

C. (64) 19

COPY NO. 5923rd November, 1964CABINETTIMING OF INCREASED NATIONAL INSURANCE AND
ASSISTANCE BENEFITSMemorandum by the Chancellor of the Exchequer

In C. (64) 18 the Minister of Pensions and National Insurance describes possible schemes for advancing the date of payment of these benefits. I think it would be helpful to my colleagues if I set out what this could mean for public expenditure; I have of course to look at the problem from this point of view and not simply in the context of the National Insurance Funds.

2. If the scheme for double payments set out in C. (64) 18 were limited to national insurance retirement pensions, the extra cost of each double payment would be £20 million. Extension to national insurance widows' benefits would cost a further £2 million each time. If it were necessary also to include war widows and industrial and war disablement pensioners, this would add a further sum of more than £2 million on each occasion. The total cost of this part of the scheme would therefore range between £20 and £25 million for one double payment, between £40 and £50 million for two and between £60 and £75 million for three*.

3. In addition, the arrangements proposed for national assistance would cost £4 million. In short, a scheme to provide advance payments could not cost less than £24 million and might cost as much as £79 million.

4. Against this, introduction of the increased contribution rates from 8th March 1965 would produce £15 million from insured persons and employers. (And if it proved possible to bring them into effect even earlier the additional receipts would be £5 million per week). For the reasons given in my first paragraph the Exchequer supplement to the Funds - see paragraph 18 of C. (64) 18 - cannot be regarded as an offset to the additional cost.

* The decision already taken to bring forward short-term benefits to 25th January 1965 is roughly the equivalent of 2 double payments to pensioners. To bring forward the date for short-term benefits to correspond with 3 double payments to pensioners would cost about £6 million more.

5. This has to be seen against the background of the following decisions which we have already taken and which have added to public expenditure in 1964/65:-

	<u>£ million</u>
National Assistance discretionary payments	6
Bringing forward of date of introduction of short-term benefits	10
Earlier date for abolition of widow's earnings rule	<u>2</u>
<u>Total</u>	<u>18</u>

6. My colleagues will recall that on 29th November they asked that the paper discussing the cost of advancing the effective date of payment of the approved increase in national insurance benefits should be "on the assumption that the date of the increase in contributions would be similarly advanced" (C. C. (64) 9th Conclusions, Item 2(a)). It will be seen that if 8th March stands as the earliest date at which increased contribution rates can be introduced, there would be a net increase in public expenditure of £9-14 million, £29-39 million or £49-64 million according as there were one, two or three double payments.

L. J. C.

Treasury Chambers, S. W. 1.

23rd November, 1964

