

PRIME MINISTER

SOCIAL SECURITY REVIEWS: UNEMPLOYMENT BENEFIT

I have just received a message from Mr. Fowler's office that he has had second thoughts about the proposal on unemployment benefit. His Cabinet Paper suggested that the overlap between UB and SB should be eliminated and that a higher level of UB should be paid but only for six months. The motive was administrative simplification since the proposal was designed to be neutral in cost terms.

Having looked further at the proposal, Mr. Fowler doubts whether the administrative savings would be significant and is worried about the political impact of a scheme which appears to withdraw a contributory national insurance benefit.

I have asked DHSS to make sure that Mr. King and the Chancellor are aware of Mr. Fowler's change of heart.

AS

8 May 1985