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CABINET

FAMILY ALLOWANCES FOR APPRENTICES

Memorandum by the Minister of Pensions and
National Insurance

The Home Affairs Committee at their meeting on 20th October approved the proposal set out below but, in view of its importance, the Prime Minister has suggested that it should be referred to the Cabinet.

2. The proposal is to exclude from the family allowances scheme apprentices earning more than 40s. a week. It results from the study which I, in common with other Ministers, have been giving to means of achieving economies in the light of the Prime Minister's personal minute on this subject.

3. The proposal would require legislation. A National Insurance Bill, which also makes minor changes in the family allowances scheme, was approved by the Legislation Committee at their meeting on 19th October. Since this Bill would afford a convenient vehicle for the amendment now proposed, the Treasury suggested that the proposal should be considered in advance of the general body of proposals for economies on which I understand the Chancellor of the Exchequer is to report to the Cabinet.

4. Family allowances are, broadly speaking, paid in respect of all children (other than the first) aged under 15, and of children up to 18 provided that they are engaged either in full-time education or as apprentices. The definition of "apprentice" in the Family Allowances Act is "a person undergoing full-time training for any trade, business, profession, office, employment or vocation, and not in receipt of earnings which provide him, wholly or substantially, with a livelihood". These latter words were last year construed by the then National Insurance Commissioner to mean earnings of up to 89s. 6d. a week for apprentices aged 17 to 18, and a few shillings less for younger ones. The current leading decision was in terms which imply that the figures would rise further with any general increase in apprentices' earnings.

5. Apart from considerations of cost, these earnings figures contrast sharply with a retirement pension level of 57s. 6d. for a single person, and with the scale rates for persons on National Assistance; and they are also embarrassing to me in the light of the fact that earnings exceeding 40s. prevent a wife being treated as a dependant for national insurance purposes.

6. Any proposal for legislative action to reduce substantially the earnings limits for apprentices would, of course, be attacked as entirely contrary to the Government's declared policy of encouraging apprenticeship in skilled trades.

7. The question for decision is whether in the present economic situation a saving of $\text{£}1\frac{1}{4}$ millions in a full year, plus a small consequential saving on national insurance, is worth the political controversy involved. The number of apprentices qualifying for family allowances would be reduced from the present figure of 75,000 to about 20,000. But socially I regard the proposal as sound, since I do not think it is consistent with the purpose of family allowances to pay them in respect of children who are in a position to make a substantial contribution themselves to the expenses of their family.

8. If action on these lines is to be taken I attach considerable importance to the limit of earnings being fixed at 40s. Any higher figure would involve most unfortunate repercussions on, inter alia, the national insurance dependency provisions.

J. A. B. -C.

Ministry of Pensions and National
Insurance, W. C. 2.

20th October, 1961.