cent., the Netherlands from 85 to 89.5 per cent. and Sweden from 77.3 to 80.2 per cent.

On health care as well, our record is poor and getting steadily worse. Although the NHS is often in the vanguard of the development of modern medicine, it is near the bottom of the league when it comes to applying and supplying established technology. Taking the treatment of kidney failure, the insertion of cardiac pacemakers or coronary bypass operations as examples, we are well behind other European countries.

The most important reason for this failure is a simple lack of money for the NHS. In the financial year 1980-81, in Scotland, 6.8 per cent. of GDP was spent on health services. This compares with 8 per cent. in West Germany and France, 8.4 per cent. in Ireland and the Netherlands, and 9.6 per cent. in the United States and Canada. The average in the EEC is 7.8 per cent.

Mr. Galley: Will the right hon. Gentleman clarify why this argument is of any relevance? If administrative costs for health care in France, for example, are much higher than they are in this country, percentages of GDP are irrelevant to the argument.

Mr. Stewart: When the Prime Minister talks to the House twice a week on the subject of unemployment, she suggests that it is acceptable in the United Kingdom because, she alleges, other countries in Europe are suffering in the same way. That is not quite true. There are countries with unemployment which is infinitesimal compared to unemployment in the United Kingdom. If it is in order for the Prime Minister to measure us against other European countries, it is in order for me to do so as well.

The health service in Scotland has failed to come up to expectations in recent years. In its first 25 years the NHS in Scotland saw expenditure increase by between 4 to 5 per cent. a year. Since 1973 the average increase has been 1 per cent. in real terms. This is less than half the amount required to maintain standards. No wonder private health care is booming, and no doubt that is what the Government are trying to encourage. The underlying aim is to turn the NHS into a second-class service, and eventually it will be only for those who cannot afford to pay for the best treatment. So far, the Government have been thwarted and forced to back down.

Scotland has a bad and shameful record of poor health, deprivation and poverty, and that shame should be borne

[Mr. Stewart]

equally by those in government at Westminster and by those Scots who should know better than to let their countrymen suffer in regional poverty. It is estimated that over 1.5 million Scots are living in poverty or on the margins of poverty. Scotland has so many poor because of the failure of Westminster Governments and because we have not yet secured our own independent Parliament.

The social security review is likely to lead to a further erosion of benefit. I believe that that is what it is intended to achieve. The outlook for the poor of Scotland and the United Kingdom is bleak while they are subjected to these plans.

5.29 pm

Mr. Roy Galley (Halifax): Labour contributions have shown how easy it is to misrepresent and exaggerate by using statistics selectively. It was especially disappointing to hear the hon. Member for Wolverhampton, North-East (Mrs. Short) talk about perinatal mortality rates and give the impression that they are terrible. The hon. Lady knows that there are record low levels of perinatal mortality and that during the past five or six years great strides have been made. Not even the hon. Lady has a magic wand to create perfection and a nil rate of perinatal mortality.

My right hon. Friend the Secretary of State referred to the effective management of NHS resources. It is true that no ministerial team in the history of the Health Service has done more to give value for money to the patient than the current Secretary of State and his team. However, I urge my right hon. Friend to show greater vigour in some of the policies that he is implementing, especially the competitive tendering exercise within the NHS. It is estimated that this year £9.4 million has been saved from the competitive tendering exercise that has been carried out so far, consisting of £8.2 million from contracts awarded to private companies and £1.2 million from contracts awarded in house. Those savings must be offset against redundancy payments which are associated with that contracting out.

Although one accepts that the policy is just getting into its stride—the circular setting out that policy was issued in 1983—these savings for the benefit of patients are peanuts. With a total budget for these ancillary services of more than £850 million, much larger savings—at least £100 million a year—should be available for patients. The number of private contracts in the laundry sector has fallen from 11.7 per cent. of total contracts in 1981-82 to 9.2 per cent. of total contracts in 1983-84. We need more oomph behind the policy of competitive tendering.

There is growing concern that some health authorities may be seeking to frustrate the policy, putting the interests of staff before those of patients. Authorities are accountable to my right hon. Friend the Secretary of State for their stewardship, but I should be happier if there were more external audits to ensure that contracts were awarded fairly.

Great progress has been made with the appointment of general managers. It is right, however, to express concern about the pace of change and to define the criteria by which the new general management style is to be judged. Personnel changes involve a mammoth management task for the Health Service, but it is about time NHS

management board appointments were completed. There are still two vacancies, and only the chairman comes from outside the DHSS and the NHS.

Mrs. Renée Short: We told the hon. Gentleman what would happen.

Mr. Galley: I am trying to be constructive, not destructive like the hon. Lady. The quality of board members is high, but we need to appoint speedily outsiders who will bring fresh ideas to the management of the Health Service.

Many regional and district general managers are in place and the terms seem to be set to make appointments at unit levels. Considerable costs, according to the terms that have been negotiated might be involved. It is legitimate to put to my right hon. Friend the Secretary of State our concern that those enhanced payments should be justified, and be seen to be justified, by results. There should be clearly defined productivity indices by which Parliament and Ministers can judge the effectiveness of general management policy, of which I am an enthusiastic supporter.

Another major challenge faced by the Health Service involves the care of priority groups, especially the elderly, and the availability of community care. No one should underestimate the Health Service's achievement in coping during the past 10 years with a 75 per cent. increase in geriatric outpatient attendances, a 70 per cent. increase in inpatient attendances and a more than 90 per cent. increase in day patient attendances. The pressure on that service is continuing, with annual increases of between 7 and 9 per cent. in each of those categories. At the same time, district nursing personnel have been increased to cope with the 1.5 million elderly people treated by nurses in the community. There has been a vast expansion within the Health Service. The average length of stay for geriatric patients has continued to fall. The average stay is now 57 days compared with 100 days in 1973 and 62 days in 1982. That is a significant and welcome improvement.

It is better for most patients to remain in their homes as long as possible and to spend as little time in the hospital as possible. Adequate community facilities must be available. Bed turnover cannot be the only criterion of success. There is a genuine concern in a minority of cases about elderly people being sent home too soon. I hope that consultants will be encouraged to maintain a flexible attitude, taking full account of individual circumstances. I hope that there will be ever closer liaison between hospitals and social services to ensure that there is adequate home care, including an extension of hospital care in terms of hospital staff visiting geriatric patients in their homes for some weeks after those patients have been in hospital. My constituency and many other parts of the country provide such care.

Community services are vital. It is especially noteworthy that since 1979 community facilities for the elderly have expanded rapidly. A record number of home helps—more than 30,000—a record number of day centre places and a record number of meals—more than 42 million—have been provided for the elderly. Expenditure on services for the elderly is at a record level. In 1983-84 such expenditure increased by between 4 and 5 per cent. All this has been achieved within the context of increasing real expenditure on personal social services of between 12 and 14 per cent. during the past six years. That is an improvement of about 2 per cent. per annum.

Mrs. Margaret Beckett (Derby, South): Has the hon. Gentleman noticed that it has been shown recently in several cases that expenditure on social services has been increasing because many Labour councillors have refused to obey the request by the Secretary of State for the Environment to cut those services? If one removes from the analysis the expenditure of those rate-breaking councils, the figures are appalling.

Mr. Galley: The hon. Lady is quite off beat. That is not true. Rate capping is happening this year for the first time. Every time the subject is raised, the Opposition try to blame every conceivable difficulty in local government on the Government's rate capping proposals. Consistently since 1979 expenditure and provision of care in personal social services have increased. The Opposition seek to mislead the public with a plethora of inaccuracies, misinformation, selected statistics, isolated cases of error and scare tactics. They are Meacherisms. The hon. Member for Oldham, West (Mr. Meacher) used the term "scurrilous misrepresentation". That is what we have seen from the Opposition today. We have had scare tactics and false information.

Mr. Richard Tracey (Surrey): There are not so many of them—only four.

Mr. Galley: There are not so many of them.

As more resources and better equipment are being provided for the NHS, as there are considerably more staff now than before and as more patients are being treated, all the evidence is that the NHS is sound. Over the past five or six years we have increased expenditure by nearly 20 per cent. in real terms and there has been better management, which means that an effective response is being made to the growing challenge represented by more people asking for services. On any objective criterion there has been no dismantling of the welfare state. The figures for the number of people being treated and the expenditure incurred show that.

Rising expenditure and the provision of more care facilities in the personal social services mean that those services are sound. Despite the Opposition's attempts to mislead us into believing that we are spending less on social security, it can be shown that if one leaves aside the effect of increased unemployment, the amount spent on social security is still rising. The Labour party accuses us of a lack of compassion, but over the past five years about 200,000 more people have received attendance allowance, about 200,000 more have received invalidity benefit and about 200,000 more people have received mobility allowance. That is not a dismantling of the welfare state.

Any fool can run a national sickness service which judges its success by the number of sick people in its beds. Any fool can damn a service by quoting isolated cases and figures. Any fool can demand more if he does not know how he is to pay for it. The hon. Member for Oldham, West constantly demands more. We have spent more and more on the Health Service, on social services and on social security and we have spent it more effectively, yet the hon. Gentleman still demands more and more. Now we are beginning to see the price that we will be asked to pay. The demand for more comes with a price tag.

It is well-known Opposition policy to abandon our independent nuclear deterrent, and the Trident programme. Every Opposition spokesman claims that the savings made by abandoning Trident will fund their

extravagant programmes. The hon. Member for Oldham, West now claims that the savings from Trident will go towards his expanded Health Service programme. He is, of course, putting aside the Healey speech of 1977 which argued—and there are many Labour party supporters who secretly hold this view—that unless we defend ourselves properly, there will be no hospitals, schools, health centres or doctors, but only a heap of cinders.

The hon. Member for Oldham, West wishes to scrap mortgage tax relief in order to fund his profligate proposals. The Labour leadership may disown him, but as long as the hon. Gentleman is on the Labour Front Bench no home owner can rest easy. It must not escape the attention of hon. Members that the hon. Gentleman wishes to put a tax on sugar in order to fund more NHS expenditure. That would mean the loss of a considerable number of jobs in my constituency and elsewhere. Now we know that he will have to increase income tax, too, in order to fund his extravagant plans.

The fact is that the welfare state is being enhanced. But the facts do not seem to play much of a part in the Opposition's thinking. It would seem that the Labour party and the alliance are off their corporate rockers.

5.43 pm

Mr. Charles Kennedy (Ross, Cromarty and Skye): The hon. Member for Halifax (Mr. Galley) will perhaps forgive me—and I think that the rest of the House will be grateful to me—if I do not pursue his line of argument. At least, I think that there was a discernible line of argument, at any rate at the end of his speech.

Mr. Galley: Will the hon. Gentleman give way?

Mr. Kennedy: No. The discernible thread made itself known when the hon. Gentleman seemed to say that the plan of the hon. Member for Oldham, West (Mr. Meacher) to tax sugar would somehow reduce Halifax to cinders. However, I shall concentrate on some of the areas covered in the constructive speech of the hon. Member for Brentwood and Ongar (Mr. McCrindle) and on the social security reviews in particular.

The Secretary of State's speech will have done little to quell the anxiety doubtless building up about the reviews and the way in which they have been structured and conducted. For example, last summer I was invited to give oral evidence, as I believe the hon. Member for Birkenhead (Mr. Field) was, to one of the reviews on young people.

Mr. Frank Field: I was invited, but the meeting was not held.

Mr. Kennedy: That may illustrate the very problem that I have in mind. The committee to which I gave evidence was chaired by the then Minister for Social Security, who has now moved to the Northern Ireland Office. Such a far-ranging and profound review—apparently the most fundamental for 40 years—is not well served by changing the personnel half way through. However much we may disagree with the political views of the personnel involved, I should have thought that consistency was to be welcomed. I mean no disrespect to the present Minister for Social Security. Thus, the hon. Member for Birkenhead made a good point.

Moreover, the revenue neutral basis on which the reviews must be conducted also gives cause for concern. No proper examination is being made of the hidden

[Mr. Kennedy]

welfare state benefits which fall under various tax concessions. That is neither even-handed nor consistent. Indeed, it is particularly curious, given that in the Budget the Chancellor of the Exchequer promised us a Green Paper on the possible integration of tax and benefits. Apparently the possibility has already been precluded of any searching examination being made of the status of pension funds and of other allowances which at present give the better off substantial benefits. In any proper review, all of those things should be considered.

In conducting these reviews, the Government have made much of simplification. We would all welcome such simplification, and the Secretary of State is right to acknowledge the consensus that exists on that issue. We would particularly welcome simplification if it led to a higher level of take up for some of the very necessary benefits, such as family income supplement. I think that the last set of figures that I saw showed that the take up of FIS was barely 50 per cent. However, I appreciate that the figures involved are sometimes small for the amounts concerned. We would welcome greater simplification if it were aimed at pumping more resources towards those who need them.

The Secretary of State's speech was significant in revealing that the reviews were clearly a device by which the DHSS could buy some time from the Treasury. The latter has clearly been insisting on major cuts in the social security system. It is bogus to argue, as Ministers do, about the proportion of gross national product currently occupied by social security expenditure, when one reason for the increase in expenditure has been the rise in poverty due to mass unemployment. That is the result of the Government's economic policies. Those on benefits are now to suffer a further cruel blow, because the Government say that as far as possible we must reduce that very dependence which the Government have engendered by their policies.

The short-term relief, or stay of execution, which the Secretary of State was apparently able to buy from the Chancellor of the Exchequer by initiating this series of wide-ranging reviews will turn into long-term losses for the welfare state. There has clearly been a lack of consultation and co-operation throughout between the Treasury and the DHSS. That was shown, for example, in the deliberations of what I might call the Meacher committee into the whole question of the poverty and unemployment traps.

The Inland Revenue, when giving evidence, said that the type of computerisation which could be introduced to integrate tax and benefits, which we on this Bench wish to see, would have to be of a certain type when in place in a few years' time, or it would not be possible to alter it, radically or in the direction in which a future Government might wish to alter it. The evidence that we are getting shows that the Government are not pursuing that line. That is a clear example of that lack of consultation and co-operation between the two Departments involved, and that is greatly to be regretted.

The state earnings related pension scheme is referred to in the official Opposition motion. I said that there was little in the remarks of the Secretary of State to quell the anxieties that exist. There is no doubt that a legitimate debate could be undertaken into the whole question of SERPS. I listened with interest this morning to some

remarks made on the radio by Professor David Donnison, who used to chair the Supplementary Benefits Commission. It cannot be fair—if this is what the Government are intending—to move towards a system by which, for example, the better off, such as retired civil servants, will be guaranteed 50 per cent. pensions, whereas the worse off—those who are poorer because they are at the lower end of the earnings scale even when employed prior to retirement—will remain in a state of poverty compared with others, through the abolition of SERPS.

Not only did Professor Donnison make that point, but he quoted the Social Security Advisory Committee in his support, and the Minister may wish to comment on the remarks of that committee on this score. Does he think that SERPS will run into severe problems of funding in future, although that problem need not arise for another half century? His view on that must have an impact on the political decision which will have to be made.

Other points can be made in the opposite direction. In other words, these issues go across the political spectrum and are not common to one political ideology. For example, a case could be made for saying that, in its operation, SERPS has regressive features. Arguments could be made pointing to the need—which we on this Bench would support—for further restructuring of national insurance contributions.

What must be a source of anxiety—I am thinking particularly of last week's Report Committee stage of the Social Security Bill—is that the private sector, in terms of portable pensions, is not in a position adequately to take the slack which would inevitably result from a straightforward abolition of SERPS without its place being taken by what would need to constitute almost a bridging mechanism between the more private and portable pension society towards which the Government wish to aim and what we have at present, which is a reliance by about 10 million people at the poorer end of the income scale on some form of state earnings-related pension.

The Secretary of State acknowledged, when responding in his opening remarks to an intervention from me, the importance of the all-party consensus which surrounded SERPS. I appreciate the caveat which the Secretary of State gave about final decisions not yet having been taken. However, if there is to be change, whatever the direction of that change it is crucial that the Government, so far as humanly and politically possible, maintain that all-party consensus.

In any change affecting pensions in the longer term, the Government should take with them not just the House but the country and, in particular, those who will be ever more dependent upon pensions provided by the state. It is difficult to form a conclusion this afternoon, given the fact that the Secretary of State went to some lengths to say that no conclusion had been reached within the Department to finalise the issue. My hon. Friends and I must therefore reserve judgment on that subject.

We are told that the hon. Member for Oldham, West has been much maligned and misrepresented. Despite the fierceness of the exchanges earlier across the Dispatch Box, it must be worrying for the hon. Gentleman to find on this occasion, despite the ferocity of his attack on the Government—I say this from press reports, and I base my analysis on the writings of reputable journalists, and not the scurrilous ones—that he probably got a warmer

reception from the Secretary of State today than he got from his leader and fellow colleagues in the shadow Cabinet when he floated his ideas last week.

Mr. Meacher: The hon. Gentleman is wrong.

Mr. Kennedy: It is all very well for the hon. Gentleman to say that I am wrong—

Mr. Meacher: The hon. Gentleman should not believe everything that he reads in the newspapers.

Mr. Kennedy: If the hon. Gentleman is arguing that we should not believe what we read, he is giving the Secretary of State a handy weapon for defending the Government's position over the welfare state.

Mr. Meacher: The hon. Gentleman must be more selective.

Mr. Kennedy: That is an interesting analysis indeed of this debate.

I have more than a suspicion that the hon. Member for Oldham, West was, as it were, cut loose by some of his senior colleagues to wallow at the Dispatch Box in the uncensored nightmare of his welfare state. I suspect that we shall have severe disagreements with the Government when they come forward with their review of social security. In the meantime, to try to pre-empt what is being done by the Government and come forward with wild and uncensored alternatives is pointless.

The hon. Member for Oldham, West said that his suggestions had been carefully costed. That was a remarkable statement for him to make, given that the leader of his party spoke in Bristol last week about care in the community, but resolutely refused to make any spending commitments. That is at the heart of what the official Opposition are up to just now, but they are playing into the hands of the Government. In the absence of constructive suggestions, the Government will find it easier to sustain whatever policy they finally decide on for fundamentally restructuring the welfare state. I fear—I hope that I shall be proved wrong—that the Government will damage irreparably the principles and practices of the welfare state. Therefore the way in which some Labour Members are behaving over this entire matter is at best politically naive and at worst politically cynical.

Grave concern must be expressed over the way in which the reviews have been established, the manner in which they have been conducted and the apparent loggerhead situation that exists between the DHSS and Treasury Ministers. I have grave doubt whether the result of all that can be the sincere, far-reaching and radical re-examination which the Secretary of State wants to achieve.

A radical review is necessary if the system is to be made more simple, if more people are to be helped and if we are to remove some of the complexities of the current nightmare of means-tested benefits. Those aims must be achieved if we are to alleviate poverty in Britain. However, I cannot see that being the outcome, and my hon. Friends and I will vote against the Government tonight in view of their record thus far and their approach to the welfare state.

We need to distance ourselves from the reaction and criticism of the Labour party. I do not believe that a mediocre, Maginot line of defence necessarily provides the best means of defence for the poor people of this country. Therefore, my right hon. and hon. Friends and I will continue to advance these arguments throughout the

course of the wide-ranging debate which will follow the Government's announcements on SERPS, the welfare state and social security generally.

6 pm

Sir Brandon Rhys Williams (Kensington): Although this is not a very well attended debate, it is an extremely important one, because it provides the last opportunity for the House to deal with the issues relating to the fundamental reform of the welfare state that are to be discussed in the forthcoming Green Paper. It is therefore particularly appropriate to deal with general principles.

If I may comment in particular on the place of the welfare state in the functioning of the economy, we have to deal with the redistribution of income in such a way as not to damage the creation of wealth overall. As a society, we need to make the best of our economic opportunities. We must not devise a scheme for the redistribution of income which inhibits wealth creation either by taking too much from earnings, thereby breaking the back of the system, or by distributing too much and undermining the natural personal efforts of the individual to work and his will to save.

It is a fallacy to suggest that in some way the redistribution of income costs the Exchequer money. If redistribution has genuinely taken place, it does not cost the Treasury anything: the Treasury, on the national insurance scheme has merely acted as an agent. Those who receive the benefits spend the money. It is the side effects of redistributing income which can damage the economy. Many hon. Members believe that the way in which we are redistributing income now is having a damaging effect upon the will to work and the will to save. If we weaken the functioning of the economy as a whole, we shall, over time, undermine the social services and lower the general standards of living of the population, because we shall all go down together and impoverish the whole community.

I believe that there is a maximum that can be allocated to the functions which can be supported through the redistribution of income. Income tax and national insurance contributions combined, should not exceed 40 per cent. of an individual's income. However, because of the expectations of a modern European society it would be difficult to operate an acceptable system if the combined rate of income tax and national insurance contributions were very much less than 40 per cent. If we try to force down the figure, we shall encounter disappointment and resentment.

On top of the 40 per cent. that it is reasonable to expect the individual to contribute at the margin, I believe that an employer's contribution of 10 per cent. is appropriate as deferred pay and as a means of building up savings to provide for workers in their retirement. If we are to make the best use of the resources available for redistribution—I am referring to resources in cash, not to services supplied in kind—the redistribution must be planned on the basis of a thorough and factual analysis of household needs, or, as was mentioned by my hon. Friend the Member for Brentwood and Ongar (Mr. McCrindle) on the basis of a re-analysis. We are dealing with out-of-date ideas.

Many of us are aware of the fact that there is real poverty, not only in large families but in many smaller families. We need to do more for families and to examine whether too much help is being given in other areas where opportunities are being exploited which the system ought

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to abolish. We do not know what it costs to raise children in families of different sizes. We ought to be provided with that data, and I hope that the Government will make a special effort to carry out the necessary research. The family expenditure survey is not sufficient.

We also need to analyse the real costs of pensioners living at home, or in institutions, or on their own. We want old people to be independent, but I do not believe that a sufficiently serious comparison has been made of the household costs of pensioners or of the cost to their families if they are unable to be independent and live on their own.

The system for the redistribution of income should also encourage the full take-up of entitlement. We cannot say that a satisfactory system exists if half of those who are entitled to benefit decline to draw their entitlement because of resentment, lack of comprehension, or for reasons of pride or fear of disclosure. A system must be introduced which encourages the full take-up of entitlement. It is worth reflecting that family allowances—and now child benefit have a high rate of take-up, whereas selective benefits invariably lag far behind. This provides a lesson which must not be forgotten. As I have often said, the redistribution of income must be comprehensible, easily administered and not humiliating to the claimant; and it must not discourage people from saving.

I believe that entitlement should be based upon citizenship or it should be derived from the record of contributions. We should aim to reduce to the barest minimum the number of people who are obliged to claim on grounds of need. I should like therefore, to spend a little time upon the contributory principle. Many people believe that it is important to rely upon this principle. The reason why the dreadful old national insurance system has lasted so long is that it is felt that there is value in the contributory principle. Although national insurance has become obsolete and incomprehensible, people nevertheless want to hold on to the contributory principle. Therefore, national insurance has not been allowed to die. However, we know that it is a sham. A sham is not a good thing in public life. We ought, therefore, to get rid of national insurance and put something else in its place.

Let us examine the contributory principle in so far as it affects the current account and separate it from the contributory principle in so far as it affects the capital account. Contributions which enable us to run a system in which total destitution does not exist are one thing, whereas contributions which allow personal nest eggs or retirement benefits to be built up are quite different. The current account and the capital account ought to be kept strictly separate when we are dealing with the contributory principle.

As for the revenue account, it is some years since we accepted that the national insurance fund cannot cope on the basis of flat rate contributions. We switched to earnings related contributions for flat rate benefits. I believe that that principle is here to stay, so we must make the most of it. We should recognise that we have blundered into a system which will remain in existence. We should, therefore, ensure that it is comprehensible and seen to be right.

In so far as we are obliged to pay for that flat rate benefits by earnings related taxation, we have to recognise

that we are relying upon a deeper concept of the obligations and entitlements of citizens than can be founded on actuarial principles. Earnings related contributions and flat rate benefits have no direct relationship with each other; yet somehow we feel that this is the right foundation for the redistribution of income. In effect income tax is not just one more source of revenue for general purposes for the Exchequer; it has become a personal contribution by which each citizen clears his debt to a generous civilised society, which gives him a basic income guarantee, and establishes his claim to benefit from his membership in the same way as every other citizen.

I believe that we should not abolish national insurance contributions, but, rather, abolish the income tax and call it a contribution. I believe that that should be the foundation of a new self-balancing and self-contained national insurance fund which would draw its revenue from earnings related contributions and pay flat rate benefits in exchange.

On the capital account, the contributory principle should be funded on strictly actuarial and comprehensible principles. This is a topical subject because it has been so confidently predicted that the Government will abolish the state earnings related pension scheme. I have already said in the House that that scheme should go. Retirement benefits and personal savings plans should be founded on arithmetical calculations and the state earnings related pension scheme is not. There should be no built-in transfer of resources such as is inherent in final salary schemes which all too often have the effect of transferring money from the low to the better paid, as I have said before.

In the state earnings related pension scheme, which is funded not on lifetime contributions but on a selection of the best 20 years we are draft from arithmetic and have, unfortunately, also committed ourselves to paying pensions which our children will undoubtedly be unwilling to fund. It is only a matter of time before the House has to abandon the state earnings related pension scheme in its present form because the resources will not be available to meet the commitment. If we do not recognise that this year in five or 10 years' time, we shall recognise it in the end. The longer we leave the reform of the system, the more difficult it will be in the end to extricate ourselves from promises that ought not to have been made. Therefore the system should be abolished.

Mrs. Beckett: We have, on occasions, debated this matter before with the hon. Gentleman, but I want to draw to his attention the correspondence between his words on the cost and direction of the state earnings related pension scheme and those uttered in 1954 by the Phillips committee, looking ahead 30 years. It said that the retirement age for men should be raised to 68 and for women to 63 and that there should be no increase in the real value of pensions because the country could not afford it. If that committee had been listened to then, as the hon. Gentleman is hoping to be listened to now, the pension today would be £15.

Sir Brandon Rhys Williams: I recognise that in making forecasts about population, unemployment, the growth of the national product and other economic circumstances over long spans of time, it is easy to be wrong. I should love to think that I am wrong in predicting that the growth of the British economy over the next 40

or 80 years will be such that we shall not be able to handle the commitments that we are making to ourselves in this particular pension scheme. But it is wrong to make forecasts based on nothing except hope. If we build our pension expectations on hope rather than the reality of the economy, there is a likelihood that we shall be disappointed. A state scheme should not be founded on estimates which could all too easily be proved to be wrong.

If we abolish the scheme, we must look at the gaps that might be left when it has gone. The Government should encourage savings by all legitimate means. Therefore, I was extremely relieved when the Chancellor committed himself in the Budget to the principle of "save now, pay tax later." All occupational pension schemes in Britain have been built up on the expectation of that tax background and it ought not to be changed for individual personal pension entitlements. Moreover, it should be made available not just to occupational pension funds on an approved list but to every citizen for all classes of saving, including personal pension schemes, nest egg schemes, life insurance and house purchase finance.

I know that what I am saying is radical, but I believe the options should be offered as an alternative which people embarking on long-term financial undertakings such as house purchase or life insurance should be able to consider. They might not want to use that basis, but I can see no good reason why the principle of "save now, pay tax later" should be confined to approved occupational pension schemes. It should be made available to everyone, subject to some safeguards. It should be used as the incentive to encourage the build up of personal capital along the lines suggested by my right hon. Friend the Prime Minister when she makes it a target that every man should be a capitalist. I hasten to say, because I know that the hon. Member for Derby, South (Mrs. Beckett) would not like it if I did not, that I want every woman to be a capitalist, too.

Mr. McCrindle: I am following my hon. Friend's arguments closely and I agree that there should be maximum encouragement through tax concessions to persuade people to prepare for their retirement, but if we follow through my hon. Friend's suggestion—that the state earnings related pension scheme should be wound up for the reasons that he has stated—does he agree that there would then be maximum encouragement but no compulsion in attracting the people at present covered by the state earnings related pension scheme to a private pension scheme? Is my hon. Friend about to tell us how he would take care of the situation to which I made reference in my speech of the substantial number of people who, no matter what encouragement they are given, decide for one reason or another not to prepare for their retirement, thereby building up a responsibility on the part of society under our present supplementary benefit system?

Sir Brandon Rhys Williams: I am grateful to my hon. Friend for his intervention, because it enables me to tread safely on the ground that I have prepared for myself. We should encourage people to build up nest eggs for family or business needs which are not necessarily available for use only in retirement. How then do we ensure that people's retirement is properly catered for and that they do not fall into the temptation of using their nest egg for some other purpose before they reach the time when they

desperately need it, when they are no longer able to work? We should not allow the nest egg to be used before retirement age if it is derived from the employer's contributions. The employer's contributions should become a money-purchase fund, put into trust for retirement as a form of deferred pay. I have already suggested in the House that the employer's contribution should be set at 10 per cent. on top of all wages, so that the entire employed population should receive 10 per cent. on top of their wages from their employers in the form of deferred pay. It is really the national insurance contribution which the employer is already making, but instead of letting it lapse by going straight into the fund and being lost, it should be retained as an individual entitlement built up on proper money-purchase principles and indexed in an appropriate way. I hope that I shall have time to deal with that. The employer's contribution should usually be available only for retirement and the trustees of the schemes should release the money earlier only in exceptional circumstances, such as invalidity and so on.

The private occupational schemes must be run on lines which conform with public opinion. If we are to abandon the idea of a state minimum scheme, the private schemes must operate on a unisex basis and give fair treatment to the early leaver, including his existing accrued entitlements. In regard to this I do not want to go over suggestions that I have made before, except to say that by differential tax treatment of the income from the fund in the occupational pension trust so as to favour that part of the fund which is allocated to individuals rather than the unallocated account, we can put the occupational pension schemes in a position, without any element of retrospection, where they would wish to give his full accrued entitlements to the early leaver.

There must also be adequate recognition of the claims of mothers—or, indeed, of parents of either sex—who withdraw from work to be remunerated in cash in order to raise their family. I recognise that the 20-year rule in the existing state earnings related pension scheme was introduced to help women who did not have a full record of contributions; but it was the wrong way to approach it. It might be worth exploring the idea that the parent who is able to draw child benefit should also be entitled to establish a claim to pension rights on that account—in other words, a motherhood pension credit.

The House has argued for many years the difference between indexation related to the retail prices index or the alternative based on wage rates. At one time we gave pensioners the option of whichever was the best system for them. Neither was right. In future the pensioner's entitlement must be based on the real development of the economy—the actual capital market. I should like savings which are allocated to individuals to fructify in real terms in line with the general development of the wealth of the community. In other words, pensions should be funded on a spread of real assets. In that way, if there is growth in the economy, the pensioners will participate in it. If we go through bad times economically, the pensioners will be on the same footing as the rest of society.

Many employers cannot afford to run their own pension schemes. If we abolish the present state scheme, there will also still be a need to cope with casual and part-time workers and others who need to belong to an earnings related scheme just like everyone else, even if they have low incomes, but which can cater for their particular

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working habits. There should therefore be a Post Office scheme which gives indexation by reference to the yield, from time to time, of Government indexed stocks. Employers who take on casual workers even for short periods at low wages should still be obliged to make a 10 per cent. contribution to a Post Office fund on behalf of each worker. The money can then build up on the basis that it has been invested, perhaps notionally, in Government indexed stocks. Private schemes should guarantee at least to do the same.

I want to deal briefly with householders' costs, household subsidies, mortgage interest relief, which has been made topical by the hon. Member for Oldham, West (Mr. Meacher), and the reform of local authority finance. Local authority finance is all part of the scene and should not be regarded as a separate matter. In seeking for a reform of the rates, we have considered local income taxes, local VAT, a poll tax or lightening the burdens on local authorities by taking them back on to the central Government budget. None of those has proved to be satisfactory. We have talked about rates for years without coming to any conclusion. Rates are an intolerable burden in my constituency, and something must be done as a matter of urgency.

Mortgage interest relief is a random benefit. I am glad that it was the hon. Member for Oldham, West who put his foot on the mine and exploded a volume of abuse and public reaction. If it had not been him, it might have been me who made the recommendation, because the way in which we help householders is in some respects wasteful and in others insufficiently helpful.

There is certainly room for reform of the system for the support for house purchase.

Mr. Winnick rose—

Sir Brandon Rhys Williams: I have spoken for so long that unless the hon. Gentleman is determined to press me, I should like to finish my remarks.

Mr. Winnick: The hon. Gentleman has raised a point that I should like him to clarify.

Sir Brandon Rhys Williams: When I have finished, the hon. Gentleman may think that I have dealt with it.

Housing subsidies have a low take-up, and that is most unsatisfactory. Supplementary benefit rent allowances are also unsatisfactory and uneven. I am sure that in some parts of the country they tend to increase rents for low-grade accommodation. Rate support grant is the most uneven and unpredictable of all the forms of subsidy that we pay to householders. Let us be under no illusion: rate support grant is a form of household benefit which reaches householders by indirect and incomprehensible means. The key to the reform of local authority finance is to put householders in a better position to meet their essential outgoings.

We look forward to the Green Paper proposals. I am confident that my right hon. Friend will approach them in a generous, sensible and responsible spirit.

Mr. Winnick rose—

Sir Brandon Rhys Williams: As I shall not be detaining the House for much longer, perhaps the hon. Gentleman and I might meet afterwards to discuss these points.

I hope that my right hon. Friend will take account of the effects of taxation as well as the benefit system. My only fear is that his proposals will not be sufficiently radical, comprehensible and firmly based on moral principles. If he listens to what has been said on both sides of the House today, he will be helped in the preparation of his Green Paper, which will be widely read, and with great interest.

6.23 pm

Mr. Frank Field (Birkenhead): It is usually a pleasure to follow the hon. Member for Kensington (Sir B. Rhys Williams). I am sure that he will understand if I do not pick up all the themes that he illustrated. I disagree with one of the main thrusts of his argument—what should be done about the state earnings related pension scheme. I think it is the first time that there has been such a disagreement when I have followed him.

What linked the hon. Gentleman's contributions to those of both Front Benches was that he applied a broad brush to a large canvas. I wish to paint a much smaller picture, but first let me make a couple of introductory remarks. The proposals that my hon. Friend the Member for Oldham, West (Mr. Meacher) outlined to the press recently have come in for what some people have taken as an attack. I should like to use the opportunity to put my views on record. If there is any criticism of his proposals, it must be that they are not sufficiently radical and not that they were too radical. Conservative members will be misreading the feeling on the Opposition Benches if they do not grasp the fact that Labour Members wish a future Labour Government to have an attack on poverty as their number one priority. If we are serious about that, and about delivering money to those at the bottom of our society, the programme will be costly. We must study those costs carefully and set out how they will be met.

My hon. Friend's proposals were modest. He supported them by limiting the amount of relief going to those buying their own homes. I am one of those Members who wish to see an extension of home ownership on a scale which is not perhaps supported by all Opposition Members. But it is crucial that we consider not only mortgage interest tax relief but the other 100 or so major tax benefits which cramp any Government's style when they try to achieve their objectives.

One of the main reasons why the Government failed this year, as they did last year and the year before, to deliver on their central election pledge—to cut taxation—is that before the Chancellor rises to deliver his Budget statement he has already forfeited the right to levy taxation on over 50 per cent. of personal income; that income has been exempted by one or other of what should be called "tax benefits."

If there is to be scope for the proposals that I should like to see brought into operation—taking people out of tax and cutting the rates of tax, as well as building a welfare state which acts as a floor upon which people can build by their own efforts rather than a ceiling which traps them into poverty—the crucial issue of tax benefits must be faced squarely.

If the Labour party is to become an alternative, radical Government, it must consider applying a policy of cash ceilings on these tax benefits. Only this policy will give the Government room to manoeuvre. It would enable them to raise some benefits, take some people out of tax and cut tax rates. I agree that that would be an approach different

from that of previous Labour Governments. It would be a libertarian approach. It would be one which wishes to see people have more money in their wage packets and for them to choose what they do with it, rather than today's paternalistic state whose people receive relief and support only if they spend their taxed income in a way in which the Government approve and support by way of tax benefits.

Mr. Winnick: My hon. Friend and I may agree or disagree, but I believe that the bulk of tax relief on mortgage interest is justified. Every help should be given to people who are buying their own homes. Does my hon. Friend agree that it is interesting to note that time and again, as they did tonight, Tory Members speak against subsidising the better off, but they are not critical of giving tax relief, without any qualification, to those earning £30,000 and more a year? Is there not an inconsistency and deep hypocrisy in that attitude?

Mr. Field: There is a consistency and hypocrisy. One of the good things in the debate has been the efforts—if I can use the phrase in the House—which has been made to rubbish the proposals of my hon. Friend the Member for Oldham, West. I hope that the exercise continues, because I want my constituents to hear what may be on offer to them if we are successful in achieving the election of a future Labour Government. The electoral mine of which the hon. Member for Kensington spoke might be one upon which the Government step rather than my hon. Friend. One of our problems in the past has been to convince voters that we have a programme which will work and will deliver resources and cash to those at the bottom end of the scale.

Again, with reference to my hon. Friend's intervention, I, too, am not in favour of abolishing mortgage interest relief. My proposal is that the cash ceilings, which we have seen applied so ruthlessly to the traditional welfare state, should be applied to those who, in the welfare state, gain tax benefits.

The Library very kindly did some work for me on four of the major non-personal tax benefits and looked at the extra revenue we would have gained if a cash ceiling to those benefits had been applied at the beginning of the previous Labour Government. Had it been applied, we would have had an additional £17.5 billion to distribute in ways that this Chamber may wish to debate.

On the one hand, we lament the failure of this House to control Government expenditure; yet, on the other hand, many of us seem unwilling to come to grips with controlling the Government's tax expenditure. If we are serious, we need to begin a debate about those tax benefits which, as I said earlier, exempt over 50 per cent. of all personal income from tax.

At the beginning of his contribution, the Secretary of State was rightly asked whether he intended to stand by the very clear commitment that he gave to the House not to disrupt current pensions proposals. We learnt from the Secretary of State's reply that there is a new definition of a political commitment. One give a political commitment and holds to it until one has established reviews. Should those reviews produce proposals—which one has engineered anyway—to abolish a commitment, one has to allow that commitment to be sidestepped.

I wish to concentrate on my concern over what is to happen to the state earnings related pension scheme. In

doing so, I disagree with the hon. Member for Kensington but agree with the hon. Member for Brentwood and Ongar (Mr. McCrindle). I do so because one of the aims of the reviews is supposed to be to give us a more simplified welfare state. There appears to be a possibility that the Government, to save some revenue at some time in the next century, may be prepared to cave in to pressure to abolish the state earnings related pension scheme. The advantages of the scheme are important, and I shall remind the House of them.

If the scheme comes to fruition it will be the first scheme to be put on the statute book since Beveridge which offers the hope of breaking the link between poverty and old age. It may not do it as successfully as was hoped by some of those who promoted the scheme in 1975, but it will certainly do it on a scale the like of which has not been seen before. If the Government's aim is to simplify the welfare state and to cut down the numbers claiming means-tested assistance, whether by means of supplementary benefit or, if they have been floated off it, housing benefit, it will be a major error of judgment to overturn the all-party agreement on pensions proposals for the sake of a very small gain in terms of public expenditure in the distant future.

The second advantage of the scheme—I was so surprised that the hon. Member for Brentwood and Ongar did not make the point that I now wonder whether I fully understand the scheme—is that it sets a minimum standard for the private schemes. In other words, an employer can contract out his employees into private arrangements only if he is offering proposals which are better and more generous than the state minimum scheme. Therefore, one is losing, without any extra civil servants or any bureaucracy whatever, that regulation of the private schemes which has been so beneficial up to now. It has set a minimum floor, and the private schemes, to attract customers, have had to offer something better. I always thought that Conservatives, as a matter of philosophy, were willing to undertake that sort of competition with the state scheme. Now perhaps competition appears to be tough that the only way to compete is to abolish the state scheme.

The third big advantage of the state scheme is that it offers the best deal to the lowest paid. That aspect was touched on in a number of contributions by Conservative Members. It offers a deal to the low-paid that they are unlikely to get in the private sector, for the very simple reason that much of the private sector is not interested in those on low earnings.

Because the scheme is so advantageous to the low-paid, and because most women are low paid, it offers the best prospects that women have ever had from any pension scheme, whether private or public. Therefore, if the Government abolish the scheme, they will not simply be taking away the potential pension from the lowest paid; they will be seen to be making a major attack on the future living standards of women.

The fourth reason why the scheme should be supported is the one that I touched on at the beginning—that it allows us to simplify the welfare state. It guarantees people basic pensions which will take them above the eligibility level for means-tested assistance. How much simpler it would be to float people off poverty by this scheme than by the proposals hinted at by the Government. If the Government's proposals go through, we shall see the first moves towards dismantling the welfare state.

[Mr. Field]

Some of my hon. Friends, in their eagerness to defend the interests of their constituents and to promote our cause, have sometimes talked about the Government dismantling the social security system. I do not honestly believe that one can make that charge stick at present. There have been cuts, and I shall deal with them in a moment. Those individual cuts have been catastrophic for individual claimants but Opposition Members cannot claim with any seriousness that we have yet seen the dismantling of our social security welfare state. But the leaks of the past 10 days or so concern proposals which, if put into practice, would make that charge stick.

It is because I want to warn the Government about the moves which may be made, but also to support them when they have managed to resist Treasury attacks, that I say how pleased I am to read that it appears that the Government have been successful in defending the child benefit scheme. If that is correct, they are to be congratulated. I suppose that it is a sign of the times in which we live that Opposition Members can stand up and say that the Government's defence of a basic measure, such as child benefit, calls for congratulations. Be that as it may, it is important to list the advantages. It is the most effective benefit that we have for tackling family poverty. It is the only benefit that we have for maintaining tax equity between those with children and those without children. It is the most effective way of giving people an incentive to work. It is, as we know—thanks largely to the campaign led by the hon. Member for Kensington—a benefit which is paid to women, and it is a crucial benefit to them.

I should like to underline one of the points made by my hon. Friend the Member for Oldham, West concerning the charge that we are beginning to stick on the Government. I want to play my part in getting that charge to stick, because I believe it will have an effect on the result of the next general election.

In his opening remarks, my hon. Friend looked, on the one hand, at the tax cuts that have benefited those at the top end of the incomes scale and, on the other hand, at the cuts that have been made in social security so far in this Parliament and in previous Parliaments. As the Minister of State knows, the major cuts have been in breaking the link between earnings and pensions and what are called the long term benefits.

I ask the House to recall the 1979 Budget. The surtax payers, as they used to be called, gained £1.6 billion in that Budget. They constituted less than 6 per cent. of all taxpayers. They will go on gaining those tax concessions until we elect a Government who will reverse that 1979 Budget. We are now in the sixth year of tax cuts to the rich, and that gives a total of almost £8 billion. The Library note, prepared some time ago for my hon. Friend the Member for Oldham, West, refers to the cuts in social security since 1979, which equal a little over £8 billion. Therefore, one sees the direction of redistribution under the Government. There have been cuts in the benefits to which many of our constituents were entitled under the previous Labour Government to finance the tax cuts to the richest in our society.

The Minister of State may not like it when the main Opposition spokesman, in opening a debate, never fails to mention those tax cuts to the rich. I reassure him that many of us in the Opposition are doing our best to make the

charge stick, that there have been cuts in benefit and that those cuts have almost exclusively financed the tax cuts to the very rich.

Mr. Butterfill: Will the hon. Gentleman explain how he can talk about cuts when in fact there has been an increase of £8.5 billion in expenditure on social security under this Government, which is a 28 per cent. real increase?

Mr. Field: I am happy to do so. The hon. Gentleman should ask the Library for a copy of the note that it prepared for my hon. Friend the Member for Oldham, West, published on 6 February this year. In that note, the cuts are set out in detail. It is as well to remember that there are now many more old people claiming old-age pensions, and the Government have done their part to increase the number of unemployed. This is why it is not impossible for the total social security budget to increase. Yet at the same time, and in the way I explained earlier, the Government have made cuts in provisions, such as the earnings-related supplement.

It is a paradox that the hon. Member for Halifax (Mr. Galley) seemed unable to explain. If we look at the figures, we see that the amount spent on health has increased under the Government, yet when I and other Opposition Members and, I guess, many Conservative Members, go to our constituencies and see what has happened, we are faced with a catalogue of cuts. It is a paradox that Conservative Members have to explain not only to us but more importantly to the electorate. At the same time they need to try to explain away how they have benefits in order to ensure that the very rich in our society, those who are most privileged, can pick up a cool £8 billion since the Government were returned to power in 1979.

6.42 pm

Mr. Patrick Nicholls (Teignbridge): I shall talk about the retirement pension, but one remark by the right hon. Member for Western Isles (Mr. Stewart) should not be allowed to go without comment.

The right hon. Gentleman was comparing at length the deficiencies, as he saw them, in the health services provided in various European countries and the way in which he thought it was being provided in this country. One can make a simplistic point that one never spends enough on the Health Service. I doubt that there is anyone in the House who would disagree with the proposition that one can always spend more on the NHS, and spend it usefully, wisely and correctly.

The reason for that is that there has been a complete transformation—a revolution, even—in the various types of medical aid that one can usefully give. The founding fathers of the NHS did not have to consider the sort of things on which we can now usefully spend money, such as transplant surgery and open heart surgery—a whole range of techniques which, when the NHS was founded, would have appeared to be out of science fiction. Unless one does one's forbears the courtesy of looking at the facts as they must have seemed to them, it is incredible that it was thought that once the NHS was established, there would be a reduction in cost through the years. It was thought that once the health of the nation was placed on a sensible and positive footing, the costs would decrease. Of course, that has not happened because the more one

spends on medical research, the more things there are that can be genuinely done for the citizen, and so more money should be spent.

The right hon. Member for Western Isles did not address himself to that possibility. However, he quoted highly selectively the statistics that he had managed to get hold of. If he had really wanted to help the House on how our NHS compares with the provision in European countries, he might have drawn to our attention a publication called "Cost and Containment in Health Care", which was produced last year by Professor Abel-Smith. Unless I am doing him an injustice, I would guess that the professor is no particular friend of the Conservative party. Certainly in the past he has been an adviser to two Secretaries of State for Social Services, both Labour. Yet his conclusion, perhaps sorrowful, in that publication was that if one ignores the rhetoric that we hear about increased waiting lists, cuts in NHS, savage reductions and so on, looks at the reality and compares the provision that we make with that on the Continent, in so far as there has been any reining in on the increases made, the Government's record is a great deal better than that of any of our competitors. That is why, when one starts comparing our Health Service with that on the Continent, one must go beyond the rhetoric and look at what has actually been done.

Mr. Laurie Pavitt (Brent, South): Like the hon. Gentleman, I am a devotee of Abel-Smith. While the hon. Gentleman is referring to that document, will he quote the per capita index that Abel-Smith gave, starting with 580 in the United States, going down through the industrialised countries of Europe and finishing with the British contribution of 230?

Mr. Nicholls: If we were both armed with the text, I am sure that we could have a medieval debate in which we would go through each point in our respective cases. What the hon. Gentleman says is true, but we cannot follow that line and still conclude the debate at 10 o'clock. We must consider other matters as well such as the expectations and standard of living of any given country. Such things have to go into the equation as well.

I was picking up the point made by the right hon. Member for Western Isles, when he said that it was true, as if it were written in tablets of stone, that our services did not compare well with those on the Continent. The only point that I was making was that when one talks about cuts and reductions, the fact is that a left of Centre academic with impeccable credentials has said, whatever else one might say about the Conservative Government and how frightful they may be, that that specific point was not true.

Mrs. Kellett-Bowman: I do not wish to enter into any individual medieval joust with my hon. Friend, but does he not agree that if the figures were for state spending in the United States as opposed to the vast amounts spent privately there, we would come out a great deal better?

Mr. Nicholls: My hon. Friend makes a fair point. No one would deny that. Usually, when I have spoken in a debate that has not been as elegant and well mannered as this, and have mentioned those figures and the fact that there was a publication called "Cost and Containment in Health Care"; when I have made that central proposition and said that that was the conclusion that the author

reached, I have been howled at and there have been shouts of "Adam Smith group" and so on. When it is then found that that was the conclusion of a Left-wing academic, some people have looked puzzled. I shall finish on a point that I had not intended to make. Sometimes one can be rather too simplistic. I say with great deference to the right hon. Member for Western Isles, with all his experience, that his speech was an example of how simplistic one can get.

It is not surprising that I wish to talk about retirement pensions as a greater than average number of my constituents live on retirement pensions. I wish to consider the effect on retirement pensioners of what the Conservative party has done and has on offer and of the alternative offered by the Labour party.

I always find distasteful and ridiculous any claim that one party or the other lacks compassion for retirement pensioners. I do not believe that that is true of the Conservative party and I would never make the mistake of suggesting that the Opposition are lacking in care or compassion for the elderly. It is in no way inconsistent or pejorative to say that although the Labour Government cared desperately and genuinely about proper services for the elderly—there was no doubt as to their aspirations and the genuineness of their compassion—the record shows that their efforts to provide care for those sections of society who desperately needed it proved in the end to be inept. There is no need to dwell on the fact that for two years running the Labour Government were so strapped for cash that they could not even afford the Christmas bonus or the fact that people who had put something by during their working lives to provide a little jam in their twilight years found their savings wrecked by inflation.

The tragedy of the Labour Government's attempts to care for the elderly was summed up in their attempt to link pensions with earnings. No one would deny that that was a noble aspiration, but for three of the five years in which the link was in operation the Labour Government had to fiddle the figures to provide pension increases below those required by their legislation. With the charity of hindsight, and given that we are now in Government, one can sympathise with the dilemma in which the Labour Government found themselves. That dilemma was most graphically illustrated when the then Secretary of State, Mr. David Ennals, was chided for fiddling around looking for ways to get out of implementing the Labour Government's legislation and commented in relation to earnings figures:

"There is a statutory obligation to take these figures . . . into account, which was done, but no statutory obligation to get it right".

Mr. Frank Field: Does the hon. Gentleman accept that many Opposition Members would not seek to defend all the actions of the Labour Government, especially the manoeuvrings on pensions? Will he also accept, however, that pension levels were higher as a result of the formula laid down by the Labour Government—so much so that the Conservatives have found it necessary to abolish the formula and especially the link between pensions and earnings?

Mr. Nicholls: I in no way wish to attack any Opposition Member for the difficulties that the Labour Government encountered in this area. I do not know whether I am in a minority on this, but I have never found it necessary to attack Socialism, which I abhor, by

[Mr. Nicholls]

suggesting that there is a lack of compassion in that system. I would say many other things with which the hon. Member for Birkenhead (Mr. Field) would no doubt disagree, but I would not go so far as that. I was merely pointing out that the dilemma arose because the Labour Government's economic policies made the care that they sought to provide an impossibility.

The present Government made a pledge to keep retirement pensions in line with inflation. I shall be commenting on that as a mean level of achievement, but at least that promise, which did not raise great expectations, was kept. In the end, one cannot divorce compassion from the social and economic policies which make it possible in practice. Even if we can show that our fiscal policies have allowed us to make better provisions for care than those that the Labour Government achieved, we still need to go further. Just because we are better in one sense does not mean that that is the final word.

I am concerned about the way in which we sometimes present what we have been able to do for pensioners. The undertaking that we gave was relatively modest, but we stood by it and we have managed to keep pensions just ahead of inflation. In short, we have kept faith with the pensioners. That is true in as much as we said what we intended to do and we carried out our promise to the letter. My postbag, however, which is my most valuable instrument in assessing what is going on out there, shows that a significant minority of pensioners do not believe that the Government have kept faith with them. Why do they make that judgment?

Mr. Winnick: Because it is right.

Mr. Nicholls: The hon. Gentleman made no attempt to intervene when I was pointing out as compassionately as possible that the Labour Government's record on care for the elderly, however good its aims and motives, did not stand up in practice—so it ill behoves him to make that comment now.

Why do some pensioners believe that we have not kept faith with them? Answering that question may have unhappy consequences for some Opposition Members in marginal seats, but it is worth examining for a moment why, although we have carried out our promise to the letter, pensioners are still unhappy. I suspect that it is partly because many of today's pensioners do not know what it was like to be a pensioner under the Labour Government. People now in their early sixties and some even in their early seventies did not experience the wrecking effect on pensions of inflation of 20 per cent. and above, nor did they experience the disillusion of being promised that pensions would rise with earnings only to find the Government who made that promise using devious tactics to get around their own legislation. Most people who are still working and earning are not seized of the realities of living on a retirement pension. It is only when they find themselves living on a pension that they appreciate those realities.

Mrs. Beckett: The hon. Gentleman mentions manoeuvring and wonders why the pensioners in his constituency are discontented. He may have forgotten or perhaps not even noticed that the Government have twice changed the method of calculation, at a cost to the pensioners on each occasion, as well as delaying payment,

sometimes for one week and sometimes for two, which on at least one occasion cost pensioner couples £12.30. Perhaps the pensioners in the hon. Gentleman's constituency remember that.

Mr. Nicholls: I am not sure that that is the best argument for the hon. Lady to advance. If she wishes to compare the historic and the forecasting methods of calculation she must bear in mind that the basis was originally changed because the Labour Government were strapped for cash. If she does not wish to take my word for it, Barbara Castle's diaries may refresh her memory. The motive for the change on that occasion was scarcely an honourable one. If the hon. Lady is suggesting that there has been chicanery, she should be looking in the mirror of her own party rather than accusing us of devious behaviour.

If I am right on the first point—and the support that I am receiving from my hon. Friends suggests that I am—a second point follows. We talk about keeping pensions in line with the cost of living, but what is important is the ingredients in the cost of living index. An elderly person may find that the price of biscuits at the local supermarket has risen from 22p to 30p. He will not be consoled by being told that if he had bought a Japanese video recorder instead he would have found that the price had fallen. The things that pensioners of necessity buy are very often the items on the up side of the index, not the down side.

If we cannot find the answer to that problem, what consolation will there be? If we continue to say that we have kept faith with the pensioners and intend to carry on without any change, it is conceivable that we shall lose office. The mere fact that we were right and that the pensioner's assumptions were wrong will be small consolation; and if the pensioners are misled by the blandishments to which they will be subjected at the next election about all the treats in store for them—free television licences or perhaps even free televisions, massive increases in pensions, and so on—they will subsequently suffer, too.

As the hon. Member for Oldham, West has been told time and again, it is no good promising those on benefit marvellous treats and goodies if no attempt is made to cost the treats. I often read *Tribune* for light relief. On 16 July 1982, the author of an article said:

"A major concern . . . must be the failure to cost adequately or to make a priority of the social programme." Those words may strike a chord in the mind of the hon. Member for Oldham, West. They were written by his wife.

Something must be done. What is the essence of the problem? The retirement pension for a single person is £35.80 a week. For a married couple it is £57.30. We have kept faith. We have run the nation's finances in such a way as to make decent pensions a reality. Even so, no one can say that £35.80 for a single person or £57.30 for a married couple is a princely sum. I doubt whether any of my hon. Friends would be satisfied for ever and a day if their parents were living on £57.30 a week.

It ill behoves the Opposition to criticise us on that score. The pensions may be modest but they are genuine pensions, in that they can be afforded. However, we cannot be complacent about them. We must face the fact that, for our parents and for others, living on that amount of money is not an attractive prospect.

If something must be done, where is the inspiration to come from? Clearly, it will not come from the Opposition. We saw their track record in office, although I acknowledge that their aspirations were admirable. However, with perhaps the single exception of the hon. Member for Birkenhead, the Opposition are doing no constructive thinking. They are suggesting the old remedies that failed before.

A long time ago, the hon. Member for Birkenhead gave me a valuable lesson when we were both addressing a grammar school in Dorset. Imitation is the sincerest form of flattery, and I hope that I learnt something on that occasion. But when even the hon. Gentleman—with all his moderation and independence of mind—talks about making cuts so that money can be given to the rich, one begins to despair about what may be in store for the Labour party. It has never realised or acknowledged that there is no question of money being given to the rich. It is the rich, or those who pass for rich, who earn the money in the first place and can pay the taxes that make pensions and benefits a living reality.

We have heard the hon. Member for Birkenhead musing on the possibility that mortgage interest relief might have to be cut, even though the Opposition believe in it. Let us consider the reality. One can have interest relief on a maximum mortgage of £30,000. In London, many couples, earning less than hon. Members earn, have to scrape together the money to buy a house costing perhaps £50,000, and £50,000 will not purchase an especially desirable residence in London. That couple will get no income tax relief on £20,000 of the £50,000. The hon. Gentleman does not use the same apocalyptic terms as his hon. Friends would use, but he muses about putting the squeeze on such couples. He must face the fact that if he did so, couples whose ability to afford private occupation is marginal would decide that it was not worth it.

My hon. Friend the Member for Derbyshire, South (Mrs. Currie) was wrong to beckon the hon. Gentleman to come and join us. For all his moderation, he makes the fundamental error of not realising that every benefit he wishes to pay, and every good deed he wishes to do, will in the end have to be financed by someone else. If the Opposition cannot provide the answers, where shall we find them? Perhaps because it is a Monday and the dinner hour is approaching, none of my hon. Friends of what one might call the corpulent tendency is present. No one has waddled into the Chamber in order to tell us that the charter for jobs, if extended, will provide the answer to all our ills.

Mr. Richard Holt (Langbaugh) *rose*—

Mr. Nicholls: Those remarks were not intended to apply to my hon. Friend the Member for Langbaugh (Mr. Holt).

The former grandees of our party can give us no help in this area. However, something can be done. We need to recognise that we cannot for ever repeat that we have kept faith with the pensioners and that we intend to keep benefits in line with inflation, and assume that that is enough. We must at least recognise that something else is called for.

The Government believe, and I share their belief, that their economic policies will in the end bring about a real increase in national wealth. That will bring down unemployment in real terms, so that more people will pay

more tax. Money, having fructified in the pockets of the people, will then be available in taxation. The time is bound to come when national resources will be more plentiful. The Government should assure us that, when that happens, the improvement of retirement pensions in real terms will be a high priority. That could be done—taking an analogy from tax thresholds—by increasing the old-age pension progressively beyond the rate of inflation. Alternatively, we could study the ingredients of the cost of living index and include in it some recognition of what retired people have to spend their money on.

Tonight I ask only for a recognition of the fact that, while the Government are quite right to call attention to what they have achieved for the retired and to the ineptness of the Opposition's attempts to do something similar, something more still needs to be done. The retirement pensioner needs to be assured that at some time in the future, when the resources are available, he will be a priority. That is a realistic demand. It is well within the ambits of Government policy. I hope that my hon. Friend will be able to give me some assurance on that point tonight.

7.9 pm

Mr. Laurie Pavitt (Brent, South): Most of the debate has concentrated on social security and social benefits, and it will not surprise the House if I consider what the Opposition regard as the jewel in the crown of the welfare state—the National Health Service.

The fluency of the hon. Member for Teignbridge (Mr. Nicholls) and his comments on the NHS tempt me to follow him. I thought that I was the only hon. Member to have read Brian Abel-Smith's excellent dissertation comparing health care in Europe. I find that the hon. Gentleman shares the honour with me, and I hope that many more of his hon. Friends have read it. I shall resist the temptation to talk on that subject because of his warning that if we were to enter into such a debate we should be here until midnight and the debate might be like those medieval ones on how many angels dance on the head of a pin.

Health provision in the United States is private, but 10.5 per cent. of gross national product is spent on it. The comparable figures are 8.5 per cent. for Canada and 6 per cent. for the United Kingdom.

I charge the Government with dismantling the NHS by degrees. A fundamental principle has been ignored since 1977. Between 1953 and 1977 there was consensus under such people as Iain Macleod, who was the most intelligent Tory Health Minister that we have ever had. The most basic principle was that health care should be free at the time of need and paid for at the time of health. That basic concept has been eroded. Whereas 85 per cent. of the Health Service's resources come from taxation and the average family man with two children pays £1.40 each week for prescriptions, irrespective of whether he has them, now only the sick pay twice.

I accuse the Prime Minister of giving an insincere performance on television at the Tory party conference in 1983. Cancer cases face the impact of financial stringency because of the great advances in chemotherapy. At the 1983 Tory party conference the Prime Minister showed a great deal of sympathy for a widow who had to pay large prescription charges, but prescription charges for women who have had mastectomies are diabolical. The loss of a breast is a traumatic experience, but, with chemotherapy,

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a young woman who has had a mastectomy pays £2 every three weeks for medicines. That is not the worst thing that the Government have done. From 1971 to 1979, prescription charges were 20p—they are now £2. Worst affected are the chronically sick on permanent medication. On 1 April the annual season ticket was increased to £30.50. People such as those who have had a coronary thrombosis must take tablets for the rest of their lives and pay the £1.40 which they pay as taxpayers, and for the rest of their lives the price of the season ticket too.

There are eight scheduled diseases which the British Medical Association accepts as chronic diseases meriting exemption from prescription charges. There are only 21,000 cases of breast cancer requiring chemotherapy. Exempting women who have had a breast removed from paying £2 every three weeks or £30.50 for a season ticket will not make a large inroad into resources. The Minister knows, as he recently gave me the relevant figures in an Adjournment debate, that it is quite possible to persuade the BMA to accept breast cancer as the ninth scheduled disease.

When discussing the NHS, the House tends to think of hospitalisation. The Secretary of State and the Minister for Health spend most of their time talking about hospitals. Hospitals absorb the greater part of NHS expenditure, but eyes, teeth and medicines are also important. We have gone back to 1950 in our treatment of the loss of sight and back to Woolworths to buy spectacles. The Government are right to ensure that an ophthalmic prescription must be provided, but that is only half of the story, as there is much skill in fitting the right glasses.

The Royal National Institute for the Blind and the National League of the Blind and Disabled have campaigned for people with low visual acuity. People with cataracts, who need four or five changes of glasses, face swingeing increases. The price of a complicated lens has increased from £20 to £60 as from 1 April. The Government's recent legislation on ophthalmic services is part of the dismantling process. Old-age pensioners will have to pay for optical services unless they are on supplementary benefit. Such people and the under-16s are to return to a system which I thought we had got rid of with the Geddes axe in the 1930s, as they will get their spectacles on vouchers. It is insulting to people's dignity to have vouchers. Nobody else has such a system—France and Germany have a reimbursement system.

The increase in dental charges has made nonsense of the principle of free care at the time of use. Because dentists are paid by item of service, people in some parts of the country are told that if work is done on the NHS the dentist cannot do a good job. A constituent came to my surgery on Saturday morning and asked me what to do because he had been told that he required a complicated set of dentures which would cost £56 on the NHS, but that if the dentist did the work privately, the job would be done well and cost £190. There are areas such as Leicester where people cannot get NHS dentistry. When talking of the dismantling of the NHS, that is it.

The Government are implementing the Griffiths report too quickly and without sufficient consultation. It is a major reorganisation. We had the 1974 reorganisation, which was such a disaster that the right hon. Member for Wanstead and Woodford (Mr. Jenkin) had to reorganise it again in 1982.

Morale throughout the hospital service was shattered. For example, senior nursing officers did not know whether they had a job. Just as morale is being restored, the Griffiths report is being implemented, under which managers will be appointed. Many of them know nothing about the Health Service. When the great supremo himself was appointed, he gave a press conference at which he said, "Everyone belongs to BUPA anyway." He was nudged by a civil servant and then said, "I meant that only my friends belong to BUPA," or words to that effect. In fact, only 3 per cent. of the population contribute to private medicine insurance schemes. He also said, "I know nothing about the NHS, but I am a good learner." I wish someone would appoint me to a £70,000 a year job, because I am also a good learner and would be only too willing to accept the challenge.

In 55 AD, Petronius Arbiter said:

"it seemed that every time we were beginning to form into teams we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation." Review boards can do precisely that. It can seem as though they are doing something, when in fact they are creating even more confusion.

The NHS is now being undermined as a result of closure by amputation. I pay credit to the Secretary of State and the Minister for Health, who have fought a good battle for the Health Service against all the monetarist pressures within the Cabinet. If only housing had done so well. However, they failed, because in a monetarist economy there is never enough money, but at least they held their corner.

No Prime Minister will enter a general election without saying, "The Health Service is safe in our hands and we will do more for it." By the same token, no Government will ever say, "We are closing hospitals." I am convinced that, if asked, every hon. Member will say, "But many wards and hospitals have been closed in my constituency. While there may not have been complete closures, there have been effective closures by hiving off bits and pieces, and eventually nothing will be left."

In my own constituency, the district general hospital in Willesden which once had 130 beds now has only 38 geriatric beds. The Wembley district hospital contained a number of specialties, but about three months ago all the acute beds were closed.

Mr. Holt: I have far more knowledge of Wembley hospital than has the hon. Gentleman. Does he accept that the building of Northwick park hospital, with all its modern facilities and excellence, has made Wembley hospital obsolete? The two ladies, who are long since dead, who provided the money for Wembley hospital—the Misses Copland—would have been delighted to know that their hospital had become redundant and unnecessary.

Mr. Pavitt: The hon. Gentleman used to serve on the borough council in my area, which he knows well.

Mr. Holt: The hospital to which the hon. Gentleman referred was in the ward that I represented for 10 years.

Mr. Pavitt: Exactly, and the hon. Gentleman will know that the general practitioners of Wembley tried to get together to save the parts that were to be hived off and that their request was refused by the Brent district health

authority. He will also be aware that the doctors wanted to meet at Wembley, but that the district health authority forbade them to hold their meeting on NHS premises.

For many years, the Central Middlesex has been one of the prime district hospitals in the country. When I served on the board, many overseas deputations came to see what a wonderful hospital it was. It then had 750 beds, but that figure has now declined to 450. That hospital pioneered neuro-scientific services. It was the only such service in that part of the country. Those services have now been transferred to Charing Cross, and consequently services which were pioneered in my area have been lost and a department closed.

I have had extensive discussions with the North-West Thames regional health authority about its plans to close acute beds. It is to be done entirely on a statistical basis, with no regard for the needs of the area or the demographic considerations of inner city areas. The decisions are being based purely on the number of beds and specialties required for a given population. I am fighting for Central Middlesex hospital because at this rate there will be no district general hospital in the London borough of Brent come the next decade. The area has 250,000 inhabitants, yet the number of beds in that hospital has been reduced from 750 to 450. Many inhabitants must therefore attend Northwick park or Hammersmith to get the services they require.

The Royal Throat, Nose and Ear hospital is pre-eminent for the services that it offers to the deaf. The Golden Square hospital is part of that complex, yet the Bloomsbury health district has decided that it should close. I am glad that the Parliamentary Under-Secretary of State for Health and Social Security is present. When this proposal comes before the Ministry, I hope that it will be realised that demographic change means that there is a greater need than ever for services for the deaf. The elderly and others who suffer from deafness should not be forced to stay at home and be lonely, simply because they cannot hear others. The closure of Golden Square will be a calamity. As well as serving the Bloomsbury area, it is part of the Throat, Nose and Ear hospital and its beds, consultancy services and outpatients clinic are of vital importance to that part of London.

It is often said that Westminster hospital is the House of Commons hospital. Dozens of hon. Members must owe their lives, or the lives of their wives and families, to the services provided at Westminster hospital. The cardiac surgery department is due to close, and Lord only knows why. There are 10,000 people on the waiting list for bypass cardiac surgery, yet at Guy's hospital that department was scheduled for closure for four months until a millionaire came along and rescued it.

The Parliamentary Under-Secretary of State for Health and Social Security (Mr. John Patten): I apologise to the hon. Gentleman, but I entered the Chamber about a third of the way through his speech. When I saw his name on the annunciator, I knew that it was more than likely that he would be talking about health matters and felt that it was important for a Health Minister to be present.

If the hon. Gentleman is so concerned about the welfare of patients treated at Guy's hospital, I hope that he will encourage the local district health authority to put out its

services to competitive tender, because by refusing to do so at present it is throwing away the chance of saving more than £1 million a year.

Mr. Pavitt: I shall reply to that point in my own fashion and in my own time, but privatisation is another way in which the Health Service is being undermined and dismantled.

As well as being a teaching hospital, Guy's at present offers a comprehensive service. However, other specialties are threatened, because the only way to increase the number of scanners and other items which such a hospital requires is to take the money from another department.

Mr. Butterfill: The hon. Gentleman mentioned cardiac surgery. Will he accept that what he describes as cuts under the Government is an increase in the number of operations by over 300 per cent. during the lifetime of this Government? He may call that cuts, but I do not.

Mr. Pavitt: I have discussed that point with the Secretary of State. I cannot understand how productivity related to the number of people who are ill and have to be served and the increase in the number of operations that have to be performed shows that there is a good Health Service. There is a good illness service. The hon. Gentleman is right in saying that there has been an increase in the number of operations, but there are a number of good reasons for that, not least the new ways in which operations, such as hip operations can be done. An increasing number of hip operations are performed, for which I am grateful, but there is still a long waiting list. That is unnecessary, because putting only a little more money into the orthopaedic departments would help solve the problem.

I predict that services will continue to be amputated from Westminster. There used to be a Professor Trevor-Roper, who was a world expert in ophthalmics, working at Westminster hospital, but when he retired the ophthalmics department ended. When the consultant in cardiac operations retired three years ago, he was not replaced, and the department was run down. It is what in housing we would call blight.

The greatest oncology surgeon in the world is Professor Harold Ellis. When he goes in about four years' time, I wonder whether that department at Westminster will close. In five or six years' time we may have a geriatric hospital down the road, with all services concentrated at Charing Cross, the Royal Marsden, and Guy's.

On a number of occasions I have had to listen to the Secretary of State making great claims and saying that we have never had it so good and that there is now £17 million more available than there was under the Labour Government. I find these figures difficult to follow because at the same time as more resources are being spent, about 3,000 doctors and 10,000 nurses are on the dole. The last figure that I had from the Secretary of State for Employment showed that 8,900 nurses were unemployed. That was two years ago, but unfortunately I cannot get an accurate figure now. I used to ask for the figure every six months, but on the last occasion on which I asked I was told that the means of collecting the statistics had been changed, so that the figure was no longer available. At the rate at which the figure was rising, I estimate that more than 10,000 nurses are now unemployed.

[Mr. Pavitt]

When I was a child, which was a long time ago, there used to be a magic show in London called Maskalyne and Devants. At one moment one saw it, at the next one did not. The statistics put out by the Government Front Bench on the NHS are somewhat similar. The Government juggle the selective figures so quickly that I cannot pin down any Minister. I feel that I am back again in the theatre of magic.

About five factors show that the amount which the Government claim they are putting into the Health Service is unreal. They are, the inflation allowance, demographic change, technological change, redistribution and different services. I have a complete brief with which I could weary the House, but I shall not do so. It shows that the Conservative claims of more and more resources being provided are not revealing the truth.

When all those factors are taken into account, Government expenditure on the NHS looks different from ministerial claims. Out of the 17 per cent. increase claimed by the Government in the five years since 1979, resources have had to increase by 6 to 6.5 per cent. to maintain the level of services. Thus, health authority budgets were cut by 2 to 2.5 per cent. over the five-year period. The real growth in resources in family practitioner services was only 9 per cent., not 17 per cent. I know that the Minister is a student of these matters, and if he wants me to give him the facts and figures, I shall be happy to do so.

The Royal College of Nursing is not the most Left-wing and Socialist of bodies in the National Health Service, and it has agreed to monitor what is happening through privatisation in the National Health Service. Nurses find that when cleaning is not done, they have to do it. Therefore, the Royal College of Nursing is doing what the Government should be doing and ensuring that sanitary arrangements are correct. When there are incontinent elderly people in hospitals, the laundry cannot just be put out. In renal failure, let us compare the figures for patient care. For every 1 million of population in France, 272 people are under treatment, in Greece 269, in Spain 242, in Italy 227 and in Britain 127.

In spite of the disastrous impact of the Government, the NHS remains the greatest part of the welfare state, and it needs to be preserved. There has been destruction of staff morale and erosion, although there has not been a frontal attack. The NHS will be safe only in the hands of the Labour Government when they are elected after the next general election.

7.36 pm

Mr. John Butterfill (Bournemouth, West): Although I accept the sincerity of Labour Members who talk about the need to maintain the state earnings related pension, we are doing something amoral by maintaining such a scheme when it is not actuarially funded. We are asking future generations of our children and grandchildren to pick up the bill for the pensions that this generation will receive. That is something that no hon. Member would do to his family. He would not expect his children to look after him and to hand to them a mortgaged future. However, we are asking future generations to guarantee that this generation will have complete protection, to be paid for by them. That is why I call it amoral, and I believe it to be amoral.

Ms. Clare Short (Birmingham, Ladywood): Does the hon. Gentleman mean immoral?

Mr. Butterfill: No, I mean amoral. There is a difference. Immorality is quite different, and perhaps the hon. Lady would care to go the Library afterwards to pursue the point.

Mr. Winnick: I do not understand the logic of the hon. Gentleman's argument that it is a sin for one generation to protect the interests of the previous generation. Will not the present generation be protected? Is not that the hallmark of a civilised state? We pay our contributions with the knowledge that not only our parents but ourselves when we retire will not have to live in the poverty in which so many now live. Is that not an important factor to be borne in mind?

Mr. Butterfill: I did not expect the hon. Gentleman to understand my argument. Perhaps it was a little difficult for him to follow. I shall state it again. We are asking future generations to maintain us. We are imposing a limitless charge on their future earnings. That is amoral.

Ms. Clare Short: Will the hon. Gentleman give way?

Mr. Butterfill: I should like to continue.

Ms. Short: On the question of amorality.

Mr. Butterfill: I should be fascinated to hear what the hon. Lady has to say. I shall give way.

Ms. Short: My understanding is that to be moral is to do something that we would all argue is right and decent; to be immoral is the opposite—to behave wrongly and harmfully—and to be amoral is to be neither moral nor immoral. To be amoral is to be neutral morally. Why does the hon. Gentleman use the word "amoral" about something that he clearly thinks is deplorable? The hon. Gentleman is using words wrongly.

Mr. Butterfill: My understanding differs from that of the hon. Lady. My understanding is that immorality relates to amoral sexual behaviour and amorality relates to something that is not moral. No doubt, we can satisfy our curiosity on this point later in the Library. We are digressing from the main subject.

It was interesting to note the wording of the Opposition motion in referring to the "dismantling of the welfare state".

That is a somewhat extravagant turn of phrase, but we have become used to extravagant turns of phrase from the Opposition when we deal with the welfare state and the NHS. The hon. Member for Oldham, West (Mr. Meacher) manages to take extravagance almost to an art form.

I understand the reluctance of the hon. Member for Brent, South (Mr. Pavitt) to become involved with figures, because he is confused by figures. He suggests that we confuse figures. It might be of advantage to cite a few figures, because there are absolute figures and there can be no argument about what they are. Since the Conservative party came to power, expenditure on social services has increased by a gross figure of £9.5 billion, and a net figure of £8.5 billion. I shall explain later how this difference arises. In real terms, after allowing for inflation, that is an increase of 28 per cent. I do not understand how there can be any dispute about that or how it can be fudged. It is an increase in numbers and in percentage terms.

Many Opposition Members say, "All of that expenditure is to pay for the unemployed." That argument does not stand up to the facts. About £3.25 billion of that

sum is spent on the unemployed—about one third of the total increase. I do not believe that any hon. Member would not wish that money to be spent on the unemployed. It means that the overwhelming majority of the increase has been spent on real improvements in social services brought about by this Government.

Mrs. Beckett: Perhaps the hon. Gentleman would bear in mind also the vastly increased numbers of pensioners. The majority of the increase to which he referred has not gone on improved benefits.

Mr. Butterfill: I should like to correct the hon. Lady. About £1 billion of the increase has gone on pensions, £2.5 billion on benefits, £1 billion on sickness and disability benefits in the long term, £500 million on single parents and, regrettably, £250 million on administration. Only £1 billion of the increase has gone on pensioners.

Mrs. Beckett: The hon. Gentleman said that the majority had gone on improvements.

Mr. Butterfill: The majority has; it has not all gone on the increased number of pensioners. We have increased pensions above the level of inflation by more than 6 per cent. There has been not just a money increase but a real increase. That goes beyond the guarantee that we gave as a manifesto commitment to maintain pensions in line with inflation. Once again, the hon. Member for Derby, South (Mrs. Beckett) has not cited statistics correctly. Total expenditure on social services amounts to more than £100 million a day and 77,500 staff are employed. [Interruption.] I am glad that it is recognised that the statistics are accurate.

Mr. Winnick: I think that the hon. Gentleman has been conscripted by the Whips.

Mr. Butterfill: The hon. Gentleman is wrong. It was a personal decision to speak today. The hon. Gentleman flatters me by suggesting that I was conscripted by the Whips. I am delighted to think that that could be so in the future.

The Government have instituted a large number of inquiries into the structure of the enormous machine of state that is the welfare service. There were inquiries in November 1983 on targets; in February 1984 on housing benefits; and in April 1984 on supplementary benefits and families with children—inquiries on a scale not seen previously. It is disgraceful that such inquiries had not been conducted previously in view of the overwhelming part played by social security benefits in the total expenditure. I am delighted that the Government are conducting these reviews. I look forward with great interest to reading the Green Paper.

I am not completely satisfied about what will happen in certain respects. As the hon. Member for Brent, South knows, I am not entirely happy with what happens with regard to some disabled people, especially the blind. I believe that the review that is being conducted should examine disability in a broad way, because some people with specific disabilities—notable the blind—do not seem to benefit from our system. The majority of blind people do not qualify for mobility or attendance allowances. They do not qualify for most of the allowances that are available under our present system, unless they suffer from a second disability. I believe that my right hon. Friend the Secretary of State should consider those

anomalies during his review and ensure that, in future, the criteria for benefit do not leave out certain groups who, on any criteria, should qualify for benefit.

Hon. Members listened with great interest to what the hon. Member for Oldham, West said about the Labour party's proposals. I do not wish to detain the House by going through each proposal in detail because that has already been done by many hon. Members. In every case the hon. Gentleman's proposed "improvements" would be made completely without a means test. Labour Members seem to have a pathological antipathy to the words "means test" and suffer a gut reaction every time those words are used. I can understand the historical reasons behind that gut reaction, but they should not prevail today. I do not believe that the circumstances that provoked the initial reaction are applicable in a modern society.

Mr. Winnick: Will the hon. Gentleman give way?

Mr. Butterfill: If I may develop the argument a little further, the hon. Gentleman will perhaps understand my point. I have given way to him once already. I shall give way later if the hon. Gentleman is not satisfied with what I have to say.

This nation spends an enormous amount on social security and on the welfare services. Indeed, it spends an unprecedented amount in actual money and in real terms. But we do not always tackle certain areas of poverty and deprivation. Despite all the money that we raise and distribute, there are some people who we apparently cannot reach and who remain deprived. Areas with which I have been associated in London have substantial pockets of deprivation of which I, and all hon. Members, should be ashamed.

Why are those people not getting the money that they need? One reason is that we spend a lot of time raising large sums of money in taxation and then redistributing that money to the very people who paid the taxes. Not enough of the money reaches those in need. The whole principle of universal benefits, regardless of need, is extraordinary, and I am surprised that Opposition Members should advocate it. It means that they would give benefits to the rich as well as to the poor. As I said some weeks ago, it is extraordinary that Members of Parliament, or their wives, should expect to receive child benefit. It is patently clear that no Member of Parliament needs to receive child benefit, given the sort of income that he or she receives. Therefore, it is extraordinary that we should continue to pay universal benefits to millions of people who do not need them, at great administrative cost. We should be able to devise some way of arranging the benefits system so that the money goes to those most in need, not indiscriminately to everyone.

Mr. Winnick: Surely the logic of the hon. Gentleman's position is clear. He must be arguing that tax relief on mortgage interest should be given only to those in need, although that would not be quite my position. Does he argue that those in receipt of more than, say, £25,000 a year should not get tax relief?

Mr. Butterfill: The hon. Gentleman is being illogical. In the case of mortgage interest tax relief, we are talking not about giving someone money but taking less of his own money from him. However, in the case of the benefits system, we are talking about giving some people money and giving others, who do not need it, money, too. That

[Mr. Butterfill]

is much less logical. The man who receives mortgage interest tax relief, about whom the hon. Gentleman complains, will also receive all the universal payments that the Labour party and the hon. Member for Oldham, West have been advocating. In the Labour party's terms, that must be adding insult to injury.

Ms. Clare Short: Perhaps I should tell the hon. Gentleman that I have been to the Library and looked up "amoral" in "Chambers Twentieth Century Dictionary." Amoral means "non-moral outside the domain of morality." I think that the hon. Gentleman meant to use the word "immoral" earlier.

One facet of means testing that we find objectionable is that people are put through the humiliation of having to declare their income and of having to appeal for something because they are poor. We also question its efficiency. It is enormously inefficient to have a system that requires people to apply time and again, as their circumstances change, and to give all the details of their family's income in order to claim a benefit. It is more administratively efficient to have a tax system that applies across the board, with benefits such as child benefit going to every child in the country. Such a system saves money.

Mr. Butterfill rose—

Mr. Holt: Perhaps my hon. Friend will allow me to intervene on that point.

Mr. Butterfill: Well—

Mr. Holt: Will my hon. Friend give way on that point?

Mr. Deputy Speaker (Mr. Harold Walker): Order. We cannot have interventions on interventions.

Mr. Butterfill rose—

Mr. Holt: Will my hon. Friend—

Mr. Deputy Speaker: The hon. Member for Bournemouth, West (Mr. Butterfill) should deal first with the intervention that is before the House.

Mr. Butterfill: I am obliged to the hon. Member for Birmingham, Ladywood (Ms. Short) for consulting "Chambers Twentieth Century Dictionary." If "amoral" mean "non-moral," it has the sense that I thought it had. But perhaps the hon. Lady and I would differ about what we mean by "non-moral." However, I profoundly disagree with the substance of her intervention. I do not believe that it is necessary to have a system of degrading inquisitions in order to decide who should receive benefits. It should not be beyond our wit to devise a system that does not involve such inquisitions but which nevertheless directs benefits to those who need them most and which does not give them to the rich. I think for example, of those who obtain substantial tax relief on their mortgage interest, or indeed of Members of Parliament.

Benefits should be directed towards those who need them. But all the proposals of the hon. Member for Oldham, West specifically rule out the possibility of any form of means test. They all suggested that there should be another grand round of universal benefits. That is where the Labour party has got things totally wrong. Although Labour Members are well meaning, and although no one doubts their sincerity, they would create the conditions that would always doom their policies to failure.

Mr. Holt: The harps always come out when people talk about means testing, but no one seems to quarrel about the means testing of those with children in higher and further education. Those children's grants are severely truncated if their parents have earned money. Young people are subjected to the results of means testing. There is apparently nothing amoral or immoral about asking someone how high his earnings are but only about asking how low they are.

Mr. Butterfill: I am grateful to my hon. Friend for making that point, but I think that I have already made my position clear.

Once again the Opposition seem to have spun an enormous web of mystique around the NHS. They have tried to claim that we have cut expenditure on it. To support that, they talk about a hospital or ward that has closed here or there, but they do not consider the entire picture. Indeed, it was pointed out to the hon. Member for Brent, South that in his constituency a massive new hospital has been built. I am grateful to my hon. Friend the Member for Langbaugh (Mr. Holt) for pointing that out. The building of that hospital far outweighs the closure of the hospital that he complained about.

We should consider what is being spent on the NHS. Indeed, the figures are well known to Opposition Members and some have even quoted them. Expenditure has increased from £7.75 billion when the Conservative party came into office to £17.5 billion in the current year. By no stretch of the imagination—and Labour Members have certainly stretched theirs this afternoon—can that be called a cut. Of course, one can fiddle about at the edges and find the odd instance of a ward or hospital being closed whilst at the same time forgetting that something has opened in its place. But that increase in expenditure is massive.

I know that Opposition Members do not like statistics, but I should point out that the number of inpatients has increased by 650,000 since the Conservative party came to office. The number of outpatients has increased, too, by 2.5 million. I do not believe that more people have suddenly become ill in the past five or six years. The point is that we are providing a much higher level of service. In the one year, 1982-83, the number of outpatients increased by 300,000—more than the previous Labour Administration managed to achieve in their entire period in office. Thus, I find the attack by Labour Members on the Government's record in relation to the National Health Service extraordinary.

The hon. Member for Brent, South said that the number of heart operations was being reduced. In fact, the number of operations for bypass surgery since the Conservative party came to power has increased by 300 per cent. The hon. Gentleman acknowledged that a substantial increase had taken place in the number of hip transplants. Many new techniques have been developed in recent years, and therefore it is difficult to make a comparison between figures in relation to those developments and what occurred previously.

The hon. Member for Brent, South also complained about the length of waiting lists. In fact, under Conservative rule waiting lists have fallen substantially. There were 752,000 people waiting for operations when the previous Labour Government left power, compared with 508,000 when they came to office, showing that waiting lists increased under them.

Waiting lists are at their present levels because of disruptions by NHS employees. Those disruptions have interrupted the downward trend of waiting lists. That downward trend has been the pattern under Conservative rule, in marked contrast to the way in which waiting lists increased by 50 per cent. under the Labour Government.

Mr. John Powley (Norwich, South): Does my hon. Friend recall how Labour Members and some of the trade unionists whom they claim to represent supported steps which prevented patients from reaching hospitals to be treated, particularly during the winter of discontent? That shows the contempt that Opposition Members have for the treatment of patients and the degree of concern that they say they have for the NHS.

Mr. Butterfill: I am grateful to my hon. Friend for reminding the House of that.

Ms. Clare Short: Why is the hon. Gentleman grateful for being reminded of that?

Mr. Butterfill: Because it needs to be pointed out. When Labour Members accuse us of not caring about waiting lists, an accusation which they regularly make, they neglect to point out that a major cause of the length of waiting lists has been industrial action which the Labour party supports. They also neglect to point out that waiting lists increased by 50 per cent. under the Labour Government, whereas they have fallen under Conservative rule.

Ms. Short: I do not believe that.

Mr. Butterfill: The hon. Lady may not believe what I say, but I have given the facts. She may care to check them in the Library.

Ms. Short: I shall, in the way that I checked the hon. Gentleman's definition of "amoral."

Mr. Butterfill: I am sure, when she is checking, the hon. Lady will find—

Mr. Deputy Speaker: Order. We are having too many sedentary interventions. Sedentary interventions are to be deprecated at any time.

Mr. Winnick: On a point of order, Mr. Deputy Speaker. The hon. Member for Bournemouth, West (Mr. Butterfill) has been addressing the House for half an hour. He is, of course, entitled to do so. Perhaps he will make it clear whether it is his intention to speak for another half an hour, in which case those of us who are waiting to take part in the debate will not bother to continue to wait in the hope of being called to speak.

Mr. Deputy Speaker: That is not a point of order. Mr. Butterfill.

Mr. Butterfill: It was not my original intention to speak for this length of time. Regrettably, I have been asked to give way on so many occasions that my speech has taken longer than I had anticipated. I shall, in deference to other hon. Members, conclude my remarks shortly.

Developments have taken place in many complex treatments, such as laser eye surgery, which is extremely expensive, and did not exist previously. Improvements have taken place in almost every sphere of health. The number of infant deaths, for example, has come down by a third since we came to power. All these developments reflect entirely new standards of health care.

Other hon. Members have already referred to increases in manpower in the NHS while we have been in office. The number of doctors has increased by 11 per cent. and dentists by 15 per cent. Such statistics can hardly be called cuts. I do not know what warped imaginations Opposition Members have if they can describe such developments as cuts.

I see improvements occurring in my constituency. We in Bournemouth have waited a long time—longer than my constituents would have wished—for a new hospital. However, we are now getting a major extension of hospital services in the town, with the construction of an enormous new general hospital costing millions of pounds.

That reflects the restoration of the capital investment programme in the NHS—a programme that was severely slashed by the Labour Government. That is the most significant element in Conservative policies, because, without capital expenditure, none of the other services can be operated. As the hon. Member for Ladywood is interested in statistics, she will be pleased to hear that there has been a 23.5 per cent. increase in real terms in capital expenditure under the Conservative Government. I am sure that she will enjoy checking that fact when the debate is over.

We have nothing to be ashamed of in relation to the NHS. Indeed, the Conservative Government have the most impressive record of any post-war Administration, and they are to be congratulated.

8.7 pm

Mr. Archy Kirkwood (Roxburgh and Berwickshire): I listened with interest to the remarks of the hon. Member for Bournemouth, West (Mr. Butterfill). I was particularly interested in his opening remarks, when he went at length into what the Government had done for social security benefits and then went on to make his own special case. I do not complain about that because he is well known for his concern for the needs of the blind, but we can all argue special cases.

I agree with the hon. Member for Birkenhead (Mr. Field) that the Government cannot be accused at this stage of the game of decimating the social security system. However, for those who are in desperate need and have experienced some of the damaging cuts that have individually been implemented by the Government, it is a tragedy, and I include the blind within that number.

That is why I say that the hon. Member for Bournemouth, West cannot have it both ways. He cannot, on the one hand, say that all is well when, on the other, as he knows—my constituency postbag certainly proves it—many people are suffering a very deprived standard of living.

Mr. Butterfill rose—

Mr. Kirkwood: I shall not give way because I intend to complete my remarks within about 10 minutes.

This is a useful debate. When, initially, I learnt of the subject matter of the debate, I thought that it was somewhat barmy because we would not be able to achieve much. After all, we are looking forward to the Green Paper that is to be published at the end of May or the beginning of June.

I have changed my mind, however, because the debate has probably taken place in a calmer atmosphere than will

[Mr. Kirkwood]

be the case when we debate that Green Paper. If our worst suspicions, resulting from leaks that have appeared in the press, are fulfilled hon. Members' tempers on that occasions will be difficult to contain.

I agree with hon. Members who have said that the system of social security benefits is not perfect. For that reason I welcome the Government decision to examine the system again root and branch. However, I am suspicious of the Government's motivation. The impetus for this reform has, I believe, come not from any need to minister to the deprivations experienced by the poor but, rather, to control the amount of money spent on social security.

Social security spending must increase because of the demographic changes that are facing the nation. It also has to increase as an inevitable consequence of the Government's policy which has driven more and more people into the hands of the social security system. It is very misleading to treat transfer payments as though they were public expenditure. We have referred to the £40 billion in the social security budget. However, transfer payments are not the same as expenditure on goods and services. They should be regarded as reducing the net yield of tax line tax expenditures — allowances, mortgage interest relief, and so on.

I believe that personal taxation, employers' national insurance contributions and the benefit system need to be integrated. We on these Benches have advanced that argument for a very long time. It is a great shame that while considering housing benefit, earnings related pensions and family income supplement the Government have not taken the opportunity to consider the tax benefits that accrue to the pension system, mortgages and the married man's allowance. The success of an integrated, fundamental review would have been greater if all of these options had been considered simultaneously.

The Green Paper that is to be published later this year could have been a valuable addition to the review system. If the four reviews were to report in advance of the Green Paper on the integration of the tax system it would not necessarily be the most constructive way to proceed. I am desperately worried that the Fowler inquiries will not propose the wide-ranging reforms that are necessary but, according to the leaks in the newspapers, will promise only piecemeal and cost-cutting changes. The Select Committee on the Treasury and Civil Service, which was chaired by the hon. Member for Oldham, West (Mr. Meacher) and published its report in 1983, came to the conclusion that adjustments to the present system would achieve little and that fundamental reform was absolutely necessary.

Every hon. Member has commented on the proposals of the hon. Member for Oldham, West. Although interesting, I believe that they are idealistic and have not been adequately costed, and they contradict the findings of the sub-committee of the Select Committee on the Treasury and Civil Service. He advocates a progressive income tax rate within the main range of earnings around average earnings. That proposal would need to be carefully examined.

The biggest shortcoming is that there is to be no increase in the basic retirement pension, apart from a universal heating allowance. Therefore the elderly would be worse off if supplementary pension as well as supplementary benefit were to be abolished. We on these

Benches believe that the whole panoply of the state earnings related pension scheme faces problems. The most worrying is that it provides an insufficient answer.

For decades to come many old people will have little or no state earnings related pension entitlement. An increase of about 25 per cent. is needed on the basic pension. Supplementary pension and housing benefit costs would fall if the basic pension were to be increased by 25 per cent. However, most of the costs would be met by the abolition of contracting out and by halting state earnings related pensions at the present level of entitlement. The Liberal party gave evidence to the Fowler commission along those lines and set out possible alternatives to the state earnings related pension. However, something along those lines could be considered only if all the money saved were used to increase basic pensions. We also believe that legislation would be required to oblige employers to contribute up to a certain level to the personal pension plans for their employees who do not have occupational schemes or who opt not to join them. That has to be considered in the context of a first step towards a complete reform of the tax benefits system.

I support what was said by the hon. Member for Birkenhead (Mr. Field) about child benefit. This would be a useful first step towards a tax credits scheme. We believe that child benefit must be left intact and that it should be increased at a faster rate than inflation. Our objective is a tax credit for every individual, with more credits for the elderly and fewer for children, with an intermediate level of claim for young people between the ages of 16 and 18. I support the proposal to establish an educational allowance as a step towards this. This was one of the proposals of the hon. Member for Oldham, West. Within the tax credits scheme there would be an additional credit for sickness and invalidity and there would be extra credits to meet the cost of disablement.

We believe that universal credits would be too expensive if they were high enough to cover all housing costs. Therefore it would be essential to be able to withdraw credits. Interim measures would be needed before moving into a fully fledged system in order to reform existing benefits such as family income supplement. In the alliance budget proposals of this spring a courageous and properly costed system was outlined which would increase family income supplement in what we consider to be a sensible way. It would provide much needed relief for low-paid families. We must ameliorate the worst effects of the poverty trap. I accept that marginal rates of 70 per cent. to sometimes as high as 85 per cent. on increased earnings for the low paid would be inevitable under any system at acceptable levels of income tax. Ultimately housing finance will have to be reformed and the inflated price of property will have to be reduced. However, mortgage interest tax relief must be retained, but could be restricted to those who are taxed at 30 per cent. and not given to those who pay at the higher rates.

The introduction of these benefits leaves a great deal to be desired. The four reviews are at an advanced stage. If there is to be a tax benefit review later in the year, I believe that the evidence should be published. The Green Paper should not be published at this stage. The evidence should be summarised. There ought to be a proper national debate and a thorough-going reform of the taxation system should then be brought forward. Without this, the possibility of creating a new Beveridge, which I believe to be absolutely necessary, will be very remote.

8.18 pm

Mr. Richard Tracey (Surrey): There has been some discussion during the debate about the meaning of the words "amoral" and "immoral". I do not wish to become involved in that debate, although I believe that one or other of those words could be applied to the Opposition motion. I was shocked by its blatant propaganda, and I continue to be shocked by the blatant presentation of that propaganda. I was surprised, too, by the brass neck of the hon. Member for Oldham, West (Mr. Meacher) in wishing to draw attention to himself when it was quite obvious from the response of his hon. Friends this afternoon that they are not very pleased with some of his ideas about the welfare state and the policy of the Labour party.

Frankly, we know what the Opposition are up to. Not too long ago I read a statement by one of the leading lights of the Labour party which said that probably one of the finest things that the party could concentrate on before the next general election was the NHS and the welfare state. It was felt that the most capital could be made out of that. It is clear that there has been a cynical manipulation of statistics in an attempt to smear the Government. That is a callous campaign, which inspires unnecessary fears, particularly among old people about the sort of treatment they will get from doctors and hospitals in an emergency. We have heard it all this afternoon — the fevered imagination, the fairy tales and the grossly inflated local examples, all of which when looked at in a national context are complete nonsense. I have come to recognise the Labour party's propaganda about the NHS as the big lie strategy.

It has been well rehearsed this afternoon that in 1985-86 the Government are proposing to spend £17,500 million on the NHS. That is an increase in real terms of 20 per cent. on what the previous Labour Government were spending when they left office. The statistics are there to be read. The Labour Government were spending £7,750 million. There is no question about that, just as there is no question, as my hon. Friend the Member for Bournemouth, West (Mr. Butterfill) pointed out, that in one year alone the Government have brought about a situation in which the NHS has treated 300,000 more inpatients than under the Labour Government's whole term in office. I cannot see how such statistics, and the many others which are on the record, can be questioned by the Labour party in its cynical campaigns.

In the same way, the Labour party from time to time homes in on waiting lists. It tells us that waiting lists have grown under this Government. But again, as my hon. Friend the Member for Bournemouth, West pointed out, it does not admit that during its period in office from 1974 to 1979 the waiting lists grew. I suspect that that was the Labour Government's own fault, not the result of industrial action. Up to 750,000 people were awaiting treatment in hospital. Those are just a few of the examples that have been well rehearsed during the debate.

What particularly bothers me, apart from that callous disregard of the feelings of old people and those who may become sick, is that that sort of thing is picked up by some people in the media and used because it is sensational copy. Let me single out one BBC television programme which has been mentioned once or twice in the House over the past two weeks. BBC2 made a programme on the children's heart unit at Guy's hospital. I was appalled to see that at the beginning of that programme a caption was

put on the screen saying that the problems had been brought about by Government cuts in specialised nursing services. No attempt was made by the producer of that programme to ask the district health authority what it had been doing about its budgets or what kind of contribution it might have been able to make by greater efficiency to improve the services of that hospital to prevent the problems that were being outlined on our television screens for 40 minutes. That is the sort of thing which causes alarm and great worry among our people.

I am well aware that other hon. Members wish to build on the case that my hon. Friends have been making this afternoon. We have heard these inflated statistics from the hon. Member for Oldham, West and from his hon. Friends. Let me remind them of something which the right hon. Member for Manchester, Gorton (Mr. Kaufman) said after the catastrophic results which his party suffered at the election. He said that the public could not be entirely conned in the way that the Labour party had hoped. He said that the public could not grasp the enormity of the programme which the Labour party claimed would be put before them if it won the election. In the first year alone it would have cost £45,000 million extra. From where was that to be found? Was it to be found from taxation or national insurance? The British public will not be conned by such nonsense. Nor indeed will they be conned by the sort of talk that we have been hearing today about the Government dismantling the NHS and the welfare state.

It is easy to build up expectations, as the Labour party is obviously trying to do, but it is far more difficult to deliver those expectations. I can say with complete confidence that the hon. Member for Oldham, West has delivered the next general election victory to the Conservative party, which we would have won anyway. His statements last week, from which the Leader of the Labour party has so assiduously tried to dissociate himself, are some of the most damaging things that have been said during this Parliament. When I worked as a commentator in the broadcasting world, we would try to spot the moment when a politician would so grievously put his foot in it that he would lose the next election for his party. Last week was that moment for the hon. Member for Oldham, West and the Labour party.

8.27 pm

Mr. David Winnick (Walsall, North): I think that I can say with confidence that the House is not likely to be conned by the nonsensical remarks of the hon. Member for Surrey (Mr. Tracey). If he thinks that the campaign of innuendoes, lies and McCarthyism will win the Tory party the next election, he will be proved wrong.

There is no love, and never has been, by the Conservative party, especially among what could now be described as the "drys", for the welfare state. It is interesting that in today's *Daily Telegraph*, which presumably reflects the views of the drys more than the wets in the Conservative party, we are told:

"However, ministerial nerves seem stronger on the question of the State Earnings Related Pension."

It goes on to say:
"The provision of an income for retirement is best dealt with through the private sector".
There is no doubt in the mind of the *Daily Telegraph* that the state earnings related pensions scheme should be abolished.

The Prime Minister has repeatedly referred to the United States as the ideal place where there is no

[Mr. David Winnick]

'Socialism'. What she really means is that there is no welfare state there with anywhere near the same provisions as Britain. That is why she holds the United States up in such glowing light. Can there be the slightest doubt in the House of the right hon. Lady's distaste, perhaps even contempt, for state provision except for the very poorest? If ever there was a Tory Member with very little sympathy for state provision, it is the Prime Minister. Every Conservative knows that to be the case.

Between the Labour and Conservative parties there is what can only be described as a philosophical difference in attitude and ideas on state provision in welfare and pension entitlement. The Labour party's attitude was illustrated during 1945-50 and when it was last in office. The Labour party believes that the state has a duty to try to provide benefits and that people should not have to rely on the private sector.

Today, the Secretary of State argued a poor case. He knew that it was when he referred to the large sums being spent on social security. As he knows well—who better—that is due largely to the return of mass unemployment. I have always argued that, however important the social and welfare reforms carried out in the immediate post-war years, the most important was the maintenance of full employment in peacetime. It helped to ensure that the kind of poverty and destitution known before the war were not repeated after 1945.

All the evidence that we now have from our constituencies shows that poverty has returned with a vengeance. I receive—I am sure that I am not the only Member—many letters from constituents on matters affecting social security. I have received more during the past two or three years from people who have to try to manage with their families on the lowest possible income. Of course, some of my constituents come to see me at my surgeries over their problems.

It is interesting to remember that the hon. Member for Derbyshire, West (Mr. Parris) spent a week in front of the television cameras trying to live on supplementary benefit. I watched the programme with interest. At the end of the week the hon. Gentleman was honest enough to admit that he could not manage. He tried to live for a week as we know on the lowest income provided by the state. There are occasions when it seems that the hon. Gentleman is still trying to recover from the experience.

Millions of people however have to go through that experience not for one week, one month or even one year. They have to live on such levels year in and year out. They have to live in such poverty because they are unemployed or disabled or both, or because they have to rely upon the present state basic pension and supplementary benefit. If it were difficult for the hon. Gentleman to try to live that type of life for one week, how much more difficult is it for our fellow citizens who have to endure such hardship and acute poverty for years? If they are of employment age, they can look forward only to retiring on the basic pension. We have a Government who have no intention of reversing the tide of mass unemployment. Ministers no longer refer to the concept of full employment. They do not even pretend that they intend to see the end of mass unemployment.

We are debating the dismantling of the welfare state. No Government, not even this one, would try to abolish it in one go. They have too much electoral sense. That is

why, for example, they refer to maintaining the National Health Service. The Government, and the Secretary of State—I am not being personal—as a member of the Cabinet, are trying to undermine as much of the National Health Service and the welfare provisions as possible.

This month, for example, we have seen substantial increases in dental charges. That is of course in addition to the other dental increases which have occurred between 1979 and 1984. New regulations restrict the supply of National Health Service glasses to children under 16 and families in receipt of supplementary benefit or family income supplement. Everyone else has to obtain his glasses in the private sector. That includes many pensioners who do not receive supplementary benefit.

The cost of prescriptions when the Conservative party took office was 20p. Since then, they have increased continually, and a prescription now costs £2 per item. The increase has been 1,000 per cent. since 1979. That is what I mean by saying that welfare provisions have been eroded by a Government who have never believed in the welfare state.

The reviews which have been set up by the Secretary of State are meant only to find ways of pushing through what the Treasury wants—large social security savings. I refer again to the leader in today's *Daily Telegraph* which states

"The Social Security Secretary Mr. Norman Fowler has argued that reform must ensure that money goes to those who need it but that there must be no reduction in the amount spent. The Treasury is insisting on savings."

I am not sure though that the right hon. Gentleman has defended welfare and social services in the Cabinet as much as he should. We often gain the impression that although he may have put up an initial fight against the Treasury, at the end, perhaps because he does not want to find himself on the Back Benches, he is willing to go ahead with what the Treasury wants. Perhaps he is right from the point of view of his career.

Mr. Fowler: That is cheap.

Mr. Winnick: I do not believe that it is cheap. The right hon. Gentleman is aware that he has a leader who has no sympathy for the welfare state. If he makes a stand on all those issues against the Treasury he is unlikely to advance his career. I believe that my points are valid.

Mr. Timothy Wood (Stevenage): Is it not absurd that there is an overlap of several hundred thousand families in the welfare state at the moment who pay tax and receive benefits? Does the hon. Gentleman not think that it is high time that we had reviews to resolve some of the present anomalies?

Mr. Winnick: As I have argued in interventions, it is remarkable that those who argue constantly the same point that the hon. Gentleman has made, defend the present arrangements for tax relief on mortgages? I take the view—I have made my position clear elsewhere and in interventions today—that it is right that those people who are buying a house should receive assistance. I am in favour of home ownership, as are all my right hon. and hon. Friends. We always have been, or otherwise we should not have introduced the option mortgage scheme in the 1960s which undoubtedly made it much easier for people on lower incomes to buy their own homes. If we were against owner occupation why would we have introduced the option mortgage scheme?

I do not find it easy to understand the hon. Gentleman arguing for means testing and the rest. The same hon. Gentleman would argue that it is right for someone earning £30,000 or more—perhaps himself—to receive benefit by way of mortgage tax relief. A Conservative Member said today that that was not so. It only meant that someone was paying less tax. That argument does not stand up, because if that person did not receive tax relief on his mortgage, or did not have a mortgage, he would have to pay his full share of tax. He is clearly being subsidised because he pays less tax. It is odd that Conservative Members—including the Government Front Bench—who are always on about means-tested benefits, consider it right that those with the highest incomes should receive open-ended assistance from the state to buy their own houses.

The reviews have led to various leaks. It would be interesting to know whether any of them are correct. Will basic unemployment benefit be reduced? Will it be paid for six months only and not 12 months? Will heating additions be abolished? We have been arguing throughout the winter that there should be an increase in heating additions, and that it is wrong that so many people on low incomes should receive no assistance with their heating bills, or, if they do, that it is small and inadequate. Will housing benefit be reduced? That would mean a large number of people paying far more in rents and rates. We are worried by one of the leaks which suggests that it will be recommended that unemployed house owners receiving supplementary benefits will no longer receive assistance in paying their mortgages or the interest on those mortgage payments. As my hon. Friend the Member for Oldham, West (Mr. Meacher) said in opening the debate, in that event they would be thrown out on the streets. These are matters of great concern.

I am convinced that the state earnings related pension scheme provides a means of ensuring that if one retires having made no private provision, one will not live in the kind of poverty in which so many pensioners are now having to live.

When the Secretary of State was speaking, I drew attention to an answer that I received from one of his junior Ministers. It was to the effect that if someone has been in the scheme from the beginning, in 10 years' time, in 1995, such a person, on average earnings, will receive an additional £31; someone on three quarters average earnings will receive an additional £21; and someone on half average earnings will receive an additional £11.90. At the beginning of the next century, the people in the three categories that I have mentioned will receive £36.50, £25.20 and £14 respectively in addition to the basic pension. Those are significant sums.

The people to whom we are referring in the state scheme will know that when they retire, although they will not be living a life of luxury or anything near it, they will not have to live on the same pittance that retired people now have. That is why we must be concerned about the constant rumours and leaks to the effect that there will be a recommendation that the state earnings related pension scheme should be abolished. If our fears are proved correct and that is to be the recommendation, and if the Cabinet agrees to it, how many Conservative Members will defend the scheme? One or two hon. Members who have spoken in the debate have said that they do not believe in the scheme. We know the views of the *Daily Telegraph*, or of the person who writes that newspaper's leader. Will

Conservative Members betray their constituents who are in the scheme and who have paid into it over a considerable period? Will they betray those constituents by taking away the pension entitlements that many people of working age look forward to receiving in due course?

Since the Government have been in office, very large sums have been given to the richest and the most prosperous. Such people have done very well out of the Government and have every reason to be grateful to the right hon. Lady's Administration. But for many others the Government have been a curse. Large numbers of people, including my constituents, have been denied their right to earn their living. Large numbers of people, including my constituents, and many others throughout the country, are living in poverty and near poverty because of measures taken by the Government.

When Conservatives ask what the Labour party has done for pensioners, I wonder how many pensioners today would be only too pleased to have the same progress that was made when the Labour party was in office? They will remember that the Labour Government tied the state pension to earnings or prices, whichever were the greater.

It is understandable that there is such a feeling of bitter resentment on the part of so many people who have been the victims of the Government's policies and of the contempt that the Government have shown for them. It has been a Government for the rich and the most prosperous. It has been a Government that has shown utter contempt and indifference for the people who are most in need, the people who need the welfare state and for whom it was first established. When the Labour party is returned to office it will make good the damage that has been done by the Conservative Government. We shall return to the provisions established in the 1945 Parliament.

8.45 pm

Mrs. Edwina Currie (Derbyshire, South): The debate started by being entertaining, when we had the hon. Member for Oldham, West (Mr. Meacher) behaving like a little boy hurt, with a look on his face which Conservative Members will cherish for a long time. He was having a go at the press and accusing all and sundry of malice aforethought and so on, as if any of the things that he said in *The Guardian* in recent weeks have mattered. It would have been nice to hear from him and his hon. Friends on the Opposition Front Bench whether he and they still agree with his comments in what he calls his "New Income Protection Plan", and whether he still stands by any of the things that he said to the newspapers. His role as a sacrificial lamb has been highly entertaining—novel, but, I suspect, highly misleading.

If the Labour party really thinks that those on £15,000 a year are rich, or think themselves as rich, it is totally out of touch with the way in which this country has been changing in recent years. If it thinks that the country would vote for Labour housing policies such as the abolition of mortgage tax relief for owner-occupiers, or for such housing policies as building acres more of windswept council estates of which we see only too many in our cities, or of tower blocks which are never repaired because Labour councillors are too busy spending the money on women's committees and sending people to Greenham Common, it has another think coming.

Ninety per cent. of those of working age have said that they want to own their own homes. That is exactly what Conservative policy has been, and it has helped us to win

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two elections. People do not wish to be dependent upon the welfare state for the provision of their accommodation, and that is the way that they will continue to vote in future.

Mr. Robert Hughes (Aberdeen, North): Will the hon. Lady give way?

Mrs. Currie: I do not have time to do so.

The Labour motion seeks to identify an attack on the welfare state by the Government. It is interesting that the motion does not mention the National Health Service.

Several Hon. Members rose—

Mrs. Currie: Hon. Members who are seeking to intervene have not been here for most of the debate. As time is now short, and other hon. Members wish to be called, I think that it is inappropriate to allow interventions.

It is interesting that the Opposition motion does not mention the National Health Service, because there has been a substantial increase in resources and a substantial improvement in results, to which several of my hon. Friends have drawn attention. I should like to mention the capital schemes, the building of new hospitals and new units which have proceeded apace under the Conservative Government. In England alone, 50 major hospital schemes have been started on site since 1979. They are schemes costing over £5 million each. At present there are 152 hospital schemes of more than £2 million each being planned, designed or constructed in England alone, costing more than £1 billion. The buildings for 23 schemes are expected to be completed in 1985. I say to Labour Members who represent London seats—for example, the hon. Member for Brent, South (Mr. Pavitt)—that much of that building is going on in other parts of the country, such as the Trent region, which covers my own constituency. Indeed, in Trent and in the Southern Derbyshire health authority there has been a substantial increase in the number of people on the payroll, and we have vacancies for nurses. Anyone in the south of England looking for a nursing job is very welcome in my constituency, where we have a substantial number of vacancies. The hon. Member for Derby, South (Mrs. Beckett) whose constituency is in the same district health authority, can confirm that. Indeed, she is nodding her head in confirmation.

In my area there has been a rapid drop in waiting lists—at last, I have to say, because our waiting lists have been among the worst in the country.

The hon. Member for Oldham, West said that the welfare state was near the bottom of the Government's priorities. That does not accord with the facts. Social security is the largest single Government programme. It accounts for 30 per cent. of all public expenditure, with total cost of £40 billion, and rising. It is the only Government Department in that position. The rate of growth has doubled inside five years and that makes the Labour motion absolute nonsense. [Interruption.] It is not just a matter of unemployment; it is also a matter of increasing benefits to pensioners, the sick and the disabled and a large number of other people. It also, to a substantial degree, makes nonsense of any priorities, such as defence and overseas aid which other Departments may wish to claim, as well as all the other things on which we should like to spend our money.

I have sat through many social security debates since I came into this House and I am glad to see my hon. Friend the Member for Braintree (Mr. Newton) in his place, because I should like to suggest that we could do with some new scientific laws. Sir Isaac Newton was a Member of this House many years ago, and my learned Friend the hon. Member for Braintree is by no means a lesser Newton. We should propose a new set of Newton's laws. I suggest that they be called Newton's four laws of action and reaction for social security.

Law No. 1 should be: "Whatever the social problem, a benefit will be devised"—even when it might be much better to leave well alone.

Law No. 2 should be: "Whatever the benefit, somebody will abuse it". If we need any evidence, look at the debates that we have had on board and lodging allowance, on housing benefit, and even at the rapid increase in the number of people claiming invalidity benefit, even though there seems to be no evidence that morbidity in that age group has increased.

The third law should be that the cost of the benefit will escalate. The escalation will be in direct proportion to the surprise of the Ministers concerned. The fourth law should be that no benefit can be cut, ever. That is not what we want, but in practice it is exactly what happens. Perhaps one can have a corollary—that whatever the Minister does to try to improve matters, somebody will not like it.

The motion mentions the state earnings related pension scheme. It is probably as good an example as any. The hon. Member for Derby, South mentioned the Phillips committee, but in 1954 there were fewer than 7 million pensioners. Now there are 9.25 million, and by the time I am touching 80, which is the point at which SERPS becomes fully operational, there will be 12.5 million pensioners, and the number of contributors, in comparison to the number of claimants, will be 1.8:1. At that stage the social security budget for SERPS alone will have to be increased by approximately one third. On the best assumptions, the contribution rate will have to rise to 20 per cent., and on the worst assumptions it could be 26 per cent. or more. In other words, our grandchildren will be paying at least a quarter of their income on top of income tax to pay for our pensions. The question that we have to answer is this: do we really want to commit the state to that level of investment on one item alone, pensions? What about investment in industry? What about investment in education? What about training?

I am deeply worried, not just at the effects of encouraging people to rely entirely on the state instead of planning for their own future. We should be concerned not just at the sheer expense of providing all and sundry with whatever benefits they ask for and increases above inflation to boot. We should be concerned at the damaging effects on our future growth and strength of diverting such a large percentage of our resources into that activity. There are always more ways, and better ways, frequently, of spending the money. Some of the thrust of Government policy has to be the continuing and steady encouragement of industrial and commercial development so that somebody will generate the surplus income in future to pay for all the benefits, for the Health Service and for the public services which we all so glibly want and for which we all seem so deeply reluctant to work and pay.

One man's priority is another man's extravagance. If we too readily invent benefits, add to them and increase them, the day will come when we beggar the nation, and then it will be too late.

8.52 pm

Dr. Roger Thomas (Carmarthen): For a moment, I should like to follow the hon. Member for Derbyshire, South (Mrs. Currie) into physics. She quoted to us the four laws of Newton. I am afraid that when she speaks she reminds me of Charles's law, in that a given mass of gas increases directly with the absolute temperature.

The hon. Lady mentioned nurses in her constituency. I should like to tell her about nurses in my constituency. Eight nurses qualified at the local district general hospital. Not one of those eight could be offered a permanent post, yet we all know that when nurses qualify they are expected to serve a so-called six-month probationary period. Without having served that probationary period, those nurses cannot hope to get a permanent job elsewhere until they satisfy the nursing authorities that they are proficient at their work.

For about 31 years, the welfare state has been in the hands of Governments who respected it. From 1948 to 1979, those Governments adhered to the principles of the welfare state, and through those Governments it commanded a great deal of cross-party support. The people were particularly proud of it.

Tonight, we have heard statistics about waiting lists and the increase in inpatients over the past five or six years. I remind the House that one can cook inpatient waiting lists and outpatient lists as well as unemployment figures. Let us consider an ear, nose and throat waiting list in any hospital. For example, 350 children might be waiting for tonsil and adenoid operations. One may search down that list and decide to write to the parents. By the time the letters arrive so many of the children have been totally cured of the condition for which they were originally to have the operation, that, at a stroke, the number can be reduced to a figure well below 350.

There are long waiting lists of patients for cataract operations. But some of those patients waiting for operations will never be contacted, because they are not on this earth to be contacted. Thus, again, one can eliminate or reduce waiting lists as one wishes.

We know that there are practically no domiciliary midwifery cases. All infants are now born in hospital. That is another reason why, over the past few years, there has been a steady increase in the number of cases receiving inpatient treatment.

I can assure the House that the morale of the medical profession has never been so low for a considerable number of years. It is low not only among ancillary staff who were badgered into submission when they tried to strike for better conditions in 1982, but among nursing staff, consultants and general practitioners.

The general practitioners, first hit by the deputising service fiasco, then by the limited list fiasco, are now in an uncertain position. Since the visit of the Minister for Health to the Harrow private clinic, we do not know what to expect with regard to general practice. We are now keenly waiting for the so-called Green Paper on primary medical care, although so many things in that Green Paper have already been leaked.

Apparently, it is being considered down at the Elephant and Castle whether we shall have a salaried service within

the NHS. Alternatives that are being considered are that doctors will no longer be paid for items of service. And so it goes on. At the moment, there is a gradual demoralisation among general practitioners. Who knows what they will get in return for the apparent bonus of being able to advertise their services. I should have thought that it went very much against the Hippocratic oath. If doctors were allowed to advertise their services, it would lead to utter chaos in the GP service and primary medical care.

Among consultants, too, morale is at a low ebb. Consultants will confirm that the increase in administration means that they spend less and less time in the operating theatre or on surgical rounds and more and more time attending committees which do not achieve any improvement at the sharp end of the service. The Government said that the limited list would save £75 million per year, which could then be used at the sharp end of the National Health Service, but there is no more reason for us to believe Ministers now than there was to believe that the National Health Service was safe in the hands of the Prime Minister, as she claimed at the general election.

I recently asked the Secretary of State how many geriatric beds are available in this country now compared with 1979. There has been an increase of 0.002 per cent. in England and 0.005 per cent. in Wales, but demographic changes mean that there are now far more people over the age of 65 and hundreds of thousands over the age of 75 who need to go into hospitals of that kind when they are ill. Medical practitioners cannot get patients into hospitals because the hospitals are full of chronically sick people, often chronic orthopaedic patients who cannot be taken out into the community.

We heard a great deal from the Government about community care, but it was just another gimmick—just another way of getting care on the cheap—and it has not worked. Nursing staff and community nurses are now discovering that it is impossible to provide in the home the nursing services that were previously provided in the hospitals.

The catalogue goes on and on. If this is not demolition of the Health Service, it is certainly utter demoralisation. Ministers complacently tell us that more is being spent here, there and everywhere. Anyone who wants to know how much more is really being spent should visit the hospitals and talk to the staff who care for the sick and for those unable to fend for themselves. That is where the truth is to be found, not in statistics from the Elephant and Castle. Thirty-five years after the inception of the National Health Service there is discontent, misery and demoralisation, and it is time that that was put right.

9.1 pm

Mr. Tony Favell (Stockport): For too long, in my view, we have distributed social benefits without proper thought not just for the taxpayer, who has to provide them and who is often no better off than the recipient, but for the long-term effect on the recipients themselves. I was therefore delighted to hear my right hon. Friend the Secretary of State say today that the review would ensure that social security was not divorced from the rest of Government policy, especially employment policy. The reduction of unemployment is the major task facing the Government, but I believe that in some ways the present social security system exacerbates the problem. Indeed, I

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believe that in some respects it positively harms the long-term employment prospects of the recipient. I shall give just two examples.

A 16-year-old leaving school in July is entitled to £17.30 per week supplementary benefit in September if he has not found work, and even if he has not tried to find work and is not prepared to undertake youth training. That cannot possibly be in the long-term interests of the school leaver. We must do everything in our power to encourage school leavers to take training. We all appreciate the value of education because we have the knowledge and experience to realise how well our education and training has served us, but young people of 16 often do not appreciate the importance of education and training, and I believe that offering supplementary benefit to them as soon as they leave school discourages them from taking the training that is so vital in the job market today.

It is true that many of the young unemployed live in areas of high unemployment, but nothing is for ever. History repeats itself. The unemployment of the 1920s and 1930s went away. Last week the Prime Minister told us that 300,000 new jobs had been created in the past 18 months. The 16 to 18-year-olds will not stay the same age for ever. They may lose their chance of education and training. By not encouraging them now to take the training that is so necessary we shall condemn them, in the long term, to the scrap heap. I urge my right hon. Friend seriously to consider giving every possible encouragement to those young people to train now.

Rate rebates offer another example of how social security works to discourage employment. One household in three in Britain now receives rate rebates through the housing benefit system. The proportion is even higher in parts of the country where unemployment is highest. In Liverpool, half the ratepayers now receive rate rebates. In Sheffield and Manchester the percentage is about 42 or 43 per cent. Only about a quarter of the electors in Liverpool, Manchester or Sheffield pay full rates. In those areas there are no longer any votes in saving money. Votes are to be gained only by spending money. Votes are attracted by vastly increased and expensive services in areas that are ravaged by unemployment.

What is the effect of high spending in such cities? High spending results in fewer jobs. Those who are in employment and pay full rates leave for less highly rated areas. Stockport is fortunate. In Manchester the rates are 50 per cent. higher than in Stockport. There is in consequence a massive exodus from Manchester to Stockport, not only of domestic ratepayers, but of commerce and industry. Businesses are driven away from Manchester and investment discouraged. Housing benefit and high rates exacerbate the problem of unemployment. Our once-great northern industrial cities are in a downward spiral.

Mr. Kevin Barron (Rother Valley): Will the hon. Gentleman give way?

Mr. Favell: I do not have time. Unless local authorities are encouraged to reduce rate levels, that spiral will become an uncontrollable spin. I urge my right hon. Friend to take advantage of the reviews to deal with the problem.

9.8 pm

Mrs. Margaret Beckett (Derby, South): I wish to begin by quoting some words of the hon. Member for Brent, North (Dr. Boyson), written before he became a Minister in the Department of Health and Social Security. The hon. Gentleman was, of course, in the Department when the decision to institute the reviews was taken. In 1978—no doubt the Prime Minister read these words—he wrote:

"Conservatives must actively work for the welfare state to wither away as personal freedom and independent provision take its place."

That work is what we are debating tonight. We are talking not about certainties or the matters on which the Prime Minister loves to tell us that there is no alternative, but about choices. The record shows us what choices the Government have made. Their social security budget, and the way in which they have changed it in recent years, casts a light on the choices that we may expect them to make through the social security reviews, and the reasons for those choices.

In his pertinent speech, my hon. Friend the Member for Oldham, West (Mr. Meacher) made clear the extent and nature of the choices that the Government have had, and he contrasted the savings that have been made in every Social Security Bill that the Government have presented to the House since 1979—they now total £11 billion—with tax handouts to the wealthiest, which have been given in every Budget—and now total £13 billion.

One of the most frightening features of these debates for the prospect of peace and harmony is the gulf of understanding and experience which opens between the two sides of the House. I sometimes wonder whether Conservative Members know what their Government's record is, or whether they understand the reality of life for those on pensions or benefits. They will not know if they listen to the Secretary of State. It has been a feature of several recent Question Times that Conservative Members have risen, one after the other, to say that, although they do not question the Government's wonderful record as they have done great things for the NHS, could the Secretary of State explain why a ward or hospital in their constituency is closing and could he tell them how to reassure their pensioners. Our clear message to them and the country is that the Government's arguments and figures on the whole of the welfare state are as phoney as their arguments and figures on the NHS, which even Tory Back Benchers are beginning to see through.

Tory Back Benchers are beginning to see through the arguments and figures partly because of the many benefits that the Government have abolished, such as industrial injury benefit, the earnings related supplements to unemployment and sickness benefits and the child addition to benefits, and partly because of the many benefits that the Government have reduced—for example, the 5 per cent. abatement of unemployment, sickness and invalidity benefits. Recently, the invalidity benefit abatement has been restored, only to be offset by other changes in invalidity benefit which mean that, once again, the Government are making a net saving in social security expenditure at the expense of some of the most vulnerable in our society.

Once again there is late payment of pensions and of invalidity benefits this year so that the Government can save money at the expense of those groups. Lest hon. Members still doubt—there seems to be some lack of

understanding of the Government's cuts in social security spending—I shall quote what the Secretary of State said on 13 October 1983. He said, with approval:

"We should remember we have already done a great deal to contain expenditure by abolishing earnings related supplement, by making unemployment benefit taxable and by withdrawing it from better off occupational pensioners."

When it suits them, the Government claim credit for their social security reductions.

The decision in 1980 to cut the link between pensions and benefits and earnings as opposed to the link between pensions and benefits and prices—that vital principle established by the Labour Government which increases the value of pensions and benefits as earnings increase—has most eroded the provision of the welfare state. It means that pensions and benefits at best stand still against prices but are frozen so that people dependent on them are less and less well off compared with those in work. For the benefit of Conservative Members who seem to have a different experience of the scheme, I should like to highlight a few of the facts about it as many of them seem to imagine that it is over-generous. That misunderstanding appears to fuel the pressure on and from the Government to cut social security still further through their reviews.

A survey carried out in 1983 showed that 3 million people cannot afford to heat even their living area properly, that at least 5 million regularly left out a major item of food, such as a joint, that 500,000 children do not get three meals a day because they do not have the money, that about 6 million people who depend on benefit lack a major piece of clothing, such as a warm waterproof coat, that more than 3 million lack items such as carpets, fridges or washing machines, that 3 million cannot afford birthday or Christmas celebrations, and that 10 million could not pay for even one week's holiday.

Hon. Members have talked about the social security scheme. I wonder whether the hon. Member for Stockport (Mr. Favell) is aware that all entitlement to one single penny of housing benefit ceases well below average earnings for those who are on average rents.

The rise in housing benefit has resulted from the rise in rents, which have been forced up by the Government. I wonder how many Conservative Members fully realise that apart from having his housing costs met, a single householder under 60 gets £28.05 a week to meet the rest of his needs and that a couple get £45.55. All hon. Members will be aware that there is no meals allowance in this House, but I understand that in another place the meals allowance is about £40 a day—over £10 more than a single householder under 60 is expected to live on for a week.

Someone on supplementary benefit is allowed to earn £4 a week or, since the changes the Government made in 1981, to receive £4 a week in cash or kind. Once he receives more, he loses every penny over that value—a 100 per cent. deduction. I referred earlier to a gulf in experience. The contrast between what I have just said and capital transfer tax might be illuminating to Conservative Members. Instead of a 100 per cent. deduction over the threshold, the tax on gifts starts to apply at 15 per cent. In addition, there is a difference between the thresholds. Instead of £4 a week, that tax, even at 15 per cent., begins to bite only when gifts have amounted to £68,000. I calculate that to be about 300 years' worth of supplementary benefit exemption.

The average cost of private health insurance, even as a supplement to the NHS, for a two-child family with a non-working wife is at present about £12 or £15 a week. The average cost of an occupational pension for such a family is about £10 a week. Those who have such supplementary health and pension provision—I suspect that many Conservative Members and their constituents have—might in future try to remember that what they spend on supplementing what the state provides in pension and health care is what people on supplementary benefit must live on.

Those Conservative Members or their constituents with children boarding at public school will be paying an average of £160 per child per week—seven times as much in school fees alone as someone in receipt of supplementary benefit must live on. That is the gulf which exists between the experience of different groups in our society, and that is why the Opposition sometimes get excited when we listen to Conservative Members telling us how over-generous they consider the scheme to be.

Mr. Nicholls: As school fees are not tax deductible, such people will have paid sums in taxation which make benefits a reality. Does the hon. Lady realise that the ability of people to pay after taxation is concomitant with paying the tax which makes those benefits possible?

Mrs. Beckett: This is not the occasion to debate public school provision, although I am quite willing to enter into such a debate. However, most of our senior public schools are charities and receive tax and rate relief because they were founded to educate the poor. I am referring to the difference in levels of expenditure and income. I wonder whether the hon. Gentleman knew what the supplementary benefit level was. If he did, he was probably in a minority among his colleagues.

Those who have never wanted and those who never expect to want in future are very quick to talk about the burden of the welfare state, just as those who have never been seriously ill and think that it is because they are virtuous rather than fortunate seem to despise the NHS.

The Government's main charge over recent weeks, and the charge they intend to try to sustain in the reviews, is that the burden of expenditure overall on social security is too great, is rising and must be cut. The Government have already cut it not just by the detailed changes that they have made in benefit, but by the major change in linking pension and benefit increases only to prices. By that change, they have not only withheld benefits from those in need but destroyed the basis of their own case.

It is often quoted that a pensioner couple has had £5 a week withheld from them by this change. It is less often quoted that someone receiving invalidity benefit has lost £7.35 a week by the Government breaking the link between the benefit and prices, and by the other changes. The Social Security Bill will make another net saving at the expense of pensioners.

When we hear claims from the Government about the extravagance of the social security budget and the state earnings related pension scheme, it is hardly ever quoted that benefits linked only to inflation are basically standing still. The Child Poverty Action Group, in its excellent book, "The DHSS in Crisis", which is meant to be read in the context of the Government's reviews, pointed out that although the bill for social security is likely to rise

[Mrs. Beckett]

because of demographic changes and changes in prices, as a percentage of GDP, the bill will fall over the next few years.

Similarly, the Government say that they are worried about the cost of SERPS in the next 20 to 30 years. However, because the basic pension is linked only with prices, those who retire this year or in the next 10 years will see the value of their total pension, including the earnings related element, so eroded that in 10 or 20 years—the period of time about which the Government claim to be concerned—it will fall back to the relative value of the pension today. Therefore, if the Government abolish the earnings related element, the total pension will be worth far less than it is today, and the pensioners of 10 or 20 years' time will suffer.

Earlier, the hon. Member for Suffolk, South (Mr. Yeo) referred to a terrible thing—the calculation that total national insurance contributions might rise to about 21.6 per cent. of GDP if we maintained SERPS. He wondered how that could be afforded. I am sorry to have to say in his absence that the hon. Gentleman was clearly not aware that this is compared directly with a value of 17.6 per cent. for the same figures today; and therefore it could be argued that we can cope with such an increase.

Clearly, the hon. Member for Suffolk, South was even less aware—and I sometimes wonder whether the Secretary of State is aware—that if the basic pension remains linked only with prices, in the 10 or 20 years' time about which the Government are having nightmares, the national insurance contribution will be not 21.6 per cent. in total, but less than 10.3 per cent. because the value of the total pension is so eroded by the link of the basic pension only with prices. The value of the pension and of the national insurance contribution needed to sustain the pension will significantly fall. That destroys everything that the Government are saying about the need to abandon, abolish or weaken SERPS. The Government have already weakened it so much that their fears are ill-founded.

I am sorry that the hon. Member for Bournemouth, West (Mr. Butterfill) is not here, because I do not like commenting on his remarks in his absence. Much has been said about the amorality or immorality of SERPS, so I shall leave Conservative Members with a final thought about the comparisons of costs. It is true that we are talking about putting a lot of money into SERPS and the basic state scheme. It is true that we are putting thousands of millions of pounds into state pensions. Indeed, we are putting in as much this year and last year as we spent on alcohol. That puts into context the Government's remarks about the extravagance of our devotion to the state pension scheme.

The Government say that everything has changed since 1975. The hon. Member for Derbyshire, South (Mrs. Currie) has clearly been taken in by this fiction. The number of pensioners has not changed since 1975. I should have thought that a little simple arithmetic would show any hon. Member that the number of 10 million pensioners was due to increase to 12 million. That was known in 1975 when the state earnings related plan was revised. The prediction about the number of contributions has not changed significantly. There are some marginal differences, but well within any possible margins of error.

What has changed since 1975 is the priority that the Government are prepared to give to ensure dignity and

freedom from want in retirement. The Prime Minister likes to talk about people taking more responsibility and providing for themselves in old age. Her lack of understanding of the practicalities involved in people trying to provide for themselves in old age has been evident for at least 10 years. I recall listening to the right hon. Lady during the debate on the Finance Bill 1974 when she was a shadow Treasury Minister, although not shadow Chancellor. The House was debating the level of exemption and capital transfer tax for gifts given to a child on the occasion of his or her marriage. The Labour Government proposed that the exemption levels should be set at £2,000, which, I understand, is now worth about £5,300. The right hon. Lady said that that was not enough. There was a certain amount of hilarity among the Labour Members present who asked her how many members of the public she thought could give their children wedding presents to the value of even £2,000. The right hon. Lady said that they could not give such presents, because they did not save.

Such people do not save because they cannot save, because during their lives they never earn sufficient to save enough to think of giving children presents worth thousands of pounds when they marry. Those people certainly never earn enough during their lives to save to cover the cost of their retirement. Any justification for arguing that people should save to cover the costs of their retirement disappears when simultaneously the Government do everything that they can to reduce or hold down wages.

The record of the Government, who have had more money every month from the North sea than the Labour Government had during their five year in office, is one of meanness and mismanagement in social security. The Government's record makes us fear for the future. We wonder what they will do in their social security reviews. The Secretary of State made a great point of telling us that all the anxiety and complaints were misplaced because he had to be prepared to consider any proposal if he wanted to review the pension and benefit system. The right hon. Gentleman did not say that he meant that he was prepared to look at anything, except increased costs in the service, improving the service so that it might give more to claimants and interaction between the pension and benefits system and the taxation system. His colleagues will not permit him to do so.

For the welfare state we pay when and as much as we can so that we can draw on it as of right when we are in need. The hon. Member for Bournemouth, West asked why the Labour party was so antagonistic to means-tested benefits. He asked why our hackles rise when means-tested benefits are mentioned. Our hackles rise then for the same reason as they rise when we hear the Prime Minister talk about Victorian values and hear the Secretary of State in various speeches on different occasions pushing voluntary organisations forward, demanding that they play a greater role in social services and education and talking about a greater role for the private sector in health care.

On all those matters our hackles rise for the same reason. By and large it is among Opposition Members that there are to be found those whose parents and grandparents remember the means test. It is Opposition Members who remember the bitterness that lasted generations from the days of services being provided through charity and of the concept of the deserving and undeserving poor. Those who were prepared to smarm their way round those in authority

—in a manner that seems to returning to fashion in the Conservative party—found themselves better off than those who tried to maintain some independence.

The days when those who were wealthy and who chose to do so provided education and hospitals out of the kindness of their hearts are days that Opposition Members remember perhaps without the generosity that Conservative Members might wish for. We remember charity schools and hospitals, and so we are wedded to the concept of a welfare state that provides services as of right, and for which the community as a whole pays—services that most of us on this side of the House could never hope to provide for ourselves.

The welfare state and the NHS can be summarised very simply by saying that they are Socialism in action. That is, of course, what the Prime Minister so much dislikes about them. The creation of the welfare state is the greatest pride and achievement of the Labour party and the Labour movement—[*Interruption.*] Conservative Members who sneer and snigger should remember that it is also something in which the British people take great pride. Since the Conservative party came to power in 1979, it has tampered with the welfare state and damaged and weakened it. Before the Government finally make their decisions and publish their reviews, the purpose of this debate is to warn them that if they now seek to destroy the welfare state, the British people and not just the Labour party will destroy this Government and their party with them.

9.32 pm

The Minister for Social Security (Mr. Tony Newton): The debate has been something of a classic of its kind in that it was widely heralded in the press, and trailed on the radio by the hon. Member for Oldham, West (Mr. Meacher) this morning as a slashing attack and an all-out assault that would save the nation from disaster. When he came to the House early this afternoon, attended by a group of supporters who would have comfortably filled a minibus, he made a speech based on assorted press cuttings while denouncing the press as biased and unreliable. Only two of the official Opposition Members then in the House showed any inclination to speak in the debate and, as far as we could judge, all the other Opposition Members spoke because a panic-stricken Whip had fled from the Chamber and had gone rushing round the House.

Mr. Meacher: The hon. Gentleman must be able to do better than that.

Mr. Newton: I may well do better than that, but the hon. Gentleman will have to do better than that, too, if he wants to carry his party with him. Of course, we all know that the motive behind the debate was not to illuminate the Government's work or plans but to cast back into the shadows the work of the hon. Member for Oldham, West as shadow Secretary of State. Until last week I had never thought of the Leader of the Opposition as being closely paralleled by the Duke of Wellington. But if suddenly came into my mind that it is said that when looking at his own soldiers, the Duke of Wellington thought:

"I don't know what effect these men will have upon the enemy, but, by God, they frighten me."

Now I know how the Leader of the Opposition felt last week when he contemplated the hon. Member for Oldham, West and his paper.

Mr. Walter Harrison (Wakefield): The Duke of Wellington won and my right hon. Friend the Member for Islwyn (Mr. Kinnock) will win too—and I am referring to the next general election.

Mr. Newton: The monument to the hon. Member for Oldham, West is likely to be a new posting before long.

Taking the debate at its face value, I will deal with at least some of the allegations that have been made about the Government and the welfare state. Although most of the debate, understandably—in view of the way in which the hon. Member for Oldham, West opened it—has concentrated on social security, which was the subject of most of the publicity that surrounded the debate, it is only fair to those who referred to the NHS to place on record some of the facts and figures about what has happened in the service in the last four or five years.

There are now 57,000 more nurses and midwives than there were; over 5,000 more hospital doctors and dentists; 2,500 more family doctors; and over 13,000 more radiologists, laboratory technicians and other professional staff. [*Interruption.*] Opposition Members may not like listening to these figures, but it is time again to put them firmly on the record.

In 1983, by comparison with 1978, the NHS in England was treating about 650,000 more inpatients and over 2.5 million more outpatients; it was providing almost 3.5 million more courses of dental treatment; and there were over 650,000 more visits by health visitors and home nurses to elderly and sick people at home. The hon. Member for Wolverhampton, North-East (Mrs. Short), who is not in her place, would be interested to know that it had succeeded in reducing the degree of perinatal mortality by about one third in just five years.

That is the record not of a Government who are dismantling anything but of a Government who are steadily building a better health for the nation.

Mr. Pavitt: In regard to the statistics of hospital inpatients and outpatients, does the Minister recall that the present Prime Minister said in 1978 that there were 250,000 unnecessary deaths from emphysema, lung cancer and chronic bronchitis? That figure is now 100,000, mainly because the Government have run away from doing something about cigarette smoking. Will the hon. Gentleman take responsibility for that increase?

Mr. Newton: The hon. Gentleman knows that statistics such as those have no validity unless they are related to the overall morbidity and mortality statistics and reflect the extent to which people live longer and reach the stage when they may suffer the consequences of those types of disease. The hon. Gentleman knows that he oversimplifies the point.

My hon. Friends and I do not pretend that there are not still many problems to be overcome in the NHS. It is, however, foolish nonsense for anybody contemplating the statistics to suggest that the Government are dismantling the welfare state. Some of the figures that have been quoted about the NHS have concentrated completely on revenue spending. The Labour record on cutting the NHS hospital capital building programme was appalling. If ever there was a dismantling of the hospital service in the sense of failing to put new capital investment into it, that occurred in response to IMF demands in 1976 and the penalties that were then inflicted on this country and its health service for the profligacy of Labour Members in the

[Mr. Newton]

previous two years. That was when the future of the National Health Service was being dismantled. It is in the restoration and growth of the capital programme that the foundations are being laid for still more of the improvements of the kind to which I have referred in the last few minutes.

I turn from the National Health Service to the main thrust of the debate on social security. One of my hon. Friends has already referred to the increase of £8.5 billion, or nearly 30 per cent. in real terms, in the social security budget during the years from 1979-80 to 1984-85. This is not mainly or solely due to unemployment. Well over half—nearly £5 billion—is the result of this Government meeting the needs of many hundreds of thousands of additional retirement and invalidity pensioners and of claimants to mobility and attendance allowance. It is also because the Government have kept faith with their promise to protect the value of the retirement pension. While prices have risen by about 77 per cent., the pension has risen by nearly 84 per cent. Pensioners have enjoyed a real increase in their standard of living. This has more than fulfilled the promise made by the Government.

Nor are retirement pensioners alone in their position having been improved. For the sick and disabled, the real value of the mobility allowance has been increased. It has been made tax free. We have ended the so-called invalidity trap which, to the shame of the Opposition, kept so many tens of thousands of the long-term sick and disabled trapped within the lower rate of supplementary benefit instead of enjoying the higher, long-term rate. We have heard nothing about that today. However, that trap was ended by this Government and has benefited 70,000 invalidity pensioners.

Last November, the Government replaced two old benefits by the new severe disablement allowance which, when it is fully built up, is expected to result in 20,000 more people benefiting than benefited under the previous system, and it will end—I am sorry that the hon. Member for Barking (Ms Richardson) is not here, because I am sure that it is a point she would have appreciated—the discrimination against disabled married women which the Labour Government left behind.

For war pensioners the Government have introduced, in parallel with the mobility allowance for civilian pensioners, a generous new mobility supplement to replace the old vehicle scheme. Pensions for war widows have been fully exempted from tax. Last November higher allowances for all war widows over 65 were introduced.

The hon. Member for Derby, South (Mrs. Beckett) referred to the Social Security Bill which was debated last week. She mentioned almost everything except that last week the Government invited the House to approve the final removal of the married women's half test—another discriminatory measure. This proposal will bring another £25 million of benefit in the early stages to about 25,000 married women who were previously discriminated against under the social security system.

As with the National Health Service, those are not the facts and figures of a Government whose Ministers do not care or of a Government who are dismantling the welfare state or damaging the social security system. They are welcome, sensible improvements to the social security system. They are made possible by welcome, sensible

changes in other ways which have enabled us to concentrate our resources more effectively upon those most in need.

Although I shall try to be fair to every Opposition Member, hard though it is at times to be fair, I shall be especially fair to the hon. Member for Birkenhead (Mr. Field). He very frankly said—I think I took down his words accurately and hope that I am not misrepresenting him—that it was not possible for Opposition Members to claim with any seriousness that there has been any dismantling of the welfare state. He is right about that and I am grateful to him for the fair-mindedness with which he put that point.

Mr. Frank Field: The hon. Gentleman's writing must have let him down. I said that we could not claim that there had been a dismantling of the social security system. What worried me is the proposals which have been discussed in the press as likely to come from the social security reviews. I hope that the hon. Gentleman will take this opportunity to say, for example, that the state earnings related pensions scheme will not be abolished.

Mr. Newton: I was just about to deal with the reviews. The charge in the motion, as the hon. Gentleman readily recognised, and has fairly recognised again in the past few moments, is nothing that has happened at all. The record clearly does not begin to sustain for a moment the charge of dismantling the welfare state or the social security system in particular. The charge relates to nothing except what the hon. Member for Oldham, West says that he has read in the papers about the proposed outcome of the social security review.

I cannot respond tonight to either the questions posed by the hon. Member for Birkenhead or to some of the points raised by hon. Members on both sides of the House about the outcome of the social security review, for the good reason, as my right hon. Friend the Secretary of State made clear, that the Government have not yet made their final decision on the outcome of the social security review. [Interruption.] We believe in collective decision-making and consulting our colleagues.

Mr. Michael Cocks (Bristol, South): Who was consulted on the employment of the hon. Member for Suffolk, Coastal (Mr. Gummer)?

Mr. Newton: Obviously not the Labour Chief Whip; nor, as a matter of fact, was I.

Even if I am not in a position tonight to say anything more about the outcome of the reviews, I can tell the House that the social security review was not set up to dismantle the social security system, but with exactly the opposite purpose—to try to make sure that in a world in which resources will never be as large as any or all of us would like, what the Government, or any Government, can make available for social security spending meets the needs of today and tomorrow instead of being so ruthlessly concentrated, as in the Opposition's minds, on the needs of yesterday.

As my right hon. Friend has emphasised time and again, we are seeking to bring about a use of whatever resources are available for the social security system in a way which is most effectively aimed at the least well-off in our community, and a use of resources, however large they may be, within a system which is simpler and easier for people to understand. In view of the strictures of the

hon. Member for Oldham, West on the supplementary benefit system, it is hard to see that he can object to that objective.

We are also seeking to ensure that our social security system is effectively related to wider policies of the Government and wider policies which any sensible Government would need to have to restrain inflation, to generate economic growth and thus to make sure that we have the resources on which any social security system must in the end depend.

As my right hon. Friend made clear, the review has had a significant independent input. It has been based on probably more open public consultation than any comparable exercise in history, including not only the widespread receipt of evidence from those who chose to give it, but public hearings for those who wished to put their views in person. We are now considering the conclusions from all that work and will put them before the House as soon as possible.

I wish that the same could be said for the conclusions, if that is what they are, of the hon. Member for Oldham, West. I say, "if that is what they are" because we repeatedly failed to get any serious answers from him in the course of his speech about precisely what the status of those proposals is or even what they mean. I should like to ask a few questions of the hon. Gentleman. How many people did he consult in drawing up his proposals? No one has yet emerged in the papers who has been consulted in any way, right up to the top of the hon. Gentleman's own party. How much evidence did he receive? How many public hearings did he have? How many members of the public said, "We must have an end to mortgage tax relief"?

Mr. Meacher: How many people came to the hon. Gentleman's reviews and asked for an end to supplementary benefit mortgage payments for the poorest people? If those are removed, as is confidently predicted, how does he justify the fact that unemployed claimants and single-parent families will be left without a house and thrown on to the streets because they will no longer be able to meet their mortgage payments?

Mr. Newton: The only confident predictions that have been made tonight about the outcome of the reviews have been made by the hon. Gentleman on the basis of the odd press cutting that he seems to have seen. I do not propose to comment further on such speculation and rumour.

I should like to know from the hon. Gentleman what he has done to cost his proposals, because that too, is a mystery. It is not clear whether they are costed on his authority or that of *The Economist*, because I rather understood him to say, when he was asked about the cost of his proposals, that we should look at *The Economist*. He was conveying the impression that a great independent exercise undertaken by that prestigious magazine would illuminate the matter for us. When I looked at *The Economist*, it was clear that it had used the figures which the hon. Gentleman gave it. They are not even the ones which he got out of his computer, because they have not been in the computer yet. As far as I can see, they are merely his jottings on the back of an envelope.

As my right hon. Friend said, we reckon that the cost of the hon. Gentleman's proposals is at least twice what he suggested. It seems to me that it is at least £15 billion.

Mr. Fowler: At least.

Mr. Newton: At least, as my right hon. Friend emphasises. That is what will be required to pay for what the hon. Gentleman has proposed.

I should like to ask the hon. Gentleman one or two detailed questions about the proposals. As I understand it, he proposes a large increase in child benefit, to be paid for by abolishing the married man's tax allowance. That amounts to a substantial increase in taxation to finance a significant increase in social security benefits. Does the hon. Gentleman intend to have with that a drastic lowering of tax thresholds and the bringing into taxation of another 1 million people who are not currently in taxation? Has he thought about that?

I considered some of the alternative ways of financing the other proposals which the hon. Gentleman has listed in his document. I see the suggestion that we might have a combined rate of national insurance and taxation on "all personal income". I do not know how carefully that has been considered. If it means what it says, it means the ending of personal allowances, the bringing of 12 million more people into taxation, and presumably seeking to collect income tax on every tiny morsel of part-time income. Does the hon. Gentleman mean that? I do not believe that he knows what he means. If it does not mean that, what does it mean? It cannot mean anything else.

If the hon. Gentleman does not know the answer to that, let us return to the proposal about which he seems to have the answer and about which the rest of us are still mystified. I quote from the paragraph on housing allowance in his paper:

"The level of benefit would relate directly to income, but only those on one and a half times average earnings would receive less assistance from housing allowance than they do now from mortgage interest tax allowance."

That is no slip of the tongue; it is in the roneed version of the document. It can mean only two things. One is that mortgage interest tax relief is to be abolished. The other is that people earning more than one and a half times average earnings—a minimum of nearly 2 million people—will get less help with their housing costs; in other words, they will not only lose their mortgage income tax relief, but will not be compensated in any way for that.

What I and my hon. Friends want to know—and, above all, what at least 2 million people in the country want to know—is whether that is what the hon. Member proposes to do. Will he tell us? There is only one conclusion to be drawn: that there is a clear-cut threat to a large number of people, running to millions, that they will have their housing assistance savagely cut in a form which will make nonsense of all the recent lip service about encouraging owner-occupation.

Mr. Meacher: That is pretty rum, coming from a Government who have produced the highest level of mortgage interest ever in this country and the lowest level of housing starts since the war, and who in the past few months have produced an increase in mortgage interest, as a result of a hike in interest rates, of £57.60 a month for those with a £30,000 mortgage. Perhaps the Minister would like to explain how that is helping owner-occupiers.

Mr. Newton: We now have a little more illumination on the hon. Gentleman's approach.

Mr. Harrison: On a point of order, Mr. Deputy Speaker. I thought that this was a National Health Service debate, not a housing debate. We were talking about the destruction of certain services. I did not know that the Department of the

[Mr. Harrison]

Environment was entering into the discussion. I thought that my hon. Friend the Member for Oldham, West (Mr. Meacher) was dealing with the health services and the social services. I did not know that the Minister spoke for the Department of the Environment—

Mr. Deputy Speaker (Sir Paul Dean): Order. It is a very wide-ranging debate.

Mr. Newton: It seems to range wider by the moment. The right hon. Member for Wakefield (Mr. Harrison) has raised another interesting question. Did the hon. Member for Oldham, West consult the shadow spokesman for the Environment? [Interruption.] I said "The right hon. Member for Wakefield," for whom I have the highest regard. If so, the shadow spokesman for the Environment was the luckiest bloke in the House.

We now have some further illumination of the hon. Gentleman's answer to the problem. He is to withdraw mortgage interest tax relief. He is to reduce the housing help to everybody earning above one and a half times average earnings. His apparent answer is to increase expenditure by £15 billion, thus driving up interest rates even further. Then he is to take away the assistance by reason of what he has to pay in interest charges. [HON. MEMBERS: "Rubbish."] If that is rubbish, it has not been denied. I have given the hon. Gentleman enough opportunities to deny it.

The position is this, and the whole House knows it. If there is a serious threat to the welfare state, it comes not from the Government—either now or in the future. It comes from the policies put forward by the hon. Gentleman and his hon. Friends in terms of a renewed surge of inflation, which would hit every pensioner and every less well-off person harder than anything else. It comes from the threat of higher taxation at every level, which the hon. Gentleman has not denied, the consequences of which will be to raise even further the unhappy total of the unemployed. It is a threat to home ownership, and to all the wishes of people to exercise their own choices with their own money. That is the threat that we face. It is the threat of the hon. Gentleman's proposals. There is no threat from the Government's social security proposals.

Question put, That the original words stand part of the Question:—

The House divided: Ayes 167, Noes 276.

Division No. 188]

[10.00 pm]

AYES

Abse, Leo
Anderson, Donald
Archer, Rt Hon Peter
Ashley, Rt Hon Jack
Ashton, Joe
Atkinson, N. (Tottenham)
Bagier, Gordon A. T.
Banks, Tony (Newham NW)
Barnett, Guy
Barron, Kevin
Beckett, Mrs Margaret
Bell, Stuart
Benn, Tony
Bennett, A. (Dent'n & Red'sh)
Birmingham, Gerald
Bidwell, Sydney
Blair, Anthony
Boothroyd, Miss Betty
Boyes, Roland
Bray, Dr Jeremy
Brown, Gordon (D'fmline E)
Brown, Hugh D. (Provan)
Brown, Ron (E'burgh, Leith)
Buchan, Norman
Caborn, Richard
Callaghan, Jim (Heyw'd & M)
Campbell, Ian
Campbell-Savours, Dale
Canavan, Dennis
Carter-Jones, Lewis
Clark, Dr David (S Shields)
Clarke, Thomas
Clwyd, Mrs Ann
Cocks, Rt Hon M. (Bristol S.)
Cohen, Harry
Concannon, Rt Hon J. D.

Conlan, Bernard
Cook, Robin F. (Livingston)
Corbett, Robin
Cowans, Harry
Craig, J. M.
Crowther, Stan
Cunliffe, Lawrence
Cunningham, Dr John
Davies, Rt Hon Denzil (L'lii)
Davis, Terry (B'ham, H'ge H'l)
Deakins, Eric
Dewar, Donald
Dixon, Donald
Dobson, Frank
Dormand, Jack
Dubs, Alfred
Dunwoody, Hon Mrs G.
Eadie, Alex
Ellis, Raymond
Evans, John (St. Helens N)
Ewing, Harry
Faulds, Andrew
Field, Frank (Birkenhead)
Fields, T. (L'pool Broad Gn)
Flannery, Martin
Foot, Rt Hon Michael
Forrester, John
Foster, Derek
Foulkes, George
Fraser, J. (Norwood)
George, Bruce
Gilbert, Rt Hon Dr John
Godman, Dr Norman
Golding, John
Gould, Bryan
Gourlay, Harry
Hamilton, James (M'well N)
Hamilton, W. W. (Central Fife)
Harman, Ms Harriet
Harrison, Rt Hon Walter
Hart, Rt Hon Dame Judith
Healey, Rt Hon Denis
Heffer, Eric S.
Hogg, N. (C'nauld & Kilsyth)
Holland, Stuart (Vauxhall)
Home Robertson, John
Hoyle, Douglas
Hughes, Robert (Aberdeen N)
Hughes, Roy (Newport East)
Hughes, Sean (Knowsley S)
Hughes, Simon (Southwark)
John, Brynmor
Jones, Barry (Alyn & Deeside)
Kaufman, Rt Hon Gerald
Kilroy-Silk, Robert
Lambie, David
Leadbitter, Ted
Leighton, Ronald
Lewis, Ron (Carlisle)
Lewis, Terence (Worsley)
Litherland, Robert
Lloyd, Tony (Stretford)
Loyden, Edward
McCartney, Hugh
McDonald, Dr Oonagh
McKelvey, William
Mackenzie, Rt Hon Gregor
McNamara, Kevin
McTaggart, Robert
McWilliam, John
Madden, Max
Marek, Dr John
Marshall, David (Shettleston)
Mason, Rt Hon Roy
Maxton, John
Maynard, Miss Joan
Meacher, Michael
Michie, William
Mikardo, Ian
Mitchell, Austin (G't Grimsby)
Morris, Rt Hon A. (W'shawe)
Morris, Rt Hon J. (Aberavon)
Nellist, David
Oakes, Rt Hon Gordon
O'Brien, William
O'Neill, Martin
Park, George
Patchett, Terry
Pavitt, Laurie
Pendry, Tom
Pike, Peter
Powell, Raymond (Ogmore)
Prescott, John
Randall, Stuart
Redmond, M.
Rees, Rt Hon M. (Leeds S)
Richardson, Ms Jo
Roberts, Allan (Bootle)
Roberts, Ernest (Hackney N)
Robinson, G. (Coventry NW)
Rooker, J. W.
Rowlands, Ted
Ryman, John
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon R.
Short, Ms Clare (Ladywood)
Short, Mrs R. (W'hamp'n NE)
Silkin, Rt Hon J.
Skinner, Dennis
Smith, C. (Isl'ton S & F'bury)
Snape, Peter
Soley, Clive
Spearing, Nigel
Stott, Roger
Strang, Gavin
Thomas, Dafydd (Merioneth)
Thomas, Dr R. (Carmarthen)
Thompson, J. (Wansbeck)
Thorne, Stan (Preston)
Tinn, James
Torney, Tom
Wardell, Gareth (Gower)
Wareing, Robert
Weetch, Ken
Welsh, Michael
White, James
Wigley, Dafydd
Williams, Rt Hon A.
Winnick, David
Young, David (Bolton SE)

Tellers for the Ayes:
Mr. Frank Haynes and
Mr. Allen MacKay.

NOES

Atkins, Robert (South Ribble)
Baker, Nicholas (N Dorset)
Baldry, Tony
Batiste, Spencer
Beaumont-Dark, Anthony
Bellingham, Henry
Bendall, Vivian
Benyon, William
Best, Keith
Biffen, Rt Hon John

Blackburn, John
Blaker, Rt Hon Sir Peter
Body, Richard
Bonsor, Sir Nicholas
Boscawen, Hon Robert
Bottomley, Peter
Bottomley, Mrs Virginia
Bowden, A. (Brighton K'to'n)
Bowden, Gerald (Dulwich)
Boyson, Dr Rhodes
Bright, Graham
Brinton, Tim
Brittan, Rt Hon Leon
Brooke, Hon Peter
Browne, John
Bruinvels, Peter
Bryan, Sir Paul
Buchanan-Smith, Rt Hon A.
Budgen, Nick
Bulmer, Esmond
Burt, Alistair
Butcher, John
Butterfill, John
Carlisle, John (N Luton)
Carlisle, Kenneth (Lincoln)
Carlisle, Rt Hon M. (W'ton S)
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Chope, Christopher
Churchill, W. S.
Clark, Hon A. (Plym'th S'n)
Clark, Dr Michael (Rochford)
Clark, Sir W. (Croydon S)
Clarke, Rt Hon K. (Rushcliffe)
Cockeram, Eric
Colvin, Michael
Coombs, Simon
Cope, John
Cormack, Patrick
Couchman, James
Cranborne, Viscount
Crichtley, Julian
Crouch, David
Currie, Mrs Edwina
Dickens, Geoffrey
Dicks, Terry
Dorrell, Stephen
Douglas-Hamilton, Lord J.
Dover, Den
Dunn, Robert
Durant, Tony
Dykes, Hugh
Edwards, Rt Hon N. (P'broke)
Eggar, Tim
Emery, Sir Peter
Evennett, David
Eyre, Sir Reginald
Fallon, Michael
Farr, Sir John
Favell, Anthony
Fenner, Mrs Peggy
Fletcher, Alexander
Fookes, Miss Janet
Forman, Nigel
Forsyth, Michael (Stirling)
Forth, Eric
Fowler, Rt Hon Norman
Fox, Marcus
Fraser, Peter (Angus East)
Freeman, Roger
Fry, Peter
Gale, Roger
Galley, Roy
Gardiner, George (Reigate)
Gardner, Sir Edward (Fylde)
Glyn, Dr Alan
Goodhart, Sir Philip
Goodlad, Alastair
Gorst, John

Gow, Ian
Gower, Sir Raymond
Greenway, Harry
Gregory, Conal
Griffiths, E. (B'y St Edm'ds)
Griffiths, Peter (Portsmouth N)
Grist, Ian
Ground, Patrick
Grylls, Michael
Gummer, John Selwyn
Hanley, Jeremy
Hannam, John
Hargreaves, Kenneth
Harris, David
Harvey, Robert
Haselhurst, Alan
Havers, Rt Hon Sir Michael
Hayes, J.
Hayhoe, Barney
Hayward, Robert
Heddle, John
Hickmet, Richard
Hicks, Robert
Higgins, Rt Hon Terence L.
Hogg, Hon Douglas (Gr'th'm)
Holland, Sir Philip (Gedling)
Holt, Richard
Hordern, Peter
Howard, Michael
Howarth, Alan (Strat'd-on-A)
Howell, Rt Hon D. (G'dford)
Hubbard-Miles, Peter
Hunt, John (Ravensbourne)
Hunter, Andrew
Irving, Charles
Jackson, Robert
Jones, Robert (W Herts)
Joseph, Rt Hon Sir Keith
Kellett-Bowman, Mrs Elaine
Kershaw, Sir Anthony
King, Roger (B'ham N'field)
King, Rt Hon Tom
Knight, Gregory (Derby N)
Knowles, Michael
Knox, David
Lamont, Norman
Lang, Ian
Latham, Michael
Lawler, Geoffrey
Lawrence, Ivan
Lawson, Rt Hon Nigel
Lee, John (Pendle)
Leigh, Edward (Gainsbor'gh)
Lennox-Boyd, Hon Mark
Lester, Jim
Lightbown, David
Lilley, Peter
Lloyd, Ian (Havant)
Lloyd, Peter, (Fareham)
McCrindle, Robert
Macfarlane, Neil
MacKay, John (Argyll & Bute)
McQuarrie, Albert
Madel, David
Major, John
Malone, Gerald
Marland, Paul
Mather, Carol
Mawhinney, Dr Brian
Maxwell-Hyslop, Robin
Merchant, Piers
Meyer, Sir Anthony
Mills, Sir Peter (West Devon)
Miscampbell, Norman
Mitchell, David (NW Hants)
Moate, Roger
Molyneux, Rt Hon James
Morrison, Hon C. (Devizes)
Nelson, Anthony
Newton, Tony

Nicholls, Patrick
Normanton, Tom
Norris, Steven
Ottaway, Richard
Parkinson, Rt Hon Cecil
Parris, Matthew
Patten, Christopher (Bath)
Patten, J. (Oxf W & Abdn)
Peacock, Mrs Elizabeth
Percival, Rt Hon Sir Ian
Porter, Barry
Powell, Rt Hon J. E. (S Down)
Powley, John
Price, Sir David
Prior, Rt Hon James
Raffan, Keith
Rathbone, Tim
Rhys Williams, Sir Brandon
Ridley, Rt Hon Nicholas
Roberts, Wyn (Conwy)
Robinson, Mark (N'port W)
Roe, Mrs Marion
Rossi, Sir Hugh
Rost, Peter
Rowe, Andrew
Rumbold, Mrs Angela
Ryder, Richard
Sainsbury, Hon Timothy
St. John-Stewas, Rt Hon N.
Sayeed, Jonathan
Shaw, Giles (Pudsey)
Shaw, Sir Michael (Scarb')
Shepherd, Colin (Hereford)
Shepherd, Richard (Aldridge)
Silvester, Fred
Sims, Roger
Skeet, T. H. H.
Smith, Tim (Beaconsfield)
Soames, Hon Nicholas
Speed, Keith
Speller, Tony
Spencer, Derek
Spicer, Jim (W Dorset)
Spicer, Michael (S Worcs)
Squire, Robin
Stanbrook, Ivor
Steen, Anthony
Stern, Michael
Stevens, Lewis (Nuneaton)
Stevens, Martin (Fulham)

Stewart, Allan (Eastwood)
Stewart, Andrew (Sherwood)
Stewart, Ian (N Hert'dshire)
Stradling, Thomas, J.
Sunderberg, David
Taylor, John (Solihull)
Taylor, Teddy (S'end E)
Tebbit, Rt Hon Norman
Terlezki, Stefan
Thatcher, Rt Hon Mrs M.
Thomas, Rt Hon Peter
Thompson, Donald (Calder V)
Thompson, Patrick (N'ich N)
Thorne, Neil (Ilford S)
Thornton, Malcolm
Thurnham, Peter
Townend, John (Bridlington)
Tracey, Richard
Twinn, Dr Ian
van Straubenzee, Sir W.
Vaughan, Sir Gerard
Viggers, Peter
Waddington, David
Wakeham, Rt Hon John
Waldegrave, Hon William
Walden, George
Walker, Bill (T'side N)
Walker, Rt Hon P. (W'cester)
Waller, Gary
Walters, Dennis
Wardle, C. (Bexhill)
Warren, Kenneth
Watson, John
Watts, John
Wells, Bowen (Hertford)
Wells, Sir John (Maidstone)
Wheeler, John
Whitney, Raymond
Wiggin, Jerry
Winterton, Mrs Ann
Winterton, Nicholas
Wolfson, Mark
Wood, Timothy
Woodcock, Michael
Yeo, Tim
Young, Sir George (Acton)

Tellers for the Noes:
Mr. Tristan Garel-Jones and
Mr. Michael Neubert.

Question accordingly negated.

Question, That the proposed words be there added, put forthwith pursuant to Standing Order No. 33 (Questions on amendments):—

The House divided: Ayes 274, Noes 184.

Division No. 189]

[10.14 pm]

AYES

Adley, Robert
Aitken, Jonathan
Alexander, Richard
Alison, Rt Hon Michael
Amery, Rt Hon Julian
Ancram, Michael
Arnold, Tom
Ashby, David
Aspinwall, Jack
Atkins, Rt Hon Sir H.
Atkins, Robert (South Ribble)
Baker, Nicholas (N Dorset)
Baldry, Tony
Batiste, Spencer
Brittan, Rt Hon Leon
Brooke, Hon Peter
Browne, John
Bruinvels, Peter
Bryan, Sir Paul
Buchanan-Smith, Rt Hon A.

Budgen, Nick
 Bulmer, Esmond
 Burt, Alistair
 Butcher, John
 Butterfill, John
 Carlisle, John (*N Luton*)
 Carlisle, Kenneth (*Lincoln*)
 Carlisle, Rt Hon M. (*W'ton S*)
 Cash, William
 Channon, Rt Hon Paul
 Chapman, Sydney
 Chope, Christopher
 Churchill, W. S.
 Clark, Hon A. (*Plym'th S'n*)
 Clark, Dr Michael (*Rochford*)
 Clark, Sir W. (*Croydon S*)
 Clarke, Rt Hon K. (*Rushcliffe*)
 Cockeram, Eric
 Colvin, Michael
 Coombs, Simon
 Cope, John
 Cormack, Patrick
 Couchman, James
 Cranborne, Viscount
 Critchley, Julian
 Crouch, David
 Currie, Mrs Edwina
 Dickens, Geoffrey
 Dicks, Terry
 Dorrell, Stephen
 Douglas-Hamilton, Lord J.
 Dover, Den
 Dunn, Robert
 Dykes, Hugh
 Edwards, Rt Hon N. (*P'broke*)
 Eggar, Tim
 Emery, Sir Peter
 Evennett, David
 Eyre, Sir Reginald
 Fallon, Michael
 Farr, Sir John
 Favell, Anthony
 Fenner, Mrs Peggy
 Fletcher, Alexander
 Fookes, Miss Janet
 Forman, Nigel
 Forsyth, Michael (*Stirling*)
 Forth, Eric
 Fowler, Rt Hon Norman
 Fox, Marcus
 Fraser, Peter (*Angus East*)
 Freeman, Roger
 Fry, Peter
 Gale, Roger
 Galley, Roy
 Gardiner, George (*Reigate*)
 Gardner, Sir Edward (*Fylde*)
 Garel-Jones, Tristan
 Glyn, Dr Alan
 Goodlad, Alastair
 Gorst, John
 Gow, Ian
 Gower, Sir Raymond
 Greenway, Harry
 Gregory, Conal
 Griffiths, E. (*B'y St Edm'ds*)
 Griffiths, Peter (*Portsm'th N*)
 Grist, Ian
 Ground, Patrick
 Grylls, Michael
 Gummer, John Selwyn
 Hanley, Jeremy
 Hannam, John
 Hargreaves, Kenneth
 Harris, David
 Harvey, Robert
 Haselhurst, Alan
 Havers, Rt Hon Sir Michael
 Hayes, J.
 Hayhoe, Barney

Hayward, Robert
 Heddle, John
 Hickmet, Richard
 Hicks, Robert
 Higgins, Rt Hon Terence L.
 Hogg, Hon Douglas (*Gr'th'm*)
 Holland, Sir Philip (*Gedling*)
 Holt, Richard
 Hordern, Peter
 Howard, Michael
 Howarth, Alan (*Stratf'd-on-A*)
 Howell, Rt Hon D. (*G'ldford*)
 Hubbard-Miles, Peter
 Hunt, John (*Ravensbourne*)
 Hunter, Andrew
 Irving, Charles
 Jackson, Robert
 Jones, Robert (*W Herts*)
 Joseph, Rt Hon Sir Keith
 Kellett-Bowman, Mrs Elaine
 Kershaw, Sir Anthony
 King, Roger (*B'ham N'field*)
 King, Rt Hon Tom
 Knight, Gregory (*Derby N*)
 Knowles, Michael
 Knox, David
 Lamont, Norman
 Latham, Michael
 Lawler, Geoffrey
 Lawrence, Ivan
 Lawson, Rt Hon Nigel
 Lee, John (*Pendle*)
 Leigh, Edward (*Gainsbor'gh*)
 Lennox-Boyd, Hon Mark
 Lester, Jim
 Lightbown, David
 Lilley, Peter
 Lloyd, Ian (*Havant*)
 Lloyd, Peter, (*Fareham*)
 McCrindle, Robert
 Macfarlane, Neil
 MacKay, John (*Argyll & Bute*)
 McQuarrie, Albert
 Madel, David
 Major, John
 Malone, Gerald
 Marland, Paul
 Mather, Carol
 Mawhinney, Dr Brian
 Maxwell-Hyslop, Robin
 Merchant, Piers
 Meyer, Sir Anthony
 Mills, Sir Peter (*West Devon*)
 Miscampbell, Norman
 Mitchell, David (*NW Hants*)
 Moate, Roger
 Molyneaux, Rt Hon James
 Morrison, Hon C. (*Devizes*)
 Nelson, Anthony
 Neubert, Michael
 Newton, Tony
 Nicholls, Patrick
 Normanton, Tom
 Norris, Steven
 Ottaway, Richard
 Parkinson, Rt Hon Cecil
 Parris, Matthew
 Patten, Christopher (*Bath*)
 Patten, J. (*Oxf W & Abdn*)
 Peacock, Mrs Elizabeth
 Percival, Rt Hon Sir Ian
 Porter, Barry
 Powell, Rt Hon J. E. (*S Down*)
 Powley, John
 Price, Sir David
 Raffan, Keith
 Rathbone, Tim
 Rhys Williams, Sir Brandon
 Ridley, Rt Hon Nicholas
 Roberts, Wyn (*Conwy*)

Robinson, Mark (*N'port W*)
 Roe, Mrs Marion
 Rossi, Sir Hugh
 Rost, Peter
 Rowe, Andrew
 Rumbold, Mrs Angela
 Ryder, Richard
 Sainsbury, Hon Timothy
 St. John-Stewas, Rt Hon N.
 Sayeed, Jonathan
 Shaw, Giles (*Pudsey*)
 Shaw, Sir Michael (*Scarb'*)
 Shepherd, Colin (*Hereford*)
 Shepherd, Richard (*Aldridge*)
 Silvester, Fred
 Sims, Roger
 Skeet, T. H. H.
 Smith, Tim (*Beaconsfield*)
 Soames, Hon Nicholas
 Speed, Keith
 Speller, Tony
 Spencer, Derek
 Spicer, Jim (*W Dorset*)
 Spicer, Michael (*S Worcs*)
 Squire, Robin
 Stanbrook, Ivor
 Steen, Anthony
 Stern, Michael
 Stevens, Lewis (*Nuneaton*)
 Stevens, Martin (*Fulham*)
 Stewart, Allan (*Eastwood*)
 Stewart, Andrew (*Sherwood*)
 Stewart, Ian (*N Hertf'dshire*)
 Stradling Thomas, J.
 Sumberg, David
 Taylor, John (*Solihull*)
 Taylor, Teddy (*S'end E*)
 Tebbit, Rt Hon Norman
 Terlezki, Stefan
 Thatcher, Rt Hon Mrs M.

Thomas, Rt Hon Peter
 Thompson, Donald (*Calder V*)
 Thompson, Patrick (*N'ich N*)
 Thorne, Neil (*Ilford S*)
 Thornton, Malcolm
 Thurnham, Peter
 Townend, John (*Bridlington*)
 Tracey, Richard
 Twinn, Dr Ian
 van Straubenzee, Sir W.
 Vaughan, Sir Gerard
 Viggers, Peter
 Waddington, David
 Wakeham, Rt Hon John
 Waldegrave, Hon William
 Walden, George
 Walker, Bill (*T'side N*)
 Walker, Rt Hon P. (*W'cester*)
 Waller, Gary
 Walters, Dennis
 Wardle, C. (*Bexhill*)
 Warren, Kenneth
 Watson, John
 Watts, John
 Wells, Bowen (*Hertford*)
 Wells, Sir John (*Maidstone*)
 Wheeler, John
 Whitney, Raymond
 Wiggin, Jerry
 Winterton, Mrs Ann
 Winterton, Nicholas
 Wolfson, Mark
 Wood, Timothy
 Woodcock, Michael
 Yeo, Tim
 Young, Sir George (*Acton*)

Tellers for the Ayes:
 Mr. Ian Lang and
 Mr. Tony Durant.

NOES

Abse, Leo
 Alton, David
 Anderson, Donald
 Archer, Rt Hon Peter
 Ashley, Rt Hon Jack
 Ashton, Joe
 Atkinson, N. (*Tottenham*)
 Bagier, Gordon A. T.
 Banks, Tony (*Newham NW*)
 Barnett, Guy
 Barron, Kevin
 Beckett, Mrs Margaret
 Beith, A. J.
 Bell, Stuart
 Benn, Tony
 Bennett, A. (*Dent'n & Red'sh*)
 Birmingham, Gerald
 Bidwell, Sydney
 Blair, Anthony
 Boothroyd, Miss Betty
 Boyes, Roland
 Bray, Dr Jeremy
 Brown, Gordon (*D'f'mline E*)
 Brown, Hugh D. (*Provan*)
 Brown, Ron (*E'burgh, Leith*)
 Buchan, Norman
 Caborn, Richard
 Callaghan, Jim (*Heyw'd & M*)
 Campbell, Ian
 Campbell-Savours, Dale
 Canavan, Dennis
 Carlile, Alexander (*Montg'y*)
 Carter-Jones, Lewis
 Cartwright, John
 Clark, Dr David (*S Shields*)
 Clarke, Thomas
 Clwyd, Mrs Ann
 Cocks, Rt Hon M. (*Bristol S.*)
 Cohen, Harry
 Concannon, Rt Hon J. D.
 Cook, Robin F. (*Livingston*)
 Corbett, Robin
 Cowans, Harry
 Craigen, J. M.
 Crowther, Stan
 Cunliffe, Lawrence
 Cunningham, Dr John
 Davies, Rt Hon Denzil (*L'lii*)
 Davis, Terry (*B'ham, H'ge H'l*)
 Deakins, Eric
 Dewar, Donald
 Dixon, Donald
 Dobson, Frank
 Dormand, Jack
 Dubs, Alfred
 Dunwoody, Hon Mrs G.
 Eadie, Alex
 Ellis, Raymond
 Evans, John (*St. Helens N*)
 Ewing, Harry
 Faulds, Andrew
 Field, Frank (*Birkenhead*)
 Fields, T. (*L'pool Broad Gn*)
 Flannery, Martin
 Foot, Rt Hon Michael
 Forrester, John
 Foster, Derek
 Foulkes, George
 Fraser, J. (*Norwood*)
 Freud, Clement
 George, Bruce
 Gilbert, Rt Hon Dr John
 Godman, Dr Norman
 Golding, John
 Gould, Bryan
 Gourlay, Harry

LOMBARD STREET

22/4/85

By Christopher Fildes

A CASE FOR STRANGULATION

PENSIONS are like babies. By the time you realise what they are going to cost, it is a little late to try something else. I had to learn this. Norman Fowler seems to have worked it out for himself.

For me, illumination came ten years ago, at the trustees' meeting of a pension fund which endured my advice on investments. The actuary was reporting. He certified that the fund was well able to meet all its obligations, and he assumed a rate of return of 7 p.c. and a rate of inflation of 5 p.c. Were there, asked the chairman, any questions?

"Just one," I said: "I see from the evening paper that the rate of inflation is rather more than 24 p.c. Does that make any difference to what we have been told?" The actuary looked at me stonily: "Oh, if that's the rate, this fund is bust."

Now that fact has come into line with his certificate, the laugh is with the actuary and the questions pass to Norman Fowler. He fears, as my colleague Frances Williams has disclosed, that the State Earnings Related Pension Scheme will be equally bust, or rather equally costly — a sort of actuarial Concorde still on its proving flight. There is only one way in which he could be proved right, and by then it would be too late to shoot the Concorde down.

Mr Fowler knows that the cost of earnings-related pensions has something in common with the length of a piece of string. His instinct is, like a young Hercules, to strangle SERPS now. I share this.

Private earnings-related schemes after all, are extensively funded by those who drop out of them. SERPS has no such resources. It is a Pick Your Own Scheme, where you can relate your pension to your 20 best earning years. The pension is then index-linked. It has the feeling of an unlimited

blank cheque drawn on the Bank of Posterity.

But the better argument for strangling SERPS is not actuarial but economic. SERPS is an idea whose time has gone. It is a product of the pensions consensus of the 1970s, and is now defended as such.

That consensus reflects the corporatist thinking of the time. It was the hey day of big government, big unions, big employers, who between them would manage the individual and provide for him so long as he stayed in line. We do not now look to such thinking for enterprise, for growth, or even for employment.

The corporatist consensus left the self-employed out, as members of the awkward squad, and, no doubt, dodgers. For them, high social-security contributions, restricted benefits, and of course, no SERPS. Today the self-employed, 2.5 million of them, are the principal customers of the private pensions companies.

Their's is the consumers privi-

lege of trying to choose what they want, rather than taking what they are given.

If SERPS goes, that privilege (and responsibility) will extend to another 11 million people, and why should it have been thought that each of those 11 million would want, or should have, the same kind of pension arrangements? They no longer live in a world where they can all expect to sit on their chair for forty years and hang their hat on a pension — and why should they?

The patterns and the durations of their working lives will vary, far more than the corporatist consensus assumed. Their resources will vary, their needs will vary, their preferences will vary, and of course their health will vary. Their ideas will vary and so will their plans.

The man who looks forward to slamming the office door and growing roses in Bournemouth needs his conventional pension. Not the man who looks forward to buying

his part of the business and taking it with him. He, indeed, might want to use some of his pension funding to finance that ambition, and, subject to safeguards, he should.

We still assume (or rather, our tax system assumes) that our savings should be for our homes and for our old age, rather than for our work. That, again, is not the way to enterprise or employment.

If the millions now in SERPS gain the privilege of choice, on what terms will it reach those in occupational pension schemes?

Mr Fowler has told them that they will have the right to opt for their own personal pension arrangements. What he has yet to do is to require employers to contribute to those arrangements as they do to their own funds. There has been great talk of voluntary codes of conduct. If SERPS goes and choice comes, such assurances will not be enough.

The pension companies, judging by their shares at the end of last week, might be expecting the millenium. They prefer not to see it that way.

They have appreciated the peace of the consensus, and have no wish to find themselves on the battlefield again. They see SERPS as the standard by which occupational schemes are measured, and they wonder what standards will be put in its place.

They know some of the technical difficulties involved in ending SERPS — does it simply mean closing the scheme to new entrants? Or will SERPS benefits join the other futile little bits of frozen pension entitlements which most of us carry around?

No-one says that ending SERPS will be easy. Keeping it going could be harder, but with luck, we shall not find out.

