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Social
Security

PRIME MINISTER

Social Security Up-rating

I have been thinking further about how to achieve your objective about the November up-rating. You have mentioned the matter to the Chief Secretary and he will no doubt be thinking about it but there are, I think, three further things that will need to be done.

First it will be important to get the Chancellor on side and I would suggest that you have an early talk with him next week when he returns from Washington.

Second, MISC 88 and 89 are at work following Cabinet on 2 November which agreed in principle an adjustment of overshoot of up to 2½ per cent (savings of £180 million in 1983-84, £530 million in 1984-85 and £600 million in 1985-86 - figures since published in the Public Expenditure White Paper). MISC 88 has already decided in favour of a 2 per cent adjustment of the up-rating, legislation to give the Government discretion to adjust for overshoot as well as undershoot in future years, restoration of the 5 per cent abatement of unemployment benefit (regarded as unavoidable) and some douceurs to encourage doubting backbench MPs. It has not yet submitted a report because it is waiting for MISC 89 to decide finally whether to use this opportunity to break the link between the up-rating of state retirement pensions and public service pensions. If we are to follow the course of action you have in mind, it would be very inconvenient to have a report to the Cabinet from MISC 88 and 89 constructed on an entirely different basis. Twelve members of the Cabinet are involved in these two Groups and it would be very awkward if, as happened with the MISC 79 report on local government matters, their report was leaked and then subsequently rejected. Should we not stop the work of MISC 88 and 89 before they get to the stage of submitting their report?

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Third, the Cabinet will need to revise the conclusions which it reached on 2 November.

Perhaps the best way forward would be, once you have the Chancellor lined up, to convene a small meeting of Ministers principally concerned (Home Secretary, Chancellor of the Exchequer (who is Chairman of MISC 89), Lord President (who is Chairman of MISC 88), Chief Secretary, and Secretary of State for Social Services) to settle the course of action to be followed. The work of MISC 88 and MISC 89 would then be discontinued and they would not report. As soon as possible thereafter the question of the social security uprating would be taken by the Cabinet, perhaps on the basis of a joint paper by the Secretary of State for Social Services and the Chief Secretary, Treasury.

Agree to an early talk with the Chancellor?

MUS

Yes
not

9 February, 1983

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10 DOWNING STREET

Prime Minister

Mr Fowler has asked if
he can have a word with
you about upratings. I was a
bit doubtful; but suggested
4 pm.

Agree?

MCS 9/2

Yes not