CABINET

NATIONAL INSURANCE BENEFITS

MEMORANDUM BY THE MINISTER OF PENSIONS AND NATIONAL INSURANCE

In accordance with the decision of the Cabinet on 23rd July (C.C. (57) 56th Conclusions, Minute 5) I set out the administrative implications of a decision to bring improvements in National Insurance benefits into effect before Christmas.

2. I append a time-table of the action required for the different stages of the operation.

3. From this it is clear that it is an essential condition of the operation that firm decisions be taken as to the rates of all benefits, pensions and contributions by early August.

4. I have assumed for the purposes of this paper that it would not be possible to take the Second Reading of the necessary legislation before 12th November, when the debate on The Queen’s Speech will be concluded, though it might be possible formally to introduce the Bill for the sake of securing its publication during the last days of October.

5. The Cabinet will see from a comparison between these dates and those set out in the time-table that these assumptions involve both a public announcement calling on pensioners to bring in their pension books to National Insurance offices for over-stamping, and the return of these books with the new rates stamped in respect of a period subsequent to 17th December, at a date before Parliament has had an opportunity even to give the Bill a Second Reading.

6. Whatever Parliament did or said it would in practice be impossible to pay after 17th December rates of benefit other than those put in the books in advance of Parliamentary authority. It would, of course, be possible to vary them some months later, but during the interim period we should in fact be firmly committed to the rates on which we had decided.

7. It would, therefore, be apparent from the beginning that we could not accept any amendment in respect either of rates of benefit or contribution or of dates of operation.

8. It would also be apparent that Parliament need not have been put in this position if we had either taken the Bill this summer or recalled Parliament in the middle of October.

9. I should add that the time-table in the appendix allows the minimum possible time for the operation of uprating about 5 million pension order books as well as a million or so other benefit claims. This time-table, therefore, allows no margin at all for the effects of any epidemic. An epidemic would not only deplete the staff of my 900 local offices in which the uprating of pension order books has to be carried out but greatly add to their work at the same time in dealing with sickness benefit claims. Adoption of this time-table, therefore, involves the acceptance by the Government of some risk of a breakdown of the operation in the event, for example, of Asian influenza developing this autumn. It is fair, on the other hand, to point out that the normal epidemic period in this country comes after Christmas; though the week before Christmas is the Post Office’s peak period of the year.

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10. If Parliament passed without variation the proposed rates (to which we
had committed ourselves) before the operative date, no abnormal extra-statutory
payments of benefit or under-collection of contributions would arise. If, however,
"things went wrong" and Parliament was unwilling or unable to pass the legislation
unaltered or at all before the operative date, there is a risk that we should have to
make extra-statutory payments on an unprecedented scale, in order to keep
pensions in payment at all. There is also the point that the Public Accounts
Committee have in the past called attention to what they regard as a departure
from financial regularity in incurring expenditure before it has been approved by
Parliament—in the present case the point of criticism would be expenditure on the
work of uprating.

11. I have consulted the General Post Office and the Stationery Office and I
am told that the four months' period given to me as necessary for the printing and
distribution of the twenty-seven varieties of new stamps is a firm one.

12. As I told the Cabinet on 23rd July an operation of this sort, if made
without preliminary announcement, is also quite certain "to leak." The most
likely early source of the leak will be the work on the war pension increases. In
view of the enormous variety of rates of war pension in issue (they vary, inter alia,
with both assessment and rank) it would be necessary by mid-August for my
Norcross office to start the work on the individual documents of some ¾ million
war pensioners. To do this involves informing a very large number of staff,
including very many junior staff, of the precise new rates. As some of these will
be, as they always have been, the same as the rates of National Insurance benefit,
it is unrealistic to suppose that these will not become generally known. There is
a further risk from the advance printing of stamps and order books. So far as I
can see, a leak would develop by early September, if not earlier. Government
spokesmen who are asked to confirm or deny that arrangements are being made
for changes in benefit rates will be in a position of some difficulty.

13. While, therefore, it is clear that if decisions on rates and contributions
can be taken in the immediate future, and my colleagues are prepared to face the risks
above indicated, we can as a matter of administration bring new rates of National
Insurance benefit into operation in the week beginning 17th December (with war
cr Pension changes a week or two earlier), it is also clear that two political questions
will have to be resolved. One is whether we can face the criticism which would
be aroused, by the rough treatment of Parliament, involved in making the
announcement referred to in paragraph 5, of the calling in of books, with its
implication of quite irrevocable decisions before the Second Reading of the Bill.
The other is whether we are prepared to face the fact that our intentions to make
these improvements will leak gradually into the Press and public mind rather than
become known to the public as a result of a Government announcement. My
colleagues will appreciate that both these points could be met if we were prepared
to bring back Parliament earlier in October than is contemplated and to make an
announcement of our intentions within the next few weeks.

J. A. B.-C.

Ministry of Pensions and National Insurance, W.C. 2,
25th July, 1957.
APPENDIX

Early August
Decisions on all rates of benefit and contribution and operative dates.

Mid-August
Order for stamps, some pension books, &c., to Stationery Office.

19th August to 30th November
Work on war pensions as described in paragraph 12.

Not later than 6th November
Request to public to bring insurance pension order books into local offices in specified alphabetical groups spread over the following five weeks.

11th November to 14th December
Stamping of new rates in insurance pensioners’ order books.

2nd to 4th December
First payment of new rates to war pensioners.

17th to 20th December
First payments at new rates of National Insurance pensions.

6th January, 1958
First payments of contributions at new rates.