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31st MARCH, 1952.

CABINET

NATIONAL INSURANCE.

Memorandum by the Minister of National Insurance.

In his Budget Speech the Chancellor of the Exchequer referred to possible changes in the National Insurance Scheme and said that I would be entering into discussions with both sides of industry, particularly with regard to pensions. He added that he had asked me to take as a measure of what could be afforded uniform benefits of 32s. 6d. a week for a single person and 54s. for a married couple, with increases in weekly contributions of 7½d. each from the employer and employee for men and 5½d. each for women.

Result of discussions with Industry.

2. I have since sounded the representatives of the Trades Union Congress and British Employers Confederation upon the possibility of finding resources to raise the weekly rates of benefits and pensions to 36s. single, 60s. married, by means of an increase in the minimum retirement age for men from 65 to 67 (for women from 60 to 62) with a small further increase in the weekly contribution. The representatives of the Trades Union Congress have given me their conclusion in the following words:

"The proposal to increase the retirement age with corresponding increases in benefits, raised issues which we could only consider in full consultation with the Movement. While we could not even consider the proposals without such consultation we should be willing to submit our considered views to a properly constituted enquiry."

The representatives of the employers are divided in view and are not prepared to put forward any definite recommendation. They are however prepared to co-operate in an enquiry.

3. I have been glad to find that the Trades Union Congress General Council are at any rate willing to co-operate in an enquiry into the possibility of raising the pension age. As a result of paying pensions at increasing rates to persons who have contributed for a relatively short time at an inadequate rate, a great gap will in a few years open up between the income and expenditure of the Insurance Fund, and the deficit will reach about £300 millions a year towards the end of the 1960s. I think therefore that the time has come for an enquiry into the whole question of the State's financial provision for old age and I ask the Cabinet to agree to an enquiry. I would propose making detailed suggestions later after consultation with the Chancellor and the Minister of Labour and National Service with regard to terms of reference and the selection of individuals to conduct the enquiry.

Immediate proposals: National Insurance and Industrial Injuries

4. We cannot however await the outcome of the enquiry before doing something to revise the National Insurance Schemes. I think we should introduce forthwith a Bill giving effect to the proposals outlined by the Chancellor. But I am bound to point out that they will not do as much as I had hoped to close the gap which already exists, and is about to be increased, between insurance benefits and national assistance.

5. The main changes in national insurance and industrial injuries benefits will be:-

- (a) unemployment and sickness benefits, widows' and retirement pensions to be increased to 32s. 6d. ;
- (b) the rate for an adult dependant to be increased to 21s. 6d. ;
- (c) the basic rate of industrial injuries benefits to be increased from 45s. to 55s. with an appropriate increase in the widow's pension under this scheme.

The new rate of widow's pension under the Industrial Injuries Scheme and other consequential changes in benefit rates are being worked out in agreement with the Treasury.

6. Additional insurance contributions will be charged. These will be approximately those announced by the Chancellor. But I have had many representations urging that the use of halfpennies should be avoided and the precise rates are being worked out by my Department and the Treasury with the Government Actuary.

Family Allowances

7. The Bill will also increase the family allowances payable under the existing scheme by 3s. as announced by the Chancellor of the Exchequer in his Budget speech.

Time Table

8. The Chancellor stated on 17th March that the revised payments for family allowances and national insurance benefits were expected to come into force in September and that the new rates of contribution would become payable shortly afterwards. If we are to keep to this time table it is essential to place orders with the Stationery Office for the printing of the enormous number of payment documents and insurance stamps at the new rates without any delay. I therefore propose to give instructions accordingly if my colleagues accept my proposals. I must, however, point out that once instructions are given to print order books and stamps at a particular rate it will be impossible to replace them by others at a different rate in sufficient time to bring the changes into force as proposed. It must therefore be realised that, for all practical purposes, the placing of the orders will make it impossible to make any concessions on rates of contribution or benefits during the passage of the Bill.

9. Changes in unemployment and sickness benefit and in industrial injuries benefits would be brought into operation earlier, say in July, as they do not involve the same amount of preparatory work.

Announcement of decision

10. In view of the rumours that are now circulating it would, I think, be advisable for me to make a statement before the House rises about the results of my discussions with industry, and to announce the course we propose to adopt, including the proposal for an enquiry. I would propose to agree the terms of the statement with the Chancellor and the Minister of Labour and National Service.

Summary

11. I ask for:

- (1) authority to introduce a Bill to give effect to the changes in rates of family allowances and rates of national insurance and industrial injuries benefits, pensions and contributions outlined in paragraphs 5, 6 and 7 of this memorandum;
- (2) agreement in principle to an independent enquiry into the State's financial provision for old age (paragraph 3);
- (3) authority to take the necessary steps to enable the new rates of unemployment, sickness and industrial injuries benefits to be brought into operation in July, family allowances and pensions in September, and the new rates of contribution shortly thereafter (paragraphs 8 and 9);
- (4) authority to make an announcement in the House before the recess, the terms to be agreed with the Chancellor (paragraph 10).

O.P.

Ministry of National Insurance, S.W.1.

31st MARCH, 1952.