



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

16 May 1983

Michael Scholar Esq  
10 Downing Street

*Dear Michael,*

PLEDGE ON FUTURE PENSIONS UP-RATINGS

I told you that the Chancellor and the Chief Secretary had two comments on the DHSS draft letter to 'Age Concern' which was enclosed with Godber's letter of 13 May to you.

First, the new pledge, like the old one, extends only to pensions and related long-term benefits. The last sentence of paragraph 2 recognises this, but the preceding sentence refers to "pensioners and other long-term beneficiaries". The Chancellor thinks that this sentence should be amended or omitted so as to avoid any doubt about the extent of the pledge. The obvious amendment would be to refer simply to "pensioners": but the omission of the sentence might be the simplest solution.

Secondly, the last paragraph of the draft states that short-term national insurance benefits have been abated by 5 per cent "until they are brought into tax". This would in effect be a promise to restore the abatement when these benefits come into tax. Such a promise has already been made for invalidity benefit, but not for sickness benefit or maternity benefit. So the paragraph goes beyond current policy. And you will recall that when the first eight weeks' sickness benefit was effectively brought into tax by conversion into statutory sick pay, it was agreed that no adjustment should be made to the rates to restore the 5 per cent abatement.

Moreover, the Earnings-Related Supplement to Unemployment Benefit was abolished by this Government. It seems hard to reconcile the abolition of a benefit with the wording of the last paragraph.

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Age Concern's main interest was with the pledged benefits rather than those to which the draft's final paragraph refers. In view of the difficulties which I have mentioned, the Chancellor and the Chief Secretary suggest that the paragraph be omitted.

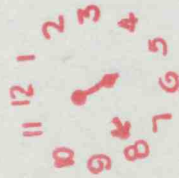
Copies of this letter go to Steve Godber (DHSS) and Richard Hatfield (Cabinet Office).

*James  
J. O. Kerr*

J O KERR

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6 June 1985



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**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

M Scholar Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1

13 May 1983

*Dear Michael*

PLEDGE ON FUTURE PENSION UPRATINGS

Your letter of 21 April to John Kerr recorded the agreement reached between the Prime Minister, the Chancellor and my Secretary of State that the Government's pledge on future pension upratings should be carried forward to the next Parliament. This is, I understand, to be included in the Manifesto but there remains the necessity of putting the Government's position on the record.

There is a convenient opportunity to do this in the outstanding letter which the Prime Minister has had from representatives of the voluntary organisations representing the interests of the main groups dependant on social security benefits. This letter was sent to us under cover of Tim Flesher's letter of 7 February to Colin Phillips.

My Secretary of State feels that a simple factual response to this on the lines of the attached draft would be most suitable. This could conveniently be sent at the beginning of next week in order to become public at about the time of the publication of the Manifesto.

I am copying this letter to John Kerr (HM Treasury) and to Richard Hatfield in Sir Robert Armstrong's office.

*Yours*  
*Steve*

S A Godber  
Private Secretary

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replies to the two letters.

DRAFT LETTER TO DAVID HOBMAN, AGE CONCERN

RESPONSE TO VOLUNTARY ORGANISATIONS

and the directors of other  
You ~~write~~ <sup>have</sup> written to me on several occasions  
voluntary organisations, ~~write~~ <sup>have</sup>

~~I am sorry that I have not been able to write to you before in response to the letter you sent me in February seeking "a firm assurance that a future Conservative Government would not abandon the present commitment to maintaining the real value of pensions and other long-term benefits".~~

I am happy to give you this assurance. ~~Our determination to protect the interests of pensioners and other long-term beneficiaries has not altered.~~ <sup>The</sup> ~~As the next~~ <sup>Conservative</sup> ~~Government,~~ <sup>will</sup> we would maintain the policy we set for this Parliament - which is to protect the value of pensions and related long-term benefits.]

<sup>honoured our</sup> We have ~~kept to our~~ <sup>the last</sup> pledge in ~~this~~ Parliament. <sup>Indeed,</sup> As you will appreciate, we ~~have~~ more than protected the value of pensions and related long-term benefits over the lifetime of ~~this~~ <sup>the last</sup> Parliament. This we ~~have~~ achieved despite the economic pressures of a world recession.

What is more, we have brought in legislation to improve the uprating system. The Social Security and Houseing Benefits Act means that pensions and other benefits will in future be uprated on the basis of the actual change in prices not the forecast of how prices might change in the future. I am sure that the certainty and stability this will bring will be widely welcomed, especially by pensioners and other beneficiaries.

~~I am sending copies of this letter to the consignatories of your original letter. The Government will also have maintained - or more than maintained - the value of the other regular benefits apart from the short-term national insurance benefits that have been abated by 5 per cent until they are brought into tax.~~

~~In the next Parliament a Conservative Government~~ <sup>will</sup> ~~value of pensions and related long-term benefits.~~ <sup>the last - as in the last - as in the last - we shall protect the</sup>

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