

PRIME MINISTER

PES 1987: SOCIAL SECURITY SAVINGS

John Moore's letter to the Chief Secretary below sets out proposals for meeting commitments to find social security savings.

He has two main proposals.

First, he would like to introduce a common earnings rule of £100 for pensioners and widows. This would be welcome to pensioners whose existing earnings rule is set at £75.

However, there is at present no earnings rule for widows and some 60,000, mainly childless, would be affected. The saving would be some £90 million in 1990/91.

This would be very controversial and would go against your own wish to abolish the earnings rule. Against this, it would not be welcome either to the DHSS or to the Treasury for you to rule out a possible source of savings, particularly after your ruling against removing the 25p addition for over 80s.

Do you wish to intervene?

Yes. We cannot introduce an earnings rule for widows. It would be a retrograde step. And we should not get it through the House.

The other proposal is to lower from 60 to 55 the age at which occupational pensions over £35 are offset £1 for £1 against unemployment benefit. This is not likely to be nearly so controversial, but you might ask that it should also be discussed with Mr. Fowler before being put to a wider group of colleagues.

Agree?

Yes not

Dh

(DAVID NORGROVE)

1 September 1987

I remember the relief on all sides of the House when it was abolished.