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1st Conclusions

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CABINET

*CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1,
on Thursday, 3rd January, 1963, at 10.45 a.m.*

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister

The Right Hon. THE EARL OF HOME,
Secretary of State for Foreign AffairsThe Right Hon. VISCOUNT HAILSHAM,
Q.C., Lord President of the Council
and Minister for ScienceThe Right Hon. LORD DILHORNE, Lord
ChancellorThe Right Hon. REGINALD MAUDLING,
M.P., Chancellor of the ExchequerThe Right Hon. HENRY BROOKE, M.P.,
Secretary of State for the Home
DepartmentThe Right Hon. IAIN MACLEOD, M.P.,
Chancellor of the Duchy of
LancasterThe Right Hon. PETER THORNEYCROFT,
M.P., Minister of DefenceThe Right Hon. JOHN HARE, M.P.,
Minister of LabourThe Right Hon. EDWARD HEATH, M.P.,
Lord Privy SealThe Right Hon. ERNEST MARPLES, M.P.,
Minister of TransportThe Right Hon. JOHN BOYD-CARPENTER,
M.P., Chief Secretary to the Treasury
and Paymaster GeneralThe Right Hon. MICHAEL NOBLE, M.P.,
Secretary of State for ScotlandThe Right Hon. J. ENOCH POWELL,
M.P., Minister of HealthThe Right Hon. Sir EDWARD BOYLE,
M.P., Minister of EducationThe Right Hon. WILLIAM DEEDES, M.P.,
Minister without Portfolio

The following were also present:

The Right Hon. NIALL MACPHERSON,
M.P., Minister of Pensions and
National Insurance (*Item 2*)The Right Hon. MARTIN REDMAYNE,
M.P., Parliamentary Secretary,
TreasuryThe Right Hon. Sir NORMAN BROOK
(*Item 1*)*Secretariat:*Sir BURKE TREND
Mr. J. H. WADDELL
Mr. N. J. ABERCROMBIE

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**Secretary
of the
Cabinet**

(Previous
Reference :
C.C. (62) 61st
Conclusions,
Minute 1)

1. *The Prime Minister* said that on the occasion of Sir Norman Brook's retirement from the public service the Cabinet would wish to express to him their pleasure at his recovery from his recent illness and their warm appreciation of the many services which he had rendered to successive Administrations, both as an official adviser to Ministers and as a personal friend. The Cabinet hoped that his distinguished career would be crowned by a long and happy retirement.

In reply, *Sir Norman Brook* thanked the Cabinet for their good wishes. He expressed his gratitude for the courtesy and consideration which had been extended to him by all the Ministers whom he had served and said that he would always retain the happiest memories of his period of office as Secretary of the Cabinet.

**Pensions and
National
Insurance**

(Previous
Reference :
C.C. (62) 68th
Conclusions,
Minute 5)

2. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (62) 209) reporting the conclusions of a Committee of Ministers under his chairmanship which had considered the provisions of the legislation to be introduced during the current session to increase national insurance and related rates of benefit.

The Chancellor of the Exchequer said that the main issue for decision, on which the Committee were not agreed, was the question whether the Bill should provide for a flat-rate increase of 7s. 6d. a week in the single rate of benefit under the national insurance scheme (together with corresponding flat-rate increases in the other national insurance rates and in those under the industrial injuries and war pensions schemes) or whether the Bill should embody the principle of differentiation by providing an increase of 6s. a week in the single national insurance benefit for all persons who were unemployed, sick or pensioners aged less than 70 years and 12s. 6d. a week for those aged 70 years or more (with related increases, which would require further examination, under the industrial injuries and war pensions schemes). On the former hypothesis the National Assistance Board could be expected to recommend an increase in the national assistance scale rates of about 4s. (for the single householder). On the latter hypothesis it might be desirable for the Bill to provide for the introduction of a differential in the scales of national assistance.

Whichever of the two alternatives was adopted, the Committee had agreed that provision should also be included for the following points:

(a) The increases in unemployment, sickness and maternity benefits under the national insurance scheme, in injury benefit and unemployability supplement and additional treatment allowance should all be paid from the earliest practicable dates, in the first half of March, even though it would not be possible to bring into payment the increases in other benefits, including retirement pensions and national assistance, until a few months later.

(b) Contributions should not be increased until most of the benefits had been increased.

(c) The abolition of the widowed mothers' earning rule, proposed in a Private Member's Bill recently introduced by Mr. Lipton, M.P., should be resisted. Instead, widowed mothers' earnings up to £6 a week (instead of £5 as at present) should be disregarded in computing their allowances; the allowances in respect of children of widowed mothers should be increased by more than the corresponding provision for children of parents receiving unemployment or sickness benefit; and the earnings rule applied in

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computing widowed mothers' allowances should be modified in order that, in addition to her children's allowances, the widow should always enjoy some 25s. a week of her own allowance free of the earnings rule.

The Minister of Pensions and National Insurance said that, although there were strong arguments in favour of differential rates of increase in national insurance benefit, such a scheme was open to considerable objection. It would be criticised as discriminating unfairly against the unemployed and the sick under 70 years of age; it would be more expensive to the Exchequer than a flat-rate increase; the necessary increase in the contribution would be greater; and the date of effect would be later. There might also be difficulty in introducing a differential in the scales of national assistance. For these reasons it would be wiser to adopt a flat-rate increase and to defer a decision on the issue of differential benefit until it had been the subject of comprehensive enquiry.

In discussion some support was expressed for the view that the increase in national insurance benefit should be differentiated at age 70. A considerable body of opinion among the Government's supporters in Parliament endorsed the principle of greater selectivity in national insurance and would not regard a further flat-rate increase as consistent with the fresh and original approach towards the national insurance scheme which the Government had indicated they would adopt. Moreover, a differentiation at age 70 could be justified on grounds of social policy. Persons over this age were at a disadvantage in many respects; and the public conscience would recognise that some special steps should be taken to alleviate their disabilities.

On the other hand the 6s. increase which would be payable to those aged less than 70 under a differential scheme would be less favourable to the unemployed than the 7s. 6d. a week which they would receive under the flat-rate scheme. At a time when unemployment was high it would be difficult to justify this discrimination against the unemployed; and, while public opinion might accept that those aged over 70 should receive special treatment, it would be widely felt that such treatment should be extended also to those who, though less than 70 years of age, were in genuine need of assistance for other reasons. There might well be room for greater selectivity in the operation of the national insurance scheme; but the principles on which such selectivity should be based required more careful consideration and it would be unfortunate if, by committing themselves prematurely in the forthcoming Bill, the Government thereby made it more difficult to introduce at a later date a more considered and appropriate scheme of differentiation. This consideration was the more relevant in that the European Economic Community were devoting considerable attention to these issues; and it would be desirable to defer a decision on our own system of differentiation until we knew whether it would need to be harmonised with proposals endorsed by the Community.

In further discussion it was suggested that, if the arguments against introducing a differential scheme were accepted as decisive, it might be preferable to adopt a flat-rate increase of 10s. rather than 7s. 6d. This would be more costly to the Exchequer; but it might be no more expensive than the rates of differential benefit which had been proposed. The increase in the contribution, however, would be greater than under the differential scheme; and it was for consideration whether the political disadvantage of a substantial increase in the contribution would outweigh the additional increase in the amount of benefit.

The Prime Minister, summing up the discussion, said that the balance of opinion in the Cabinet appeared to favour a flat-rate increase in the rate of benefit rather than the adoption of a differential scheme at this juncture. But the decision between an increase of 7s. 6d. and an increase of 10s. must depend on an accurate estimate

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of the cost involved and of the consequential increase in the contribution in each case.

The Cabinet—

- (1) Agreed that the forthcoming Bill to increase national insurance rates of benefit should be based on the principle of a flat-rate of increase.
- (2) Took note that the Prime Minister, in consultation with the Chancellor of the Exchequer and the Minister of Pensions and National Insurance, would give further consideration to the question whether the amount of the increase in the single rate of benefit should be 7s. 6d. a week or 10s. a week.
- (3) Invited the Committee of Ministers, under the chairmanship of the Chancellor of the Exchequer, to give further consideration to the method by which the increase should be financed.

South Africa
(Previous
Reference :
C.C. (61) 47th
Conclusions,
Minute 2)

Arms
Technicians
(C.C. (61) 36th
Conclusions,
Minute 5)

3. The Cabinet had before them a memorandum by the Chief Secretary, Treasury (C. (62) 210), seeking confirmation of the view unanimously taken in the Strategic Exports Committee that the Birmingham Small Arms Company (B.S.A.) should be authorised to lend the services of certain experienced technicians to the South African Government to help in setting up the production of L1A1 rifles for the South African Armed Forces.

The Chief Secretary, Treasury, said that it had been decided in November 1961 to raise no objection to the sale to South Africa of plant for manufacturing the L1A1 rifle. The South African Government and B.S.A. had now enquired whether experienced tool-setters might be sent to South Africa to assist in starting production. In view of the previous decision to allow the manufacturing plant to be exported to South Africa, the Strategic Exports Committee had concluded that there were no sufficient grounds for objecting to the loan of the services of B.S.A. employees. To deny the South African Government this measure of assistance would not in practice prevent the production of rifles in South Africa. Nevertheless, in view of the possibility that rifles might be used by the armed forces in repressive racial measures, he had thought it right, after consulting the First Secretary of State, to seek the endorsement of the Cabinet for this view.

In discussion it was agreed that no legal powers existed to prevent employees of B.S.A. from going to South Africa if they chose. Nevertheless, it would be desirable to avoid, as far as possible, any explicit expression of approval to the despatch of the technicians; and it should suffice to indicate that the Government saw no reason to intervene in this case.

The Cabinet—

- (1) Agreed that no objection should be raised to the loan of skilled employees of B.S.A. to the South African Government for the purpose of assisting in setting up production of the L1A1 rifle.
- (2) Invited the Chief Secretary, Treasury, in consultation with the Secretary of State for War, to approve the terms in which the firm should be so informed.

Cabinet Office, S.W. 1,
3rd January, 1963.