

PRIME MINISTER



*Prime Minister*  
*You may wish to*  
*endorse what Rt Folke*  
*Says.*

*N.L.W.*

*30.7*

# THE 1986 SOCIAL SECURITY ACT

The Social Security Bill, giving effect to our social security reforms, received Royal Assent on 25 July. Our progress from review to Act has been swift. The Green Paper was published in June of last year and that was followed by the White Paper in December and the introduction of the Bill a few weeks later. I would like to express my gratitude to colleagues in both Houses of Parliament who made possible the smooth passage of the legislation. I particularly appreciate the successful efforts of Willie Whitelaw and Bertie Denham in ensuring that, during the final stages of the Bill, any possible delay in the House of Lords which might have prevented Royal Assent before the Recess was avoided. I should also mention the efforts of my own officials, which have been outstanding throughout the review. They have worked under tremendous pressure, often to very difficult deadlines, and have succeeded in providing the Government with a service which I judge to have been quite exceptional.

You and other members of the Cabinet may like a note of the main features of the new Act and of what I see as the next steps. The Act will enable us to achieve the aims which we set ourselves in the social security review.

- All employees will have new choices and opportunities in pensions. For the first time everyone will have the opportunity of a personal pension instead of remaining fully in the State scheme or in an employer's pension scheme. A wide range of bodies, including banks, unit trusts and building societies, will be enabled to provide personal pension saving schemes. It will also be made substantially easier for new employers' schemes and industry-wide schemes to be started.

- Help will be better directed towards the people who need it most, especially families with children and disabled people.
- Social security as a whole will be radically simplified. In particular, income support, which will replace supplementary benefit, will be easier for both claimants and DHSS staff to understand. Because all income-related benefits will be assessed on the same basis (net income) and the new family credit will be paid at a higher rate, we will tackle the worst of the poverty and unemployment traps. This will lead to a real improvement in incentives.
- We will put the longer-term finances of social security on a sound basis by reducing the emerging cost of the State Earnings-Related Pension Scheme. But nobody retiring or widowed this century will be affected.

The next steps are towards implementation of the Act. Plans are already well advanced for the introduction of the reforms, beginning with some changes to the industrial injuries scheme in October and with the first major changes - the introduction of statutory maternity pay and of funeral and maternity payments from the social fund - in April next year. All the changes will be in place by April 1988.

I believe that it is essential that we should put over effectively to the public at all stages the nature of our reforms and the reasons for them. I have therefore planned a communications strategy which will enable us to present the reforms and their effects clearly and consistently. I intend to issue an information pack on the Act to all MPs next month; this will contain two leaflets, one general and one on pensions, and briefings on specific aspects. The leaflets will be made freely available to the public through my local offices and on application by post: advertising in the national press will draw people's attention to them. From then on we will ensure that the major changes in prospect remain in the public eye and, in particular, that people know of the changes and



how they will or will not be affected by them well in advance of their being introduced. I believe that a systematic communications and publicity campaign on factual lines is crucial to the successful presentation of the reforms and to counter any misleading publicity which our opponents may put out.

I am copying this minute to other members of the Cabinet, John Wakeham and Bertie Denham, and to Sir Robert Armstrong.



N F

3. July 1986

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