

PRIME MINISTER

*Surely kids for extra  
money cannot be agreed in  
this way? They must*

H COMMITTEE: INVALIDITY PENSION

*must amend the public expenditure  
review.*

Attached is an H paper by the Secretary of State for Social Services about the non-contributory invalidity pension which is available to men and single women on a test of incapacity for work. Married women can qualify for such a pension but only after a test to assess their capacity to do housework. The pension is worth £19.70 a week with increases for dependants.

Changes are needed because legal advice suggests that the household duties test offends against the EC Directive on Equal Treatment in Social Security which comes into force in December 1984. Unless the rules are amended nearly a quarter of a million more people will benefit at an annual cost of £275 million and a staff cost of £250 million. Primary legislation is needed.

Officials have produced six options of which the Secretary of State believes that two are runners.

Option 1: Favoured by the Chief Secretary

This proposes a new benefit payable only to people whose incapacity for work began before the age of 20. This would concentrate help on the priority group—those disabled either at birth or before qualification for a contributory pension. It would not discriminate against married women. It would, <sup>however</sup> ~~therefore~~, disqualify from benefit some 50,000 people who now receive it. Particular examples include multiple sclerosis sufferers. Option 1 would bring savings rising to £25 million after ten years and £50 million after 30 - 40 years together with staff savings of about £50 million.

Option 2: Preferred by the Secretary of State for Social Services.

This proposes a new benefit which would go not only to those

/handicapped

handicapped at birth or in childhood but also to those handicapped later in life provided they are both incapable of work and have an 80% or more disablement. This would exclude some 16,000 married women who would have qualified under the old benefit but would bring in a number who don't now qualify. This option would cost £4 million extra in 1984/85, £15 million in 1985/86 and £22 million in 1986/87, but the extra cost would fall after about ten years. 50 extra staff would be needed at the outset falling after about 10 years.

Mr. Fowler invites H Committee to agree that legislation must be introduced and that it should be along the lines he proposes.

J.

19 July, 1983

PRIME MINISTER

You saw an H paper over the weekend about the replacement of the non-contributory invalidity pension. As you suspected, the Secretary of State for Social Services has withdrawn this paper pending the outcome of the review of public expenditure.

mt

DP

25 July 1983