CABINET

SOCIAL SECURITY REVIEW 1971

Memorandum by the Secretary of State for Social Services

INTRODUCTION

I am about to discuss with the Chancellor of the Exchequer, and shall very shortly put to my colleagues, proposals for the main benefit increases and the contribution changes which will be needed to finance the uprating. We decided last year that the increases in the main benefits should compensate only for the rise in prices since the last uprating in 1969, the latest forecast of which is 17 per cent. On contributions, I think we shall have to move towards the structure of the new scheme, which will mean raising the earnings level up to which graduated contributions are paid from £30 a week to about £42.

2. This paper outlines the main changes I have in mind, particularly my proposals for using the funds which have been allocated to me, over and above what is needed for the main "prices only" uprating, to introduce selective improvements for relatively small groups in special need, rather than spreading the money thinly over large groups.

SELECTIVE IMPROVEMENTS

3. The improvements I suggest are concentrated on the chronic sick and the very elderly thereby fulfilling one of our main pledges. The Social Services Committee have already considered my proposals in some detail; they are summarised in the Annex. They will in total benefit nearly 2 million people. The main features are as follows:

4. For the chronic sick I plan to introduce an invalidity pension. The pension itself will be at the same rate as sickness benefit, but it will carry with it invalidity allowances (initially small) at three rates depending upon age at onset of incapacity. The highest rate will go to those who fall sick young, because they are likely to be denied the chance of building up savings or occupational pension rights. The allowance will continue into retirement. The invalidity pension will also carry with it substantial improvements for the children and the working wives of the pensioners. These improvements and the invalidity allowance will also apply to unemployable pensioners under the industrial injuries and war pensions schemes.

5. For the very elderly, I propose to extend the old persons' retirement pensions under the 1970 Act to all non-pensioners over 80, but as a personal benefit not carrying with it any benefit for less elderly dependants.

6. I propose an age addition of 25p for all retirement pensioners of 80 or over. Households with a supplementary pensioner over 80 will have 25p added to their long-term addition.
7. In accordance with our election pledges I propose to ease the earnings rule and increase the increments for deferred retirement.

8. My proposals include small special improvements in the war pension field and in the provision for adolescents in supplementary benefit households.

SUPPLEMENT FOR FIRST SIX MONTHS OF UNEMPLOYMENT, SICKNESS OR WIDOWHOOD

9. Earnings-related supplement to benefits (ERS) is 33\(\frac{1}{3}\) per cent of earnings between £9 and £30 in the tax year preceding the claim. Changing the contribution band to £9 - £42 would in my view necessitate a corresponding change for ERS. Following discussion in the Social Services Committee I have in mind two stages: £9 - £35 for new beneficiaries from May 1972; £9 - £42 from May 1973, limiting the increase in expenditure by reducing the percentage to 30 from May 1972. I am discussing this with Treasury Ministers.

UNEMPLOYMENT BENEFIT FOR OCCUPATIONAL PENSIONERS

10. My colleagues have agreed to legislation to deal with misuse of unemployment benefit by some occupational pensioners. The Social Services Committee after two discussions agree that a test of further work and a sliding scale of benefit are both necessary, but that the levels of occupational pension above which these will apply should be substantially higher than proposed by the Labour Government and that there should be a contribution concession. I therefore propose that men over 60 with pensions of £30 a week or more should not qualify for unemployment benefit or contribution credits unless they have satisfied a test of 6 months further work since retirement and that the benefit payable to those over 60 with pensions above £18 a week should be reduced on a sliding scale. To help those who lose credits, I propose to allow non-employed people over 60 to pay a Class 3 contribution each week voluntarily instead of compulsorily. The saving will be £2 million a year; £3 million was allowed for in the Public Expenditure White Paper.

COSTS

11. The cost of the selective improvements can be contained within my public expenditure programme, which allowed a sum of £45 million in a full year for this purpose; minor adjustments may be needed when we have decided the main benefits etc. There is also the extra cost, from 1973-74, of the changes in earnings-related supplement suggested in paragraph 9 above. This is the natural consequence of raising the level of earnings up to which contributions are charged and will be a normal feature of our new earnings-related system of contributions. I am discussing with the Chief Secretary how those costs should be dealt with in our public expenditure programme.

EFFECT ON PUBLIC SERVICE MANPOWER

12. I estimate that these proposals will require 300-350 extra staff in my Department and the Department of Employment, at an approximate cost of £750,000-£850,000 a year.
CONCLUSION

13. I invite my colleagues' agreement to my proposals, and to their publication in a White Paper to follow shortly after the announcement planned at the end of March, in advance of the introduction of the Bill.

K J

Department of Health and Social Security, SE1

1 March 1971
IMPORTANT BENEFIT IMPROVEMENTS ADDITIONAL TO THE INCREASES IN THE MAIN UPGRATING
NATIONAL INSURANCE

1. **Invalidity Allowance**
Payable to invalidity pensioners where incapacity began before the age of:

- 35 £1
- 45 60p
- 60 (men)/55 (women) 30p

2. **Dependency increase for the children of invalidity and retirement pensioners**
The higher rate of dependency increase at present payable to the children of widows to be extended to these pensioners. This will be worth about £1 extra per child after the uprating.

3. **Earnings rule for working wives of invalidity and retirement pensioners**
Instead of the present all or nothing rule, the more favourable one applicable hitherto only to retirement pensioners (improved as in 5 below) to be applied to these wives.

4. **Short term benefit for working wives of invalidity and retirement pensioners**
If such wives fall sick or unemployed, they are to get standard short term benefit, instead of the married woman's rate.

5. **Retirement pensions earnings rule**
The amount of earnings free of the rule to be increased from £7.50 to £9.50.

6. **Increments for deferred retirement**
To be increased by 20 per cent, from 5p to 6p for 9 contributions paid, and from 2½p to 3p for wives.

7. **Pensions for the over-80s**
Personal benefit for all non-pensioners over 80, at the same rates as the old persons' pensions under the 1970 Act.

8. **Age addition to retirement pension**
25p to be payable to all retirement pensioners over 80 as a personal benefit (compare 16 below).

WAR PENSIONS

9. **Preferential Allowances**
These small allowances peculiar to the war pensions schemes have not been uprated since 1967, and in one case since 1961, and with one exception they are to be increased to make good their loss in value since they were last increased.
10. **Exceptionally severe disablement allowance**

Not increased since introduction in 1966 at £3. To be £4.

11. **Cover for war widows**

To be extended to widows of men who received a high rate of constant attendance allowance, notwithstanding that death was unconnected with their pensioned disability.

12. **War widows' age allowance**

An allowance of 50p to be payable from age 65 to 70, after which the existing higher allowance becomes payable.

13. **Unemployable pensioners**

To be eligible for the chronic sick package (1-4 above).

**INDUSTRIAL INJURIES**

14. Comparable improvements to those in 10, 11 and 13 above.

**SUPPLEMENTARY BENEFITS**

15. **Improvement in scale rates for adolescents**

To be increased over and above the uprating increase giving the largest increase, probably 35p, to children between 13 and 15.

16. **Improvement in long-term addition for the over-80s**

Households containing a person over 80 to receive a long-term addition 25p higher than that paid to other supplementary beneficiaries. This provides a benefit similar to 8 above but adapted as appropriate to the principles of the supplementary benefits scheme.