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From the Secretary of State for Social Services

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
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SURVEY: SOCIAL SECURITY: OUTSTANDING COMMITMENTS

Thank you for your letter of 7 September.

I have re-examined the scope for savings in my programme in the light of the Prime Minister's view that the Government should not seek to introduce an earnings rule for widows.

I propose to meet the £8 million shortfall in 1988/89 by bringing forward to January 1989 the date of implementation of the proposal to offset occupational pensions against unemployment benefit for people aged 55-60. This would provide precisely the sum required. This costing - and those in my letter of 21 August - are based on the assumption that the offset would only apply to new claimants. I am told that when the offset was introduced for 60-65 year olds in 1981, it was applied to all claimants, with no transitional protection. I would be prepared to follow this precedent, with additional savings of £7m in 1988-89 and £31m in 1989-90. As suggested by the Prime Minister, I have written to Norman Fowler to seek his views on these proposals.

This leaves a further £44m of savings in 1989-90. I would be prepared to find this sum from within the provision for uprating child benefit in April 1989. I am sure it would not be sensible to reach any final decisions on that uprating until we have a clearer view on some of the wider survey issues we have been discussing, but for the moment I hope you will agree to regard these proposals as fulfilling my inherited obligations.

I am copying this letter to the Prime Minister and the Lord President.

JOHN MOORE

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