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Covering SECRET

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MR UNWIN

cc Mr Norgrove  
Mr Eland

SOCIAL SECURITY

I attach a copy of a note I have obtained from DHSS on a personal basis that gives the gainers and losers that would flow from the Green Paper package without any further adjustment. It is on the same basis as Annex D to the draft MISC 111 paper that you were sent by Nick Montagu, and we shall certainly need to get further into these distribution effects before DHSS publish their White Paper.

I also attach a copy of an internal DHSS note summarising the commitments that Ministers have given about publishing illustrative figures on the social security review. You will notice that the Prime Minister's commitment of 19 June was that figures would be published "in the autumn once the main structure is settled."

A J L

A J LANGDON

10 October 1985

Client group	Gainers				No Change	Losers				Total Gainers	Total Losers
	£5+	£3-5	£1-£3	<£1		<£1	£1-£3	£3-5	£5+		
Pensioners	45	40	190	250	0	640	2130	805	260	525	3835
Sick or Disabled	65	10	85	5	0	40	35	20	5	165	100
Low Parents	205	20	95	95	0	85	155	25	110	415	375
Couples with children	315	185	250	125	0	115	125	40	145	875	425
Others	55	180	20	115	375	240	340	295	320	370	1195
Total	685	435	640	590	375	1120	2785	1185	840	2350	5930

SECRET

Mr Hickey

MR GORDON BROWN: FIGURES/EXPENDITURE

1. We submitted yesterday a batch of quotes by Ministers from PQs, debates etc on illustrative figures, gainers/losers and expenditure. I have gone through these and reduced the volume to more manageable proportions by selecting what seem to be the quotes most helpful in rebutting suggestions that Ministers have been less than frank about the effect of the Green Paper proposals.

2. In fact the record (represented by the selection of quotes attached) shows that Ministers have made it clear that

- \* the proposals were tested to ensure that they could be afforded and that they would meet the objectives
- \* there are bound to be losers from such structural reform
- \* family credit will get extra cash and that this has to come from within the existing social security budget
- \* family credit will have priority as between family credit and child benefit
- \* more people on family credit inevitably means more with high marginal tax rates
- \* money will be saved on housing benefit - about £500 million
- \* no savings will result from the reform of the main structure of supplementary benefit
- \* those on supplementary benefit at the point of change to the new structure will be protected from cash loss as far as possible
- \* about 85,000 people who now qualify for maternity allowance would not have qualified under a "recent work" test
- \* widows' benefit would cost money in the first year and that savings would build up after year 2 to reach about £50 million in year 5
- \* above all, final decisions on rates have not, and cannot, yet be taken.

3. The record demonstrates clearly that people like Mr Gordon Brown seem to prefer to stick with pre-publication speculations rather than listen to what Ministers have actually said.

*Thawley*

T F CRAWLEY  
CRU D405 AFH Ext 7404

19 July 1985

cc Mr Phillips      Mr Cockett      Mr Bird      Mr Heppell      Mrs Bowtell  
    Mr Ellis        Mr Regan        Mr Storer    Mr Walmsley    Mr J H Ward  
    Mr Montagu     Mr Lerner

## STATEMENTS BY MINISTERS ABOUT FIGURES/EXPENDITURE

### Illustrative figures

Prime Minister to Mr Kinnock. Letter of 6 June 1985

"Assessing the wider merits of our proposed structure does not depend on figures which at this stage .... could only have a spurious precision and might be actively misleading"

Prime Minister PQ from Gordon Brown 19 June Cols 92-3

"I have said [Hansard, 13 June at col 1015] that we will publish illustrative figures showing the effects of the Green Paper proposals in the autumn once the main structure is settled .... the final effect cannot be known until the April 1987 benefit rates are settled."

Prime Minister to Gordon Brown - letter of 4 July

"The cabinet saw their task, rightly, as being to satisfy themselves that the structure proposed could be afforded and would meet its objectives. They did not seek to settle detailed figures."

Secretary of State to Social Services Committee - 19 June (not yet published)

"Obviously we, in the Department and Government, have satisfied ourselves that the structure proposed could be afforded and would achieve its objectives ..... but we decided as a matter of approach not to set out the illustrative figures and those will be set out in a few months time."

### Overall expenditure/cuts/gainers-losers

Minister of State in debate on the elderly - col 478/9 - 6 June

"In any structural reform such as we are proposing there will be swings and roundabouts. Some people will gain and others will lose."

Secretary of State in Green Paper publication statement - col 42 - 3 June

"Changes in supplementary benefit structure are not intended to reduce the overall help provided. As a result of the structural changes in supplementary benefit, we shall ensure that as far as possible there are no cash losers. Support for low income families will be increased by family credit. .... spending on housing benefit to be reduced considerably ... by about £500 million."

Minister of State in debate on the elderly - Col 476 - 6 June

**Income support** - "Broadly, our intention is to put back into the simplified structure of rates, including the premia ....., the money that is currently spent on various additional requirements."

Minister of State PQ from Brynmor John - col 104 - 18 June

**Social fund** - "Provisional figures for 1983 suggest that 171,000 single payments were made for maternity and 11,000 for funeral expenses in that year. More people will benefit from these payments than do so under the present single payments regulations."

Also confirmed that the lump sum paid to widows on bereavement will be disregarded for applications to the social fund for help with funeral expenses.

Secretary of State to Social Services Committee - 19 June

**Family credit** - "There will have to be increased resources devoted to family credit ... That will generally have to come .... from within the social security budget" ".... the first claim on those resources [to help families with children] is for low-income families with children."

Secretary of State to Social Services Committee - 19 June

**High marginal tax rates** - "The position .... will depend on the rates that we decide but, clearly we will move away from a basis of over 100 per cent .... I cannot ... discount the prospect .... that there will be as well high marginal tax rates"

Minister of State to Social Services Committee - 3 July

"I think it [more on high marginal tax rates] is a price that inevitably has to be paid if you want to increase the number of people assisted by an income related benefit"

Minister of State to Social Services Committee - 26 June

**Housing benefit** - "... the decisions which would enable detailed costings have not been taken ... The £500 million figure ... is a broad indication of ... the reduction in resources that we would expect ... . A significant part of them [the savings] would be expected to come from the proposals for people to meet 20 per cent of their rates bill and that would be ... about half"

Minister of State to Social Services Committee - 3 July

"... the effect of a single taper, given that the present rates go further up the income scale ... than rent rebates would imply some degree of curtailment for those receiving ... benefit on rates only."

Minister of State to Social Services Committee - 3 July

**Maternity allowance** - "It has not been put forward specifically as a saving proposal but depending on the balance of those who do not get maternity allowance now and those who would not get it in future .... the proposal could have effect in either direction."

".... some 25 per cent of those who receive maternity allowance have not worked at any time during the pregnancy ... The number of people who might not qualify under a test of recent work would be ... about 85,000". [Mrs Bowtell added: "Until we have settled the test it is difficult to put a figure on how many we are likely to bring in"]

Minister of State - PQ Sir David Price - Col 361-2 - 8 July

**Widows** - "Implementation of all the Green Paper proposals for widows' benefits would cost ..... about £28 million during the first full year and be broadly cost free in the second year. Savings would build up gradually after then with an approximate saving of £50 million by the fifth full year." [Figures assume November 1984 benefit rates and a lump sum of £1000]