

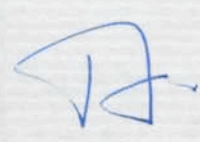
PRIME MINISTER



Mr. Fowler's Statement on Social Security Reviews

The Secretary of State for Social Services made a statement this afternoon about ~~about~~ Social Security reviews. In particular, he announced that in addition to the reviews and the provision for retirement under his chairmanship and that of housing benefit (under the chairmanship of Mr. Jeremy Rowe, Chairman of the London Brick Company) which have already been announced, his Department will be undertaking reviews of supplementary benefit under the chairmanship of Tony Newton, and provision for children under the chairmanship of Rhodes Boyson. In addition, the Department of Health and Social Security will be undertaking a survey of the extent of disablement in order to test the adequacy of disablement provision. Opinion in the House on the statement divided on predictable grounds. The Opposition saw the reviews as being dictated by the Treasury, and paving the way for reductions in social security. The Government side welcomed the reviews as contributing to the concentration of benefit on those most in need. There was much discussion on whether the recommendations of the review would be made on a no extra cost basis. Mr. Fowler said that they would.

In this context, the Treasury have responded to Mr. Fowler's proposals by stressing that the existence of the reviews cannot exclude the search for savings on social security expenditure during the PES round. They would like your endorsement on this review. The Treasury are setting this out as attached. Agree with the Chief Secretary's proposal?



2 April, 1984.

CONFIDENTIAL



FUE

B/c: Mr REDWOOD

RW

10 DOWNING STREET

From the Private Secretary

4 April, 1984

SOCIAL SECURITY POLICY REVIEWS

The Prime Minister has seen the Chief Secretary's letter to your Secretary of State of 2 April. She recognises the far reaching nature of the reviews which your Secretary of State has just announced, but she agrees with the Chief Secretary that the fact that they will not be completed until later in the year should not preclude the identification of worthwhile options for savings during the course of the PES round.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office), John Ballard (Department of the Environment), David Normington (Department of Employment), Elizabeth Hodgkinson (Department of Education and Science), David Heyhoe (Lord Privy Seal's Office), Murdo Maclean (Chief Whip's Office) and to Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

S. Godber, Esq.,
Department of Health and Social Security

CONFIDENTIAL

ECC



Prime Minister ① CC/DJO
Treasury are anxious that
you should endorse X.
Agree?

AF
2/4

Treasury Chambers, Parliament Street, SW1P 3AG

Steve Godber
Private Secretary to
the Secretary of State
Department of Health & Social Security
Alexander Fleming House
Elephant & Castle
LONDON
SE1 6BY

2 April 1984

Dear Steve

SOCIAL SECURITY POLICY REVIEWS

We spoke this morning about the draft you circulated on Friday for your Secretary of State's announcement this afternoon. The Chief Secretary had one drafting amendment and one other comment of substance.

The drafting amendment was to the penultimate paragraph. He felt that the last sentence did not give quite the right impression on resource constraints and would prefer the following:

"Each of the reviews has as its objective to identify the needs which should be met and to consider how they can most sensibly be provided for against the background of the Government's economic strategy and the resource constraints we face."

The Chief Secretary's second a more important concern is over timing. As he has made plain in previous correspondence, he does think it important that some results from these reviews should be available in time for the autumn public expenditure discussions since they cover substantially the whole of social security expenditure, nearly 30% of the public expenditure in total. It now appears impractical to look for final results in time for the bilaterals. However, the Chief Secretary wishes it to be clearly understood that the existence of the reviews cannot exclude the search for savings within these areas of social security expenditure during the Survey. When we spoke earlier, you said that your Secretary of State accepted that the

areas under review could not be put in baulk for the purposes of the public expenditure Survey.

Copies of this go to Andrew Turnbull, John Ballard, David Normington, Elizabeth Hodgkinson, David Hayhoe, Merlin MacLean and Richard Hatfield.

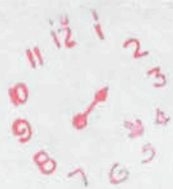
Yours sincerely

J. Gieve

JOHN GIEVE
Private Secretary

NAT HEALTH: Exp.
Pt 3

2 APR 1984



Mr. Skinner: On a point of order, Mr. Speaker. In view of the comments of my hon. Friend the Member for Midlothian (Mr. Eadie), may I ask you to give an assurance that now that the matter has been widened by the Secretary of State, by bringing in other matters, Back Benchers will be able to come into the discussion on the same lines on to which the right hon. Gentleman ventured? Will you also take into account the fact that we expect the Secretary of State to move in such diverse ways? The right hon. Gentleman must think that he is operating another Slater Walker trust that travels all over the world.

Mr. Speaker: I shall not allow the question to go wider, whatever the Secretary of State said — [Interruption.]—which he should not have said—[HON. MEMBERS: "Oh!"]—and the House will know that I asked him twice not to do so. I shall allow questions strictly in relation to the matter on which I granted the private notice question.

Several hon. Members rose—

Mr. Speaker: Order. If any right hon. or hon. Member wishes to proceed on that basis I shall be willing to call him, within the parameters of the time available. I must warn the House that we have two statements to follow and an important Bill to debate.

Mr. Walker: Further to those points of order, Mr. Speaker. I must point out to the House that I was asked a question about the decision of certain trade unions. There has been no decision of certain trade unions; there has been a pronouncement of certain trade union leaders. I submit, therefore, with respect, Mr. Speaker, that it is perfectly in order in reply to this question—[Interruption.]—for me to suggest what those trade unions might take into consideration in coming to their conclusions.

Mr. Speaker: Order. I ask the House to calm down about this. I hope very much that the Secretary of State's office received a copy of the private notice question. If it had, he would then have seen that it concerned the decision by the transport unions and not a wide range of other unions. I shall now take questions, for not more than five minutes, specifically on the question that was asked. I repeat it for the benefit of the House. The Secretary of State was asked

"whether, in the light of the decision of the transport unions to support the National Union of Mineworkers, he will make a statement on energy supplies."

Mr. Benn: Everyone understands the Secretary of State's difficulty. He ran the three-day week 10 years ago as Secretary of State for Industry—

Mr. Speaker: Order. The same rules apply.

Mr. Benn: —and was rejected after a ballot of the nation.

Mr. Speaker: Order. I cannot allow the right hon. Gentleman to persist in that line.

Mr. Benn: I was drawing attention to the reason why the Secretary of State would not answer the question.

What I want to know is what the Secretary of State is obliged by the Act to tell the House—how long the present stocks of coal and coke will last at current rates of production, distribution and consumption. Has the Ministry of Defence been consulted, and is the right hon. Gentleman aware that the escalation of the dispute which gave rise to my question is due to the policy of the National

Coal Board in setting aside all consultation procedures and the action of the police in making peaceful picketing impossible?

Will the Secretary of State now please answer the question?

Mr. Walker: If we are commenting on histories at the Department of Energy, I must tell the House that few people have a worse record than the right hon. Gentleman for lower investment, worse pay and much less generous redundancy payments in the coal industry.

I am pleased to say that the power stations have very considerable coal stocks.

Mr. Benn: How much?

Mr. Walker: They are certainly likely to last about six months. In other industries stocks vary according to the industry concerned. In the interests of the coal industry, however, I hope that supplies of coal will not stop, thus preventing firms from converting to coal.

Mr. Peter Bottomley (Eltham): Will my right hon. Friend accept that members of the Transport and General Workers Union such as I have no more been consulted on our leaders' decision in relation to the coal dispute than have members of the National Union of Mineworkers nationally? Will he encourage Opposition Front Bench spokesmen to state their view on a national ballot of those directly involved?

Mr. Walker: I agree with my hon. Friend that at a time when the coal industry is enjoying such high investment and such good prospects for the future it is a great pity that, seemingly against the wishes of the majority of the national executive and the majority of those who voted, no ballot has been allowed.

Mr. Eadie: The right hon. Gentleman must be aware that the Transport and General Workers Union is part of the triple alliance. What was the advice given to him as Secretary of State for Energy as to the part that would be played by the triple alliance in the event of an industrial dispute in the mining industry?

Mr. Walker: That is an interesting point, especially in relation to what the triple alliance should do in Nottinghamshire, for example, where the majority of the miners' part of the triple alliance are at work and want to work. Is the hon. Gentleman suggesting that the other parts of the triple alliance should take industrial action against them?

Mr. Kenneth Carlisle (Lincoln): Will my hon. Friend advise those enterprises whose business and job prospects are being damaged by lack of fuel that they have legal rights against secondary picketing?

Mr. Walker: I think that people are aware of their rights. In the interests of the coal industry, however, I should point out that the prospects for increased coal consumption in the future—in December, 78 firms applied for grants for conversion to coal, but in March the figure was down to two—are being considerably damaged by the present action.

Mr. James Wallace (Orkney and Shetland): Does the right hon. Gentleman recognise that there is considerable concern in Scotland today over newspaper reports on the effect that any threat to supplies might have on the future

[Mr. James Wallace]

viability of the Ravenscraig steel plant? What steps will the Government take to ensure the continued viability of that plant in any crisis?

Mr. Walker: I hope that coal and coke supplies will continue flowing into our major steel plants. I know of the considerable disquiet expressed about any danger to jobs, including the disquiet of a leading trade unionist whose union is part of the triple alliance.

Mr. Tony Marlow (Northampton, North): Will my right hon. Friend suggest that while the transport workers are making their decisions they should take into account that Arthur Scargill, the Galtieri of the coalfields, has no interest whatever in the future of the coal mining industry but is using the NUM—or abusing it—for purely political purposes to confront the Government?

Mr. Walker: I can only express the hope that all of the important questions at stake on pay, the likelihood of closures, the massive investment in the coal industry, and the generosity of redundancy payments for those who wish to volunteer for redundancy will be carefully considered by the miners and that they will be allowed to express their views.

Mr. Orme: In view of the serious effect of this escalating dispute upon employment and industry, which makes it a national issue, what action will the Secretary of State and the Government take to bring both sides together? The right hon. Gentleman cannot stand idly by any longer. He has a responsibility to intervene to bring both sides together.

Mr. Walker: I find it astounding that if the right hon. Gentleman is deeply concerned about the nature of this industrial dispute—I am sure he is—he does not urge that the members of the NUM should be given an early opportunity to say how they wish the matter to be handled.

Social Security System (Reviews)

3.46 pm

The Secretary of State for Social Services (Mr. Norman Fowler): With permission, Mr. Speaker, I shall make a statement on my plans for taking forward a series of reviews on the social security system.

As the House will know, I have already set in hand a thorough review of the largest single element of social security provision through the inquiry which I am chairing into provision for retirement. We have made good progress on that inquiry. I have now received no fewer than 1,700 submissions from interested organisations and members of the public on the subject of portable pensions alone. We have now completed our public sessions on that subject, but I intend to hold further public sessions on the wider issues of pensions policy in the coming months.

I also announced in February that I intended to establish a review of the housing benefit scheme. That scheme, which now accounts for some £4 billion of expenditure a year and is paid to one household in three throughout the country, has increased rapidly in scale. The announcement of a review was widely welcomed and I am glad to be able to report that the review will be chaired by Mr. Jeremy Rowe, chairman of the Peterborough Development Corporation, deputy chairman of Abbey National Building Society and chairman of London Brick Company. His experience makes him well suited to this important task and I am grateful to him for agreeing to take it on. He will be commencing the review when his involvement with London Brick Company ends later this month and I expect then to announce the two other independent members of his review team.

Although these reviews represent a substantial undertaking, I believe that the time is right to look at the other major parts of the social security system as well. Spending on the social security budget now totals more than £35 billion and accounts for almost 30 per cent. of all public expenditure. Payments—including national insurance pensions—go to well over 20 million beneficiaries; and the whole system requires the employment of almost 80,000 staff in my Department to administer the various schemes. Given the importance of social security, no responsible Government can avoid the duty to look carefully at the way the system works. I am therefore establishing two further reviews. The first will be concerned with the supplementary benefit scheme. The scheme now deals with well over 4 million claimants, of whom 1½ million are pensioners. Over 7 million people live in households in receipt of supplementary benefit and total expenditure on the benefits is more than £5½ billion. Following the review undertaken by the last Government, a number of major changes in the scheme were introduced in 1980 to make the scheme subject to a much greater extent to specific parliamentary regulations. The aim was to consolidate legal entitlement to benefit and to reduce the dependence of the system on the discretion of staff.

The changes, however, have not resolved some central problems. In particular, the system is complex to administer and difficult to understand. The result is that it is still necessary for some 35,000 staff in my Department to be employed wholly on the administration of supplementary benefit; and the procedures and rules under which the scheme is administered remain extremely complicated both for staff and for claimants. I believe it

is essential that we should look again at supplementary benefit, and I have asked my hon. Friend the Under-Secretary of State for Social Security to lead a small team which will review the structure of the scheme and consider the scope for easing its administration.

The second major area in which we have decided that a review is required is that of benefits for children and young people. At present, we pay out very large sums of money through a particularly complex pattern of social security benefits. For instance, a working family may get help for children through child benefit alone, or with housing benefit, family income supplement, or one-parent benefit, or a combination of them. As for young people generally, the amount of social security support depends not just on personal or family circumstances, but on whether they are in employment, education or training. All these benefits have a sensible purpose, but we need to be sure that this is the best way of providing support. I have therefore asked my hon. Friend the Minister for Social Security to lead a team in reviewing the present social security arrangements for giving financial help to families with children and to young people above school leaving age.

The largest remaining area within the social security programme is that of providing disablement benefits. Here I propose a somewhat different approach. With the ending of the invalidity trap, the introduction of war pensioners' mobility supplement and our proposals for a severe disablement allowance, we are making useful progress towards our declared objective of a more coherent system. We shall continue to look for further practical steps in this direction.

But it is clear that in the longer term the development of our policy would be helped by more reliable information about the numbers of disabled people, their circumstances and their needs. There has been no comprehensive study of the extent of disablement in the population for 15 years, and even that excluded some important groups. I therefore intend to take steps to fill this gap in our knowledge by undertaking a full-scale survey. A feasibility study on this is already under way.

As to the arrangements for each review, they will all involve independent figures from outside the Government. The reviews will also follow the lead of the inquiry into provision for retirement by seeking public evidence. Each of the reviews will aim to identify the needs which should be provided for and consider how, within the resource constraints we face, those needs can most sensibly be met. I have asked the leaders of each of the reviews to report their conclusions to me later this year.

Taken together, the various reviews and studies I have set in hand constitute the most substantial examination of the social security system since the Beveridge report 40 years ago.

Mr. Michael Meacher (Oldham, West): Is the Secretary of State aware that we suspect that his statement has a good deal less to do with the welfare of pensioners, tenants and all the poor than with the planning of yet further public expenditure cuts, and this proposal of his has the fingerprints of the Treasury all over it? Does it not expose the nature of the Government's reviews when the Treasury's own budget reports now show the cumulative value of tax cuts to the rich since 1979 at £13,000 million, while the cumulative value of cutbacks in benefit to the

poor since 1979, by lowering the pension uprating criterion, by abolishing the earnings-related supplement and by other means, now exceeds £5,000 million?

Will the right hon. Gentleman now give an assurance, which he has refused to do before, that, whatever else the pensions inquiry does, it will not erode the state earnings-related pension scheme, which the Labour Government introduced in 1975, and which offers pensioners the best deal that they have ever had?

Will the terms of reference of the review team on housing benefit include a no extra cost constraint? If so, how does the right hon. Gentleman justify forcing through a £190 million cut in benefit for the poor, when only three weeks ago the Chancellor gave a £520 million tax handout to the rich by abolishing the unearned income surcharge, and halving stamp duty on share transactions?

On supplementary benefit, while we recognise that legalisation of the system has not generally operated in favour of claimants and has led to a proliferation of secret documents, will the Secretary of State give a categorical assurance that reviewing the structure of the scheme will not involve any cut in the level or the coverage of the supplementary benefit in what is, even under this Government, the safety net for the poorest claimants?

On benefits for children and young people, while we believe that child benefit needs to be enhanced, is the Secretary of State aware that his previous reviews on this issue have always involved cuts in benefit such as scrapping the short-term child dependency additions and reducing the non-dependent allowance in housing? Therefore, will he give us an unequivocal pledge that this time it will not be the same again?

On disablement benefits, is the right hon. Gentleman aware while we support the principle of a comprehensive and coherent scheme, what is missing is not further information about the disabled, but a readiness to give financial priority to them? Is he prepared to do that?

Will all these reviews be published in full when completed? Is the Secretary of State aware that we would have a great deal more confidence in these reviews if he had not in the past so often proved to be acting as an agent for the Treasury?

Mr. Fowler: That is a typically foolish response from the hon. Gentleman.

The last time the hon. Gentleman spoke from the Dispatch Box he complained about the piecemeal way in which social security provision was approached. We have now announced a series of reviews that adds up to the most comprehensive review of the social security system for 40 years. It is in everyone's interest to see whether the schemes about which we are talking are working as effectively as possible. An open review must mean open discussion, and the hon. Gentleman is foolish to fear that open discussion.

On finances, the aim is to make the best use of the available resources and to channel them to where they are most needed. The premise of working within overall budgets remains, and we must recognise that there are resource restraints.

As the hon. Gentleman will perhaps acknowledge, supplementary benefit is complex. The two manuals of guidance contain 16,000 paragraphs of instructions for the DHSS staff who administer the scheme. It is administered by 35,000 staff, and I should have thought that it was in

[Mr. Fowler]

the interests of everyone, including claimants, to ensure that the schemes and the system were as simple as possible.

We are already making progress towards a more coherent system for the disabled, but the development of that policy requires reliable information about the numbers of the disabled and their needs. The hon. Gentleman appears to be disagreeing, but that is the case.

Mr. Meacher: There has been a comprehensive review.

Mr. Fowler: The hon. Gentleman is wrong. There has been no comprehensive survey for 15 years, since the Amelia Harris report. If the hon. Gentleman wishes to make an issue of that, he will not take many people with him.

The Government will announce their proposals for support, and it will be at that stage that we shall publish the separate results of the inquiries. Clearly, the need is to bring together the separate work of the reviews. This is the most comprehensive inquiry for 40 years.

Mr. Robert McCrindle (Brentwood and Ongar): I warmly welcome what is clearly a most radical review of the social security system and one that arguably should have been undertaken by Governments of both political complexions in the past. Will my right hon. Friend take on board the fact that the system has become so difficult to operate and so complex to understand that if there were widespread recognition of the need for changes across the board we should be looking almost to starting from scratch, with a clean sheet? Will he take into account that that might be the best way, rather than to go on doing a little here and a little there, and thereby building up to the manuals of instruction which few people, including his civil servants, understand?

Mr. Fowler: My hon. Friend has made a fair point. One of the fundamental aims of these reviews is to ascertain whether we can simplify the system. I believe that the system's complexity is recognised by the public. That aspect affects staff in offices and, above all, the public. I believe that the public wish the Government to make some attempt to reduce that complexity and simplify the system.

Mr. Robert N. Wareing (Liverpool, West Derby): I point out to the right hon. Gentleman, who now seems to be worried about how to work out the number of disabled people, that I am in a position to help him. Tomorrow afternoon the other place will debate the Third reading of a Bill which bears a great similarity to the Bill that I introduced on 18 November 1983. Part II will allow the Secretary of State to conduct a thorough survey of the number of disabled people in the United Kingdom.

What are the right hon. Gentleman's intentions about that Bill now that he admits that legislation is needed? In view of the tremendous reform which the right hon. Gentleman tells us he has introduced, how much better off will the young man or young woman who wishes to take a course in a college of further education and to do home work at the same time? Can such people now receive supplementary benefit, which was denied them in the past?

Mr. Fowler: The hon. Gentleman is wrong if he thinks that legislation is required to conduct a survey of disabled people. I welcome the fact that, unlike the hon. Member for Oldham, West (Mr. Meacher) the hon. Gentleman believes that such a survey is necessary. We agree on the necessity of the survey. The last survey was conducted 15 years ago. We intend the Office of Population Censuses and Surveys to carry out a survey, because we have been getting our forecasts wrong. Attendance allowance is one aspect for consideration. I hope that, whatever other differences we may have, the hon. Gentleman will support the idea of this survey going forward.

Mr. Ralph Howell (Norfolk, North): I welcome my right hon. Friend's intention to conduct these reviews into social security. Bearing in my the interaction of taxation and welfare benefits, I urge my right hon. Friend to refrain from conducting those reviews in isolation. He should conduct a comprehensive review into the whole area of taxation and welfare.

Mr. Fowler: I have heard what my hon. Friend says about that matter. He has made substantial points. Clearly, my right hon. Friends in the Government will want to take them into account.

Mr. Archie Kirkwood (Roxburgh and Berwickshire): The alliance gives these proposals a guarded welcome and looks forward to playing a positive and constructive role during the inquiries. I have three short questions. First — this point has just been made to the right hon. Gentleman — is it possible to extend the terms of reference of the supplementary benefit inquiry to consider the interface between taxation and the social security system with a tax credit scheme? Secondly, will he extend the terms of reference of the children's inquiry to consider parental careers in the first years after childbirth and schemes prevalent in other European countries? Thirdly, in the survey of the disabled, will the right hon. Gentleman take account of the needs of those who look after the elderly and disabled people?

We note that the reports are due this year, and we hope that the right hon. Gentleman will not hide behind them. We hope that he will say what will happen in the next 10 years rather than hide in the same way as he has been doing about a decision on the death grant. Can we expect firm proposals after those inquiries have been carried out, and for leadership to be shown?

Mr. Fowler: I assure the hon. Gentleman that we shall go as far as he wishes with the children's inquiry. Clearly, we wish to conduct the inquiries as speedily as possible. I hope that they will all be completed this year. I believe that, if the hon. Gentleman reflect, he will realise that that means imposing a very short time table. Some people will argue that simplification can be secured only by tax credit, and Ministers will consider that argument. We shall consider also the unresolved problems of tax credit, for example, for married women.

Mr. Peter Hordern (Horsham): My right hon. Friend mentioned the Beveridge report. Will he include in his review the payments and benefits paid by Departments other than the Department of Health and Social Security, as was suggested by Beveridge? Beveridge suggested that unemployment benefit should be paid by the same Department that paid supplementary benefit.

Mr. Fowler: We shall look at the interface between the different Departments. My colleagues and officials in other Departments will be kept closely informed about the progress of the inquiries.

Mr. Brynmor John (Pontypridd): Does the Secretary of State recognise that there will be a weakness in having four inquiries simultaneously into a matter that deserves a comprehensive remedy? Will he ensure that before the proposals are brought before the House there is a public debate, as occurred on the Beveridge report? Will the right hon. Gentleman confirm that one of the shortcomings of his proposals is that he has concentrated on the inequities of the scheme, as he sees them, and has made no proposal to inquire into the weaknesses of the scheme? Is the right hon. Gentleman aware that, for example, the criteria on attendance and mobility allowances are becoming more complicated in view of recent legal decisions? It is high time that further definitions were made of what entitles people to those benefits, so that they can secure justice.

Mr. Fowler: The fact that we have set up the inquiries does not mean that we do not intend to make progress in areas such as those the hon. Gentleman has mentioned. That would be absurd. The hon. Gentleman, on reflection, might feel that the only way that we shall speedily complete the work schedule that I have set out is by organising it in the way that we have done. The holding of a debate is not a decision for me, but clearly the House will wish to debate these matters at some stage.

Mr. Roy Galley (Halifax): I welcome this important statement, but I should like to press my right hon. Friend on some aspects of the terms of reference. Will they include an examination of the fact that some benefits appear to go to those who are not in most need. For example, an increasing number of single payments are being made under supplementary benefit rules. Other people in specific groups appear to need those benefits more than some people who are presently receiving them. Is my right hon. Friend prepared to take tough decisions which mean that some may lose and some may gain? I press my right hon. Friend further about negative income tax or tax credit. I believe that all Conservative Members accept that such a scheme would not be cost-effective for some time.

Mr. Speaker: Order. Another statement and more business are to follow this debate. Hon. Members should ask only one question at a time. I am sure that the House will return to this subject on another occasion.

Mr. Fowler: The aim of the inquiry is to make the best use of the available resources and to channel them to those most in need. I believe that that is the point made by my hon. Friend. We want to examine especially single payments to claimants, because almost 2 million single payments are made a year by local offices, totalling £140 million. That is a vast administrative effort, involving a comparatively small part of the total social security budget.

Mr. George Foulkes (Carrick, Cumnock and Doon Valley): Is the Secretary of State aware that the House, in testing his sincerity on these five reviews, will bear in mind that it is now the second anniversary of the completion of the review on the death grant? Will the right hon. Gentleman show his sincerity by saying when he

intends to make an announcement about an increase in the death grant, for which the vast majority of the people who contributed to his review asked?

Mr. Fowler: As the hon. Gentleman is aware, we have published proposals on the death grant. We issued a consultation paper. The only sensible thing that I can say is that we shall want to consider the death grant together with the whole of social security over the coming years.

Mr. Andrew Rowe (Mid-Kent): Will my right hon. Friend assure us that, while constructing the terms of reference of these inquiries, he will pay particular attention to the difficult subject of people's savings? It always seems to me to be entirely opposed to the Conservative philosophy that those people who manage to save a little day by day are worse off when it comes to claiming a whole range of benefits than those who have been unable to do so or have not cared to do so.

Mr. Fowler: That was one of the original points that was put in the Beveridge report. Many of the principles remain applicable today—the co-operation between the state and the individual, and the encouragement of voluntary action. These are principles which have lasted and which we shall want to strengthen.

Mr. Kevin Barron (Rother Valley): Why does the Secretary of State believe that one in three households receives housing benefit and that the figure is rapidly rising?

Mr. Fowler: The reason for that is that we have extended housing benefit. At the moment about one in three households — over 6 million households — are taking housing benefit. Most people would favour and support the idea that there should be an inquiry into the structure and administration of housing benefit. That is what we propose this afternoon. We have had many debates on housing benefit but I would ask the hon. Gentleman to look forward rather than forever backwards.

Several Hon. Members rose—

Mr. Speaker: Order. I have to protect the subsequent business of the House. I shall allow questions on this matter to continue for a further five minutes, and then I shall call the Front Bench speakers.

Mr. Timothy Yeo (Suffolk, South): Is my right hon. Friend aware that his statement will be welcomed by everyone who is interested in simplifying the social security system and particularly those interested in disability? Is he further aware that there can be no progress towards a comprehensive disability income scheme without the type of information that will be gathered under this survey? I ask for an assurance that the voluntary organisations will be fully consulted in the framing of the survey. Will he also consider seeking information about the causes of disability, which can be so valuable and lead to long-term preventive measures?

Mr. Fowler: Yes, Sir. I shall immediately consider the point that my hon. Friend makes about voluntary organisations and the input that they can make into the survey. Clearly, we want to take voluntary organisations with us on this survey, and I shall give urgent consideration to the point.

Mr. Max Madden (Bradford, West): Will the Secretary of State acknowledge that the record number of

[Mr. Max Madden]

people living in poverty will not be helped by official reviews, but that they need more money now? Does he accept that the only way to tackle poverty in old age is by way of a big increase in pensions now; that the only way to tackle family poverty is by way of a big increase in child benefit now, and that the only way to help the unemployed is to provide more jobs now?

Mr. Fowler: If the hon. Gentleman studies the Government's record, he will find that we are not only spending £35 billion a year on social security, which by any standards is a formidable amount of public spending, but that there have also been real increases in the value of pensions, supplementary benefit, mobility allowances and other benefits. I ask the hon. Gentleman to consider whether he believes it sensible that we should also examine the structure and administration of social security, because that is also in claimants' interests.

Mrs. Edwina Currie (Derbyshire, South): If I am only allowed one question, Mr. Speaker, may I ask it about the housing benefit review? While welcoming the appointment of Mr. Jeremy Rowe as chairman, because he knows a great deal about housing, could we also have on the review someone who knows a great deal about the administration of housing benefit, particularly from the local authorities?

Mr. Fowler: I hope that within the next few days I will be able to announce someone who comes up to my hon. Friend's specifications.

Mr. Gavin Strang (Edinburgh, East): Instead of tinkering with the social security system, when will the Government address themselves to the policies that have forced so many people to claim social security? Surely the best way to reduce the number of pensioners claiming social security is to increase the pension, and, for non-pensioners, to reverse the policy of destroying millions of jobs, including those in productive industries such as mining.

Mr. Fowler: I have just answered that question. If the hon. Gentleman looks back he will see that in 1978—in the period of the previous Labour Government—there were 3 million claimants on supplementary benefit, affecting 5 million people. It is foolish of him to look back and believe that there was some golden age when supplementary benefit was not given. It would seem

sensible to study supplementary benefit to see whether it is being given in the right way and whether it is comprehensible to the people receiving it.

Mr. James Couchman (Gillingham): I welcome this report. Will my right hon. Friend undertake to ensure that any decisions that follow the surveys will be coherent and cohesive so that we do not get a number of conflicting decisions afterwards?

Mr. Fowler: The whole purpose of what we are doing is to bring the subjects together and not to deal with them piecemeal. As my hon. Friend says, we want to deal with them much more comprehensively than they have been dealt with hitherto.

Mr. Charles Kennedy (Ross, Cromarty and Skye): While I welcome any review that could lead to a reduction in complexity in the present system, particularly if it leads to more take-up by claimants, does the Secretary of State agree that the die has already been cast on this review by the Treasury Green Paper published at the time of the Budget? Is it not clear that public expenditure will not rise in real terms between now and 1986-87 and, therefore, the greater demand that is being placed on the social security network will create greater tensions, which no review will meet under present Treasury guidelines?

Mr. Fowler: We must clearly recognise the financial constraints that there are and always will be on any social security system. That does not invalidate the case for studying the structure and administration of the social security system.

Mr. Meacher: Will the Secretary of State confirm that in his answer to me he said that these reviews would be working within their existing budgets? Does that mean that they will all be at no extra cost? The Secretary of State seems to be nodding. If that is so, is it not clear—judging by his record—that this will not be the most radical examination of social security since Beveridge, but the most radical dismantling of the welfare state since the war?

Mr. Fowler: The hon. Gentleman must have had that point left over from the last election campaign. It has about as much impact as it did during the last election campaign. We are working on the premise of operating within the existing overall budget. We must recognise that there are resource constraints, but if there are any savings in a particular area, the Government clearly have the choice of seeing whether there are other areas within social security to which that money should be diverted.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*Andrew Turnbull Esq
Private Secretary
10 Downing Street

30 March 1984

Dear Andrew

I enclose a draft of the statement my Secretary of State intends to make on Monday.

I am copying this to John Gieve (Chief Secretary's office), John Ballard (Department of Environment), Barnaby Shaw (Department of Employment), Elizabeth Hodgkinson (Department of Education and Science), David Heyhoe (Lord Privy Seal's office), Murdo MacLean (Chief Whip's office) and to Richard Hatfield (Sir Robert Armstrong's office).

Yours

S A Godber

S A Godber
Private Secretary

DRAFT STATEMENT ON SOCIAL SECURITY POLICY REVIEWS

With permission, Mr Speaker, I will make a statement on my plans for a series of fundamental reviews of our social security system.

Expenditure on social security now accounts for some [30 per cent] of all public expenditure; it involves payments to well over 20 million beneficiaries; and it requires the employment of almost 80,000 people in my Department to administer the various schemes. Few members of the population are unaffected by some aspect of our social security system and no responsible Government can avoid the duty to look carefully at the way the system works.

I have already set in hand a thorough review of the largest single element of social security provision through my Inquiry into Provision for Retirement. We have made good progress on the Inquiry. I have received no less than 1,700 submissions from interested organisations and members of the public on the subject of portable pensions alone. We have now completed our public evidence-gathering sessions on that subject but I expect to hold further public sessions on other issues later in the year. As I said when the Inquiry was established in November, I intend to reach conclusions on portable pensions in the Spring, in advance of the main report from the Inquiry later this year.

I also announced in February that I intended to establish a review of the housing benefit scheme. That scheme, which now accounts for some £4 billion of expenditure a year and is paid to one household in three throughout the country, has increased rapidly in scale and has

proved difficult for some local authorities to control. The review is, therefore, timely, but it will be a complex and difficult exercise. I am glad, therefore, to be able to announce that the review will be chaired by Mr Jeremy Rowe, Chairman of the London Brick Company. His experience as Chairman of the Peterborough Development Corporation and a Director of Abbey National Building Society make him well suited to this important task and I am grateful to him for agreeing to take it on. He will be commencing the review when his involvement with the London Brick Company ends later this month and I expect then to announce the two other independent members of his review team. I regard it as important that this review should be completed as soon as is practicable and I am hopeful that I will receive Mr Rowe's report at the end of this year.

Honourable Members will also remember that my honourable Friend, the Parliamentary Secretary for Social Security, announced last year that we would be undertaking a review of financial provision for maternity in the current year. Although this is only a small part of social security provision, it is one in which many honourable Members are interested and I am glad to say that we are now in a position to proceed, as my honourable Friend has announced today.

Mr Speaker, although these reviews represent a substantial undertaking, I believe the time is right to look at the other major parts of the social security system as well. I am therefore establishing two further reviews. The first will be concerned with the supplementary benefit scheme. The scheme now deals with well over 4 million claimants of whom over 1½ million are pensioners. Over 7 million people live in households in receipt of supplementary benefit and

Total expenditure on the benefits is close to £7 billion. Following the review undertaken by the last Government, a number of major changes in the scheme were introduced in 1980 to make the scheme subject to a much greater extent to specific Parliamentary Regulations. The aim was to consolidate legal entitlement to benefit and to reduce the dependence of the system on the discretion operated by the staff of the former Supplementary Benefit Commission.

Although the objectives of those changes may have been laudible, and I doubt if anyone would now seriously dispute the need for the key rules and conditions of benefit to be soundly based in law, the changes have not resolved some central problems. Despite the greater degree of regulation within the scheme, there was only a very temporary reduction in the number of single payments made to supplementary benefit claimants which has doubled since 1981. As the House will be only too well aware, it has proved necessary to revise, clarify and extend the regulations governing the scheme at regular intervals - indeed I am announcing some further regulations today. The result is that it is still necessary for some 40,000 staff in DHSS to be employed wholly on the administration of supplementary benefit; and the procedures and rules under which the scheme is administered - although they are now wholly public - remain extremely complicated both for staff and for claimants to understand.

I believe it is essential that we should look again at the supplementary benefit scheme and I have asked my honourable Friend, the Parliamentary Under Secretary of State for Social Security, to lead a team which will review the structure of the scheme and consider the scope for easing its administration.

(x) The second major area in which we have decided that a fundamental review is required is in relation to benefits for children and young people. At present we pay out very large sums of money through a particularly complex pattern of social security benefits. For instance, a working family may get help for children through child benefit alone, or with housing benefit, family income supplement, or one-parent benefit or a combination of them. All these benefits have a sensible purpose but it is far from clear that they are, together, getting most help to those who most need it.

The position for families who are not in work is no less complicated and benefits for young people themselves may be even more complex. For them, the amount of social security support depends not just on personal or family circumstances, but on their involvement in education or training. The present pattern of income support can distort work, training and education incentives not only for those young people but also for their parents.

I do not suggest that there are any easy solutions to be found for these problems but I believe it is time that they were considered rationally. I have therefore asked my honourable Friend, the Minister for Social Security, to lead a team in reviewing the present social security arrangements for giving financial help to families with children, and to young people above school leaving age.

The largest remaining area within the social security programme is that of providing disablement benefit. Here I propose a somewhat different approach. With the ending of the invalidity trap, the introduction of war pensioners' mobility supplement and our proposals for a severe disablement allowance - which the Social Security

Advisory Committee has described as a potentially important building block in this field - we are making useful progress towards our declared objective of a more coherent system. We shall continue to look for further practical steps in this direction.

But it is clear that in the longer term the development of our policy would be helped by more reliable information about the numbers of disabled people, their circumstances and their needs. There has been no comprehensive study of the extent of disablement in the population for fifteen years, and even that excluded some important groups. I therefore intend to take steps to fill this gap in our knowledge. I intend that we should undertake a full-scale survey beginning next year. A feasibility study on this is already under way.

Taken together, the various reviews and studies I have set in hand constitute the most substantial reappraisal of the general feel for social security there has been for forty years - in fact since the Beveridge report. Each of the reviews has as its objective to identify the needs which should be met and to consider how, within the resources which can be made available, those needs can most sensibly be provided for.

That is a central theme, but the arrangements for each review will be for its leader to determine. They will, however, all involve people from outside Government to help bring fresh insights to bear. And I expect them to follow the lead of the Inquiry into Provision for Retirement by seeking a public input. I have asked the leaders of each of the reviews to aim to report their conclusions to me on the way forward by the end of this year.

30 MAR 1964

