CABINET

REVIEW OF PENSIONS

NATIONAL INSURANCE BENEFITS AND PENSIONS

Memorandum by the Minister of National Insurance

I have been having discussions with the Chancellor of the Exchequer about the review of National Insurance pensions and benefits.

2. The problem is twofold. Pensions and benefit rates are falling a long way behind national assistance scales. The resulting drift to assistance is already causing much concern to members of our party. Assistance rates are bound to go up in the near future and if they are not accompanied by an adequate increase in national insurance rates, national insurance will soon cease to occupy the position designed for it by the Beveridge Report and the war-time Coalition: that of being the first line of defence against want. We shall be back on "the means test".

3. The other side of the problem is the ever-increasing number of old people. Everyone agrees that steps must be taken to prolong the working life but opinions differ about how national insurance can best help to bring this about. My own view is that the only practicable step we can take, without creating an impossible burden for pensions for the future, is to raise the pension age beyond the present conventional ages of 65 men, 60 women. The possibility of raising the age was referred to by Mr. Gaitskell in his Budget speech last year and it is recognised as inevitable by many writers on social topics. Any increase in the pension age would, of course, be accompanied by appropriate provisions to prevent hardship to those coming up to pension age during the transitional period.

4. I understand that the Chancellor of the Exchequer may find it possible to provide funds for the review of pensions promised in "Britain Strong and Free". But we can only make a really substantial improvement in the situation I have described if, in addition to altering benefits and contributions, we make further changes in the insurance scheme.

5. I accordingly seek my colleagues' approval to open negotiations with both sides of industry immediately after the Chancellor's announcement, with a view to working out a scheme for an increase in the statutory age for pension, possibly as far as age 67, and if it appears that such a change would be accepted without serious controversy, to adapt benefit rates and contributions to such an extent as the increase in age may render practicable.

O.P.

Ministry of National Insurance, S. W. I.,

4TH MARCH, 1952.